HAWAIIAN HOLDINGS INC
Form 10-K/A
April 06, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K/A

(Amendment No. 1)

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

(Mark One)

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

For the fiscal year ended December 31, 2005

or

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

For the transition period from to

Commission file number 1-31443

HAWAIIAN HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**71-0879698**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
3375 Koapaka Street, Suite G-350 Honolulu, Hawaii	**96819**
(Address of principal executive offices)	(Zip code)

Registrant s telephone number, including area code: **(808) 835-3700**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock ($.01 par value)	American Stock Exchange and Pacific Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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 ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated file.

Large Accelerated Filer o Accelerated Filer ý Non-Accelerated Filer 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 ý

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the registrant was approximately $111 million, computed by reference to the closing sale price of the Common Stock on the American Stock Exchange, on June 30, 2005, the last business day of the registrant s most recently completed second fiscal quarter.

As of March 31, 2006, 45,945,800 shares of Common Stock of the registrant were outstanding.

EXPLANATORY NOTE

This amendment to our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 is being filed to include Items 10 through 14 of Part III of the Annual Report on Form 10-K, which were omitted in reliance on General Instruction G(3) thereto. As used herein, the *terms Holdings , Company , we , our , and us refer only to Hawaiian Holdings, Inc., and the term Hawaiian refers only to Hawaiian Airlines, Inc. Holdings sole operating subsidiary.*

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following table presents the name, age and position of each member of our senior management, each of our current directors, and Mr. Sean Kim, who has recently been nominated by the International Association of Machinists and Aerospace Workers (the IAM) and who we expect to be appointed to our Board of Directors immediately following our annual meeting of stockholders on May 31, 2006. As described in greater detail in the section below entitled Security Ownership of Certain Beneficial Owners and Management Special Preferred Stock, the IAM, the Association of Flight Attendants (the AFA) and the Air Line Pilots Association (the ALPA) (collectively, the Unions) hold one share of our Series B Special Preferred Stock, Series C Special Preferred Stock and Series D Special Preferred Stock, respectively, that, in accordance with our Amended By-Laws, entitle each Union to nominate one director.

Name	Age	Position(s)
Lawrence S. Hershfield	49	Chairman of the Board of Directors
Mark B. Dunkerley	42	Director, Chief Executive Officer and President
Peter R. Ingram	39	Executive Vice President, Chief Financial Officer and Treasurer
David Z. Arakawa	50	Secretary
Randall L. Jenson	37	Director
Gregory S. Anderson	49	Director
Donald J. Carty	59	Director
Thomas B. Fargo	57	Director
Bert T. Kobayashi, Jr.	66	Director
Eric C.W. Nicolai	46	Director (ALPA Designee)
William S. Swelbar	47	Director (AFA Designee)
Sean Kim	55	Director (IAM Designee)

Lawrence S. Hershfield. Mr. Hershfield has been the Chairman of our Board of Directors since July 2004. Mr. Hershfield served as our President and Chief Executive Officer from June 14, 2004 through June 2, 2005. He has been the Chief Executive Officer of Ranch Capital, LLC, which he founded to pursue investments in undervalued or distressed assets or companies, since October 2002. Since June 2004, he has been the Chief Executive Officer and President of RC Aviation Management, LLC, the managing member of RC Aviation LLC (RC Aviation). From August 2001 to September 2002, he was Chief Executive Officer and a Director of FINOVA Group Inc., a financial services company. From February 2001 to August 2001, Mr. Hershfield was Berkadia s Liaison to FINOVA. Berkadia is a joint venture formed by Leucadia National Corporation and Berkshire Hathaway to oversee and fund FINOVA s reorganization. From 1996 to 1998, Mr. Hershfield served as Chief Executive Officer, President and as a director of Pepsi International Bottlers. From 1995 to September 2002, Mr. Hershfield was President of Leucadia International Corporation, a wholly-owned subsidiary of Leucadia National Corporation. Mr. Hershfield received a B.S. in Biology from Bucknell University (1977) and has an M.B.A. from Stanford University Graduate School of Business (1981).

Mark B. Dunkerley. Mr. Dunkerley has been a member of our Board of Directors and the President and Chief Executive Officer of both Hawaiian and Holdings since June 2, 2005. He previously was President and Chief Operating Officer of Hawaiian from December 2002 and President and Chief Operating Officer of Holdings from February 2003 until he resigned the positions at Holdings following Hawaiian s Chapter 11 Filing and the appointment of the Trustee.

From August 2001 until March 2002, he was the Chief Operating Officer of the Sabena Airlines Group located in Brussels, Belgium. In October 2001, Sabena Airlines Group filed for the Belgian equivalent of bankruptcy and began its liquidation process in November 2001. In 2001, Mr. Dunkerley served as a consultant with the Roberts Roach firm, which specializes in providing strategic and economic consulting services to the aviation industry. From 1999 to 2000, Mr. Dunkerley was Chief Operating Officer, President and a member of the Board of Directors of Worldwide Flight Services, one of the largest providers of ground services to airlines including baggage and passenger check-in handling at airports worldwide. From 1989 to 1999, Mr. Dunkerley worked for British Airways, where he held a variety of management positions including, most recently, as senior vice president for British Airways Latin America and Caribbean division from 1997 to 1999.

Peter R. Ingram. Mr. Ingram became our Executive Vice President, Chief Financial Officer and Treasurer effective as of November 16, 2005. Mr. Ingram had worked at AMR Corporation, the parent company of American Airlines and American Eagle Airlines, for eleven years prior to joining the Company. Since 2002, he served as Vice President of Finance and Chief Financial Officer for American Eagle Airlines. Prior to that, he spent eight years in finance-related management and director positions for American Airlines. Mr. Ingram received a B.A. in Business Administration from the University of Western Ontario (1988) and has an M.B.A. from Duke University (1994).

David Z. Arakawa. Mr. Arakawa became our Secretary effective as of July 7, 2005 and has been Hawaiian s Senior Vice President, General Counsel and Secretary since March 29, 2005. From 1997 to 2005, Mr. Arakawa served as corporation counsel for the City and County of Honolulu where he acted as the chief legal advisor and representative for the mayor, city council, and all city agencies and employees. From 1984 to 1997, Mr. Arakawa served in private practice, including as a partner with the law firm of Fujiyama Duffy and Fujiyama, serving a wide range of corporate and government clients. Mr. Arakawa began his legal career with the Department of the Prosecuting Attorney where he specialized in career criminal and organized crime cases. Currently, Mr. Arakawa serves as a board member of both the Aiea Neighborhood Board and Aiea Community Association, and is also a member of the Waipahu and Pearl City Community Associations. Mr. Arakawa has a B.A. in History from the University of Hawaii at Manoa (1979) and a J.D. from the William S. Richardson School of Law (1981).

Randall L. Jenson. Mr. Jenson has been a member of our Board of Directors since July 2004. Mr. Jenson was appointed as our Chief Financial Officer, Treasurer and Secretary on June 14, 2004. He resigned as Secretary effective as of July 7, 2005 and as Chief Financial Officer and Treasurer as of November 16, 2005. He is co-founder and Managing Director of Ranch Capital, LLC, which was formed in 2002 to pursue investments in undervalued or distressed assets or companies. Since June 2004, he has been the Vice President and Secretary of RC Aviation Management, LLC, the managing member of RC Aviation. From May 1997 to October 2002, he served in various capacities in or at the direction of Leucadia National Corporation. From August 1999 to April 2002, Mr. Jenson served as the President and Chief Executive Officer of American Investment Bank N.A., a wholly-owned subsidiary of Leucadia National Corporation. He served as a director of the bank from August 1998 to April 2002, and from May 1997 to August 1999, served as Senior Vice President. Mr. Jenson received a B.A. in Accounting from the University of Utah (1991), and has an M.B.A. from Harvard University Graduate School of Business Administration (1997).

Gregory S. Anderson. Mr. Anderson has been a member of our Board of Directors since 2002. Since 2004, Mr. Anderson has been Chairman, Chief Executive Officer and President of Valley Commerce Bank Corporation and Valley Commerce Bank, a commercial bank located in Phoenix, Arizona. From 2002 to 2004, he was Chief Executive Officer, President and managing general partner of Glendora Hospital Partners and Glendora Holdings, a senior housing management and development company. From 1998 to 2002, he was Chief Executive Officer and President of Quality Care Solutions Inc., an Arizona corporation that is a leading provider of healthcare payer software solutions. From 1985 to 1998, Mr. Anderson was general manager of El Dorado Investment Company, Arizona s then largest venture capital company. Mr. Anderson has served on numerous boards of both public and private companies. Currently, Mr. Anderson is a director of Sun Healthcare, Inc., Valley Commerce Bank and several civic boards. He is also the general partner of Glendora Holdings. Mr. Anderson has a B.S. in Finance from Arizona State University (1979) and has been certified by the Center for Executive Development at Stanford University School of Business. Mr. Anderson serves as a member of the Audit Committee and the Governance and Nominating Committee of the Board of Directors.

Donald J. Carty. Mr. Carty has been a member of our Board of Directors since July 2004. Mr. Carty is the former Chairman of the Board and Chief Executive Officer of AMR Corporation, positions he held from 1998 until April 2003. From 1998 to 2002, Mr. Carty also held the position of President of AMR Corporation. From 1995 to 1998, he was President of American Airlines, Inc., a subsidiary of AMR Corporation. Mr. Carty held other executive level positions with AMR Corporation, American Airlines, Inc. or their subsidiaries from 1978 to 1995. Mr. Carty is also a director of Dell, Inc., Sears Holding Corporation, Placer Dome, Inc., CHC Helicopter Corp. and SolutionsInc, Ltd. Mr. Carty is a graduate of Queen s University in Kingston, Ontario, and of the Harvard University Graduate School of Business Administration. Mr. Carty serves as Chairman of the Audit Committee and a member of the Governance and Nominating Committee and the Compensation Committee of the Board of Directors.

Thomas B. Fargo. Admiral Fargo has been a member of our Board of Directors since March 2005. Admiral Fargo recently retired as Commander U.S. Pacific Command, at Camp H.M. Smith, Hawaii. In that position, he was the senior U.S. Military commander in the Pacific and Indian Ocean areas, where he directed Army, Navy, Marine Corps and Air Force operations. He also commanded the U.S. Fifth Fleet and Naval Forces of the Central Command during two years of Iraqi contingency operations from July 1996 to July 1998 and served as the 29th Commander-in-Chief of the U.S. Pacific Fleet. Admiral Fargo is also a member of the Board of Directors of Hawaiian Electric Industries and the Board of Governors of Iolani School. He is the chairman of the Board of Directors of Loea Corporation and Sago Systems, which are both subsidiaries of Trex Enterprises Corporation of San Diego, CA, which performs research and development, principally on government contracts, of which Admiral Fargo is Executive Vice President. Admiral Fargo is a graduate of the U.S. Naval Academy. Admiral Fargo serves as a member of the Compensation Committee of the Board of Directors.

Bert T. Kobayashi, Jr. Mr. Kobayashi has been a member of our Board of Directors since December 2004. Mr. Kobayashi is senior partner of the law firm of Kobayashi, Sugita & Goda in Honolulu, Hawaii. He currently is director of the First Hawaiian Bank (1974 to present) and BancWest Corporation (1998 to present). Mr. Kobayashi also was a member of the Board of Directors of Western Airlines (from 1976 to 1986, when it was sold to Delta Air Lines) and on the Board of Directors of Schuler Homes (from 1992 to 2001, when it merged with Western Pacific). He formerly sat as chairman of the State of Hawaii Judicial Selection Commission and currently is the President of the University of Hawaii Athletic Foundation. Mr. Kobayashi has a J.D. from the University of California, Hastings College of Law and a B.A. from the University of Hawaii and Gettysburg College. Mr. Kobayashi serves as a member of the Audit Committee, the Governance and Nominating Committee and the Compensation Committee of the Board of Directors.

Eric Nicolai. Mr. Nicolai has been a member of our Board of Directors since September 29, 2005. Mr. Nicolai is a pilot for Hawaiian and has been employed by Hawaiian since December 1985. Mr. Nicolai is the ALPA s desginee to the Board of Directors. See Security Ownership of Certain Beneficial Owners and Management - Special Preferred Stock.

William S. Swelbar. Mr. Swelbar has been a member of our Board of Directors since November 16, 2005. Mr. Swelbar has been the President and Managing Partner of Eclat Consulting, Inc. for over ten years. Mr. Swelbar is an Adjunct Fellow of the Economic Strategy Institute and a member of the Advisory Board of the M.I.T. Global Airline Industry Program. Mr. Swelbar received a B.S. from Eastern Michigan University and has an M.B.A. from The George Washington University. Mr. Swelbar is the AFA s designee to the Board of Directors. See Security Ownership of Certain Beneficial Owners and Management - Special Preferred Stock.

Sean Kim. Mr. Kim has been recently nominated by the IAM and is expected to be appointed to our Board of Directors immediately following our annual meeting of stockholders on May 31, 2006. See Security Ownership of Certain Beneficial Owners and Management - Special Preferred Stock. Mr. Kim, an attorney, was a partner with Park Kim & Yu (1976 through 1997), and has been a solo practitioner since 1997. Mr. Kim concentrates his practice on the representation of labor organizations. Mr. Kim has a J.D. from the University of California, Hastings College of Law and a B.A. from the University of Hawaii.

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Audit Committee

We have a standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee has three members: Mr. Carty (Chairman), Mr. Anderson and Mr. Kobayashi. Pursuant to the Audit Committee charter, the Audit Committee is responsible for the appointment, compensation, retention, and oversight of the work of our independent auditors. Its principal functions are to: (i) oversee the integrity of our financial statements and other financial information provided by us to any governmental body or the public; (ii) oversee our systems of internal controls and procedures regarding finance, accounting, disclosures and legal compliance with applicable laws and regulations; and (iii) monitor the performance of the internal auditors, if any, and the independence, qualifications and performance of the independent auditors and pre-approve services provided by the independent auditors. The Board of Directors has determined that all of the members of the Audit Committee are independent, as that term is used under applicable rules of the Securities and Exchange Commission (the SEC), the American Stock Exchange and the Pacific Exchange. The Board has also determined that Mr. Carty satisfies the criteria set forth in Item 401(h) of Regulation S-K promulgated under the Exchange Act to serve as the audit committee financial expert on the Audit Committee. The Audit Committee met 13 times in 2005.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock, par value $0.01 per share (the Common Stock), and other equity securities. Such persons are also required to provide us with copies of all such reports filed with the SEC. Based solely upon the information supplied to us by these persons, we are required to report any known failure to file these reports within the specified period. To our knowledge, based solely upon a review of the Section 16(a) reports furnished to us and the written representations of these reporting persons, these persons complied with all filing requirements in a timely fashion for fiscal year 2005, except that (i) Mr. Arakawa did not timely file a Form 3 in connection with his appointment as Secretary in July 2005, (ii) Mr. Dunkerley did not timely file a Form 4 in connection with stock option grants on each of June 10, 2005 and July 25, 2005, and (iii) Mr. Carty did not timely file a Form 4 in connection with a stock option grant on August 10, 2005. Each of these filings was subsequently made.

Code of Ethics

We have adopted a code of ethics (the Code) that applies to our directors, officers and employees. The Code is designed to deter wrongdoing on the part of such persons and to promote: (1) honest and ethical business conduct, including the ethical handling of actual or apparent conflicts of interest between personal and provisional relationships, (2) full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to the SEC and in other public communications made by us, (3) compliance with applicable governmental laws, rules and regulations, (4) the prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code, and (5) accountability for adherence to the Code. We have also adopted Corporate Governance Guidelines that cover a wide range of business practices and procedures. The Code and the Corporate Governance Guidelines are designed to foster the highest standards of ethics and conduct in all of our business relationships. The Code is posted of our website at www.hawaiianair.com and will be mailed upon written request to Secretary, Hawaiian Holdings, Inc., 3375 Koapaka Street, Suite G-350 Honolulu, Hawaii or by calling (808) 835-3610.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following Summary Compensation Table sets forth certain information regarding compensation paid for the last three fiscal years to our named executive officers, who consist of all of our current executive officers, Lawrence S. Hershfield, who served as our chief executive officer during fiscal year 2005, and our only other executive officer during fiscal year 2005 (collectively, our named executive officers). We did not pay our

executive officers any compensation during the period from Hawaiian s Chapter 11 Filing in March 2003 through June 2, 2005, the effective date of Hawaiian s joint plan of reorganization. On such date, Mr. Hershfield resigned as President and Chief Executive Officer of Holdings, and Mark B. Dunkerley, who had been serving as Hawaiian s President and Chief Operating Officer, was appointed President and Chief Executive Officer of Holdings and Hawaiian. Following the Chapter 11 Filing and the appointment of the Trustee in 2003, all our then-existing executive officers who previously held similar positions at both Holdings and Hawaiian, with the exception of John W. Adams (who was our Chief Executive Officer from May 2002 to June 2004), resigned from their positions at Holdings.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation ($)(6)	Long-Term Compensation Securities Underlying Options/SARs (#)	All Other Compensatio ($)
		Salary ($)	Bonus ($)			
Mark B. Dunkerley(1)	2005	460,494	756,250		1,044,000	
President and Chief	2004	415,000	588,000	54,594		
Executive Officer	2003	408,881	654,000	67,300		
Peter R. Ingram(2)	2005	27,147	72,688	59,245	100,000	
Executive Vice President,	2004					
Chief Financial Officer	2003					
and Treasurer						
David Z. Arakawa(3)	2005	141,667	20,000		55,416	
Secretary	2004					
	2003					
Lawrence S. Hershfield(4)	2005				120,000	Biover®/Abtei® Davitamon®/Etixx® Granufink®/Bional®

Cough, Cold, and Allergy	Products that address respiratory symptoms, including traditional medications and alternative treatments such as aromatherapy and homeopathic solutions.	Bittner®/Aflubin® Bronchodual® Physiomer® Phytosun®/Valda® Prevalin®/Beconase® Solpadeine®/Antigrippine®
Personal Care and Derma-Therapeutics	Products for the face and body, including sun	ACO® Bodysol®/Galenco® Dermalex®(Repair) Lactacyd®

	care, baby-specific, and feminine hygiene products, and solutions for various skin conditions and allergies such as eczema, psoriasis and rosacea.	Wartner®
Lifestyle	Weight management, pregnancy and fertility kits, pain relief, sleep management, smoking cessation, and eye care.	Paravet®/Clément-Thékan® Predictor® Silence®/Nytol® XLS (Medical)®
Anti-Parasite	Products focused on the elimination of parasites in both humans and pets including lice treatment and insect repellent.	Jungle Formula® Paranix®

Certain brands are considered "combination brands", as they are marketed under different names depending on the market in which they are sold. For these combination brands, we select the most appropriate products from each product line for the country where they will be marketed, then adopt the brand name that best matches local consumer preference.

We launched a number of new BCH products in the six months ended December 31, 2015, most notably lifestyle products such as XLS Max strength and cough and cold products such as Bronchostop®. New product sales during the six months ended December 31, 2015 totaled $62.6 million. During 2016, the BCH segment will focus on re-invigorating growth behind the newly acquired GSK brands Niquitin® and Coldrex® and rolling out the Yokebe® meal replacement range across Europe. The BCH segment has more than 50 strategic new products in five product categories in development, with each of its Top 20 brands having a five-year innovation master plan.

Perrigo Company plc - Item 1
BCH

Sales and Marketing

Our customers include pharmacies, drug, and grocery stores located primarily in Europe, including Boots, ASDA, Tesco, DM, Rossmann, ETOS, and Kruidvat. The BCH segment sells its products through an established pharmacy sales force and an extensive network of pharmacists. Our sales representatives visit pharmacists daily, ensuring strong in-store visibility of our brands and facilitating pharmacist education programs. Our sales, marketing, and regulatory teams use training/merchandising teams to work in conjunction with base sales representatives to identify, implement, and defend healthcare claims for key products. We seek to attract key talent personnel from leading OTC, fast moving consumer goods ("FMCG"), and Rx companies to build strong local teams throughout the countries in which the BCH segment operates.

While BCH products have a higher average gross margin than products sold by the CHC segment, selling expenses are significantly higher for our BCH products due to the sales force mentioned above, as well as targeted advertising and promotional spending to enhance brand equity. Key marketing communication tools include TV commercials, consumer leaflets, product websites, and targeted promotional campaigns.

Competition

The competitive landscape of the European OTC market is highly fragmented, as local companies often hold leadership positions in individual product segments in particular countries. As a result, the relevant competition in each of the BCH segment's markets is mostly local, with Reckitt Benckiser, Boehringer Ingelheim, Novartis, and Johnson & Johnson as additional regional competitors. We believe our key advantage lies in our unique combination of best practices in sales, marketing, and product development from FMCG and OTC/Rx, while embracing the pharmacy channel to drive self-care. See Item 1A. Risk Factors - Risks Related to Operations for additional information and risks associated with competition.

PRESCRIPTION PHARMACEUTICALS

Overview

The Rx segment develops, manufactures, and markets a portfolio of generic and specialty pharmaceutical prescription drugs primarily for the U.S. and U.K. markets. We define this portfolio as predominantly "extended topical" and "specialty" as it encompasses a broad array of topical dosage forms such as creams, ointments, lotions, gels, shampoos, foams, suppositories, sprays, liquids, suspensions, solutions, and powders. The portfolio also includes select controlled substances, injectables, hormones, women's health products, oral solid dosage forms, and oral liquid formulations. During the six months ended December 31, 2015, the Rx segment represented approximately 20% of consolidated net sales.

Our current development areas include other delivery systems such as oral liquids, metered dose inhalers, injectables, and transdermal products, some of which we are developing with third parties. Our other areas of expertise include our production capabilities for controlled substance and hormonal products. In the U.S., R&D efforts focus on complex formulations, many of which require costly clinical endpoint trials. In the U.K., R&D focuses on oral liquid formulations for the branded Rx products for which liquid formulations are not available.

We manufacture our topical, specialty, and oral products in the U.S., Israel, and U.K., and also source from various FDA-approved third parties. Rx products are manufactured, labeled, and packaged in facilities that comply with strict regulatory standards and meet customers’ stringent requirements.

In addition, the Rx segment offers OTC products through the prescription channel (referred to as "ORx®", these products are marketed using the Perrigo name). ORx® products are OTC products that are available for pharmacy fulfillment and healthcare reimbursement when prescribed by a physician. We offer numerous ORx® products that are reimbursable through many health plans and the U.S. Medicaid and Medicare programs.

We actively collaborate with other pharmaceutical companies to develop, manufacture, and market certain products or groups of products. These types of agreements are common in the pharmaceutical industry. We may choose to enter into these types of agreements to, among other things, leverage our or our collaborators' scientific R&D expertise, or utilize our extensive marketing and distribution resources. See Item 8. Note 1 for more

Perrigo Company plc - Item 1
Rx Pharmaceuticals

information regarding our method for recognizing revenue and expenses related to collaboration agreements, as well as Item 8. Note 17 for more information regarding our current collaboration agreements.

Recent Developments

On January 22, 2016, we closed on the acquisition of a portfolio of generic dosage forms and strengths of Retin-A® (tretinoin), which is a topical prescription acne treatment, from Matawan Pharmaceuticals, LLC, for $415.0 million in cash. We were the authorized generic distributor of these products from 2005 to 2013 before the agreement was terminated. The acquisition complemented our Rx portfolio, furthering our "extended topicals" strategy.

On December 15, 2015, we completed our acquisition of Entocort® (budesonide) capsules, as well as the authorized generic capsules currently marketed by Par Pharmaceuticals, for sale within the U.S., from AstraZeneca plc for $380.2 million in cash. Entocort® is a gastroenterology medicine for patients with mild to moderate Crohn's disease, and the acquisition complemented our Rx portfolio.

Products

Listed below are some of the generic prescription products, including authorized generic and ORx® products, that we manufacture and/or distribute:

Generic Name [1]	Comparative Brand-Name Drug
Adapalene cream	Differin®
Bacitracin ophthalmic ointment	N/A
Benzoyl peroxide 5% - clindamycin 1% gel [2]	BenzaClin™
Budesonide [2]	Entocort® [2]
Clindamycin foam	Evoclin®
Clindamycin phosphate and benzoyl peroxide gel	Duac®
Clobetasol foam, lotion and shampoo	Olux®, Olux-E®, Clobex®
Desonide cream, ointment	Desonate®, Tridesilon®
Dihydroergotamine injection	D.H.E. 45
Halobetasol ointment and cream	Ultravate®
Hydrocortisone suppositories	N/A
Mupirocin ointment	Bactroban®
Nystatin topical powder	Mycostatin®
Permethrin cream	Elimite®
Potassium chloride[2]	Klor-Con®
Tacrolimus	Protopic®
Testosterone 1% gel	Androgel
Testosterone cypionate injection	Depo®, Testosterone
Triamcinolone acetonide nasal spray	Nasacort® AQ
Triamcinolone cream/ointment	Triderm™/Kenalog™

[1] Contains the same active ingredients present in the same dosage form as the comparable brand-name drug
[2] New product launched during the six months ended December 31, 2015.

Net sales related to new products were $43.0 million and $41.0 million for the six months ended December 31, 2015 and December 27, 2014, respectively, and $119.0 million, $106.4 million, and $48.6 million for the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, respectively.

During the six months ended December 31, 2015, we, on our own or in collaboration with partners, received final approval from global health authorities for 10 Rx drug applications, and as of December 31, 2015, we had 59 Rx drug applications pending approval.

Perrigo Company plc - Item 1
Rx Pharmaceuticals

Sales and Marketing

Our customers include major wholesalers, including Cardinal Health, McKesson, and AmerisourceBergen; sourcing groups such as Red Oak; national and regional retail drug, supermarket and mass merchandise chains, including Walgreens/Rite Aid, Walmart, CVS, Kroger, and Safeway; hospitals; and pharmacies. ORx® products are sold to the consumer through the pharmacy counter of predominantly the same retail outlets as our OTC pharmaceutical and nutritional products. In addition, we have a small specialty sales force consisting of representatives who visit healthcare professionals to educate them on the unique clinical characteristics and benefits of our branded products. We are broadening our direct to physician promotional capabilities by expanding our field sales team and other internal resources. Our branded pharmaceutical team continues to invest in the women's health, ophthalmic, and dermatology therapeutic areas.

Competition

The market for Rx products is subject to intense competition from other generic drug manufacturers, brand-name pharmaceutical companies launching their own generic version of their branded products (known as an authorized generic), manufacturers of branded drug products that continue to produce those products after patent expirations, and manufacturers of therapeutically similar drugs. Among our generic drug manufacturer competitors are Allergan plc, Apotex Corp., Glenmark Generics Inc., Impax Laboratories, Inc., Mylan, Prasco, LLC, Sandoz, Sun Pharmaceuticals, Taro Pharmaceuticals, Teva Pharmaceutical Industries Ltd., Triax Pharmaceuticals, LLC, and Zydus Pharmaceuticals, Inc.

We believe that one of our primary competitive advantages is our ability to introduce difficult to develop and/or manufacture topical and other specialty generic versions to brand-name drug products. Generally, these products are exposed to less competition due to the relatively longer and more expensive development, clinical trial, and approval processes. In addition, we believe we have a favorable competitive position due primarily to our efficient distribution systems, topical production economies of scale, customer service, and overall reputation. See Item 1A. Risk Factors - Risks Related to Operations for more information and risks associated with competition.

SPECIALTY SCIENCES

Overview

The Specialty Sciences segment is comprised primarily of assets focused on the treatment of multiple sclerosis, specifically in connection with the drug Tysabri® (natalizumab). We are entitled to royalty payments from Biogen Idec Inc. ("Biogen") based on its Tysabri® sales in all indications and geographies. We received royalties of 12% on worldwide Biogen sales of Tysabri® from December 18, 2013 through April 30, 2014. Beginning on May 1, 2014, we received, and going forward we will receive, royalties of 18% on annual worldwide Biogen sales of Tysabri® up to $2.0 billion and 25% on annual sales above $2.0 billion. During the six months ended December 31, 2015, Specialty Sciences represented approximately 6% of consolidated net sales.

Competition

Tysabri® is a complex biological product, with the majority of its patents protected through 2024, and is administered under a strict Risk and Evaluation Mitigation Strategy ("REMS") program. In the event that the patent is invalidated or is infringed upon and a biosimilar is introduced, the financial performance of our Specialty Sciences segment would be materially adversely affected. Tysabri® competes with many companies that are working to develop successful new therapies or alternative formulations of products for multiple sclerosis. If any of these competing

products have a similar or more attractive profile in terms of efficacy, convenience, or safety, future sales of Tysabri® could be limited. However, the competition may be limited in its product development as Tysabri® is administered under an FDA-approved REMS programs. See Item 1A. Risk Factors - Risks Related to Operations for related risks.

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Other

OTHER

Overview

We have an Other segment that is comprised of API products, which does not meet the quantitative threshold required to be a separately reportable segment. We develop, manufacture, and market API products, which are used worldwide by both generic and branded pharmaceutical companies. Certain of these ingredients are used in our own pharmaceutical products. The manufacturing of API occurs primarily in Israel with some production in India.

API development is focused on the synthesis of less common molecules for the U.S., European, and other global markets. We commercialize API that are critical to our pharmaceutical customers' existing portfolios and future product launches, working closely with these customers on development processes. We are also focusing manufacturing and development activities on the synthesis of molecules for use in our own OTC and Rx pipeline products. This vertical integration may enable us to be more competitive in the pricing of our product lines.

Because our API customers depend on high quality supply and regulatory support, we focus on rigorous quality assurance, quality control, and regulatory compliance as part of our strategic positioning. Our quality system is designed to comply with the regulatory requirements of the FDA, the European Medicines Agency ("EMA"), and other regulatory agencies such as the Australian Therapeutic Goods Administration. We are regularly inspected by various regulatory authorities and customers.

Recent Developments

We are pursuing the sale of our API business based in India and expect the sale to take place during 2016. As of December 31, 2015, we reclassified India's net assets to "held for sale" as discussed in Item 8. Note 9.

Competition

Since other manufacturers of API typically do not offer all of the same product lines or serve all of the same markets as we do, the business competes on a product-by-product basis with a number of different competitors. Our API category is subject to increased price competition from other manufacturers of API located mostly in India, China, and Europe. See Item 1A. Risk Factors - Risks Related to Operations for information and risks associated with competition.

INFORMATION APPLICABLE TO ALL REPORTABLE SEGMENTS

Research and Development

R&D is a key component of our business strategy and, while managed centrally, is performed in various locations in the countries in which we operate. While we conduct a significant amount of our own R&D, we also enter into strategic alliance agreements to obtain the rights to manufacture and/or distribute new products.

R&D spending was $88.2 million and $89.8 million for the six months ended December 31, 2015, and December 27, 2014, respectively, and $187.8 million, $152.5 million, and $115.2 million for the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, respectively. In addition, we wrote off in-process research and development from previous acquisitions totaling $6.0 million during the fiscal year ended June 28, 2014 and $9.0 million during the fiscal year ended June 29, 2013 due to changes in the projected development and regulatory timelines for various

projects.

The six months ended December 31, 2015 included incremental R&D expense due to the Omega acquisition. The six months ended December 27, 2014 included a $10.0 million payment made in connection with our entry into a collaboration arrangement. The fiscal year ended June 27, 2015 also included incremental R&D expense due to the Omega acquisition, as well as the payment made in relation to the collaboration arrangement noted above, and an R&D contractual arrangement under which we funded $18.0 million of R&D. The fiscal year ended June 28, 2014 included incremental R&D expense attributable to the Sergeant's Pet Care Products, Inc. ("Sergeant's") and Velcera Inc. ("Velcera") acquisitions that closed during the previous fiscal year, as well as R&D

expense related to the ELND005 Phase 2 clinical program in collaboration with Transition Therapeutics, Inc. ("Transition"), which we acquired from Elan. We ended our collaboration with Transition during the third quarter of the fiscal year ended June 28, 2014 and are no longer responsible for ongoing development activities and costs associated with ELND005. The fiscal year ended June 29, 2013 included incremental R&D expenses attributable to the acquisition of Sergeant's, Velcera, and Rosemont Pharmaceuticals Ltd. See Item 8. Note 2 and Item 8. Note 17 for more information on the acquisitions, collaboration arrangement, and R&D contractual arrangement noted above.

We anticipate that R&D expenditures will increase in dollar terms but will remain relatively flat to slightly higher as a percentage of net sales for the foreseeable future as we continue to cultivate our presence in the Rx-to-OTC switch and generic pharmaceutical markets, and develop our internal R&D capabilities. See Item 1A. Risk Factors - Risks Related to Operations for risks associated with innovation and R&D.

Trademarks and Patents

While we own certain trademarks and patents, neither our business as a whole, nor any of our segments, is materially dependent upon our ownership of any one trademark or patent or group of trademarks or patents.

Materials Sourcing

Affordable high quality raw materials and packaging components are essential to all of our business units due to the nature of the products we manufacture. Raw materials and packaging components are generally available from multiple suppliers. Supplies of certain raw materials, bulk tablets, and components are limited, or are available from one or only a few suppliers. While we have the ability to manufacture and supply certain API for our OTC and Rx products, an increasing number of components and finished goods are purchased rather than manufactured because of temporary production limitations, FDA restrictions, economic conditions, or other factors.

Historically, we have been able to react effectively to situations that require alternate sourcing. Should alternate sourcing be necessary, FDA requirements placed on products approved through the ANDA or NDA process could substantially lengthen the approval of an alternate source and adversely affect financial results. We believe we have good, cooperative working relationships with substantially all of our suppliers and have historically been able to capitalize on economies of scale in the purchase of materials and supplies due to our volume of purchases. See Item 1A. Risk Factors - Risks Related to Operations for risks associated with materials sourcing.

Manufacturing and Distribution

Our primary manufacturing facilities are in the U.S. and Israel. We also have secondary manufacturing facilities in the U.K., Belgium, France, Germany, Austria, Mexico, Australia, and India, along with a joint venture in China. See Item 1A. Risk Factors - Risks Related to Operations for risks associated with our manufacturing facilities. We supplement our production capabilities with the purchase of products from outside sources. The capacity of some facilities may be fully utilized at certain times for various reasons, such as customer demand, the seasonality of the cough/cold/flu, allergy, or flea and tick seasons, and new product launches. We may utilize available capacity by performing contract manufacturing for other companies. We have logistics facilities in the U.S., Israel, Mexico, Australia, and numerous locations throughout Europe. We use contract freight and common carriers to deliver our products.

Perrigo Company plc - Item 1

Significant Customers

Our primary customer base aligns with the concentration of large drug retailers in the current global retail drug industry marketplace. Walmart is our largest customer and accounted for 13% of consolidated net sales for the six months ended December 31, 2015, 15% for the fiscal year ended June 27, 2015, and 19% for both the fiscal years ended June 28, 2014 and June 29, 2013. Sales to Walmart are primarily in the CHC segment. As a percentage of our total U.S. OTC sales, our sales to Walmart closely align with Walmart's U.S. retail market share. While we do not anticipate a change in the foreseeable future, should our current relationship with Walmart change adversely, the resulting loss of business could have a material adverse impact on our consolidated and CHC segment operating results and financial position. In addition, while no other customer individually comprises more than 10% of total net sales, we do have other significant customers. We believe we generally have good relationships with all of our customers. See Item 1A. Risk Factors - Risks Related to Operations for risks associated with customers.

Seasonality

Historically we have been impacted by seasonal demand and consumer dynamics in the retail environment in which our customers operate. Sales of OTC pharmaceutical products in the CHC segment are typically subject to seasonal demands for cough/cold/flu products from September through March and allergy products from April through September. Our BCH segment's sales are also impacted by seasonality and tend to peak in April through June due to increased demand for seasonal health and wellness products. In addition, our animal health products are subject to seasonal demand for flea and tick products that typically peaks during the warmer weather months, from March through June. Our Rx, Specialty Sciences, and Other segments' sales are not generally impacted by seasonal conditions. Accordingly, operating results for the six months ended December 31, 2015 are not necessarily indicative of the results that may be expected for a full year.

Environmental

We are subject to various environmental laws and regulations. We have made, and continue to make, expenditures necessary to comply with applicable environmental laws, but do not believe that the costs for complying with such laws and regulations have been or will be material to our business. We do not have any material remediation liabilities outstanding.

While we believe that climate change could present risks to our business, including increased operating costs due to additional regulatory requirements, physical risks to our facilities, water limitations, and disruptions to our supply chain, we do not believe these risks are material to our business in the near term.

Corporate Social Responsibility

We are committed to doing business in an ethical manner. We also have a long history of environmentally sound and efficient operations, safe and healthy working conditions, and active participation in the communities where we are located. As reflected in our Corporate Social Responsibility Commitment Statement available on our website, we remain committed to:

- Helping consumers access safe, effective and affordable healthcare products;
- Strong corporate governance;
- Complying with regulatory and legal requirements;
- Demonstrating environmental stewardship;

- Continuously improving packaging sustainability;
- Protecting human rights of our global employees and challenging our partners to do the same;
- Providing a safe and healthy work environment for our employees;
- Diversity and gender equality of our Board of Directors, management, and employees; and
- Establishing effective community partnerships.

Through these efforts, we strive to minimize our impact on the environment, drive responsible business practices, and ensure the welfare of our employees, their families, and the communities in which we operate now and into the future.

GOVERNMENT REGULATION AND PRICING

The manufacturing, processing, formulation, packaging, labeling, testing, storing, distributing, advertising, and sale of our products are subject to regulation by a variety of agencies in the localities in which our products are sold. In addition, we manufacture and market certain of our products in accordance with standards set by various organizations. We believe that our policies, operations, and products comply in all material respects with existing regulations to which we are subject. See Item 1A. Risk Factors - Risks Related to Operations for related risks.

United States Regulation

U.S. Food and Drug Administration

The FDA has jurisdiction over our ANDA, NDA, Drug Efficacy Implementation, and OTC monograph drug products, infant formulas, dietary supplements, food products, and medical devices. The FDA’s jurisdiction extends to the manufacturing, testing, labeling, packaging, storage, distribution, and promotion of these products. We are committed to consistently providing our customers with high quality products that adhere to "current Good Manufacturing Practices" ("cGMP") regulations promulgated by the FDA.

OTC and Rx Pharmaceuticals

All facilities where Rx and OTC drugs are manufactured, tested, packaged, stored, or distributed for the U.S. market must comply with FDA cGMPs and regulations promulgated by competent authorities in the countries, states and localities where the facilities are located. All of our drug products are manufactured, tested, packaged, stored, and distributed according to cGMP regulations. The FDA performs periodic audits to ensure that our facilities remain in compliance with all appropriate regulations.

Many of our OTC pharmaceutical products are regulated under the OTC monograph system and subject to certain FDA regulations. Under this system, selected OTC drugs are generally recognized as safe and effective and do not require the submission and approval of an ANDA or NDA prior to marketing. Drug products marketed under the OTC monograph system must conform to specific quality, formula, and labeling requirements, including permitted indications, required warnings and precautions, allowable combinations of ingredients, and dosage levels. It is generally less costly to develop and bring to market a product regulated under the OTC monograph system.

We also market generic prescription drugs and other products that have switched from prescription to OTC status. Prior to commercial marketing, these products require approval by the FDA of an ANDA or NDA that provides information on chemistry, manufacturing controls, clinical safety, efficacy and/or bioequivalence, packaging, and labeling. While the development process for a generic drug generally requires less time and expense than the development process for a new drug, the size and duration of required studies can vary greatly. The current average ANDA approval time is approximately 42 months from the date an ANDA is submitted. NDA approvals are typically achieved in 12 months or less. Changes to a product marketed under an ANDA or NDA are governed by specific FDA regulations and guidelines that define when proposed changes can be implemented and whether prior FDA notice and/or approval is required.

Under the Federal Food, Drug and Cosmetic Act, as amended ("FFDCA") (the Hatch-Waxman amendments), a company submitting an NDA can obtain a three-year period of marketing exclusivity for a prescription or OTC

product if it performs a clinical study that is essential to FDA approval. Longer periods of exclusivity are possible for new chemical entities, orphan drugs (those designated under section 526 of the FFDCA) and drugs under the Generating Antibiotic Incentives Now Act. During this exclusivity period, the FDA cannot approve any ANDAs for a similar or equivalent generic product, which can preclude us from marketing a similar product during this period. A company may obtain an additional six months of exclusivity if it conducts pediatric studies requested by the FDA on the product. This exclusivity can delay both the FDA approval and sales of certain products.

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Regulation

A company may be entitled to a 180-day generic exclusivity period for certain products. This exclusivity period often follows a patent certification and litigation process whereby the product innovator may sue for infringement. The legal action does not ordinarily result in material damages, but it generally triggers a statutorily mandated delay in FDA approval of the ANDA for a period of up to 30 months from when the innovator was notified of the patent challenge.

The Food and Drug Administration Safety and Innovation Act ("FDASIA") was signed into law on July 9, 2012. The law established, among other things, new user fee statutes for generic drugs and biosimilars, FDA authority concerning drug shortages, changes to enhance the FDA's inspection authority of the drug supply chain, and a limited extension of the 30-month stay provision described above. The FDASIA also reduced the time required for FDA responses to generic-blocking citizen petitions. We implemented new systems and processes to comply with the new facility self-identification and user fee requirements of the FDASIA, and we monitor facility self-identification and fee payment compliance to mitigate the risk of potential supply chain interruptions or delays in regulatory approval of new applications.

The U.S. government's Federal Drug Supply Chain Security Act ("DSCSA") requires development of an electronic pedigree to track and trace each prescription drug at the salable unit level through the distribution system, which will be effective incrementally over a 10-year period. The serialization of all Rx products distributed in the U.S. needs to be completed by November 27, 2017, with the requirement for tracking the products commencing on November 27, 2023. Requirements for the tracing of products at the lot level through the pharmaceutical distribution supply chain went into effect on January 1, 2015 for manufacturers, wholesale distributors, and re-packagers, and on July 1, 2015 for dispensers.

Infant Formula and Foods

The FDA’s Center for Food Safety and Applied Nutrition is responsible for the regulation of infant formula. The Office of Nutrition, Labeling and Dietary Supplements ("ONLDS") has labeling responsibility for infant formula, while the Office of Food Additive Safety ("OFAS") has program responsibility for food ingredients and packaging. The ONLDS evaluates whether an infant formula manufacturer has met the requirements under the FFDCA and consults with the OFAS regarding the safety of ingredients in infant formula and of packaging materials for infant formula.

All manufacturers of pediatric nutrition products must begin with safe food ingredients, which are either generally recognized as safe or approved as food additives. The Infant Formula Act provides specific requirements for infant formula to ensure the safety and nutrition of infant formulas, including minimum and, in some cases, maximum levels of specified nutrients.

Before marketing a particular infant formula, the manufacturer must provide regulatory agencies assurance of the nutritional quality of that particular formulation consistent with the FDA’s labeling, nutrient content, and manufacturer quality control requirements. A manufacturer must notify the FDA at least 90 days before the marketing of any infant formula that differs fundamentally in processing or in composition from any previous formulation produced by the manufacturer. We actively monitor this process and make the appropriate adjustments to remain in compliance with recent FDA rules regarding cGMP, quality control procedures, quality factors, notification requirements, and reports and records for the production of infant formulas.

In addition, the FFDCA requires infant formula manufacturers to test product composition during production and shelf-life; to keep records on production, testing, and distribution of each batch of infant formula; to use cGMP and quality control procedures; and to maintain records of all complaints and adverse events, some of which may reveal

the possible existence of a health hazard. The FDA conducts yearly inspections of all facilities that manufacture infant formula, inspects new facilities during early production runs, and collects and analyzes samples of infant formula.

Our infant and toddler foods are subject to the Food Safety Modernization Act ("FSMA"), which protects the safety of U.S. foods by mandating comprehensive, prevention-based controls within the food industry. Under FSMA, the FDA has mandatory recall authority for all food products and greater authority to inspect food producers and is taking steps toward product tracing to enable more efficient product source identification in the event of a safety issue.

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Regulation

Dietary Supplements Manufactured in the U.S.

The Dietary Supplement Health and Education Act of 1994 ("DSHEA") amended the FFDCA to, among other things:

- Define dietary supplements and dietary ingredients;
- Require ingredient and nutrition labeling for dietary supplements;
- Permit "structure/function" statements for dietary supplements;
- Permit the display of certain published literature where supplements are sold;
- Authorize the FDA to establish GMPs specifically for dietary supplements, which it did in 2007; and
- Require the submission of New Dietary Ingredient notifications to the FDA.

Under DSHEA, the FDA specified that all supplements must bear a "Supplement Facts" box, which lists all of the supplement's dietary ingredients using FDA-specified nomenclature. DSHEA also permits dietary supplements to bear statements:

- Claiming a benefit related to a classical nutrient deficiency disease, provided the prevalence of the disease in the U.S. is disclosed;
- Describing the role of a nutrient or dietary ingredient intended to affect the structure or function in humans;
- Characterizing the documented mechanism by which a nutrient or dietary ingredient acts to maintain such structure or function; and
- Describing general well-being from consumption of a nutrient or dietary ingredient.

We are subject to regulations published by the FDA clarifying the types of "structure function" statements permissible in dietary supplement labeling. Such statements cannot expressly or implicitly state that a dietary supplement has any effect on a "disease." As with foods in general, dietary supplement labeling may include a "health claim," which characterizes the role of a nutrient to a disease or health-related condition.

The DSHEA requires that the FDA be notified at least 75 days in advance of the introduction of a dietary supplement that contains a new dietary ingredient that was not marketed before October 15, 1994. The notification must provide information establishing that the dietary supplement containing the dietary ingredient will be reasonably expected to be safe.

Our U.S. dietary supplement facilities have been inspected by the FDA and are operating in compliance with dietary supplement cGMPs.

Active Pharmaceutical Ingredients

We develop and manufacture API in Israel and India for export to the U.S. and other global markets. Before API can be commercialized in the U.S., we must submit a drug master file ("DMF") that provides the proprietary information related to the manufacturing process. The FDA inspects the manufacturing facilities to assess cGMP compliance, and the facilities and procedures must be cGMP compliant before API may be exported to the U.S.

The facilities and products are subject to regulation by the applicable regulatory bodies in the place of manufacture as well as the regulatory agency in the country from which the product is exported. Our Israeli facility has been approved by the U.S. FDA, Israel Ministry of Health ("IMOH"), Federal Commission for the Protection against Sanitary Risks of Mexico, Pharmaceutical and Medical Devices Agency of Japan, and the Korean Food and Drug Administration and

has received GMP certification from IMOH. Our India facility has been inspected by the U.S. FDA and has received GMP certification from the Indian FDA.

For API exported to European markets, we submit a European DMF and, where applicable, obtain a certificate of suitability from the European Directorate for the Quality of Medicines. The manufacturing facilities and production procedures for API marketed in Europe must meet EU-GMP and European Pharmacopeia standards.

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U.S. Department of Agriculture

The Organic Foods Production Act enacted under Title 21 of the 1990 Farm Bill established uniform national standards for the production and handling of foods labeled as "organic." Our infant formula manufacturing sites in Vermont and Ohio adhere to the standards of the U.S. Department of Agriculture ("USDA") National Organic Program for the production, handling, and processing to maintain the integrity of organic products. Our infant formula manufacturing sites in Vermont and Ohio are USDA-certified, enabling them to produce and label organic products for U.S. and Canadian markets.

U.S. Environmental Protection Agency

The U.S. Environmental Protection Agency ("EPA") is the main regulatory body in the United States for veterinary pesticides. The EPA's Office of Pesticide Programs is responsible for the regulation of pesticide products applied to animals. All manufacturers of animal health pesticides must show that their products will not cause “unreasonable adverse effects to man or the environment” as stated in the Federal Insecticide, Fungicide, and Rodenticide Act. Within the United States, pesticide products that are approved by the EPA must also be approved by individual state pesticide authorities before distribution in that state. Post-approval monitoring of products is required, with reports provided to the EPA and some state regulatory agencies.

U.S. Drug Enforcement Administration

The U.S. Drug Enforcement Administration ("DEA") regulates certain drug products containing controlled substances, such as morphine, hydromorphone, opium, and List I chemicals, such as pseudoephedrine, pursuant to the federal Controlled Substances Act ("CSA"). The CSA and DEA regulations impose registration, security, record keeping, reporting, storage, manufacturing, distribution, importation and other requirements upon legitimate handlers under the oversight of the DEA. The DEA categorizes controlled substances into Schedules I, II, III, IV, or V, with varying qualifications for listing in each schedule. We are subject to the requirements regarding the controlled substances in Schedules II - V and the List I chemicals. Our facilities that manufacture, distribute, import, or export any controlled substances must register annually with the DEA.

The DEA inspects all manufacturing facilities to review security, record keeping, reporting, and handling prior to issuing a controlled substance registration, and it also periodically inspects facilities for compliance with the CSA and its regulations. Failure to maintain compliance with applicable requirements, particularly as manifested in the loss or diversion of controlled substances, can result in enforcement action, such as civil penalties, refusal to renew necessary registration, or the initiation of proceedings to revoke those registrations. In certain circumstances, violations could lead to criminal prosecution. We are also subject to state legislation regulating the manufacture and distribution of certain products.

Medicaid Drug Rebate Program and Other Drug Pricing Programs

U.S. law requires that a pharmaceutical manufacturer, as a condition of having federal funds being made available for the manufacturer’s drugs under Medicaid and Medicare Part B, enter into a rebate agreement with the U.S. government to pay rebates to state Medicaid programs for the manufacturer’s covered outpatient drugs that are dispensed to Medicaid beneficiaries and paid for by a state Medicaid program. We have such a rebate agreement in effect. The Centers for Medicare and Medicaid Services ("CMS") is responsible for administering the Medicaid rebate agreements. We pay rebates on the utilization under fee-for-service arrangements as well as through Medicaid managed care organizations.

The Medicaid rebate agreement provides that the drug manufacturer will remit rebates to each state Medicaid agency on a quarterly basis based on pricing data reported by the manufacturer to CMS, including Average Manufacturer Price ("AMP") and, in the case of innovator products, Best Price ("BP"). We report AMP on a monthly and quarterly basis and BP on a quarterly basis. The minimum rebate amounts due are as follows: for noninnovator products, in general generic drugs marketed under ANDAs, the rebate amount is 13% of the AMP for the quarter; for innovator products, in general brand-name products marketed under NDAs, the rebate amount is the greater of 23.1% of the AMP for the quarter or the difference between such AMP and the BP for that same quarter. Manufacturers also pay an additional rebate on innovator drugs where price increases since launch have

outpaced inflation. Beginning with the first quarter of 2017, an additional rebate is due for noninnovator products, which is calculated somewhat differently from the innovator product additional rebate.

Under health reform legislation enacted in 2010 (the "Health Reform Law"), CMS is preparing to use AMPs to calculate a type of U.S. federal ceiling on reimbursement rates to pharmacies for multiple source drugs under the Medicaid program, known as the federal upper limit ("FUL"). CMS has been publishing draft FULs based on reported AMPs. CMS also surveys and publishes retail community pharmacy acquisition cost information to provide state Medicaid agencies with a basis for comparing their own reimbursement and pricing methodologies and rates. On February 1, 2016, CMS issued a final regulation to implement the changes to the Medicaid Drug Rebate program under the Health Reform Law. This regulation becomes effective on April 1, 2016.

U.S. law also requires that a company that participates in the Medicaid rebate program report average sales price ("ASP") information to CMS for each calendar quarter for certain categories of drugs that are paid under Part B of the Medicare program. CMS uses these submissions to determine payment rates for drugs under Medicare Part B.

Pricing and rebate calculations are governed by statutory and regulatory requirements that are complex, vary among products and programs, can change over time, and are subject to interpretation by us, governmental or regulatory agencies, and the courts. In the case of the Medicaid rebate program, if we become aware of errors in our prior price submissions, or a prior BP submission needs to be updated due to late arriving data, we must resubmit the updated data for a period not to exceed 12 quarters from the quarter in which the data originally was due. Such restatements and recalculations increase our cost of compliance with the Medicaid rebate program, and corrections can result in an overage or underage of our rebate liability for past quarters, depending on the nature of the correction.

U.S. law requires any company that participates in the Medicaid rebate program to also participate in the Public Health Service’s 340B drug pricing program in order for federal funds to be available for the manufacturer’s drugs under Medicaid and Medicare Part B. The 340B drug pricing program requires participating manufacturers to agree to charge statutorily-defined covered entities no more than the 340B “ceiling price” for the manufacturer’s covered outpatient drugs. The ceiling price is derived from the data the manufacturer reports under the Medicaid rebate program and therefore any changes to statutory or regulatory requirements applicable to the Medicaid price figures may impact the 340B ceiling price calculation as well. 340B covered entities include a variety of community health clinics and other entities that receive health services grants from the Public Health Service, as well as hospitals that serve a disproportionate share of low-income patients.

U.S. law also requires any company that participates in the Medicaid rebate program and Medicare Part B and that wants its covered drugs paid for by certain federal agencies and grantees participate in the Department of Veterans Affairs ("VA") Federal Supply Schedule (“FSS”) pricing program. Accordingly, we must enter into an FSS contract with the VA, whereby our "covered drugs" are available to the VA, the Department of Defense, the Public Health Service, and the Coast Guard at pricing that is capped pursuant to a statutory Federal Ceiling Price (“FCP”).

In addition to the Veterans Health Care Act of 1992 requirements, FSS contracts include extensive disclosure and certification requirements and standard government terms and conditions with which we must comply. We also have a Section 703 Agreement under which we pay rebates on covered drug prescriptions dispensed to TRICARE beneficiaries by TRICARE network retail pharmacies. See Item 1A. Risk Factors - Risks Related to Operations for risks related to the above-mentioned programs.

Other U.S. Regulations and Organizations

We are subject to various other national, state, non-governmental, and local agency rules and regulations. Compliance with the laws and regulations regarding the manufacture and sale of our current products and the discovery, development, and introduction of new products requires substantial effort, expense and capital investment. Other regulatory agencies, organizations and legislation that may impact our business include, but are not limited to:

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- Physician Payment Sunshine Act - This act requires certain pharmaceutical manufacturers to engage in extensive tracking of payments or transfers of value to physicians and teaching hospitals, maintenance of a payment database and public reporting of the payment data.

- Foreign Corrupt Practices Act of 1977 ("FCPA") - This act and other similar anti-bribery laws prohibit companies and their intermediaries from providing money or anything of value to officials of foreign governments, foreign political parties or international organizations with the intent to obtain or retain business or seek a business advantage.

- Federal Trade Commission ("FTC") - This agency oversees the advertising and other promotional practices of consumer products marketers. The FTC considers whether a product's claims are substantiated, truthful and not misleading. The FTC also reviews mergers and acquisitions of companies exceeding specified thresholds and investigates certain business practices relevant to the healthcare industry.

- NSF International ("NSF") - The NSF is an independent, not-for-profit, non-governmental organization that provides risk management services for public health and safety. Many of our dietary supplement products are certified under NSF/ANSI Standard 173.

- International Organization for Standardization ("ISO") - The ISO Standards specify requirements for a Quality Management System that demonstrates the ability to consistently provide products that meet customer and applicable regulatory standards and includes processes to ensure continuous improvement. Our infant formula manufacturing sites are ISO 9001-2008 Certified for Quality Management Systems. ISO inspections are conducted at least annually.

- United States Pharmacopeial Convention, Inc. ("USP") - The USP is a non-governmental, standard-setting organization. By reference, the FFDCA incorporates the USP quality and testing standards and monographs as the standard that must be met for the listed drugs, unless compliance with those standards is specifically disclaimed on the product's labeling. USP standards exist for most Rx and OTC pharmaceuticals and many nutritional supplements. The FDA typically requires USP compliance as part of cGMP compliance.

- Health Insurance Portability and Accountability Act ("HIPAA") - We could be subject to criminal penalties if we knowingly obtain individually identifiable health information from a covered entity in a manner that is not authorized or permitted by HIPAA or for aiding and abetting the violation of HIPAA.

- Consumer Product Safety Commission ("CPSC") - The CPSC has published regulations requiring child resistant packaging on certain products including pharmaceuticals and dietary supplements. The manufacturer of any product that is subject to any CPSC rule, ban, standard or regulation must certify that, based on a reasonable testing program, the product complies with CPSC requirements.

- Other State Agencies - We are subject to regulation by numerous other state health departments, insurance departments, boards of pharmacy, state controlled substance agencies, state consumer health and safety regulations, and other comparable state agencies, each of which have license requirements and fees that vary by state.

Regulation Outside the U.S.

We develop and manufacture products and market third-party manufactured products in regions outside the U.S., including Russia, South Africa, Israel, Mexico, and Australia, as well as countries in Asia, South America, the Middle East, and Eastern and Western Europe, each of which has its own regulatory environment. The majority of our sales

outside the U.S. are in the following categories: OTC/Rx pharmaceuticals, medical devices, dietary supplements (including VMS) and cosmetics.

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European Union

OTC and Rx Pharmaceuticals

The European pharmaceutical industry is highly regulated and much of the legislative and regulatory framework is driven by the European Parliament and the European Commission. This has many benefits, including the potential to harmonize standards across the complex European market. However, obtaining regulatory agreement across member states presents complex challenges that can lead to delays in the regulatory process.

In the European Union (“EU”), as well as many other locations around the world, the manufacture and sale of medicinal products is regulated in a manner substantially similar to that of the U.S. requirements, which generally prohibit the handling, manufacture, marketing, and importation of any medicinal product unless it is properly registered in accordance with applicable law. The registration file relating to any particular product must contain data related to product efficacy and safety, including results of clinical testing and / or references to medical publications, as well as detailed information regarding production methods and quality control. Health ministries are authorized to cancel the registration of a product if it is found to be harmful or ineffective or if it is manufactured or marketed other than in accordance with registration conditions.

Between 1995 and 1998, the over-arching legislation that governs medicinal products was revised in an attempt to simplify and harmonize product registration. This revised legislation introduced the mutual recognition procedure (“MRP”), whereby after approval of a marketing authorization by regulatory authorities in the reference member state (“RMS”), additional marketing authorizations could be submitted to other concerned member states to obtain a product license. In November 2005, the medicinal product legislation was further revised to introduce the decentralized procedure (“DCP”) whereby marketing authorizations are submitted simultaneously to the RMS and select concerned member states. In 2005, the EMA also opened up the centralized procedure to sponsors of marketing authorizations for generic medicinal products. Unlike the MRP and DCP, the centralized procedure results in a single marketing authorization and product labeling across all member states that will allow a sponsor to file for individual country reimbursement and make the medicine available in all the EU countries listed on the application. Marketing authorizations and subsequent product licenses are granted to applicants only after the relevant health authority issues a positive assessment of quality, safety and efficacy of the product.

In addition to obtaining marketing authorization for each product, all member states require that a manufacturer’s facilities obtain approval from an EU Regulatory Authority. The EU has a code of GMP that each manufacturer must follow and comply with. Regulatory authorities in the EU may conduct inspections of the manufacturing facilities to review procedures, operating systems, and personnel qualifications. We believe that our policies, operations and products comply in all material respects with existing regulations to which our operations are subject.
Some elements of the European Falsified Medicines Directive (the “Directive”) were enacted into national laws during 2013. The provisions of the Directive are intended to reduce the risk of counterfeit medicines entering the supply chain and also to ensure the quality of API manufactured outside of the EU. The Directive required the serialization of all Rx and some OTC products, similar to the DSCSA in the U.S.
In the EU, member states regulate the pricing of prescription medicinal products, and in some cases, the formulation and dosing of products. This regulation is handled by individual member state national health services. These individual regulatory bodies can result in considerable price differences and product availability among member states. The implementation of tendering systems for the pricing of pharmaceuticals in several countries generally impacts drug pricing for generics; generally “tendering” refers to a system that requires bids to be submitted to the government by competing manufacturers to be the exclusive, or one of a few, suppliers of a product in a particular country.

Data exclusivity provisions exist in many countries, although the application is not uniform. In general, these exclusivity provisions prevent the approval and/or submission of generic drug applications to the health authorities for a fixed period of time following the first approval of the brand-name product in that country. As these exclusivity provisions operate independently of patent exclusivity, they may prevent the submission of generic drug applications for some products even after the patent protection has expired.

Perrigo Company plc - Item 1
Regulation

The requirements deriving from European pharmacovigilance legislation are constantly expanding due to increasing guidance on good vigilance practices and increased communication on inspectors' expectations. Pharmacovigilance fee legislation became effective in late 2014 to support health authority assessment of pharmacovigilance safety evaluation reports, study protocols for post authorization safety studies and referrals. Once approved, the advertising of pharmaceuticals in the EU is governed by national regulations and guidelines. Within certain member states this is overseen by a self-certification process whereas in others national governance bodies approve material prior to release.

Medical Devices

The EU has enacted into law numerous directives and adopted many harmonizing standards pertaining to a wide range of industrial products, including medical devices. Medical devices that comply with the requirements of applicable directives are entitled to bear the CE marking of conformity, which indicates that the device conforms to the applicable requirements of the directives and, accordingly, can be commercially distributed throughout Europe. The method of assessing conformity varies depending on the class of the product, but normally involves a combination of self-assessment by the manufacturer and a third-party assessment by a Notified Body, an organization accredited by a member state. Assessment by a Notified Body includes an audit of the manufacturer's quality system and may also include specific testing of the product. This assessment is a prerequisite for a manufacturer to commercially distribute the product throughout the EU.

Dietary Supplements (including VMS)

Dietary supplements are subject to several regulations that inform the selection of ingredient levels and how products can be described on packaging and in advertising. These regulations include: Food Supplements Directive 2002/46/EC, Food Information to Consumers Regulation (EU) No 1169/2011, Permitted Vitamins and Minerals Regulation (EC) 1170/2009, Food Additives Regulation (EC) 1333/2008, and Nutritional & Health Claims Regulation (EC) No 1924/2006, and starting in July 2016, the Foods Intended for Particular Nutritional Uses Directive 2009/39/EC & Regulation (EU) 609/2013.

EU rules on nutrition and health claims, which were established by Regulation EC 1924/2006, apply to any nutritional or health claim by a manufacturer. The objective of the regulation is to ensure that claims made in food labeling or advertising are clear, accurate and based on scientific evidence. The European Food Safety Authority, an advisory panel to the European Commission, performs all scientific assessments of health claims on food and supplement labels. An EU register of nutrition and health claims exists to document approved, pending, and rejected claims.

Cosmetics

Cosmetic products in the EU market must comply with Regulation EC No. 1223/2009. This regulation requires manufacturers to prepare a product safety report prior to placing a cosmetic product in the market. In addition, for each cosmetic product placed in the market, a "responsible person" must be designated to oversee compliance with the regulation's reporting requirements. Commission Regulation EU No. 655/2013 establishes the common criteria and justification for claims to be used in the packaging and advertising of cosmetics products.

Employees

As of December 31, 2015 we had approximately 13,300 full-time and temporary employees worldwide, of which approximately 2,700 were covered by collective bargaining agreements. The majority of our employees covered by collective bargaining agreements are located in Europe, Mexico, and Israel. We consider our employee relations

generally satisfactory.

Available Information

Our principal executive offices are located at the Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland and our administrative offices are located at 515 Eastern Avenue, Allegan, Michigan 49010. Our telephone number is +353 1 7094000. Our website address is www.perrigo.com, where we make available free of charge our reports on Forms 10-KT, 10-K, 10-Q and 8-K, including any amendments to these reports, as soon as reasonably

practicable after they are electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). These filings are also available to the public at www.sec.gov and www.isa.gov.il.

ITEM 1A. RISK FACTORS

Risks Related to Operations

If we do not continue to rapidly develop, manufacture, and market innovative products that meet customer demands, we may lose market share and our net sales may be negatively impacted.

Our continued growth is due in large part to our ability to rapidly develop, manufacture, and market products that meet customer requirements for quality, safety, efficacy, and cost effectiveness. Continuous introductions of new products and product categories are critical to our business. If we do not continue to develop, manufacture, and market new products, we could lose market share, and our net sales may be negatively impacted. See Item 1. Business - Research and Development for more information.

- We maintain a diversified product line to function as a primary supplier for our customers. Capital investments are driven by growth, technological advancements, cost improvement and the need for manufacturing flexibility. Our estimates of future capital expenditures could vary materially due to the uncertainty of these factors. In addition, if we fail to stay current with the latest manufacturing, information and packaging technology, we may be unable to competitively support the launch of new product introductions.

- Our product margins may decline over time due to our products' aging life cycles, changes in consumer choice, changes in competition for our existing products, or the introduction of next generation innovative products; therefore, new product introductions are necessary to maintain our current financial condition. If we are unable to continue to create new products, we may lose market share or experience pricing pressure, and our net sales may be negatively impacted.

- We must prove that the ANDA regulated drug products in our CHC and Rx segments are bioequivalent to their branded counterparts, which requires bioequivalence studies, and in the case of topical products, even more extensive clinical endpoint trials to demonstrate the efficacy. The development and commercialization process, particularly with respect to innovative products, is both time consuming and costly, and subject to a high degree of business risk. Products currently under development, if and when fully developed and tested, may not perform as expected, may not pass required bioequivalence studies, or may be the subject of intellectual property challenges. Necessary regulatory approvals may not be obtained in a timely manner, if at all, and we may not be able to successfully and profitably produce and market such products. This could negatively impact our net sales.

- Our ability to attract and retain scientists proficient in emerging delivery forms and/or contracting with a third party in order to generate new products of this type is critical to our long-term plans. If we fail to attract and retain this talent, our long-term sales growth and profit could be adversely impacted.

- Even upon the successful development of a product, our customer's failure to launch a product successfully, or delays in manufacturing, could adversely affect our operating results. In addition, the FDA or similar regulatory agency could impose higher standards and additional requirements, such as requiring more supporting data and clinical data than previously required, in order to gain regulatory clearance to launch new formulations into the market, which could negatively impact our future net sales.

We contract with clinical research organizations ("CROs") to conduct various studies that are used to support our new product development program. During the third quarter of our fiscal year ended June 29, 2013, certain of these CROs began bankruptcy or receivership proceedings, including PRACS Institute, LLC, PRACS Institute Canada B.C. Ltd., Comprehensive Clinical Development, Inc., and their related entities. It is uncertain what impact these insolvency proceedings may have on their ability to deliver their study results to us or on our ability to rely on their research. To the extent these CROs cannot deliver their study results to us or we cannot rely, in whole or in part, on the research conducted by them, we may be required to delay the launch of new products, which could have a material adverse impact on our future

operating results. The FDA may be limited in its ability to inspect CROs' study facilities or to gain access to source study documents, which may result in us having to repeat biostudies. If these scenarios occur, it could result in approval delays for new products, which could adversely impact our future net sales. These situations are unique, and we are unable to predict the FDA's position on the studies conducted by these now bankrupt CROs.

Our CHC and BCH segments are impacted by changes in consumer preferences. If we are unable to adapt to these changes, we may lose market share and our net sales may be negatively impacted.

While the market for store brand products has grown in recent years, there can be no assurance that the pace of this growth will continue. Additionally, consumer preferences related to health and nutritional concerns may change, which could negatively impact demand for our CHC and BCH products or cause us to incur additional costs to change our products or product packaging.

- The future growth and stability of U.S. store brand market share will be impacted, in part, by general economic conditions, which can influence consumers to switch to and from store brand products. Our CHC segment sales could be negatively affected if economic conditions improve and consumers return to purchasing higher-priced brand-name products. Conversely, while store brand products present an alternative to higher-priced branded products, if economic conditions deteriorate, our CHC segment sales could be negatively impacted if consumers forgo obtaining healthcare or reduce their healthcare spending.

- Our BCH segment's success is dependent on the continued growth in demand for its lifestyle products, which include weight-loss products and various dietary supplements. If demand for these products decreases, our BCH segment's results of operations would be negatively impacted.

- Our CHC customers may request changes in packaging to meet consumer demands, which could cause us to incur inventory obsolescence charges and redesign costs, which in turn would negatively impact our CHC segment's results of operations.

- Our infant formula product category within our CHC segment is subject to changing consumer preferences and health and nutrition-related concerns. Our business depends, in part, on consumer preferences and choices, including the number of mothers who choose to use infant formula products rather than breastfeed their babies. To the extent that private, public, and government sources may promote the benefits of breastfeeding over the use of infant formula, there could be a reduced demand for infant formula products. We could also be adversely impacted by an increase in the number of families that are provided with infant formula by the U.S. federal government through the Women, Infants and Children program, as we do not participate in this program.

We face risks associated with the successful integration of our recently-acquired Omega business.

As described in Item 1. Business - Major Recent Developments, we closed on the Omega acquisition on March 30, 2015. In addition to the risks mentioned under "We may not realize the benefits of business acquisitions and divestitures we enter into, which could have a material adverse effect on our operating results", the Omega acquisition exposes us to a number of business, financial, and competitive risks, including:

- The Omega acquisition represents a major shift in our business, both geographically, as our business is now more heavily concentrated in European markets than before, and operationally, as the Omega business sells well-known branded products using a large sales force. These changes may present challenges and risks related to, among other things, our attempt to create synergies with Omega. There is no assurance that we will be able to successfully integrate Omega or otherwise realize the expected benefits of the Omega acquisition.

- Our success in the European markets in which Omega operates will depend on a number of factors, such as:
- Our ability to commercialize new products;
- Our ability to adapt to changes in economic and political conditions;
- Fluctuations in the value of foreign currencies and interest rates;

Perrigo Company plc - Item 1A
Risk Factors

- Compliance with differing regulatory and legal requirements, including tax laws, trade laws, labor, safety, local content, consumer protection regulation, and import or export licensing requirements; and
- Consistency and transparency of foreign tax systems, transfer pricing stability across jurisdictions, and our ability to reinvest earnings and cash as appropriate.

Many of these factors are beyond our control, and any one of them could result in increased costs, decreased net sales, and diversion of management's time and energy, any or all of which could materially impact our business, financial condition, and results of operations.

- While Omega has not historically been subject to U.S. laws and regulations, such as the FCPA, it has been subject to a wide range of European laws and regulations, including the U.K. Bribery Act of 2010. The comparable U.S. laws and regulations to which Omega is now subject may differ from those to which Omega was historically subject. Therefore, it is possible that certain Omega sales or other activities that were permitted while Omega was an independent company may no longer be permitted. While we are putting into place compliance processes and controls intended to ensure compliance with U.S. and global laws that now apply to Omega, if Omega's operations fail to comply with such laws and regulations, we could be subject to governmental investigations, legal or regulatory proceedings, substantial fines, and/or other legal or equitable penalties.

We operate in a highly regulated industry, and any inability to timely meet current or future regulatory requirements could have a material adverse effect on our business, financial position, and operating results.

We are subject to the regulations of a variety of U.S. and non-U.S. agencies related to the manufacturing, processing, formulation, packaging, labeling, testing, storing, distribution, advertising, and sale of our products as described in detail in Item 1. Business - Government Regulation and Pricing. Government regulation in the markets in which we operate could impact our business, and our future results could be adversely affected by changes in such regulations or policies. Below are some of the ways in which government regulation could impact our business and/or financial results:

- We must obtain approval from the appropriate regulatory agencies in order to manufacture and sell our products in the regions in which we operate. Obtaining this approval can be time consuming and costly. There can be no assurance that, in the event we submit an application for a marketing authorization to any global regulatory agency, we will obtain the approval to market a prescription or OTC product and/or that we will obtain it on a timely basis. Laws unique to the U.S. regulatory framework encourage generic competition by providing eligibility for first generic marketing exclusivity if certain conditions are met. If we are granted generic exclusivity, the exclusivity may be shared with other generic companies, including authorized generics; or it is possible that we may forfeit 180-day exclusivity if we do not obtain regulatory approval or begin marketing the product within the statutory requirements. Finally, if we are not the first to file our ANDA, the FDA may grant 180-day exclusivity to another company, thereby effectively delaying the launch of our product.

- Global regulatory agencies regularly inspect our manufacturing facilities and the facilities of our third-party suppliers. The failure of one of our facilities, or a facility of one of our third-party suppliers, to comply with applicable laws and regulations may lead to a breach of representations made to our customers, or to regulatory or government action against us related to the products made in that facility. Such action could include suspension of or delay in regulatory approvals. If the compliance violations are severe, agencies of the government may initiate product seizure, injunction, recall, suspension of production or distribution of our products, loss of certain licenses or other governmental penalties, or civil or criminal prosecution, thereby impacting the reputation of all of our products.

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In the U.S., the DSCSA requires development of an electronic pedigree to track and trace each prescription drug at the salable unit level through the distribution system, which will be effective incrementally over a 10-year period beginning on January 1, 2015, for manufacturers, wholesale distributors, and re-packagers, and on July 1, 2015 for dispensers. Similarly, the European Commission passed legislation requiring new product packaging ‘safety features’ to prevent falsification of medicinal products primarily within the

prescription medicines sector. The act was adopted in October 2015 but has yet to be officially published. Marketing Authorization holders will have 3 years from the publication date to implement the necessary changes or risk forfeiting their product licenses. Compliance with the new U.S. and EU electronic pedigree requirements may increase our operational expenses and impose significant administrative burdens.

- Global regulatory agencies highly scrutinize any product application submitted to switch a product from physician prescribed Rx to unsupervised OTC use by the general public.The expansion of Rx-to-OTC switches is critical to our future growth. Reluctance of regulatory agencies to approve Rx-to-OTC switches in new product categories could impact that growth.

- Several bills have been introduced in U.S. Congress that could, if enacted, affect the manufacture and marketing of Rx and OTC drugs including labeling and packaging. For example, the FDA is proposing to change existing regulations to permit generic drug application holders to revise their labeling without prior FDA review to add new safety information that may differ from the corresponding brand drug. The FDA announced that the Final Rule is targeted for publication by June 2016. If this proposed regulatory change is adopted, it may eliminate the preemption of certain failure-to-warn claims, with respect to generic drugs, which could have a material adverse impact on our future operating results. Regulatory bodies outside of the U.S. could enact similar legislation. We cannot predict whether further label restrictions may be required, or whether additional regulations in the U.S. or other countries in which we operate, may be passed.

- The regulatory agencies in the markets we serve may change the requirements for comparison or claim statements for our OTC products. Any labeling changes required for regulatory compliance could render our packaging inventories obsolete and could negatively impact future sales of the product.

- Our infant formula products may be subject to barriers or sanctions imposed by countries or international organizations limiting international trade and dictating the specific content of infant formula products. Governments could enhance regulations on the industry aimed at ensuring the safety and quality of dairy products, including, but not limited to, compulsory batch-by-batch inspection and testing for additional safety and quality issues. Such inspections and testing may increase our operating costs related to infant formula products.

- On June 10, 2014, the FDA published a final rule ("FR") entitled "Current Good Manufacturing Practices, Quality Control Procedures, Quality Factors, Notification Requirements, and Records and Reports, for Infant Formula." The FR includes, among other things, new or modified requirements related to infant formula manufacturing, quality controls, record-keeping, and clinical trials. While it is uncertain how the FDA will interpret and enforce the FR, we are taking steps to comply with the provisions of the FR. Compliance with the FR could be costly. To the extent the FDA believes that we have not complied with the FR, we could experience potential supply chain disruptions and delays in commercialization of new infant formula products.

- We have expanded our pharmaceutical marketing to include direct interactions with healthcare professionals, which is known as “detailing.” This activity is subject to extensive regulation under a variety of U.S. laws and regulations, including anti-kickback, anti-bribery, and false claims laws; the FFDCA with respect to claims and off-label promotions; and similar laws in non-U.S. jurisdictions. If our marketing activities are found to be improper, we could be subject to civil and governmental actions and penalties. These risks may increase as non-U.S. jurisdictions adopt new anti-bribery laws and regulations.

- If we are unable to successfully obtain the necessary quota for controlled substances and List I chemicals, we risk having delayed product launches or failures to meet commercial supply obligations. If we are unable to comply with regulatory requirements for controlled substances and List I chemicals, the DEA, or similar regulatory agency, may

take regulatory actions, resulting in temporary or permanent interruption of distribution of our products, withdrawal of our products from the market, or other penalties.

- The Mexican Ministry of Health passed new laws requiring all marketing authorization holders to submit updated chemistry, manufacturing and controls information, and in some cases new mandatory bioequivalence studies, in the next license renewal. Failure to submit the required data would result in the

cancellation of the product license and loss of product marketing rights. Similar actions could be taken by other global regulatory agencies, which, if we failed to comply, could lead to commercial disruptions or possibly loss of marketing rights.

- The Israeli Ministry of Health has issued the first draft of a new Statement of Position ("SOP") that requires a Risk Management Plan ("RMP") to be submitted in all new product marketing authorizations. The SOP is based on European legislation and submission of the EU-approved RMP is preferred. Compliance with the new requirement will become effective beginning May 1, 2016. We are currently evaluating the new requirement and cannot predict how it will impact our future product launches and results of operations.

- Changes to the Medical Device Directive are anticipated in 2016, based on a proposal for new European Medical Device Regulation, which has been under discussion since 2012. These changes are expected to include increased supervision by the Notified Bodies by Competent Authorities and revisions to documentation requirements. We will monitor the regulation's progress and cannot currently predict how it will impact the future production and sale of products classified as medical devices.

- Our operations extend to numerous countries outside the U.S. and are subject to the risks inherent in conducting business globally and under the laws, regulations, and customs of various jurisdictions. These risks include compliance with a variety of national and local laws of countries in which we do business, such as restrictions on the import and export of certain intermediates, drugs, and technologies. We must also comply with a variety of U.S. laws related to doing business outside of the U.S., including Office of Foreign Asset Controls, United Nations and EU sanctions; the Iran Threat Reduction and Syria Human Rights Act of 2012; and rules relating to the use of certain “conflict minerals” under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Further changes in laws, regulations, and practices affecting the pharmaceutical industry and the healthcare system, including imports, exports, manufacturing, quality, cost, pricing, reimbursement, approval, inspection, and delivery of healthcare, may affect our business and operations.

Healthcare reform and related changes to reimbursement methods in and outside of the United States may have an adverse effect on our financial condition and results of operations.

Increasing healthcare expenditures have received considerable public attention in many of the countries in which we operate. In the U.S., government programs such as Medicare and Medicaid, as well as private insurers, have been focused on cost containment. In the EU and some other markets outside the U.S., the government provides healthcare at low direct cost to consumers and regulates pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system. Both private and governmental entities are seeking ways to reduce or contain healthcare costs.

Our Rx segment in particular could be materially adversely impacted by measures taken by governmental entities or private insurers to restrict patients' access to our products or increase pressure on drug pricing, including denial of price increases, prospective and retrospective price decreases, and increased mandatory discounts or rebates. These actions may drive us and our competitors to decrease prices or may reduce the ability of customers to pay for our products, which could materially negatively impact the Rx segment's results of operations.

If we fail to comply with the reporting and payment obligations under the Medicaid rebate program or other governmental purchasing and rebate programs, we could be subject to fines or penalties, which could have an adverse effect on our financial condition and results of operations.

As described in Item 1. Business - Medicaid Drug Rebate Programs, we have a Medicaid rebate agreement and VA master agreement in effect with the U.S. government. There are inherent risks associated with participating in the Medicaid drug rebate program, and VA FSS program, including the following:

- We are required to report pricing data to CMS, including AMP, on a monthly and quarterly basis and BP and ASP on a quarterly basis. We also are required to report quarterly and annual Non-FAMPs to the VA. If we fail to submit required information, make misrepresentations, or knowingly submit false information to the government as to AMP, ASP, or BP, we may be liable for substantial civil monetary penalties or subject to other enforcement actions, such as under the False Claims Act, and CMS may terminate our Medicaid drug

rebate agreement. In that event, U.S. federal payments may not be available under Medicaid or Medicare Part B for our covered outpatient drugs.

- The Health Reform Law enacted in 2010 requires the use of AMP data to calculate FULs and amends the statutory definitions of AMP and "multiple source drug" in a manner that materially affects the calculation of FULs. CMS surveys and publishes retail community pharmacy acquisition cost information to provide state Medicaid agencies with a basis for comparing their own reimbursement and pricing methodologies and rates. On February 1, 2016, CMS issued a final regulation to implement the changes to the Medicaid Drug Rebate program under the Health Reform Law. This regulation becomes effective on April 1, 2016. We are currently evaluating the impact of this regulation on our business and operations. Based on our initial evaluation we do not believe that the changes will have a material impact on our business. We do not know how the methodologies for calculating AMP and FULs or the retail survey acquisition cost information will affect our pharmacy customers or to what extent these customers will seek to pass on any decrease in Medicaid reimbursements to us. We also cannot predict how the sharing of FUL data and retail survey prices may impact competition in the marketplace.

- Statutory or regulatory changes or CMS binding guidance could affect the calculation of AMP, BP, or ASP for our products. Such changes could result in increases in our Medicaid rebate liability or reductions in the Medicare payment rate, and could negatively impact our results of operations.

- If we inadvertently overcharge the government in connection with our FSS contract or Section 703 Agreement, whether due to a misstated FCP or otherwise, we would be required to refund the difference. Failure to make necessary disclosures and/or to identify contract overcharges can result in False Claims Act allegations or potential violations of other laws and regulations. Unexpected refunds to the government, and responses to a government investigation or enforcement action, are expensive and time-consuming, and could have a material adverse effect on our business, financial condition, results of operations, and growth prospects.

- Our reporting and payment obligations under the Medicaid rebate program and other governmental purchasing and rebate programs are complex and may involve subjective decisions. Our calculations and methodologies are subject to review by the governmental agencies, and it is possible that these reviews could result in challenges to our submissions. If we do not comply with those reporting and payment obligations, we could be subject to civil and/or criminal sanctions, including fines, penalties, and possible exclusion from U.S. federal healthcare programs (including Medicaid and Medicare).

We face vigorous competition from other pharmaceutical companies that may threaten the commercial acceptance and pricing of our products.

We operate in a highly competitive environment. Our products compete against store brand, generic, and branded pharmaceutical companies. Competition is also impacted by changes in regulations and government pricing programs that may give competitors an advantage.

- As a manufacturer of generic versions of brand-name drugs through our CHC and Rx segments, we experience competition from brand-name drug companies that may try to prevent, discourage or delay the use of generic versions through various measures, including introduction of new branded products, legislative initiatives, changing dosage forms or dosing regimens, regulatory processes, filing new patents or patent extensions, lawsuits, citizens' petitions, and negative publicity prior to introduction of a generic product. In addition, brand-name competitors may lower their prices to compete with generic products, increase advertising, or launch, either through an affiliate or licensing arrangements with another company, an authorized generic at or near the time the first generic product is launched, depriving the generic product market of the exclusivity intended by the Hatch-Waxman Act.

Our CHC and Rx segments also experience competition from our generic competitors, some of whom are significantly larger than we are, may develop their products more rapidly or complete regulatory approval processes sooner, or may market their products earlier than we do. If we are not the first to file our ANDA, the FDA may grant 180-day exclusivity to another company, which would prevent us from selling the

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product during the exclusivity period. Even if we are the first to file, in certain circumstances, we may not be able to fully exploit our 180-day exclusivity period.

- Our CHC and Rx segments may experience increased price competition as other generic companies produce the same product, sometimes for dramatically lower margins in order to gain market share. Other generic companies may introduce new drugs and/or drug delivery techniques that make our current products less desirable. A drug may be subject to competition from alternative therapies during the period of patent protection or regulatory exclusivity, and thereafter we may be subject to further competition from generic products or biosimilars.

- The pharmaceutical industry is consolidating. This creates larger competitors and places further pressure on prices, development activities, and customer retention. Our animal health category within the CHC segment has seen a dramatic increase in direct to consumer advertising by several branded competitors, and our nutritionals category has experienced increased competition through alternative channels such as health food stores, direct mail, and direct sales.

- We develop and distribute branded products primarily through our BCH segment. We experience competition from other brand-name drug companies, many of which are larger and have more resources to devote to advertising and marketing. These direct competitors may be able to adapt more quickly to changes in customer requirements. Our current and future competitors may develop products comparable or superior to those offered by us at more competitive prices. If we are unable to compete successfully, our business will be harmed through loss of customers or increased negative pricing pressure that would adversely affect our ability to generate revenue and adversely affect our operating results.

- Lack of availability, or significant increases in the cost, of raw materials used in manufacturing our products could adversely impact our profit margins and operating results.

Affordable high quality raw materials and packaging components are essential to all of our business units due to the nature of the products we manufacture. In addition, maintaining good supply relationships is essential to our ongoing operations. See Item 1. Business - Materials Sourcing for more information.

- We maintain several single-source supplier relationships, either because alternative sources are not available or because the relationship is advantageous due to regulatory, performance, quality, support, or price considerations. Unavailability or delivery delays of single-source components or products could adversely affect our ability to ship the related product in a timely manner. The effect of unavailability or delivery delays would be more severe if associated with our higher-volume or more profitable products. Even where alternative sources of supply are available, qualifying the alternate suppliers and establishing reliable supplies could cost more or result in delays and a loss of net sales. Additionally, global regulatory requirements for obtaining product approvals could substantially lengthen the approval of an alternate material source. As a result, the loss of a single-source supplier could have a material adverse effect on our results of operations.

- The rapid increase in cost of many raw materials from inflationary forces, such as increased energy costs, and our ability or inability to pass on these increases to our customers could have a negative material impact on our financial results.

- Our infant formula products require certain key raw ingredients that are derived from raw milk, such as skim milk powder, whey protein powder, and lactose. Our supply of milk-based ingredients may be limited by the ability of individual dairy farmers and cooperatives to provide raw milk in the amount and quality we deem necessary. Raw milk production is influenced by factors beyond our control including seasonal and environmental factors,

governmental agricultural and environmental policy, and global demand. We cannot guarantee that there will be sufficient supplies of these key ingredients necessary to produce infant formula.

Our products, and the raw materials used to make those products, generally have limited shelf lives. Our inventory levels are based, in part, on expectations regarding future sales. We may experience build-ups in inventory if sales slow. Any significant shortfall in sales may result in higher inventory levels of raw materials and finished products, thereby increasing the risk of inventory spoilage and corresponding inventory write-

downs and write-offs. Cargo thefts and/or diversions, and economically or maliciously motivated product tampering on store shelves may occur, causing unexpected shortages, which may have a material impact on our operations.

- We rely on third parties to source many of our raw materials, as well as to manufacture sterile, injectable products that we distribute. We maintain a strict program of verification and product testing throughout the ingredient sourcing and manufacturing process to identify potential counterfeit ingredients, adulterants, and toxic substances. Nevertheless, discovery of previously unknown problems with the raw materials or product manufacturing processes, or new data suggesting an unacceptable safety risk associated therewith, could result in a voluntary or mandatory withdrawal of the contaminated product from the marketplace, either temporarily or permanently. Any future recall or removal would result in additional costs and lost revenue, harm our reputation, and may give rise to product liability litigation.

- Changes in regulation could impact the supply of API and certain other raw materials used in our products. For example, the EU recently promulgated new standards requiring all API imported into the EU be certified as complying with GMP established by the EU. The regulations placed the certification requirement on the regulatory bodies of the exporting countries, which led to an API supply shortage in Europe as certain governments were not willing or able to comply with the regulation in a timely fashion, or at all. A shortage in API or other raw ingredients could cause us to have to cease manufacture of certain products, or to incur costs and delays to qualify other suppliers to substitute for those API manufacturers are unable to export. This could have a material adverse effect on our business, results of operations, financial condition, and cash flow.

A disruption at any of our main manufacturing facilities could materially and adversely affect our business, financial position, and results of operations.

Our manufacturing operations are concentrated in a few locations. See Item 1. Business - Manufacturing and Distribution for more information on our significant operations. A significant disruption at one or more of these facilities, whether it be due to fire, natural disaster, power loss, intentional acts of vandalism, war, terrorism, insufficient quality, or pandemic could materially and adversely affect our business.

Additionally, regulatory authorities routinely inspect all of our manufacturing facilities for cGMP compliance. While our manufacturing sites are cGMP compliant, if a regulatory authority were to identify serious adverse findings not corrected upon follow up inspections, we may be required to issue product recalls, shutdown manufacturing facilities, and take other remedial actions. If any manufacturing facility were forced to cease or limit production, our business could be adversely affected.

Any breach or disruption of our information systems could have a material adverse effect on our business.

Our systems, information, and operations, as well as our independent vendor relationships (where they support information technology and manufacturing infrastructure), are highly complex and vulnerable to disruption or damage from security breaches, hacking, data theft, denial of service attacks, human error, sabotage, industrial espionage, and computer viruses. Such events may be difficult to detect; and, once detected, their impact may be difficult to assess. While we continue to employ resources to monitor our systems and protect our infrastructure, these measures may prove insufficient depending upon the attack or threat posed. These risks include:

- Breaches or disruptions could impair our ability to develop, meet regulatory approval efforts for, produce, and/or ship products, take and fulfill orders, and/or collect and make payments on a timely basis;
- Any system issue, whether as a result of an intentional breach or a natural disaster, could damage our reputation and cause us to lose customers, experience lower sales volume, and incur significant liabilities; and
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We could incur significant expense in addressing a disruption and in addressing related data security and privacy concerns.

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Risk Factors

Because our business depends upon certain customers for a significant portion of our sales, our business would be adversely affected by a disruption of our relationship with these customers or any material adverse change in these customers' businesses.

Sales to our largest customer, Walmart, comprised approximately 13% of our total net sales for the six months ended December 31, 2015. While no other customer individually comprised more than 10% of total net sales, we do have other significant customers. If our relationship with one or more of these other customers, including the terms of doing business with the customers, changes significantly, it could have a material adverse impact on us. See Item 1. Business - Significant Customers for more information.

Many of our customers, which include chain drug stores, wholesalers, distributors, hospital systems, and group purchasing organizations, continue to merge or consolidate. Such consolidation has provided, and may continue to provide, customers with additional purchasing leverage, and consequently may increase the pricing pressures we face. The emergence of large buying groups representing independent retail pharmacies enable those groups to extract price discounts on our products. In addition, a number of our customers have instituted sourcing programs limiting the number of suppliers of generic pharmaceutical products carried by that customer. These developments have resulted in heightened pricing pressure on our products, as well as competition among generic drug producers for business from a smaller and more selective customer base.

Additionally, if we are unable to maintain adequately high levels of customer service over time, customers may choose to assess penalties, obtain alternate sources for products, and/or end their relationships with us.

Our Specialty Sciences segment generates revenue primarily from royalties on Tysabri®, and any negative developments related to Tysabri® could have a material adverse effect on our business.

We occasionally enter into arrangements that entitle us to potential royalties from third parties. Our most significant royalty is the Tysabri® royalty received quarterly from Biogen, which generated $167.3 million of pretax income during the six months ended December 31, 2015. See Item 1. Business - Specialty Sciences for more information on our Tysabri® royalty arrangement. Our pretax income could be adversely affected if the royalty streams decline in future periods. Factors that may have an adverse effect on our Tysabri® royalty stream include:

- Foreign currency movement, which could have a negative impact on Biogen's Tysabri® sales, thereby reducing our royalties;
- Companies working to develop new therapies or alternative formulations of products for multiple sclerosis that, if successfully developed, would compete with, or could gain greater acceptance than, Tysabri® and damage our market share;
- Any negative developments relating to Tysabri®, such as safety, efficacy, or reimbursement issues, could reduce demand for Tysabri®; and
- Adverse regulatory or legislative developments could limit or prohibit the sale of Tysabri®, such as restrictions on the use of Tysabri® or safety-related label changes, including enhanced risk management programs, which may significantly reduce expected net sales and require significant expense and management time to address the associated legal and regulatory issues.

Additionally, Tysabri® sales growth cannot be assured given the significant restrictions on its use and the significant safety warnings on the label, including the risk of developing Progressive Multifocal Leukoencephalopathy ("PML"),

a serious brain infection. The risk of developing PML may increase with prior immunosuppressant use, longer treatment duration, or the presence of certain antibodies. Increased incidence of PML could limit sales growth, prompt regulatory review, require significant changes to the label, or result in market withdrawal. In addition, the result of ongoing or future clinical trials involving Tysabri® or other adverse events reported in association with the use of Tysabri® may have an adverse impact on prescribing behavior and reduce sales of Tysabri®.

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We are dependent on the services of certain key executive and scientific employees. The failure to attract and retain such employees may have a material adverse impact on our results of operations.

We are dependent on the services of certain key employees, and our future success will depend in large part upon our ability to attract and retain highly skilled employees. In particular, key employees of acquired companies may perceive uncertainty about their future role until strategies regarding the combined business are fully executed. Key functions for us include executive managers, operational managers, R&D scientists, information technology specialists, financial and legal specialists, regulatory professionals, quality compliance specialists, and sales/marketing personnel. If we are unable to attract or retain key qualified employees, our future operating results may be adversely impacted.

Unfavorable publicity or consumer perception of the safety, quality, and efficacy of our products could have a material adverse impact on our business.

We are dependent upon consumers' perception of the safety, quality, and efficacy of our products, and may be affected by changing consumer preferences. Negative consumer perception may arise from media reports, product liability claims, regulatory investigations, or recalls, regardless of whether they involve us or our products. The mere publication of information asserting defects in products or ingredients, or concerns about our products or the materials used in our products, could discourage consumers from buying our products, regardless of whether such information is scientifically supported.

- Our products involve risks such as product contamination, spoilage, mislabeling, and tampering that could require us to recall one or more of our products. Serious product quality concerns could also result in governmental actions against us that, among other things, could result in the suspension of production or distribution of our products, product seizures, loss of certain licenses, delays in the issuance of governmental approvals for new products, or other governmental penalties, all of which could be detrimental to our reputation and reduce demand for our products.

- We cannot guarantee that counterfeiting, imitation or other tampering with our products will not occur or that we will be able to detect and resolve it. Any counterfeiting or contamination of any products could negatively impact our reputation and sales, particularly if counterfeit or imitation products cause death or injury to consumers.

- Many of the brands we acquired from Omega have European recognition. This recognition is the result of the large investments Omega has made in its products over many years. The quality and safety of the products are critical to our business. If we are unable to effectively manage real or perceived issues, including concerns about safety, quality, efficacy, or similar matters, sentiments toward us and our products could be negatively impacted.

- Our BCH segment's financial success is dependent on the success of its brands, and the success of these brands can suffer if marketing plans or product initiatives do not have the desired impact on a brand’s image or its ability to attract consumers and the performance of the segment may be negatively impacted if spending on such plans and initiatives does not generate the returns we anticipate. In addition, given the association of individual products within the commercial network of our BCH segment, an issue with one of our products could negatively affect the reputation of other products, thereby potentially hurting our financial results.

- Powdered infant formula products are not sterile. All of our infant formula products must be prepared and maintained according to label instruction to retain their flavor and nutritional value and avoid contamination or deterioration. Depending on the product, a risk of contamination or deterioration may exist at each stage of the production cycle, including the purchase and delivery of raw materials, the processing and packaging of food products, and the use and handling by consumers, hospital personnel, and healthcare professionals. In the event that certain of our infant

formula products are found or alleged to have suffered contamination or deterioration, whether or not under our control, our reputation and our infant formula product category sales could be materially adversely affected.

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- Scientific studies and media reports can have a negative impact on the demand for certain of our products, regardless of whether they directly involve us. For instance, there have been recent reports and investigations questioning the efficacy of regular consumption of certain vitamins and supplements and challenging the dietary supplement industry. Our VMS sales have been negatively impacted by the media attention.

Increasing use of social media could give rise to liability, breaches of data security, or reputation damage.

The Company and our employees increasingly utilize social media as a means of internal and external communication.

- To the extent that we seek to use social media tools as a means to communicate about our products and/or business, there are uncertainties as to the rules that apply to such communications, or as to the interpretations that authorities will apply to the rules that exist. As a result, despite our efforts to monitor evolving social media communication guidelines and comply with applicable rules, there is risk that our use of social media for such purposes may cause us to be found in violation of them. A violation of such guidelines may damage our reputation as well as cause potential lawsuits and adversely affect our operating activities.

- Our employees may knowingly or inadvertently make use of social media tools in ways that may not be aligned with our social media strategy, may give rise to liability, or could lead to the loss of trade secrets or other intellectual property, or public exposure of personal information (including sensitive personal information) of our employees, clinical trial patients, customers, and others.

- Negative posts or comments about us, store brands or generic pharmaceuticals, or our products in social media could seriously damage our reputation and could adversely affect the price of our securities. In addition, negative posts or comments about our products could result in increased pharmacovigilance reporting requirements, which may give rise to liability if we fail to fully comply with such requirements.

Our quarterly results are impacted by a number of factors, some of which are beyond the control of our management, that may result in significant quarter-to-quarter fluctuations in operating results.

Our quarterly results are impacted by a number of factors, some of which are beyond the control of management, that may result in significant quarter-to-quarter fluctuations in operating results. Some of these factors include the severity, length and timing of the cough/cold/flu and allergy season, and flea and tick season, the timing of new product approvals and introductions by us and our competitors, price competition, changes in the regulatory environment, changes in accounting pronouncements, the magnitude and timing of R&D investments, changes in the levels of inventories maintained by our customers, and the timing of retailer promotional programs.

We may not realize the benefits of business acquisitions and divestitures we enter into, which could have a material adverse effect on our operating results.

One of our strategies is inorganic growth through the acquisition of products and companies that we expect will benefit the Company. This strategy comes with a number of financial, managerial, and operational risks. We may not realize the benefits of an acquisition because of integration and other challenges, including, but not limited to the following:

- The difficulty involved with managing the expanded operations of a larger and more complex company;

- Uncertainties involved in assessing the value, strengths, and potential profitability of, and identifying the extent of all weaknesses, risks, and contingent and other liabilities of the respective parties;

- Unanticipated changes in the business, industry, market or general economic conditions different from the assumptions underlying our rationale for pursuing the transaction;

- Potential inability to achieve identified operating and financial synergies, or return on investment, from an acquisition in the amounts or on the time frame anticipated;

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- Substantial demands on our management, operational resources, technology, and financial and internal control systems, which could lead to dissatisfaction and potential loss of key customers, management, or employees;

- Integration activities may detract attention from our day-to-day business, and there might be substantial costs associated with the transaction process or other material adverse effects as a result of these integration efforts; and

- We may undertake financing to complete an acquisition that impacts our liquidity, credit ratings and financial position, thereby making it more difficult, restrictive or expensive to raise future capital.

Actual results may differ from pro forma financial information of the combined companies due to changes in the fair value of assets acquired and liabilities assumed, changes in assumptions used to form estimates, differences in accounting policies between the companies, and completion of purchase accounting. In addition, we may enter into new product or geographical markets which are unknown to us and which may be difficult to properly manage.

On March 30, 2015, we completed the acquisition of Omega, which now comprises our BCH segment. Subsequent to acquiring Omega, we acquired several products (GSK products and Yokebe®), which were added to the BCH segment. The BCH segment operates in 36 countries and accordingly may experience changes in performance based on specific strategies, market dynamics, product marketing plans, or other factors related to each respective market. Further, each country has processes in place to manage advertising and promotion, inventory fulfillment, and commercial agreements with customers in those markets relating to pricing, product returns, credit terms, and other commercial requirements. Accordingly, performance in each respective market is subject to these agreements and practices.

The net sales and operating income of our BCH segment were lower than our expectations during the three months ended December 31, 2015. Excluding the impact of acquisitions, net sales were lower than Omega's prior year primarily in three main markets: Belgium, Spain, and Germany. Belgium includes the segment's generic distributions business, which experienced lower sales during the six months ended December 31, 2015. Excluding the impact of recently completed acquisitions, net sales in Spain and Germany were considerably below Omega's prior year net sales and our expectations during the three months ended December 31, 2015 due to lower sales of lifestyle and VMS products. Further, the BCH segment's operating income was lower than our expectations due primarily to the change in sales in these markets, issues with sales and inventory forecasting and management procedures, costs associated with excess inventory, product returns, and advertising and promotion initiatives incurred during the three months ended December 31, 2015. We are in the process of implementing sales forecasting, inventory planning and control procedures, and financial planning and analysis systems in the segment consistent with Perrigo practices.

There can be no assurance that we will not continue to experience challenges related to the BCH segment and these challenges could have a material impact on our business, cash flows, and results of operations.

We have acquired significant assets that could become impaired or subject us to losses and may result in an adverse impact on our results of operations.

We have recorded significant intangible assets and goodwill on our balance sheet as a result of previous acquisitions, which could become impaired and lead to material charges in the future. We regularly review our intangible assets and goodwill for impairment. Goodwill and indefinite life intangible assets are subject to impairment review on an annual basis and whenever impairment indicators are present.

For the six months ended December 31, 2015, we recorded an impairment of certain indefinite-lived intangible assets based on management's expectations of the prospects for future revenues, profits, and cash flows associated with these assets. The indefinite-lived intangible assets were purchased in conjunction with the Omega acquisition and are included in the BCH segment. The assessment utilized the excess earnings method to determine fair value and resulted in an impairment charge of $185.1 million. This impairment represented the

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difference between the carrying amount of the intangible assets and their estimated fair value. See Item 8. Note 3 for further information.

No goodwill impairment charges were recorded for the six months ended December 31, 2015, however our testing indicated that our Specialty Sciences reporting unit's fair value exceeded its carrying value by less than 10%. Management evaluated the primary source of cash flow in this segment, the Tysabri® royalty stream, based on a combination of factors including independent external research, information provided from our royalty partner, and internal estimates. Based on this information, management’s expectations for future cash flow from this royalty stream have been reduced primarily due to anticipated new competitors entering the market and unfavorable changes in the U.S. dollar relative to other currencies. Actual performance different from the assumptions utilized in our quantitative analysis may further reduce the fair value of the reporting unit, which may result in the fair value no longer exceeding the carrying value, which would require us to record an impairment charge.

We perform an impairment analysis on intangible assets subject to amortization when there is an indication that the carrying amount of any individual asset may not be recoverable. Any significant change in market conditions, estimates or judgments used to determine expected future cash flows that indicates a reduction in carrying value may give rise to impairment in the period that the change becomes known.

There can be no assurance that our strategic initiatives will achieve their intended effects.
We are in the process of implementing certain initiatives designed to increase operational efficiency and improve our return on invested capital by globalizing our supply chain through global shared service arrangements, streamlining our organizational structure, and disposing of certain assets. We believe these initiatives will enhance our revenue, operating margins, and earnings; however, there can be no assurance that these initiatives will produce the anticipated benefits. Any delay or failure to achieve the anticipated benefits could have a material adverse effect on our projected results.

Global Risks

Our business, financial condition, and results of operations are subject to risks arising from the international scope of our operations.

We manufacture, source raw materials, and sell our products in a number of countries. The percentage of our business outside the U.S. has been increasing. We are subject to risks associated with international manufacturing and sales, including:

- Unexpected changes in regulatory requirements;
- Problems related to markets with different cultural biases or political systems;
- Possible difficulties in enforcing agreements;
- Longer payment cycles and shipping lead-times;
- Difficulties obtaining export or import licenses or changes in import/export regulations; and
- Imposition of withholding or other taxes.

Additionally, we are subject to periodic reviews and audits by governmental authorities responsible for administering import/export regulations. To the extent that we are unable to successfully defend against an audit or review, we may be required to pay assessments, penalties, and increased duties.

Certain of our facilities operate in a special purpose sub-zone established by the U.S. Department of Commerce Foreign Trade Zone Board, which allows us certain tax advantages on products and raw materials shipped through

these facilities. If the Foreign Trade Zone Board were to revoke the sub-zone designation or limit our use, we could be subject to increased duties.

Although we believe that we conduct our business in compliance with applicable anti-corruption, anti-bribery and economic sanctions or other anti-corruption laws, if we are found to not be in compliance with such laws or other anti-corruption laws, we could be subject to governmental investigations, legal or regulatory proceedings, substantial fines, and/or other legal or equitable penalties. This risk increases in locations outside of the U.S., particularly in locations that have not previously had to comply with the FCPA, U.K. Bribery Act, and similar laws.

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Current and changing global economic conditions may adversely affect our business.

A number of non-U.S. jurisdictions in which we do business have been negatively impacted by slowing growth rates or recessionary conditions and market volatility.

- Several emerging market economies are particularly vulnerable to the impact of rising interest rates, inflationary pressures, weaker oil and other commodity prices, and large external deficits. While some of these jurisdictions are showing signs of stabilization or recovery, others, such as Ukraine, Russia and Greece, continue to experience increasing levels of stress and volatility. Risks in one country can limit our opportunities for portfolio growth and negatively affect our operations in another country or countries. As a result, any such unfavorable conditions or developments could have an adverse impact on our operations.

- While the challenging global economic environment has not had a material impact on our liquidity or capital resources, there can be no assurance that possible future changes in global financial markets and global economic conditions will not affect our liquidity or capital resources, impact our ability to obtain financing in the future, or decrease the value of our assets.

- Our customers could be adversely impacted if economic conditions worsen. Our CHC segment does not advertise its products like national brand companies and thus is largely dependent on retailer promotional activities to drive sales volume and increase market share. If our customers do not have the ability to invest in store brand promotional activities, our sales may suffer. Additionally, while we actively review the credit worthiness of our customers and suppliers, we cannot fully predict to what extent they may be negatively impacted by slowing economic growth.

The international scope of our business exposes us to risks associated with foreign exchange rates.

We report our financial results in U.S. dollars. However, a significant portion of our net sales, assets, indebtedness and other liabilities, and costs are denominated in foreign currencies. These currencies include among others the euro, Indian rupee, British pound, Canadian dollar, Israeli shekel, Australian dollar, and Mexican peso. The addition of Omega, a euro-denominated business, that represents a significant portion of our net sales and earnings, and a substantial portion of our net assets, has significantly increased our exposure to changes in the euro/U.S. dollar exchange rate. In addition, approximately 25% of Omega’s sales are in other foreign currencies, with the majority of the product costs for these markets denominated in euros. Our results of operations and, in some cases, cash flows, have in the past been, and may in the future, be adversely affected by movements in exchange rates. In addition, we may also be exposed to credit risks in some of those markets. We may implement currency hedges or take other actions intended to reduce our exposure to changes in foreign currency exchange rates. If we are not successful in mitigating the effects of changes in exchange rates on our business, any such changes could materially impact our results.

We operate in jurisdictions that could be affected by economic and political instability, which could have a material adverse effect on our business.

Our operations outside the U.S. could be affected by economic or political instability, embargoes, military hostilities, unstable governments and legal systems, and inter-governmental disputes. We have significant operations in Israel, which has experienced varying degrees of hostility in recent years. Doing business in Israel and certain other regions including Mexico and Eastern Europe involves the following risks:

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Certain countries and international organizations have refused to do business with companies with Israeli operations. We are also precluded from marketing our products to certain countries due to U.S. and Israeli regulatory restrictions. International economic sanctions and boycotts of our products could negatively impact our sales and ability to export our products.

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- Our facilities in Israel are within a conflict zone. If terrorist acts or military actions were to result in substantial damage to our facilities, our business activities would be disrupted since, with respect to most products, we would need to obtain prior regulatory agency approval for a change in manufacturing site. In addition, our insurance may not adequately compensate us for losses that may occur, and any losses or damages incurred by us could have a material adverse effect on our business.
- The U.S. Department of State and other governments have at times issued advisories regarding travel to certain countries in which we do business. As a result, regulatory agencies have at various times curtailed or prohibited their inspectors from traveling to inspect facilities. If these inspectors are unable to inspect our facilities, the regulatory agencies could withhold approval for new products intended to be produced at those facilities.

- Our international operations may be subject to interruption due to travel restrictions, war, terrorist acts, and other armed conflicts. For example, Belgium and Eastern Europe may be exposed to further acts of terrorism, which could give rise to travel and increased security restrictions. Also, further threats of armed hostilities in Mexico could limit or disrupt markets and our operations, including disruptions resulting from the cancellation of contracts or the loss of assets. These events could have a material adverse effect on our international business operations.

Risks Related to Litigation and Insurance

- We are or may become involved in lawsuits and may experience unfavorable outcomes of such proceedings.

We may become involved in lawsuits arising from various commercial matters, including, but not limited to, competitive issues, contract issues, intellectual property matters, false advertising/unfair competition, taxation matters, workers' compensation, product quality/recall issues, environmental remediation issues, and regulatory issues. Litigation is unpredictable and can be costly. No assurance can be made that litigation will not have a material adverse effect on our financial position or results of operations in the future. See Item 8. Note 16 for more information.

- We may be subject to liability if our products violate applicable laws or regulations in the jurisdictions where our products are distributed. The successful assertion of product liability or other product-related claims against us could result in potentially significant monetary damages, and we could incur substantial legal expenses. Even if a product liability or consumer fraud claim is unsuccessful, not merited, or not fully pursued, we may still incur substantial legal expenses defending against such a claim, and our reputation may suffer.

- We are a defendant in product liability lawsuits arising out of serious adverse events, including deaths, which occurred in patients taking Tysabri®. We expect additional product liability lawsuits related to Tysabri® usage to be filed. Tysabri®'s distributor, Biogen, and Perrigo will each be responsible for 50% of losses and expenses arising out of any Tysabri® product liability claims. Along with Biogen, we intend to vigorously defend these lawsuits, however, we cannot predict how these cases will be resolved. Adverse results in one or more of these cases could result in substantial monetary judgments not covered by insurance.

- We may face environmental exposures including, for example, those relating to discharges from and materials handled as part of our operations, the remediation of soil and groundwater contaminated by hazardous substances or wastes, and the health and safety of our employees. While we do not have any material remediation liabilities currently outstanding, we may in the future face liability for the costs of investigation, removal or remediation of certain hazardous substances or petroleum products on, under or in our currently or formerly owned property, or from a third-party disposal facility that we may have used, without regard to whether we knew of, or caused, the presence of the contaminants. The actual or alleged presence of these substances, or the failure to remediate them, could have adverse effects, including, for example, substantial investigative or remedial obligations and limitations on our ability to sell or rent affected property or to borrow funds using affected property as collateral. There can be no assurance

that environmental liabilities and costs will not have a material adverse effect on us. See Item 1. Business - Information Applicable to All Reportable Segments - Environmental for more information.

- Our BCH segment regularly makes advertising claims regarding the effectiveness of its products, which we are responsible for defending. An unsuccessful defense of product-related claims could result in potentially significant monetary damages and substantial legal expenses. Even if a claim is unsuccessful, not merited, or not fully pursued, we may still incur substantial legal expenses defending against such a claim, and our reputation could suffer.

Third-party patents and other intellectual property rights may limit our ability to bring new products to market and may subject us to potential legal liability, causing us to incur significant costs.

The manufacture, use and sale of new products that are the subject of conflicting patent rights have been the subject of substantial litigation in the pharmaceutical industry.

- As a manufacturer of generic pharmaceutical products, the ability of our CHC and Rx segments to bring new products to market is often limited by third-party patents or proprietary rights and regulatory exclusivity periods awarded on products. Launching new products prior to resolution of intellectual property issues may result in us incurring legal liability if the related litigation is later resolved against us. The cost and time for us to develop prescription and Rx-to-OTC switch products is significantly greater than the rest of the new products that we introduce. Any failure to bring new products to market in a timely manner could cause us to lose market share, and our operating results could suffer.

- We could have to defend against charges that we violated patents or proprietary rights of third parties. This could require us to incur substantial expense and could divert significant effort of our technical and management personnel. If we are found to have infringed on the rights of others, we could lose our right to develop or manufacture some products or could be required to pay monetary damages or royalties to license proprietary rights from third parties. Additionally, if we choose to settle a dispute through licensing or similar arrangements, the costs associated with these arrangements may be substantial and could include ongoing royalties. An adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing and selling a number of our products.

- At times, our CHC or Rx segments may seek approval to market NDA or ANDA products before the expiration of patents for those products, based upon our belief that such patents are invalid, unenforceable or would not be infringed by our products. In these cases we may face significant patent litigation. Depending upon a complex analysis of a variety of legal and commercial factors, we may, in certain circumstances, elect to market a generic pharmaceutical product while litigation is pending, before any court decision, or while an appeal of a lower court decision is pending, known as an "at risk" launch. The risk involved in an "at risk" launch can be substantial because, if a patent holder ultimately prevails, the remedies available to the patent holder may include, among other things, damages measured by the profits lost by the holder, which are often significantly higher than the profits we make from selling the generic version of the product. By electing to proceed in this manner, we could face substantial damages if we receive an adverse final court decision. In the case where a patent holder is able to prove that our infringement was "willful" or "exceptional," under applicable law, the patent holder may be awarded up to three times the amount of its actual damages or we may be required to pay attorneys' fees.

The success of certain of our products depends on the effectiveness of measures we take to protect our intellectual property rights and patents.

If we fail to adequately protect our intellectual property, competitors may manufacture and market similar products.

- We have been issued patents covering certain of our products, and we have filed, and expect to continue to file, patent applications seeking to protect newly developed technologies and products in various countries, including the U.S. Any existing or future patents issued to or licensed by us may not provide us with any significant competitive

advantages for our products or may even be challenged, invalidated, or circumvented by competitors. In addition, patent rights may not prevent our competitors from developing, using, or commercializing non-infringing products that are similar or functionally equivalent to our products.

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- We also rely on trade secrets, unpatented proprietary know-how, and continuing technological innovation that we seek to protect, in part by confidentiality agreements with licensees, suppliers, employees, and consultants. If these agreements are breached, we may not have adequate remedies for any such breach. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements. Furthermore, trade secrets and proprietary technology may otherwise become known or be independently developed by competitors or, if patents are not issued with respect to products arising from research, we may not be able to maintain the value of such intellectual property rights.

Significant increases in the cost or decreases in the availability of the insurance we maintain could adversely impact our financial condition.

To protect the Company against various potential liabilities, we maintain a variety of insurance programs, including property, general and product, and directors' and officers' liability. We may reevaluate and change the types and levels of insurance coverage that we purchase. We are self-insured when insurance is not available or not available at reasonable premiums. Risks associated with insurance plans include:

- Insurance costs could increase significantly, or the availability of insurance may decrease, either of which could adversely impact our financial condition;
- Deductible or retention amounts could increase or our coverage could be reduced in the future and to the extent losses occur, there could be an adverse effect on our financial results depending on the nature of the loss and the level of insurance coverage we maintained;
- Product liability insurance may not be available to us at an economically reasonable cost (or at all for certain specific products) or our insurance may not adequately cover our liability in connection with product liability claims (see Item 8. Note 16 for further information related to legal proceedings); and
- As our business inherently exposes us to claims for injuries allegedly resulting from the use of our products, we may become subject to claims for which we are not adequately insured. Unanticipated payment of a large claim may have a material adverse effect on our business.

Tax Related Risks

The U.S. Internal Revenue Service ("IRS") may not agree with the conclusion that we are treated as a foreign corporation for U.S. federal tax purposes.

Although we are incorporated in Ireland, the IRS may assert that we should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes pursuant to section 7874 of the U.S. Internal Revenue Code of 1986, as amended ("Code"). For U.S. federal tax purposes, a corporation generally is considered a tax resident in the jurisdiction of its organization or incorporation. Because we are an Irish incorporated entity, we would generally be classified as a foreign corporation (and, therefore, a non-U.S. tax resident) under these rules. Section 7874 of the Code provides an exception under which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal tax purposes.

For Perrigo Company plc to be treated as a foreign corporation for U.S. federal tax purposes under section 7874 of the Code, either (i) the former stockholders of Perrigo Company must own (within the meaning of section 7874 of the Code) less than 80% (by both vote and value) of our stock by reason of holding shares in Perrigo Company (the "ownership test") as of the closing of the Elan acquisition or (ii) we must have substantial business activities in Ireland after the Elan acquisition (taking into account the activities of our expanded affiliated group).

Upon our acquisition of Elan, Perrigo Company stockholders held 71% (by both vote and value) of our shares. As a result, we believe that under current law, we should be treated as a foreign corporation for U.S. federal tax purposes. However, we cannot assure that the IRS will agree with our position that the ownership test is satisfied. There is limited guidance regarding the section 7874 provisions, including the application of the ownership test.

Based on the limited guidance available, we currently expect that Section 7874 of the Code likely will limit our and our U.S. affiliates' ability to use their U.S. tax attributes such as net operating losses to offset certain U.S.

taxable income, if any, generated by the Elan acquisition or certain specified transactions for a period of time following the Elan acquisition.

Changes to tax laws could have a material adverse effect on our results of operations and the ability to utilize cash in a tax efficient manner.

We believe that under current law, we should be treated as a foreign corporation for U.S. federal tax purposes. However, any of the following could adversely affect our status as a foreign corporation for U.S. federal tax purposes:

- Changes to the inversion rules in section 7874 of the Code, the IRS Treasury regulations promulgated thereunder, or other IRS guidance; and
- Legislative proposals aimed at expanding the scope of U.S. corporate tax residence.

For example, the Department of the Treasury and the IRS provided notice in September 2014 and November 2015 that the agencies intend to issue regulations to reduce the tax benefits of or preclude entirely certain inversion transactions. In the November 2015 notice, the Secretary of the Treasury communicated the intention to explore potential guidance on earnings stripping and take further action in the coming months.

The Office of the Revenue Commissioners, U.S. Congress, the Organization for Economic Co-operation and Development ("OECD"), and other Government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting" ("BEPS"), where taxpayers arbitrage between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates or structure their transfer pricing arrangements to minimize tax. The OECD published fifteen action item reports and recommendations last fall, and the EU has made current proposals to enact the recommendations. Although U.S. tax officials generally state that BEPS will not require changes in U.S. law, it could affect U.S. tax regulations, and the regulations of other countries in which we and our affiliates do business.

Any of these changes could have a prospective or retroactive application to us, our shareholders, and affiliates, and could adversely affect us by limiting our ability to utilize cash in a tax efficient manner.

Our effective tax rate may change in the future, which could adversely impact our future results from operations.

A number of factors may adversely impact our future effective tax rates, which may impact our future results from operations. These factors include, but are not limited to:

- Income tax rate changes by governments;
- The jurisdictions in which our profits are determined to be earned and taxed;
- Changes in the valuation of our deferred tax assets and liabilities;
- Adjustments to estimated taxes upon finalization of various tax returns;
- Adjustments to our interpretation of transfer pricing standards, changes in available tax credits, grants and other incentives;
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Changes in stock-based compensation expense; changes in tax laws or the interpretation of such tax laws (such as proposals for fundamental U.S. international tax reform);

- Changes in U.S. generally accepted accounting principles;
- Expiration or the inability to renew tax rulings or tax holiday incentives; and
- Repatriation of non-U.S. earnings with respect to which we have not previously provided for U.S. taxes.

Perrigo Company plc - Item 1A
Risk Factors

The resolution of uncertain tax positions could be unfavorable, which could have an adverse effect on our business.

Although we believe that our tax estimates are reasonable and that our tax filings are prepared in accordance with all applicable tax laws, the final determination with respect to any tax audit, and any related litigation, could be materially different from our estimates or from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on operating results or cash flows in the periods for which that determination is made. In addition, future period earnings may be adversely impacted by litigation costs, settlements, penalties or interest assessments.

- The IRS audit of our fiscal years ended June 27, 2009 and June 26, 2010 had previously concluded with the issuance of a statutory notice of deficiency on August 27, 2014. While we had previously agreed on certain adjustments and made associated payments of $8.0 million inclusive of interest in November 2014, the statutory notice of deficiency asserted various additional positions, including transfer pricing, relative to the audit of fiscal years ended June 27, 2009 and June 26, 2010. The statutory notice asserted an incremental tax obligation of approximately $68.9 million, inclusive of interest and penalties. We disagree with the IRS's positions asserted in the notice of deficiency. In January 2015, we paid this amount, a prerequisite to being able to contest the IRS's positions in U.S. Federal court, and in June 2015 we filed a request for a refund. The IRS denied our request for a refund. In the next several months we are likely to file a complaint in federal district court claiming a refund for these amounts. An unfavorable resolution of this matter could have a material impact on our consolidated financial statements in future periods.

- The IRS is auditing our fiscal years ended June 25, 2011 and June 30, 2012, and may make adjustments consistent with their claims for the fiscal years ended June 27, 2009 and June 26, 2010. Subsequent to December 31, 2015, the Belgium Tax Authority notified us that all Belgium locations will be audited for the years ending December 31, 2013 and December 31, 2014.

There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. At this time, we cannot predict the outcome of any audit or related litigation.

Risks Related to Capital and Liquidity

Our indebtedness could adversely affect our ability to operate our business.

We anticipate that cash, cash equivalents, cash flows from operations, and borrowings available under our credit facilities will substantially fund working capital and capital expenditures. Our business requires continuous capital investments, and there can be no assurance that financial capital will always be available on favorable terms or at all. Additionally, our leverage and debt service obligations could adversely affect the business. At December 31, 2015, our total indebtedness outstanding was $6.0 billion.

- Downgrades to our credit ratings may limit our access to capital and materially increase borrowing costs on current or future financing, including via trade payables with vendors. Customers' inclination to purchase goods from us may also be affected by the publicity associated with deterioration of our credit ratings.

- Our senior credit facilities, the agreements governing our senior notes, and agreements governing our other indebtedness contain a number of restrictions and covenants that limit our ability to make distributions or other payments to our investors and creditors unless certain financial tests or other criteria are satisfied.

We also must comply with certain specified financial ratios and tests. These restrictions could affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities, such as acquisitions. If we do not comply with the covenants and restrictions contained in our senior credit facilities, agreements governing our senior notes, and agreements governing our other indebtedness, we could be in default under those agreements, and the debt, together with accrued interest, could then be declared immediately due and payable.

Perrigo Company plc - Item 1A
Risk Factors

- Any default under our senior credit facilities or agreements governing our senior notes or other indebtedness could lead to an acceleration of debt under other debt instruments that contain cross-acceleration or cross-default provisions. If our indebtedness is accelerated, there can be no assurance that we would be able to repay or refinance our debt or obtain sufficient new financing.
- There are various maturity dates associated with our credit facilities, senior notes, and other debt facilities. There is no assurance that cash, future borrowings or equity financing will be available for the payment or refinancing of our indebtedness. Further, there is no assurance that future refinancing or renegotiation of our senior credit facilities, senior notes or other debt facilities, or additional agreements will not have materially different or more stringent terms. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.
- We cannot guarantee that we will buy back our ordinary shares pursuant to our recently announced share repurchase plan or that our share repurchase plan will enhance long-term shareholder value.
- On October 22, 2015, our Board of Directors authorized a $2.0 billion share repurchase plan. During the three months ended December 31, 2015, we repurchased shares through the plan totaling $500.0 million. The remaining $1.5 billion in repurchases may extend through the year ended December 31, 2018. Though we anticipate that we will complete the purchase of the remaining $1.5 billion in shares in accordance with the announced timeline, the specific timing and amount of buybacks, if any, will depend upon several factors, including market and business conditions, the trading price of our ordinary shares, and, with respect to the expected repurchases in 2016 and beyond, the nature of other investment opportunities. Buybacks of our ordinary shares pursuant to our share repurchase plan could affect the market price of our ordinary shares or increase their volatility. Additionally, our share repurchase plan could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. Although our share repurchase plan is intended to enhance long-term shareholder value, there is no assurance that it will do so, and short-term share price fluctuations could reduce the plan's effectiveness.
- Any additional shares we may issue could dilute your ownership in the Company.

- Under Irish law, our authorized share capital can be increased by an ordinary resolution of our shareholders, and the directors may issue new ordinary or preferred shares up to a maximum amount equal to the authorized but unissued share capital, without shareholder approval, once authorized to do so by the articles of association or by an ordinary resolution of our shareholders.

- Subject to specified exceptions, Irish law grants statutory preemption rights to existing shareholders to subscribe for new issuances of shares for cash, but allows shareholders to authorize the waiver of the statutory preemption rights by way of special resolution with respect to any particular allotment of shares.

- Our articles of association contain, as permitted by Irish company law, a provision authorizing the board to issue new shares for cash without offering preemption rights. The authorization of the directors to issue shares and the authorization of the waiver of the statutory preemption rights must both be renewed by the shareholders at least every five years, and we cannot provide any assurance that these authorizations will always be approved, which could limit our ability to issue equity and thereby adversely affect the holders of our securities.

- We are incorporated in Ireland; Irish law differs from the laws in effect in the United States and may afford less protection to, or otherwise adversely affect, our shareholders.

- As an Irish company, we are governed by the Irish Companies Act 2014 (the "Act"). The Act differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, shareholder lawsuits, and indemnification of directors.

- Under Irish law, the duties of directors and officers of a company are generally owed to the company only. As a result, shareholders of Irish companies do not have the right to bring an action against the directors or officers of a company, except in limited circumstances.

Perrigo Company plc - Item 1A
Risk Factors

- Depending on the circumstances, shareholders may be subject to different or additional tax consequences under Irish law as a result of the acquisition, ownership and/or disposition of ordinary shares, including, but not limited to, Irish stamp duty, dividend withholding tax, and capital acquisitions tax.

- There is no treaty between Ireland and the U.S. providing for the reciprocal enforcement of foreign judgments. Before a foreign judgment would be deemed enforceable in Ireland, the judgment must be provided by a court of competent jurisdiction and be for a final and conclusive sum. An Irish court may exercise its right to refuse to recognize and enforce a foreign judgment if the foreign judgment was obtained by fraud, if it violated Irish public policy, if it is in breach of natural justice, or if it is irreconcilable with an earlier judgment.

- An Irish court may stay proceedings if concurrent proceedings are being brought elsewhere. Judgments of U.S. courts of liabilities predicated upon U.S. federal securities laws may not be enforced by Irish courts if deemed to be contrary to public policy in Ireland.

- We are subject to Irish takeover rules under which our Board of Directors is not permitted to take any action without Irish Takeover Panel approval that might frustrate an offer for our ordinary shares once we have received an approach that may lead to an offer, or have reason to believe an offer is imminent. Further, it could be more difficult for us to obtain shareholder approval for a merger or negotiated transaction than if we were a U.S. company because the shareholder approval requirements for certain types of transactions differ, and in some cases are greater, under Irish law.

- We may be limited in our ability to pay dividends in the future.

- A number of factors may limit our ability to pay dividends in the future, including:

- The availability of distributable reserves, as approved by our shareholders and the Irish High Court;

- Our ability to receive cash dividends and distributions from our subsidiaries

- Compliance with applicable laws and debt covenants; and

- Our financial condition, results of operations, capital requirements, general business conditions, and other factors that our Board of Directors may deem relevant.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Perrigo Company plc - Item 2

ITEM 2. PROPERTIES

Our world headquarters is located in Dublin, Ireland, and our main administrative offices are located in Allegan, Michigan. We manufacture products at 30 worldwide locations and have R&D, logistics, and office support facilities in many of the regions in which we operate. We own approximately 59% of our facilities and lease the remainder. Our primary facilities by geographic area were as follows at December 31, 2015:

Country	Number of Facilities	Segment(s) Supported
Ireland	1	CHC, Rx, Specialty Sciences
United States	52	CHC, Rx
Mexico	9	CHC
Israel	5	CHC, Rx, Other
France	4	BCH
Belgium	4	BCH
Australia	4	CHC
United Kingdom	4	CHC, Rx
Germany	3	BCH
Netherlands	2	BCH
India	1	Other
Austria	1	BCH
Poland	1	BCH
Switzerland	1	BCH
Greece	1	BCH

We believe that our production facilities are adequate to support the business, and our property and equipment are well maintained. Our manufacturing plants are suitable for their intended purposes and have capacities and projected capacities adequate for current and projected needs of our existing products.

ITEM 3. LEGAL PROCEEDINGS

Information regarding our current legal proceedings is presented in Item 8. Note 16.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ADDITIONAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers and their ages and positions as of February 19, 2016 were:

Name	Age	Position
Douglas S. Boothe	52	Executive Vice President, General Manager, Prescription Pharmaceuticals
Judy L. Brown	47	Executive Vice President, Chief Financial Officer
Marc Coucke (1)	51	Executive Vice President, General Manager, Branded Consumer Healthcare
Thomas M. Farrington	58	Executive Vice President, Chief Information Officer
John T. Hendrickson	52	President
Todd W. Kingma	56	Executive Vice President, General Counsel and Secretary
Sharon Kochan	47	Executive Vice President, General Manager, International
Jeffrey R. Needham	59	Executive Vice President, General Manager, Consumer Healthcare
Joseph C. Papa	60	Chairman, Chief Executive Officer

(1) Employed by Mylecke Management, Art & Invest N.V.

Perrigo Company plc - Additional Item
Executive Officers

Mr. Boothe was named Executive Vice President, General Manager, Prescription Pharmaceuticals in January 2013. Prior to joining us, Mr. Boothe was Chief Executive Officer of Actavis Inc. from August 2008 to December 2012, where he was responsible for all aspects of its generics business in North America and Latin America, and Chief Operating Officer of Actavis Inc. from 2006 to 2008. He also has held a series of leadership roles at Alpharma Inc., Pharmacia Corporation, and Xerox Corporation. Mr. Boothe is a director of Evclid Systems, a privately-owned leader in myopic lens solutions.

Ms. Brown was named Executive Vice President, Chief Financial Officer in July 2006. She served as Vice President and Corporate Controller from September 2004 to July 2006. Previously, Ms. Brown held various senior positions in finance and operations at Whirlpool Corporation from 1998 to August 2004 and prior to that worked for Ernst & Young LLP in the U.S. and Germany. Ms. Brown is a director of Belden Corporation, an NYSE traded company, that is a global leader in high quality, end-to-end signal transmission solutions and network infrastructure needs for industrial, enterprise, and broadcast markets.

Mr. Coucke was named Executive Vice President, General Manager, Branded Consumer Healthcare in March 2015. He was elected as a director of Perrigo Company plc in November 2015. He served as Omega's Chairman and Chief Executive Officer since 1987 until we acquired Omega in March 2015. Omega was founded in 1987 by Mr. Coucke and two other Belgian pharmacists and focused on the production and sales of various shampoos. Under Mr. Coucke’s leadership, the company grew and expanded geographically into a world player of consumer healthcare products, with affiliates in 36 countries. He is a qualified pharmacist (RUG). Mr. Coucke is acting as permanent representative of Mylecke Management, Art & Invest N.V.

Mr. Farrington was named Senior Vice President, Chief Information Officer in October 2006 and promoted to Executive Vice President in 2015. He formerly served as Chief Information Officer for F. Dohmen Co. in addition to serving as a division President for JASCORP LLC from 2003 to October 2006. Prior to that position, Mr. Farrington held various senior positions in information technology and finance at Dell, Inc. from 1999 to 2003.

Mr. Hendrickson was named President in October 2015. He served as Executive Vice President, Global Operations and Supply Chain from October 2009 to October 2015, and previously served as Executive Vice President and General Manager, Consumer Healthcare from March 2007 to October 2009. He served as Executive Vice President of Operations from 1999 to 2007. Mr. Hendrickson began his employment with us in 1989.

Mr. Kingma was named Executive Vice President, General Counsel and Secretary in May 2006. He served as Vice President, General Counsel and Secretary from 2003 to May 2006. Previously, Mr. Kingma held various positions at Pharmacia Corporation from 1991 through 2003. His last position with Pharmacia Corporation was Vice President and Associate General Counsel, Global Specialty Operations.

Mr. Kochan was named Executive Vice President, General Manager, International in August 2012. He served as Executive Vice President, General Manager of Prescription Pharmaceuticals from March 2007 to July 2012 and as Senior Vice President of Business Development and Strategy from 2005 to March 2007. Mr. Kochan was Vice President, Business Development of Agis Industries (1983) Ltd. from 2001 until we acquired Agis in 2005.

Mr. Needham was named Executive Vice President, General Manager, Consumer Healthcare in October 2009. He served as Senior Vice President of Commercial Business Development from 2005 through October 2009. Previously, he served as Senior Vice President of International from 2004 to 2005. He served as Managing Director of our U.K. operations from 2002 to 2004 and as Vice President of Marketing from 1993 to 2002.

Mr. Papa was named Chairman and Chief Executive Officer of Perrigo Company plc in October 2015. He joined us in October 2006 as President and Chief Executive Officer. Mr. Papa was elected a director in November 2006 and, subsequently, was appointed as Chairman of the Board of Directors in October 2007. Previously, Mr. Papa served from 2004 to October 2006 as Chairman and Chief Executive Officer of the Pharmaceutical and Technologies Services segment of Cardinal Health, Inc. Prior to that position, he served as President and Chief Operating Officer of Watson Pharmaceuticals, Inc. from 2001 to 2004. Additionally, Mr. Papa has held management positions at DuPont Pharmaceuticals, Pharmacia Corporation, G.D. Searle & Company and Novartis AG. Mr. Papa is a director of Smith & Nephew, a developer of advanced medical devices.

Perrigo Company plc - Item 5

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

On and prior to December 18, 2013, our common stock consisted of shares of Perrigo Company, a Michigan Corporation, and since December 19, 2013, our common equity consists of ordinary shares of Perrigo Company plc, incorporated under the laws of Ireland.

Prior to June 6, 2013, our common equity traded on the NASDAQ Global Select Market ("NASDAQ") under the symbol PRGO. Since June 6, 2013, our common equity has traded on the New York Stock Exchange ("NYSE") under the symbol PRGO. In association with the acquisition of Agis Industries (1983) Ltd., our common equity has been trading on the Tel Aviv Stock Exchange ("TASE") since March 16, 2005. As of February 19, 2016, there were 2,461 record holders of our ordinary shares.

Set forth below are the high and low sale prices for our ordinary shares by the NYSE for the periods indicated:

	Six Months Ended December 31, 2015		Fiscal Years Ended June 27, 2015		June 28, 2014	
	High	Low	High	Low	High	Low
First quarter	$198.42	$158.35	$160.65	$135.00	$134.31	$115.94
Second quarter	$167.92	$140.40	$171.57	$142.38	$157.47	$122.56
Third quarter	N/A	N/A	$174.65	$147.21	$168.39	$144.46
Fourth quarter	N/A	N/A	$205.72	$161.86	$158.99	$125.37

The graph below shows a comparison of our cumulative total return with the cumulative total returns for the S&P 500 Index and the S&P Pharmaceuticals Index. The graph assumes an investment of $100 at the beginning of the period and the reinvestment of any dividends. Information in the graph is presented for the years ended December 31, 2010 through December 31, 2015.

Perrigo Company plc - Item 5

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
AMONG PERRIGO COMPANY PLC**, THE S&P 500 INDEX, AND THE S&P PHARMACEUTICALS INDEX

	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Perrigo Company plc	$100.00	$154.17	$165.35	$244.62	$267.21	$231.99
S&P 500	$100.00	$102.11	$118.45	$156.82	$178.29	$180.75
S&P Pharmaceuticals	$100.00	$117.76	$134.75	$182.22	$222.70	$235.59

* $100 invested on December 31, 2010 in stock or index - including reinvestment of dividends. Indexes calculated on month-end basis.

** Perrigo Company prior to December 18, 2013. Perrigo Company plc beginning December 18, 2013.

In January 2003, the Board of Directors adopted a policy of paying quarterly dividends. We paid dividends of $36.3 million ($0.25 per share) and $29.0 million ($0.21 per share) during the six months ended December 31, 2015 and December 27, 2014, respectively, and $64.8 million ($0.46 per share), $46.1 million ($0.39 per share), and $33.0 million ($0.35 per share) for the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, respectively. The declaration and payment of dividends and the amount paid, if any, are subject to the discretion of the Board of Directors and depend on our earnings, financial condition, capital and surplus requirements and other factors the Board of Directors may consider relevant.

In October 2015, the Board of Directors approved a share repurchase plan of up to $2.0 billion. During the six months ended December 31, 2015, we repurchased 3.3 million ordinary shares at an average repurchase price of $151.59 per share, for a total of $500.0 million.

Perrigo Company plc - Item 5

Share repurchase activity during the three months ended December 31, 2015 was as follows (in millions, except per share amounts):

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Value of Shares Available for Purchase [1]
September 27 - October 31, 2015	—	$—	—	
November 1 - November 28, 2015	3.3	$151.59	3.3	
November 29 - December 31, 2015	—	$—	—	
Total	3.3			$1,500.0

(1) The remaining $1.5 billion in the table represents the amount available to repurchase shares under our authorized share repurchase plan as of December 31, 2015.

ITEM 6. SELECTED FINANCIAL DATA

The Consolidated Statement of Operations data set forth below with respect to the six months ended December 31, 2015 and December 27, 2014, and the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013 and the Consolidated Balance Sheet data at December 31, 2015, June 27, 2015, and June 28, 2014 are derived from and are qualified by reference to the audited consolidated financial statements included in Item 8 of this report and should be read in conjunction with those financial statements and notes. The Consolidated Statement of Operations set forth below with respect to the fiscal years ended June 30, 2012 and June 25, 2011, and the Consolidated Balance Sheet data at June 29, 2013, June 30, 2012, and June 25, 2011, are derived from audited consolidated financial statements not included in this report. For all years presented, the Consolidated Balance Sheet data has been adjusted for the retrospective application of a change in accounting policy to reclassify deferred financing fees from Other non-current assets to Long-term debt, as further described in Item 8. Note 1.

	Six Months Ended		Fiscal Years Ended				
(in millions, except per share amounts)	December 31, 2015[1]	December 27, 2014[2]	June 27, 2015[3]	June 28, 2014[4]	June 29, 2013[5]	June 30, 2012[6]	June 25, 2011
Statement of Operations Data							
Net sales	$2,769.5	$2,023.1	$4,603.9	$4,060.8	$3,539.8	$3,173.2	$2,755.0
Cost of sales	1,661.4	1,317.6	2,891.4	2,613.1	2,259.8	2,077.7	1,810.2
Gross profit	1,108.1	705.5	1,712.5	1,447.7	1,280.0	1,095.6	944.9
Operating expenses	1,013.6	384.0	964.8	880.7	600.9	526.4	454.7
Operating income	$94.5	$321.5	$747.7	$567.0	$679.1	$569.2	$490.2
Income from continuing operations	$5.6	$166.5	$128.0	$205.3	$441.9	$393.0	$340.6
Diluted earnings from continuing operations per share	$0.04	$1.23	$0.92	$1.77	$4.68	$4.18	$3.64
Dividends declared per share	$0.25	$0.21	$0.46	$0.39	$0.35	$0.31	$0.27

(1) Includes the results of operations of Naturwohl and the GSK, ScarAway®, and Entocort® asset acquisitions for the two and half months, three months, three months, and two weeks ended December 31, 2015, respectively.

(2)

(3) Includes the results of operations for assets acquired from Lumara Health, Inc. for the two months ended December 27, 2014.

(4) Includes the results of operations for assets acquired from Lumara Health, Inc. and the results of operations of Omega Pharma Invest N.V. and Gelcaps Exportadora de Mexico, S.A. de C.V. for the eight, three, and two months ended June 27, 2015, respectively.

(5) Includes the results of operations for Elan Corporation, plc and results of operations for assets acquired from Fera Pharmaceuticals, LLC (Methazolomide) and Aspen Global Inc. for the six, five and four months ended June 28, 2014, respectively.

(6) Includes the results of operations for assets acquired from Fera Pharmaceuticals, LLC, and results of operations for Velcera, Inc., Rosemont Pharmaceuticals Ltd., Cobrek Pharmaceuticals, Inc., and Sergeant's Pet Care Products, Inc. for the two weeks, and three, five, six and nine months ended June 29, 2013, respectively.

Includes the results of operations for Paddock Laboratories, Inc. and CanAm Care, LLC for the eleven and six months ended June 30, 2012, respectively.

Perrigo Company plc - Item 6

(in millions)	December 31, 2015	December 27, 2014	June 27, 2015	June 28, 2014[1]	June 29, 2013[1]	June 30, 2012[1]	June 25, 2011[1]
Balance Sheet Data							
Cash and cash equivalents	$417.8	$3,596.1	$785.6	$799.5	$779.9	$602.5	$310.1
Total assets	19,393.9	16,460.7	19,720.6	13,852.8	5,336.9	4,013.6	3,181.5
Long-term debt, less current portion	4,971.6	4,439.4	5,246.9	3,063.1	1,927.8	1,329.2	875.0

(1) Financial data has been retrospectively adjusted for the change in accounting policy to reclassify deferred financing fees from Other non-current assets to Long-term debt, as further described in Item 8. Note 1.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an understanding of our financial condition, results of operations, and cash flows by focusing on changes in certain key measures from year to year. This MD&A is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and accompanying Notes found in Item 8 of this report. See also "Cautionary Note Regarding Forward-Looking Statements."

EXECUTIVE OVERVIEW

Perrigo Company plc was incorporated under the laws of Ireland on June 28, 2013. We became the successor registrant of Perrigo Company, a Michigan corporation, on December 18, 2013 in connection with the acquisition of Elan Corporation, plc ("Elan"), which is discussed further in Item 8. Note 2. Unless the context requires otherwise, the terms "Perrigo", the "Company", "we," "our," "us," and similar pronouns used herein refer to Perrigo Company plc, its subsidiaries, and all predecessors of Perrigo Company plc and its subsidiaries.

We are a leading global over-the-counter ("OTC") consumer goods and specialty pharmaceutical company, offering patients and customers high quality products at affordable prices. From our beginning in 1887 as a packager of home remedies, we have grown to become the world's largest manufacturer of OTC healthcare products and supplier of infant formulas for the store brand market. We are also a leading provider of generic extended topical prescription products, and we receive royalties from sales of the multiple sclerosis drug Tysabri®. We provide “Quality Affordable Healthcare Products®” across a wide variety of product categories and geographies, primarily in North America, Europe, and Australia, as well as in other markets, including Israel and China.

Beginning on January 1, 2016, we are changing our fiscal year to begin on January 1 and end on December 31 of each year. This transition report on Form 10-KT discloses the results of our operations for the transition period from June 28, 2015 to December 31, 2015, which is referred to in this report as the six months ended December 31, 2015. The comparative prior year period is June 29, 2014 through December 27, 2014 (our fiscal 2015 second quarter end), and is referred to within this report as the six months ended December 27, 2014. Going forward, we will continue to cut off our quarterly accounting periods on the Saturday closest to the end of the calendar quarter, with the fourth quarter ending on December 31 of each year.

Our reporting segments are as follows:

- Consumer Healthcare ("CHC") is focused primarily on the global sale of OTC store brand products including cough, cold, allergy, and sinus, analgesic, gastrointestinal, smoking cessation, infant formula and food, Vitamins, Minerals

and Supplements ("VMS"), animal health, and diagnostic products.

- Branded Consumer Healthcare ("BCH") develops, manufactures, markets and distributes many well-known European OTC brands in the natural health and VMS, cough, cold and allergy, smoking cessation, personal care and derma-therapeutics, lifestyle, and anti-parasite categories.

- Prescription Pharmaceuticals ("Rx") develops, manufactures and markets a portfolio of generic and specialty pharmaceutical prescription drugs primarily for the U.S. and United Kingdom ("U.K.") markets.

Perrigo Company plc - Item 7
Executive Overview

- Specialty Sciences is comprised primarily of royalties received from assets focused on the management of multiple sclerosis (Tysabri®).

We also have an "Other" segment comprised of our active pharmaceutical ingredient ("API") business, which develops, manufactures, and markets API used worldwide by both generic and branded pharmaceutical companies.

For more information on each segment, refer to Item 1. Business - Our Segments. For results by segment see below "Segment Results" and Item 8. Note 19. See Item 1. Business for information on our business environment and competitive landscape.

Strategy

Our strategy is to deliver Quality Affordable Healthcare Products® by leveraging our global infrastructure to expand our product offerings, thereby providing new innovative products and product line extensions to existing consumers and servicing new healthcare consumers through entry into adjacent or new markets. We accomplish this strategy by investing in and continually improving all aspects of our five strategic pillars:

- High quality;
- Superior customer service;
- Leading innovation;
- Best cost; and
- Empowered people.

We utilize shared services and Research and Development ("R&D") centers of excellence in order to help ensure consistency in our processes around the world, and to maintain focus on our five strategic pillars.

We have grown rapidly in recent years through a combination of organic growth and targeted acquisitions. We continually reinvest in our R&D pipeline and work with partners as necessary to strive to be first-to-market with new products. Our organic growth has been and will continue to be driven by successful new product launches in the CHC, BCH, and Rx segments. We expect to continue growing inorganically through expansion into adjacent products, product categories, and channels, as well as through entry into new geographic markets. We evaluate potential acquisition targets based on whether they have the capacity to deliver a return on invested capital ("ROIC") in excess of 200 basis points over our weighted-average cost of capital ("WACC").

Competitive Advantage

We believe our consumer facing business model is best-in-class in that it combines the required competencies of a fast-moving consumer goods company and a pharmaceutical manufacturing company, with the supply chain breadth necessary to support customers in the markets we serve. The durable business model competencies align with our five strategic pillars and provide us a competitive advantage in the marketplace. We fully integrate quality in our operational systems across all products. Our ability to manage our supply chain complexity across multiple dosage forms, formulations, and stock-keeping units, as well as acquisitions, integration, and hundreds of global partners provides value to our customers. Product development and life cycle management are at the core of our operational investments. Globally we have 30 plants that are all in good regulatory compliance standing and have systems and structures in place to guide our continued success. Our leadership team is fully engaged in aligning all our metrics and objectives around sustainable compliance with industry associations and regulatory agencies.

Among other things, we believe the following give us a competitive advantage and provide value to our customers:

- Leadership in first-to-market product development and product life cycle management;
- Turn-key regulatory, and promotional capabilities;
- Management of supply chain complexity and utilizing economies of scale;
- Quality and cost effectiveness throughout the supply chain creating a sustainable, low-cost network; and

Perrigo Company plc - Item 7
Executive Overview

- Expansive pan-European commercial infrastructure, brand-building capabilities, and diverse product portfolio.

Highlights

Six Months Ended December 31, 2015

- On November 13, 2015, our shareholders overwhelmingly rejected an unsolicited tender offer from Mylan N.V. ("Mylan"). During the six months ended December 31, 2015, the total cost to effectively defend against Mylan was $86.9 million, which was recorded in Administration expense.

- We expanded our product offerings through targeted acquisitions including:

- The announced acquisition of a portfolio of generic dosage forms and strengths of Retin-A® (tretinoin), a topical prescription acne treatment, from Matawan Pharmaceuticals, LLC, which closed in January 2016 and will expand our Rx portfolio.

- The acquisition of Crohn's disease treatment Entocort® (budesonide) capsules and its authorized generic (for sale within the U.S.), from AstraZeneca plc, which expanded our Rx portfolio.

- The acquisition of Naturwohl Pharma GmbH ("Naturwohl"), a nutritional business known for its leading German dietary supplement brand, Yokebe®, and the acquisition of a portfolio of well-established OTC brands, such as Niquitin® and Coldrex®, from GlaxoSmithKline Consumer Healthcare (“GSK”). Both of these acquisitions built upon the global platform we established through the Omega Pharma Invest N.V. ("Omega") acquisition, leveraging our European market share and expanding our product offerings.

- The ScarAway® brand portfolio acquisition, which served as our entry into the branded OTC business in the U.S.

- We launched a number of new products across our segments with sales totaling $231.1 million for the six months ended December 31, 2015.

- We repurchased $500.0 million shares as part of our authorized share repurchase plan.

- We executed initiatives designed to increase operational efficiency and improve our return on invested capital by globalizing our supply chain through global shared service arrangements, streamlining our organizational structure, and disposing of certain assets. During the six months ended December 31, 2015, restructuring charges totaled $26.9 million.

Fiscal Year Ended June 27, 2015

- We realized record growth in the following areas:

- Net sales of $4.6 billion primarily due to current year acquisitions and new products;
- Gross profit percentage of 37.2%; and
- Operating cash flows of $1.2 billion.

- We significantly expanded our geographic footprint and product portfolio through the acquisition of Omega, one of Europe's largest healthcare companies, which closed on March 30, 2015.

- The Omega acquisition provided us with a significantly larger product portfolio, broadened our global reach through access to 34 new countries, and enhanced our scale. We are currently integrating Omega into our operations and plan to realize further efficiencies as we bring some of their R&D and manufacturing in-house and further optimize procurement.

Perrigo Company plc - Item 7
Executive Overview

- We expanded our product offerings through targeted acquisitions including:

- The Lumara Health Inc. ("Lumara") product acquisition, which expanded our women's health offerings within our Rx segment; and

- Patheon Inc.'s Mexican operations, Gelcaps Exportadora de Mexico, S.A. de C.V., ("Gelcaps"), which provided us with gelcap manufacturing capabilities and expanded our presence in the Mexican OTC market.

Fiscal Year Ended June 28, 2014

- We established a differentiated platform for international expansion through the Elan acquisition.

- The Elan acquisition led to the creation of our new parent company, Perrigo Company plc, incorporated under the laws of Ireland. Our new corporate structure has allowed us to continue to grow in core markets and further expand outside of the U.S. with the parent company serving as a global business hub and providing the scale and resources to drive our strategic initiatives and investments.

- The acquisition also provided us with our Tysabri® royalty stream, enhancing our operating cash flows and diversifying our revenues. See Item 1. Business for more information on Tysabri®.

- We increased our presence in the Australian market through the acquisition of a basket of OTC products from Aspen Global Inc. ("Aspen").

- We further developed our opthalmic capabilities with the acquisition of Methazolomide from Fera Pharmaceuticals, LLC ("Fera").

Fiscal Year Ended June 29, 2013

- We entered the Pet Health category with acquisitions of Velcera Inc. ("Velcera") and Sergeant's Pet Care Products, Inc. ("Sergeant's").

- We expanded our ophthalmic offerings and position within the Rx extended topical space with the acquisition of a product portfolio from Fera.

- We broadened our Rx product offerings in the U.K. through the Rosemont Pharmaceuticals Inc. ("Rosemont") acquisition.

- We strengthened our position in foam-based technologies for our U.S. Rx products through our purchase of the controlling interest of Cobrek Pharmaceuticals Inc. ("Cobrek").

See Item 8. Note 2 for more information on all of the above-mentioned acquisitions.

Perrigo Company plc - Item 7
Consolidated

RESULTS OF OPERATIONS

CONSOLIDATED

	Fiscal Year Ended					Six Months Ended		
($ in millions)	June 29, 2013	June 28, 2014	June 27, 2015	% Change Fiscal 2014 to Fiscal 2013	% Change Fiscal 2015 to Fiscal 2014	December 27, 2014	December 31, 2015	% Change Six Months Ended
Net sales	$3,539.8	$4,060.8	$4,603.9	15 %	13 %	$2,023.1	$2,769.5	37 %
Gross profit	$1,280.0	$1,447.7	$1,712.5	13 %	18 %	$705.5	$1,108.1	57 %
Gross profit %	36.2 %	35.7 %	37.2 %			34.9 %	40.0 %	
Operating expenses	$600.9	$880.7	$964.8	47 %	10 %	$384.0	$1,013.6	164 %
Operating expenses %	17.0 %	21.7 %	21.0 %			19.0 %	36.6 %	
Operating income	$679.1	$567.0	$747.7	(17)%	32 %	$321.5	$94.5	(71)%
Operating income %	19.2 %	14.0 %	16.2 %			15.9 %	3.4 %	
Interest and other, net	$71.4	$294.4	$499.7	312 %	70 %	$128.2	$117.7	(8)%
Income taxes	$165.8	$67.3	$120.0	(59)%	78 %	$26.8	$(28.8)	(208)%
Net income	$441.9	$205.3	$128.0	(54)%	(38)%	$166.5	$5.6	(97)%

* Net sales by geography is derived from the location of the entity that sells to a third party. For geographic information for the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, refer to Item 8. Note 19.

Further details and analysis of our financial results for the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013 are described below by reporting segment and line item.

Perrigo Company plc - Item 7
Consumer Healthcare

CONSUMER HEALTHCARE

Recent Developments

- We are pursuing the sale of our VMS business and expect the sale to take place during the first half of 2016. As of December 31, 2015, we reclassified VMS net assets to "held for sale" as discussed in Item 8. Note 9. The below table indicates the sales attributable to the VMS business:

($ in millions)	Fiscal Year Ended June 29, 2013	June 28, 2014	June 27, 2015	Six Months Ended December 27, 2014	December 31, 2015
Net sales	$175.8	$189.5	$157.9	$80.8	$85.2

- On August 28, 2015, we acquired ScarAway®, a leading U.S. OTC scar management brand portfolio comprised of five products, from Enaltus, LLC for $26.7 million in cash. This acquisition served as our entry into the branded OTC business in the U.S. We plan to continue to pursue branded opportunities for products for which there is not a store brand market.

- Given a branded competitor's manufacturing interruptions since the third quarter of our fiscal year ended June 26, 2010, we experienced increased demand for certain adult and pediatric analgesic products in previous fiscal years, which generally had a positive impact on the CHC segment's net sales. The branded competitor re-entered the market during our fiscal year ended June 28, 2014 and continues to re-establish their market position. We believe that this re-entry is largely complete.

- We filed a breach of contract litigation against a third party that we believe wrongfully enabled a competitor against us on a new product line in the animal health category. We also had a supply agreement with this third party that expired at the end of calendar year 2014 and has not been renewed. We will continue to monitor and assess these assets for potential impairment at least annually or sooner, should further impairment indicators arise. Refer to Item 8. Note 3 for additional information.

Segment Results

Six Month Comparison

($ in millions)	Six Months Ended December 27, 2014		December 31, 2015	
Net sales	$1,318.7		$1,384.7	
Gross profit	$400.0		$454.9	
Gross profit %	30.3	%	32.9	%
Operating income	$157.9		$209.2	
Operating income %	12.0	%	15.1	%

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Perrigo Company plc - Item 7
Consumer Healthcare

Six Months Ended December 31, 2015 vs. Six Months Ended December 27, 2014

Segment operating income increased $51.3 million, or 32%, as a result of:

- An increase in net sales of $66.0 million, or 5%, due primarily to:
  - New product sales of $125.3 million related primarily to certain new infant formula products;
  - Incremental net sales due primarily to the Gelcaps and ScarAway® acquisitions of $28.9 million; and
  - A $67.3 million increase in existing sales primarily attributable to increased sales volumes of smoking cessation, cough/cold, and gastrointestinal products; offset partially by
  - A decline of $32.1 million in sales of existing products, primarily in animal health, diabetic care, and contract cough/cold;
  - Discontinued products of $99.6 million related primarily to reformulated infant formula, analgesic, and animal health products; and
  - Unfavorable foreign currency movement of $23.9 million.

- An increase of $54.9 million in gross profit due to:
  - Improved purchase prices and efficiencies in manufacturing facilities; and
  - Incrementally higher gross profit attributable primarily to the Gelcaps and ScarAway® acquisitions.

- Partially offset by an increase of $3.6 million in operating expenses due to:
  - An increase in restructuring expense of $11.5 million related to strategic organizational enhancements; and
  - Increased administrative expenses of $2.2 million primarily related to the Gelcaps and ScarAway® acquisitions; offset partially by
    - Decreased R&D spend of $12.8 million due to relative timing of clinical trials.

Fiscal Year Comparison

($ in millions)	Fiscal Year Ended June 29, 2013		June 28, 2014		June 27, 2015	
Net sales	$2,671.0		$2,849.4		$2,750.0	
Gross profit	$834.7		$886.8		$870.3	
Gross profit %	31.2	%	31.1	%	31.6	%
Operating income	$401.8		$413.1		$405.6	
Operating income %	15.0	%	14.5	%	14.7	%

Perrigo Company plc - Item 7
Consumer Healthcare

Fiscal Year Ended June 27, 2015 vs. Fiscal Year Ended June 28, 2014

Segment operating income decreased $7.5 million, or 2%, as a result of:

- A decrease in net sales of $99.4 million, or 3%, due primarily to:
  - New product sales of $155.2 million related primarily to the launches of Fipronil (a generic version of Frontline® Plus), and certain new infant formula products;
  - Incremental net sales attributable to the Aspen and Gelcaps acquisitions of $19.3 million; and
  - Increased sales volumes of smoking cessation products totaling $46.9 million due in part to certain national brand products not being available to consumers due to manufacturing and supply issues; more than offset by
  - A decline of $193.8 million in sales of existing products, primarily in contract manufacturing, as well as in sales of VMS, cough/cold, analgesic, gastrointestinal, and animal health products. The decline in contract manufacturing and analgesics was driven by a branded competitor's return to the market. The decline in VMS sales was due primarily to increased competition in the marketplace and pricing pressures;
  - Discontinued products of $104.1 million related primarily to animal health and nutritional products; and
  - Unfavorable foreign currency movement of $22.7 million.

- A decrease of $16.5 million in gross profit due to:
  - Lower segment sales and incremental amortization expense attributable to the Aspen acquisition; offset partially by
  - Improved purchase prices and efficiencies in manufacturing facilities.

- Partially offset by a $9.0 million decrease in operating expenses due to:
  - Decreased animal health advertising expenses; offset primarily by
  - A $10.0 million option payment related to a collaboration agreement made in the fiscal year ended June 27, 2015 (refer to Item 8. Note 17).

Fiscal Year Ended June 28, 2014 vs. Fiscal Year Ended June 29, 2013

Segment operating income increased $11.3 million, or 3%, as a result of:

- An increase in net sales of $178.4 million, or 7%, due primarily to:
  - New product sales of $83.4 million;
  - Net sales attributable to the Sergeant's, Velcera, and Aspen acquisitions totaling $57.6 million;
  - Increased sales volumes of existing products totaling $137.7 million, primarily in smoking cessation, gastrointestinal, dermalogic and infant formula; and
  - Favorable changes in foreign currency rates of $2.9 million; offset by
  - A decline of $91.8 million in sales of existing products, primarily in contract manufacturing due to certain national brands re-entering the retail marketplace; and
  - Discontinued products of $16.9 million.

- An increase of $52.1 million in gross profit due primarily to:
  - Incrementally higher gross profit attributable to the Sergeant's, Velcera, and Aspen acquisitions;
  - Increased new product sales; and
  - Increased sales of smoking cessation, gastrointestinal, and infant formula products; offset primarily by decreased sales in contract manufacturing.

- Partially offset by an increase of $40.8 million in operating expenses due to:
  - Incremental operating expenses of $22.8 million from the Sergeant's and Velcera acquisitions;

- Increased R&D of $14.5 million due primarily to higher spending on new product development projects than in the prior year;
- Increased distribution and selling expenses as a result of higher sales volume;
- Higher selling expenses related to marketing insync® probiotic as a branded product; and
- Unfavorable changes in foreign currency exchange rates.

Perrigo Company plc - Item 7
Branded Consumer Healthcare

BRANDED CONSUMER HEALTHCARE

The BCH segment was created on March 30, 2015 as a result of the Omega acquisition, thus comparative prior period data is not available.

Recent Developments

- On September 15, 2015, we completed our acquisition of Naturwohl, a Munich, Germany-based nutritional business known for its leading German dietary supplement brand, Yokebe®.

- On August 28, 2015, we completed the acquisition of a portfolio of well-established OTC brands from GSK, including Niquitin® and Coldrex®.

- Both of these acquisitions build upon the global platform we established through the Omega acquisition, leveraging our European market share and expanding our product offerings.

- The segment was impacted during the six months ended December 31, 2015 by market dynamics in certain geographic sales channels including Belgium, Germany, and Spain. Net sales were unfavorable in Belgium primarily due to the generic pharmaceuticals product line, while Spain and Germany were unfavorable primarily in the branded lifestyle and VMS product categories. We expect to announce restructuring plans in the first half of 2016 to right size our business in these and other regions due to the impact of market dynamics impacting sales volumes.

Segment Results

Six Months Ended December 31, 2015

($ in millions)	Six Months Ended December 31, 2015	
Net sales	$627.9	
Gross profit	$333.5	
Gross profit %	53.1	%
Operating loss	$(155.3	)
Operating loss %	(24.7	)%

BCH sales were impacted positively by sales growth in our Top 20 brands, $62.6 million of net sales from new branded products, and $42.7 million of sales attributable to the Naturwohl and GSK acquisitions, offset partially by low distribution sales and $3.8 million of discontinued products.

In the six months ended December 31, 2015, gross profit was impacted by costs associated with excess inventory and product returns, particularly in the three months ended December 31, 2015. Operating expenses included selling, general and administrative expense of $272.1 million (of which $51.7 million related to amortization expense on acquired intangible assets), R&D expense of $14.5 million, and distribution expense of $17.1 million. Selling expense as a percent of net sales of the BCH segment was significantly higher for the BCH segment than it was for our other business segments due to advertising and promotional expenses that are unique to the BCH segment, which totaled $102.9 million during the six months ended December 31, 2015. Advertising and promotion expenses during the six months ended December 31, 2015 also included the effect of higher spending for new product launches and brand

marketing strategies.

Perrigo Company plc - Item 7
Branded Consumer Healthcare

In addition, during our impairment testing for the six months ended December 31, 2015, we identified an impairment of certain indefinite-lived intangible assets based on management's expectation of the prospects for future revenues, profits, and cash flows associated with the assets and recorded impairment charges totaling $185.1 million. The impairment represented the difference between the carrying amount of the intangible assets and their estimated fair value. The significant assumptions supporting the fair value of these assets and cash flow projections assume modest revenue growth based on product line extensions, product life cycle strategies, and geographical expansion within the markets in which the BCH segment currently distributes products, and gross margins and advertising and promotion investments largely consistent with historical trends. Actual performance different from the assumptions utilized in our quantitative analysis may result in additional changes in fair value of these assets. See Item 8. Note 3 for more information.

Fiscal Year Ended June 27, 2015

($ in millions)	Fiscal Year Ended [1] June 27, 2015	
Net sales	$401.1	
Gross profit	$190.1	
Gross profit %	47.4	%
Operating income	$26.6	
Operating income %	6.6	%

[1] Includes results from March 30, 2015 to June 27, 2015.

During the fiscal year ended June 27, 2015, we recognized net sales of $401.1 million related to the Omega acquisition, which closed on March 30, 2015 (see Item 8. Note 2 for additional information on the acquisition). BCH sales were impacted positively by seasonality, new products, and strong distribution sales. Net sales also reflected $32.9 million of sales attributable to new products. Operating expenses included primarily selling, general and administrative expense of $118.3 million, of which $52.2 million was related to advertising and promotional expenses, R&D expenses of $7.4 million, and distribution expenses of $9.5 million.

PRESCRIPTION PHARMACEUTICALS

Recent Developments

- On December 17, 2015, we announced that we would be acquiring a portfolio of generic dosage forms and strengths of Retin-A® (tretinoin), a topical prescription acne treatment, from Matawan Pharmaceuticals, LLC, for $415.0 million in cash. The acquisition, which was completed on January 22, 2016, will expand our Rx extended topicals portfolio.

- On December 15, 2015, we completed our acquisition of Entocort® (budesonide) capsules, as well as the authorized generic capsules currently marketed by Par Pharmaceuticals, for sale within the U.S., from AstraZeneca plc for $380.2 million cash. Entocort® is a gastroenterology medicine for patients with mild to moderate Crohn's disease, and the acquisition complemented our Rx portfolio.

Perrigo Company plc - Item 7
Prescription Pharmaceuticals

Segment Results

Six Month Comparison

($ in millions)	Six Months Ended December 27, 2014		December 31, 2015	
Net sales	$471.2		$543.4	
Gross profit	$245.9		$275.2	
Gross profit %	52.2	%	50.6	%
Operating income	$174.4		$195.3	
Operating income %	37.0	%	35.9	%

Six Months Ended December 31, 2015 vs. Six Months Ended December 27, 2014

Segment operating income increased $20.9 million, or 12%, as a result of:

- An increase in net sales of $72.2 million, or 15%, due primarily to:
  - New product sales of $43.0 million related primarily to the launches of clobetasol propionate 0.05% spray, tacrolimus 0.1% ointment, and benzoyl peroxide 5%-clindamycin 1% gel (a generic version of Benzaclin™);
  - Net sales attributable to the Lumara acquisition of $7.0 million; and
  - Increase in volumes of certain existing products; offset partially by
  - Unfavorable foreign exchange movement of $2.0 million for products manufactured in Israel.

- An increase of $29.3 million in gross profit due primarily to:
  - Higher net sales and favorable product mix; and
  - Pricing initiatives taken in the first quarter of our fiscal year ended June 28, 2014.

- Partially offset by a $8.4 million increase in operating expenses due to:
  - Increased selling and administration expense related to the specialty pharmaceuticals sales force; and
  - An increase in restructuring expense of $2.6 million related to our strategic organizational enhancements.

Fiscal Year Comparison

($ in millions)	Fiscal Year Ended June 29, 2013	June 28, 2014	June 27, 2015
Net sales	$709.5	$927.1	$1,001.1

Gross profit	$361.5		$489.9		$548.9	
Gross profit %	51.0	%	52.8	%	54.8	%
Operating income	$263.2		$349.8		$373.9	
Operating income %	37.1	%	37.7	%	37.3	%

Perrigo Company plc - Item 7
Prescription Pharmaceuticals

Fiscal Year Ended June 27, 2015 vs. Fiscal Year Ended June 28, 2014

Segment operating income increased $24.1 million, or 7%, as a result of:

- An increase in net sales of $74.0 million, or 8%, due primarily to:
  - New product sales of $119.0 million related primarily to the launches of clobetasol propionate 0.05% spray, tacrolimus 0.1% ointment, and testosterone gel 1%; and
  - Net sales attributable to the Lumara product acquisition of $18.1 million; offset partially by
  - Discontinued products of $28.5 million;
  - Decrease in volumes of certain existing products; and
  - Unfavorable foreign exchange movement of $3.8 million for products manufactured in Israel.

- An increase of $59.0 million in gross profit due primarily to:
  - Higher net sales and favorable product mix; and
  - Pricing initiatives taken in the first quarter of the fiscal year ended June 28, 2014.

- Partially offset by a $35.0 million increase in operating expenses due to:
  - An R&D payment of $18.0 million made in connection with an R&D contractual arrangement;
  - Increased selling and administration expense related to the specialty pharmaceuticals sales force; and
  - Higher R&D expenses resulting from planned higher spending on new product development.

Fiscal Year Ended June 28, 2014 vs. Fiscal Year Ended June 29, 2013

Segment operating income increased $86.6 million, or 33%, as a result of:

- An increase in net sales of $217.6 million, or 31%, due primarily to:
  - New product sales of $106.4 million related primarily to the launches of fenofibrate, fluocinonide cream, nitroglycerine spray, repaglinide, and azelastine nasal spray;
  - Net sales attributable to the Rosemont acquisition and Fera product acquisition totaling $83.7 million; and
  - Improved product mix for sales of existing products.

- An increase of $128.4 million in gross profit due primarily to:
  - Incremental gross profit attributable to the Rosemont and Fera acquisitions;
  - Gross profit contribution from new products; and
  - Improved product mix for sales of existing products.

- Partially offset by a $41.8 million increase in operating expenses due to:
  - Incremental operating expenses from the Rosemont and Fera acquisitions of $15.1 million, including $3.0 million for the start up of a branded ophthalmic sales force;
  - A $15.0 million loss accrual related to the Texas Medicaid contingency discussed in Item 8. Note 16; and
  - A write-off of IPR&D acquired through the Rosemont and Paddock acquisitions totaling $6.0 million.

SPECIALTY SCIENCES

The Specialty Sciences segment was created on December 18, 2013 as a result of the Elan acquisition.

Recent Developments

In October 2015, Biogen Inc. announced that Tysabri® had failed to meet Phase 3 trial endpoints for use in secondary progressive multiple sclerosis in clinical trials. If the trials had been successful, the additional indication for Tysabri® could have positively impacted our future royalties. The long-term projected sales for Tysabri® remain positive and stable.

Perrigo Company plc - Item 7
Specialty Sciences

Segment Results

Six Month Comparison

($ in millions)	Six Months Ended December 27, 2014		December 31, 2015	
Net sales	$178.4		$168.4	
Gross profit	$33.4		$22.9	
Gross profit %	18.7	%	13.6	%
Operating income	$24.4		$15.8	
Operating income %	13.7	%	9.4	%

Six Months Ended December 31, 2015 vs. Six Months Ended December 27, 2014

Segment operating income decreased $8.6 million, or 35%, as a result of:

- A decrease in net sales of $10.0 million due to a negative foreign currency impact on Biogen's Tysabri® sales, which decreased our royalties by $10.3 million.
- A decrease in gross profit of $10.5 million due to a negative foreign currency impact on Biogen's Tysabri® sales.
- Offset partially by a decrease of $1.9 million in operating expenses.

Fiscal Year Comparison

($ in millions)	Fiscal Year June 28, 2014 [1]		June 27, 2015	
Net sales	$146.7		$344.0	
Gross profit	$(6.1	)	$54.0	
Gross profit %	(4.1	)%	15.7	%
Operating (loss) income	$(68.6	)	$36.3	
Operating (loss) income %	(46.7	)%	10.6	%

[1] Includes operations from December 18, 2013 to June 28, 2014.

Fiscal Year Ended June 27, 2015 vs. Fiscal Year Ended June 28, 2014

Segment operating income increased $104.9 million, or 153%, as a result of:

- An increase in net sales of $197.3 million due to:
-

The fiscal year ended June 27, 2015 including 12 months of royalties compared to six months in fiscal year ended June 28, 2014; and

- Tysabri® royalty percentage increasing from 12% for most of the fiscal year ended June 28, 2014 to 18% for the fiscal year ended June 27, 2015; offset partially by
- A negative foreign currency impact on Biogen Inc.'s Tysabri® sales, which decreased our royalties by $13.0 million.

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Perrigo Company plc - Item 7
Specialty Sciences

- An increase in gross profit of $60.1 million due to:
- The royalty percentage increase and additional months of royalties noted above; and
- Amortization expense on the intangible assets remaining flat.

- A decrease of $44.9 million in operating expenses due to:
- The divestiture of a product development program; and
- The absence of restructuring expense in the fiscal year ended June 27, 2015, which totaled $38.7 million in the fiscal year ended June 28, 2014.

OTHER

Significant Trends and Developments

We are pursuing the sale of our API business based in India and expect the sale to take place during 2016. During the six months ended December 31, 2015, we recorded an impairment of $29.0 million related to the expected sale of the business. As of December 31, 2015, we reclassified India's net assets to "held for sale" as discussed in Item 8. Note 9.

Segment Results

Six Month Comparison

($ in millions)	Six Months Ended December 27, 2014		December 31, 2015	
Net sales	$54.8		$45.1	
Gross profit	$26.2		$21.6	
Gross profit %	47.7	%	47.8	%
Operating income (loss)	$14.4		$(19.5	)
Operating income (loss) %	26.4	%	(43.3	)%

Six Months Ended December 31, 2015 vs. Six Months Ended December 27, 2014

Operating income decreased $33.9 million, or 235%, as a result of:

- A decrease in net sales of $9.7 million, or 18%, due primarily to competition on certain products and unfavorable changes in foreign currency exchange rates;

- A decrease of $4.6 million in gross profit due primarily to a decrease in sales of existing products; and

- An impairment charge of $29.0 million on our India API held for sale assets.

Perrigo Company plc - Item 7
Other

Fiscal Year Comparison

($ in millions)	Fiscal Year Ended June 29, 2013		June 28, 2014		June 27, 2015	
Net sales	$159.3		$137.6		$107.7	
Gross profit	$83.8		$77.1		$49.2	
Gross profit %	52.6	%	56.0	%	45.7	%
Operating income	$48.9		$46.1		$26.8	
Operating income %	30.7	%	33.5	%	24.9	%

Fiscal Year Ended June 27, 2015 vs. Fiscal Year Ended June 28, 2014

Operating income decreased $19.3 million, or 42%, as a result of:

- A decrease in net sales of $29.9 million, or 22%, due primarily to:
  - Decrease in U.S. sales of temozolomide, which had a 180-day exclusivity period that was in effect during the first six months of the fiscal year ended June 28, 2014;
  - Competition on certain products; and
  - Unfavorable changes in foreign currency exchange rates.

- A decrease of $27.9 million in gross profit due primarily to the decrease in the sales of existing products discussed above.

- Partially offset by a $8.6 million decrease in operating expenses due to proactive cost controls, including headcount reduction and certain decreases in R&D spending.

Fiscal Year Ended June 28, 2014 vs. Fiscal Year Ended June 29, 2013

Operating income decreased $2.8 million, or 6%, as a result of:

- A decrease in net sales of $21.7 million, or 14%, due primarily to:
  - Decreased sales of existing products of $63.6 million due primarily to increased competition on certain products, along with lower sales related to the post-exclusivity status of a customer's generic finished dosage pharmaceutical product. Our customer launched its product with 180-day exclusivity status in the fourth quarter of our fiscal year ended June 30, 2012; offset in part by
  - New product sales of $39.6 million, which relates primarily to the U.S. launch of temozolomide; and
  - Favorable changes in foreign currency exchange rates of $2.4 million.

- A decrease of $6.7 million in gross profit due primarily to:
  - Decrease in the sales of existing products discussed above;
  - Operational inefficiencies experienced during the year; offset partially by

- Favorable contribution from the U.S. launch of temozolomide.

- A decrease of $4.0 million in operating expenses due primarily to:
  - Lower administrative costs driven by lower legal expenses and lower employee-related expenses.

Perrigo Company plc - Item 7
Unallocated, Interest, Other, and Taxes

Unallocated Expenses

Unallocated expenses are comprised of certain corporate services not allocated to our reporting segments and are recorded above Operating income on the Consolidated Statements of Operations. Unallocated expenses were $151.0 million and $49.6 million for the six months ended December 31, 2015 and December 27, 2014, respectively, and $121.5 million, $173.4 million, and $34.7 million for the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, respectively.

The $101.4 million increase for the six months ended December 31, 2015 compared to the six months ended December 27, 2014 was due primarily to $86.9 million in fees incurred in our defense against Mylan's unsolicited tender offer and $7.5 million in corporate restructuring charges.

The $51.9 million decrease for the fiscal year ended June 27, 2015 compared to the fiscal year ended June 28, 2014 was due primarily to incurring fewer acquisition-related costs in Administration expense for the Omega acquisition compared to the Elan acquisition, offset partially by expenses we incurred in the fiscal year ended June 27, 2015 related to our defense against Mylan's bids. Acquisition-related costs recorded in Administration expense consist primarily of general transaction costs (legal, banking, and other professional fees).

The $138.7 million increase for the fiscal year ended June 28, 2014 compared to the fiscal year ended June 29, 2013 was due primarily to acquisition-related costs incurred in connection with the Elan transaction. See Item 8. Note 2 for more information on acquisition-related expenses.

Interest and Other (Consolidated)

	Fiscal Year Ended			Six Months Ended	
($ in millions)	June 29, 2013	June 28, 2014	June 27, 2015	December 27, 2014	December 31, 2015
Interest expense, net	$65.8	$103.5	$146.0	$56.7	$89.9
Other expense, net	$5.6	$25.1	$343.2	$61.9	$26.9
Loss on extinguishment of debt	$—	$165.8	$10.5	$9.6	$0.9

Interest Expense, Net

The $33.2 million increase for the six months ended December 31, 2015 compared to the six months ended December 27, 2014 was due primarily to the incremental increase in borrowings resulting from the acquisition of Omega, including the issuance of $1.6 billion of senior notes in November 2014 and assumed Omega debt, of which $798.3 million was outstanding at December 31, 2015, as well as amounts drawn under our revolving credit facilities, including $380.0 million and $300.0 million outstanding under the 2015 Revolver and 2014 Revolver, respectively, at December 31, 2015.

The $42.5 million increase for the fiscal year ended June 27, 2015 compared to the fiscal year ended June 28, 2014 was due primarily to the interest on the incremental increase in borrowings resulting from the issuance of $1.6 billion of debt in November 2014 to finance the Omega acquisition, as well as the debt we assumed from Omega in the fourth quarter of our fiscal year ended June 27, 2015 and did not repay, which totaled $820.9 million at June 27, 2015.

The $37.7 million increase for the fiscal year ended June 28, 2014 compared to the fiscal year ended June 29, 2013 was due primarily to increased borrowings related to the issuance of $600.0 million of debt in the fourth quarter of the fiscal year ended June 29, 2013, which was paid off during the second quarter of our fiscal year ended June 28, 2014

in conjunction with the Elan acquisition. Interest expense also increased due to an incremental increase in borrowings resulting from the issuance of $2.3 billion of debt in a private placement to finance the Elan acquisition, as well as a new $1.0 billion bank term loan, both of which were completed during the second quarter of our fiscal year ended June 28, 2014. See Item 8. Note 10 for more information on the above-mentioned debt.

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Other Expense, Net

Other expense, net totaled $26.9 million for the six months ended December 31, 2015 and was comprised primarily of a $10.7 million other-than-temporary impairment of a marketable equity security, losses on equity method investments totaling $7.1 million, and a $4.8 million loss on a foreign currency derivative we entered to hedge against the change in the euro for the euro-denominated purchase price of the GSK acquisition. Other expense, net totaled $61.9 million during the six months ended December 27, 2014 due primarily to our derivative activity to economically hedge fluctuations in the euro-denominated purchase price of the Omega acquisition, which resulted in a loss of $64.7 million, offset partially by a gain of $12.5 million from the transfer of a rights agreement.

The $318.1 million increase for the fiscal year ended June 27, 2015 compared to the fiscal year ended June 28, 2014 was due primarily to $324.8 million in aggregate losses we incurred hedging the euro-denominated purchase prices of Omega and GSK, as well as a $6.8 million goodwill impairment, offset partially by a gain of $12.5 million from the transfer of a rights agreement.

The $19.5 million increase in Other expense, net for the fiscal year ended June 28, 2014 compared to the fiscal year ended June 29, 2013 was due primarily to the sale of investments acquired from Elan totaling $12.7 million and losses on equity method investments totaling $8.6 million.

See Item 8. Note 8 for more information on the derivatives, Item 8. Note 7 for information on the investments, and Item 8. Note 3 for information on the goodwill impairment charge.

Loss on Extinguishment of Debt

During the six months ended December 31, 2015 we recorded a $0.9 million loss on extinguishment of debt, which consisted of deferred financing fees we wrote off related to the undrawn tranche of the 2014 Credit Agreements (as defined below) that we allowed to expire during the period. The losses during the six months ended December 27, 2014 ($9.6 million) and during the fiscal year ended June 27, 2015 ($10.5 million) consisted mainly of interest on the bridge agreement associated with financing the Omega acquisition. The $165.8 million loss recorded in the fiscal year ended June 28, 2014 consisted of make-whole payments, write-off of unamortized discounts, write-off of deferred financing fees, and interest on the bridge agreements associated with financing the Elan acquisition.

See Item 8. Note 2 for information on the Omega and Elan acquisitions, and Item 8. Note 10 for information on the extinguishment of debt.

Income Taxes (Consolidated)

The effective tax rate on continuing operations was 124.2% for the six months ended December 31, 2015 and 48.4%, 24.7% and 27.3% for the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, respectively.

The effective tax rate for the six months ended December 31, 2015 was significantly higher due mainly to the foreign tax rate impacts recorded at higher than the Irish tax rate for the impairment of Omega’s intangible assets and our India API assets held for sale. The effective tax rate was favorably affected by a reduction in the reserves for uncertain tax liabilities in the amount of $6.1 million for the six months ended December 31, 2015 related to various audit resolutions. For the fiscal year ended June 27, 2015 the rate was higher due mainly to the impact of a valuation allowance on deferred taxes and as a result of the Omega transaction costs. Similarly, the effective tax rate for the fiscal year ended June 28, 2014 was impacted by the transaction costs, changes to the estimated jurisdictional mix of

income and the new corporate structure attributable to the Elan transaction. Additionally, the effective tax rate for the fiscal year ended June 28, 2014 was unfavorably impacted by Israel tax rate changes in the amount of $1.8 million and favorably impacted by United Kingdom tax rate changes in the amount of $4.7 million as discussed further below.

During our fiscal year ended June 25, 2011, Israel enacted new tax legislation that reduced the effective tax rate to 10% for our fiscal years ended June 25, 2011 and June 30, 2012, 7% for our fiscal years ended June 29, 2013 and June 28, 2014, and 6% thereafter for certain qualifying entities that elect to be taxed under the new legislation. For all other entities that do not qualify for this reduced rate, the tax rate was increased from 25% to

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26.5%. However, additional legislation was passed in January 2016, effective immediately, reducing the tax rate from 26.5% back to 25%.

In July 2013, the United Kingdom passed legislation reducing the statutory rate to 21% and 20% effective April 1, 2014 and April 1, 2015, respectively. These rates are applicable to Perrigo as of June 30, 2013 and favorably impacted the effective tax rate in the amount of $4.7 million for our fiscal year ended June 28, 2014. Additionally, in November 2015, the United Kingdom passed legislation further reducing the statutory rate to 19% and 18% beginning April 1, 2017 and April 1, 2020, respectively. These rates are applicable to us as of December 31, 2015 and favorably impacted our effective tax rate in the amount of $1.4 million for the six months ended December 31, 2015.

In December 2013, Mexico enacted legislation to rescind the scheduled rate reductions and maintain the 30% corporate tax rate for 2014 and future years. This rate was applicable to Perrigo as of June 30, 2013.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

We finance our operations with internally generated funds, supplemented by credit arrangements with third parties and capital market financing. We routinely monitor current and expected operational requirements and financial market conditions to evaluate other available financing sources including revolving bank credit and securities offerings. Based on our current financial condition and credit relationships, management believes that our operations and borrowing resources are sufficient to provide for our current and foreseeable capital requirements. However, we continue to evaluate the impact of commercial and capital market conditions on liquidity and may determine that modifications to our capital structure are appropriate if market conditions deteriorate or if favorable capital market opportunities become available.

Cash and Cash Equivalents

* Working capital represents current assets less current liabilities, excluding cash and cash equivalents, and current indebtedness, for all years presented.

Cash, cash equivalents, cash flows from operations and borrowings available under our credit facilities are expected to be sufficient to finance the known and/or foreseeable liquidity and capital expenditures. Although our lenders have made commitments to make funds available to us in a timely fashion under our revolving credit agreements and overdraft facilities, if economic conditions worsen or new information becomes publicly available impacting the institutions' credit rating or capital ratios, these lenders may be unable or unwilling to lend money pursuant to our existing credit facilities.

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Cash Flows

Operating

Six Month Comparison

We generated $323.2 million from operating activities during the six months ended December 31, 2015, a $144.5 million decrease over the comparable prior year period. The primary driver of the decrease was increased payments on accounts payable, which used $199.5 million of cash compared to $46.8 million in the prior year period, due primarily to the addition of our BCH segment following our acquisition of Omega. Generally, our BCH segment has seasonally stronger sales in the second and fourth quarters of the calendar year. Accordingly, accounts payable terms with suppliers have historically been structured to benefit cash flow in these quarters which require investments in inventory and accounts receivable. Given the working capital structure of the segment, BCH experiences strong cash inflow in the second and fourth calendar quarters and cash outflow in the first and third calendar quarters. In order to establish a more sustainable cash flow pattern during the year, we are systematically changing these payment structures during 2016, which we expect to unfavorably impact cash flow in the first quarter and for the year by €80.0 million (approximately $87.0 million). Operating cash flow was also impacted by the use of $70.0 million to increase inventory compared to $17.7 million in the prior year period, which was due primarily to the addition of Omega, and $57.7 million used to pay for legal and consulting fees related to our defense against Mylan.

These decreases were offset partially by increased collections on accounts receivable of $86.1 million during the six months ended December 31, 2015, compared to a decrease in collections of accounts receivable of $4.5 million for the prior year period due to timing of receipt of payments. The decreases were also offset partially by the addition of our BCH segment and an increase in accrued liabilities of $75.6 million during the six months ended December 31, 2015, compared to $52.0 million in the prior year period due primarily to amounts not yet paid related to our defense against Mylan.

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Fiscal Year Comparison

In the fiscal year ended June 27, 2015, net cash provided from operating activities increased $504.8 million compared to the fiscal year ended June 28, 2014 due to increased earnings after adding back non-cash expenses and changes in working capital due primarily to the Omega acquisition. Accounts receivable impacted cash flow from operations by $81.7 million compared to $226.7 million in the prior year, an improvement of $145.0 million. The improvement was largely due to sales timing in the quarter compared to the prior year. The primary improvement in working capital was in accounts payable, which benefited operating cash flow by $140.6 million compared to a use of $24.9 million in the prior year. The change is largely attributable to the addition of Omega in the second calendar quarter, as Omega structured terms with suppliers based on seasonality of the business as noted above. These cash increases were offset partially by decreased inventory levels.

In addition, our operating cash flow increased due to the increase in Tysabri® royalties we received in the fiscal year ended June 27, 2015 compared to the fiscal year ended June 28, 2014. Our royalties were 18% of Biogen's worldwide sales of Tysabri® in the fiscal year ended June 27, 2015 compared to 12% through April 30 in the fiscal year ended June 28, 2014.

In the fiscal year ended June 28, 2014, net cash provided from operating activities increased $139.7 million compared the fiscal year ended June 29, 2013, due to increased earnings after adding back non-cash expenses, primarily loss on extinguishment of debt and depreciation and amortization expenses. There was also a slight increase due to changes in working capital.

Investing

Six Month Comparison

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Financial Condition, Liquidity and Capital Resources

Cash used for investing activities totaled $874.4 million for the six months ended December 31, 2015, an increase of $717.8 million over the comparable prior period. The increase in cash used was due primarily to the acquisitions we completed in the current year (primarily Entocort®, GSK and Naturwohl), which used $791.6 million in cash. During the six months ended December 27, 2014, we used $83.0 million in cash to complete the Lumara acquisition.

Capital expenditures for the six months ended December 31, 2015 totaled $77.8 million, compared to $48.0 million in the comparable prior year period. Capital expenditures for the next twelve months are anticipated to be between $135.0 million to $165.0 million related primarily to manufacturing productivity capacity and quality/regulatory projects. We expect to fund these estimated capital expenditures with funds from operating cash flows.

Fiscal Year Comparison
Net cash used for investing activities during the fiscal year ended June 27, 2015 increased $942.1 million compared to the fiscal year ended June 28, 2014 due to increased acquisition activity. During the fiscal year ended June 27, 2015, we used $2.2 billion, net of cash received, to purchase Omega, Gelcaps, and the Lumara products. During the fiscal year ended June 28, 2014, we used $1.6 billion, net of cash received, to acquire Elan and products from Aspen and Fera. Investing activities for the fiscal year ended June 27, 2015 also included $329.9 million of cash outflow related to the cash settlement of non-designated foreign currency derivatives we used to hedge the euro-denominated Omega and GSK purchase prices. See Item 8. Note 2 and Item 8. Note 8 for more information on the above-mentioned acquisitions and derivatives, respectively.

Net cash used for investing activities during the fiscal year ended June 28, 2014 increased $757.0 million compared to the fiscal year ended June 29, 2013, due primarily to increased acquisition activity. During the fiscal year ended June 29, 2013, we used $852.3 million, net of cash received, to purchase Velcera, Rosemont, Sergeant's, products from Fera, and the non-controlling interest of Cobrek. There was also a $67.5 million increase in capital expenditures to support various infrastructure projects, partially offset by $81.4 million of proceeds from sales of investments in the fiscal year ended June 28, 2014.

Cash used for capital expenditures for facilities and equipment during the fiscal year ended June 27, 2015 totaled $137.0 million. Capital expenditures were incurred for manufacturing productivity and capacity projects and investments at newly acquired entities. Capital expenditures were $171.6 million and $132.2 million for the fiscal year ended June 28, 2014 and June 29, 2013, respectively. The decrease in the fiscal year ended June 27, 2015 compared to the fiscal year ended June 28, 2014 was due to several large infrastructure projects nearing completion.

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Financing

Six Month Comparison

Cash generated from financing activities totaled $193.6 million for the six months ended December 31, 2015, compared to $2.5 billion for the comparable prior year period. The net cash inflow during the six months ended December 31, 2015 was due to net borrowings under our revolving credit facilities of $680.0 million and net borrowings under our overdraft facilities of $82.9 million, offset partially by $500.0 million used to repurchase shares under our share repurchase plan, $36.3 million in dividend payments, and $28.3 million in scheduled principal payments on our euro-denominated term loan. The cash generated during the six months ended December 27, 2014 was due to financing activities to fund the Omega acquisition. Financing included a public bond offering and a refinancing of our term loans, which together raised $2.5 billion net of discounts and fees, and a public equity offering, which raised $999.3 million net of issuance costs. We also used $895.0 million of proceeds to repay our previous term loans.

Fiscal Year Comparison
Net cash provided from financing activities increased $495.9 million in the fiscal year ended June 27, 2015 compared to the fiscal year ended June 28, 2014 due primarily to financing we undertook to purchase Omega in the fiscal year ended June 27, 2015. The Omega financing included raising $1.6 billion of debt, net of discount and issuance costs, and issuing 6.8 million ordinary shares, which brought in $999.3 million, net of issuance costs. In addition, we refinanced certain of our debt totaling $907.6 million. This increase in cash was offset partially by repayments of short- and long-term debt totaling $1.9 billion. In the fiscal year ended June 27, 2015 we issued $3.2 billion of debt net of issuance costs and repaid $2.2 billion of debt, including premium on early debt retirement, primarily in connection with the Elan acquisition. The increase in cash from financing activities in the fiscal year ended June 27, 2015 was also offset partially by an increase of $18.7 million in dividend payments over the fiscal year ended June 28, 2014.

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Net cash provided from financing activities increased $450.8 million in the fiscal year ended June 28, 2014 compared to the fiscal year ended June 29, 2013 due primarily to the Elan financing activity described above. In the fiscal year ended June 29, 2013, we issued $600.0 million in public bonds. See the below "Long-Term Debt" section and Item 8. Note 10 for more information on the above-mentioned debt activity.

Share Repurchases

In October 2015, the Board of Directors approved a share repurchase plan of up to $2.0 billion. During the six months ended December 31, 2015 we repurchased 3.3 million ordinary shares at an average repurchase price of $151.59 per share, for a total of $500.0 million.

Dividends

In January 2003, the Board of Directors adopted a policy of paying quarterly dividends. We paid dividends of $36.3 million ($0.25 per share) and $29.0 million ($0.21 per share) during the six months ended December 31, 2015 and December 27, 2014, respectively, and $64.8 million ($0.46 per share), $46.1 million ($0.39 per share), and $33.0 million ($0.35 per share) during the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, respectively.

The declaration and payment of dividends and the amount paid, if any, are subject to the discretion of the Board of Directors and depend on earnings, financial condition, capital and surplus requirements and other factors the Board of Directors may consider relevant.

Dividends paid were as follows:

Declaration Date	Record Date	Payable	Dividend Declared
Six Months Ended December 31, 2015			
November 4, 2015	November 27, 2015	December 15, 2015	$0.125
August 12, 2015	August 28, 2015	September 15, 2015	$0.125
Fiscal Year Ended June 27, 2015			
April 28, 2015	May 29, 2015	June 16, 2015	$0.125
January 27, 2015	February 27, 2015	March 17, 2015	$0.125
November 3, 2014	November 28, 2014	December 16, 2014	$0.105
August 13, 2014	August 29, 2014	September 16, 2014	$0.105
Fiscal Year Ended June 28, 2014			
April 28, 2014	May 30, 2014	June 17, 2014	$0.105
January 29, 2014	February 28, 2014	March 18, 2014	$0.105
November 6, 2013	November 29, 2013	December 17, 2013	$0.090
August 14, 2013	August 30, 2013	September 17, 2013	$0.090

Capital Resources

Overdraft Facilities

We acquired overdraft facilities from Omega with outstanding balances totaling €51.4 million ($56.0 million)at March 30, 2015 and repaid them prior to June 27, 2015. The repayments are shown on the Consolidated Statements of Cash Flows in Borrowings (repayments) of short-term debt, net. Our BCH segment uses overdraft facilities in its day-to-day operations. The balance outstanding under the facilities was $82.9 million at December 31, 2015 and is included in Current indebtedness.

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Accounts Receivable Factoring

We assumed multiple accounts receivable factoring arrangements with non-related third-party financial institutions (the “Factors”) with the Omega acquisition. Pursuant to the terms of the arrangements, we sell to the Factors certain of our accounts receivable balances on a non-recourse basis for credit approved accounts. An administrative fee ranging from 0.14% to 0.15% per invoice is charged on the gross amount of accounts receivables assigned to the Factors, plus interest is calculated at the applicable EUR LIBOR rate plus 70 basis points. The total amount factored and excluded from accounts receivable was $106.7 million and $171.6 million at December 31, 2015 and June 27, 2015, respectively. See Item 8. Note 4 for more information.

Revolving Credit Agreements

On December 9, 2015, Perrigo Finance Unlimited Company, formerly Perrigo Finance plc ("Perrigo Finance"), entered into a $750.0 million revolving credit agreement (the "2015 Revolver"). There was $380.0 million outstanding under the 2015 Revolver as of December 31, 2015.

On December 5, 2014, Perrigo Finance entered into a term loan agreement consisting of a €500.0 million ($614.3 million) tranche, with the ability to draw an additional €300.0 million ($368.6 million) tranche, maturing December 5, 2019, and a $600.0 million revolving credit agreement which stepped up to $1.0 billion upon the closing of the Omega acquisition (the "2014 Revolver") (together, the "2014 Credit Agreements"), and Perrigo Company entered into a $300.0 million term loan tranche maturing December 18, 2015. We allowed the undrawn €300.0 million term loan tranche to expire.

There was $300.0 million outstanding under the 2014 Revolver as of December 31, 2015. There were no borrowings outstanding under the 2014 Revolver as of June 27, 2015, and June 28, 2014.

On January 22, 2016, we paid $415.0 million in cash to acquire a portfolio of generic dosage forms and strengths of Retin-A® (tretinoin), which was funded primarily by borrowings under our 2014 Revolver and 2015 Revolver.

We also assumed a €500.0 million ($544.5 million) revolving credit facility in connection with the Omega acquisition. We repaid the $539.1 million outstanding under this facility and terminated it on April 8, 2015. See Item 8. Note 10 for more information on our revolving credit agreements and related transactions.

Term Loans and Notes

Six Months Ended December 31, 2015

- During the six months ended December 31, 2015, we made $28.3 million in scheduled principal payments on our euro-denominated term loan.

Fiscal Year Ended June 27, 2015

- On September 2, 2014, we offered to exchange what were previously private placement senior notes for public bonds registered with the Securities and Exchange Commission. Substantially all of the private placement senior notes have been exchanged.
- On December 2, 2014, Perrigo Finance, our 100% owned finance subsidiary, issued $500.0 million in aggregate principal amount of 3.50% senior notes due 2021, $700.0 million in aggregate principal amount of 3.90% senior notes

due 2024, and $400.0 million in aggregate principal amount of 4.90% senior notes due 2044 (collectively, the "2014 Bonds").

- The 2014 Bonds are fully and unconditionally guaranteed on a senior unsecured basis by Perrigo Company plc, and no other subsidiary of Perrigo Company plc guarantees the 2014 Bonds. We may redeem the 2014 Bonds at any time under the terms of the applicable indenture, subject to the payment of a make-whole premium.

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- On December 5, 2014, Perrigo Finance entered into a term loan agreement consisting of a €500.0 million ($614.3 million) tranche maturing December 5, 2019, and Perrigo Company plc entered into a $300.0 million term loan tranche maturing December 18, 2015 ("2014 Term Loan").
- On December 5, 2014, we repaid the remaining $895.0 million outstanding under our 2013 Term Loan described below, then terminated it.
- On June 24, 2015, we repaid the $300.0 million portion of the 2014 Term Loan.
- On March 30, 2015, we assumed $20.0 million in aggregate principal amount of 6.19% senior notes due 2016 (the "2016 Notes"), €135.0 million ($147.0 million) aggregate principal amount of 5.1045% senior notes due 2023, €300.0 million ($326.7 million) in aggregate principal amount of 5.125% retail bonds due 2017, €180.0 million ($196.0 million) in aggregate principal amount of 4.500% retail bonds due 2017, and €120.0 million ($130.7 million) in aggregate principal amount of 5.000% retail bonds due 2019 (collectively, the "Retail Bonds") in connection with the Omega acquisition.
- The fair value of the 2023 Notes and Retail Bonds exceeded par value by €93.6 million ($101.9 million) on the date of the acquisition. As a result, a fair value adjustment was recorded as part of the carrying value of the underlying debt and will be amortized as a reduction of interest expense over the remaining terms of the respective debt instruments. The adjustment does not affect cash interest payments.
- On May 29, 2015, we repaid the $20.0 million in aggregate principal amount of the 2016 Notes.

Fiscal Year Ended June 28, 2014

- On September 6, 2013, Perrigo Company entered into a $1.0 billion term loan agreement (the "2013 Term Loan") consisting of a $300.0 million tranche maturing December 18, 2015 and a $700.0 million tranche maturing December 18, 2018. Both tranches were drawn in full on December 18, 2013.
- On November 8, 2013, Perrigo Company issued $500.0 million in aggregate principal amount of 1.30% senior notes due 2016, $600.0 million in aggregate principal amount of 2.30% senior notes due 2018, $800.0 million in aggregate principal amount of 4.00% senior notes due 2023, and $400.0 million in aggregate principal amount of 5.30% senior notes due 2043 in a private placement.
- On December 18, 2013, we repaid the remaining principal balance with accrued interest and fees of $360.0 million outstanding under our credit agreement dated as of October 26, 2011, then terminated the agreement.
- On November 20, 2013, we priced a tender offer and consent solicitation with regard to our 2.95% notes which were issued pursuant to the indenture dated as of May 16, 2013. The total tender consideration was $578.3 million. On December 27, 2013, we redeemed the remaining notes for a total payment of $28.5 million. Upon completion of the redemption, the indenture was terminated.
- On December 23, 2013, we completed the prepayment of all obligations under our private placement senior notes outstanding under the master note purchase agreement dated May 29, 2008 (the "Note Agreement") for $1.1 billion. Upon completion of the prepayment, the Note Agreement was terminated.

We were in compliance with all covenants under our various debt agreements as of December 31, 2015. See Item 8. Note 10 for more information on all of the above debt facilities and transactions.

Bridge Financing

In connection with the Omega acquisition, on November 6, 2014, we entered into a €1.75 billion ($2.2 billion) senior unsecured 364-day bridge loan facility (the "Bridge Loan Facility"). Upon issuance of our permanent debt financing described below, the Bridge Loan Facility was terminated on December 3, 2014. At no time did we draw upon the Bridge Loan Facility.

In connection with the Elan acquisition, on July 28, 2013, we entered into a $2.65 billion debt bridge credit agreement (the "Debt Bridge") and a $1.7 billion cash bridge credit agreement (the "Cash Bridge") (together, the "Bridge Credit Agreements"). The commitments under the Debt Bridge and the Cash Bridge agreements were terminated on November 8, 2013 and December 24, 2013, respectively. At no time did we draw under the Bridge Credit Agreements.

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Financial Condition, Liquidity and Capital Resources

Credit Ratings

Our credit ratings on December 31, 2015 were Baa3 (stable) and BBB (outlook negative) by Moody's Investors Service and Standard and Poor's ("S&P") Rating Services, respectively.

Credit rating agencies review their ratings periodically and, therefore, the credit rating assigned to us by each agency may be subject to revision at any time. Accordingly, we are not able to predict whether current credit ratings will remain as disclosed above. Factors that can affect our credit ratings include changes in operating performance, the economic environment, our financial position, and changes in business strategy. If changes in our credit ratings were to occur, they could impact, among other things, future borrowing costs, access to capital markets, and vendor financing terms.

Contractual Obligations

Our enforceable and legally binding obligations as of December 31, 2015 are set forth in the following table. Some of the amounts included in this table are based on management’s estimates and assumptions about these obligations, including the duration, the possibility of renewal, anticipated actions by third parties and other factors. Because these estimates and assumptions are necessarily subjective, the enforceable and legally binding obligations actually paid in future periods may vary from the amounts reflected in the table (in millions).

	Payment Due				
	2016	2017-2018	2019-2020	After 2020	Total
Short and long-term debt [1]	$1,201.9	$1,568.3	$1,005.3	$4,114.3	$7,889.8
Capital lease obligations	2.4	0.5	—	—	2.9
Purchase obligations [2]	396.3	4.6	2.1	0.7	403.7
Pending acquisition [3]	415.0	—	—	—	415.0
Operating leases [4]	45.8	65.8	36.4	21.6	169.6
Other contractual liabilities reflected on the consolidated balance sheets:					
Deferred compensation and benefits [5]	6.6	0.5	—	85.7	92.8
Other [6]	45.7	10.4	8.8	11.1	76.0
Total	$2,113.7	$1,650.1	$1,052.6	$4,233.4	$9,049.8

(1) Short-term and long-term debt includes interest payments, which were calculated using the effective interest rate at December 31, 2015.
(2) Consists of commitments for both materials and services.
(3) Purchase price of generic Retin A® portfolio acquisition.
(4) Used in normal course of business, principally for warehouse facilities and computer equipment.
(5) Includes amounts associated with non-qualified plans related to deferred compensation, executive retention and post employment benefits. Of this amount, we have funded $52.5 million, which is recorded in Other non-current assets on the balance sheet. These amounts are assumed payable after five years, although certain circumstances, such as termination, would require earlier payment.
(6) Primarily includes consulting fees related to the Mylan defense for calendar year 2016, and electrical purchase contracts, which were accrued in Other current liabilities and Other non-current liabilities at December 31, 2015 for all years.

We fund our U.S. qualified profit-sharing and investment plan in accordance with the Employee Retirement Income Security Act of 1974 regulations for the minimum annual required contribution and Internal Revenue Service

regulations for the maximum annual allowable tax deduction. We are committed to making the required minimum contributions, which we expect to be approximately $25.5 million over the next 12 months. Future contributions are dependent upon various factors, including employees' eligible compensation, plan participation and changes, if any, to current funding requirements. Therefore, no amounts were included in the Contractual Obligations table above. We generally expect to fund all future contributions with cash flows from operating activities.

As of December 31, 2015, we had approximately $334.7 million of liabilities for uncertain tax positions. These unrecognized tax benefits have been excluded from the Contractual Obligations table above due to uncertainty as to the amounts and timing of settlement with taxing authorities.

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Net deferred income tax liabilities were $1.5 billion as of December 31, 2015. This amount is not included in the Contractual Obligations table above because we believe this presentation would not be meaningful. Net deferred income tax liabilities are calculated based on temporary differences between the tax basis of assets and liabilities and their book basis, which will result in taxable amounts in future years when the book basis is settled. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future periods. As a result, scheduling net deferred income tax liabilities as payments due by period could be misleading because this scheduling would not relate to liquidity needs.

Critical Accounting Estimates

The determination of certain amounts in our financial statements requires the use of estimates. These estimates are based upon our historical experiences combined with management’s understanding of current facts and circumstances. Although the estimates are considered reasonable based on the currently available information, actual results could differ from the estimates we have used. Management considers the below accounting estimates to require the most judgment and to be the most critical in the preparation of our financial statements. These estimates are reviewed by the Audit Committee.

Revenue Recognition and Customer-Related Accruals and Allowances

We generally record revenues from product sales when the goods are shipped to the customer. For customers with Free on Board ("FOB") destination terms, a provision is recorded to exclude shipments estimated to be in-transit to these customers at the end of the reporting period. A sales allowance is recorded and accounts receivable are reduced as revenues are recognized for estimated losses on credit sales due to customer claims for discounts, price discrepancies, returned goods, and other items. Revenue is also reduced for any contractual customer program arrangements and related liabilities are recorded concurrently. Distribution fees (commission) we receive when acting as a principal in a distribution agreement are recognized as a reduction of cost of sales.

We maintain customer-related accruals and allowances that consist primarily of chargebacks, rebates, sales returns, shelf stock allowances, administrative fees, and other incentive programs. Some of these adjustments relate specifically to the Rx segment while others relate to the CHC and BCH segments. The aggregate gross-to-net adjustments related to Rx products can exceed 50% of the segment's gross sales. In contrast, the aggregate gross-to-net adjustments related to CHC and BCH typically do not exceed 10% of the segment's gross sales. Certain of these accruals and allowances are recorded on the balance sheet as current liabilities, and others are recorded as a reduction in accounts receivable.

Chargebacks

We market and sell products directly to wholesalers, distributors, warehousing pharmacy chains, and other direct purchasing groups. We also market products indirectly to independent pharmacies, non-warehousing chains, managed care organizations, and group purchasing organizations, collectively referred to as "indirect customers." In addition, we enter into agreements with some indirect customers to establish contract pricing for certain products. These indirect customers then independently select a wholesaler from which to purchase the products at these contracted prices. Alternatively, we may pre-authorize wholesalers to offer specified contract pricing to other indirect customers. Under either arrangement, we provide chargeback credit to the wholesaler for any difference between the contracted price with the indirect customer and the wholesaler's invoice price. The accrual for chargebacks is based on historical chargeback experience and confirmed wholesaler inventory levels, as well as estimated sell-through levels by wholesalers to retailers. We regularly assess current pricing dynamics and wholesaler inventory levels to ensure the

liability for future chargebacks is fairly stated.

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Critical Accounting Estimates

Medicaid Rebates

We participate in certain qualifying U.S. federal and state government programs whereby discounts and rebates are provided to participating government entities. Medicaid rebates are amounts owed based upon contractual agreements or legal requirements with public sector (Medicaid) benefit providers, after the final dispensing of the product by a pharmacy to a benefit plan participant. Medicaid reserves are based on expected payments, which are driven by patient usage, contract performance, and field inventory that will be subject to a Medicaid rebate. Medicaid rebates are typically billed up to 180 days after the product is shipped, but can be billed as many as 270 days after the quarter in which the product is dispensed to the Medicaid participant. As a result, our Medicaid rebate provision includes an estimate of outstanding claims for end-customer sales that occurred but for which the related claim has not been billed, and an estimate for future claims that will be made when inventory in the distribution channel is sold through to plan participants. Our calculation also requires other estimates, such as estimates of sales mix, to determine which sales are subject to rebates and the amount of such rebates. Our rebates are reviewed on a quarterly basis against actual claims data to ensure the liability is fairly stated.

Returns and Shelf Stock Allowances

Consistent with industry practice, we maintain a return policy that allows our customers to return product within a specified period prior to and subsequent to the expiration date. Generally, product may be returned for a period beginning six months prior to its expiration date to up to one year after its expiration date. The majority of our product returns are the result of product dating, which falls within the range set by our policy, and are settled through the issuance of a credit to the customer. Our estimate of the provision for returns is based upon our historical experience with actual returns, which is applied to the level of sales for the period that corresponds to the period during which our customers may return product. The period is based on the shelf life of the products at the time of shipment. Additionally, when establishing our reserves, we consider factors such as levels of inventory in the distribution channel, product dating and expiration period, size and maturity of the market prior to a product launch, entrance into the market of additional competition, and changes in formularies.

Shelf stock allowances are credits issued to reflect changes in the selling price of a product and are based upon estimates of the amount of product remaining in a customer's inventory at the time of the anticipated price change. In many cases, the customer is contractually entitled to such a credit. The allowances for shelf stock adjustments are based on specified terms with certain customers, estimated launch dates of competing products, and estimated changes in market price.

Rx Administrative Fees and Other Rebates

Consistent with pharmaceutical industry practice, rebates or administrative fees are offered to certain wholesale customers, group purchasing organizations, and end-user customers. Settlement of rebates and fees generally may occur from one to 15 months from the date of sale. We provide a provision for rebates at the time of sale based on contracted rates and historical redemption rates. Assumptions used to establish the provision include level of wholesaler inventories, contract sales volumes, and average contract pricing.

CHC and BCH Rebates and Other Allowances

In the CHC and BCH segments, we offer certain customers a volume incentive rebate if specific levels of product purchases are made during a specified period. The accrual for rebates is based on contractual agreements and estimated levels of purchasing. In addition, we have a reserve for product returns, primarily related to damaged and

unsaleable products. We also have agreements with certain customers to cover promotional activities related to our products such as coupon programs, new store allowances, and product displays. The accrual for these activities is based on customer agreements and is established at the time product revenue is recognized.

Allowances for customer-related programs are generally recorded at the time of sale based on the estimates and methodologies described above. We continually monitor product sales provisions and re-evaluate these estimates as additional information becomes available, which includes, among other things, an assessment of current market conditions, trade inventory levels, and customer product mix. We make adjustments to these provisions at the end of each reporting period to reflect any such updates to the relevant facts and circumstances.

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Critical Accounting Estimates

Current reporting period adjustments to allowance amounts established in prior reporting periods have not historically been material.

The following table summarizes the activity in our customer-related accrual and allowance accounts on the Consolidated Balance Sheets (in millions):
Customer-Related Accruals and Allowances

	Rx				All Other Segments *	
(in millions)	Chargebacks	Medicaid Rebates	Returns and Shelf Stock Allowances	Admin. Fees and Other Rebates	Rebates and Other Allowances	Total
Balance at June 29, 2013	$67.4	$9.3	$37.2	$19.3	$37.6	$170.8
Balances Acquired in Business Acquisitions	—	—	—	—	17.1	17.1
Provisions / Adjustments	885.4	52.5	46.9	116.4	117.4	1,218.6
Credits / Payments	(804.9)	(37.4)	(30.5)	(110.4)	(105.3)	(1,088.5)
Balance at June 28, 2014	$147.9	$24.4	$53.6	$25.3	$66.8	$318.0
Balances Acquired in Business Acquisitions	—	—	—	—	43.8	43.8
Provisions / Adjustments	1,123.1	46.8	35.3	133.5	155.8	1,494.5
Credits / Payments	(1,079.6)	(39.6)	(26.8)	(113.3)	(162.1)	(1,421.4)
Balance at June 27, 2015	$191.4	$31.6	$62.1	$45.5	$104.3	$434.9
FX	—	—	—	—	(1.6)	(1.6)
Provisions / Adjustments	659.4	11.7	21.3	49.7	111.0	853.1
Credits / Payments	(632.7)	(18.6)	(20.6)	(54.3)	(94.6)	(820.8)
Balance at December 31, 2015	$218.1	$24.7	$62.8	$40.9	$119.1	$465.6

*CHC, BCH, and Specialty Sciences

Revenues from service and royalty arrangements, including revenues from collaborative agreements, consist primarily of royalty payments, payments for research and development services, up-front fees and milestone payments. If an arrangement requires the delivery or performance of multiple deliverables or service elements, we determine whether the individual elements represent "separate units of accounting". If the separate elements meet the requirements, we recognize the revenue associated with each element separately and revenue is allocated among elements based on their relative selling prices. If the elements within a multiple deliverable arrangement are not considered separate units of accounting, the delivery of an individual element is considered not to have occurred if there are undelivered elements that are considered essential to the arrangement. To the extent such arrangements contain refund clauses triggered by non-performance or other adverse circumstances, revenue is not recognized until all contractual obligations are satisfied.

Non-refundable up-front fees are deferred and amortized to revenue over the related performance period. We estimate the performance period based on the specific terms of each collaborative agreement. Revenue associated with research and development services is recognized on a proportional performance basis over the period that we perform the related activities under the terms of the agreement. Revenue resulting from the achievement of contingent milestone events stipulated in the agreements is recognized when the milestone is achieved. Milestones are based upon the occurrence of a substantive element specified in the contract.

Inventory Reserves

We maintain reserves for estimated obsolete or unmarketable inventory based on the difference between the cost of the inventory and its estimated market value. In estimating the reserves, management considers factors such as excess or slow-moving inventories, product expiration dating, products on quality hold, current and future customer demand, and market conditions. Changes in these conditions may result in additional reserves.

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Critical Accounting Estimates

Income Taxes

Our tax rate is subject to adjustment over the balance of the fiscal year due to, among other things, income tax rate changes by governments; the jurisdictions in which our profits are determined to be earned and taxed; changes in the valuation of our deferred tax assets and liabilities; adjustments to estimated taxes upon finalization of various tax returns; adjustments to our interpretation of transfer pricing standards, changes in available tax credits, grants and other incentives; changes in stock-based compensation expense; changes in tax laws or the interpretation of such tax laws (for example, proposals for fundamental U.S. and international tax reform); changes in U.S. generally accepted accounting principles; expiration of or the inability to renew tax rulings or tax holiday incentives; and the repatriation of earnings with respect to which we have not previously provided taxes.

Although we believe that our tax estimates are reasonable and that we prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audit, and any related litigation, could be materially different from our estimates or from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on operating results and/or cash flows in the periods for which that determination is made. In addition, future period earnings may be adversely impacted by litigation costs, settlements, penalties, and/or interest assessments.

Legal Contingencies

We are involved in product liability, patent, commercial, regulatory and other legal proceedings that arise in the normal course of business. We record a liability when a loss is considered probable and the amount can be reasonably estimated. If the reasonable estimate of a probable loss is a range and no amount within that range is a better estimate, the minimum amount in the range is accrued. If a loss is not probable or a probable loss cannot be reasonably estimated, no liability is recorded. We have established reserves for certain of our legal matters, as described in Item 8. Note 16. We also separately record any insurance recoveries that are probable of occurring.

Acquisition Accounting

We account for acquired businesses using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recorded at fair value, with limited exceptions. Any excess of the purchase price over the fair value of the specifically identified net assets acquired is recorded as goodwill. Amounts allocated to acquired In Process Research and Development ("IPR&D") are recognized at fair value and initially characterized as indefinite-lived intangible assets, irrespective of whether the acquired IPR&D has an alternative future use. If the acquired net assets do not constitute a business, the transaction is accounted for as an asset acquisition and no goodwill is recognized. In an asset acquisition, acquired IPR&D with no alternative future use is charged to expense at the acquisition date.

The judgments made by management in determining the estimated fair value assigned to each class of asset acquired and liability assumed can materially impact our results of operations. As part of the valuation procedures, we typically consult an independent advisor. There are several methods that can be used to determine fair value. We typically use an income approach for valuing our specifically identifiable intangible assets by employing either a relief from royalty or multi-period excess earnings methodology. The relief from royalty method assumes that, if the acquired company did not own the intangible asset or intellectual property, it would be willing to pay a royalty for its use. The benefit of ownership of the intellectual property is valued as the relief from the royalty expense that would otherwise be incurred. Typically we use this method for valuing readily transferable intangible assets that have licensing appeal, such as trade names and trademarks and certain technology assets.

The multi-period excess earnings approach starts with a forecast of the net cash flows expected to be generated by the asset over its estimated useful life. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. We typically use this method for valuing intangible assets such as developed product technology, customer relationships, product formulations, and IPR&D.

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Critical Accounting Estimates

Some of the more significant estimates and assumptions inherent in one or both of these income approaches include:

- the amount and timing of projected future cash flows, adjusted for the probability of technical and marketing success;
- the amount and timing of projected costs to develop IPR&D into commercially viable products;
- the discount rate selected to measure the risks inherent in the future cash flows;
- the estimate of an appropriate market royalty rate; and
- an assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory, or economic barriers to entry.

We believe the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions; however, unanticipated events and circumstances may occur that may affect the accuracy and validity of such assumptions, estimates or actual results.

While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Determining the useful life of an intangible asset also requires judgment, as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives. Useful life is the period over which the intangible asset is expected to contribute directly or indirectly to our future cash flows. We determine the useful lives of intangible assets based on a number of factors, such as legal, regulatory, or contractual provisions that may limit the useful life, and the effects of obsolescence, anticipated demand, existence or absence of competition, and other economic factors on useful life.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents amounts paid for an acquisition in excess of the fair value of net assets received. We test goodwill for impairment annually, or more frequently if changes in circumstances or the occurrence of events suggest an impairment exists. For the transition period of June 28, 2015 through December 31, 2015, we tested both our goodwill and indefinite-lived assets (discussed further below) for impairment as of September 27, 2015, the first day of the second quarter of the transition period. The test for impairment requires us to make several estimates about fair value, most of which are based on projected future cash flows and market valuation multiples. The estimates associated with the goodwill impairment tests are considered critical due to the judgments required in determining fair value amounts, including projected future cash flows. Changes in these estimates may result in the recognition of an impairment loss.

Certain trade names, trademarks, brands, as well as IPR&D assets, are determined to have an indefinite useful life and are not subject to amortization. We review them for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that any individual asset might be impaired, and adjust the carrying value of the asset as necessary. IPR&D assets are initially recognized at fair value and classified as indefinite-lived assets until the successful completion or abandonment of the associated research and development efforts.

See Item 8. Note 3 for additional information regarding goodwill and indefinite-lived intangible asset impairment testing results.

Definite-Lived Intangible Assets

Other intangible assets consist of a portfolio of individual developed product technology/formulation and product rights, brands, distribution and license agreements, customer relationships, non-compete agreements, IPR&D, and trade names and trademarks. The assets categorized as developed product technology/formulation

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Critical Accounting Estimates

and product rights, certain distribution and license agreements and non-compete agreements are amortized over their estimated useful economic lives using the straight-line method. Customer relationships and certain distribution agreements are amortized on a proportionate basis consistent with the economic benefits derived from those relationships and agreements.

For intangible assets subject to amortization, an impairment analysis is performed whenever events or changes in circumstances indicate that the carrying amount of any individual asset may not be recoverable. The carrying amount of an intangible asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. An impairment loss is recognized if the carrying amount of the asset is not recoverable and its carrying amount exceeds its fair value.

Assets Held for Sale

We classify assets as "held for sale" when management approves and commits to a formal plan of sale with the expectation the sale will be completed within one year. The net assets of the business held for sale are then recorded at the lower of their current carrying value and the fair market value, less costs to sell. See Item 8. Note 9 for further information on our assets held for sale.

Recently Issued Accounting Standards

See Item 8. Note 1 for information regarding recently issued accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

We are a global company with operations throughout North America, Europe, Australia, Mexico, and Israel. We transact business in each location's local currency and in foreign currencies, thereby creating exposures to changes in exchange rates. Our largest exposure is the movement of the U.S. dollar relative to the euro, which has increased due to the Omega acquisition. In addition, our U.S. operations continue to expand their export business, primarily in Canada, China, and Europe, and are subject to fluctuations in the respective exchange rates relative to the U.S. dollar. A large portion of the sales of our Israeli operations is in foreign currencies, primarily U.S. dollars and euros, while these operations largely incur costs in their local currency. Further, a portion of Biogen's global sales of Tysabri® are denominated in local currencies creating exposures to changes in exchange rates relative to the U.S. dollar and thereby impacting the amount of U.S. dollar royalties we receive.

Due to different sales and cost structures, certain segments experience a negative impact and certain segments a positive impact as a result of changes in exchange rates. We estimate the translation effect of a ten percent devaluation of the U.S. dollar relative to the other foreign currencies in which we transact business would have increased operating income of our non-U.S. operating units by approximately $18.6 million for the six months ended December 31, 2015. This sensitivity analysis has inherent limitations. The analysis disregards the possibility that rates of multiple foreign currencies will not always move in the same direction relative to the value of the U.S. dollar over time and does not account for foreign exchange derivatives that we utilize to mitigate fluctuations in exchange rates.

In addition, we enter into certain purchase commitments for materials that, although denominated in U.S. dollars, are linked to foreign currency valuations. These commitments generally contain a range for which the price of materials may fluctuate over time given the value of a foreign currency.

The translation of the assets and liabilities of our non-U.S. dollar denominated operations is made using local currency exchange rates as of the end of the year. Translation adjustments are not included in determining net income but are disclosed in Accumulated Other Comprehensive Income ("AOCI") within shareholders' equity on the Consolidated Balance Sheets until a sale or substantially complete liquidation of the net investment in the subsidiary takes place. In certain markets, we could recognize a significant gain or loss related to unrealized cumulative translation adjustments if we were to exit the market and liquidate our net investment. As of December 31, 2015, cumulative net currency translation adjustments decreased shareholders' equity by $4.4 million.

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We monitor and strive to manage risk related to foreign currency exchange rates. Exposures that cannot be naturally offset within a local entity to an immaterial amount are often hedged with foreign exchange derivatives or netted with offsetting exposures at other entities. See Item 8. Note 8 for further information regarding our derivative and hedging activities. We cannot predict future changes in foreign currency movements and fluctuations could materially impact earnings.

Interest Rate Risk

We are exposed to interest rate changes primarily as a result of interest income earned on our investment of cash on hand and interest expense on borrowings used to finance acquisitions and working capital requirements.

We have in the past, and may in the future, enter into certain derivative financial instruments related to the management of interest rate risk, when available on a cost-effective basis. See Item 8. Note 8 for further information regarding our derivative and hedging activities. These instruments are managed on a consolidated basis to efficiently net exposures and thus take advantage of any natural offsets. We do not use derivative financial instruments for speculative purposes. Gains and losses on hedging transactions are offset by gains and losses on the underlying exposures being hedged.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Perrigo Company plc is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of our inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. The framework used in carrying out our evaluation was the Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. In evaluating our information technology controls, we also used components of the framework contained in the Control Objectives for Information and related Technology ("COBIT"), which was developed by the Information Systems Audit and Control Association's IT Governance Institute, as a complement to the COSO internal control framework.

Based on the evaluation under these frameworks, management has concluded that internal controls over financial reporting were effective as of December 31, 2015. The results of management's assessment have been reviewed with our Audit Committee.

Ernst & Young LLP, the independent registered public accounting firm that audited our financial statements included in this Transition Report on Form 10-KT, also audited the effectiveness of our internal control over financial reporting, as stated in their report which is included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors and Shareholders
Perrigo Company plc

We have audited Perrigo Company plc's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Perrigo Company plc's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Perrigo Company plc maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Perrigo Company plc as of December 31, 2015, June 27, 2015 and June 28, 2014, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the period from June 28, 2015 to December 31, 2015 and each of the three fiscal years in the period ended June 27, 2015 of Perrigo Company plc, and our report dated February 25, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
February 25, 2016

Perrigo Company plc - Item 8

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENTS

Board of Directors and Shareholders
Perrigo Company plc

We have audited the accompanying consolidated balance sheets of Perrigo Company plc as of December 31, 2015, June 27, 2015 and June 28, 2014, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for period from June 28, 2015 to December 31, 2015 and each of the three fiscal years in the period ended June 27, 2015. Our audits also included the financial statement schedule listed in Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Perrigo Company plc at December 31, 2015, June 27, 2015 and June 28, 2014, and the consolidated results of its operations and its cash flows for the period June 28, 2015 to December 31, 2015 and each of the three fiscal years in the period ended June 27, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Perrigo Company plc's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
February 25, 2016

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PERRIGO COMPANY PLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Six Months Ended	Fiscal Year Ended		
	December 31, 2015	June 27, 2015	June 28, 2014	June 29, 2013
Net sales	$2,769.5	$4,603.9	$4,060.8	$3,539.8
Cost of sales	1,661.4	2,891.4	2,613.1	2,259.8
Gross profit	1,108.1	1,712.5	1,447.7	1,280.0
Operating expenses				
Distribution	47.9	67.7	55.3	47.5
Research and development	88.2	187.8	152.5	115.2
Selling	325.9	319.0	208.6	186.1
Administration	309.1	385.2	411.3	240.2
Impairment charges	215.6	—	—	—
Write-off of in-process research and development	—	—	6.0	9.0
Restructuring	26.9	5.1	47.0	2.9
Total operating expenses	1,013.6	964.8	880.7	600.9
Operating income	94.5	747.7	567.0	679.1
Interest expense, net	89.9	146.0	103.5	65.8
Other expense, net	26.9	343.2	25.1	5.6
Loss on extinguishment of debt	0.9	10.5	165.8	—
Income (loss) before income taxes	(23.2)	248.0	272.6	607.7
Income tax expense (benefit)	(28.8)	120.0	67.3	165.8
Net income	$5.6	$128.0	$205.3	$441.9
Earnings per share				
Basic	$0.04	$0.92	$1.78	$4.71
Diluted	$0.04	$0.92	$1.77	$4.68
Weighted-average shares outstanding				
Basic	145.6	139.3	115.1	93.9
Diluted	146.1	139.8	115.6	94.5
Dividends declared per share	$0.25	$0.46	$0.39	$0.35

See accompanying Notes to Consolidated Financial Statements.

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PERRIGO COMPANY PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Six Months Ended	Fiscal Year Ended		
	December 31, 2015	June 27, 2015	June 28, 2014	June 29, 2013
Net income	$5.6	$128.0	$205.3	$441.9
Other comprehensive income (loss):				
Foreign currency translation adjustments	(135.3)	(33.5)	83.8	26.9
Change in fair value of derivative financial instruments[1]	2.1	(0.2)	(11.6)	6.0
Change in fair value of investment securities[2]	9.3	(5.4)	2.4	4.4
Change in post-retirement and pension liability[3]	6.0	1.9	(12.0)	0.3
Other comprehensive income (loss), net of tax	(117.9)	(37.2)	62.6	37.6
Comprehensive income (loss)	$(112.3)	$90.8	$267.9	$479.6

(1) Includes tax effect of $0.4 million for the six months ended December 31, 2015, and $5.7 million, $(1.2) million, and $3.2 million for the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, respectively.

(2) Includes tax effect of $3.6 million for the six months ended December 31, 2015, and $2.7 million, $1.2 million, and $0.0 million for the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, respectively.

(3) Includes tax effect of $2.9 million for the six months ended December 31, 2015, and $0.6 million, $0.0 million, and $0.2 million for the fiscal years ended June 27, 2015, June 28, 2014, and June 29, 2013, respectively.

See accompanying Notes to Consolidated Financial Statements.

Perrigo Company plc - Item 8

PERRIGO COMPANY PLC
CONSOLIDATED BALANCE SHEETS
(in millions)

	December 31, 2015	June 27, 2015	June 28, 2014
Assets			
Cash and cash equivalents	$417.8	$785.6	$799.5
Accounts receivable, net of allowance for doubtful accounts of $3.0 million, $2.4 million, and $2.7 million, respectively	1,193.1	1,282.1	935.1
Inventories	844.4	838.9	631.6
Current deferred income taxes	—	122.3	62.8
Prepaid expenses and other current assets	289.1	154.0	121.9
Total current assets	2,744.4	3,182.9	2,550.9
Property and equipment, net	886.2	932.4	779.9
Goodwill and other indefinite-lived intangible assets	7,281.2	7,235.0	3,543.8
Other intangible assets, net	8,190.5	8,105.6	6,787.0
Non-current deferred income taxes	54.6	39.6	23.6
Other non-current assets	237.0	225.1	167.6
Total non-current assets	16,649.5	16,537.7	11,301.9
Total assets	$19,393.9	$19,720.6	$13,852.8
Liabilities and Shareholders’ Equity			
Liabilities			
Accounts payable	$554.9	$747.5	$364.3
Payroll and related taxes	125.3	133.9	112.3
Accrued customer programs	398.0	368.1	256.5
Accrued liabilities	308.4	246.4	179.4
Accrued income taxes	85.2	52.6	17.4
Current deferred income taxes	—	80.6	1.1
Current indebtedness	1,018.3	64.6	143.7
Total current liabilities	2,490.1	1,693.7	1,074.7
Long-term debt, less current portion	4,971.6	5,246.9	3,063.1
Non-current deferred income taxes	1,563.7	1,745.1	727.9
Other non-current liabilities	332.4	372.1	293.4
Total non-current liabilities	6,867.7	7,364.1	4,084.4
Total liabilities	9,357.8	9,057.8	5,159.1
Commitments and contingencies - Note 16			
Shareholders’ equity			
Preferred shares, $0.0001 par value, 10 million shares authorized	—	—	—
Ordinary shares, €0.001 par value, 10 billion shares authorized	8,144.6	8,621.9	6,678.2
Accumulated other comprehensive income	(15.5)	102.4	139.6
Retained earnings	1,907.6	1,938.3	1,875.1
Total controlling interest	10,036.7	10,662.6	8,692.9
Noncontrolling interest	(0.6)	0.2	0.8
Total shareholders’ equity	10,036.1	10,662.8	8,693.7
Total liabilities and shareholders' equity	$19,393.9	$19,720.6	$13,852.8

Supplemental Disclosures of Balance Sheet Information

Preferred shares, issued and outstanding	—	—	—
Ordinary shares, issued and outstanding	143.1	146.3	133.8

See accompanying Notes to Consolidated Financial Statements.

Perrigo Company plc - Item 8

PERRIGO COMPANY PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Six Months Ended	Fiscal Year Ended		
	December 31, 2015	June 27, 2015	June 28, 2014	June 29, 2013
Cash Flows From (For) Operating Activities				
Net income	$5.6	$128.0	$205.3	$441.9
Adjustments to derive cash flows				
Depreciation and amortization	328.0	548.8	358.9	160.2
Loss on acquisition-related foreign currency derivatives	—	326.4	—	—
Share-based compensation	24.8	31.6	24.6	18.4
Impairment charges	215.6	—	—	—
Loss on extinguishment of debt	0.9	10.5	165.8	—
Non-cash restructuring charges	26.9	5.1	47.0	2.9
Deferred income taxes	(141.8)	(16.4)	(53.8)	5.7
Other non-cash adjustments	17.5	17.0	10.5	(3.4)
Subtotal	477.5	1,051.0	758.3	625.6
Increase (decrease) in cash due to:				
Accounts receivable	86.1	(81.7)	(226.7)	(37.0)
Inventories	(70.0)	10.7	83.0	(94.6)
Accounts payable	(199.5)	140.6	(24.9)	6.5
Payroll and related taxes	(38.2)	(30.2)	(55.5)	(11.9)
Accrued customer programs	27.0	69.9	113.1	12.6
Accrued liabilities	75.6	37.3	23.0	8.4
Accrued income taxes	(30.5)	17.5	(10.7)	28.9
Other	(4.8)	(16.8)	33.9	15.3
Subtotal	(154.3)	147.3	(64.8)	(71.8)
Net cash from (for) operating activities	323.2	1,198.3	693.5	553.8
Cash Flows From (For) Investing Activities				
Acquisitions of businesses, net of cash acquired	(791.6)	(2,181.8)	(1,605.8)	(852.3)
Settlement of acquisition-related foreign currency derivatives	—	(329.9)	—	—
Proceeds from sales of securities	—	—	81.4	8.6
Additions to property and equipment	(77.8)	(137.0)	(171.6)	(104.1)
Other investing	(5.0)	1.8	(8.8)	—
Net cash from (for) investing activities	(874.4)	(2,646.9)	(1,704.8)	(947.8)
Cash Flows From (For) Financing Activities				
Borrowings (repayments) of revolving credit agreements and other financing, net	762.0	(52.5)	(3.0)	5.0
Issuances of long-term debt	—	2,504.3	3,293.6	637.3
Payments on long-term debt	(28.3)	(1,823.5)	(2,035.0)	(40.0)
Premium on early debt retirement	—	—	(133.5)	—
Deferred financing fees	(0.3)	(28.1)	(48.8)	(6.0)
Issuance of ordinary shares	4.9	1,043.4	9.8	10.7
Equity issuance costs	—	(35.7)	—	—
Repurchase of ordinary shares	(500.0)	—	—	—

Cash dividends	(36.3)	(64.8)	(46.1)	(33.0)
Other financing	(8.4)	(19.2)	(9.0)	3.3
Net cash from (for) financing activities	193.6	1,523.9	1,028.0	577.2
Effect of exchange rate changes on cash	(10.2)	(89.2)	2.9	(5.8)
Net increase (decrease) in cash and cash equivalents	(367.8)	(13.9)	19.6	177.4
Cash and cash equivalents, beginning of period	785.6	799.5	779.9	602.5
Cash and cash equivalents, end of period	$417.8	$785.6	$799.5	$779.9

Perrigo Company plc - Item 8

	Six Months Ended	Fiscal Year Ended		
	December 31, 2015	June 27, 2015	June 28, 2014	June 29, 2013
Supplemental Disclosures of Cash Flow Information				
Cash paid/received during the year for:				
Interest paid	$84.2	$143.2	$98.4	$58.5
Interest received	$0.7	$1.1	$2.4	$3.9
Income taxes paid	$87.8	$131.0	$93.2	$133.2
Income taxes refunded	$1.7	$9.6	$4.3	$1.3

See accompanying Notes to Consolidated Financial Statements.

Perrigo Company plc - Item 8

PERRIGO COMPANY PLC
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions, except per share amounts)

	Ordinary Shares Issued		Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount			
Balance at June 30, 2012	93.5	$504.7	$39.4	$1,306.9	$1,851.0
Net income	—	—	—	441.9	441.9
Other comprehensive income	—	—	37.6	—	37.6
Issuance of common stock under:					
Stock options	0.4	10.7	—	—	10.7
Restricted stock plan	0.4	—	—	—	—
Compensation for stock options	—	6.1	—	—	6.1
Compensation for restricted stock	—	12.3	—	—	12.3
Cash dividends, $0.35 per share	—	—	—	(33.0)	(33.0)
Tax effect from stock transactions	—	17.1	—	—	17.1
Repurchase of common stock	(0.1)	(12.4)	—	—	(12.4)
Balance at June 29, 2013	94.1	538.5	77.0	1,715.9	2,331.4
Net income	—	—	—	205.3	205.3
Other comprehensive income	—	—	62.6	—	62.6
Issuance of common stock under:					
Elan acquisition	39.4	6,117.2	—	—	6,117.2
Stock options	0.2	9.8	—	—	9.8
Restricted stock plan	0.2	—	—	—	—
Compensation for stock options	—	6.5	—	—	6.5
Compensation for restricted stock	—	18.1	—	—	18.1
Cash dividends, $0.39 per share	—	—	—	(46.1)	(46.1)
Tax effect from stock transactions	—	8.2	—	—	8.2
Repurchases of common stock	(0.1)	(7.5)	—		