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

FORM 10-Q

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

For the quarterly period ended June 30, 2017
or

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

Commission File Number : 001-35803

Mallinckrodt public limited company

(Exact name of registrant as specified in its charter)

Ireland	**98-1088325**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

3 Lotus Park, The Causeway, Staines-Upon-Thames,
Surrey TW18 3AG, United Kingdom
(Address of principal executive offices) (Zip Code)

Telephone: +44 017 8463 6700
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer	**x**		Accelerated filer	**o**
Non-accelerated filer	**o**	(Do not check if smaller reporting company)	Smaller reporting company	**o**
			Emerging growth company	**o**

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

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

Indicate number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
Ordinary shares, $0.20 par value - 97,178,768 shares as of August 4, 2017

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MALLINCKRODT PLC
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in millions, except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
Net sales	$ 824.5	$ 866.6	$ 1,635.4	$ 1,682.4
Cost of sales	408.4	377.8	800.7	768.5
Gross profit	416.1	488.8	834.7	913.9
Selling, general and administrative expenses	232.1	224.9	540.2	434.2
Research and development expenses	69.2	74.8	131.4	132.9
Restructuring charges, net	0.6	14.0	17.8	22.4
Non-restructuring impairment charges	—	—	—	16.9
Losses (gains) on divestiture and license	2.1	—	(57.0)	—
Operating income	112.1	175.1	202.3	307.5
Interest expense	(92.2)	(95.6)	(186.4)	(192.8)
Interest income	0.6	0.4	1.5	0.6
Other income (expense), net	10.0	(1.3)	2.5	(2.0)
Income from continuing operations before income taxes	30.5	78.6	19.9	113.3
Income tax benefit	(40.1)	(98.1)	(79.6)	(161.9)
Income from continuing operations	70.6	176.7	99.5	275.2
(Loss) income from discontinued operations, net of income taxes	(7.8)	22.6	362.5	42.4
Net income	$ 62.8	$ 199.3	$ 462.0	$ 317.6
Basic earnings per share (Note 7):				
Income from continuing operations	$ 0.72	$ 1.63	$ 0.99	$ 2.50
(Loss) income from discontinued operations	(0.08)	0.21	3.59	0.39
Net income	$ 0.64	$ 1.84	$ 4.58	$ 2.89
Basic weighted-average shares outstanding	98.5	108.6	100.9	109.9
Diluted earnings per share (Note 7):				
Income from continuing operations	$ 0.72	$ 1.62	$ 0.98	$ 2.48
(Loss) income from discontinued operations	(0.08)	0.21	3.58	0.38
Net income	$ 0.64	$ 1.82	$ 4.57	$ 2.87
Diluted weighted-average shares outstanding	98.7	109.4	101.2	110.8

See Notes to Condensed Consolidated Financial Statements.

MALLINCKRODT PLC
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in millions)

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 24, 2016**	**June 30, 2017**	**June 24, 2016**
Net income	$ 62.8	$ 199.3	$ 462.0	$ 317.6
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	5.0	(1.2)	7.4	7.6
Unrecognized gain on derivatives, net of ($0.2), $-, ($0.2) and $- tax	0.4	0.2	0.6	0.4
Unrecognized (loss) gain on benefit plans, net of $-, ($0.3), ($31.4) and $5.1 tax	(0.7)	0.4	45.9	(8.4)
Unrecognized (loss) gain on investments, net of $-, $-, $- and $- tax	(2.8)	—	10.6	—
Total other comprehensive income (loss), net of tax	1.9	(0.6)	64.5	(0.4)
Comprehensive Income	$ 64.7	$ 198.7	$ 526.5	$ 317.2

See Notes to Condensed Consolidated Financial Statements.

MALLINCKRODT PLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in millions, except share data)

	June 30, 2017	December 30, 2016
Assets		
Current Assets:		
Cash and cash equivalents	$ 330.2	$ 342.0
Accounts receivable, less allowance for doubtful accounts of $4.0 and $4.0	482.1	431.0
Inventories	339.4	350.7
Prepaid expenses and other current assets	134.0	131.9
Notes receivable	154.0	—
Current assets held for sale	—	310.9
Total current assets	1,439.7	1,566.5
Property, plant and equipment, net	940.7	881.5
Goodwill	3,446.2	3,498.1
Intangible assets, net	8,604.7	9,000.5
Other assets	189.9	259.7
Total Assets	$ 14,621.2	$ 15,206.3
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	$ 519.4	$ 271.2
Accounts payable	113.9	112.1
Accrued payroll and payroll-related costs	92.8	76.1
Accrued interest	54.1	68.7
Income taxes payable	122.0	101.7
Accrued and other current liabilities	460.2	557.1
Current liabilities held for sale	—	120.3
Total current liabilities	1,362.4	1,307.2
Long-term debt	5,338.5	5,880.8
Pension and postretirement benefits	67.7	136.4
Environmental liabilities	73.6	73.0
Deferred income taxes	2,254.4	2,398.1
Other income tax liabilities	67.5	70.4
Other liabilities	361.1	356.1
Total Liabilities	9,525.2	10,222.0
Shareholders' Equity:		
Preferred shares, $0.20 par value, 500,000,000 authorized; none issued and outstanding	—	—
Ordinary A shares, €1.00 par value, 40,000 authorized; none issued and outstanding	—	—
Ordinary shares, $0.20 par value, 500,000,000 authorized; 118,646,325 and 118,182,944 issued; 97,138,549 and 104,667,545 outstanding	23.7	23.6
Ordinary shares held in treasury at cost, 21,507,776 and 13,515,399	(1,296.9)	(919.8)
Additional paid-in capital	5,459.7	5,424.0
Retained earnings	917.5	529.0
Accumulated other comprehensive loss	(8.0)	(72.5)
Total Shareholders' Equity	5,096.0	4,984.3
Total Liabilities and Shareholders' Equity	$ 14,621.2	$ 15,206.3

See Notes to Condensed Consolidated Financial Statements.

MALLINCKRODT PLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Six Months Ended	
	June 30, 2017	**June 24, 2016**
Cash Flows From Operating Activities:		
Net income	$ 462.0	$ 317.6
Adjustments to reconcile net cash from operating activities:		
Depreciation and amortization	406.0	419.0
Share-based compensation	31.8	22.1
Deferred income taxes	(157.6)	(215.4)
Non-cash impairment charges	—	16.9
Gain on divestitures	(419.1)	(2.1)
Other non-cash items	32.4	18.6
Changes in assets and liabilities, net of the effects of acquisitions:		
Accounts receivable, net	(52.6)	(17.2)
Inventories	(8.5)	8.0
Accounts payable	(10.7)	4.4
Income taxes	12.5	58.4
Other	(73.7)	52.7
Net cash from operating activities	222.5	683.0
Cash Flows From Investing Activities:		
Capital expenditures	(101.6)	(84.5)
Acquisitions and intangibles, net of cash acquired	—	(169.5)
Proceeds from divestitures, net of cash	576.9	3.0
Other	(9.9)	4.6
Net cash from investing activities	465.4	(246.4)
Cash Flows From Financing Activities:		
Issuance of external debt	40.0	36.3
Repayment of external debt and capital leases	(332.8)	(177.5)
Debt financing costs	(13.0)	—
Proceeds from exercise of share options	3.9	4.9
Repurchase of shares	(380.8)	(326.6)
Other	(19.5)	(23.0)
Net cash from financing activities	(702.2)	(485.9)
Effect of currency rate changes on cash	1.6	2.1
Net change in cash, cash equivalents and restricted cash	(12.7)	(47.2)
Cash, cash equivalents and restricted cash at beginning of period	361.1	588.4
Cash, cash equivalents and restricted cash at end of period	$ 348.4	$ 541.2
Cash and cash equivalents at end of period	$ 330.2	$ 521.9
Restricted cash included in prepaid expenses and other current assets at end of period	—	0.3
Restricted cash included in other assets at end of period	18.2	19.0
Cash, cash equivalents and restricted cash at end of period	$ 348.4	$ 541.2

See Notes to Condensed Consolidated Financial Statements.

MALLINCKRODT PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, in millions)

	Ordinary Shares		Treasury Shares					
	Number	Par Value	Number	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 30, 2016	118.2	$ 23.6	13.5	$ (919.8)	$ 5,424.0	$ 529.0	$ (72.5)	$ 4,984.3
Impact of accounting standard adoptions	—	—	—	—	—	(72.1)	—	(72.1)
Net income	—	—	—	—	—	462.0	—	462.0
Currency translation adjustments	—	—	—	—	—	—	7.4	7.4
Change in derivatives, net of tax	—	—	—	—	—	—	0.6	0.6
Unrecognized gain on benefit plans	—	—	—	—	—	—	45.9	45.9
Unrecognized gain on investments	—	—	—	—	—	—	10.6	10.6
Share options exercised	0.1	—	—	—	3.9	—	—	3.9
Vesting of restricted shares	0.3	0.1	—	(4.5)	—	—	—	(4.4)
Share-based compensation	—	—	—	—	31.8	—	—	31.8
Reissuance of treasury shares	—	—	—	3.7	—	(1.4)	—	2.3
Repurchase of shares	—	—	8.0	(376.3)	—	—	—	(376.3)
Balance at June 30, 2017	118.6	$ 23.7	21.5	$ (1,296.9)	$ 5,459.7	$ 917.5	$ (8.0)	$ 5,096.0

See Notes to Condensed Consolidated Financial Statements.

1. Background and Basis of Presentation

Background

Mallinckrodt plc and its subsidiaries (collectively, "Mallinckrodt" or "the Company"), is a global business that develops, manufactures, markets and distributes specialty pharmaceutical products and therapies. Areas of focus include autoimmune and rare diseases in specialty areas like neurology, rheumatology, nephrology, pulmonology and ophthalmology; immunotherapy and neonatal respiratory critical care therapies; and analgesics and hemostasis products.

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

- *Specialty Brands* includes branded medicines; and
- *Specialty Generics* includes specialty generic drugs, active pharmaceutical ingredients ("API") and external manufacturing.

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

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in U.S. Dollars and in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of net sales and expenses. Actual results may differ from those estimates. The unaudited condensed consolidated financial statements include the accounts of 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 unaudited condensed consolidated financial statements up to the date of disposal and, where appropriate, these operations have been reflected as discontinued operations. Divestitures of product lines and businesses that did not qualify as discontinued operations have been reflected in operating income. 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 interim results reported. The December 30, 2016 balance sheet data was derived from the unaudited condensed consolidated financial statements, but does not include all of the annual disclosures required by GAAP; accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated and combined financial statements included in its Annual Report on Form 10-K for the period ended September 30, 2016, filed with the U.S. Securities and Exchange Commission ("SEC") on November 29, 2016.

The Company completed the sale of its Nuclear Imaging business on January 27, 2017. As a result, prior year balances have been recast to present the financial results of this business as a discontinued operation.

Fiscal Year

The Company historically reported its results based on a "52-53 week" year ending on the last Friday of September. On May 17, 2016, the Board of Directors of the Company approved a change in the Company’s fiscal year end to the last Friday in December from the last Friday in September. The change in fiscal year became effective for the Company’s 2017 fiscal year, which began on December 31, 2016 and will end on December 29, 2017. As a result of the change in fiscal year end, the Company filed a Transition Report on Form 10-Q on February 7, 2017 covering the period from October 1, 2016 through December 30, 2016. Unless otherwise indicated, the three and six months ended June 30, 2017 refers to the thirteen and twenty-six week period ended June 30, 2017 and the three and six months ended June 24, 2016 refers to the thirteen and twenty-six week period ended June 24, 2016.

2. Recently Issued Accounting Standards

Adopted

The Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2017-04, "Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment," in January 2017. This update eliminates step 2 from the goodwill impairment test, and requires the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company early adopted this standard in fiscal 2017, which did not have a material impact to the unaudited condensed consolidated financial statements. The Company will apply this standard to prospective goodwill impairment tests.

The FASB issued ASU 2016-16, "Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory," in October 2016. This update simplifies the practice of 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 Company early adopted this standard in fiscal 2017, which resulted in a $75.0 million decrease to beginning retained earnings with an offsetting decrease of $67.2 million to other assets and a $7.8 million decrease to prepaid expenses on its unaudited condensed consolidated balance sheet. The prior periods were not restated.

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 Company early adopted these standards in fiscal 2017 and revised the prior year statement of cash flow. The adoption of ASU 2016-18, regarding presentation of restricted cash, increased the net cash used in investing activities during the six months ended June 24, 2016 by $47.2 million. The adoption of ASU 2016-15, regarding the other targeted clarifications, did not result in any material changes to the unaudited condensed consolidated financial statements.

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. The Company adopted this guidance in fiscal 2017, which resulted in a $2.9 million increase to beginning retained earnings to recognize net operating loss carryforwards, net of a valuation allowance, attributable to excess tax benefits on stock compensation that had not been previously recognized in additional paid-in capital.

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. The Company adopted this standard in fiscal 2017, which did not have any impact on historical acquisitions.

The FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," in July 2015. The issuance of this update is part of the FASB's initiative to more closely align the measurement of inventory between GAAP and International Financial Reporting Standards ("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 Company adopted this standard in fiscal 2017, which did not have a material impact to the unaudited condensed consolidated financial statements.

Not Yet Adopted

The FASB issued ASU 2017-09, "Compensation - Stock Compensation: Scope of Modification Accounting," in May 2017. Under the new guidance, the effects of a modification should be accounted for unless all of the following are met: (1) the fair value or calculated intrinsic value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. This guidance is effective for the Company in the first quarter of fiscal 2018. The Company is assessing the timing of adoption and the impact of future modifications to the unaudited condensed consolidated financial statements.

The FASB issued ASU 2017-07, "Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post Retirement Benefit Cost," in March 2017. This update requires that the service cost component be disaggregated from the other components of net benefit cost. Service cost should be reported in the same line item or items as other compensation costs arising from services rendered by pertinent employees during the period. The other components of net benefit cost should be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance is effective for the Company in the first quarter of fiscal 2018. The Company expects the impact of this guidance to be immaterial to the unaudited condensed consolidated financial statements upon adoption.

The FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," in January 2017. This update provides a screen to determine whether or not a set of assets is a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set of assets is not a business. If the screen is not met, the amendments in this update (1) require that to be considered a business, a set of assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. This guidance is effective for the Company in the first quarter of fiscal 2018. Early adoption is permitted for transactions not previously reported in the Company's consolidated financial statements. The Company is assessing the timing of adoption and impact of this guidance on future transactions.

The FASB issued ASU 2014-09, "Revenue from Contracts with Customers," in May 2014. The issuance of ASU 2014-09 and IFRS 15, "Revenue from Contracts with Customers," completes the joint effort by the FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and to develop a common revenue standard for 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(s); (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract(s); and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance is effective for the Company in the first quarter of fiscal year 2018. The FASB subsequently issued additional ASUs to clarify the guidance in 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 Company has completed its assessment of certain customer arrangements and has preliminarily assessed certain other customer arrangements based on the nature of its business; and as of this time, the Company does not anticipate a significant impact upon adoption. However, the assessment is ongoing and a more detailed analysis of contracts subject to the preliminary assessment or review of additional contracts may identify a more significant impact. The Company currently expects, in part due to the limited anticipated impact, that it will utilize the modified retrospective transition approach of adopting the ASU.

The Company's status of various ASUs are further described within the notes to the financial statements included within the Company's Annual Report filed on Form 10-K for the fiscal year ended September 30, 2016.

3. Discontinued Operations and Divestitures

Discontinued Operations

Nuclear Imaging: On January 27, 2017, the Company completed the sale of its Nuclear Imaging business to IBA Molecular ("IBAM") for approximately $690.0 million before tax impacts, including up-front consideration of approximately $574.0 million, up to $77.0 million of contingent consideration and the assumption of certain liabilities. The Company recorded a pre-tax gain on the sale of the Nuclear Imaging business of $363.4 million during the six months ended June 30, 2017, which excluded any potential proceeds from the contingent consideration and reflects a charge of $5.9 million during the three months ended June 30, 2017 primarily as a result of ongoing working capital adjustments associated with the purchase agreement.

The following table summarizes the financial results of the Nuclear Imaging business presented in the unaudited condensed consolidated statements of income:

	Three Months Ended		Six Months Ended	
Major line items constituting income from discontinued operations	**June 30, 2017**	**June 24, 2016**	**June 30, 2017**	**June 24, 2016**
Net sales	$ —	$ 104.0	$ 31.6	$ 206.2
Cost of sales	—	51.5	15.6	99.2
Selling, general and administrative expenses	—	23.5	7.8	45.4
Restructuring charges, net	—	0.1	—	0.4
Other	—	1.1	(0.2)	1.4
Income from discontinued operations	—	27.8	8.4	59.8
(Loss) gain on divestiture of discontinued operations	(5.9)	—	363.4	—
(Loss) income from discontinued operations, before income taxes	(5.9)	27.8	371.8	59.8
Income tax (benefit) expense	(0.1)	8.8	5.3	19.0
(Loss) income from discontinued operations, net of income taxes	$ (5.8)	$ 19.0	$ 366.5	$ 40.8

During the three months ended June 30, 2017 there was income tax benefit of $0.1 million associated with the $5.9 million loss recognized on divestiture. During the six months ended June 30, 2017, there was income tax expense of $1.0 million associated with the $363.4 million gain on divestiture and a $4.3 million income tax expense associated with the $8.4 million income from discontinued operations. The tax impact of the gain recognized on divestiture was favorably impacted by a benefit from permanently deductible items.

The following table summarizes the assets and liabilities of the Nuclear Imaging business that are classified as held for sale on the unaudited condensed consolidated balance sheets:

	June 30, 2017	December 30, 2016
Carrying amounts of major classes of assets included as part of discontinued operations		
Accounts receivable	$ —	$ 49.6
Inventories	—	20.0
Property, plant and equipment, net	—	188.7
Other current and non-current assets	—	52.6
Total assets classified as held for sale in the balance sheet	$ —	$ 310.9
Carrying amounts of major classes of liabilities included as part of discontinued operations		
Accounts payable	$ —	$ 19.7
Other current and non-current liabilities	—	100.6
Total liabilities classified as held for sale in the balance sheet	$ —	$ 120.3

The following table summarizes significant cash and non-cash transactions of the Nuclear Imaging business that are included within the unaudited condensed consolidated statements of cash flows for the respective periods:

	Three Months Ended		Six Months Ended	
	June 30, 2017	**June 24, 2016**	**June 30, 2017**	**June 24, 2016**
Depreciation	$ —	$ 5.0	$ —	$ 9.8
Capital expenditures	—	1.2	0.3	3.8

All other notes to the unaudited condensed consolidated financial statements that were impacted by this discontinued operation have been reclassified accordingly.

CMDS: On November 27, 2015, the Company completed the sale of its contrast media and delivery systems ("CMDS") business to Guerbet S.A. ("Guerbet") for cash consideration of approximately $270.0 million, subject to net working capital adjustments. During the three months ended June 24, 2016, the Company had $0.7 million of net sales and a gain on the sale of business of $1.7 million, with no related income tax effect. During the six months ended June 24, 2016, the Company had $1.8 million of net sales, a $0.2 million income tax benefit and no income (loss), net of tax. All activity related to the CMDS business has been reported in discontinued operations.

Divestitures

On January 30, 2017, the Company announced that it had entered into a definitive agreement to sell its Intrathecal Therapy business to Piramal Enterprises Limited's subsidiary in the United Kingdom ("U.K."), Piramal Critical Care ("Piramal"), for approximately $203.0 million, including fixed consideration of $171.0 million and contingent consideration of up to $32.0 million. The $171.0 million of fixed consideration consisted of $17.0 million received at closing and a $154.0 million note receivable that is due one year from the transaction closing date. The transaction was completed on March 17, 2017. The Company recorded a pre-tax gain on the sale of the business of $57.0 million during the six months ended June 30, 2017, which excluded any potential proceeds from the contingent consideration and reflects a post-sale adjustment of $2.1 million during the three months ended June 30, 2017. The financial results of the Intrathecal Therapy business are presented within continuing operations as this divestiture did not meet the criteria for discontinued operations classification.

As part of the divestiture and calculation of the gain, the Company wrote off intangible assets of $48.7 million and goodwill of $49.8 million, from the Specialty Brands segment, ascribed to the Intrathecal Therapy business. The Company is committed to reimburse up to $7.3 million of product development expenses incurred by Piramal. The remaining items included in the gain calculation are attributable to inventory transferred and transaction costs incurred by the Company.

4. Acquisitions, License Agreements and Other Investments

The Company did not have any acquisitions during the six months ended June 30, 2017. The Company had acquisitions in prior periods that may affect the comparability of the unaudited condensed consolidated statements of income in this Quarterly Report on Form 10-Q. During the three months ended June 30, 2017 and June 24, 2016, the Company recognized $2.9 million and $2.6 million, respectively, of expense primarily associated with fair value adjustments of acquired inventory. During the six months ended June 30, 2017 and June 24, 2016, the Company recognized $5.9 million and $4.7 million, respectively, of expense primarily associated with fair value adjustments of acquired inventory. The amount of acquisition-related costs included within operating income for the three and six months ended June 30, 2017 was $1.1 million. The amount of acquisition-related costs included within operating income for the three and six months ended June 24, 2016 was $0.1 million and $2.0 million, respectively.

The Company's acquisitions and license agreements are described further within the notes to the financial statements included within the Company's Annual Report filed on Form 10-K for the fiscal year ended September 30, 2016.

Hemostasis Products

On February 1, 2016, the Company 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 with cash on hand.

Licenses and Other Investments

In January 2017, $21.5 million of consideration was remitted to Mesoblast Limited ("Mesoblast") in exchange for equity shares and rights to a nine month exclusivity period related to any potential commercial and development agreements the Company may enter into for Mesoblast's therapy products used to treat acute graft versus host disease and/or chronic low back pain. As a result of this transaction the Company recorded an available for sale investment of $19.7 million included within prepaid and other current assets and an intangible asset of $1.8 million, which is being amortized over the nine month exclusivity period, in the unaudited condensed consolidated balance sheet.

5. Restructuring and Related Charges

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 the Company's cost structure as it continues to transform the 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. In addition to the 2016 Mallinckrodt Program, the Company takes certain restructuring actions to generate synergies from its acquisitions.

Net restructuring and related charges by segment are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
Specialty Brands	$ 0.3	$ 8.8	$ 9.5	$ 16.8
Specialty Generics	0.5	1.0	7.9	1.6
Corporate	0.7	5.4	2.8	6.9
Restructuring and related charges, net	1.5	15.2	20.2	25.3
Less: accelerated depreciation	(0.9)	(1.2)	(2.4)	(2.9)
Restructuring charges, net	$ 0.6	$ 14.0	$ 17.8	$ 22.4

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
2016 Mallinckrodt Program	$ 1.5	$ —	$ 20.2	$ —
2013 Mallinckrodt Program	—	14.3	—	22.4
Acquisitions	—	0.9	—	2.9
Total	1.5	15.2	20.2	25.3
Less: non-cash charges, including accelerated share-based compensation expense	(0.9)	(1.2)	(2.4)	(2.9)
Total charges expected to be settled in cash	$ 0.6	$ 14.0	$ 17.8	$ 22.4

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

	2016 Mallinckrodt Program	2013 Mallinckrodt Program	Acquisitions	Total
Balance at December 30, 2016	$ 9.5	$ 5.1	$ 0.2	$ 14.8
Charges	18.5	—	—	18.5
Changes in estimate	(0.7)	—	—	(0.7)
Cash payments	(14.4)	(3.6)	(0.2)	(18.2)
Reclassifications	(0.3)	0.3	—	—
Balance at June 30, 2017	$ 12.6	$ 1.8	$ —	$ 14.4

Net restructuring and related charges, including associated asset impairments, incurred cumulative-to-date related to the 2016 Mallinckrodt Program was as follows:

	2016 Mallinckrodt Program
Specialty Brands	$ 16.7
Specialty Generics	9.2
Corporate	7.8
	$ 33.7

Substantially all of the restructuring reserves were included in accrued and other current liabilities on the Company's unaudited condensed consolidated balance sheets.

6. Income Taxes

The Company recognized an income tax benefit of $40.1 million on income from continuing operations before income taxes of $30.5 million for the three months ended June 30, 2017 and an income tax benefit of $98.1 million on income from continuing operations before income taxes of $78.6 million for the three months ended June 24, 2016. This resulted in effective tax rates of negative 131.5% and negative 124.8% for the three months ended June 30, 2017 and June 24, 2016, respectively. The income tax benefit for the three months ended June 30, 2017 is comprised of $44.7 million of current tax expense and $84.8 million of deferred tax benefit which is predominantly related to acquired intangible assets. The income tax benefit for the three months ended June 24, 2016 is comprised of $1.8 million of current tax expense and $99.9 million of deferred tax benefit which is predominantly related to acquired intangible assets.

The Company recognized an income tax benefit of $79.6 million on income from continuing operations before income taxes of $19.9 million for the six months ended June 30, 2017 and an income tax benefit of $161.9 million on income from continuing operations before income taxes of $113.3 million for the six months ended June 24, 2016. This resulted in effective tax rates of negative 400.0% and negative 142.9% for the six months ended June 30, 2017 and June 24, 2016, respectively. The income tax benefit for the six months ended June 30, 2017 is comprised of $80.6 million of current tax expense and $160.2 million of deferred tax benefit. The net deferred tax benefit of $160.2 million includes $187.4 million of deferred tax benefit which is predominantly related to acquired intangible assets offset by $27.2 million of deferred tax expense related to utilization of tax attributes. The income tax benefit for the six months ended June 24, 2016 is comprised of $48.0 million of current tax expense and $209.9 million of deferred tax benefit which is predominantly related to acquired intangible assets.

The effective tax rate for the three months ended June 30, 2017, as compared with the three months ended June 24, 2016 decreased by 6.7 percentage points. Included within this net decrease was a 33.1 percentage point decrease primarily attributable to diminutive income from continuing operations before taxes for the three months ended June 30, 2017 as compared with the three months ended June 24, 2016. Also within this decrease was an 8.5 percentage point decrease attributable to changes in operating income which resulted in more income in lower tax rate jurisdictions and less income in the higher tax rate U.S. jurisdiction. The remaining 34.9 percentage point increase was related to the tax benefit of a U.K. tax credit on a dividend between affiliates, which occurred within the three months ended June 24, 2016.

The effective tax rate for the six months ended June 30, 2017, as compared with the six months ended June 24, 2016 decreased by 257.1 percentage points. Included within this net decrease was a 274.0 percentage point decrease primarily attributable to diminutive income from continuing operations before taxes for the six months ended June 30, 2017 as compared with the six months ended June 24, 2016. Also within this decrease was a 15.3 percentage point decrease attributable to changes in operating income which resulted in more income in lower tax rate jurisdictions and less income in the higher tax rate U.S. jurisdiction. Of the remaining 32.2 percentage point increase, a 24.2 percentage point increase is related to the tax benefit of a U.K. tax credit on a dividend between affiliates, which occurred within the three months ended June 24, 2016, and an 8.0 percentage point increase is related to the divestiture of the Intrathecal Therapy Business, which occurred during the three months ended March 31, 2017.

During the three and six months ended June 30, 2017, the Company recognized an income tax benefit of $0.1 million and income tax expense of $5.3 million, respectively associated with the Nuclear Imaging business, as discussed in Note 3, in discontinued operations within the unaudited condensed consolidated statement of income.

The Company early adopted ASU 2016-16 in the first quarter of 2017 utilizing the modified retrospective basis adoption method, with a cumulative-effect adjustment directly to retained earnings as of the beginning of the period for $75.0 million with an offsetting decrease of $67.2 million to other assets and a $7.8 million decrease to prepaid expenses on its unaudited condensed consolidated balance sheets. The prior periods were not restated.

The Company adopted ASU 2016-09 in the first quarter of 2017 and recorded an adjustment to retained earnings of $2.9 million to recognize net operating loss carryforwards, net of a valuation allowance, attributable to excess tax benefits on stock compensation that had not been previously recognized to additional paid-in capital.

The Company refined its acquisition accounting estimate associated with the measurement of its acquired Stratatech net deferred tax liabilities in the first quarter of 2017, resulting in a decrease to the acquired net deferred tax liabilities from $24.3 million to $22.1 million.

The divestiture of the Intrathecal Therapy Business was completed on March 17, 2017. This divestiture resulted in a net deferred tax liability increase of $40.3 million. Significant components of this increase include an increase of $56.5 million of deferred tax liability associated with future consideration, a decrease of $4.3 million of deferred tax asset associated with net operating losses, a decrease of $17.9 million of deferred tax liability associated with intangibles, and an increase of $2.6 million of deferred tax asset associated with committed product development.

The Company's unrecognized tax benefits, excluding interest, totaled $119.1 million at June 30, 2017 and $118.7 million at December 30, 2016. The net increase of $0.4 million primarily resulted from a net increase to current year positions of $4.1 million, net decreases from prior period tax positions of $2.0 million, and net decreases from lapse of statute of limitations of $1.7 million. If favorably settled, $117.3 million of unrecognized tax benefits at June 30, 2017 would favorably impact the effective tax rate. The total amount of accrued interest related to these obligations was $5.9 million at June 30, 2017 and $7.1 million at December 30, 2016.

It is reasonably possible that within the next twelve months, as a result of the resolution of various U.K. and non-U.K. examinations, appeals and litigation and the expiration of various statutes of limitation, that the unrecognized tax benefits will decrease by up to $18.2 million and the amount of related interest and penalties will decrease by up to $3.8 million.

7. Earnings per Share

Basic earnings per share is computed by dividing net income by the number of weighted-average shares outstanding during the period. Diluted earnings per share is 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 Company calculates the dilutive effect of outstanding restricted share units and share options on earnings per share by application of the treasury stock method.

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
Basic	98.5	108.6	100.9	109.9
Dilutive impact of restricted share units and share options	0.2	0.8	0.3	0.9
Diluted	98.7	109.4	101.2	110.8

The computation of diluted weighted-average shares outstanding for the three and six months ended June 30, 2017 excludes approximately 4.0 million and 3.6 million shares of equity awards, respectively, because the effect would have been anti-dilutive. The computation of diluted weighted-average shares outstanding for the three and six months ended June 24, 2016 excludes approximately 1.5 million and 1.4 million shares of equity awards, respectively, because the effect would have been anti-dilutive.

8. Inventories

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

	June 30, 2017	December 30, 2016
Raw materials and supplies	$ 72.5	$ 72.6
Work in process	170.6	178.4
Finished goods	96.3	99.7
	$ 339.4	$ 350.7

9. Property, Plant and Equipment

The gross carrying amount and accumulated depreciation of property, plant and equipment at the end of each period was as follows:

	June 30, 2017	December 30, 2016
Property, plant and equipment, gross	$ 1,786.6	$ 1,679.4
Less: accumulated depreciation	(845.9)	(797.9)
Property, plant and equipment, net	$ 940.7	$ 881.5

Depreciation expense for property, plant and equipment was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
Depreciation expense	$ 27.4	$ 28.3	$ 56.2	$ 60.3

10. Goodwill and Intangible Assets

The gross carrying amount and accumulated impairment of goodwill by segment at the end of each period were as follows:

	June 30, 2017		December 30, 2016	
	Gross Carrying Amount	Accumulated Impairment	Gross Carrying Amount	Accumulated Impairment
Specialty Brands	$ 3,446.2	$ —	$ 3,498.1	$ —
Specialty Generics	207.0	(207.0)	207.0	(207.0)
Total	$ 3,653.2	$ (207.0)	$ 3,705.1	$ (207.0)

During the six months ended June 30, 2017, the gross carrying value of goodwill within the Specialty Brands segment decreased by $51.9 million. The decrease was primarily attributable to the sale of the Intrathecal Therapy business to Piramal. The Company ascribed $49.8 million of goodwill to that business and it was factored into the gain on sale of the business. The remainder of the decrease was related to a purchase accounting adjustment for the Stratatech acquisition primarily attributable to changes in deferred tax balances.

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

	June 30, 2017		December 30, 2016	
	Gross Carrying Amount	Accumulated Impairment	Gross Carrying Amount	Accumulated Impairment
Amortizable:				
Completed technology	$ 9,955.6	$ 1,932.1	$ 10,028.7	$ 1,617.1
Licenses	177.1	118.4	177.1	112.7
Customer relationships	28.7	10.4	27.6	8.4
Trademarks	82.0	12.6	82.1	10.9
Other	8.6	7.9	6.7	6.7
Total	$ 10,252.0	$ 2,081.4	$ 10,322.2	$ 1,755.8
Non-Amortizable:				
Trademarks	$ 35.0		$ 35.0	
In-process research and development	399.1		399.1	
Total	$ 434.1		$ 434.1	

Intangible asset amortization expense was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
Amortization expense	$ 174.7	$ 175.8	$ 349.8	$ 350.8

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

Remainder of Fiscal 2017	$ 344.9
Fiscal 2018	686.5
Fiscal 2019	686.2
Fiscal 2020	685.9
Fiscal 2021	685.7

11. Debt

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

	June 30, 2017		December 30, 2016	
	Principal	Unamortized Discount and Debt Issuance Costs	Principal	Unamortized Discount and Debt Issuance Costs
Current maturities of long-term debt:				
Variable-rate receivable securitization	$ 200.0	$ 0.1	$ 250.0	$ 0.3
3.50% notes due April 2018	300.0	0.5	—	—
Term loan due March 2021	—	—	20.0	0.3
4.00% term loan due February 2022	1.1	—	1.0	—
Term loan due September 2024	18.7	0.3	—	—
Capital lease obligation and vendor financing agreements	0.5	—	0.8	—
Total current debt	520.3	0.9	271.8	0.6
Long-term debt:				
3.50% notes due April 2018	—	—	300.0	0.9
4.875% notes due April 2020	700.0	7.0	700.0	8.2
Term loan due March 2021	—	—	1,928.5	33.4
4.00% term loan due February 2022	5.2	—	5.5	—
9.50% debentures due May 2022	10.4	—	10.4	—
5.75% notes due August 2022	884.0	10.5	884.0	11.6
8.00% debentures due March 2023	4.4	—	4.4	—
4.75% notes due April 2023	541.5	5.1	600.0	6.1
5.625% notes due October 2023	738.0	10.5	738.0	11.4
Term loan due September 2024	1,841.7	29.4	—	—
5.50% notes due April 2025	692.1	9.6	695.0	10.2
Revolving credit facility	—	6.7	100.0	3.2
Total long-term debt	5,417.3	78.8	5,965.8	85.0
Total debt	$ 5,937.6	$ 79.7	$ 6,237.6	$ 85.6

The Company's debt instruments are further described within the notes to the financial statements included within the Company's Annual Report filed on Form 10-K for the fiscal year ended September 30, 2016.

On February 28, 2017, Mallinckrodt International Finance, S.A. ("MIFSA") and Mallinckrodt CB LLC ("MCB") refinanced the March 2014 and August 2014 term loans, both of which were due in March 2021 ("the Existing Term Loans"). The refinanced term loans had an initial aggregate principal amount of $1,865.0 million, are due in September 2024 and bear interest at LIBOR plus 2.75% ("the 2017 Term Loan"). The 2017 Term Loan requires quarterly principal amortization payments in an amount equal to 0.25% of the original principal balance of the 2017 Term Loan payable on the last day of each calendar quarter, which will commence on June 30, 2017, with the remaining balance due on September 24, 2024. The Company accounted for the term loan refinancing as a debt modification.

In conjunction with the term loan refinancing, MIFSA and MCB replaced the existing revolving credit facility of $500.0 million due in March 2019 with a $900.0 million facility that matures on February 28, 2022 ("the 2017 Revolving Credit Facility"). The 2017 Revolving Credit Facility bears interest at LIBOR plus 2.25%. The 2017 Revolving Credit Facility reduced the letter of credit provision from $150.0 million to $50.0 million. Unused commitments under the 2017 Revolving Credit Facility are subject to an annual commitment fee of 0.275%. Fees applied to outstanding letters of credit is based on the interest rate applied to borrowings. The 2017 Revolving Credit Facility added certain wholly-owned subsidiaries of the Company as borrowers, in addition to Mallinckrodt plc, MIFSA and MCB.

The 2017 Term Loan and 2017 Revolving Credit Facility (collectively "the 2017 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. subsidiaries and certain of its other subsidiaries (collectively, "the Guarantors"). The 2017 Facilities are secured by a security interest in certain assets of MIFSA, MCB and the Guarantors. The 2017 Facilities contain customary affirmative and negative covenants, which include, among other things, restrictions on the Company'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.

As a result of the 2017 Facilities financing transaction and the write-off of certain deferred financing costs associated with an $83.5 million payment on the Existing Term Loans, the Company recorded a $10.0 million charge included within the other expense line in the unaudited condensed consolidated statement of income.

As of June 30, 2017, the applicable interest rate on outstanding borrowings under the Company's revolving credit facility was approximately 3.55%, and there were no outstanding borrowings. As of June 30, 2017, the applicable interest rate on outstanding borrowings under the variable-rate receivable securitization was 2.02%, and outstanding borrowings totaled $200.0 million. At June 30, 2017, the applicable interest rate for the term loan due September 2024 was 4.05%, and outstanding borrowings totaled $1,860.4 million.

As of June 30, 2017, the Company continues to be in full compliance with the provisions and covenants associated with its debt agreements.

12. Retirement Plans

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
Service cost	$ 0.2	$ 0.4	$ 1.5	$ 0.8
Interest cost	0.4	3.5	2.1	7.0
Expected return on plan assets	—	(4.2)	(1.3)	(8.4)
Amortization of net actuarial loss	0.4	2.6	2.6	5.2
Amortization of prior service cost	0.1	—	0.2	—
Plan settlements	0.5	3.3	69.7	7.0
Net periodic benefit cost	$ 1.6	$ 5.6	$ 74.8	$ 11.6

The net periodic benefit credit for the Company's postretirement benefit plans was approximately zero for the three months ended June 30, 2017 and June 24, 2016, and for the six months ended June 30, 2017 and June 24, 2016 was approximately zero and $0.1 million, respectively.

Net periodic benefit cost for the Company's defined benefit pension plans and postretirement benefit plans was included within cost of sales; research and development; and selling, general and administrative ("SG&A") expenses on the unaudited condensed consolidated statements of income.

Pension Plan Termination

During the six months ended June 30, 2017, the Company completed the third-party settlement of remaining obligations of six defined benefit pension plans that were terminated during fiscal 2016. In conjunction with this final settlement, the Company made a $61.3 million cash contribution to the terminated plans and recognized a $69.7 million charge, included within SG&A expenses.

13. Accumulated Other Comprehensive Income

The following summarizes the change in accumulated other comprehensive income for the six months ended June 30, 2017 and June 24, 2016:

	Currency Translation	Unrecognized Gain (Loss) on Derivatives	Unrecognized Gain (Loss) on Benefit Plans	Unrecognized Gain on Equity Securities	Accumulated Other Comprehensive Income (Loss)
Balance at December 30, 2016	$ (19.5)	$ (5.7)	$ (47.3)	$ —	$ (72.5)
Other comprehensive income before reclassifications	12.1	—	5.5	10.6	28.2
Amounts reclassified from accumulated other comprehensive income	(4.7)	0.6	40.4	—	36.3
Net current period other comprehensive income	7.4	0.6	45.9	10.6	64.5
Balance at June 30, 2017	$ (12.1)	$ (5.1)	$ (1.4)	$ 10.6	$ (8.0)

	Currency Translation	Unrecognized Gain (Loss) on Derivatives	Unrecognized Gain (Loss) on Benefit Plans	Unrecognized Gain on Equity Securities	Accumulated Other Comprehensive Income (Loss)
Balance at December 25, 2015	$ (7.9)	$ (6.3)	$ (51.1)	$ —	$ (65.3)
Other comprehensive income (loss) before reclassifications	8.3	—	(15.5)	—	(7.2)
Amounts reclassified from accumulated other comprehensive income	(0.7)	0.4	7.1	—	6.8
Net current period other comprehensive income (loss)	7.6	0.4	(8.4)	—	(0.4)
Balance at June 24, 2016	$ (0.3)	$ (5.9)	$ (59.5)	$ —	$ (65.7)

The following summarizes reclassifications from accumulated other comprehensive income for the six months ended June 30, 2017 and June 24, 2016:

	Amount Reclassified from Accumulated Other Comprehensive Income		
	Six Months Ended		
	June 30, 2017	June 24, 2016	Line Item in the Unaudited Condensed Consolidated Statement of Income
Amortization and other of unrealized loss on derivatives	$ 0.8	$ 0.4	Interest expense
Income tax provision	(0.2)	—	Income tax benefit
Net of income taxes	0.6	0.4	
Amortization of pension and post-retirement benefit plans:			
Net actuarial loss	2.6	5.3	(1)
Prior service credit	(1.1)	(1.4)	(1)
Divestiture of discontinued operations	(3.1)	—	Income from discontinued operations, net of income taxes
Plan settlements	69.7	7.0	(1) Selling, general and administrative expenses
Total before tax	68.1	10.9	
Income tax provision	(27.7)	(3.8)	Income tax benefit
Net of income taxes	40.4	7.1	
Currency translation	(4.7)	(0.7)	Income from discontinued operations, net of income taxes
Total reclassifications for the period	$ 36.3	$ 6.8	

(1) These accumulated other comprehensive income components are included in the computation of net periodic benefit cost. See Note 12 for additional details.

14. Equity

Share Repurchases

On November 19, 2015, the Company's Board of Directors authorized a $500.0 million share repurchase program (the "November 2015 Program"), which was completed in the three months ended December 30, 2016. On March 16, 2016, the Company's Board of Directors authorized an additional $350.0 million share repurchase program (the "March 2016 Program"), which was completed during the three months ended March 31, 2017. On March 1, 2017, the Company's Board of Directors authorized an additional $1.0 billion share repurchase program (the "March 2017 Program"), which commenced upon the completion of the March 2016 Program. The March 2017 Program has no time limit or expiration date, and the Company currently expects to fully utilize the program.

	March 2017 Repurchase Program		March 2016 Repurchase Program		November 2015 Repurchase Program	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized repurchase amount		$ 1,000.0		$ 350.0		$ 500.0
Repurchases:						
Fiscal 2016 [1]	—	—	—	—	6,510,824	425.6
Transition Period 2016	—	—	1,501,676	84.0	1,063,337	74.4
Fiscal 2017	2,594,703	110.3	5,366,741	266.0	—	—
Remaining amount available		$ 889.7		$ —		$ —

(1) Represents the Company's historical fiscal year ending on the last Friday in September.

The Company also repurchases shares from employees in order to satisfy employee tax withholding requirements in connection with the vesting of restricted shares and share option exercises.

15. Guarantees

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

In connection with the sale of the Specialty Chemicals business (formerly known as Mallinckrodt Baker) in fiscal 2010, the Company agreed to indemnify the purchaser with respect to various matters, including certain environmental, health, safety, tax and other matters. The indemnification obligations relating to certain environmental, health and safety matters have a term of 17 years from the sale, while some of the other indemnification obligations have an indefinite term. The amount of the liability relating to all of these indemnification obligations included in other liabilities on the Company's unaudited condensed consolidated balance sheets as of June 30, 2017 and December 30, 2016 was $15.0 million and $15.1 million, respectively, of which $12.3 million and $12.4 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 June 30, 2017 and December 30, 2016. As of June 30, 2017, the maximum future payments the Company could be required to make under these indemnification obligations were $70.2 million. The Company was required to pay $30.0 million into an escrow account as collateral to the purchaser, of which $18.2 million and $19.0 million remained in restricted cash, included in long-term other assets on the unaudited condensed consolidated balance sheets at June 30, 2017 and December 30, 2016, respectively.

The Company has recorded liabilities for known indemnification obligations included as part of environmental liabilities, which are discussed in Note 16.

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

The Company was previously 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. Following the sale of the Nuclear Imaging business, the surety bond was canceled in April 2017 and the Company is no longer required to provide financial assurance to the U.S. Nuclear Regulatory Commission for that facility. As of June 30, 2017, the Company had various other letters of credit, guarantees and surety bonds totaling $28.7 million.

In addition, as part of the Company's legal separation, the Company entered into a separation and distribution agreement with Covidien plc ("Covidien"), which was subsequently acquired by Medtronic plc, and such agreement provides for cross-indemnities principally designed to place financial responsibility of the obligations and liabilities of the Company's business with the Company and financial responsibility for the obligations and liabilities of Covidien's remaining business with Covidien, among other indemnities.

16. Commitments and Contingencies

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

Governmental Proceedings

Multnomah County Lawsuit. On August 3, 2017, the County of Multnomah filed a lawsuit in Multnomah County Circuit Court in Oregon against certain prescription opioid manufacturers, including the Company, as well as distributors and healthcare providers. The lawsuit alleges the creation of a public nuisance arising from defendants' manufacturing, distribution, marketing and promotion of opioids and alleges other common law claims. Plaintiff seeks economic damages and costs. The Company intends to vigorously defend itself in this matter.

Department of Justice Subpoena. On July 26, 2017, the Company received a subpoena from the Department of Justice for documents related to the marketing and sale of the Company's opioid products.

Staubus, et al. v. Purdue Pharma, L.P., et al. On June 13, 2017, the District Attorneys General of Tennessee's First, Second and Third Judicial Districts and Baby Doe jointly filed a lawsuit in Sullivan County Circuit Court in Kingsport, Tennessee against certain prescription opioid manufacturers, including the Company. The lawsuit alleges violations of Tennessee's Drug Dealer Liability Act and public nuisance laws arising out of defendants' alleged opioid sales and marketing practices. Plaintiffs seek restitution, damages, injunctive relief and attorneys' fees and costs. The Company intends to vigorously defend itself in this matter.

SEC Subpoena. In January 2017, the Company received a subpoena from the SEC for documents related to the Company's public statements, filings and other disclosures regarding Acthar sales, profits, revenue, promotion and pricing.

Boston Subpoena. In December 2016, the Company received a subpoena from the United States Attorney's Office ("USAO") for the District of Massachusetts for documents related to the Company's provision of financial and other support to patients, including through charitable foundations, and related matters.

Texas Pricing Investigation. In November 2014, the Company received a Civil Investigative Demand ("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 Company regarding the prices of certain of its drugs used by Texas Medicaid to establish reimbursement rates for pharmacies that dispensed the Company's drugs to Texas Medicaid recipients.

Mallinckrodt Inc. v. U.S. Food and Drug Administration and United States of America. The Company 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 Company believes is the FDA's inappropriate and unlawful reclassification of the Company'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 Company asked the court to: issue an injunction to (a) set aside the FDA's reclassification of the Company'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 Company's Methylphenidate ER products in the future without following applicable legal requirements; and issue a declaratory judgment that the FDA's action reclassifying the Company's Methylphenidate ER products in the Orange Book is unlawful. The Company 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 Company's Methylphenidate ER products on a temporary basis. The court denied the Company's motion for a TRO. In December 2014, the FDA filed a motion to dismiss the Complaint with the district court. The Company 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 Company 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 the Company's Abbreviated New Drug Application ("ANDA") for Methylphenidate ER. On October 21, 2016, the United States Court of Appeals for the Fourth Circuit issued an order removing the Company'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 Company 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 granted the Company's initial request to extend the deadline to March 20, 2017, and on February 21, 2017, the FDA suspended the deadline in order to give the Center for Drug Evaluation and Research ("CDER") an opportunity to complete its production of documents. CDER shared an initial set of documents with the Company in June 2017 and is in the process of finalizing a second set of documents to share with the Company. The Company is preparing the supporting documentation for its submission and plans to vigorously set forth its position in the withdrawal proceedings.

Therakos Investigation. 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.

FTC Investigation. In June 2014, Questcor Inc. ("Questcor") received a subpoena and 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 MNK-1411 (the product formerly described as Synacthen Depot®) from Novartis AG and Novartis Pharma AG (collectively, "Novartis") violates antitrust laws. Subsequently, California, Maryland, Texas, Washington, New York and Alaska (collectively, "the Investigating States") commenced similar investigations focused on whether the transaction violates state antitrust laws. On January 17, 2017, the FTC, all Investigating States (except California) ("the Settling States") and the Company entered into an agreement to resolve this matter for a one-time cash payment of $102.0 million and an agreement to license MNK-1411 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 was approved by the court on January 30, 2017. On July 16, 2017, the Company announced the completion of the U.S. license of both the Synacthen trademark and certain intellectual property associated with MNK-1411 to West Pharmaceuticals to develop and pursue possible FDA approval of the product in IS and NS. The Company retains the right to develop MNK-1411 for all other indications in the U.S. and retains rights to the Synacthen trademark outside the U.S.

Questcor DOJ Investigation. 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 Company received a "No Action" letter from the SEC regarding its review of the Company's promotional practices related to Acthar.

DEA Investigation. In November 2011 and October 2012, the Company received subpoenas from the U.S. Drug Enforcement Administration requesting production of documents relating to its suspicious order monitoring program for controlled substances. The USAO for the Eastern District of Michigan is investigating the possibility that the Company 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 ("DEA") are investigating the possibility that the Company 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. On July 11, 2017, the Company entered into a final settlement with the DEA and the USAOs for the Eastern District of Michigan and the Northern District of New York to settle these investigations. As part of the agreement, the Company paid $35.0 million to resolve all potential claims.

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

Patent/Antitrust Litigation

Putative Class Action Litigation. On April 6, 2017, a putative class action lawsuit was filed against the Company and United BioSource Corporation ("UBC") in the U.S. District Court for the Northern District of Illinois. The case is captioned City of Rockford v. Mallinckrodt ARD, Inc., et al. The complaint purports to be brought on behalf of all self-funded entities in the U.S. and its Territories that paid for Acthar from August 2007 to the present. The lawsuit alleges that the Company engaged in anticompetitive, unfair, and deceptive acts to artificially raise and maintain the price of Acthar. To this end, the suit alleges that the Company unlawfully maintained a monopoly in a purported ACTH product market by acquiring the U.S. rights to Synacthen Depot; conspired with UBC and violated anti-racketeering laws by selling Acthar through an exclusive distributor; and committed a fraud on consumers by failing to correctly identify Acthar's active ingredient on package inserts. The Company intends to vigorously defend itself in this matter.

Inomax Patent Litigation: Praxair Distribution, Inc. and Praxair, Inc. (collectively "Praxair"). In February 2015, INO Therapeutics LLC and Ikaria, Inc., subsidiaries of the Company, 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 Company 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 Company 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 Company intends to vigorously enforce its intellectual property rights relating to Inomax in both the Inter Partes Review ("IPR") and Praxair litigation proceedings to prevent the marketing of infringing generic products prior to the expiration of the patents covering Inomax. Trial of the suit filed in February 2015 was held in March 2017 and a decision is not expected until later in 2017. An adverse outcome in 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 Company's ability to successfully maximize the value of Inomax and have an adverse effect on its financial condition, results of operations and cash flows.

Inomax Patents: IPR Proceedings. In February 2015 and March 2015, the U.S. Patent and Trademark Office ("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 Company 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 the Company 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.

Ofirmev Patent Litigation: B. Braun Medical Inc. In April 2017, Mallinckrodt Hospital Products Inc. and Mallinckrodt IP, subsidiaries of the Company, and Pharmatop, the owner of the two U.S. patents licensed exclusively by the Company, filed suit in the U.S. District Court for the District of Delaware against B. Braun Medical Inc. ("B. Braun") alleging that B. Braun infringed U.S. Patent Nos. 6,992,218 ("the '218 patent") and 9,399,012 ("the '012 patent") following receipt of a February 2017 notice from B. Braun concerning its submission of a New Drug Application ("NDA"), containing a Paragraph IV patent certification with the FDA for a competing version of Ofirmev. Following receipt of a second Paragraph IV notice letter from B. Braun on April 24, 2017 directed to the '012 patent, Mallinckrodt Hospital Products Inc. and Mallinckrodt IP filed suit in June 2017 in the U.S. District Court for the District of Delaware against B. Braun alleging that B. Braun infringed the '012 patent and U.S. 9,610,265 ("the '265 patent"). In both instances, a protective suit was filed in the U.S. District Court for the Eastern District of Pennsylvania to protect the 30-month stay against any venue challenge in Delaware. In July 2017, B. Braun filed motions to dismiss both actions in Delaware due to improper venue based on the recent U.S. Supreme Court *TC Heartland* decision on venue in patent cases, and also filed a separate motion to dismiss in the original action in Pennsylvania. Following receipt of a third Paragraph IV notice letter from B. Braun on July 13, 2017 that included a certification to the '265 patent, amended complaints were filed in July 2017 in the U.S. District Courts for the Districts of Delaware and Eastern District of Pennsylvania by Mallinckrodt Hospital Products Inc., Mallinckrodt IP and Pharmatop. Also in July 2017, Mallinckrodt Hospital Products Inc., Mallinckrodt IP and Pharmatop filed a motion to stay the action in the Eastern District of Pennsylvania.

Ofirmev Patent Litigation: Agila Specialties Private Limited, Inc. (now Mylan Laboratories Ltd.) and Agila Specialties Inc. (a Mylan Inc. Company), (collectively "Agila"). In December 2014, Cadence and Mallinckrodt IP, subsidiaries of the Company, and Pharmatop, the owner of the two U.S. patents licensed exclusively by the Company, filed suit in the U.S. District Court for the District of Delaware against Agila alleging that Agila infringed U.S. Patent No. 6,028,222 ("the '222 patent") and the '218 patent 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 on or after December 6, 2020, or earlier under certain circumstances.

Ofirmev Patent Litigation: InnoPharma Licensing LLC and InnoPharma, Inc. In September 2014, Cadence and Mallinckrodt IP, subsidiaries of the Company, and Pharmatop, the owner of the two U.S. patents licensed exclusively by the Company, filed suit in the U.S. District Court for the District of Delaware against InnoPharma Licensing LLC and InnoPharma, Inc. (both are subsidiaries of Pfizer and collectively "InnoPharma") alleging that InnoPharma infringed U.S. Patent No. 6,028,222 ("the '222 patent") and 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 the '012 patent. On May 4, 2017, the parties entered into settlement agreements on both suits under which InnoPharma was granted the non-exclusive right to market a competing intravenous acetaminophen product in the U.S. under its NDA on or after December 6, 2020, or earlier under certain circumstances.

The Company has successfully asserted the '222 and '218 patents and maintained their validity in both litigation and proceedings at the USPTO. The Company 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 Company's ability to successfully maximize the value of Ofirmev and have an adverse effect on its financial condition, results of operations and cash flows.

Tyco Healthcare Group LP, et al. v. Mutual Pharmaceutical Company, Inc. In March 2007, the Company filed a patent infringement suit in the U.S. District Court for the District of New Jersey against Mutual Pharmaceutical Co., Inc., et al. (collectively, "Mutual") after Mutual submitted an ANDA to the FDA seeking to sell a generic version of the Company's 7.5 mg RESTORIL™ sleep aid product. Mutual also filed antitrust and unfair competition counterclaims. The patents at issue have since expired or been found invalid. The trial court issued an opinion and order granting the Company'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 Company 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 Company's motion for summary judgment. In March 2017, the parties entered into a settlement agreement and the case was dismissed.

Commercial and Securities Litigation

Employee Stock Purchase Plan Securities Litigation. On July 20, 2017, a purported purchaser of Mallinckrodt stock through Mallinckrodt's Employee Stock Purchase Plans ("ESPPs"), filed a derivative lawsuit in the Federal District Court in the Eastern District of Missouri, captioned *Solomon v. Mallinckrodt plc, et al.*, against the Company, its Chief Executive Officer Mark C. Trudeau ("CEO") , its Chief Financial Officer Matthew K. Harbaugh ("CFO"), its Controller Kathleen A. Schaefer, and current and former directors of the Company. The complaint purports to be brought on behalf of all persons who purchased or otherwise acquired Mallinckrodt stock between November 25, 2014, and January 18, 2017, in the ESPPs. In the alternative, the plaintiff alleges a class action for those same purchasers/acquirers of stock in the ESPPs during the same period. The complaint asserts claims under Section 11 of the Securities Act, and for breach of fiduciary duty, misrepresentation, non-disclosure, mismanagement of the ESPPs' assets and breach of contract arising from substantially similar allegations as those contained in the putative class action securities litigation described in the following paragraph. The Company intends to vigorously defend itself in this matter.

Putative Class Action Securities Litigation. On January 23, 2017, a putative class action lawsuit was filed against the Company and its CEO in the U.S. District Court for the District of Columbia, captioned *Patricia A. Shenk v. Mallinckrodt plc, et al*. The complaint purports to be brought on behalf of all persons who purchased Mallinckrodt's publicly traded securities on a domestic exchange between November 25, 2014 and January 18, 2017. The lawsuit generally alleges that the Company made false or misleading statements related to Acthar and Synacthen to artificially inflate the price of the Company's stock. In particular, the complaint alleges a failure by the Company to provide accurate disclosures concerning the long-term sustainability of Acthar revenues, and the exposure of Acthar to Medicare and Medicaid reimbursement rates. On January 26, 2017, a second putative class action lawsuit, captioned *Jyotindra Patel v. Mallinckrodt plc, et al.* was filed against the same defendants named in the *Shenk* lawsuit in the U.S. District Court for the District of Columbia. The *Patel* complaint purports to be brought on behalf of shareholders during the same period of time as that set forth in the *Shenk* lawsuit and asserts claims similar to those set forth in the *Shenk* lawsuit. On March

13, 2017, a third putative class action lawsuit, captioned *Amy T. Schwartz, et al., v. Mallinckrodt plc, et al.,* was filed against the same defendants named in the *Shenk* lawsuit in the U.S. District Court for the District of Columbia. The *Schwartz* complaint purports to be brought on behalf of shareholders who purchased shares of the Company between July 14, 2014 and January 18, 2017 and asserts claims similar to those set forth in the *Shenk* lawsuit. On March 23, 2017, a fourth putative class action lawsuit, captioned *Fulton County Employees' Retirement System v. Mallinckrodt plc, et al.,* was filed against the Company and its CEO and CFO in the U.S. District Court for the District of Columbia. The *Fulton County* complaint purports to be brought on behalf of shareholders during the same period of time as that set forth in the *Schwartz* lawsuit and asserts claims similar to those set forth in the *Shenk* lawsuit. On March 27, 2017, four separate plaintiff groups moved to consolidate the pending cases and to be appointed as lead plaintiffs in the consolidated case. Since that time, two of the plaintiff groups have withdrawn their motions. The Company intends to vigorously defend itself in this matter.

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.

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*. 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*. 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's claims, inclusive of all fees and costs. Questcor and the individual defendants maintain that the plaintiffs' claims are without merit, and entered into the settlement to eliminate the uncertainties, burden and expense of further protracted litigation. During fiscal 2015, the Company 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.

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 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.

Pricing Litigation

State of Utah v. Apotex Corp., et al. The Company, 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 alleges, generally, that the defendants reported false pricing information in connection with certain drugs that are reimbursable under Utah Medicaid, resulting in overpayment by Utah Medicaid for those drugs, and is seeking monetary damages and attorneys' fees. The Company believes that it has 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 Company 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 Company is involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites, including those described below. The ultimate cost of site cleanup and timing of future cash outlays is difficult to predict, given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations and alternative cleanup methods. The Company concluded that, as of June 30, 2017, it was probable that it would incur remedial costs in the range of $38.0 million to $116.1 million. The Company also concluded that, as of June 30, 2017, the best estimate within this range was $75.9 million, of which $2.3 million was included in accrued and other current liabilities and the remainder was included in environmental liabilities on the unaudited condensed consolidated balance sheet at June 30, 2017. While it is not possible at this time to determine with certainty the ultimate outcome of these matters, the Company believes, given the information currently available, that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Coldwater Creek, Saint Louis County, Missouri. The Company is named as a defendant in numerous tort complaints with numerous plaintiffs pending in the U.S. District Court for the Eastern District of Missouri that were filed in or after February 2012. 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 Company believes that it has meritorious defenses to these complaints and is vigorously defending against them. The Company is unable to estimate a range of reasonably possible losses for the following reasons: (i) the proceedings are in intermediate stages; (ii) the Company 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. Groups 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 Company believes, given the information currently available, that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Lower Passaic River, New Jersey. The Company and approximately 70 other companies originally comprised the Lower Passaic Cooperating Parties Group ("the CPG") and are parties to a May 2007 Administrative Order on Consent ("AOC") with the Environmental Protection Agency ("EPA") to perform a remedial investigation and feasibility study ("RI/FS") of the 17-mile stretch known as the Lower Passaic River Study Area ("the River"). The Company'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, on June 18, 2012 the CPG voluntarily entered into an AOC with the EPA for remediation actions focused solely at mile 10.9 of the River. The Company'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 estimated the cost for the remediation alternatives ranged 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 Company recorded a $23.1 million accrual in the second quarter of fiscal 2014 representing the Company's 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 Company recorded an additional accrual of $13.3 million in the second quarter of fiscal 2015 based on the Company's estimate of its allocable share of the joint and several remediation liability resulting from this matter.

On November 20, 2015, the Company withdrew from the CPG, but remains liable for its obligations under the two above-referenced AOCs, as well as potential future liabilities.

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 Company, and approximately 98 other parties, of the Company’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 company, 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.

By letter dated March 30, 2017, the EPA notified the Company, limited to its former Lodi facility, and nineteen other PRPs of their eligibility to enter into a cash out settlement for the lower 8 miles of the River. In exchange for the settlement, the Company would receive, *inter alia*, a covenant not to sue and contribution protection. There is no reopener provision should costs exceed estimated amounts. The Company submitted the executed settlement agreement to EPA on July 26, 2017. The settlement will be announced in the Federal Register and be subject to public comment, after which EPA will determine whether to proceed with the settlement.

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 Company's allocable share of the remediation. Given those uncertainties, the amounts accrued may not be indicative of the amounts for which the Company may be ultimately responsible and will be refined as the remediation progresses.

Mallinckrodt Veterinary, Inc., Millsboro, Delaware. The Company previously operated a plant in Millsboro, Delaware ("the Millsboro Site") where various animal healthcare products were manufactured. 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 Company, and another former owner, have assumed responsibility for the Millsboro Site cleanup under the Alternative Superfund Program administered by the EPA. The Company 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 ("EE/CA") to characterize the nature and extent of the contamination. The Company, along with the other party, continues to conduct the studies and prepare remediation plans in accordance with the AOCs. In January 2017, the EPA issued its Action Memorandum regarding the EE/CA. The parties have negotiated a third AOC to implement the removal action. The Company submitted the executed AOC to EPA on July 26, 2017. While it is not possible at this time to determine with certainty the ultimate outcome of this matter, the Company 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.

Crab Orchard National Wildlife Refuge Superfund Site, near Marion, Illinois. The Company is a successor in interest to International Minerals and Chemicals Corporation ("IMC"). Between 1967 and 1982, IMC leased portions of the 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 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 RI/FS for the AUS Operable Unit. General Dynamics negotiated an 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 Company is jointly and severally liable, along with approximately eight other lessees and operators at the AUS Operable Unit, for alleged contamination of soils and groundwater resulting from historic operations, and has threatened to file a contribution claim against the Company and other parties for recovery of its costs incurred in connection with the RI/FS activities being conducted at the AUS Operable Unit. The Company and other PRPs who received demand letters from General Dynamics have explored settlement alternatives, but have not reached settlement to date. General Dynamics has completed the RI and initiated the FS, and the PRPs have reached an agreement to enter into a non-binding mediation process, which has begun. While it is not possible at this time to determine with certainty the ultimate outcome of this matter, the Company believes, given the information currently available, that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Products Liability Litigation

Beginning with lawsuits brought in July 1976, the Company is named as a defendant in personal injury lawsuits based on alleged exposure to asbestos-containing materials. A majority of the cases involve product liability claims based principally on allegations of past distribution of products containing asbestos. A limited number of the cases allege premises liability based on claims that individuals were exposed to asbestos while on the Company's property. Each case typically names dozens of corporate defendants in addition to the Company. The complaints generally seek monetary damages for personal injury or bodily injury resulting from alleged exposure to products containing asbestos. The Company's involvement in asbestos cases has been limited because it did not mine or produce asbestos. Furthermore, in the Company's experience, a large percentage of these claims have never been substantiated and have been dismissed by the courts. The Company has not suffered an adverse verdict in a trial court proceeding related to asbestos claims and intends to continue to vigorously defend itself in these matters. When appropriate, the Company settles claims; however, amounts paid to settle and defend all asbestos claims have been immaterial. As of June 30, 2017, there were approximately 11,600 asbestos-related cases pending against the Company.

The Company estimates pending asbestos claims and claims that were incurred but not reported and related insurance recoveries, which are recorded on a gross basis in the unaudited condensed consolidated balance sheets. The Company's estimate of its liability for pending and future claims is based on claims experience over the past five years and covers claims either currently filed or expected to be filed over the next seven years. The Company believes that it has adequate amounts recorded related to these matters. While it is not possible at this time to determine with certainty the ultimate outcome of these asbestos-related proceedings, the Company believes, given the information currently available, that the ultimate resolutions 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.

Industrial Revenue Bonds

Through June 30, 2017, the Company exchanged title to $16.0 million of its plant assets in return for an equal amount of Industrial Revenue Bonds ("IRB") issued by Saint Louis County. The Company 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 Company 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 obligations and IRB assets are recorded net in the unaudited condensed consolidated balance sheets. The Company expects that the right of offset will be applied to payments required under these arrangements.

Interest Bearing Deferred Tax Obligation

As part of the integration of Questcor, the Company entered into an internal installment sale transaction related to certain Acthar intangible assets during the three months ended December 26, 2014. The installment sale transaction 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. During the three months ended December 25, 2015, the Company entered into similar transactions with certain intangible assets acquired in the acquisitions of Ikaria, Inc. and Therakos, Inc. During the three months ended March 31, 2017, the Company sold its Intrathecal Therapy business with a portion of the consideration from the sale being in the form of a note receivable subject to the installment sale provisions described above. As of June 30, 2017, the Company had an aggregate $1,781.7 million of interest bearing U.S. deferred tax liabilities associated with outstanding installment notes. The GAAP calculation of interest associated with these deferred tax liabilities is subject to variable interest rates. The Company recognized interest expense associated with the Section 453A deferred tax liabilities of $17.8 million and $18.6 million for the three months ended June 30, 2017 and June 24, 2016, respectively, and $36.2 million and $37.7 million for the six months ended June 30, 2017 and June 24, 2016, respectively.

The Company 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 Company has deferred the recognition of the benefit associated with the Company’s interpretation and maintains a corresponding liability of $38.8 million and $30.3 million as of June 30, 2017 and December 30, 2016, respectively. The balance of this liability 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 expense within the unaudited condensed consolidated statements of income.

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

17. Financial Instruments and Fair Value Measurements

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

Level 1— observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2— significant other observable inputs that are observable either directly or indirectly; and

Level 3— significant unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions.

The following tables provide a summary of the significant assets and liabilities that are measured at fair value on a recurring basis at the end of each period:

	June 30, 2017	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	$ 32.6	$ 21.5	$ 11.1	$ —
Equity securities	31.9	31.9	—	—
Foreign exchange forward and option contracts	0.6	0.6	—	—
	$ 65.1	$ 54.0	$ 11.1	$ —
Liabilities:				
Deferred compensation liabilities	$ 35.1	$ —	$ 35.1	$ —
Contingent consideration and acquired contingent liabilities	228.4	—	—	228.4
Foreign exchange forward and option contracts	0.3	0.3	—	—
	$ 263.8	$ 0.3	$ 35.1	$ 228.4

	December 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	$ 33.6	$ 22.8	$ 10.8	$ —
Foreign exchange forward and option contracts	0.7	0.7	—	—
	$ 34.3	$ 23.5	$ 10.8	$ —
Liabilities:				
Deferred compensation liabilities	$ 32.5	$ —	$ 32.5	$ —
Contingent consideration and acquired contingent liabilities	250.5	—	—	250.5
Foreign exchange forward and option contracts	3.4	3.4	—	—
	$ 286.4	$ 3.4	$ 32.5	$ 250.5

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

Equity securities. Equity securities consist of shares in Mesoblast, for which quoted prices are available in an active market; therefore, the investment is classified as level 1 and is valued based on quoted market prices reported on a nationally recognized securities exchange.

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

Contingent consideration and acquired contingent liabilities. The Company maintains various contingent consideration and acquired contingent liabilities associated with the acquisitions of Questcor, Hemostasis products and Stratatech.

During the six months ended June 30, 2017, the Company paid the required annual payment of $25.0 million related to the license of developmental product MNK-1411 from Novartis. The fair value of the remaining contingent payments was measured based on the net present value of a probability-weighted assessment. At June 30, 2017, the total remaining payments under the license agreement shall not exceed $140.0 million. At June 30, 2017 and December 30, 2016, the fair value of the MNK-1411 contingent liability was $103.2 million and $124.7 million, respectively.

As part of the Hemostasis Acquisition, the Company 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 Company determined the fair value of the contingent consideration and acquired contingent liabilities based on an option pricing model to be $60.5 million and $11.4 million, respectively, at June 30, 2017. The fair value of the contingent consideration and acquired contingent liabilities based on an option pricing model were $58.9 million and $11.2 million, respectively, as of December 30, 2016.

As part of the Stratatech acquisition, the Company 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 Company assesses the likelihood of and timing of making such payments. The fair value of the contingent payments was measured based on the net present value of a probability-weighted assessment. The Company determined the fair value of the contingent consideration associated with the Stratatech acquisition to be $53.3 million and $55.7 million at June 30, 2017 and December 30, 2016, respectively.

The following table provides a summary of the changes in the Company's contingent consideration and acquired contingent liabilities:

Balance at December 30, 2016	$	250.5
Payments		(25.0)
Accretion expense		2.7
Fair value adjustment		0.2
Balance at June 30, 2017	$	228.4

Financial Instruments Not Measured at Fair Value

The following methods and assumptions were used by the Company in estimating fair values for financial instruments not measured at fair value as of June 30, 2017 and December 30, 2016:

- The carrying amounts of cash and cash equivalents, accounts receivable, notes receivable, accounts payable and the majority of other current assets and liabilities approximate fair value because of their short-term nature. The Company classifies cash on hand and deposits in banks, including commercial paper, money market accounts and other investments it may hold from time to time, with an original maturity of three months or less, as cash and cash equivalents (level 1). The fair value of restricted cash was equivalent to its carrying value of $18.2 million and $19.1 million as of June 30, 2017 and December 30, 2016, (level 1), respectively, which was included in prepaid expenses and other current assets and other assets on the unaudited condensed consolidated balance sheets.
- The Company received a portion of consideration for the sale of the Intrathecal business in the form of a note receivable. The fair value of the note receivable was equivalent to its carrying value of $154.0 million as of June 30, 2017 (level 1).
- The Company entered into short-term investment certificates during the three months ended December 30, 2016. These certificates are carried at cost, which approximates fair value, of $5.0 million and $11.1 million at June 30, 2017 and December 30, 2016, respectively (level 2). These certificates are included in prepaid expenses and other current assets on the unaudited condensed consolidated balance sheets.
- The Company's life insurance contracts are carried at cash surrender value, which is based on the present value of future cash flows under the terms of the contracts (level 3). Significant assumptions used in determining the cash surrender value include the amount and timing of future cash flows, interest rates and mortality charges. The fair value of these contracts approximates the carrying value of $66.9 million and $67.6 million at June 30, 2017 and December 30, 2016, respectively. These contracts are included in other assets on the unaudited condensed consolidated balance sheets.
- The carrying value of the Company's revolving credit facility and variable-rate receivable securitization approximates fair value due to the short-term nature of these instruments. The carrying value of the 4.00% term loan approximates the fair value of the instrument, as calculated using the discounted exit price, which is therefore classified as level 3. Since the quoted market prices for the Company'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 Company'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 Company's long-term debt, excluding capital leases, as of the end of each period:

	June 30, 2017		December 30, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Variable-rate receivable securitization	$ 200.0	$ 200.0	$ 250.0	$ 250.0
3.50% notes due April 2018	300.0	300.0	300.0	298.7
4.875% notes due April 2020	700.0	681.9	700.0	699.5
Term loans due March 2021	—	—	1,948.5	1,953.2
4.00% term loan due February 2022	6.3	6.3	6.5	6.5
9.50% debentures due May 2022	10.4	11.5	10.4	12.0
5.75% notes due August 2022	884.0	830.8	884.0	850.3
8.00% debentures due March 2023	4.4	4.7	4.4	4.9
4.75% notes due April 2023	541.5	461.8	600.0	520.9
5.625% notes due October 2023	738.0	674.6	738.0	682.4
Term loan due September 2024	1,860.4	1,855.4	—	—
5.50% notes due April 2025	692.1	604.0	695.0	615.7
Revolving credit facility	—	—	100.0	100.0

Concentration of Credit and Other Risks

Financial instruments that potentially subject the Company to concentrations of credit risk primarily consist of accounts receivable. The Company does not typically require collateral from customers. A portion of the Company's accounts receivable outside the U.S. includes sales to government-owned or supported healthcare systems in several countries, which are subject to payment delays. Payment is dependent upon the financial stability and creditworthiness of those countries' national economies.

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
CuraScript, Inc.	43%	38%	39%	36%
McKesson Corporation	8%	7%	9%	10%

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

	June 30, 2017	December 30, 2016
McKesson Corporation	26 %	28 %
Amerisource Bergen Corporation	15 %	15 %
CuraScript, Inc.	18 %	15 %
Cardinal Health, Inc.	9 %	10 %

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
Acthar	39%	34%	36%	33%
Inomax	15%	14%	16%	14%

18. Segment Data

The two reportable segments are further described below:

- *Specialty Brands* includes branded medicines; and
- *Specialty Generics* includes specialty generic drugs, API and external manufacturing.

Selected information by reportable segment was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
Net sales:				
Specialty Brands	$ 594.5	$ 589.3	$ 1,151.7	$ 1,124.3
Specialty Generics	216.0	263.4	454.6	527.8
Net sales of reportable segments	810.5	852.7	1,606.3	1,652.1
Other [1]	14.0	13.9	29.1	30.3
Net sales	$ 824.5	$ 866.6	$ 1,635.4	$ 1,682.4
Operating income:				
Specialty Brands	$ 274.1	$ 302.1	$ 549.1	$ 563.0
Specialty Generics	63.3	98.1	139.5	197.0
Segment operating income	337.4	400.2	688.6	760.0
Unallocated amounts:				
Corporate and unallocated expenses [2]	(49.1)	(34.1)	(116.3)	(59.5)
Intangible asset amortization	(174.7)	(175.8)	(349.8)	(350.8)
Restructuring and related charges, net [3]	(1.5)	(15.2)	(20.2)	(25.3)
Non-restructuring impairment charges	—	—	—	(16.9)
Operating income	$ 112.1	$ 175.1	$ 202.3	$ 307.5

(1) Represents net sales under an ongoing supply agreement with the acquirer of the CMDS business.

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

(3) Includes restructuring-related accelerated depreciation.

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 24, 2016	June 30, 2017	June 24, 2016
Acthar	$ 319.4	$ 298.3	$ 591.2	$ 546.7
Inomax	125.5	121.1	253.9	236.6
Ofirmev	75.7	70.7	149.1	141.8
Therakos immunotherapy	51.2	52.5	102.4	102.7
Hemostasis products	13.5	13.9	26.6	25.3
Other	9.2	32.8	28.5	71.2
Specialty Brands	594.5	589.3	1,151.7	1,124.3
Hydrocodone (API) and hydrocodone-containing tablets	23.0	38.2	53.3	79.0
Oxycodone (API) and oxycodone-containing tablets	25.1	30.6	47.2	68.5
Methylphenidate ER	20.2	24.3	43.9	48.9
Other controlled substances	107.7	124.7	215.1	246.6
Other products	40.0	45.6	95.1	84.8
Specialty Generics	216.0	263.4	454.6	527.8
Other [1]	14.0	13.9	29.1	30.3
Net sales	$ 824.5	$ 866.6	$ 1,635.4	$ 1,682.4

(1) Represents net sales under an ongoing supply agreement with the acquirer of the CMDS business.

19. Condensed Consolidating Financial Statements

MIFSA, an indirectly 100%-owned subsidiary of Mallinckrodt plc, is the borrower under the 3.50% notes due April 2018 and the 4.75% notes due April 2023 (collectively, "the Notes"), which are fully and unconditionally guaranteed by Mallinckrodt plc. The following information provides the composition of the Company's comprehensive income, assets, liabilities, equity and cash flows by relevant group within the Company: Mallinckrodt plc as guarantor of the Notes, MIFSA as issuer of the Notes and the other subsidiaries. There are no subsidiary guarantees related to the Notes.

Set forth on the following pages are the condensed consolidating financial statements for the three and six months ended June 30, 2017 and June 24, 2016, and as of June 30, 2017 and December 30, 2016. Eliminations represent adjustments to eliminate investments in subsidiaries and intercompany balances and transactions between or among Mallinckrodt plc, MIFSA and other subsidiaries. Condensed consolidating financial information for Mallinckrodt plc and MIFSA, on a standalone basis, has been presented using the equity method of accounting for subsidiaries.

MALLINCKRODT PLC
CONDENSED CONSOLIDATING BALANCE SHEET
As of June 30, 2017
(unaudited, in millions)

	Mallinckrodt plc	Mallinckrodt International Finance S.A.	Other Subsidiaries	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	$ 0.9	$ 149.9	$ 179.4	$ —	$ 330.2
Accounts receivable, net	—	—	482.1	—	482.1
Inventories	—	—	339.4	—	339.4
Prepaid expenses and other current assets	0.4	0.4	133.2	—	134.0
Notes receivable	—	—	154.0	—	154.0
Current assets held for sale	—	—	—	—	—
Intercompany receivables	95.7	19.7	1,135.7	(1,251.1)	—
Total current assets	97.0	170.0	2,423.8	(1,251.1)	1,439.7
Property, plant and equipment, net	—	—	940.7	—	940.7
Goodwill	—	—	3,446.2	—	3,446.2
Intangible assets, net	—	—	8,604.7	—	8,604.7
Investment in subsidiaries	4,846.2	21,498.0	10,484.6	(36,828.8)	—
Intercompany loans receivable	805.2	—	4,203.7	(5,008.9)	—
Other assets	—	—	189.9	—	189.9
Total Assets	$ 5,748.4	$ 21,668.0	$ 30,293.6	$ (43,088.8)	$ 14,621.2
Liabilities and Shareholders' Equity					
Current Liabilities:					
Current maturities of long-term debt	$ —	$ 317.8	$ 201.6	$ —	$ 519.4
Accounts payable	0.1	0.9	112.9	—	113.9
Accrued payroll and payroll-related costs	—	—	92.8	—	92.8
Accrued interest	—	53.0	1.1	—	54.1
Income taxes payable	—	—	122.0	—	122.0
Accrued and other current liabilities	0.5	0.4	459.3	—	460.2
Current liabilities held for sale	—	—	—	—	—
Intercompany payables	651.8	476.3	123.0	(1,251.1)	—
Total current liabilities	652.4	848.4	1,112.7	(1,251.1)	1,362.4
Long-term debt	—	5,318.6	19.9	—	5,338.5
Pension and postretirement benefits	—	—	67.7	—	67.7
Environmental liabilities	—	—	73.6	—	73.6
Deferred income taxes	—	—	2,254.4	—	2,254.4
Other income tax liabilities	—	—	67.5	—	67.5
Intercompany loans payable	—	5,008.9	—	(5,008.9)	—
Other liabilities	—	7.5	353.6	—	361.1
Total Liabilities	652.4	11,183.4	3,949.4	(6,260.0)	9,525.2
Shareholders' Equity	5,096.0	10,484.6	26,344.2	(36,828.8)	5,096.0
Total Liabilities and Shareholders' Equity	$ 5,748.4	$ 21,668.0	$ 30,293.6	$ (43,088.8)	$ 14,621.2

MALLINCKRODT PLC
CONDENSED CONSOLIDATING BALANCE SHEET
As of December 30, 2016
(unaudited, in millions)

	Mallinckrodt plc	Mallinckrodt International Finance S.A.	Other Subsidiaries	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	$ 0.5	$ 44.5	$ 297.0	$ —	$ 342.0
Accounts receivable, net	—	—	431.0	—	431.0
Inventories	—	—	350.7	—	350.7
Prepaid expenses and other current assets	1.0	—	130.9	—	131.9
Notes receivable	—	—	—	—	—
Current assets held for sale	—	—	310.9	—	310.9
Intercompany receivables	59.7	65.1	1,081.3	(1,206.1)	—
Total current assets	61.2	109.6	2,601.8	(1,206.1)	1,566.5
Property, plant and equipment, net	—	—	881.5	—	881.5
Goodwill	—	—	3,498.1	—	3,498.1
Intangible assets, net	—	—	9,000.5	—	9,000.5
Investment in subsidiaries	5,534.1	20,624.1	10,988.5	(37,146.7)	—
Intercompany loans receivable	3.5	—	3,325.9	(3,329.4)	—
Other assets	—	—	259.7	—	259.7
Total Assets	$ 5,598.8	$ 20,733.7	$ 30,556.0	$ (41,682.2)	$ 15,206.3
Liabilities and Shareholders' Equity					
Current Liabilities:					
Current maturities of long-term debt	$ —	$ 19.7	$ 251.5	$ —	$ 271.2
Accounts payable	0.1	0.1	111.9	—	112.1
Accrued payroll and payroll-related costs	—	—	76.1	—	76.1
Accrued interest	—	53.9	14.8	—	68.7
Income taxes payable	—	—	101.7	—	101.7
Accrued and other current liabilities	1.9	7.5	547.7	—	557.1
Current liabilities held for sale	—	—	120.3	—	120.3
Intercompany payables	612.5	467.1	126.5	(1,206.1)	—
Total current liabilities	614.5	548.3	1,350.5	(1,206.1)	1,307.2
Long-term debt	—	5,860.6	20.2	—	5,880.8
Pension and postretirement benefits	—	—	136.4	—	136.4
Environmental liabilities	—	—	73.0	—	73.0
Deferred income taxes	—	—	2,398.1	—	2,398.1
Other income tax liabilities	—	—	70.4	—	70.4
Intercompany loans payable	—	3,329.4	—	(3,329.4)	—
Other liabilities	—	7.0	349.1	—	356.1
Total Liabilities	614.5	9,745.3	4,397.7	(4,535.5)	10,222.0
Shareholders' Equity	4,984.3	10,988.4	26,158.3	(37,146.7)	4,984.3
Total Liabilities and Shareholders' Equity	$ 5,598.8	$ 20,733.7	$ 30,556.0	$ (41,682.2)	$ 15,206.3

MALLINCKRODT PLC
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the three months ended June 30, 2017
(unaudited, in millions)

	Mallinckrodt plc	Mallinckrodt International Finance S.A.	Other Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ —	$ 824.5	$ —	$ 824.5
Cost of sales	0.9	—	407.5	—	408.4
Gross profit	(0.9)	—	417.0	—	416.1
Selling, general and administrative expenses	15.1	0.2	216.8	—	232.1
Research and development expenses	1.8	—	67.4	—	69.2
Restructuring charges, net	—	—	0.6	—	0.6
Non-restructuring impairment charges	—	—	—	—	—
Losses on divestiture and license	—	—	2.1	—	2.1
Operating income	(17.8)	(0.2)	130.1	—	112.1
Interest expense	(3.4)	(88.7)	(18.7)	18.6	(92.2)
Interest income	2.0	0.3	16.9	(18.6)	0.6
Other income, net	2.2	6.6	1.2	—	10.0
Intercompany fees	(3.5)	—	3.5	—	—
Equity in net income of subsidiaries	81.0	254.7	172.9	(508.6)	—
Income from continuing operations before income taxes	60.5	172.7	305.9	(508.6)	30.5
Income tax benefit	(1.3)	(0.2)	(38.6)	—	(40.1)
Income from continuing operations	61.8	172.9	344.5	(508.6)	70.6
Income (loss) from discontinued operations, net of income taxes	1.0	—	(8.8)	—	(7.8)
Net income	62.8	172.9	335.7	(508.6)	62.8
Other comprehensive income, net of tax	1.9	1.9	3.4	(5.3)	1.9
Comprehensive income	$ 64.7	$ 174.8	$ 339.1	$ (513.9)	$ 64.7

MALLINCKRODT PLC
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the three months ended June 24, 2016
(unaudited, in millions)

	Mallinckrodt plc	Mallinckrodt International Finance S.A.	Other Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ —	$ 866.6	$ —	$ 866.6
Cost of sales	—	—	377.8	—	377.8
Gross profit	—	—	488.8	—	488.8
Selling, general and administrative expenses	12.3	0.2	212.4	—	224.9
Research and development expenses	—	—	74.8	—	74.8
Restructuring charges, net	—	—	14.0	—	14.0
Non-restructuring impairment charge	—	—	—	—	—
Losses on divestiture and license	—	—	—	—	—
Operating income	(12.3)	(0.2)	187.6	—	175.1
Interest expense	(56.3)	(81.6)	(20.3)	62.6	(95.6)
Interest income	—	0.1	62.9	(62.6)	0.4
Other income (expense), net	2.6	0.1	(4.0)	—	(1.3)
Intercompany fees	(4.5)	—	4.5	—	—
Equity in net income of subsidiaries	260.2	380.5	308.9	(949.6)	—
Income from continuing operations before income taxes	189.7	298.9	539.6	(949.6)	78.6
Income tax benefit	(9.6)	(10.2)	(78.3)	—	(98.1)
Income from continuing operations	199.3	309.1	617.9	(949.6)	176.7
(Loss) income from discontinued operations, net of income taxes	—	(0.2)	22.8	—	22.6
Net income	199.3	308.9	640.7	(949.6)	199.3
Other comprehensive loss, net of tax	(0.6)	(0.6)	(1.4)	2.0	(0.6)
Comprehensive income	$ 198.7	$ 308.3	$ 639.3	$ (947.6)	$ 198.7

MALLINCKRODT PLC
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2017
(unaudited, in millions)

	Mallinckrodt plc	Mallinckrodt International Finance S.A.	Other Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ —	$ 1,635.4	$ —	$ 1,635.4
Cost of sales	0.9	—	799.8	—	800.7
Gross profit	(0.9)	—	835.6	—	834.7
Selling, general and administrative expenses	33.3	0.4	506.5	—	540.2
Research and development expenses	1.8	—	129.6	—	131.4
Restructuring charges, net	—	—	17.8	—	17.8
Non-restructuring impairment charge	—	—	—	—	—
Gains on divestiture and license	—	—	(57.0)	—	(57.0)
Operating income	(36.0)	(0.4)	238.7	—	202.3
Interest expense	(6.7)	(174.0)	(38.9)	33.2	(186.4)
Interest income	3.1	0.6	31.0	(33.2)	1.5
Other income (expense), net	17.6	(3.3)	(11.8)	—	2.5
Intercompany fees	(9.0)	—	9.0	—	—
Equity in net income of subsidiaries	489.7	851.7	673.4	(2,014.8)	—
Income from continuing operations before income taxes	458.7	674.6	901.4	(2,014.8)	19.9
Income tax benefit	(3.3)	(0.5)	(75.8)	—	(79.6)
Income from continuing operations	462.0	675.1	977.2	(2,014.8)	99.5
(Loss) income from discontinued operations, net of income taxes	—	(1.7)	364.2	—	362.5
Net income	462.0	673.4	1,341.4	(2,014.8)	462.0
Other comprehensive income, net of tax	64.5	64.5	128.4	(192.9)	64.5
Comprehensive income	$ 526.5	$ 737.9	$ 1,469.8	$ (2,207.7)	$ 526.5

MALLINCKRODT PLC
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 24, 2016
(unaudited, in millions)

	Mallinckrodt plc	Mallinckrodt International Finance S.A.	Other Subsidiaries	Eliminations	Consolidated
Net sales	$ —	$ —	$ 1,682.4	$ —	$ 1,682.4
Cost of sales	—	—	768.5	—	768.5
Gross profit	—	—	913.9	—	913.9
Selling, general and administrative expenses	26.2	0.4	407.6	—	434.2
Research and development expenses	—	—	132.9	—	132.9
Restructuring charges, net	—	—	22.4	—	22.4
Non-restructuring impairment charge	—	—	16.9	—	16.9
Gains on divestiture and license	—	—	—	—	—
Operating income	(26.2)	(0.4)	334.1	—	307.5
Interest expense	(126.2)	(163.1)	(42.0)	138.5	(192.8)
Interest income	—	0.3	138.8	(138.5)	0.6
Other income (expense), net	14.9	—	(16.9)	—	(2.0)
Intercompany fees	(7.3)	0.1	7.2	—	—
Equity in net income of subsidiaries	452.7	712.5	561.7	(1,726.9)	—
Income from continuing operations before income taxes	307.9	549.4	982.9	(1,726.9)	113.3
Income tax benefit	(9.7)	(14.0)	(138.2)	—	(161.9)
Income from continuing operations	317.6	563.4	1,121.1	(1,726.9)	275.2
(Loss) income from discontinued operations, net of income taxes	—	(1.7)	44.1	—	42.4
Net income	317.6	561.7	1,165.2	(1,726.9)	317.6
Other comprehensive loss, net of tax	(0.4)	(0.4)	(1.2)	1.6	(0.4)
Comprehensive income	$ 317.2	$ 561.3	$ 1,164.0	$ (1,725.3)	$ 317.2

MALLINCKRODT PLC
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the six months ended June 30, 2017
(unaudited, in millions)

	Mallinckrodt plc	Mallinckrodt International Finance S.A.	Other Subsidiaries	Eliminations	Consolidated
Cash Flows From Operating Activities:					
Net cash from operating activities	$ 1,177.0	$ 175.8	$ 1,487.0	$ (2,617.3)	$ 222.5
Cash Flows From Investing Activities:					
Capital expenditures	—	—	(101.6)	—	(101.6)
Acquisitions and intangibles, net of cash acquired	—	—	—	—	—
Proceeds from divestiture of discontinued operations, net of cash	—	—	576.9	—	576.9
Intercompany loan investment, net	(801.7)	—	(860.4)	1,662.1	—
Investment in subsidiary	—	(307.9)	—	307.9	—
Other	—	—	(9.9)	—	(9.9)
Net cash from investing activities	(801.7)	(307.9)	(395.0)	1,970.0	465.4
Cash Flows From Financing Activities:					
Issuance of external debt	—	—	40.0	—	40.0
Repayment of external debt and capital leases	—	(242.1)	(90.7)	—	(332.8)
Debt financing costs	—	(12.5)	(0.5)	—	(13.0)
Proceeds from exercise of share options	3.9	—	—	—	3.9
Repurchase of shares	(380.8)	—	—	—	(380.8)
Intercompany loan borrowings, net	—	1,662.1	—	(1,662.1)	—
Intercompany dividends	—	(1,170.0)	(1,447.3)	2,617.3	—
Capital contribution	—	—	307.9	(307.9)	—
Other	2.0	—	(21.5)	—	(19.5)
Net cash from financing activities	(374.9)	237.5	(1,212.1)	647.3	(702.2)
Effect of currency rate changes on cash	—	—	1.6	—	1.6
Net change in cash, cash equivalents and restricted cash	0.4	105.4	(118.5)	—	(12.7)
Cash, cash equivalents and restricted cash at beginning of period	0.5	44.5	316.1	—	361.1
Cash, cash equivalents and restricted cash at end of period	$ 0.9	$ 149.9	$ 197.6	$ —	$ 348.4
Cash and cash equivalents at end of period	$ 0.9	$ 149.9	$ 179.4	$ —	$ 330.2
Restricted Cash, Current at end of period	—	—	—	—	—
Restricted Cash, Noncurrent at end of period	—	—	18.2	—	18.2
Cash, cash equivalents and restricted cash at end of period	$ 0.9	$ 149.9	$ 197.6	$ —	$ 348.4

MALLINCKRODT PLC
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the six months ended June 24, 2016
(unaudited, in millions)

	Mallinckrodt plc	Mallinckrodt International Finance S.A.	Other Subsidiaries	Eliminations	Consolidated
Cash Flows From Operating Activities:					
Net cash from operating activities	$ (4.3)	$ (72.9)	$ 760.2	$ —	$ 683.0
Cash Flows From Investing Activities:					
Capital expenditures	—	—	(84.5)	—	(84.5)
Acquisitions and intangibles, net of cash acquired	—	—	(169.5)	—	(169.5)
Proceeds from divestiture of discontinued operations, net of cash	—	(1.4)	4.4	—	3.0
Intercompany loan investment, net	—	105.8	(952.4)	846.6	—
Investment in subsidiary	—	(461.7)	—	461.7	—
Other	—	—	4.6	—	4.6
Net cash from investing activities	—	(357.3)	(1,197.4)	1,308.3	(246.4)
Cash Flows From Financing Activities:					
Issuance of external debt	—	—	36.3	—	36.3
Repayment of external debt and capital leases	—	(160.3)	(17.2)	—	(177.5)
Debt financing costs	—	—	—	—	—
Proceeds from exercise of share options	4.9	—	—	—	4.9
Repurchase of shares	(326.6)	—	—	—	(326.6)
Intercompany loan borrowings, net	325.8	520.8	—	(846.6)	—
Capital contribution	—	—	461.7	(461.7)	—
Other	—	—	(23.0)	—	(23.0)
Net cash from financing activities	4.1	360.5	457.8	(1,308.3)	(485.9)
Effect of currency rate changes on cash	—	—	2.1	—	2.1
Net change in cash, cash equivalents and restricted cash	(0.2)	(69.7)	22.7	—	(47.2)
Cash, cash equivalents and restricted cash at beginning of period	0.3	158.5	429.6	—	588.4
Cash, cash equivalents and restricted cash at end of period	$ 0.1	$ 88.8	$ 452.3	$ —	$ 541.2
Cash and cash equivalents at end of period	$ 0.1	$ 88.8	$ 433.0	$ —	$ 521.9
Restricted Cash, Current at end of period	—	—	0.3	—	0.3
Restricted Cash, Noncurrent at end of period	—	—	19.0	—	19.0
Cash, cash equivalents and restricted cash at end of period	$ 0.1	$ 88.8	$ 452.3	$ —	$ 541.2

20. Subsequent Events

Commitments and Contingencies

Multnomah County Lawsuit. On August 3, 2017, the County of Multnomah filed a lawsuit in Multnomah County Circuit Court in Oregon against certain prescription opioid manufacturers, including the Company, as well as distributors and healthcare providers. The lawsuit alleges the creation of a public nuisance arising from defendants' manufacturing, distribution, marketing and promotion of opioids and alleges other common law claims. Plaintiff seeks economic damages and costs. The Company intends to vigorously defend itself in this matter.

Department of Justice Subpoena. On July 26, 2017, the Company received a subpoena from the Department of Justice for documents related to the marketing and sale of the Company's opioid products.

Employee Stock Purchase Plan Securities Litigation. On July 20, 2017, a purported purchaser of Mallinckrodt stock through Mallinckrodt's ESPPs, filed a derivative lawsuit in the Federal District Court in the Eastern District of Missouri, captioned *Solomon v. Mallinckrodt plc, et al.*, against the Company, its CEO, its CFO, its Controller, and current and former directors of the Company. The complaint purports to be brought on behalf of all persons who purchased or otherwise acquired Mallinckrodt stock between November 25, 2014 and January 18, 2017 in the ESPPs. In the alternative, the plaintiff alleges a class action for those same purchasers/acquirers of stock in the ESPPs during the same period. The complaint asserts claims under Section 11 of the Securities Act, and for breach of fiduciary duty, misrepresentation, non-disclosure, mismanagement of the ESPPs' assets and breach of contract arising from substantially similar allegations as those contained in the Putative Class Action Securities Litigation filed in January 2017. The Company intends to vigorously defend itself in this matter.

FTC Investigation. On July 16, 2017, in connection with the settlement with the FTC and the Settling States, the Company announced the completion of the license of both the Synacthen trademark and certain intellectual property associated with MNK-1411 to West Pharmaceuticals to develop and pursue possible FDA approval of the product in IS and NS. The Company retains the right to develop MNK-1411 for all other indications in the U.S. and retains rights to the Synacthen trademark outside the U.S.

DEA Investigation. On July 11, 2017, the Company entered into a final settlement with the DEA and the USAOs for the Eastern District of Michigan and the Northern District of New York, respectively, to settle these investigations. As part of the agreement, the Company paid $35.0 million in July 2017 to resolve all potential claims.

See further discussion of the aforementioned matters in Note 16 of the notes to the unaudited condensed consolidated financial statements.

Accounts Receivable Securitization

On July 28, 2017, Mallinckrodt Securitization S.à r.l. ("Mallinckrodt Securitization"), a wholly owned special purpose subsidiary of the Company, entered into a $250.0 million accounts receivable securitization facility ("the Receivable Securitization") with a three year term. Mallinckrodt Securitization may, from time to time, obtain up to $250.0 million in third-party borrowings secured by certain receivables. 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 0.9%. Unused commitments on the Receivables Securitization are subject to an annual commitment fee of 0.4%. The Receivable Securitization agreements contain customary representations, warranties, and affirmative and negative covenants. The size of the securitization facility may be increased to $300.0 million upon approval of the third-party lenders.

InfaCare Acquisition

On August 3, 2017, the Company entered into an agreement to acquire InfaCare Pharmaceutical Corporation ("InfaCare") for an upfront payment of $80.0 million, with additional payments of up to $345.0 million dependent on regulatory and sales milestones. InfaCare is focused on development and commercialization of proprietary pharmaceuticals for neonatal and pediatric patient populations. InfaCare's developmental product stannsoporfin, a heme oxygenase inhibitor, is under investigation for its potential to reduce the production of bilirubin, the elevation of which can contribute to serious consequences in infants. This transaction is expected to close in the second half of 2017.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the accompanying notes included in this Quarterly Report on Form 10-Q. The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks, uncertainties and assumptions. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed in Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, filed with the United States ("U.S.") Securities and Exchange Commission ("the SEC") on November 29, 2016.

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

Overview

We are a global business that develops, manufactures, markets and distributes specialty pharmaceutical products and therapies. Areas of focus include autoimmune and rare diseases in specialty areas like neurology, rheumatology, nephrology, pulmonology and ophthalmology; immunotherapy and neonatal respiratory critical care therapies; and analgesics and hemostasis products.

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

- *Specialty Brands* includes branded medicines; and
- *Specialty Generics* includes specialty generic drugs, active pharmaceutical ingredients ("API") and external manufacturing.

For further information on our business and products, refer to our Annual Report on Form 10-K for the year ended September 30, 2016, filed with the SEC on November 29, 2016.

Significant Events

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"). 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. The acquisition was funded with cash on hand.

In February 2016, we acquired three commercial stage topical hemostasis drugs from The Medicines Company ("the Hemostasis Acquisition") - RECOTHROM® Thrombin topical (Recombinant), PreveLeak™ Surgical Sealant, and RAPLIXA™ (Fibrin Sealant (Human)) - 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.

Divestitures

On January 27, 2017, we completed the sale of our Nuclear Imaging business to IBA Molecular ("IBAM") for approximately $690.0 million before tax impacts, including up-front consideration of approximately $574.0 million, up to $77.0 million of contingent consideration and the assumption of certain liabilities. We recorded a net of tax gain on the sale of the Nuclear Imaging business of $362.4 million during the six months ended June 30, 2017, which excluded any potential proceeds from the contingent consideration and reflects a charge of $5.7 million during the three months ended June 30, 2017 primarily as a result of ongoing working capital adjustments. The financial results for the Nuclear Imaging business, including the recast of prior year balances, are presented within discontinued operations.

On March 17, 2017, we completed the sale of our Intrathecal Therapy business to Piramal Enterprises Limited's subsidiary in the United Kingdom ("U.K."), Piramal Critical Care, for approximately $203.0 million, including fixed consideration of $171.0 million and contingent consideration of up to $32.0 million. We recorded a pre-tax gain on the sale of the business of $57.0 million during the six months ended June 30, 2017, which excluded any potential proceeds from the contingent consideration and reflects a post-sale adjustment of $2.1 million during the three months ended June 30, 2017. The financial results of the Intrathecal Therapy business are presented within continuing operations as this divestiture did not meet the criteria for discontinued operations classification.

Business Factors Influencing the Results of Operations

Products

The Specialty Generics segment has and may continue to experience customer consolidation and increased generic product approvals leading to increased competition, which is expected to result in further downward pressure on net sales, operating income and cash flows from operations. Net sales from the Specialty Generics segment, excluding Methylphenidate ER which is discussed further below, for the three and six months ended June 30, 2017 were $195.8 million and $410.7 million, respectively, compared to $239.1 million and $478.9 million for the three and six months ended June 24, 2016, respectively.

In November 2014, we were informed by the U.S. Food and Drug Administration ("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 a class BX-rated drug. 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. Net sales of our Methylphenidate ER products during the three and six months ended June 30, 2017 were $20.2 million and $43.9 million, respectively, compared to $24.3 million and $48.9 million for the three and six months ended June 24, 2016, respectively.

On October 18, 2016, the FDA initiated proceedings, proposing to withdraw approval of Mallinckrodt’s Abbreviated New Drug Application ("ANDA") for Methylphenidate ER. We have requested a hearing in the withdrawal proceedings, which has been indefinitely deferred by the FDA. We plan to vigorously set forth our position in the withdrawal proceedings. A potential outcome of the withdrawal proceedings is that our Methylphenidate ER products may lose their FDA approval, which could have a material, negative impact to our Specialty Generics segment.

The FDA recently approved new products that are expected to compete with our Methylphenidate ER products, and one competitor recently launched their products. Additional products expected to compete with our Methylphenidate ER products may be launched during fiscal 2017. All of these products have a class AB rating compared with the class BX rating on our Methylphenidate ER products. It is uncertain how these product approvals may impact the FDA's withdrawal proceedings associated with our Methylphenidate ER products.

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 2016, our 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 June 30, 2017, we incurred restructuring charges of $33.7 million under the 2016 Mallinckrodt Program, which are expected to generate savings, primarily within our selling, general and administrative ("SG&A") expenses. In addition to the 2016 Mallinckrodt Program, we take certain restructuring actions to generate synergies from our acquisitions.

Research and Development Investment

We expect to continue to pursue targeted investments 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, where we believe there is the greatest opportunity for growth and profitability. Our Specialty Brands include medicines for pain management, acute and critical care, and autoimmune and rare diseases (“ARD”). Our primary focus for the latter includes the therapeutic areas of neurology, rheumatology, nephrology, pulmonology and ophthalmology.

Specialty Brands. We devote significant R&D resources to 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 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®, Inomax, Ofirmev®, 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 are discussed further below:

- Terlipressin is being investigated for the treatment of Hepatorenal Syndrome ("HRS") type 1, an acute, rare and life-threatening condition requiring hospitalization, with no currently approved therapy in the U.S. or Canada. In July 2016, we enrolled the first patient in our Phase 3 clinical study to evaluate the efficacy and safety of terlipressin (for injection) in subjects with HRS type 1. In July 2017, we announced the enrollment of the 75th subject in our ongoing Phase 3 clinical study, achieving one quarter of our target enrollment for this trial.
- 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. In June 2017, we announced the enrollment of the first patient in our Phase 3 clinical study to evaluate the efficacy and safety of StrataGraft regenerative skin tissue in the promotion of autologous skin regeneration of complex skin defects due to thermal burns that contain intact dermal elements. In July 2017, we announced that StrataGraft is among the first products to be designated as a Regenerative Medicine Advanced Therapy ("RMAT") by the FDA under the provisions of the 21st Century Cures Act. The RMAT designation allows for earlier and increased interactions with the FDA, including discussions of whether priority review and/or accelerated approval would be appropriate based on surrogate or intermediate endpoints that would be reasonably likely to predict long-term clinical benefit; or reliance upon data obtained from a meaningful number of sites.
- MNK-1411 (the product formerly described as 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 our request for fast track designation for its Investigational New Drug ("IND") application for MNK-1411 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 that fill an unmet medical need. We completed a Phase 1 study for MNK-1411 in healthy volunteers, and are using the information that was derived to determine optimal dosing in our Phase 2 trial, which is expected to commence during the second half of 2017. In July 2017, we announced that the FDA had granted orphan drug designation to MNK-1411 for the treatment of DMD.

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 perform most of our development work at our Specialty Generics headquarters and technical development center in Webster Groves, Missouri.

Results of Operations

Three Months Ended June 30, 2017 Compared with Three Months Ended June 24, 2016

Net Sales

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

	Three Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
U.S.	$ 751.0	$ 796.7	(5.7)%
Europe, Middle East and Africa	56.7	54.8	3.5
Other	16.8	15.1	11.3
Net sales	$ 824.5	$ 866.6	(4.9)

Net sales for the three months ended June 30, 2017 decreased $42.1 million, or 4.9%, to $824.5 million, compared with $866.6 million for the three months ended June 24, 2016. This decrease was primarily driven by the Specialty Generics segment due to increased competition and customer consolidation, which has resulted in downward pricing pressure. Specialty Brands segment net sales increased primarily due to favorable pricing for Acthar, in addition to growth from both Ofirmev and Inomax. These increases were partially offset by lower net sales in Other branded products primarily due to the sale of our Intrathecal Therapy business in the first quarter of 2017. For further information on changes in our net sales, refer to "Business Segment Results" within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Operating Income

Gross profit. Gross profit for the three months ended June 30, 2017 decreased $72.7 million, or 14.9%, to $416.1 million, compared with $488.8 million for the three months ended June 24, 2016. Gross profit margin was 50.5% for the three months ended June 30, 2017, compared with 56.4% for the three months ended June 24, 2016. The decrease in gross profit and gross profit margin was primarily attributable to channel consolidation and increased price competition in the Specialty Generics business, contributing to a $55.3 million decline in that segment's gross profit. Also negatively impacting gross profit this quarter was a $12.5 million increase in inventory provision primarily attributable to our Specialty Brands segment.

Selling, general and administrative expenses ("SG&A"). SG&A expenses for the three months ended June 30, 2017 were $232.1 million, compared with $224.9 million for the three months ended June 24, 2016, an increase of $7.2 million, or 3.2%. The increase was attributable to various factors, including higher stock compensation expense and charitable contributions, in addition to a favorable adjustment to contingent consideration liabilities in the three months ended June 24, 2016; all of which were partially offset by lower legal expenses, professional fees and pension expense following the settlement of our defined benefit pension plans. SG&A expenses were 28.2% of net sales for the three months ended June 30, 2017 and 26.0% of net sales for the three months ended June 24, 2016.

Research and development expenses ("R&D"). R&D expenses decreased $5.6 million, or 7.5%, to $69.2 million for the three months ended June 30, 2017, compared with $74.8 million for the three months ended June 24, 2016. 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 net sales, R&D expenses were 8.4% and 8.6% for the three months ended June 30, 2017 and June 24, 2016, respectively.

Restructuring charges, net. During the three months ended June 30, 2017, we recorded $1.5 million of restructuring and related charges, net, including $0.9 million of accelerated depreciation in SG&A and cost of sales, primarily related to exiting certain facilities. During the three months ended June 24, 2016, we recorded restructuring and related charges, net, of $15.2 million, including $1.2 million of accelerated depreciation in SG&A and cost of sales, primarily related to employee severance benefits across both of our segments and corporate functions.

Losses (gains) on divestiture and license. During the three months ended June 30, 2017, we recorded a $2.1 million pre-tax loss associated with additional transaction costs related to the sale of our Intrathecal Therapy business.

Non-Operating Items

Interest expense and interest income. During the three months ended June 30, 2017 and June 24, 2016, net interest expense was $91.6 million and $95.2 million, respectively. Interest expense during the three months ended June 30, 2017 and June 24, 2016 included $5.2 million and $6.6 million, respectively, of non-cash interest expense. As our $900.0 million revolver remains undrawn, our lower average outstanding debt balance also yielded an $0.8 million reduction in interest expense. In addition, there was a $0.7 million decrease in interest accrued on deferred tax liabilities associated with outstanding installment notes due to payments that reduced the deferred tax liability balance.

Other income (expense), net. During the three months ended June 30, 2017, we recorded other income, net, of $10.0 million and during the three months ended June 24, 2016, we recorded other expense, net, of $1.3 million. The three months ended June 30, 2017 included a $6.6 million gain on certain debt repurchases, that aggregated to a total principal amount of $53.9 million. The remaining amounts in both fiscal years represented items including gains and losses on intercompany financing, foreign currency transactions and related hedging instruments.

Income tax expense (benefit). Income tax benefit was $40.1 million on income from continuing operations before income taxes of $30.5 million for the three months ended June 30, 2017 and an income tax benefit of $98.1 million on income from continuing operations before income taxes of $78.6 million for the three months ended June 24, 2016. This resulted in effective tax rates of negative 131.5% and negative 124.8% for the three months ended June 30, 2017 and June 24, 2016, respectively. The income tax benefit for the three months ended June 30, 2017 is comprised of $44.7 million of current tax expense and $84.8 million of deferred tax benefit which is predominantly related to acquired intangible assets. The income tax benefit for the three months ended June 24, 2016 is comprised of $1.8 million of current tax expense and $99.9 million of deferred tax benefit which is predominantly related to acquired intangible assets.

The effective tax rate for the three months ended June 30, 2017, as compared with the three months ended June 24, 2016 decreased by 6.7 percentage points. Included within this net decrease was a 33.1 percentage point decrease primarily attributable to diminutive income from continuing operations before taxes for the three months ended June 30, 2017 as compared with the three months ended June 24, 2016. Also within this decrease was an 8.5 percentage point decrease attributable to changes in operating income which resulted in more income in lower tax rate jurisdictions and less income in the higher tax rate U.S. jurisdiction. The remaining 34.9 percentage point increase was related to the tax benefit of a U.K. tax credit on a dividend between affiliates, which occurred within the three months ended June 24, 2016.

(Loss) income from discontinued operations, net of income taxes. We recorded a loss from discontinued operations of $7.8 million during the three months ended June 30, 2017 compared to income from discontinued operations of $22.6 million during the three months ended June 24, 2016. The loss from discontinued operations for the three months ended June 30, 2017 consists of various post-sale adjustments associated with our previous divestitures. The income from discontinued operations for the three months ended June 24, 2016 included $19.0 million of income from operating results associated with the Nuclear Imaging business and a $1.7 million gain on the disposal of the CMDS business.

Results of Operations

Six Months Ended June 30, 2017 Compared with Six Months Ended June 24, 2016

Net Sales

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

	Six Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
U.S.	$ 1,486.7	$ 1,541.1	(3.5)%
Europe, Middle East and Africa	115.9	108.1	7.2
Other	32.8	33.2	(1.2)
Net sales	$ 1,635.4	$ 1,682.4	(2.8)

Net sales for the six months ended June 30, 2017 decreased $47.0 million, or 2.8%, to $1,635.4 million, compared with $1,682.4 million for the six months ended June 24, 2016. This decrease was primarily driven by the Specialty Generics segment due to increased competition and customer consolidation, which has resulted in downward pricing pressure. Specialty Brands segment net sales increased primarily due to favorable pricing for Acthar, in addition to the benefits of Inomax contracting and growth from Ofirmev. These increases were partially offset by lower net sales in Other branded products due to the sale of our

Intrathecal Therapy business in the first quarter of 2017 and favorable adjustments to returns reserves in the prior year. For further information on changes in our net sales, refer to "Business Segment Results" within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Operating Income

Gross profit. Gross profit for the six months ended June 30, 2017 decreased $79.2 million, or 8.7%, to $834.7 million, compared with $913.9 million for the six months ended June 24, 2016. Gross profit margin was 51.0% for the six months ended June 30, 2017, compared with 54.3% for the six months ended June 24, 2016. The decrease in gross profit and gross profit margin was primarily attributable to channel consolidation and increased price competition in the Specialty Generics business, contributing to an $83.3 million decline in that segment's gross profit. Also negatively impacting gross profit this quarter was an $11.7 million increase in inventory provision primarily attributable our Specialty Brands business. These decreases were partially offset by higher net sales in the higher-margin Specialty Brands business.

Selling, general and administrative expenses ("SG&A"). SG&A expenses for the six months ended June 30, 2017 were $540.2 million, compared with $434.2 million for the six months ended June 24, 2016, an increase of $106.0 million, or 24.4%. The increase was primarily attributable to a $69.7 million charge from the recognition of previously deferred losses on the settlement of obligations associated with the termination of six defined benefit pension plans. The remaining increase consisted of various factors, including higher stock compensation expense, higher charitable contributions, a smaller favorable adjustment to contingent consideration liabilities, employee compensation costs, and professional fees; all of which were partially offset by lower advertising and promotions expenses, legal fees and pension expense following the settlement of our defined benefit pension plans. SG&A expenses were 33.0% of net sales for the six months ended June 30, 2017 and 25.8% of net sales for the six months ended June 24, 2016. The higher percentage of net sales is attributable to the aforementioned pension settlement charge, which represented 4.3% of net sales for the six months ended June 30, 2017, and the various other aforementioned factors.

Research and development expenses ("R&D"). R&D expenses decreased $1.5 million, or 1.1%, to $131.4 million for the six months ended June 30, 2017, compared with $132.9 million for the six months ended June 24, 2016. 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 net sales, R&D expenses were 8.0% and 7.9% for the six months ended June 30, 2017 and June 24, 2016, respectively.

Restructuring charges, net. During the six months ended June 30, 2017, we recorded $20.2 million of restructuring and related charges, net, including $2.4 million of accelerated depreciation in SG&A and cost of sales, primarily related to employee severance and benefits across both our segments and corporate functions. During the six months ended June 24, 2016, we recorded restructuring and related charges, net, of $25.3 million, including $2.9 million of accelerated depreciation in SG&A and cost of sales, primarily related to employee severance benefits across both of our segments and corporate functions.

Non-restructuring impairment charges. During the six months ended June 24, 2016, we recorded $16.9 million in charges 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.

Gains on divestiture and license. During the six months ended June 30, 2017, we recorded a $57.0 million pre-tax gain associated with the sale of our Intrathecal Therapy business.

Non-Operating Items

Interest expense and interest income. During the six months ended June 30, 2017 and June 24, 2016, net interest expense was $184.9 million and $192.2 million, respectively. This decrease was primarily driven by a lower average outstanding debt balance that contributed $2.1 million to the decrease. In addition, interest expense during the six months ended June 30, 2017 and June 24, 2016 included $11.5 million and $13.4 million, respectively, of non-cash interest expense. Lastly, there was a $1.4 million decrease in interest accrued on deferred tax liabilities associated with outstanding installment notes due to payments that reduced the deferred tax liability balance.

Other income (expense), net. During the six months ended June 30, 2017, we recorded other income, net, of $2.5 million and during the six months ended June 24, 2016, we recorded other expense, net, of $2.0 million. The six months ended June 30, 2017 included a $10.0 million charge associated with the refinancing of our term loan borrowing, partially offset by a $6.6 million gain on debt repurchases, that aggregated to a total principal amount of $53.9 million. The remaining amounts in both fiscal years represented items including gains and losses on intercompany financing, foreign currency transactions and related hedging instruments.

Income tax expense (benefit). Income tax benefit was $79.6 million on income from continuing operations before income taxes of $19.9 million for the six months ended June 30, 2017 and an income tax benefit of $161.9 million on income from continuing operations before income taxes of $113.3 million for the six months ended June 24, 2016. This resulted in effective tax rates of negative 400.0% and negative 142.9% for the six months ended June 30, 2017 and June 24, 2016, respectively. The income tax benefit for the six months ended June 30, 2017 is comprised of $80.6 million of current tax expense and $160.2 million of deferred tax benefit. The net deferred tax benefit of $160.2 million includes $187.4 million of deferred tax benefit which is predominantly related to acquired intangible assets offset by $27.2 million of deferred tax expense related to utilization of tax attributes. The income tax benefit for the six months ended June 24, 2016 is comprised of $48.0 million of current tax expense and $209.9 million of deferred tax benefit which is predominantly related to acquired intangible assets.

The effective tax rate for the six months ended June 30, 2017, as compared with the six months ended June 24, 2016 decreased by 257.1 percentage points. Included within this net decrease was a 274.0 percentage point decrease primarily attributable to diminutive income from continuing operations before taxes for the six months ended June 30, 2017 as compared with the six months ended June 24, 2016. Also within this decrease was a 15.3 percentage point decrease attributable to changes in operating income which resulted in more income in lower tax rate jurisdictions and less income in the higher tax rate U.S. jurisdiction. Of the remaining 32.2 percentage point increase, a 24.2 percentage point increase is related to the tax benefit of a U.K. tax credit on a dividend between affiliates, which occurred within the three months ended June 24, 2016, and an 8.0 percentage point increase is related to the divestiture of the Intrathecal Therapy Business, which occurred during the three months ended March 31, 2017.

Income from discontinued operations, net of income taxes. We recorded income from discontinued operations of $362.5 million and $42.4 million during the six months ended June 30, 2017 and June 24, 2016, respectively. Income from discontinued operations for the six months ended June 30, 2017 includes a $362.4 million gain on divestiture and $4.1 million of income from operating results, both net of tax, associated with the Nuclear Imaging business. These were partially offset by various post-sale adjustments associated with our previous divestitures. The income from discontinued operations for the six months ended June 24, 2016 included $40.8 million of income from operating results associated with the Nuclear Imaging business and a $1.7 million gain on the disposal of the CMDS business.

Segment Results

Our reportable segments consist of Specialty Brands and Specialty Generics. Management measures and evaluates our operating segments based on segment net sales and operating income. Management excludes certain corporate expenses from segment operating income. In addition, certain amounts that management considers to be non-recurring or non-operational are excluded from segment operating income because management evaluates the operating results of the segments excluding such items. These items include net sales and expenses associated with sales of products to the acquirer of the CMDS business under an ongoing supply agreement, intangible asset amortization, impairments and net restructuring and related charges. Although these amounts are excluded from segment operating income, as applicable, they are included in reported consolidated operating income and in the reconciliations presented below. Selected information by business segment is as follows:

Three Months Ended June 30, 2017 Compared with Three Months Ended June 24, 2016

Net Sales

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

	Three Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
Specialty Brands	$ 594.5	$ 589.3	0.9 %
Specialty Generics	216.0	263.4	(18.0)
Net sales of operating segments	810.5	852.7	(4.9)
Other [1]	14.0	13.9	0.7
Net sales	$ 824.5	$ 866.6	(4.9)

(1) Represents net sales from an ongoing, post-divestiture supply agreement with the acquirer of the CMDS business.

Specialty Brands. Net sales for the three months ended June 30, 2017 increased $5.2 million to $594.5 million, compared with $589.3 million for the three months ended June 24, 2016. The increase in net sales was primarily driven by a $21.1 million or 7.1% increase in Acthar net sales compared with the three months ended June 24, 2016. The Acthar net sales increase was primarily driven by favorable pricing. Ofirmev and Inomax net sales for the three months ended June 30, 2017 increased $5.0 million and $4.4 million, respectively, compared with the three months ended June 24, 2016. These increases were partially offset by a $23.6 million or 72.0% decrease in Other products compared with the three months ended June 24, 2016. The decrease is primarily attributable to the sale of our Intrathecal Therapy business in the first quarter of 2017. Net sales of the Intrathecal Therapy business for the three months ended June 24, 2016 were $11.3 million. Also contributing to the decrease in Other products was a $5.1 million decrease in net sales of Exalgo (hydromorphone HCl) extended-release tablets, CII ("Exalgo").

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

	Three Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
U.S.	$ 575.0	$ 569.3	1.0 %
Europe, Middle East and Africa	17.8	18.4	(3.3)
Other	1.7	1.6	6.3
Net sales	$ 594.5	$ 589.3	0.9

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

	Three Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
Acthar	$ 319.4	$ 298.3	7.1 %
Inomax	125.5	121.1	3.6
Ofirmev	75.7	70.7	7.1
Therakos immunotherapy	51.2	52.5	(2.5)
Hemostasis products	13.5	13.9	(2.9)
Other	9.2	32.8	(72.0)
Specialty Brands	$ 594.5	$ 589.3	0.9

Specialty Generics. Net sales for the three months ended June 30, 2017 decreased $47.4 million, or 18.0%, to $216.0 million, compared with $263.4 million for the three months ended June 24, 2016. The decrease in net sales was driven by decreases of $17.0 million, $15.2 million and $5.5 million in Other controlled substances, hydrocodone related products and oxycodone related products, respectively. These decreases were due to increased competition and customer consolidation, which has resulted in downward pricing pressure.

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

	Three Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
U.S.	$ 176.0	$ 227.4	(22.6)%
Europe, Middle East and Africa	24.9	22.5	10.7
Other	15.1	13.5	11.9
Net sales	$ 216.0	$ 263.4	(18.0)

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

	Three Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
Hydrocodone (API) and hydrocodone-containing tablets	$ 23.0	$ 38.2	(39.8)%
Oxycodone (API) and oxycodone-containing tablets	25.1	30.6	(18.0)
Methylphenidate ER	20.2	24.3	(16.9)
Other controlled substances	107.7	124.7	(13.6)
Other products	40.0	45.6	(12.3)
Specialty Generics	$ 216.0	$ 263.4	(18.0)

Operating Income

Operating income by segment and as a percentage of segment net sales for the three months ended June 30, 2017 and June 24, 2016 is shown in the following table (dollars in millions):

	Three Months Ended			
	June 30, 2017		June 24, 2016	
Specialty Brands	$ 274.1	46.1%	$ 302.1	51.3%
Specialty Generics	63.3	29.3	98.1	37.2
Segment operating income	337.4	41.6	400.2	46.9
Unallocated amounts:				
Corporate and allocated expenses	(49.1)		(34.1)	
Intangible asset amortization	(174.7)		(175.8)	
Restructuring and related charges, net [(1)]	(1.5)		(15.2)	
Total operating income	$ 112.1		$ 175.1	

(1) Includes restructuring-related accelerated depreciation.

Specialty Brands. Operating income for the three months ended June 30, 2017 decreased $28.0 million to $274.1 million, compared with $302.1 million for the three months ended June 24, 2016. Operating margin decreased to 46.1% for the three months ended June 30, 2017, compared with 51.3% for the three months ended June 24, 2016. The decrease in operating income and margin was impacted by an increase of $9.3 million in SG&A expenses compared with the three months ended June 24, 2016, in addition to increased inventory provision expense of $9.3 million. Partially offsetting these increased expenses was the $5.2 million increase in net sales, primarily attributable to Acthar which experienced favorable pricing and lower rebate expenses.

Specialty Generics. Operating income for the three months ended June 30, 2017 decreased $34.8 million to $63.3 million, compared with $98.1 million for the three months ended June 24, 2016. Operating margin decreased to 29.3% for the three months ended June 30, 2017, compared with 37.2% for the three months ended June 24, 2016. The decrease in operating income and margin was impacted by the $47.4 million decrease in net sales due to customer consolidation and additional competitors that has led to price decreases, which resulted in a $55.3 million unfavorable gross profit impact. SG&A expenses decreased by $11.5 million as a result of cost benefits gained from restructuring actions. R&D expenses also decreased by $9.1 million compared with the three months ended June 24, 2016.

Corporate and allocated expenses. Corporate and allocated expenses were $49.1 million and $34.1 million for the three months ended June 30, 2017 and June 24, 2016, respectively. The increase reflects a $6.3 million unfavorable variance in adjustments to contingent consideration liabilities, primarily due to a favorable adjustment in the three months ended June 24, 2016. The remaining increase of $8.7 million consisted of various factors, including higher facility expenses, professional fees and stock compensation expense; which were partially offset by lower legal expenses and pension expense following the settlement of our six defined benefit pension plans.

Six Months Ended June 30, 2017 Compared with Six Months Ended June 24, 2016

Net Sales

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

	Six Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
Specialty Brands	$ 1,151.7	$ 1,124.3	2.4 %
Specialty Generics	454.6	527.8	(13.9)
Net sales of operating segments	1,606.3	1,652.1	(2.8)
Other [1]	29.1	30.3	(4.0)
Net sales	$ 1,635.4	$ 1,682.4	(2.8)

(1) Represents net sales from an ongoing, post-divestiture supply agreement with the acquirer of the CMDS business.

Specialty Brands. Net sales for the six months ended June 30, 2017 increased $27.4 million to $1,151.7 million, compared with $1,124.3 million for the six months ended June 24, 2016. The increase in net sales was primarily driven by a $44.5 million or 8.1% increase in Acthar net sales and a $17.3 million or 7.3% increase in Inomax net sales compared with the six months ended June 24, 2016. The Acthar net sales increase was primarily driven by favorable pricing. Inomax net sales continued to benefit from a favorable 2016 contracting cycle. These increases were partially offset by a $42.7 million or 60.0% decrease in Other products compared with the six months ended June 24, 2016. The decrease is primarily attributable to an $18.2 million decrease in Exalgo driven by lower volumes and a $6.8 million prior year benefit due to lower than expected product returns. Net sales of the Intrathecal Therapy business through the March 17, 2017 divestiture date were $8.0 million compared to $21.9 million for the six months ended June 24, 2016.

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

	Six Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
U.S.	$ 1,113.7	$ 1,086.2	2.5 %
Europe, Middle East and Africa	34.5	35.1	(1.7)
Other	3.5	3.0	16.7
Net sales	$ 1,151.7	$ 1,124.3	2.4

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

	Six Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
Acthar	$ 591.2	$ 546.7	8.1 %
Inomax	253.9	236.6	7.3
Ofirmev	149.1	141.8	5.1
Therakos immunotherapy	102.4	102.7	(0.3)
Hemostasis products	26.6	25.3	5.1
Other	28.5	71.2	(60.0)
Specialty Brands	$ 1,151.7	$ 1,124.3	2.4

Specialty Generics. Net sales for the six months ended June 30, 2017 decreased $73.2 million, or 13.9%, to $454.6 million, compared with $527.8 million for the six months ended June 24, 2016. The decrease in net sales was driven by decreases of $31.5 million, $25.7 million and $21.3 million in Other controlled substances, hydrocodone related products and oxycodone related products, respectively. These decreases were due to increased competition and customer consolidation, which has resulted in downward pricing pressure. Other products increased by $10.3 million primarily attributable to a discrete shipment of peptide active pharmaceutical ingredient that generated net sales of $12.9 million in the first half of 2017.

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

	Six Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
U.S.	$ 373.0	$ 454.9	(18.0)%
Europe, Middle East and Africa	52.3	42.7	22.5
Other	29.3	30.2	(3.0)
Net sales	$ 454.6	$ 527.8	(13.9)

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

	Six Months Ended		
	June 30, 2017	June 24, 2016	Percentage Change
Hydrocodone (API) and hydrocodone-containing tablets	$ 53.3	$ 79.0	(32.5)%
Oxycodone (API) and oxycodone-containing tablets	47.2	68.5	(31.1)
Methylphenidate ER	43.9	48.9	(10.2)
Other controlled substances	215.1	246.6	(12.8)
Other products	95.1	84.8	12.1
Specialty Generics	$ 454.6	$ 527.8	(13.9)

Operating Income

Operating income by segment and as a percentage of segment net sales for the six months ended June 30, 2017 and June 24, 2016 is shown in the following table (dollars in millions):

	Six Months Ended			
	June 30, 2017		June 24, 2016	
Specialty Brands	$ 549.1	47.7%	$ 563.0	50.1%
Specialty Generics	139.5	30.7	197.0	37.3
Segment operating income	688.6	42.9	760.0	46.0
Unallocated amounts:				
Corporate and allocated expenses	(116.3)		(59.5)	
Intangible asset amortization	(349.8)		(350.8)	
Restructuring and related charges, net [1]	(20.2)		(25.3)	
Non-restructuring impairment	—		(16.9)	
Total operating income	$ 202.3		$ 307.5	

(1) Includes restructuring-related accelerated depreciation.

Specialty Brands. Operating income for the six months ended June 30, 2017 decreased $13.9 million to $549.1 million, compared with $563.0 million for the six months ended June 24, 2016. Operating margin decreased to 47.7% for the six months ended June 30, 2017, compared with 50.1% for the six months ended June 24, 2016. The decrease in operating income and margin was impacted by an increase of $10.2 million in SG&A expenses compared with the six months ended June 24, 2016, in addition to increased inventory provision expense of $8.6 million. Partially offsetting this increase was the $27.4 million increase in net sales, primarily attributable to Acthar which experienced favorable pricing and lower rebate expenses.

Specialty Generics. Operating income for the six months ended June 30, 2017 decreased $57.5 million to $139.5 million, compared with $197.0 million for the six months ended June 24, 2016. Operating margin decreased to 30.7% for the six months ended June 30, 2017, compared with 37.3% for the six months ended June 24, 2016. The decrease in operating income and margin was impacted by the $73.2 million decrease in net sales due to customer consolidation and additional competitors that has led to price decreases, which resulted in an $83.2 million unfavorable gross profit impact. SG&A expenses decreased by $15.8 million as a result of cost benefits gained from restructuring actions.

Corporate and allocated expenses. Corporate and allocated expenses were $116.3 million and $59.5 million for the six months ended June 30, 2017 and June 24, 2016, respectively. The six months ended June 30, 2017 included a $69.7 million charge from the recognition of previously deferred losses on the settlement of obligations associated with the termination of six defined benefit pension plans and a $57.0 million pre-tax gain associated with the sale of our Intrathecal Therapy business. The remaining increase of $44.1 million consisted of various factors, including higher facility expenses, stock compensation expense, employee compensation costs and professional fees and a smaller favorable adjustment to contingent consideration liabilities; all of which were partially offset by lower advertising and promotions expenses, legal fees and pension expense following the settlement of our six defined benefit pension plans.

Liquidity and Capital Resources

Significant factors driving our liquidity position include cash flows generated from operating activities, financing transactions, capital expenditures, cash paid in connection with acquisitions and license agreements and cash received as a result of our divestitures. We believe that our future cash from operations, borrowing capacity under our revolving credit facility and access to capital markets will provide adequate resources to fund our working capital needs, capital expenditures and strategic investments for the foreseeable future.

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

	Six Months Ended	
	June 30, 2017	June 24, 2016
Net cash from:		
Operating activities	$ 222.5	$ 683.0
Investing activities	465.4	(246.4)
Financing activities	(702.2)	(485.9)
Effect of currency exchange rate changes on cash and cash equivalents	1.6	2.1
Net decrease in cash and cash equivalents	$ (12.7)	$ (47.2)

Operating Activities

Net cash provided by operating activities of $222.5 million for the six months ended June 30, 2017, was primarily attributable to income from continuing operations, as adjusted for non-cash items, offset by a $133.0 million outflow from net investment in working capital. Included within this change in working capital were cash payments of $102.0 million for the FTC settlement, a $61.3 million contribution to terminated pension plans that were settled during the period, a $52.6 million increase in accounts receivable and a $10.7 million decrease in accounts payable. These cash outflows were partially offset by a $12.5 million net cash inflow related to income taxes. The divestiture of the Nuclear Imaging business and increased competition in Specialty Generics also contributed to the decrease compared with the six months ended June 24, 2016.

Net cash provided by operating activities of $683.0 million for the six months ended June 24, 2016, was primarily attributable to income from continuing operations, as adjusted for non-cash items, in addition to a $106.3 million inflow from net investment in working capital. The working capital inflow was primarily driven by a $58.4 million net cash inflow related to income taxes and a $52.7 million increase in cash provided by other assets and liabilities, partially offset by a $17.2 million increase in accounts receivable. The increase in other assets and liabilities was primarily driven by the timing of the payroll cycle and restructuring payments.

The aforementioned cash flows from operating activities include cash flows from the ongoing operations of the Nuclear Imaging business that are included within discontinued operations. Subsequent to the completion of this transaction, we no longer generate cash flows from this business. See further discussion of our discontinued operations in Note 3 of the notes to
the unaudited condensed consolidated financial statements included within Item 1. Financial Statements of this Quarterly Report on Form 10-Q.

Investing Activities

Net cash provided by investing activities was $465.4 million for the six months ended June 30, 2017, compared with a $246.4 million net cash outflow for the six months ended June 24, 2016. The $711.8 million change primarily resulted from the receipt of $576.9 million in proceeds related to divestitures during the six months ended June 30, 2017, with $559.6 million and $17.3 million associated with the sales of the Nuclear Imaging and Intrathecal businesses, respectively. This is compared with $3.0 million of proceeds received from the divestiture of discontinued operations during the six months ended June 24, 2016. Additionally, there were no cash outflows related to acquisitions during the six months ended June 30, 2017, compared with $169.5 million during the six months ended June 24, 2016 primarily associated with the Hemostasis Acquisition. These increases in cash inflows were partially offset by a $21.5 million cash outflow related to the investment in Mesoblast that was made during the six months ended June 30, 2017 coupled with a $17.1 million increase in capital expenditures.

Under our term loan credit agreement, the proceeds from the sale of assets and businesses must be either reinvested into capital expenditures or business development activities within one year of the respective transaction or we are required to make repayments on our term loans.

Financing Activities

Net cash used in financing activities was $702.2 million for the six months ended June 30, 2017, compared with $485.9 million for the six months ended June 24, 2016. The $216.3 million increase in cash outflows largely resulted from a $155.3 million increase in repayments of debt. The significant components of our current year repayments include a $100.0 million payment on the revolver, $90.0 million of payments on the receivable securitization program, an $83.5 million mandatory repayment of the term loan triggered based on our cash flows generated over the trailing twelve months and open market debt repurchases, that aggregated to a total principal amount of $53.9 million. Cash outflows from financing also included a $54.2 million increase in shares repurchased and $13.0 million of debt financing costs.

Under Irish law, we can only pay dividends and repurchase shares out of distributable reserves. In March 2017, the Irish High Court approved our petition to reduce its share capital and increase distributable reserves. The petition requires us to complete certain administrative matters, which were completed prior to June 30, 2017.

Debt and Capitalization

At June 30, 2017, the total principal amount of debt was $5,937.6 million as compared with $6,237.6 million at December 30, 2016. The total principal amount of debt at June 30, 2017 was comprised of $3,876.7 million of fixed-rate instruments, $1,860.4 million of variable-rate term loans, $200.0 million of borrowings under a variable-rate securitization program and $0.5 million of capital lease obligations. The variable-rate term loan interest rates are based on LIBOR, subject to a minimum LIBOR level of 0.75% with interest payments generally expected to be payable every 90 days, and requires quarterly principal payments equal to 0.25% of the original principal amount. As of June 30, 2017, our fixed-rate instruments have a weighted-average interest rate of 5.29% and pay interest at various dates throughout the fiscal year. Our receivable securitization program bears interest based on one-month LIBOR plus a margin of 0.80% and has a capacity of $250.0 million that may, subject to certain conditions, be increased to $300.0 million.

In November 2015, our Board of Directors authorized us to reduce our outstanding debt at our discretion. As market conditions warrant, we may from time to time repurchase debt securities issued by us, in the open market, in privately negotiated transactions, by tender offer or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements and other factors. The amounts involved may be material. During the six months ended June 30, 2017, we repurchased debt that aggregated to a total principal amount of $53.9 million.

At June 30, 2017, $520.3 million of our debt principal was classified as current, as these payments are expected to be made within the next twelve months.

In addition to the borrowing capacity under our receivable securitization program, we have a $900.0 million revolving credit facility. At June 30, 2017, we had no outstanding borrowings under our revolving credit facility. As such, there was $900.0 million of additional borrowing capacity under our revolving credit facility.

As of June 30, 2017, we were, and expect to remain, in full compliance with the provisions and covenants associated with our debt agreements.

Subsequent to June 30, 2017, we entered into a $250.0 million variable-rate securitization program with a three-year term to replace the $200.0 million variable-rate securitization program that expired in July 2017 and was therefore classified as current maturities of long-term debt in the condensed consolidated balance sheet at June 30, 2017. For further discussion, refer to Note 20 of the notes to the unaudited condensed consolidated financial statements included within Item 1. Financial Statements of this Quarterly Report on Form 10-Q.

Commitments and Contingencies

Legal Proceedings

We are 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 in Note 16 of the notes to the unaudited condensed consolidated financial statements. We believe 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, we believe, unless indicated in Note 16 of the notes to the unaudited condensed consolidated financial statements, given the information currently available, that their ultimate resolutions will not have a material adverse effect on our financial condition, results of operations and cash flows.

Guarantees

In disposing of assets or businesses, we have historically provided representations, warranties and indemnities to cover various risks and liabilities, including unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities related to periods prior to disposition. We assess the probability of potential liabilities related to such representations, warranties and indemnities and adjust potential liabilities as a result of changes in facts and circumstances. We believe, given the information currently available, that their ultimate resolutions will not have a material adverse effect on our financial condition, results of operations and cash flows.

In connection with the sale of the Specialty Chemicals business (formerly known as Mallinckrodt Baker) in fiscal 2010, we agreed to indemnify the purchaser with respect to various matters, including certain environmental, health, safety, tax and other matters. The indemnification obligations relating to certain environmental, health and safety matters have a term of 17 years from the date of 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 our unaudited condensed consolidated balance sheet as of June 30, 2017 was $15.0 million, of which $12.3 million related to environmental, health and safety matters. The value of the environmental, health and safety indemnity was measured based on the probability-weighted present value of the costs expected to be incurred to address environmental, health and safety claims made under the indemnity. The aggregate fair value of these indemnification obligations did not differ significantly from their aggregate carrying value at June 30, 2017. As of June 30, 2017, the maximum future payments we could be required to make under these indemnification obligations was $70.2 million. We were required to pay $30.0 million into an escrow account as collateral to the purchaser, of which $18.2 million remained in other assets on our unaudited condensed consolidated balance sheet at June 30, 2017.

We have recorded liabilities for known indemnification obligations included as part of environmental liabilities, which are discussed in Note 16 of the unaudited notes to condensed consolidated financial statements.

In addition, we are also liable for product performance, and have established accruals as necessary; however, we believe, given the information currently available, that the ultimate resolution of these obligations will not have a material adverse effect on our financial condition, results of operations and cash flows.

Off-Balance Sheet Arrangements

We were previously required to provide the U.S. Nuclear Regulatory Commission financial assurance demonstrating our ability to fund the decommissioning of our Maryland Heights, Missouri radiopharmaceuticals production facility upon closure. Following the sale of the Nuclear Imaging business, the surety bond was canceled in April 2017 and the Company is no longer required to provide financial assurance to the U.S. Nuclear Regulatory Commission. As of June 30, 2017, we had various other letters of credit, guarantees and surety bonds totaling $28.7 million.

We exchanged title to $16.0 million of our plant assets in return for an equal amount of Industrial Revenue Bonds ("IRB") issued by Saint Louis County. We also simultaneously leased such assets back from Saint Louis County under a capital lease expiring in December 2025, the terms of which provide us with the right of offset against the IRBs. The lease also provides an option for us to repurchase the assets at the end of the lease for nominal consideration. These transactions collectively result in a property tax abatement for ten years from the date the property was placed in service. Due to the right of offset, the capital lease obligations and

IRB assets are recorded net, and therefore do not appear in the unaudited condensed consolidated balance sheets. We expect that the right of offset will be applied to payments required under these arrangements.

In addition, the separation and distribution agreement entered into with Covidien provides for cross-indemnities principally designed to place financial responsibility of 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.

Critical Accounting Policies and Estimates

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

We believe that our accounting policies for revenue recognition, goodwill and other intangible assets, acquisitions, contingencies and income taxes are based on, among other things, judgments and assumptions made by management that include inherent risks and uncertainties. During the six months ended June 30, 2017, there were no significant changes to these policies or in the underlying accounting assumptions and estimates used in the above critical accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended September 30, 2016.

Forward-Looking Statements

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

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

The risk factors included within Item 1A. of our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 and within Part II, Item 1A of this Quarterly Report on Form 10-Q could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our variable-rate debt instruments, which bear interest based on LIBOR plus margin. As of June 30, 2017, our outstanding debt included $1,860.4 million variable-rate debt on our senior secured term loans, no outstanding borrowings on our senior unsecured revolving credit facility and $200.0 million variable-rate debt on our receivables securitization program. Assuming a one percent increase in the applicable interest rates, in excess of applicable minimum floors, quarterly interest expense would increase by approximately $5.2 million.

The remaining outstanding debt as of June 30, 2017 is fixed-rate debt. Changes in market interest rates generally affect the fair value of fixed-rate debt, but do not impact earnings or cash flows.

Currency Risk

Certain net sales and costs of our non-U.S. operations are denominated in the local currency of the respective countries. As such, profits from these subsidiaries may be impacted by fluctuations in the value of these local currencies relative to the U.S. Dollar. We also have significant intercompany financing arrangements that may result in gains and losses in our results of operations. In an effort to mitigate the impact of currency exchange rate effects we may hedge certain operational and intercompany transactions; however, our hedging strategies may not fully offset gains and losses recognized in our results of operations.

The unaudited condensed consolidated statement of income is significantly exposed to currency risk from intercompany financing arrangements, which primarily consist of intercompany debt and intercompany cash pooling, where the denominated currency of the transaction differs from the functional currency of one or more of our subsidiaries. We performed a sensitivity analysis for these arrangements as of June 30, 2017 that measures the potential unfavorable impact to income from continuing operations before income taxes from a hypothetical 10.0% adverse movement in foreign exchange rates relative to the U.S. Dollar, with all other variables held constant. There is less than $0.1 million aggregate potential unfavorable impact from a hypothetical 10.0% adverse change in foreign exchange rates as of June 30, 2017. This hypothetical loss does not reflect any hypothetical benefits that would be derived from hedging activities, including cash holdings in similar foreign currencies that we have historically utilized to mitigate our exposure to movements in foreign exchange rates.

The financial results of our non-U.S. operations are translated into U.S. Dollars, further exposing us to currency exchange rate fluctuations. We have performed a sensitivity analysis as of June 30, 2017 that measures the change in the net financial position arising from a hypothetical 10.0% adverse movement in the exchange rates of the Euro and the Canadian Dollar, our most widely used foreign currencies, relative to the U.S. Dollar, with all other variables held constant. The aggregate potential change in net financial position from a hypothetical 10.0% adverse change in the above currencies was $15.3 million as of June 30, 2017. The change in the net financial position associated with the translation of these currencies is generally recorded as an unrealized gain or loss on foreign currency translation within accumulated other comprehensive income in shareholders' equity of our unaudited condensed consolidated balance sheets.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

During the second quarter of 2017, we implemented a new enterprise resource planning ("ERP") system which is expected to improve the efficiency of certain financial and related transaction processes. This implementation has resulted in business and operational changes. As a result, we have put controls in place that we believe serve to monitor and maintain appropriate internal controls over financial reporting.

There were no other changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are 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 in Note 16 of the unaudited notes to condensed consolidated financial statements. We believe 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, we believe, unless indicated in Note 16 of the unaudited notes to condensed consolidated financial statements, given the information currently available, that their ultimate resolutions will not have a material adverse effect on our financial condition, results of operations and cash flows. For further information on pending legal proceedings, refer to Note 16 of the notes to the unaudited condensed consolidated financial statements.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended September 30, 2016, filed with the SEC on November 29, 2016.

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

(c) Issuer Purchases of Securities

The following table summarizes the repurchase activity of our ordinary shares during the three months ended June 30, 2017. The repurchase activity presented below includes both market repurchases of shares and deemed repurchases in connection with the vesting of restricted share units under employee benefit plans to satisfy minimum statutory tax withholding obligations.

On November 19, 2015, the Company's Board of Directors authorized a $500.0 million share repurchase program (the “November 2015 Program”), which was completed in the three months ended December 30, 2016. On March 16, 2016, the Company's Board of Directors authorized an additional $350.0 million share repurchase program (the “March 2016 Program”) which was completed during the three months ended March 31, 2017. On March 1, 2017, the Company's Board of Directors authorized an additional $1.0 billion share repurchase program (the "March 2017 Program") which commenced upon the completion of the March 2016 Program. The March 2017 Program has no time limit or expiration date, and the Company currently expects to fully utilize the program.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under Plans or Programs
April 1, 2017 to April 28, 2017	96,604	$ 37.71	123,265	$ 985.0
April 29, 2017 to June 2, 2017	1,750,610	42.80	1,750,274	910.1
June 3, 2017 to June 30, 2017	503,602	40.85	500,591	889.7

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Exhibit
3.1	Certificate of Incorporation of Mallinckrodt plc (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 1, 2013).
3.2	Amended and Restated Memorandum and Constitution of Mallinckrodt plc (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed March 1, 2017).
10.1	Mallinckrodt Pharmaceuticals Severance Plan for U.S. Officers and Executives, amended May 18, 2017.
10.2	Mallinckrodt Pharmaceuticals Change in Control Severance Plan for Certain U.S. Officers and Executives, amended May 18, 2017.
10.3	Mallinckrodt Pharmaceuticals Stock and Incentive Plan, amended May 18, 2017.
10.4	Amended and Restated Note Purchase Agreement, dated as of July 28, 2017, among Mallinckrodt Securitization S.À R.L., the persons from time to time party thereto as purchasers, PNC Bank, National Association, as administrative agent, and Mallinckrodt LLC, as initial servicer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 1, 2017).
10.5	Amended and Restated Purchase and Sale Agreement, dated as of July 28, 2017, among the various entities party thereto from time to time as originators, Mallinckrodt LLC, as initial servicer, and Mallinckrodt Securitization S.À R.L., as buyer (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 1, 2017).
10.6	Form of Sale Agreement, dated as of July 28, 2017, between Mallinckrodt LLC and each Sub-Originator (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed August 1, 2017).
10.7	Performance Guaranty, dated as of July 28, 2014, by Mallinckrodt International Finance S.A. in favor of PNC Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.4 to the Company’s Current Report on Form 8-K filed July 30, 2014).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data File (Form 10-Q for the quarterly period ended June 30, 2017 filed in XBRL). The financial information contained in the XBRL-related documents is "unaudited" and "unreviewed."

SIGNATURES

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

MALLINCKRODT PUBLIC LIMITED COMPANY

By: /s/ Matthew K. Harbaugh

Matthew K. Harbaugh
Executive Vice President and Chief Financial Officer
(principal financial officer)

Date: August 8, 2017

Exhibit 10.1

MALLINCKRODT PHARMACEUTICALS

SEVERANCE PLAN

FOR U.S. OFFICERS AND EXECUTIVES

Amended May 18, 2017

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ARTICLE I

PURPOSE, INTENT AND TERM OF PLAN

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

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

Section 1.03 Adoption of the Plan. The Company adopted this Plan, effective April 1, 2013, for Eligible Employees of the Company and Eligible Employees of any Subsidiary.

ARTICLE II

DEFINITIONS

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

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

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

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

Section 2.02 "Annual Bonus" shall mean the average of the actual bonuses paid (excluding bonuses paid for the Stub Period in the 4th calendar quarter of 2016) to the respective Participant pursuant to The Mallinckrodt Annual Incentive Plan, and/or the Global Bonus Plan that are attributable to the three Company fiscal years that immediately precede the Participant's Separation from Service Date. If the Participant was not employed by the Company for at least three full Company fiscal years prior to the Participant's Termination Date, the Annual Bonus shall be calculated by dividing the total of the actual bonuses paid to the Participant by the number of full months worked by the Participant, and multiplied by twelve.

Section 2.03 "Base Salary" shall mean the Participant's annual base salary, excluding bonus and incentive compensation, in effect as of the Participant's Termination Date. For Participants who are eligible for the Mallinckrodt Sales Incentive Compensation Plan ("SICP") as of the Termination Date, Base Salary shall mean the Participant's annual base salary plus eighty five percent (85%) of Participant's target annual incentive compensation under the SICP (exclusive of any compensation earned for special awards or one-time bonuses). Except as specifically described in this Section 2.02, Base Salary shall not include any compensation other than the Participant's annual base salary.

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

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

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

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

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

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

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

Section 2.11 "Company" shall mean Mallinckrodt Enterprises LLC, a Delaware limited liability company, and any entity that succeeds to the business or assumes the obligations of Mallinckrodt Enterprises LLC with respect to the Plan.

Section 2.12 "Effective Date" shall mean April 1, 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 2.28 "Salary Continuation Benefits" shall mean the salary continuation payments described in Section 4.01(b) and the bonus payments described in Section 4.01(c)(ii).

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

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

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

Section 2.32 "Severance Period" shall mean the period during which a Participant is receiving Severance Benefits under this Plan, as set forth in the Appendix.

Section 2.33 "Subsidiary" shall mean (a) a subsidiary company (wherever incorporated) of Mallinckrodt plc, as defined by Section 155 of the Companies Act 1963 of Ireland; (b) any separately organized business unit, whether or not incorporated, of Mallinckrodt plc; (c) any employer that is required to be aggregated with the Company pursuant to Code Section 414 and the regulations promulgated thereunder; and (d) any service recipient or employer that is within a controlled group of corporations as defined in Code Sections 1563(a)(1), (2) and (3) where the phrase "at least 50%" is substituted in each place "at least 80%" appears and any service recipient or employer within trades or businesses under common control as defined in Code Section 414(c) and Treas. Reg. Section 1.414(c)-2 where the phrase "at least 50%" is substituted in each place "at least 80%" appears, provided, however, that when the relevant determination is to be based upon legitimate business criteria (as described in Treas. Reg. Sections 1.409A-1(b)(5)(iii)(E) and 1.409A-1(h)(3)), the phrase "at least 20%" shall be substituted in each place "at least 80%" appears as described above with respect to both a controlled group of corporations and trades or business under common control.

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

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

ARTICLE III

PARTICIPATION AND ELIGIBILITY FOR BENEFITS

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

Section 3.02 Conditions.

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

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

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

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

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

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

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

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

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

(viii) The Eligible Employee's employment with the Employer terminates as a result of a sale of stock or assets of the Employer, merger, consolidation, joint venture or a sale, divestiture or outsourcing of a business unit or function, or other transaction, and the Eligible Employee accepts employment, or has the opportunity to continue employment (without regard to whether the offer of employment is for an Alternative Position), with the purchaser, joint venture or other acquiring or outsourcing entity or a related entity of either the Employer or the acquiring entity. The payment of Severance Benefits in the circumstances described in this subsection 3.02(b)(viii) would result in a windfall to the Eligible Employee, which is not the intention of the Plan; or

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

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

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

ARTICLE IV

DETERMINATION OF SEVERANCE BENEFITS

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

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

(b) Salary Continuation. Salary continuation payments shall be provided during the Severance Period applicable to the Participant, as set forth in the Salary Continuation Schedule in the Appendix. During the Severance Period, the Participant shall receive continued payments of a pro-rata portion of Base Salary (net of deductions and tax withholdings, as applicable) in equal installments over the Severance Period, per normal payroll cycles and in normal payroll amounts for such cycle. If the Participant was not employed with the Company for at least one full year prior to the Termination Date, Participant's Severance Period shall be reduced by 50%. Except as otherwise provided herein, salary continuation payments shall commence no earlier than the end of the applicable revocation period and shall be paid in accordance with Article V.

(c) Bonus.

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

(ii) If Participant was employed by the Company for at least one full year prior to the Termination Date, the Participant shall also receive a bonus payment during the applicable Severance Period that is equal to the amount set forth in the Bonus Payment Schedule in the Appendix. The bonus payment shall be paid in cash to the Participant in equal installments over the applicable Severance Period (*e.g.*, 12 months, 18 months or 24 months), per normal payroll cycles. Bonus payments made over the applicable Severance Period shall be paid at the same time as the salary continuation payments described in Section 4.01(b) and in accordance with Article V.

(d) Medical, Dental and Health Care Reimbursement Account Benefits. The Participant (and his/her spouse, domestic partner or child(ren), as applicable) shall be eligible for continued coverage under the Company's medical and dental plans as required by and pursuant to COBRA. The Company shall provide COBRA coverage only if such coverage is timely elected by the Participant or other qualified beneficiary (as defined by COBRA). If the Participant timely elects COBRA coverage, subject to the other provisions in this Section 4.01(d), during the Severance Period, the Participant will be responsible for paying the employee portion of the applicable premium under the respective plan(s) at the same rate (subject to any applicable incentives) and at the same time as such employee contributions are paid by similarly-situated then-active Company employees. If the Severance Period is less than the applicable COBRA coverage period then, effective for the first premium payment due after the Severance Period expires, the Participant will be required to pay the entire premium for COBRA coverage and shall be responsible for paying such premium during the remainder of the applicable COBRA coverage period. If the Severance Period exceeds eighteen (18) months after the Participant's Separation from Service Date, then (a) effective for any premium payments for COBRA coverage that are due after eighteen (18) months after the Participant's Separation from Service Date, the Participant will be required to pay the entire premium for such COBRA coverage and shall be responsible for paying such premium during the remainder of the applicable COBRA period and (b) the Company shall pay to the Participant, within sixty (60) days after such eighteen (18) month period expires, a single lump-sum cash payment in an amount equal to the employer portion of the applicable premium in effect for the Participant, based on the type of coverage provided to the Participant at such time, for the last month of such eighteen (18) month period times the number of full months that the Severance Period exceeds such eighteen (18) month period. COBRA coverage will cease upon the expiration of the maximum period required under COBRA or at such earlier time if the Participant does not pay the required premium within the applicable time period, if the Participant terminates COBRA coverage, or if an event occurs that, pursuant to COBRA, permits the earlier termination of COBRA coverage.

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

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

exercisable beyond its original expiration date. If the Participant dies, the terms and conditions of the applicable option agreement shall govern.

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

(iii) Early Retirement and Normal Retirement Eligible Participants. Notwithstanding the provisions of Section 4.01(e)(i) and (ii), if a Participant who signs a Release and begins receiving Severance Benefits hereunder would satisfy the requirements for Early Retirement or Normal Retirement (as such terms are defined in the applicable award agreement) set forth in a non-qualified stock option, restricted unit or performance unit award agreement over Mallinckrodt plc ordinary shares at any time during the Participant's Severance Period solely by reason of attaining the requisite age set forth in the applicable award agreement during such Severance Period, then all such non-qualified stock option, restricted unit and performance unit awards shall vest in accordance with the terms and conditions of the applicable award agreement by treating such Participant as if such Participant had satisfied the age and service requirement for Early Retirement or Normal Retirement, as applicable, under the applicable award agreement on the Participant's Separation from Service Date; provided, however that, solely with respect to non-qualified stock options, if Section 4.01(e)(i) provides more favorable treatment than this Section 4.01(e)(iii) (as would be the case if Early Retirement treatment applied), the more favorable provision shall apply. If the Participant dies, the terms and conditions of the applicable award agreement shall govern.

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

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

Section 4.03 Termination for Cause. If any Eligible Employee's employment terminates on account of termination by the Employer for Cause, the Eligible Employee shall not be entitled to receive Severance Benefits under this Plan and shall be entitled only to those benefits that are required to be

provided to the Eligible Employee by applicable law. Notwithstanding any other provision of the Plan to the contrary, if the Plan Administrator in its sole discretion determines, at any point during the Severance Period, that a Participant engaged in conduct that constitutes Cause, any Severance Benefits payable to the Participant shall cease immediately, and the Participant shall be required to return to the Company any Severance Benefits that were provided to the Participant before such determination. The Company may withhold providing Severance Benefits pending resolution of an inquiry that could lead to a finding that an Eligible Employee engaged in conduct that constitutes Cause. Any such Severance Benefit that is withheld and subsequently is determined to be due shall be provided to the Participant within ninety (90) days after the date of the final and binding resolution.

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

ARTICLE V

METHOD AND DURATION OF SEVERANCE BENEFIT PAYMENTS

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

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

Section 5.03 Code Section 409A

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

(b) This Plan is intended to provide certain benefits that meet the requirements of the "short-term deferral" exception, the "separation pay" exception and other exceptions under Code Section 409A and the regulations promulgated thereunder. Notwithstanding any other provision of the Plan to the contrary, if required by Code Section 409A, payments may be made under this Plan only upon an event and in a manner permitted by Code Section 409A. For purposes of Code Section 409A, each individual payment that constitutes part of the Salary Continuation Benefits shall be treated as a separate payment from any other such payment. All reimbursements and in-kind benefits provided under the Plan shall be

made or provided in accordance with the requirements of Code Section 409A including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the period of time specified in the Plan, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement, or in-kind benefits is not subject to liquidation or exchange for another benefit. In no event may a Participant designate the year of payment for any amounts payable under the Plan.

Section 5.04 Termination of Eligibility for Benefits.

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

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

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

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

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

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

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

ARTICLE VI

THE PLAN ADMINISTRATOR

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

Section 6.02 Compensation of the Plan Administrator. The Plan Administrator shall receive no compensation for services as such. However, all reasonable expenses of the Plan Administrator shall be paid or reimbursed by the Company upon proper documentation. The Plan Administrator shall be indemnified by the Company against personal liability for actions taken in good faith in the discharge of the Plan Administrator's duties pursuant to the policy entitled "Indemnification of Directors, Officers, and Employees Who Serve As Fiduciaries or Representatives," as the same may from time to time be amended, or pursuant to such other policy as may apply to the Plan Administrator.

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

ARTICLE VII

AMENDMENT, TERMINATION AND DURATION

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

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

ARTICLE VIII

DUTIES OF THE COMPANY AND THE COMMITTEE

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

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

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

ARTICLE IX

CLAIMS PROCEDURES

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

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

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

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

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

(c) The Named Appeals Fiduciary shall render a determination upon the appealed claim, and the determination shall be accompanied by a written statement as to the reasons therefore. The determination shall be provided to the Claimant within sixty (60) days after the Plan Administrator receives the Claimant's request for review, unless the Named Appeals Fiduciary determines that special circumstances require an extension of time for processing the claim. In such case, the Named Appeals Fiduciary shall notify the Claimant of the need for an extension of time to render its decision prior to the end of the initial sixty (60) day period, and the Named Appeals Fiduciary shall have an additional sixty (60) day period to make its determination. The determination so rendered shall be binding upon all parties. If the determination is adverse to the Claimant, the notice shall: (a) provide the reason or reasons for denial; (b) make specific reference to the Plan provision's on which the determination was based; (c) include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to a the Claimant's claim for benefits; and (d) state that the Claimant has the right to bring an action under ERISA Section 502(a). If the final determination is that payment shall be made, then any such payment shall be made within ninety (90) days after the date by which notification of the final determination is required.

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

ARTICLE X

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix

SALARY CONTINUATION AND BONUS PAYMENT SCHEDULE

Salary Continuation Schedule

President and Chief Executive Officer	24 month Severance Period
Members of the Executive Committee (Titles of Executive Vice Presidents and Senior Vice Presidents)	18 month Severance Period
Any other Eligible Employees (Titles of Senior Vice President and Vice President)	12 month Severance Period

Bonus Payment Schedule

President and Chief Executive Officer	2x Annual Bonus
Members of the Executive Committee (Titles of Executive Vice Presidents and Senior Vice Presidents)	1.5x Annual Bonus
Any other Eligible Employees (Titles of Senior Vice President and Vice President)	1x Annual Bonus

MALLINCKRODT PHARMACEUTICALS
CHANGE IN CONTROL SEVERANCE PLAN
FOR CERTAIN U.S. OFFICERS AND EXECUTIVES

Amended May 18, 2017

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ARTICLE I

BACKGROUND, PURPOSE AND TERM OF PLAN

Section 1.01 **Purpose and Intent of the Plan**. The purpose of the Plan is to provide Eligible Employees with certain compensation and benefits in the event that such Employee's employment with the Company or a Subsidiary is terminated due to a Change in Control Termination. The Plan is not intended to be an "employee pension benefit plan" or "pension plan" within the meaning of Section 3(2) of ERISA. Rather, the Plan is intended to be a "welfare benefit plan" within the meaning of Section 3(1) of ERISA and to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations, Section 2510.3-2(b). Accordingly, no employee shall have a vested right to benefits paid by the Plan. The terms of the Plan are intended to, and shall be interpreted so as to, comply in all respects with the provisions of Code Section 409A and the regulations and rulings promulgated thereunder and, if necessary, any provision shall be held null and void to the extent such provision (or any part thereof) fails to comply with Code Section 409A or the regulations or rulings promulgated thereunder.

Section 1.02 **Term of the Plan**. The Plan shall generally be effective as of the Effective Date. The Plan is intended to supersede, and not to duplicate, the provisions of the Mallinckrodt Pharmaceuticals Severance Plan for U.S. Officers and Executives ("Executive Severance Plan") in any case in which an Eligible Employee would otherwise be entitled to severance or related benefits under both this Plan and the Executive Severance Plan arising out of the Eligible Employee's Change in Control Termination. Moreover, this Plan is intended to supersede any other plan, program, arrangement or agreement providing an Eligible Employee with severance or related benefits in the case of an Eligible Employee's Change in Control Termination. The Plan shall continue until terminated pursuant to Article VII of the Plan.

Section 1.03 **Adoption of the Plan**. The Plan was adopted by the Board of Directors of Mallinckrodt plc on March 26, 2013, with the Effective Date of July 1, 2013.

ARTICLE II

DEFINITIONS

Section 2.01 "Annual Bonus" means the average of the actual bonuses paid (excluding bonuses paid for the Stub Period in the 4th calendar quarter of 2016) to the respective Participant pursuant to The Mallinckrodt Annual Incentive Plan, and/or the Global Bonus Plan that are attributable to the three Company fiscal years that immediately precede the Participant's Separation from Service Date. If the Participant was not employed by the Company for at least three full Company fiscal years prior to the Participant's Termination Date, the Annual Bonus shall be calculated by dividing the total of the actual bonuses paid to the Participant by the number of full months worked by the Participant, and multiplied by twelve.

Section 2.02 "Base Salary" means the Participant's annual base salary in effect as of the Participant's Separation from Service Date.

Section 2.03 "Board" means the Board of Directors of Mallinckrodt plc.

Section 2.04 "Cause" means an Employee's (i) substantial failure or refusal to perform duties and responsibilities of his or her job at a satisfactory level as required by the Company or Subsidiary, other than due to Permanent Disability, (ii) a material violation of any fiduciary duty or duty of loyalty owed to the Company or Subsidiary, (iii) conviction of a misdemeanor (other than a traffic offense) or felony, (iv) fraud, embezzlement or theft, (v) violation of a material Company or Subsidiary rule or policy, (vi) unauthorized disclosure of any trade secret or confidential information of the Company or Subsidiary or (vii) other egregious conduct, that has or could have a serious and detrimental impact on the Company or Subsidiary and its employees. The Committee, in its sole and absolute discretion, shall determine Cause.

Section 2.05 "Change in Control" shall have the same meaning as that term is defined in the Mallinckrodt Pharmaceuticals Stock and Incentive Plan, as applicable at the time.

Section 2.06 "Change in Control Benefits" means the payments described in Section 4.01(b) and Section 4.01(c)(ii).

Section 2.07 "Change in Control Termination" means a Participant's Involuntary Termination or Good Reason Resignation that occurs during the period beginning 60 days prior to the date of a Change in Control and ending two years after the date of such Change in Control.

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

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

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

Section 2.11 "Company" means Mallinckrodt plc, a public company with limited liability incorporated in Ireland, or any successor thereto. Unless it is otherwise clear from the context, Company shall generally include participating Subsidiaries.

Section 2.12 "Effective Date" means July 1, 2013.

Section 2.13 "Eligible Employee" means an Employee who is classified in job bands 0 or 1, and who is not covered under any other severance plan or program sponsored by the Company or a Subsidiary (other than the Executive Severance Plan). If there is any question as to whether an Employee is an Eligible Employee, the Chief Human Resources Officer shall make the determination.

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

Section 2.15 "Employer" means the Company or any Subsidiary.

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

Section 2.17 "Exchange Act" means the United States Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

Section 2.18 "Executive Severance Plan" means the Mallinckrodt Pharmaceuticals Severance Plan for U.S. Officers and Executives, which plan is superseded by this Plan in the event of any Participant's Change in Control Termination.

Section 2.19 "Good Reason Resignation" means any retirement or termination of employment by a Participant that is not initiated by the Employer and that is caused by any one or more of the following events which occurs during the period beginning 60 days prior to the date of a Change in Control and ending two years after the date of such Change in Control:

(1) Without the Participant's written consent, assignment to the Participant of any duties inconsistent in any material respect with the Participant's authority, duties or responsibilities as in effect immediately prior to the Change in Control;

(2) Without the Participant's written consent, a material diminution in the authority, duties or responsibilities of the supervisor to whom the Participant is required to report as in effect immediately prior to the Change in Control;

(3) Without the Participant's written consent, a material change in the geographic location at which the Participant must perform services to a location which is more than 50 miles from the Participant's principal place of business immediately preceding the Change in Control;

(4) Without the Participant's written consent, a material reduction in the Participant's compensation and benefits, taken as a whole, as in effect immediately prior to the Change in Control;

(5) The Company's failure to obtain a satisfactory agreement from any Successor to assume and agree to perform the Company's obligations to the Participant under this Plan, as contemplated in Section 10.03 herein; or

(6) Without the Participant's written consent, a material diminution in the budget over which the Participant retains authority;

Notwithstanding the foregoing, the Participant shall be considered to have a Good Reason Resignation only if (x) the Participant provides written notice to the Employer specifying in reasonable detail the event upon which the Participant is basing such Good Reason Resignation within ninety (90) days after the occurrence of such event, (y) the Employer fails to cure such event within thirty (30) days after its receipt of such notice, and (z) the Participant terminates employment within sixty (60) days after the expiration of such cure period.

Section 2.20 "Involuntary Termination" means the date that a Participant experiences a Company-initiated Separation from Service from the Employer for any reason other than Cause, Permanent Disability or death, as provided under and subject to the conditions of Article III.

Section 2.21 "Key Employee" means an Eligible Employee who is a "specified employee" under Code Section 409A, as determined by the Committee or its delegate. The determination of Key Employees, including the number and identity of persons considered specified employees and the identification date, shall be made by the Committee or its delegate in accordance with the provisions of Code Section 409A and the regulations promulgated thereunder.

Section 2.22 "Notice Pay" means the amounts that a Participant is eligible to receive pursuant to Article IV of the Plan.

Section 2.23 "Officer" means any individual who is an officer, as such term is defined pursuant to Rule 16a-1(f) as promulgated under the Exchange Act, of the Company.

Section 2.24 "Participant" means any Eligible Employee who meets the requirements of Article III and thereby becomes eligible for Severance Benefits.

Section 2.25 "Permanent Disability" means that an Employee has a permanent and total incapacity from engaging in any employment for the Employer for physical or mental reasons. A "Permanent Disability" shall be deemed to exist if the Employee meets the requirements for disability benefits under the Employer's long-term disability plan or under the requirements for disability benefits under the Social Security law then in effect.

Section 2.26 "Plan" means the Mallinckrodt Pharmaceuticals Change in Control Severance Plan for Certain U.S. Officers and Executives as set forth herein, and as the same may from time to time be amended.

Section 2.27 "Plan Administrator" means the individual(s) appointed by the Committee to administer the terms of the Plan as set forth herein and if no individual is appointed by the Committee to serve as the Plan Administrator for the Plan, the Plan Administrator shall be the Chief Human Resources

Officer of Mallinckrodt plc. Notwithstanding the preceding sentence, in the event the Plan Administrator is entitled to Severance Benefits under the Plan, the Committee or its delegate shall act as the Plan Administrator for purposes of administering the terms of the Plan with respect to the Plan Administrator. The Plan Administrator may delegate all or any portion of its authority under the Plan to any other person(s).

Section 2.28 "Postponement Period" means, for a Key Employee, the period of six (6) months after such Key Employee's Separation from Service Date (or such other period as may be required by Code Section 409A).

Section 2.29 "Release" means the "Separation of Employment Agreement and General Release," as provided by the Company or such other agreement between the Company and Participant under which the Participant releases potential claims against the Company in exchange for Severance Benefits.

Section 2.30 "Separation from Service" means "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and the applicable regulations and rulings promulgated thereunder.

Section 2.31 "Separation from Service Date" means, with respect to a Participant, the date on which such Participant experiences a Separation from Service.

Section 2.32 "Severance Benefits" means the salary replacement amounts and other benefits that a Participant is eligible to receive pursuant to Article IV of the Plan.

Section 2.33 "Severance Period" means the period for which a Participant is entitled to receive Severance Benefits under this Plan, as set forth in the Appendix.

Section 2.34 "Subsidiary" means (i) a subsidiary company (wherever incorporated) of the Company, as defined by Section 155 of the Companies Act 1963 of Ireland; (ii) any separately organized business unit, whether or not incorporated, of the Company; (iii) any employer that is required to be aggregated with the Company pursuant to Code Section 414 and the regulations promulgated thereunder; and (iv) any service recipient or employer that is within a controlled group of corporations as defined in Code Sections 1563(a)(1), (2) and (3) where the phrase "at least 50%" is substituted in each place "at least 80%" appears and any service recipient or employer within trades or businesses under common control as defined in Code Section 414(c) and Treas. Reg. § 1.414(c)-2 where the phrase "at least 50%" is substituted in each place "at least 80%" appears, provided, however, that when the relevant determination is to be based upon legitimate business criteria (as described in Treas. Reg. § 1.409A-1(b)(5)(iii)(E) and § 1.409A-1(h)(3)), the phrase "at least 20%" shall be substituted in each place "at least 80%" appears as described above with respect to both a controlled group of corporations and trades or business under common control.

Section 2.35 "Successor" means any other corporation or unincorporated entity or group of corporations or unincorporated entities which acquires ownership, directly or indirectly, through merger, consolidation, purchase or otherwise, of all or substantially all of the assets of the Company.

Section 2.36 "Voluntary Resignation" means any Separation from Service that is not initiated by the Employer other than a Good Reason Resignation.

ARTICLE III

PARTICIPATION AND ELIGIBILITY FOR BENEFITS

Section 3.01 Participation. Each Eligible Employee in the Plan who incurs a Change in Control Termination and who satisfies all of the conditions of Section 3.02 shall be eligible to receive the Severance Benefits described in the Plan. An Eligible Employee shall not be eligible to receive any other severance benefits from the Company or Subsidiary on account of a Change in Control Termination, unless otherwise provided in the Plan. In addition, any Eligible Employee who is a party to an employment agreement with the Company pursuant to which such Eligible Employee is entitled to severance benefits shall be ineligible to participate in the Plan.

Section 3.02 Conditions.

(a) Eligibility for any Severance Benefits is expressly conditioned on the occurrence of the following within 60 days following the Participant's Separation from Service Date: (i) execution by the Participant of a Release in the form provided by the Company (which may include confidentiality, non-solicitation, and non-disparagement provisions at the Company's discretion); (ii) compliance by the Participant with all the terms and conditions of such Release; and (iii) to the extent permitted in Section 4.04 of the Plan, execution of a written agreement that authorizes the deduction of amounts owed to the Company prior to the payment of any Severance Benefits (or in accordance with any other schedule as the Committee may, in its sole discretion, determine to be appropriate). If the Company determines, in its sole discretion, that the Participant has not fully complied with any of the terms of the Release and/or any confidentiality, non-solicitation, and non-disparagement provisions to which Participant may be subject, the Company may deny Severance Benefits not yet in pay status or discontinue the payment of the Participant's Severance Benefits and may require the Participant, by providing written notice of such repayment obligation to the Participant, to repay any portion of the Severance Benefits already received under the Plan. If the Company notifies a Participant that repayment of all or any portion of the Severance Benefits received under the Plan is required, such amounts shall be repaid within thirty (30) calendar days after the date the written notice is sent. Any remedy under this Section 3.02(a) shall be in addition to, and not in place of, any other remedy, including injunctive relief, that the Company may have.

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

(i) The Eligible Employee's Voluntary Resignation;

(ii) The Eligible Employee resigns employment (other than a Good Reason Resignation) before the job-end date specified by the Employer or while the Employer still desires the Eligible Employee's services;

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

(iv) The Eligible Employee voluntarily retires (other than a Good Reason Resignation);

(v) The Eligible Employee's employment is terminated due to the Eligible Employee's death or Permanent Disability;

(vi) The Eligible Employee does not return to work at the end of an approved leave of absence.

(vii) The Eligible Employee does not satisfy the Conditions for Severance in Section 3.02(a);

(viii) The Eligible Employee continues in employment with the Company or any Subsidiary for more than sixty (60) days following the expiration of the cure period set forth in the last paragraph of Section 2.19 with respect to a Good Reason Resignation; or

(ix) The Eligible Employee's employment with the Employer terminates as a result of a Change in Control and the Eligible Employee accepts employment, or has the opportunity to continue employment, with a Successor (other than under terms and conditions which would permit a Good Reason Resignation). The payment of Severance Benefits in the circumstances described in this subsection (ix) would result in a windfall to the Eligible Employee, which is not the intention of the Plan.

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

(d) An Eligible Employee returning from approved military leave during the period beginning 60 days before a Change in Control and ending two years after a Change in Control will be eligible for Severance Benefits if: (i) he/she is eligible for reemployment under the provisions of the Uniformed Services Employment and Reemployment Rights Act (USERRA); (ii) his/her pre-military leave job is eliminated; and (iii) the Employer's circumstances are changed so as to make reemployment in another position impossible or unreasonable, or re-employment would create an undue hardship for the Employer. If the Eligible Employee returning from military leave qualifies for Severance Benefits, his/her severance benefits will be calculated as if he/she had remained continuously employed from the date he/she began his/her military leave. The Eligible Employee must also satisfy any other relevant conditions for payment set forth in this Article III, including execution of a Release.

ARTICLE IV

DETERMINATION OF SEVERANCE BENEFITS

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

(a) Notice Pay. Each Eligible Employee who is eligible for Severance Benefits shall receive at least thirty (30) calendar days' notice as a Notice Period. In the event the Company determines an Eligible Employee's last day of work shall be prior to the end of his or her Notice Period, such Employee shall be entitled to pay in lieu of notice for the balance of such Notice Period. Notice Pay paid to an Eligible Employee shall be in addition to, and shall not be offset against, the Severance Benefits the Participant may be entitled to receive under this Article IV. However, Notice Pay shall run concurrently with, and not in addition to, any notice period required under local, state or federal law. An Eligible Employee who does not sign, or who revokes his or her signature on, a Release shall only be eligible for Notice Pay. Unless otherwise permitted by the applicable plan documents or laws, an Eligible Employee will not be eligible to apply for short-term disability, long-term disability and/or workers' compensation during the Notice Period, or anytime thereafter. Notice pay shall be paid in accordance with Article V.

(b) Salary Replacement. Salary replacement shall be provided for the Severance Period applicable to the Participant as set forth in the Salary Replacement Schedule in the Appendix and shall be paid in accordance with Article V.

(c) Bonus.

(i) The Participant shall receive a cash payment equal to his or her pro-rated annual bonus under the Global Bonus Plan for the plan year in which the Participant's Separation from Service Date occurs, to the extent provided in the applicable plan; provided, however, that if the Participant's Separation from Service Date occurs during the same fiscal year as a Change in Control and the Participant has received an annual bonus attributable to such fiscal year solely because of the Change in Control, then the Participant shall not receive a pro-rated annual bonus pursuant to this Section 4.01(c)(i). Participants who are not Officers shall receive the pro-rated annual bonus at target percentage and the bonus will be paid no earlier than the end of the applicable revocation period.

(ii) The Participant shall also receive a cash payment equal to his or her Annual Bonus for the Severance Period applicable to the Participant as set forth in the Bonus Payment Schedule in the Appendix, which shall be paid in accordance with Article V.

(d) Medical, Dental and Health Care Reimbursement Account Benefits. The Participant (and his/her spouse, domestic partner or child(ren), as applicable) shall be eligible for continued coverage under the Company's medical and dental plans as required by and pursuant to COBRA. The Company shall provide COBRA coverage only if such coverage is timely elected by the Participant or other qualified beneficiary (as defined by COBRA). If the Participant timely elects COBRA coverage, subject to the other provisions in this Section 4.01(d), during the Severance Period, the Participant will be responsible for paying the employee portion of the applicable premium under the respective plan(s) at the same rate (subject to any applicable incentives) and at the same time as such

employee contributions are paid by similarly-situated active Company employees. If the Severance Period is less than the applicable COBRA coverage period then, effective for the first premium payment due after the Severance Period expires, the Participant will be required to pay the entire premium for COBRA coverage and shall be responsible for paying such premium during the remainder of the applicable COBRA coverage period. If the Severance Period exceeds eighteen (18) months after the Participant's Separation from Service Date, then (a) effective for any premium payments for COBRA coverage that are due after eighteen (18) months after the Participant's Separation from Service Date, the Participant will be required to pay the entire premium for such COBRA coverage and shall be responsible for paying such premium during the remainder of the applicable COBRA period and (b) the Company shall pay to the Participant, within sixty (60) days after such eighteen (18) month period expires, a single lump-sum cash payment in an amount equal to the employer portion of the applicable premium in effect for the Participant, based on the type of coverage provided to the Participant at such time, for the last month of such eighteen (18) month period times the number of full months that the Severance Period exceeds such eighteen (18) month period. COBRA coverage will cease upon the expiration of the maximum period required under COBRA or at such earlier time if the Participant does not pay the required premium within the applicable time period, if the Participant terminates COBRA coverage, or if an event occurs that, pursuant to COBRA, permits the earlier termination of COBRA coverage.

(e) Stock Options. All stock options held by the Participant as of his or her Separation from Service Date which are not already vested and exercisable as of such date shall become vested and exercisable on the Participant's Separation from Service Date. All outstanding stock options held by the Participant that are vested and exercisable as of the Participant's Separation from Service Date and all stock options held by the Participant that become vested and exercisable under the preceding sentence shall be exercisable for the greater of (i) the period set forth in Participant's option agreement covering such options, or (ii) twelve (12) months from the Participant's Separation from Service Date. In no event, however, shall an option be exercisable beyond its original expiration date. If the Participant dies, the terms and conditions of the applicable option agreement shall govern.

(f) Restricted Stock, Restricted Stock Units and Performance Share Units. All unvested restricted stock and restricted stock units held by the Participant as of his or her Separation from Service Date which are subject solely to time-vesting requirements shall accelerate and become immediately vested as of the Participant's Separation from Service Date. All unvested restricted stock and restricted stock units held by the Participant as of his or her Separation from Service Date which are subject in whole or part to performance-based vesting provisions shall accelerate and become vested if and to the extent that the Committee determines in its sole discretion that the applicable performance vesting requirements have been or will be attained, or would have been attained during the Severance Period in the ordinary course but for the Change in Control and the Participant's Change in Control Termination. The treatment of any performance share units upon a Participant's Change in Control Termination shall be governed by the terms and conditions of the applicable award agreement.

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

Section 4.02 Voluntary Resignation; Termination for Death or Permanent Disability. If the Eligible Employee's employment terminates on account of (i) the Eligible Employee's Voluntary Resignation, (ii) death, or (iii) Permanent Disability, then the Eligible Employee shall not be entitled to

receive Severance Benefits under this Plan and shall be entitled only to those benefits (if any) as may be available under the Company's then-existing benefit plans and policies at the time of such termination.

Section 4.03 **Termination for Cause.** If any Eligible Employee's employment terminates on account of termination by the Company for Cause, the Eligible Employee shall not be entitled to receive Severance Benefits under this Plan and shall be entitled only to those benefits that are required to be provided to the Eligible Employee by applicable law. Notwithstanding any other provision of the Plan to the contrary, if the Committee or the Plan Administrator determine, during the Severance Period, that a Participant engaged in conduct at any time that constitutes Cause, any Severance Benefits payable to the Participant shall immediately cease and the Participant shall be required to return any Severance Benefits paid to the Participant prior to such determination to the Company. The Company may withhold paying Severance Benefits pending resolution of an inquiry that could lead to a finding resulting in Cause and any such payment that was withheld and which is subsequently determined to be payable shall be paid to the Participant within ninety (90) days after the date of the final and binding resolution of the related inquiry.

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

ARTICLE V

METHOD, DURATION AND LIMITATION OF SEVERANCE BENEFIT PAYMENTS

Section 5.01 **Method of Payment**. Subject to Section 5.03, the cash Severance Benefits to which a Participant is entitled, as determined pursuant to Section 4.01, shall be paid in a single lump sum payment within sixty five (65) days following the Participant's Severance from Service Date, subject to the fulfillment of all conditions for payment set forth in Section 3.02 and subject to the expiration of the Release revocation period specified in the Release; provided, however, that the pro-rated annual bonus payable to the Participant pursuant to Section 4.01(c)(i) shall be paid at such time and in such manner as set forth in The Mallinckrodt Pharmaceuticals Annual Incentive Plan (or successor plan) and that COBRA coverage under Section 4.01(d) shall be provided or paid in accordance with the provisions of that subsection. Notwithstanding the foregoing, if the Participant's Change in Control Termination occurs based on a Change in Control that does not qualify as a "change in control event" under Code Section 409A and the regulations promulgated thereunder, then any portion of the Severance Benefit payable under this Plan that (i) is subject to Code Section 409A and the regulations and rulings promulgated thereunder and (ii) equals the amount of benefit the Participant could be eligible to receive under the Executive Severance Plan (if the Participant were to satisfy the eligibility requirements in order to receive a benefit under that plan), shall be paid at the same time and in the same form as under the Executive Severance Plan. In no event will interest be credited on the unpaid balance for which a Participant may become eligible. Payment shall be made by mailing to the last address provided by the Participant to the Company or such other reasonable method as determined by the Plan Administrator. All payments of Severance Benefits are subject to applicable federal, state and local taxes and withholdings. In the event of a Participant's death prior to the completion of all payments to which the Participant is entitled, the remaining payments shall be paid to the Participant's estate in a single lump sum payment within sixty (60) days following the Participant's death.

Section 5.02 **Other Arrangements**. The Severance Benefits under this Plan are not additive or cumulative to severance or termination benefits that a Participant might also be entitled to receive under the terms of a written employment agreement, a severance agreement or any other arrangement with the Employer, including, without limitation, the Executive Severance Plan. As provided in Section 3.01, any Eligible Employee who is a party to an employment agreement with the Company or Subsidiary pursuant to which such Eligible Employee is entitled to severance benefits shall be ineligible to participate in the Plan. Therefore, as a condition of participating in the Plan, the Eligible Employee must expressly agree that this Plan supersedes all prior plans or agreements, and sets forth the entire benefit the Eligible Employee is entitled to under the Plan.

Section 5.03 **Code Section 409A**.

(a) Notwithstanding any other provision of the Plan to the contrary, if required by Code Section 409A, no Change in Control Benefits shall be paid to a Participant who is a Key Employee during the Postponement Period. If the previous sentence applies, then the payment of Change in Control Benefits shall commence after expiration of the applicable Postponement Period and any amounts that would have been paid during the Postponement Period but for the previous sentence shall be paid in a

single lump sum within 30 days after the end of such Postponement Period. If the Participant dies during the Postponement Period, however, amounts withheld pursuant to this Section 5.03(a) shall be paid to the Participant's estate no later than the earlier of 60 days after the Participant's death or 30 days after the end of the Postponement Period.

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

Section 5.04 Termination of Eligibility for Benefits.

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

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

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

(b) Notwithstanding any other provision of the Plan to the contrary, the Company shall have the right to cease all Severance Benefits (except as otherwise required by law) and to recover any payments previously made to the Participant should the Participant at any time breach the Participant's undertakings under the terms of the Plan, the Release the Participant executed to obtain the Severance Benefits under the Plan or the confidentiality, non-competition, non-solicitation and non-disparagement provisions in the Release and/or in any other agreement to which the Participant is subject.

Section 5.05 Limitation on Benefits.

(a) Notwithstanding anything in this Plan to the contrary, if it is determined that the payments or distributions by the Company or its Subsidiaries to or for the benefit of a Participant (whether paid or provided pursuant to the terms of this Plan or otherwise) which are contingent on a change in control of the Company (within the meaning of Code Section 280G(b)(2)(A)(i)) would be nondeductible by the Company or Employer for Federal income tax purposes because of Code Section 280G, then the aggregate present value of the benefits provided to such Participant under this Plan (benefits provided to a Participant under this Plan are hereinafter referred to as "Plan Payments") shall be reduced to the Reduced Amount (as defined below) if the net after-tax benefit (after taking into account federal, state, local or other income, employment, self-employment and excise taxes) provided to such Participant after application of the reduction is greater than the net after-tax benefit (after taking into account federal, state, local or other income, employment, self-employment and excise taxes) to which such Participant would

otherwise be entitled from the receipt of Plan Payments in their entirety and without application of any reduction. For this purpose, the Reduced Amount shall be an amount expressed in present value which maximizes the aggregate present value of Plan Payments without causing any payments to a Participant which are contingent upon a change in control of the Company to be nondeductible by the Company or Employer because of Code Section 280G. Present value shall be determined in accordance with Section 280G(d)(4) of the Code.

(b) All determinations required to be made under this Section 5.05 shall be made by an accounting firm selected by the Company before the Change in Control (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Participant within fifteen (15) business days of the Separation from Service Date or such earlier time as requested by the Company. Any such determination by the Accounting Firm shall be binding upon the Company and the Participant. Within five (5) business days of the determination by the Accounting Firm as to any determination required to be made under this Section 5.05, the Company shall provide to the Participant such Severance Benefits as are then due to the Participant in accordance with the rights afforded under this Plan. If Plan Payments are to be reduced, then such Plan Payments shall be reduced in a manner which maximizes the aggregate value of the Payments. If (i) any Payments would be treated as paid pursuant to a nonqualified deferred compensation plan (within the meaning of Code Section 409A(d)(1)); (ii) Plan Payments are required to be reduced pursuant to Section 5.05(a); and (iii) Plan Payments are to be paid on separate payment dates, then any reduction shall be applied to Plan Payments that are first payable to the Participant. The Reduced Payment shall be effected by reducing or eliminating a Participant's Payment or Payments (or portion(s) thereof), until no portion of such Payments is rendered non-deductible by application of Section 280G of the Code, in the following order: (i) the portion denominated and payable in cash (other than "24(c) Payments" as defined below), such as severance; (ii) the portion payable in-kind, such as insurance coverage, or in cash as a reimbursement, such as for outplacement, legal fees, or moving expenses (other than 24(c) Payments); (iii) the portion of equity-based compensation, including stock options and stock appreciation rights or similar rights, that are not 24(c) Payments, including such compensation subject to the achievement of performance-based objectives; and (iv) the portion of 24(c) Payments, such as equity-based compensation or any other Payment. The Company has full discretionary authority to determine which Payments to reduce within each of the four categories described above in the preceding sentence. The Company cannot, however, reduce Payments in one category unless all Payments in the preceding category have been eliminated. A "24(c) Payment" is any Payment permitted to be valued under Treas. Reg. Section 1.280G-1, Q&A 24(c), or any successor provision, promulgated under Code Section 280G.

ARTICLE VI

THE PLAN ADMINISTRATOR

Section 6.01 **Authority and Duties**. It shall be the duty of the Plan Administrator, on the basis of information supplied to it by the Company and the Committee, to properly administer the Plan. The Plan Administrator shall have the full power, authority and discretion to construe, interpret and administer the Plan, to make factual determinations, to correct deficiencies therein, and to supply omissions. All decisions, actions and interpretations of the Plan Administrator shall be final, binding and conclusive upon the parties, subject only to determinations by the Named Appeals Fiduciary (as defined in Section 9.04), with respect to denied claims for Severance Benefits. The Plan Administrator may adopt such rules and regulations and may make such decisions as it deems necessary or desirable for the proper administration of the Plan.

Section 6.02 **Compensation of the Plan Administrator**. The Plan Administrator shall receive no compensation for services as such. However, all reasonable expenses of the Plan Administrator shall be paid or reimbursed by the Company upon proper documentation. The Plan Administrator shall be indemnified by the Company against personal liability for actions taken in good faith in the discharge of the Plan Administrator's duties.

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

ARTICLE VII

AMENDMENT, TERMINATION AND DURATION

Section 7.01 **Amendment, Suspension and Termination**. Except as otherwise provided in this Section 7.01, the Board or its delegate shall have the right, at any time and from time to time, to amend, suspend or terminate the Plan in whole or in part, for any reason or without reason, and without either the consent of or the prior notification to any Participant, by a formal written action. No such amendment shall give the Company the right to recover any amount paid to a Participant prior to the date of such amendment or to cause the cessation of Severance Benefits already approved for a Participant who has executed a Release as required under Section 3.02. Notwithstanding the foregoing, this Plan may not be terminated, suspended or be amended in any material respect during the period beginning 60 days prior to a Change in Control and ending two years after a Change in Control. Any amendment or termination of the Plan must comply with all applicable legal requirements including, without limitation, compliance with Code Section 409A and the regulations and rulings promulgated thereunder, securities, tax, or other laws, rules, regulations or regulatory interpretation thereof, applicable to the Plan.

Section 7.02 **Duration**. Unless terminated sooner by the Board or its delegate, the Plan shall continue in full force and effect until termination of the Plan pursuant to Section 7.01; provided, however, that after the termination of the Plan, if any Participants terminated employment on account of an Involuntary Termination prior to the termination of the Plan and are still receiving Severance Benefits under the Plan, the Plan shall remain in effect until all of the obligations of the Company are satisfied with respect to such Participants.

ARTICLE VIII

DUTIES OF THE COMPANY AND THE COMMITTEE

Section 8.01 **Records**. The Company or a Subsidiary thereof shall supply to the Committee all records and information necessary to the performance of the Committee's duties.

Section 8.02 **Payment**. Payments of Severance Benefits to Participants shall be made in such amount as determined by the Committee under Article IV, from the Company's general assets.

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

ARTICLE IX

CLAIMS PROCEDURES

Section 9.01 **Claim**. Each Participant under this Plan may contest only the administration of the Severance Benefits awarded by completing and filing with the Plan Administrator a written request for review in the manner specified by the Plan Administrator. No appeal is permissible as to an Eligible Employee's eligibility for or a Participant's amount of the Severance Benefit, which are decisions made solely within the discretion of the Company. No person may bring an action for any alleged wrongful denial of Plan benefits in a court of law unless the claims procedures described in this Article IX are exhausted and a final determination is made by the Plan Administrator and/or the Named Appeals Fiduciary. If an Eligible Employee or Participant or other interested person challenges a decision by the Plan Administrator and/or Named Appeals Fiduciary, a review by the court of law will be limited to the facts, evidence and issues presented to the Plan Administrator during the claims procedure set forth in this Article IX. Facts and evidence that become known to the terminated Eligible Employee or Participant or other interested person after having exhausted the claims procedure must be brought to the attention of the Plan Administrator for reconsideration of the claims administrator. Issues not raised with the Plan Administrator and/or Named Appeals Fiduciary will be deemed waived.

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

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

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

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

(c) The Named Appeals Fiduciary shall render a determination upon the appealed claim which determination shall be accompanied by a written statement as to the reasons therefor. The determination shall be made to the claimant within sixty (60) days after the claimant's request for review, unless the Names Appeals Fiduciary determines that special circumstances requires an extension of time for processing the claim. In such case, the Named Appeals Fiduciary shall notify the claimant of the need for an extension of time to render its decision prior to the end of the initial sixty (60) day period, and the Named Appeals Fiduciary shall have an additional sixty (60) day period to make its determination. The determination so rendered shall be binding upon all parties. If the determination is adverse to the claimant, the notice shall provide (i) the reason or reasons for denial, (ii) make specific reference to the Plan provisions on which the determination was based, (iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to a the claimant's claim for benefits, and (iv) state that the claimant has the right to bring an action under ERISA Section 502(a). If the final determination is that payment shall be made, then any such payment shall be made within ninety (90) days after the date by which notification of the final determination is required.

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

ARTICLE X

MISCELLANEOUS

Section 10.01 **Non-Alienation of Benefits**. None of the payments, benefits or rights of any Participant shall be subject to any claim of any creditor of any Participant, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment (if permitted under applicable law), trustee's process, or any other legal or equitable process available to any creditor of such Participant. No Participant shall have the right to alienate, anticipate, commute, plead, encumber or assign any of the benefits or payments that he may expect to receive, continently or otherwise, under this Plan, except for the designation of a beneficiary as set forth in Section 5.01.

Section 10.02 **Notices**. All notices and other communications required hereunder shall be in writing and shall be delivered personally or mailed by registered or certified mail, return receipt requested, or by overnight express courier service. In the case of the Participant, mailed notices shall be addressed to him or her at the home address which he or she most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to the Plan Administrator.

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

Section 10.04 **Other Payments**. Except as otherwise provided in this Plan, no Participant shall be entitled to any cash payments or other severance benefits under any of the Company's then current severance pay policies for a termination that is covered by this Plan for the Participant, including, without limitation, the Executive Severance Plan.

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

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

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

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

Section 10.09 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

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

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

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

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

Section 10.14 Controlling Law. This Plan shall be construed and enforced according to the laws of the State of Missouri to the extent not superseded by fed

Appendix

Salary Replacement Schedule

President and Chief Executive Officer	24 month Severance Period
Members of the Executive Committee (Titles of Executive Vice Presidents and Senior Vice Presidents)	18 month Severance Period
Any other Eligible Employees (Titles of Senior Vice President and Vice President)	12 month Severance Period

Bonus Payment Schedule

President and Chief Executive Officer	2x Annual Bonus
Members of the Executive Committee (Titles of Executive Vice Presidents and Senior Vice Presidents)	1.5x Annual Bonus
Any other Eligible Employees (Titles of Senior Vice President and Vice President)	1x Annual Bonus

MALLINCKRODT PHARMACEUTICALS
STOCK AND INCENTIVE PLAN

Effective as of May 18, 2017

This document constitutes part of a prospectus covering securities that have been registered under the United States Securities Act of 1933, as amended.

MALLINCKRODT PHARMACEUTICALS STOCK AND INCENTIVE PLAN

EFFECTIVE AS OF MARCH 19, 2015

ARTICLE I

PURPOSE

1. *Purpose.* The purposes of this Mallinckrodt Pharmaceuticals Stock and Incentive Plan as amended and restated (the "Plan") are to promote the interests of Mallinckrodt public limited company (and any successor thereto) by (i) aiding in the recruitment and retention of Directors and Employees, (ii) providing incentives to Directors and Employees by means of performance-related incentives to achieve short-term and long-term performance goals, (iii) providing Directors and Employees with an opportunity to participate in the growth and financial success of the Company, and (iv) promoting the growth and success of the Company's business by aligning the financial interests of Directors and Employees with that of the other shareholders of the Company. Toward these objectives, the Plan provides for the grant of Stock Options, Stock Appreciation Rights, Annual Performance Bonuses, Long-Term Performance Awards and Other Stock-Based Awards.

2. *Effective Date; Shareholder Approval.* The Plan is effective as of the date of shareholder approval, following the approval of the Plan on March 19, 2015 by the Company's Board of Directors.

ARTICLE II
DEFINITIONS

For purposes of the Plan, the following terms have the following meanings, unless another definition is clearly indicated by particular usage and context:

"Acquired Company" means any business, corporation or other entity acquired by the Company or any Subsidiary.

"Acquired Grantee" means the grantee of a stock-based award of an Acquired Company and may include a current or former Director of an Acquired Company.

"Annual Performance Bonus" means an Award of cash or Shares granted under Section 4.4 of the Plan that is paid solely on account of the attainment of a specified performance target in relation to one or more Performance Measures, and is intended to qualify as "performance-based" compensation under Section 162(m) of the Code.

"Award" means any form of incentive or performance award granted under the Plan, whether singly or in combination, to a Participant by the Committee pursuant to any terms and conditions that the Committee may establish and set forth in the applicable Award Certificate. Awards granted under the Plan may consist of:

(a) "*Stock Options"* awarded pursuant to Section 4.3;

(b) "*Stock Appreciation Rights"* awarded pursuant to Section 4.3;

(c) "*Annual Performance Bonuses"* awarded pursuant to Section 4.4;

(d) *"Long-Term Performance Awards"* awarded pursuant to Section 4.5;

(e) *"Other Stock-Based Awards"* awarded pursuant to Section 4.6;

(f) *"Director Awards"* awarded pursuant to Section 4.7; and

(g) *"Substitute Awards"* awarded pursuant to Section 4.8.

"Award Certificate" means the document issued, either in writing or an electronic medium, by the Committee or its designee to a Participant evidencing the grant of an Award and which contains, in the same or accompanying document, the terms and conditions applicable to such Award.

"Board" means the Board of Directors of the Company.

"Cause" means, as to any Employee who is a party to an employment agreement with the Company or any Subsidiary which contains a definition of "cause," as set forth in such employment agreement and, if there is no applicable employment agreements, means an Employee's or Director's (i) substantial failure or refusal to perform duties and responsibilities of his or her job at a satisfactory level as required by the Company or Subsidiary, other than due to Disability, (ii) a material violation of any fiduciary duty or duty of loyalty owed to the Company or Subsidiary, (iii) conviction of a misdemeanor (other than a traffic offense) or felony, (iv) fraud, embezzlement or theft, (v) violation of a material Company or Subsidiary rule or policy, (vi) unauthorized disclosure of any trade secret or confidential information of the Company or Subsidiary or (vii) other egregious conduct, that has or could have a serious and detrimental impact on the Company or Subsidiary and its employees.. The Committee (or the Nominating Committee solely with respect to Director Awards), in its sole and absolute discretion, shall determine Cause.

"Change in Control" means the first to occur of any of the following events:

(a) any "person" (as defined in Section 13(d) and 14(d) of the Exchange Act, excluding for this purpose, (i) the Company or any Subsidiary or (ii) any employee benefit plan of the Company or any Subsidiary (or any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan that acquires beneficial ownership of voting securities of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Company representing more than 30 percent of the combined voting power of the Company's then outstanding securities; provided, however, that no Change in Control will be deemed to have occurred as a result of a change in ownership percentage resulting solely from an acquisition of securities by the Company; or

(b) persons who, as of the Effective Date constitute the Board (the "Incumbent Directors") cease for any reason (including without limitation, as a result of a tender offer, proxy contest, merger or similar transaction) to constitute at least a majority thereof, provided that any person becoming a Director of the Company subsequent to the Effective Date shall be considered an Incumbent Director if such person's election or nomination for election was approved by a vote of at least 50 percent of the Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened proxy contest relating to the election of members of the Board or other actual or threatened solicitation of proxies or consents by or on behalf of a "person" (as defined in Section 13(d) and 14(d) of the Exchange Act) other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director; or

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of at least 80 percent by value of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners of outstanding voting securities of the Company immediately prior to such Business Combination beneficially own directly or indirectly more than 50 percent of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the company resulting from such Business Combination (including, without limitation, a company which, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding voting securities of the Company; or

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Any payment of deferred compensation subject to Code Section 409A that is to be made under an Award other than an Annual Performance Bonus upon the occurrence of a Change in Control or any change in the timing and/or form of such payment as a direct result of a Change in Control (including payments made upon a specified date or event occurring after a Change in Control) shall not be made, or such change in timing and/or form shall not occur, unless such Change in Control is also a "change in ownership or effective control" of the Company within the meaning of Code Section 409A(a)(2)(A)(v) and applicable regulations and rulings thereunder and such payment, or such change in timing and/or form, occurs no later than two (2) years after the date of such change in ownership or effective control of the Company, in each case to the extent required to avoid the recipient of such Award from incurring tax penalties under Code Section 409A in respect of such Award. Notwithstanding the foregoing, if the Committee takes an action pursuant to Section 5.4(b) to accelerate the payment of deferred compensation upon a Change in Control, then any accelerated payment shall occur on a date specified in the applicable Award Certificate, which date shall be no later than ninety (90) days after a "change in ownership or effective control" of the Company. The payment of an Annual Performance Bonus that is to be accelerated

pursuant to Subsection 4.4(g) shall occur within thirty (30) days after a "change in ownership or effective control" of the Company within the meaning of Code Section 409A(a)(2)(A)(v).

"Change in Control Termination" means such term or concept as defined in an Award Certificate or, if such term is not defined therein, a Participant's involuntary termination of employment that occurs during the twelve (12) month period immediately following a Change in Control. For this purpose, a Participant's involuntary termination of employment includes the following:

(a) termination of the Participant's employment by the Company for any reason other than for Cause, Disability or death;

(b) termination of the Participant's employment by the Participant after one of the following events, provided that the Participant's termination of employment occurs within sixty (60) days after the occurrence of any such event:

(i) the Company, without the Participant's consent, requires the Participant to relocate to a principal place of employment more than fifty (50) miles from his or her existing place of employment, which materially increases the Participant's commuting time; or

(ii) the Company, without the Participant's consent, materially reduces the Participant's base salary, target annual bonus opportunity, or retirement, welfare, target share incentive opportunity, and other benefits taken as a whole, as in effect immediately prior to the Change in Control;

provided that an event described in (i) or (ii) above shall permit a Participant's termination of employment to be deemed a Change in Control Termination only if (x) the Participant provides written notice to the Company specifying in reasonable detail the event upon which the Participant is basing his termination within ninety (90) days after the occurrence of such event, (y) the Company fails to cure such event within thirty (30) days after its receipt of such notice, and (z) the Participant terminates his employment within sixty (60) days after the expiration of such cure period."

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation and Human Resources Committee of the Board or any successor committee or other committee to which the Compensation and Human Resources Committee delegates its authority under this Plan. The Compensation and Human Resources Committee shall be comprised solely of "non-employee directors" within the meaning of Rule 16b-3(b)(3) under the Exchange Act and two or more persons who are outside directors within the meaning of Section 162(m)(4)(C)(i) of the Code and the applicable regulations.

"Company" means Mallinckrodt public limited company, a company incorporated in Ireland under registered number 522227, or any successor thereto.

"Covered Employee" means an Employee who is a "covered employee" within the meaning of Section 162(m)(3) of the Code or who is reasonably expected to be a "covered employee" at the time the Company would be entitled to claim a tax deduction in respect of an Award but for Section 162(m) of the Code.

"Deferred Stock Unit" means a Unit granted under Section 4.6 or 4.7 to acquire Shares upon Termination of Directorship or Termination of Employment, or any other permitted payment event described in the Award Certificate, subject to any restrictions that the Committee, in its discretion, may determine.

"Director" means a member of the Board.

"Disabled" or *"Disability"* means, subject to Section 7.11(b)(iii), that (1) the Employee meets the requirements for disability benefits under the Social Security law then in effect and/or (2) the Employee is eligible to receive benefits under the Company's long-term disability plan; provided that, to the extent an Award is nonqualified deferred compensation subject to Code Section 409A and the payment of the Award occurs due to Disability, the Employee's will be deemed Disabled under subsection (2) only if he or she has received income replacement benefits for a period of not less than three (3) months under the Company's accident and health plan covering the Employee by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

"Dividend Equivalent" means an amount equal to the ordinary cash dividend or the fair market value of the share dividend that would be paid on each Share underlying an Award if the Share were duly issued and outstanding on the date on which the dividend is payable. In no event shall Dividend Equivalents be paid with respect to Stock Options or Stock Appreciation Rights.

"Early Retirement" means, unless otherwise specified in an Award Certificate, Termination of Employment on or after a Participant has attained age 55, provided that the sum of the Participant's age (in full years) and full years of service with the Company or a Subsidiary is 60 or higher.

"Effective Date" means [shareholder approval date], unless otherwise provided herein.

"Employee" means any individual who performs services as an officer or employee of the Company or a Subsidiary.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Exercise Price" means the price of a Share, as fixed by the Committee, which may be purchased under a Stock Option or with respect to which the amount of any payment pursuant to a Stock Appreciation Right is determined.

"Fair Market Value" of a Share means the closing sales price on the New York Stock Exchange of a Share on the trading day of the grant or on the date as of which the determination of Fair Market Value is being made or, if no sale is reported for such day, on the next preceding day on which a sale of Shares is reported. Notwithstanding anything to the contrary herein, the Fair Market Value of a Share will in no event be determined to be less than par value.

"GAAP" means United States generally accepted accounting principles.

"Incentive Stock Option" means a Stock Option granted under Section 4.3 of the Plan that is intended to meet the requirements of Section 422 of the Code and any related regulations and is designated in the Award Certificate as intended to be an Incentive Stock Option.

"Long-Term Performance Award" means an Award granted under Section 4.5 of the Plan that is paid solely on account of the attainment of a specified performance target in relation to one or more Performance Measures or other performance criteria as selected in the sole discretion of the Committee.

"Nominating Committee" means the Nominating and Governance Committee of the Board.

"Nonqualified Stock Option" means any Stock Option granted under Section 4.3 of the Plan that is not an Incentive Stock Option.

"Normal Retirement" means, unless otherwise specified in an Award Certificate, Termination of Employment on or after a Participant has attained age 60, provided that the sum of the Participant's age (in full years) and full years of service with the Company or a Subsidiary is 70 or higher.

"Ordinary Shares" means the ordinary shares of the Company, $0.20 (U.S.) par value, and such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 5.3 of the Plan.

"Other Stock-Based Award" means an Award granted under Section 4.6 of the Plan and denominated in Shares.

"Participant" means a Director, Employee or Acquired Grantee who has been granted an Award under the Plan.

"Performance Cycle" means, with respect to any Award that vests based on Performance Measures, the period of 12 months or longer, as determined by the Committee in its sole discretion, over which the level of performance will be assessed.

"Performance Measure" means, with respect to any Annual Performance Bonus or Long-Term Performance Award, the business criteria selected by the Committee to measure the level of performance of the Company during a Performance Cycle. The Committee may select as the Performance Measure any operating and maintenance expense targets or financial goals as interpreted by the Committee, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Subsidiary, either individually, alternatively or in any combination, and that

are absolute or relative to the performance of one or more comparable companies or an index of comparable companies, and are measured during the Performance Cycle provided that (i) as to an Annual Performance Bonus or Long-Term Performance Award granted to a Covered Employee and intended to be qualified "performance-based" compensation under Section 162(m) of the Code, Performance Measures shall be limited to the criteria set forth on Appendix A, and (ii) as to an Annual Performance Bonus or Long-Term Performance Award granted to a Participant who is not a Covered Employee, Performance Measures may include, but shall not be limited to, the criteria set forth on Appendix A.

"Performance Unit" means a Long-Term Performance Award denominated in Units.

"Plan" means this Mallinckrodt Pharmaceuticals Stock and Incentive Plan, as it may be amended from time to time.

"Reporting Person" means a Director or an Employee who is subject to the reporting requirements of Section 16(a) of the Exchange Act.

"Restricted Stock" means Shares issued pursuant to Section 4.6 that are subject to any restrictions that the Committee, in its discretion, may impose.

"Restricted Unit" means a Unit granted under Section 4.5 or Section 4.6 to acquire Shares or an equivalent amount in cash, which Unit is subject to any restrictions that the Committee, in its discretion, may impose.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Share" means an Ordinary Share of the Company, and "*Shares*" shall be construed accordingly.

"Stock Appreciation Right" means a right granted under Section 4.3 of the Plan of an amount in cash or Shares equal to any excess of the Fair Market Value of a Share as of the date on which the right is exercised over the Exercise Price.

"Stock Option" means a right granted under Section 4.3 of the Plan to purchase from the Company a stated number of Shares at a specified price. Stock Options awarded under the Plan may be in the form of Incentive Stock Options or Nonqualified Stock Options.

"Subsidiary" means (i) a subsidiary company (wherever incorporated) of the Company, as defined by Section 155 of the Companies Act 1963 of Ireland; (ii) any separately organized business unit, whether or not incorporated, of the Company; (iii) any employer that is required to be aggregated with the Company pursuant to Code Section 414 and the regulations promulgated thereunder; and (iv) any service recipient or employer that is within a controlled group of corporations as defined in Code Sections 1563(a)(1), (2) and (3) which includes the Company, where the phrase "at least 50%" is substituted in each place "at least 80%" appears, and any service recipient or employer within trades or businesses under common control as defined in Code Section 414(c) and Treas. Reg. § 1.414(c)-2, which includes the Company, where the phrase "at least 50%" is substituted in each place "at least 80%" appears, provided, however, that when the relevant determination is to be based upon legitimate business criteria (as described in Treas. Reg. § 1.409A-1(b)(5)(iii)(E) and § 1.409A-1(h)(3)), the phrase "at least 20%" shall be substituted in each place "at least 80%" appears as described above with respect to both a controlled group of corporations and trades or business under common control.

"Target Amount" means the amount of Performance Units that will be paid if the applicable Performance Measure is fully (100%) attained, as determined in the sole discretion of the Committee.

"Target Bonus" means the target Annual Performance Bonus applicable to a Reporting Person in respect of a particular year, as established by the Committee or its delegate.

"Target Vesting Percentage" means the percentage of performance-based Restricted Units or Shares of Restricted Stock that will vest if the applicable Performance Measure is fully (100%) attained, as determined in the sole discretion of by the Committee.

"Termination of Directorship" means the date of cessation of a Director's membership on the Board for any reason, with or without Cause, as determined in the sole discretion of the Nominating Committee, provided however that if the Director is a member of the Nominating Committee, such determination shall be made by the full Board (excluding such Director). For purposes of any Award which is nonqualified deferred compensation subject to Code Section 409A, a Termination of Directorship shall only occur where such Termination of Directorship is a "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and the applicable regulations and rulings thereunder. For purposes of

determining whether a Termination of Directorship has occurred, services provided in the capacity of an employee or otherwise shall be excluded.

"Termination of Employment" means the date of cessation of an Employee's employment relationship with the Company or a Subsidiary for any reason, with or without Cause, as determined in the sole discretion of the Company. For purposes of any Award which is nonqualified deferred compensation subject to Code Section 409A, a Termination of Employment shall only occur where such Termination of Employment is a "separation from service" within the meaning of Code Section 409A(a)(2)(A)(i) and the applicable regulations and rulings thereunder. For purposes of determining whether a Termination of Employment has occurred, services provided in the capacity of an employee or otherwise shall be excluded.

"Unit" means, for purposes of Performance Units, the potential right to an Award equal to a specified amount denominated in such form as is deemed appropriate in the discretion of the Committee and, for purposes of Restricted Units or Deferred Stock Units, the potential right to acquire one Share.

ARTICLE III
ADMINISTRATION

1. *Committee.* The Plan will be administered by the Committee, except as otherwise provided in Section 4.7.

2. *Authority of the Committee.* The Committee or, to the extent required by applicable law, the Board will have the authority, in its sole and absolute discretion and subject to the terms of the Plan, to:

(a) Interpret and administer the Plan and any instrument or agreement relating to the Plan;

(b) Prescribe the rules and regulations that it deems necessary for the proper operation and administration of the Plan, and amend or rescind any existing rules or regulations relating to the Plan;

(c) Select Employees to receive Awards under the Plan;

(d) Determine the form of an Award, the number of Shares subject to each Award, all the terms and conditions of an Award, including, without limitation, the conditions on exercise or vesting, the designation of Stock Options as Incentive Stock Options or Nonqualified Stock Options, and the circumstances under which an Award may be settled in cash or Shares or may be cancelled, forfeited or suspended, and the terms of each Award Certificate;

(e) Determine whether Awards will be granted singly, in combination or in tandem;

(f) Establish and interpret Performance Measures (or, as applicable, other performance criteria) in connection with Annual Performance Bonuses and Long-Term Performance Awards, evaluate the level of performance over a Performance Cycle and certify the level of performance attained with respect to Performance Measures (or other performance criteria, as applicable);

(g) Subject to Sections 6.1 and 7.12, waive or amend any terms, conditions, restriction or limitation on an Award, except that the prohibition on the repricing of Stock Options and Stock Appreciation Rights without shareholder approval, as described in Section 4.3(g), may not be waived;

(h) Make any adjustments to the Plan (including but not limited to adjustment of the number of Shares available under the Plan or any Award) and any Award granted under the Plan as shall be appropriate pursuant to Section 5.3;

(i) Determine and set forth in the applicable Award Certificate the circumstances under which Awards may be deferred and the extent to which a deferral will be credited with Dividend Equivalents and interest thereon;

(j) In accordance with Section 7.1, determine and set forth in the applicable Award Certificate whether a Nonqualified Stock Option, Restricted Share or other Award may be transferable to family members, a family trust or a family partnership;

(k) Establish any subplans and make any modifications to the Plan, without amending the Plan, or to Awards made hereunder (including the establishment of terms and conditions in the Award Certificate not otherwise inconsistent

with the terms of the Plan) that the Committee may determine to be necessary or advisable for grants made in countries outside the United States to comply with, or to achieve favorable tax treatment under, applicable foreign laws or regulations or tax policies or customs;

(l) Appoint such agents as it shall deem appropriate for the proper administration of the Plan; and

(m) Take any and all other actions it deems necessary or advisable for the proper operation or administration of the Plan.

3. *Effect of Determinations.* All determinations of the Committee will be final, binding and conclusive on all persons having an interest in the Plan.

4. *Delegation of Authority.* The Board or, if permitted under applicable corporate law and stock exchanges, the Committee, in its discretion and consistent with applicable law, regulations and stock exchange rules, may delegate to a committee or an officer or group of officers, as it deems to be advisable, the authority to select Employees to receive an Award and to determine the number of Shares under any such Award, subject to any terms and conditions that the Board or the Committee may establish. When the Board or the Committee delegates authority pursuant to the foregoing sentence, it will limit, in its discretion, the number or value of Shares that may be subject to Awards that the delegate may grant. Only the Committee has the authority to grant and administer Awards to Covered Employees and other Reporting Persons or to delegates of the Committee, and to establish and certify Performance Measures.

5. *Employment of Advisors.* The Committee may employ attorneys, consultants, accountants and other advisors, the fees and other expenses of which shall be paid by the Company, and the Committee, the Company and the officers and directors of the Company may rely upon the advice, opinions or valuations of the advisors employed.

6. *No Liability.* No member of the Committee or the Board or any person acting as a delegate thereof with respect to the Plan will be liable for any losses resulting from any action, interpretation or construction made in good faith with respect to the Plan or any Award granted under the Plan.

ARTICLE IV
AWARDS

1. *Eligibility.* All Participants and Employees are eligible to be designated to receive Awards granted under the Plan, except as otherwise provided in this Article IV.

2. *Form of Awards.* Awards will be in the form determined by the Committee, in its discretion, and will be evidenced by an Award Certificate. Awards may be granted singly or in combination or in tandem with other Awards.

3. *Stock Options and Stock Appreciation Rights.* The Committee may grant Stock Options and Stock Appreciation Rights under the Plan to those Employees whom the Committee may from time to time select, in the amounts and pursuant to the other terms and conditions that the Committee, in its discretion, may determine and set forth in the Award Certificate, subject to the provisions below:

(a) *Form.* Stock Options granted under the Plan will, at the discretion of the Committee and as set forth in the Award Certificate, be in the form of Incentive Stock Options, Nonqualified Stock Options or a combination of the two. If an Incentive Stock Option and a Nonqualified Stock Option are granted to the same Participant under the Plan at the same time, the form of each will be clearly identified, and they will be deemed to have been granted in separate grants. In no event will the exercise of one Stock Option affect the right to exercise the other Stock Option. Stock Appreciation Rights may be granted either alone or concurrently with Nonqualified Stock Options and the amount of Shares attributable to each Stock Appreciation Right shall be set forth in the applicable Award Certificate on or before the grant date.

(b) *Exercise Price.* Other than with respect to Substitute Awards described in Section 4.8, the Committee will set the Exercise Price of Stock Options or Stock Appreciation Rights granted under the Plan at a price that is equal to or greater than the Fair Market Value of a Share on the date of grant, subject to adjustment as provided in Section 5.3. The Exercise Price of Incentive Stock Options will be equal to or greater than 110 percent of the Fair Market Value of a Share as of the date of grant if the Participant receiving the Incentive Stock Options owns shares possessing more than 10 percent of the total combined voting power of all classes of shares of the Company or any subsidiary or parent corporation of the Company, as defined in Section 424 of the Code. The Exercise Price of

a Stock Appreciation Right granted in tandem with a Stock Option will equal the Exercise Price of the related Stock Option. The Committee will set forth the Exercise Price of a Stock Option or Stock Appreciation Right in the Award Certificate or accompanying documentation.

(c) *Term and Timing of Exercise.* Each Stock Option or Stock Appreciation Right granted under the Plan will be exercisable in whole or in part, subject to the following conditions, unless determined otherwise by the Committee:

(i) The term of each Stock Option and Stock Appreciation Right shall be determined by the Committee and set forth in the applicable Award Certificate, but in no event shall the term thereof exceed ten (10) years from the date of its grant. Notwithstanding the foregoing, in the event that on the last business day of the term of a Stock Option (other than an Incentive Stock Option) or Stock Appreciation Right (i) the exercise of the Award is prohibited by applicable law or (ii) Shares may not be purchased or sold by certain employees or directors of the Company due to the "black-out period" of a Company policy or a "lock-up" agreement undertaken in connection with an issuance of securities by the Company, the term of the Stock Option or Stock Appreciation Right shall be extended for a period of thirty (30) days following the end of the legal prohibition, black-out period or lock-up agreement. Moreover, notwithstanding the foregoing, an Award Certificate may provide that if on the last day of the term of a Stock Option or Stock Appreciation Right the Fair Market Value of one Share exceeds the option or grant price per Share, the Participant has not exercised the Stock Option, Stock Appreciation Right or tandem Award, and the Award has not expired, the Stock Option or Stock Appreciation Right shall be deemed to have been exercised by the Participant on such day with payment made by withholding Shares otherwise issuable in connection with the exercise of the Stock Option or Stock Appreciation Right. In such event, the Company shall deliver to the Participant the number of Shares for which the Stock Option or Stock Appreciation Right was deemed exercised, less the number of Shares required to be withheld for the payment of the total purchase price for a Stock Option and required withholding taxes for both Stock Options and Stock Appreciation Rights; provided, however, any fractional Share shall be settled in cash.

(ii) A Stock Option or Stock Appreciation Right will become exercisable at such times and in such manner as determined by the Committee and set forth in the applicable Award Certificate.

(iii) Unless the applicable Award Certificate provides otherwise, upon the death, Disability, Normal Retirement or a Change in Control Termination of a Participant who has outstanding Stock Options or Stock Appreciation Rights, the unvested Stock Options or Stock Appreciation Rights will fully vest. Unless the applicable Award Certificate or the remainder of this Section 4.3(c) provides otherwise, the Participant's Stock Options and Stock Appreciation Rights will lapse, and will not thereafter be exercisable, upon the earlier of (A) their original expiration date or (B) the date that is three (3) years after the date on which the Participant dies, incurs a Disability or retires due to Normal Retirement.

(iv) Unless the applicable Award Certificate provides otherwise, upon the Termination of Employment of a Participant for any reason other than the Participant's death, Disability, Normal Retirement or a Change in Control Termination, if the Participant's termination qualifies as Early Retirement, a pro rata portion of the Participant's Stock Options and Stock Appreciation Rights will vest so that the total number of vested Stock Options or Stock Appreciation Rights held by the Participant at Termination of Employment (including those that have already vested as of such date) will be equal to the total number of Stock Options or Stock Appreciation Rights originally granted to the Participant under the applicable Award multiplied by a fraction, the numerator of which is the period of time (in whole months) that have elapsed since the date of grant, and the denominator of which is the number of months set forth in the applicable Award Certificate that is required to attain full vesting. Unless the Award Certificate provides otherwise, such Participant's Stock Options and Stock Appreciation Rights will lapse, and will not thereafter be exercisable, upon the earlier of (A) their original expiration date or (B) the date that is three (3) years after the date of Termination of Employment.

(v) Unless the applicable Award Certificate provides otherwise, upon the Termination of Employment of a Participant that does not meet the requirements of paragraphs (iii) or (iv) above, any unvested Stock Options or Stock Appreciation Rights will be forfeited. Unless the applicable Award Certificate provides otherwise, any Stock Options or Stock Appreciation Rights that are vested as of such Termination of Employment will lapse, and will not thereafter be exercisable, upon the earlier of (A) their original expiration date or (B) the date that is ninety (90) days after the date of such Termination of Employment.

(vi) Stock Options and Stock Appreciation Rights of a deceased Participant may be exercised only by the estate of the Participant or by the person given authority to exercise the Stock Options or Stock Appreciation Rights by the Participant's will or by operation of law. If a Stock Option or Stock Appreciation Right is exercised by the executor or administrator of a deceased Participant, or by the person or persons to whom the Stock Option or Stock Appreciation Right has been transferred by the Participant's will or the applicable laws of descent and distribution, the Company will be under no obligation to deliver Shares or cash until the Company is satisfied that the person exercising the Stock Option or Stock Appreciation Right is the duly appointed executor or administrator of the deceased Participant or the person to whom the Stock Option or Stock Appreciation Right has been transferred by the Participant's will or by applicable laws of descent and distribution.

(vii) A Stock Appreciation Right granted in tandem with a Stock Option is subject to the same terms and conditions as the related Stock Option and will be exercisable only to the extent that the related Stock Option is exercisable. When either a Stock Option or a Stock Appreciation Right granted in tandem with each other is exercised, the tandem Stock Option or Stock Appreciation Right, as applicable, shall expire.

(d) *Payment of Exercise Price.* The Exercise Price of a Stock Option must be paid in full when the Stock Option is exercised. Shares will be issued and delivered only upon receipt of payment. Payment of the Exercise Price may be made in cash or by certified check, bank draft, wire transfer, or postal or express money order, provided that the format is approved by the Company or a designated third-party administrator. The Committee, in its discretion may also allow payment to be made by any of the following methods, as set forth in the applicable Award Certificate:

(i) Delivering a properly executed exercise notice to the Company or its agent, together with irrevocable instructions to a broker to deliver to the Company, within the typical settlement cycle for the sale of equity securities on the relevant trading market (or otherwise in accordance with the provisions of Regulation T issued by the Federal Reserve Board), the amount of sale proceeds with respect to the portion of the Shares to be acquired having a Fair Market Value on the date of exercise equal to the sum of the applicable portion of the Exercise Price being so paid;

(ii) Subject to any requirements of applicable law and regulations, tendering (actually or by attestation) to the Company or its agent previously acquired Shares that have a Fair Market Value on the day prior to the date of exercise equal to the applicable portion of the Exercise Price being so paid; or

(iii) Subject to any requirements of applicable law and regulations, instructing the Company to reduce the number of Shares that would otherwise be issued by such number of Shares as have in the aggregate a Fair Market Value on the date of exercise equal to the applicable portion of the Exercise Price being so paid.

(e) *Incentive Stock Options.* Incentive Stock Options granted under the Plan will be subject to the following additional conditions, limitations and restrictions:

(i) *Eligibility.* Incentive Stock Options may be granted only to Employees of the Company or a Subsidiary that is a subsidiary or parent corporation of the Company within the meaning of Code Section 424.

(ii) *Timing of Grant.* No Incentive Stock Option will be granted under the Plan after the 10-year anniversary of the date on which the Plan is adopted by the Board or, if earlier, the date on which the Plan was approved by shareholders.

(iii) *Amount of Award.* Subject to Section 5.3 of the Plan, no more than 10 million Shares may be available for grant in the form of Incentive Stock Options. The aggregate Fair Market Value (as of the date of grant) of the Shares with respect to which the Incentive Stock Options awarded to any Employee first become exercisable during any calendar year may not exceed $100,000 (U.S.). For purposes of this $100,000 (U.S.) limit, the Employee's Incentive Stock Options under this Plan and all other plans maintained by the Company and its Subsidiaries will be aggregated. To the extent any Incentive Stock Option would exceed the $100,000 (U.S.) limit, the Incentive Stock Option will afterwards be treated as a Nonqualified Stock Option to the extent required by the Code and underlying regulations and rulings.

(iv) *Timing of Exercise.* If the Committee exercises its discretion in the Award Certificate to permit an Incentive Stock Option to be exercised by a Participant more than three months after the Participant has ceased being

an Employee (or more than 12 months if the Participant is permanently and totally disabled, within the meaning of Code Section 22(e)), the Incentive Stock Option will afterwards be treated as a Nonqualified Stock Option to the extent required by the Code and underlying regulations and rulings. For purposes of this paragraph (iv), an Employee's employment relationship will be treated as continuing intact while the Employee is on military leave, sick leave or another approved leave of absence if the period of leave does not exceed 90 days, or a longer period to the extent that the Employee's right to reemployment with the Company or a Subsidiary is guaranteed by statute or by contract. If the period of leave exceeds 90 days and the Employee's right to reemployment is not guaranteed by statute or contract, the employment relationship will be deemed to have ceased on the 91st day of the leave.

(v) *Transfer Restrictions.* In no event will the Committee permit an Incentive Stock Option to be transferred by an Employee other than by will or the laws of descent and distribution, and any Incentive Stock Option awarded under this Plan will be exercisable only by the Employee during the Employee's lifetime.

(f) *Exercise of Stock Appreciation Rights.* Upon exercise of a Participant's Stock Appreciation Rights, the Company will pay cash or Shares or a combination of cash and Shares, in the discretion of the Committee and as described in the Award Certificate. Cash payments will be equal to the excess of the Fair Market Value of a Share on the date of exercise over the Exercise Price, for each Share for which a Stock Appreciation Right was exercised. If Shares are paid for the Stock Appreciation Right, the Participant will receive a number of whole Shares equal to the quotient of the cash payment amount divided by the Fair Market Value of a Share on the date of exercise.

(g) *No Repricing.* Except as otherwise provided in Section 5.3 or in connection with a Change in Control, in no event will the Committee decrease the Exercise Price of a Stock Option or Stock Appreciation Right after the date of grant or cancel outstanding Stock Options or Stock Appreciation Rights at a time when the exercise price therefor is less than the Fair Market Value of the Shares subject to such Award and issue cash in exchange for such cancellation or grant replacement Stock Options or Stock Appreciation Rights with a lower Exercise Price than that of the replaced Stock Options or Stock Appreciation Rights or other Awards without first obtaining the approval of the holders of a majority of the Shares who are present in person or by proxy at a meeting of the Company's shareholders and entitled to vote.

4. *Annual Performance Bonuses.* The Committee may grant annual performance bonuses or other bonus compensation in its discretion outside the terms of this Plan. The Committee may grant Annual Performance Bonuses, intended to qualify as "performance-based compensation" under Section 162(m) of the Code, under the Plan in the form of cash or Shares to the Reporting Persons that the Committee may from time to time select, in the amounts and pursuant to the terms and conditions that the Committee may determine and set forth in the Award Certificate, subject to the provisions below:

(a) *Section 162(m) of the Code.* The Committee may determine that Annual Performance Bonuses made to Covered Employees should be structured to be "performance-based compensation" for purposes of Section 162(m) of the Code. If the Committee action granting such Awards or the Award Certificates so provide, this Section 4.4 shall be interpreted in a manner that satisfies the applicable requirements of Section 162(m)(4)(C) of the Code and related regulations, and the Plan shall be operated so that the Company may take a full tax deduction for Annual Performance Bonuses. If any provision of this Plan or any Annual Performance Bonus would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict.

(b) *Performance Cycles.* Annual Performance Bonuses will be awarded in connection with a twelve (12) month Performance Cycle, which will be the fiscal year of the Company.

(c) *Eligible Participants.* Within ninety (90) days after the commencement of a Performance Cycle, the Committee will determine the Reporting Persons who will be eligible to receive an Annual Performance Bonus under the Plan. If an individual becomes a Reporting Person after this ninety (90) day period, the Committee may determine that such Reporting Person is eligible to receive a pro rata Annual Performance Bonus under the Plan.

(d) *Performance Measures; Targets; Award Criteria.*

(i) Within ninety (90) days after the commencement of the service period to which a Performance Cycle relates, the Committee will fix and establish in writing (A) the Performance Measures that will apply to that Performance Cycle; (B) the Target Bonus which may be earned by each Participant; and (C) subject to subsection (d) below, the criteria for computing the amount that will be paid with respect to each level of

attained performance. The Committee will also set forth the minimum level of performance, based on the applicable Performance Measures, that must be attained during the Performance Cycle before any Annual Performance Bonus will be paid and the percentage of the Target Bonus that will become payable upon attainment of various levels of performance that equal or exceed the minimum required level.

(ii) The Committee, in its discretion, may, on a case-by-case basis, reduce, but not increase, the amount otherwise payable to any Covered Employee with respect to any given Performance Cycle, provided, however, that no reduction will result in an increase in the amount payable under any Annual Performance Bonus of another Covered Employee.

(e) *Payment, Certification.* No Annual Performance Bonus will be paid to any Reporting Person until the Committee certifies in writing the level of performance attained for the Performance Cycle in relation to the applicable Performance Measures. In applying Performance Measures, the Committee (i) shall make adjustments for events listed in Section 5.3 in accordance therewith and (ii) may, in its discretion, exclude the effect of unusual or infrequently occurring items, including, but not limited to the following, as set forth in the Award Certificate or action of the Committee granting the Award: the cumulative effect of changes in the law, regulations or accounting rules, and other items, all determined in accordance with GAAP (to the extent applicable and unless specified otherwise in the Award Certificate or action of the Committee granting the Award) and identified in financial statements, notes to the financial statements or discussion and analysis of management; asset write downs; litigation or claim judgments or settlements; any reorganization and restructuring programs; acquisitions or divestitures; and foreign exchange gains and losses.; provided that the determination by the Committee that Performance Measures shall be adjusted for items in accordance with this clause (ii) shall be made no later than ninety (90) days after the commencement of any applicable Performance Cycle in respect of Annual Performance Bonuses awarded to Covered Employees.

(f) *Form of Payment.* Annual Performance Bonuses will be paid in cash, Shares or such other Awards as determined by the Committee. All such Performance Bonuses shall be paid no later than the 15th day of the third month following the end of the calendar year (or, if later, following the end of the Company's fiscal year) in which such Performance Bonuses are no longer subject to a substantial risk of forfeiture (as determined for purposes of Section 409A of the Code), except to the extent that the Committee determines or a Participant has elected to defer payment under the terms of a duly authorized deferred compensation arrangement or Award, in which case the terms of such arrangement or Award shall govern.

(g) *Acceleration.* Each Participant who is eligible to receive an Annual Performance Bonus with respect to a Performance Cycle during which a Change of Control occurs will, except as otherwise provided below, be deemed to have achieved a level of performance, as of the date of Change in Control, that would cause all (100%) of the Participant's Target Bonus to become payable at such times and in such manner as determined in the sole discretion of the Committee. Notwithstanding the previous sentence, if (i) a surviving entity maintains the Performance Cycle in which a Change in Control occurs, or otherwise provides for the payment of an Annual Performance Bonus based on the level of performance attained for such Performance Cycle in relation to the Performance Measures established for such Performance Cycle (including Performance Measures that were adjusted or modified as a result of the Change in Control) and (ii) the Annual Performance Bonus based on the level of performance attained for such Performance Cycle exceeds all (100%) of the Participant’s Target Bonus, then each Participant who is eligible to receive an Annual Performance Bonus with respect to such Performance Cycle shall receive an Annual Performance Bonus based on the level of performance attained for such Performance Cycle at such times and in such manner as determined in the sole discretion of the Committee, or successor to the Committee. If a Participant’s employment is terminated before the end of the original Performance Cycle due to death, Disability, Normal Retirement, or by the Company without Cause, the Award payable to such Participant may, in the discretion of the Committee, be proportionately reduced based on the period of actual employment during the applicable Performance Cycle. Notwithstanding the above, the time and manner of any payments made pursuant to this Section 4.4(g) shall comply with Section 4.4(e) above.

5. *Long-Term Performance Awards.* The Committee may grant long-term performance awards or other bonus compensation in its discretion outside the terms of this Plan. The Committee may grant Long-Term Performance Awards, intended to be “performance-based compensation” under Section 162(m) of the Code, under the Plan in the form of Performance Units, Restricted Units or Restricted Stock to any Employee who the Committee may from time to time select, in the amounts and pursuant to the terms and conditions that the Committee may determine and set forth in the Award Certificate, subject to the provisions below:

(a) *Section 162(m) of the Code.* The Committee may determine that Long-Term Performance Awards made to Covered Employees should be structured to be "performance-based compensation" for purposes of Section 162(m) of the Code. If the Committee action granting such Award or the Award Certificates so provide, this Section 4.5 shall be interpreted in a manner that satisfies the applicable requirements of Section 162(m)(4)(C) of the Code and related regulations with respect to Long-Term Performance awards made to Covered Employees, and the Plan shall be operated so that the Company may take a full tax deduction for Long-Term Performance Awards. If any provision of this Plan or any Long-Term Performance Award would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict.

(b) *Performance Cycles.* Long-Term Performance Awards will be awarded in connection with a Performance Cycle, as determined by the Committee in its discretion, provided, however, that a Performance Cycle may be no shorter than twelve (12) months.

(c) *Eligible Participants.* Within ninety (90) days after the commencement of a Performance Cycle, the Committee will determine the Employees who will be eligible to receive a Long-Term Performance Award for the Performance Cycle, provided that the Committee may determine the eligibility of any Employee other than a Covered Employee after the expiration of this ninety (90) day period.

(d) *Performance Measures; Targets; Award Criteria.*

(i) Within ninety (90) days after the commencement of the service period to which a Performance Cycle relates, the Committee will fix and establish in writing (A) the Performance Measures that will apply to that Performance Cycle; (B) with respect to Performance Units, the Target Amount payable to each Participant; (C) with respect to Restricted Units and Restricted Stock, the Target Vesting Percentage for each Participant; and (D) subject to subsection (d) below, the criteria for computing the amount that will be paid or will vest with respect to each level of attained performance. The Committee will also set forth the minimum level of performance, based on the applicable Performance Measures, that must be attained during the Performance Cycle before any Long-Term Performance Award will be paid or vest, and the percentage of Performance Units that will become payable and the percentage of performance-based Restricted Units or Shares of Restricted Stock that will vest upon attainment of various levels of performance that equal or exceed the minimum required level.

(ii) The Committee, in its discretion, may, on a case-by-case basis, reduce, but not increase, the amount of Long-Term Performance Awards otherwise payable to any Covered Employee with respect to any given Performance Cycle, provided, however, that no reduction will result in an increase in the dollar amount or number of Shares payable under any Long-Term Performance Award of another Covered Employee.

(e) *Payment, Certification.* Long-Term Performance Awards shall only be paid if the Committee certifies in writing the level of performance attained for the Performance Cycle in relation to the applicable Performance Measures. Long-Term Performance Awards awarded to Participants who are not Covered Employees will be based on the Performance Measures, or other applicable performance criteria, and payment formulas that the Committee, in its discretion, may establish for these purposes. These Performance Measures, or other performance criteria, and formulas may be the same as or different than the Performance Measures and formulas that apply to Covered Employees. In applying Performance Measures, the Committee (i) shall make adjustments for events listed in Section 5.3 in accordance therewith and (ii) may, in its discretion, exclude the effect of unusual or infrequently occurring items, including, but not limited to the following, as set forth in the Award Certificate or action of the Committee granting the Award: the cumulative effect of changes in the law, regulations or accounting rules, and other items, all determined in accordance with GAAP (to the extent applicable and unless specified otherwise in the Award Certificate or action of the Committee granting the Award) and identified in financial statements, notes to the financial statements or discussion and analysis of management; asset write downs; litigation or claim judgments or settlements; any reorganization and restructuring programs; acquisitions or divestitures; and foreign exchange gains and losses.; provided that the determination by the Committee that Performance Measures shall be adjusted for items in accordance with this clause (ii) shall be made no later than ninety (90) days after the commencement of any applicable Performance Cycle in respect of Long-Term Performance Awards awarded to Covered Employees.

(f) *Form of Payment.* Long-Term Performance Awards in the form of Performance Units may be paid in cash or full Shares, in the discretion of the Committee, and as set forth in the applicable Award Certificate. Performance-based Restricted Units and Restricted Stock will be paid in full Shares. Payment with respect to any fractional

Share will be in cash in an amount based on the Fair Market Value of the Share as of the date the Performance Unit becomes payable. All Long-Term Performance Awards shall be paid no later than the 15th day of the third month following the end of the calendar year (or, if later, following the end of the Company's fiscal year) in which such Long-Term Performance Awards are no longer subject to a substantial risk of forfeiture (within the meaning of Code Section 409A), except to the extent that a Participant has elected to defer payment under the terms of a duly authorized deferred compensation arrangement, in which case the terms of such arrangement shall govern, or as otherwise provided in Section 4.5(g) below.

(g) *Dividend Equivalents*. At the discretion of the Committee and as set forth in the applicable Award Certificate, dividend equivalents may be earned on Long-Term Performance Awards denominated in Shares, but only to the extent, and shall be payable only at the same time, as the underlying Long-Term Performance Awards may become earned, vested, and payable.

(h) *Special Vesting Provisions.* Unless the applicable Award Certificate provides otherwise, upon the death, Disability, Normal Retirement or a Change in Control Termination of a Participant who has an outstanding Long-Term Performance Award, the unvested Long-Term Performance Award will fully vest and be paid as if the Participant had continued in active employment with the Company through the date such Long-Term Performance Award would have vested and been paid in the absence of such event. Unless the applicable Award Certificate provides otherwise, upon the Termination of Employment of a Participant for any reason other than the Participant's death, Disability, Normal Retirement or a Change in Control Termination, the unvested Long-Term Performance Award will be forfeited unless the Participant qualifies for Early Retirement, in which case a pro rata portion of the Participant's Long-Term Performance Awards will vest and be paid as if the Participant had continued in active employment with the Company through the date such Long-Term Performance Award would have vested and been paid in the absence of such event; provided that the number of Long-Term Performance Awards held by the Participant which shall vest under those circumstances shall equal the total number of Long-Term Performance Awards in which such Participant would have vested multiplied by a fraction, the numerator of which is the period of time (in whole months) that have elapsed since the date of grant, and the denominator of which is the number of total months set forth in the applicable Award Certificate for such Performance Period.

6. *Other Stock-Based Awards.* The Committee may, from time to time, grant Awards (other than Stock Options, Stock Appreciation Rights, Annual Performance Bonuses or Long-Term Performance Awards) to any Employee who the Committee may from time to time select, which Awards consist of, or are denominated in, payable in, valued in whole or in part by reference to, or otherwise related to, Shares. These Awards may include, among other forms, Restricted Stock, Restricted Units, or Deferred Stock Units. The Committee will determine, in its discretion, the terms and conditions that will apply to Awards granted pursuant to this Section 4.6, which terms and conditions will be set forth in the applicable Award Certificate.

(a) *Vesting.* Restrictions on Other Stock-Based Awards granted under this Section 4.6 will lapse at such times and in such manner as determined by the Committee and set forth in the applicable Award Certificate. Unless the applicable Award Certificate provides otherwise, if the restrictions on Other Stock-Based Awards have not lapsed or been satisfied as of the Participant's Termination of Employment, the Shares will be forfeited by the Participant if the termination is for any reason other than the Normal Retirement, death or Disability of the Participant or a Change in Control Termination, except that the Award will vest pro rata with respect to the portion of the vesting term set forth in the applicable Award Certificate that the Participant has completed if the Participant qualified for Early Retirement. All restrictions on Other Stock-Based Awards granted pursuant to this Section 4.6 will lapse upon the Normal Retirement, death or Disability of the Participant or a Change in Control Termination.

(b) *Grant of Restricted Stock.* The Committee may grant Restricted Stock to any Employee, which Shares will be registered in the name of the Participant and held for the Participant by the Company. The Participant will have all rights of a shareholder with respect to the Shares, including the right to vote and to receive dividends or other distributions (subject to Section 4.6(e)), except that the Shares may be subject to a vesting schedule and will be forfeited if the Participant attempts to sell, transfer, assign, pledge or otherwise encumber or dispose of the Shares before the restrictions are satisfied or lapse.

(c) *Grant of Restricted Units.* The Committee may grant Restricted Units to any Employee, which Units will be paid in cash or whole Shares or a combination of cash and Shares, in the discretion of the Committee, when the restrictions on the Units lapse and any other conditions set forth in the Award Certificate have been satisfied. For each Restricted Unit that vests, one Share will be paid or an amount in cash equal to the Fair Market Value of a Share as of the date on which the Restricted Unit vests.

(d) *Grant of Deferred Stock Units.* The Committee may grant Deferred Stock Units to any Employee, which Units will be paid in whole Shares upon the Employee's Termination of Employment if the restrictions on the Units have lapsed. One Share will be paid for each Deferred Stock Unit that becomes payable.

(e) *Dividends and Dividend Equivalents.* At the discretion of the Committee and as set forth in the applicable Award Certificate, dividends paid on Shares may be paid immediately or withheld and deferred in the Participant's account. In the event of a payment of dividends on the Ordinary Shares, the Committee may credit Restricted Units with Dividend Equivalents in accordance with terms and conditions established in the discretion of the Committee. Dividend Equivalents will be subject to such vesting terms as is determined by the Committee and may be distributed immediately or withheld and deferred in the Participant's account as determined by the Committee and set forth in the applicable Award Certificate. Deferred Stock Units may, in the discretion of the Committee and as set forth in the Award Certificate, be credited with Dividend Equivalents or additional Deferred Stock Units. The number of any Deferred Stock Units credited to a Participant's account upon the payment of a dividend will be equal to the quotient produced by dividing the cash value of the dividend by the Fair Market Value of one Share as of the date the dividend is paid. The Committee will determine any terms and conditions on deferral of a dividend or Dividend Equivalent, including the rate of interest to be credited on deferral and whether interest will be compounded.

7. *Director Awards.*

(a) Notwithstanding anything herein to the contrary, the Nominating Committee shall have the exclusive authority to issue awards to Directors who are not also employees of the Company or any Subsidiary (Director Awards), which may consist of, but not be limited to, Stock Options, Stock Appreciation Rights, or Other Stock-Based Awards. Each Director Award shall be governed by an Award Certificate approved by the Nominating Committee.

(b) The Nominating Committee shall have the exclusive authority to administer Director Awards, and shall have the authority set forth in Section 3.2 and the indemnification set forth in Section 7.7, solely as such provisions apply to the Director Awards. All determinations made by the Nominating Committee hereunder shall be final, binding and conclusive.

(c) Notwithstanding any other provision of the Plan to the contrary, the aggregate grant date Fair Market Value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards granted to any Director during any single fiscal year (excluding Awards made at the election of the Director in lieu of all or a portion of annual and committee cash retainers) shall not exceed $_____.

8. *Substitute Awards.* The Committee may make Awards under the Plan to Acquired Grantees through the assumption of, or in substitution for, outstanding stock-based awards previously granted to such Acquired Grantees. Such assumed or substituted Awards will be subject to the terms and conditions of the original awards made by the Acquired Company, with such adjustments therein as the Committee considers appropriate to give effect to the relevant provisions of any agreement for the acquisition of the Acquired Company. Any grant of Incentive Stock Options pursuant to this Section 4.8 will be made in accordance with Section 424 of the Code and any final regulations published thereunder.

9. *Limit on Individual Grants.* Subject to Sections 5.1 and 5.3, no Employee may be granted more than six (6) million Shares over any calendar year pursuant to Awards of Stock Options, Stock Appreciation Rights and Long-Term Performance Awards in the form of performance-based Restricted Stock and Restricted Units intended to qualify as "performance-based" under Section 162(m) of the Code, except that an incentive Award of no more than ten (10) million Shares may be made pursuant to Stock Options, Stock Appreciation Rights and performance-based Restricted Stock and Restricted Units intended to qualify as "performance-based" under Section 162(m) of the Code to any person who has been hired within the calendar year as a Covered Employee. The maximum amount that may be paid in cash pursuant to Annual Performance Bonuses or Long-Term Performance Awards paid in Performance Units or settled in cash and which are intended to qualify as "performance-based" under Section 162(m) of the Code to any one Employee is $15 million (U.S.) for any Performance Cycle of twelve (12) months. For any longer Performance Cycle, this maximum will be adjusted proportionally.

10. *Termination for Cause.* Notwithstanding anything to the contrary herein and unless the applicable Award Certificate provides otherwise, if a Participant incurs a Termination of Directorship or Termination of Employment for

Cause, then all Stock Options, Stock Appreciation Rights, Annual Performance Bonuses, Long-Term Performance Awards, Restricted Units, Restricted Stock and Other Stock-Based Awards will immediately be cancelled. The exercise of any Stock Option or Stock Appreciation Right or the payment of any Award may be delayed, in the Committee's discretion, in the event that a potential termination for Cause is pending. Unless the applicable Award Certificate provides otherwise, if a Participant incurs a Termination of Directorship or Termination of Employment for Cause, then the Participant will be required to deliver to the Company (i) Shares (or, in the discretion of the Committee, cash) equal in value to the amount of any profit the Participant realized upon the exercise of an Option or Stock Appreciation Right during the twelve (12) month period occurring immediately prior to the Participant's Termination of Directorship or Termination of Employment for Cause; and (ii) the number of Shares (or, in the discretion of the Committee, the cash value of Shares) the Participant received for Other Stock Based Awards (including Restricted Stock, Restricted Units and Deferred Stock Units) that vested during the period specified in (i) above. Unless the applicable award certificate provides otherwise, if, after a Participant's Termination of Directorship or Termination of Employment, the Committee determines in its sole discretion that while the Participant was a Company or Subsidiary employee or a Director, such Participant engaged in activity that would have been grounds for a Termination of Directorship or Termination of Employment for Cause, then the Company will immediately cancel all Stock Options, Stock Appreciation Rights, Annual Performance Bonuses, Long-Term Performance Awards, Restricted Units, Restricted Stock and Other Stock-Based Awards and the Participant will be required to deliver to the Company (A) Shares (or, in the discretion of the Committee, cash) equal in value to the amount of any profit the Participant realized upon the exercise of an Option or Stock Appreciate Right during the period that begins twelve (12) months immediately prior to the Participant's Termination of Directorship or Termination of Employment and ends on the date of the Committee's determination that the Participant's conduct would have constituted grounds for a Termination of Directorship or Termination of Employment for Cause; and (B) the number of Shares (or, in the discretion of the Committee, the cash value of said shares) the Participant received for Other Stock Based Awards (including Restricted Stock, Restricted Units and Deferred Stock Units) that vested during the period specified in (A) above.

ARTICLE V
SHARES SUBJECT TO THE PLAN; ADJUSTMENTS

1. *Shares Available.*

(a) The Shares issuable under the Plan will be authorized but unissued Shares, and, to the extent permissible under applicable law, Shares acquired by the Company, any Subsidiary or any other person or entity designated by the Company and held as treasury shares.

(b) Subject to the counting rules set forth in Section 5.2 and adjustment in accordance with Section 5.3, the total number of Shares with respect to which Awards may be issued under the Plan shall be 17,769,489.

(c) Incentive Stock Options may be granted under the Plan in respect of no more than 10 million Shares.

2. *Counting Rules.*

(a) The total number of Shares with respect to which Awards may be issued under the Plan, as described in Section 5.1(b), shall be reduced by 2.2 Shares per each Share subject to an Award of Restricted Stock, Restricted Units, Deferred Stock Units, Performance Units or Other Stock-Based Awards, or as payment of an Annual Performance Bonus.

(b) The following Shares related to Awards under the Plan will again be available for issuance under the Plan:

(i) Shares related to Awards paid in cash; and

(ii) Shares related to Awards that expire, are forfeited or cancelled or terminate for any other reason without issuance of Shares and any Shares of Restricted Stock that are returned to the Company upon a Participant's Termination of Employment or, if applicable, a Director's Termination of Directorship (including, for clarity, at a rate of 2.2 Shares per each Share related to such an Award in the form of Restricted Stock, Restricted Units, Deferred Stock Units, Performance Units or Other Stock-Based Awards, or as payment of an Annual Performance Bonus).

(c) Any Shares issued in connection with Awards that are assumed, converted or substituted as a result of the acquisition of an Acquired Company by the Company or a combination of the Company with another company shall not count against the total number of Shares set forth in Section 5.1(b). Shares available under a stockholder approved plan of an Acquired Company (as appropriately adjusted to reflect the transaction) may be used for Awards under the Plan to individuals who were not employees or directors of the Company or a subsidiary prior to the transaction (subject to the stock exchange's listing requirements)

3. *Adjustments*. In the event of a change in the outstanding Shares by reason of a share split, reverse share split, share dividend or other distribution (whether in the form of cash, Shares, other securities or other property), extraordinary cash dividend, recapitalization, merger, consolidation, split-up, spin-off, reorganization, combination, repurchase or exchange of Shares or other securities or similar corporate transaction or event, the Committee shall make an appropriate adjustment to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Any adjustment made by the Committee under this Section 5.3 will be conclusive and binding for all purposes under the Plan.

4. *Change in Control.*

(a) *Acceleration.* Unless the applicable Award Certificate provides otherwise, (i) all outstanding Stock Options and Stock Appreciation Rights will become exercisable as of the effective date of a Participant's Change in Control Termination if the Awards are not otherwise vested, and all conditions will be waived with respect to outstanding Restricted Stock and Restricted Units (other than Long-Term Performance Awards) and Deferred Stock Units and (ii) each Participant who has been granted a Long-Term Performance Award that is outstanding as of the date of such Participant's Change in Control Termination will be deemed to have achieved a level of performance, as of the Change in Control Termination, that would cause all (100%) of the Participant's Target Amounts to become payable and all restrictions on the Participant's performance-based Restricted Units and Shares of Restricted Stock to lapse. Unless the Committee determines otherwise in its discretion (either when an Award is granted or any time thereafter), in the event that Awards outstanding as of the date of a Change in Control that are payable in Ordinary Shares of the Company will not be substituted with comparable awards payable or redeemable in shares of publicly-traded stock after the Change in Control, each such outstanding Award (A) will become fully vested (at target, where applicable) immediately prior to the Change in Control and (B)(i) each such Award that is a Stock Option or Stock Appreciation Right with an exercise price below the Fair Market Value of the Shares subject to such Award will be settled in cash, without the Participant's consent, for an amount equal to the amount that could have been attained upon the exercise of such Award immediately prior to the Change in Control had such Award been exercisable or payable at such time, and (ii) each such Award that is a Stock Option or Stock Appreciation Right with an exercise or grant price above the Fair Market Value of the Shares subject to such Award may be cancelled with no payment without the Participant's consent.

(b) *Permissive Actions*. In addition to the actions described in Section 5.4(a)(A) and (B), in the event of a Change in Control, the Committee may take any one or more of the following actions with respect to any or all outstanding Awards, without the consent of Participants: (i) the Committee may determine that outstanding Stock Options and Stock Appreciation Rights shall be fully vested and exercisable and restrictions on Restricted Stock, Restricted Units, Deferred Stock Units and Other Stock-Based Awards shall lapse as of the date of the Change in Control or such other time (prior to a Participant's Change in Control Termination) as the Committee determines; (ii) the Committee may require that a Participant surrender his or her outstanding Stock Options and Stock Appreciation Rights in exchange for one or more payments by the Company, in cash or Ordinary Shares, as determined by the Committee, in an amount equal to the amount by which the then Fair Market Value of the Shares subject to the Participant's unexercised Stock Options and Stock Appreciation Rights exceeds the Exercise Price, if any, and on such terms as the Committee determines; (iii) after giving Participants an opportunity to exercise any outstanding Stock Options and Stock Appreciation Rights, the Committee may terminate any or all unexercised Stock Options and Stock Appreciation Rights at such time as the Committee deems appropriate; (iv) the Committee may determine that Annual Performance Bonuses and/or Long-Term Performance Awards will be paid out at their target level, in cash or Ordinary Shares as determined by the Committee; or (v) the Committee may determine that Awards that remain outstanding after the Change in Control shall be converted to similar grants of, or assumed by, the surviving corporation (or a parent or subsidiary of the surviving corporation or successor). Such acceleration, surrender, termination, settlement, payment or conversion shall take place as of the date of the Change in Control or such other date as the Committee determines. The Committee may specify how an Award will be treated in the event of a Change in Control either when the Award is granted or at any time thereafter.

5. *Fractional Shares.* No fractional Shares will be issued under the Plan. Except as otherwise provided in Section 4.5(e) and unless otherwise provided by the Committee, if a Participant acquires the right to receive a fractional Share under the Plan, the Participant will receive, in lieu of the fractional Share, a cash payment equal to the Fair Market Value of such fractional share on the date of settlement of the related Award.

ARTICLE VI
AMENDMENT AND TERMINATION

1. *Amendment.* The Plan may be amended at any time and from time to time by the Board or authorized Board committee without the approval of shareholders of the Company, except that no material revision to the terms of the Plan will be effective until the amendment is approved by the shareholders of the Company. A revision is "material" for this purpose if it materially increases the number of Shares that may be issued under the Plan (other than an increase pursuant to Section 5.3 of the Plan), expands the types of Awards available under the Plan, materially expands the class of persons eligible to receive Awards under the Plan, materially extends the term of the Plan, constitutes a repricing for which the terms of Section 4.3(g) require shareholder approval or is otherwise an amendment requiring shareholder approval pursuant to any law or the rules of any exchange on which the Company's Ordinary Shares are listed for trading. No amendment of the Plan or any outstanding Award Certificate made without the Participant's written consent may adversely affect any right of a Participant with respect to an outstanding Award.

2. *Termination.* The Plan will terminate upon the earlier of the following dates or events to occur:

(a) The adoption of a resolution of the Board terminating the Plan; or

(b) The day before the tenth (10^{th}) anniversary of the approval of the Plan by the Company's shareholders as described in Section 1.2.

No Awards will be granted under this Plan after it has terminated. The termination of the Plan, however, will not alter or impair any of the rights or obligations of any person under any Award previously granted under the Plan without such person's consent. After the termination of the Plan, any previously granted Awards will remain in effect and will continue to be governed by the terms of the Plan and the applicable Award Certificate.

ARTICLE VII
GENERAL PROVISIONS

1. *Nontransferability of Awards.* No Award under the Plan will be subject in any manner to alienation, anticipation, sale, assignment, pledge, encumbrance or transfer, and no other persons will otherwise acquire any rights therein, except as provided below.

(a) Any Award may be transferred by will or by the laws of descent or distribution.

(b) Unless the applicable Award Certificate provides otherwise, all or any part of a Nonqualified Stock Option or Shares of Restricted Stock may be transferred to a family member without consideration. For purposes of this subsection (b), "family member" includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the Participant, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent (50%) of the voting interests.

Any transferred Award will be subject to all of the same terms and conditions as provided in the Plan and the applicable Award Certificate. The Participant or the Participant's estate will remain liable for any withholding tax that may be imposed by any federal, state or local tax authority. The Company may, in its sole discretion, disallow all or a part of any transfer of an Award pursuant to this Subsection 7.1(b) unless and until the Participant makes arrangements satisfactory to the Company for the payment of any withholding tax. The Participant must immediately notify the Company, in the form and manner required by the applicable Award Certificate or as otherwise required by the Company, of any proposed transfer of an Award pursuant to this Subsection 7.1(b). No transfer will be effective until the Company consents to the transfer.

(c) Unless the applicable Award Certificate provides otherwise, any Nonqualified Stock Option transferred by a Participant pursuant to subsection (b) may be exercised by the transferee only to the extent that the Award would have been exercisable by the Participant had no transfer occurred. The transfer of Shares upon exercise of the Award will be conditioned on the payment of any withholding tax.

(d) Restricted Stock may be freely transferred after the restrictions lapse or are satisfied and the Shares are delivered, provided, however, that Restricted Stock awarded to an affiliate of the Company may be transferred only pursuant to Rule 144 under the Securities Act, or pursuant to an effective registration for resale under the Securities Act. For purposes of this subsection (d), "affiliate" will have the meaning assigned to that term under Rule 144.

(e) In no event may a Participant transfer an Incentive Stock Option other than by will or the laws of descent and distribution.

2. *Withholding of Taxes.* The Committee, in its discretion, may require the satisfaction of a Participant's minimum tax withholding obligations by any of the following methods or any method as it determines to be in accordance with the laws of the jurisdiction in which the Participant resides, has domicile or performs services.

(a) *Stock Options and Stock Appreciation Rights.* As a condition to the delivery of Shares pursuant to the exercise of a Stock Option or Stock Appreciation Right, the Committee may require that the Participant, at the time of exercise, pay to the Company by cash, certified check, bank draft, wire transfer or postal or express money order an amount sufficient to satisfy any applicable tax withholding obligations. The Committee may also, in its discretion, accept payment of the minimum tax withholding obligations through any of the Exercise Price payment methods described in Section 4.3(d).

(b) *Other Awards Payable in Shares.* The Participant shall satisfy the Participant's tax withholding obligations arising in connection with the release of restrictions on Restricted Units, Restricted Stock and Other Stock-Based Awards by payment to the Company in cash or by certified check, bank draft, wire transfer or postal or express money order, provided that the format is approved by the Company or a designated third-party administrator. However, subject to any requirements of applicable law, the Company may also satisfy the Participant's minimum tax withholding obligations by other methods, including selling or withholding Shares that would otherwise be available for delivery.

(c) *Cash Awards.* The Company may satisfy a Participant's tax withholding obligation arising in connection with the payment of any Award in cash by withholding cash from such payment.

3. *No Implied Rights.* The establishment and operation of the Plan, including the eligibility of a Participant to participate in the Plan, will not be construed as conferring any legal or other right upon any Director for any continuation of directorship or any Employee for the continuation of employment through the end of any Performance Cycle or other period. The Company expressly reserves the right, which may be exercised at any time and in the Company's sole discretion, to discharge any individual or treat him or her without regard to the effect that discharge might have upon him or her as a Participant in the Plan.

4. *No Obligation to Exercise Awards.* The grant of a Stock Option or Stock Appreciation Right will impose no obligation upon the Participant to exercise the Award.

5. *No Rights as Shareholders.* A Participant who is granted an Award under the Plan will have no rights as a shareholder of the Company with respect to the Award unless and until certificates for the Shares underlying the Award are registered in the Participant's name and (other than in the case of Restricted Stock) delivered to the Participant. The right of any Participant to receive an Award by virtue of participation in the Plan will be no greater than the right of any unsecured general creditor of the Company.

6. *Indemnification of Committee.* The Company will indemnify, to the fullest extent permitted by law, each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that the person, or the executor or administrator of the person's estate, is or was a member of the Committee or an authorized delegate of the Committee including, for purposes of Director Awards, the Nominating Committee.

7. *No Required Segregation of Assets.* Neither the Company nor any Subsidiary will be required to segregate any assets that may at any time be represented by Awards granted pursuant to the Plan.

8. *Nature of Payments.* All Awards made pursuant to the Plan are in consideration of services for the Company or a Subsidiary. Any gain realized pursuant to Awards under the Plan constitutes a special incentive payment to the Participant and will not be taken into account as compensation for purposes of any other employee benefit plan of the Company or a Subsidiary, except as the Committee otherwise provides. The adoption of the Plan will have no effect on Awards made or to be made under any other benefit plan covering an employee of the Company or a Subsidiary or any predecessor or successor of the Company or a Subsidiary.

9. *Securities Law Compliance.* Awards under the Plan are intended to satisfy the requirements of Rule 16b-3 under the Exchange Act. If any provision of this Plan or any grant of an Award would otherwise frustrate or conflict with this intent, that provision will be interpreted and deemed amended so as to avoid conflict. No Participant will be entitled to a grant, exercise, transfer or payment of any Award if the grant, exercise, transfer or payment would violate the provisions of the Sarbanes-Oxley Act of 2002 or any other applicable law.

10. *Coordination with Other Plans.* If this Plan provides a level of benefits with respect to Awards that differs from the level of benefits provided under the Mallinckrodt Pharmaceuticals Severance Plan for U.S. Officers and Executives, the Mallinckrodt Pharmaceuticals Change in Control Severance Plan for Certain U.S. Officers and Executives or the Mallinckrodt Pharmaceuticals Severance Plan for U.S. Employees, then the terms of the plan that provides for the more favorable benefit to the Participant shall govern

11. *Section 409A Compliance.* Notwithstanding any other provision of this Plan or an applicable Award Certificate to the contrary, the provisions of this Section 7.11 shall apply to all Awards that are subject to Code Section 409A, but only with respect to the portion of such Award that is subject to Code Section 409A. To the extent the Committee (or Nominating Committee with respect to Director Awards) determines that any Award granted under the Plan is subject to Code Section 409A, the Award Certificate evidencing such Award will incorporate the terms and conditions required by Code Section 409A. To the extent applicable, the Plan and the Award Certificate will be interpreted in accordance with Code Section 409A and the applicable regulations and rulings thereunder. Notwithstanding any other provision of the Plan to the contrary, in the event that the Committee (or Nominating Committee with respect to Director Awards) determines that any Award may be subject to Code Section 409A, the Committee may adopt such amendments to the Plan and/or the applicable Award Certificate or adopt policies and procedures or take any other action or actions, including an action or amendment with retroactive effect, that the Committee (or Nominating Committee with respect to Director Awards) determines is necessary or appropriate to (i) exempt the Award from the application of Code Section 409A or (ii) comply with the requirements of Code Section 409A.

(a) *Modifications to or Adjustments of Awards*. Any modifications to an Award pursuant to Subsection 3.2(g) or adjustments of an Award pursuant to Subsections 4.8 or 5.3 shall comply with the requirements of Section 409A.

(b) *Specified Employees*. Payments to any Participant who is a "specified employee" of deferred compensation that is subject to Code Section 409A(a)(2) and that becomes payable upon, or that is accelerated upon, such Participant's Termination of Employment (as modified by Subsection 7.12(b)(iv)), shall not be made on or before the date which is six (6) months following such Participant's Termination of Employment (or, if earlier, such Participant's death). A specified employee for this purpose shall be determined by the Committee or its delegate in accordance with the provisions of Code Section 409A and the regulations and rulings thereunder.

12. *Section 457A Compliance*. To the extent the Committee (or Nominating Committee with respect to Director Awards) determines that any Award granted under the Plan is subject to Code Section 457A, the Award Certificate evidencing such Award will incorporate the terms and conditions required by Code Section 457A in order to avoid accelerated taxation or tax penalties to the holder thereof in respect of such Award. To the extent applicable, the Plan and the Award Certificate will be interpreted in accordance with Code Section 457A and applicable guidance issued thereunder. Notwithstanding any other provision of the Plan to the contrary, in the event that the Committee (or Nominating Committee with respect to Director Awards) determines that any Award may be subject to Code Section 457A, the Committee may adopt such amendments to the Plan and/or the applicable Award Certificate or adopt policies and procedures or take any other action or actions, including an action or amendment with retroactive effect, that the Committee (or Nominating Committee with respect to Director Awards) determines is necessary or appropriate to (i) exempt the Award from the application of Code Section 457A or (ii) comply with the requirements of Code Section 457A.

13. *Governing Law, Severability.* The Plan and all determinations made and actions taken under the Plan will be governed by the law of Ireland and construed accordingly. If any provision of the Plan is held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity or unenforceability will not affect any other parts of the Plan, which parts will remain in full force and effect.

APPENDIX A

Net sales; return on sales; revenue, net revenue, product revenue or system-wide revenue (including growth of such revenue measures); operating income (before or after taxes) or net operating income; pre- or after-tax income or loss (before or after allocation of corporate overhead and bonus); earnings or loss per share; income or loss, or net income or loss (before or after taxes); return on equity; total stockholder return; share price performance; return on assets or net assets; appreciation in and/or maintenance of the price of the Shares or any other publicly-traded securities of the Company; market share; gross profits; gross or net profit margin; gross profit growth; operating profit or net operating profit (before or after taxes); operating earnings; earnings or losses or net earnings or losses (including earnings or losses before taxes, before interest and taxes, or before interest, taxes, depreciation and amortization); return on operating revenue; economic value-added models or equivalent metrics; comparisons with various stock market indices; reductions in costs; cash flow (including operating cash flow and free cash flow) or cash flow per share (before or after dividends); return on capital (including return on total capital or return on invested capital); cash flow return on investment; cash flow return on capital; improvement in or attainment of expense levels or working capital levels, including cash, inventory and accounts receivable; general and administrative expense savings; inventory control; operating margin; profit margin; gross margin; year-end cash; cash margin; debt reduction; stockholders equity; operating efficiencies; cost reductions or savings; market share; market segment share; customer satisfaction; customer growth; employee satisfaction; productivity or productivity ratios; regulatory achievements (including submitting or filing applications or other documents with regulatory authorities or receiving approval of any such applications or other documents and passing pre-approval inspections (whether of the Company or the Company's third-party manufacturer) and validation of manufacturing processes (whether the Company's or the Company's third-party manufacturer's)); clinical achievements (including initiating clinical studies; initiating enrollment, completing enrollment or enrolling particular numbers of subjects in clinical studies; completing phases of a clinical study (including the treatment phase); or announcing or presenting preliminary or final data from clinical studies; in each case, whether on particular timelines or generally); strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; establishing relationships with commercial entities with respect to the marketing, distribution and sale of the Company's products (including with group purchasing organizations, distributors and other vendors); supply chain achievements (including establishing relationships with manufacturers or suppliers of component materials and manufacturers of the Company's products); co-development, co-marketing, profit sharing, joint venture or other similar arrangements); financial ratios, including those measuring liquidity, activity, profitability or leverage; cost of capital or assets under management; financing and other capital raising transactions (including sales of the Company's equity or debt securities; debt level year-end cash position; book value; factoring transactions; competitive market metrics; timely completion of new product roll-outs; product release schedules; timely launch of new facilities; sales or licenses of the Company's assets, including its intellectual property, whether in a particular jurisdiction or territory or globally; or through partnering transactions); royalty income; new product innovation; product cost reduction through advanced technology; brand recognition/acceptance; produce ship targets; implementation, completion or attainment of measurable objectives with respect to research, development, manufacturing, commercialization, products or projects, production volume levels, acquisitions and divestitures, succession and hiring projects, reorganization and other corporate transactions, expansions of specific business operations and meeting divisional or project budgets; factoring transactions; and recruiting and maintaining personnel.

Exhibit 31.1

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

I, Mark C. Trudeau, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 8, 2017

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

Exhibit 31.2

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

I, Matthew K. Harbaugh, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 8, 2017

By: /s/ Matthew K. Harbaugh
Matthew K. Harbaugh
Executive Vice President and Chief Financial Officer
(principal financial officer)

Exhibit 32.1

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

The undersigned officers of Mallinckrodt plc ("the Company") hereby certify to their knowledge that the Company's quarterly report on Form 10-Q for the period ended June 30, 2017 ("the Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Mark C. Trudeau

Mark C. Trudeau

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

August 8, 2017

By: /s/ Matthew K. Harbaugh

Matthew K. Harbaugh

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

August 8, 2017