

Expense Reclassification

To better align with industry practice, Mallinckrodt plc and its consolidated subsidiaries (collectively, "the Company") has reclassified \$11.2 million, \$12.3 million, \$15.9 million and \$17.0 million of certain costs for the three month periods ended December 26, 2014, March 27, 2015, June 26, 2015 and September 25, 2015, respectively, from selling, general and administrative expenses to research and development expenses. The Company reclassified \$56.4 million of expenses for the fiscal year ended September 25, 2015. The reclassified results are presented below.

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

	Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended		Fiscal Year Ended	
	December 26, 2014	Percent of Net sales	March 27, 2015	Percent of Net sales	June 26, 2015	Percent of Net sales	September 25, 2015	Percent of Net sales	September 25, 2015	Percent of Net sales
Net sales	\$ 768.2	100.0%	\$ 819.0	100.0%	\$ 877.3	100.0%	\$ 882.4	100.0%	\$ 3,346.9	100.0%
Cost of sales	363.4	47.3	356.1	43.5	373.5	42.6	400.3	45.4	1,493.3	44.6
Gross profit	404.8	52.7	462.9	56.5	503.8	57.4	482.1	54.6	1,853.6	55.4
Selling, general and administrative expenses	224.1	29.2	308.4	37.7	295.0	33.6	285.9	32.4	1,113.4	33.3
Research and development expenses	52.7	6.9	58.0	7.1	59.9	6.8	70.9	8.0	241.5	7.2
Restructuring charges, net	7.2	0.9	3.5	0.4	22.7	2.6	7.0	0.8	40.4	1.2
Gains on divestiture and license	(0.8)	(0.1)	(0.9)	(0.1)	(0.9)	(0.1)	(0.9)	(0.1)	(3.5)	(0.1)
Operating income	121.6	15.8	93.9	11.5	127.1	14.5	119.2	13.5	461.8	13.8
Interest expense	(48.8)	(6.4)	(57.4)	(7.0)	(72.5)	(8.3)	(76.9)	(8.7)	(255.6)	(7.6)
Interest income	0.1	—	0.4	—	0.2	—	0.3	—	1.0	—
Other income (expense), net	4.2	0.5	4.2	0.5	(0.4)	—	0.1	—	8.1	0.2
Income from continuing operations before income taxes	77.1	10.0	41.1	5.0	54.4	6.2	42.7	4.8	215.3	6.4
Income tax benefit	(10.3)	(1.3)	(34.1)	(4.2)	(1.2)	(0.1)	(47.3)	(5.4)	(92.9)	(2.8)
Income from continuing operations	87.4	11.4	75.2	9.2	55.6	6.3	90.0	10.2	308.2	9.2
Income (loss) from discontinued operations, net of income taxes	5.3	0.7	23.6	2.9	2.4	0.3	(14.8)	(1.7)	16.5	0.5
Net income	\$ 92.7	12.1%	\$ 98.8	12.1%	\$ 58.0	6.6%	\$ 75.2	8.5%	\$ 324.7	9.7%
Basic earnings per share:										
Income from continuing operations	\$ 0.75		\$ 0.64		\$ 0.47		\$ 0.77		\$ 2.64	
Income (loss) from discontinued operations	0.05		0.20		0.02		(0.13)		0.14	
Net income	0.80		0.85		0.50		0.64		2.78	
Diluted earnings per share:										
Income from continuing operations	\$ 0.74		\$ 0.64		\$ 0.47		\$ 0.76		\$ 2.61	
Income (loss) from discontinued operations	0.05		0.20		0.02		(0.13)		0.14	
Net income	0.79		0.84		0.49		0.63		2.75	
Weighted-average number of shares outstanding:										
Basic	114.8		115.6		116.3		116.5		115.8	
Diluted	116.3		117.2		117.8		117.8		117.2	

MALLINCKRODT PLC
ADJUSTED SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
(unaudited, in millions)

	Three Months Ended December 26, 2014	Three Months Ended March 27, 2015	Three Months Ended June 26, 2015	Three Months Ended September 25, 2015	Fiscal Year Ended September 25, 2015
GAAP	\$ 224.1	\$ 308.4	\$ 295.0	\$ 285.9	\$ 1,113.4
Adjustments:					
Intangible asset amortization	(1.3)	(1.1)	(1.9)	(1.9)	(6.3)
Incremental equity conversion costs	(23.8)	(21.6)	(19.6)	(15.6)	(80.6)
Acquisition related expenses	—	(7.1)	(23.5)	(22.8)	(53.4)
Significant legal and environmental changes	—	(51.3)	(15.5)	(19.5)	(86.3)
As adjusted	<u>\$ 199.0</u>	<u>\$ 227.3</u>	<u>\$ 234.5</u>	<u>\$ 226.1</u>	<u>\$ 886.8</u>
Percent of net sales	25.9%	27.8%	26.7%	25.6%	26.5%

Expense Reclassification

To better align with industry practice, Mallinckrodt plc and its consolidated subsidiaries (collectively, "the Company") has reclassified \$3.1 million, \$4.1 million, \$5.6 million and \$9.7 million of certain costs for the three month periods ended December 27, 2013, March 28, 2014, June 27, 2014 and September 26, 2014, respectively, from selling, general and administrative expenses to research and development expenses. The Company reclassified \$22.5 million of expenses for the fiscal year ended September 26, 2014. The reclassified results are presented below.

MALLINCKRODT PLC CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited, in millions, except per share data)

	Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended		Fiscal Year Ended	
	December 27, 2013	Percent of Net sales	March 28, 2014	Percent of Net sales	June 27, 2014	Percent of Net sales	September 26, 2014	Percent of Net sales	September 26, 2014	Percent of Net sales
Net sales	\$ 429.5	100.0%	\$ 448.7	100.0%	\$ 530.1	100.0 %	\$ 673.7	100.0 %	\$ 2,082.0	100.0 %
Cost of sales	213.3	49.7	222.0	49.5	276.0	52.1	310.5	46.1	1,021.8	49.1
Gross profit	216.2	50.3	226.7	50.5	254.1	47.9	363.2	53.9	1,060.2	50.9
Selling, general and administrative expenses	116.4	27.1	168.4	37.5	195.7	36.9	242.0	35.9	722.5	34.7
Research and development expenses	40.6	9.5	44.1	9.8	46.6	8.8	54.7	8.1	186.0	8.9
Restructuring charges, net	7.9	1.8	(2.3)	(0.5)	21.9	4.1	53.9	8.0	81.4	3.9
Non-restructuring impairment charges	—	—	—	—	—	—	151.6	22.5	151.6	7.3
Separation costs	2.2	0.5	2.6	0.6	1.8	0.3	3.0	0.4	9.6	0.5
Gains on divestiture and license	(12.8)	(3.0)	(0.8)	(0.2)	(0.6)	(0.1)	(0.8)	(0.1)	(15.0)	(0.7)
Operating income (loss)	61.9	14.4	14.7	3.3	(11.3)	(2.1)	(141.2)	(21.0)	(75.9)	(3.6)
Interest expense	(9.8)	(2.3)	(12.4)	(2.8)	(22.7)	(4.3)	(37.7)	(5.6)	(82.6)	(4.0)
Interest income	0.3	0.1	0.5	0.1	0.3	0.1	0.4	0.1	1.5	0.1
Other income (expense), net	(0.3)	(0.1)	—	—	0.4	0.1	3.0	0.4	3.1	0.1
Income (loss) from continuing operations before income taxes	52.1	12.1	2.8	0.6	(33.3)	(6.3)	(175.5)	(26.1)	(153.9)	(7.4)
Income tax expense (benefit)	13.6	3.2	(17.4)	(3.9)	(4.3)	(0.8)	(2.0)	(0.3)	(10.1)	(0.5)
Income (loss) from continuing operations	38.5	9.0	20.2	4.5	(29.0)	(5.5)	(173.5)	(25.8)	(143.8)	(6.9)
Income (loss) from discontinued operations, net of income taxes	7.1	1.7	(8.6)	(1.9)	4.9	0.9	(178.9)	(26.6)	(175.5)	(8.4)
Net income (loss)	\$ 45.6	10.6%	\$ 11.6	2.6%	\$ (24.1)	(4.5)%	\$ (352.4)	(52.3)%	\$ (319.3)	(15.3)%
Basic earnings per share:										
Income (loss) from continuing operations	\$ 0.67		\$ 0.35		\$ (0.50)		\$ (2.04)		\$ (2.22)	
Income (loss) from discontinued operations	0.12		(0.15)		0.08		(2.10)		(2.70)	
Net income (loss)	0.79		0.20		(0.41)		(4.14)		(4.92)	
Diluted earnings per share:										
Income (loss) from continuing operations	\$ 0.66		\$ 0.34		\$ (0.50)		\$ (2.04)		\$ (2.22)	
Income (loss) from discontinued operations	0.12		(0.15)		0.08		(2.10)		(2.70)	
Net income (loss)	0.78		0.20		(0.41)		(4.14)		(4.92)	
Weighted-average number of shares outstanding:										
Basic	57.8		58.2		58.5		85.2		64.9	
Diluted	58.4		59.1		58.5		85.2		64.9	

MALLINCKRODT PLC
ADJUSTED SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
(unaudited, in millions)

	Three Months Ended December 27, 2013	Three Months Ended March 28, 2014	Three Months Ended June 27, 2014	Three Months Ended September 26, 2014	Fiscal Year Ended September 26, 2014
GAAP	\$ 116.4	\$ 168.4	\$ 195.7	\$ 242.0	\$ 722.5
Adjustments:					
Intangible asset amortization	—	(0.1)	(0.1)	(0.8)	(1.0)
Incremental equity conversion costs	—	—	—	(13.0)	(13.0)
Acquisition related expenses	—	(18.5)	(16.6)	(30.0)	(65.1)
Significant legal and environmental changes	—	(23.1)	(11.5)	(15.0)	(49.6)
As adjusted	<u>\$ 116.4</u>	<u>\$ 126.7</u>	<u>\$ 167.5</u>	<u>\$ 183.2</u>	<u>\$ 593.8</u>
Percent of net sales	27.1%	28.2%	31.6%	27.2%	28.5%