

PERRIGO Co plc
Form 10-Q
April 29, 2015

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

FORM 10-Q

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

For the quarterly period ended: March 28, 2015

OR

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

For the transition period from _____ to _____
Commission file number 001-36353

Perrigo Company plc
(Exact name of registrant as specified in its charter)

Ireland (State or other jurisdiction of incorporation or organization)	Not Applicable (I.R.S. Employer Identification No.)
------------------------------------------------------------------------------	-----------------------------------------------------------

Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland (Address of principal executive offices)	- (Zip Code)
---------------------------------------------------------------------------------------------------------------	-----------------

+353 1 7094000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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, and (2) has been subject to such filing requirements for the past 90 days. YES NO

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

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

(Do not check if a smaller reporting company)
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

As of April 24, 2015, there were 146,262,983 ordinary shares outstanding.

Table of Contents

PERRIGO COMPANY PLC
FORM 10-Q
INDEX

	PAGE NUMBER
<u>Cautionary Note Regarding Forward-Looking Statements</u>	1
PART I. FINANCIAL INFORMATION	
<u>Item 1. Financial Statements (Unaudited)</u>	
Condensed Consolidated Statements of Operations - For the three and nine months ended March 28, 2015 and March 29, 2014	2
Condensed Consolidated Statements of Comprehensive Income - For the three and nine months ended March 28, 2015 and March 29, 2014	3
Condensed Consolidated Balance Sheets - March 28, 2015 and June 28, 2014	4
Condensed Consolidated Statements of Cash Flows - For the nine months ended March 28, 2015 and March 29, 2014	5
<u>Notes to the Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	44
<u>Item 4. Controls and Procedures</u>	44
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	45
<u>Item 1A. Risk Factors</u>	45
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
<u>Item 6. Exhibits</u>	51
<u>SIGNATURES</u>	52

Table of Contents

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this report are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created thereby. These statements relate to future events or the Company’s future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company or its industry to be materially different from those expressed or implied by any forward-looking statements. In particular, statements about the Company’s expectations, beliefs, plans, objectives, assumptions, future events or future performance contained in this report, including certain statements contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or the negative of those terms or other comparable terminology.

Please see Item 1A of the Company’s Form 10-K for the year ended June 28, 2014 and Part II, Item 1A of this Form 10-Q for a discussion of certain important risk factors that relate to forward-looking statements contained in this report. The Company has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond the Company’s control, including future actions that may be taken by Mylan N.V. in furtherance of its unsolicited proposal. These and other important factors may cause actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements in this report are made only as of the date hereof, and unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

	Three Months Ended		Nine Months Ended	
	March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Net sales	\$1,049.1	\$1,004.2	\$3,072.3	\$2,916.6
Cost of sales	670.3	689.2	1,988.0	1,884.7
Gross profit	378.8	315.0	1,084.3	1,031.9
Operating expenses				
Distribution	14.7	13.9	44.0	41.2
Research and development	35.4	44.7	125.2	114.5
Selling	48.8	52.5	144.0	150.0
Administration	79.6	81.1	245.1	314.2
Write-off of in-process research and development	—	—	—	6.0
Restructuring	1.1	19.5	5.3	36.5
Total operating expenses	179.6	211.7	563.6	662.4
Operating income	199.2	103.3	520.7	369.5
Interest expense, net	43.3	26.2	100.0	77.3
Other expense, net	258.6	14.4	320.5	19.5
Loss on extinguishment of debt	—	—	9.6	165.8
Income (loss) before income taxes	(102.7	) 62.7	90.6	106.9
Income tax expense (benefit)	(7.8	) 14.6	19.1	33.5
Net income (loss)	\$(94.9	) \$48.1	\$71.5	\$73.4
Earnings (loss) per share				
Basic earnings (loss) per share	\$(0.67	) \$0.36	\$0.52	\$0.67
Diluted earnings (loss) per share	\$(0.67	) \$0.36	\$0.52	\$0.67
Weighted average shares outstanding				
Basic	140.8	133.7	137.0	108.9
Diluted	140.8	134.3	137.5	109.4
Dividends declared per share	\$0.125	\$0.105	\$0.335	\$0.285

See accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents

PERRIGO COMPANY PLC

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

(unaudited)

	Three Months Ended		Nine Months Ended	
	March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Net income (loss)	\$(94.9	) \$48.1	\$71.5	\$73.4
Other comprehensive income (loss):				
Foreign currency translation adjustments	(27.9	) 6.2	(152.1	) 59.3
Change in fair value of derivative financial instruments, net of tax	0.8	(1.0	) (5.0	) (11.6
Change in fair value of investment securities, net of tax	1.2	10.5	0.7	5.7
Change in post-retirement and pension liability adjustments, net of tax	(0.4	) —	(2.2	) (0.1
Other comprehensive income (loss)	(26.3	) 15.7	(158.6	) 53.3
Comprehensive income (loss)	\$(121.2	) \$63.8	\$(87.1	) \$126.7

See accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents

PERRIGO COMPANY PLC

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)

(unaudited)

	March 28, 2015	June 28, 2014
Assets		
Current assets		
Cash and cash equivalents	\$3,430.4	\$799.5
Investment securities	21.8	5.9
Accounts receivable, net of allowance for doubtful accounts of \$1.8 million and \$2.7 million, respectively	881.7	935.1
Inventories	637.0	631.6
Current deferred income taxes	69.9	62.8
Prepaid expenses and other current assets	89.2	116.0
Total current assets	5,130.0	2,550.9
Non-current assets		
Property and equipment, net	769.2	779.9
Goodwill and other indefinite-lived intangible assets	3,467.3	3,543.8
Other intangible assets, net	6,527.8	6,787.0
Non-current deferred income taxes	27.7	23.6
Other non-current assets	260.8	195.0
Total non-current assets	11,052.8	11,329.3
Total assets	\$16,182.8	\$13,880.2
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$323.2	\$364.3
Short-term debt	3.4	2.1
Payroll and related taxes	85.3	112.3
Accrued customer programs	282.5	256.5
Accrued liabilities	230.2	179.4
Accrued income taxes	4.0	17.4
Current deferred income taxes	—	1.1
Current portion of long-term debt	355.6	141.6
Total current liabilities	1,284.2	1,074.7
Non-current liabilities		
Long-term debt, less current portion	4,367.8	3,090.5
Non-current deferred income taxes	644.6	727.9
Other non-current liabilities	300.5	293.4
Total non-current liabilities	5,312.9	4,111.8
Total liabilities	6,597.1	5,186.5
Commitments and Contingencies - Note 12		
Shareholders' equity		
Controlling interest:		
Preferred shares, \$0.0001 par value, 10 million shares authorized	—	—
Ordinary shares, €0.001 par value, 10 billion shares authorized	7,704.7	6,678.2
Accumulated other comprehensive income (loss)	(19.0	) 139.6
Retained earnings	1,900.0	1,875.1
	9,585.7	8,692.9

Edgar Filing: PERRIGO Co plc - Form 10-Q

Noncontrolling interest	—	0.8
Total shareholders' equity	9,585.7	8,693.7
Total liabilities and shareholders' equity	\$16,182.8	\$13,880.2

Supplemental Disclosures of Balance Sheet Information

Preferred shares, issued and outstanding	—	—
Ordinary shares, issued and outstanding	140.8	133.8

See accompanying Notes to the Condensed Consolidated Financial Statements.

4

Table of Contents

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

	Nine Months Ended	
	March 28, 2015	March 29, 2014
Cash Flows From (For) Operating Activities		
Net income	\$71.5	\$73.4
Adjustments to derive cash flows		
Depreciation and amortization	381.5	237.6
Loss on acquisition-related foreign currency derivatives	324.5	—
Share-based compensation	23.7	18.5
Loss on extinguishment of debt	9.6	165.8
Non-cash restructuring charges	5.3	17.6
Loss on sales of investments	—	12.7
Excess tax benefit of stock transactions	(2.5)	(6.4)
Deferred income taxes	(84.5)	(27.1)
Other non-cash adjustments	7.1	5.0
Subtotal	736.2	497.1
Increase (decrease) in cash due to:		
Accounts receivable	34.9	(90.0)
Inventories	(15.7)	19.7
Accounts payable	(28.8)	(52.4)
Payroll and related taxes	(27.4)	(40.3)
Accrued customer programs	24.0	82.6
Accrued liabilities	49.6	8.8
Accrued income taxes	(18.8)	(21.3)
Other	(18.4)	(3.4)
Subtotal	(0.6)	(96.3)
Net cash from (for) operating activities	735.6	400.8
Cash Flows From (For) Investing Activities		
Acquisitions of businesses, net of cash acquired	(87.0)	(1,598.3)
Purchase of securities	—	(15.0)
Proceeds from sales of securities	—	81.4
Additions to property and equipment	(79.8)	(120.0)
Settlement of acquisition-related foreign currency derivatives	(324.5)	—
Other investing	0.8	6.2
Net cash from (for) investing activities	(490.5)	(1,645.7)
Cash Flows From (For) Financing Activities		
Issuances of debt	2,504.3	3,293.6
Debt repayments	(948.2)	(2,000.0)
Deferred financing fees	(28.1)	(48.8)
Premium on early debt retirement	—	(133.5)
Issuance of ordinary shares	1,040.6	8.9
Equity issuance costs	(35.7)	—
Excess tax benefit of stock transactions	2.5	6.4
Repurchase of ordinary shares	(7.7)	(7.5)
Cash dividends	(46.5)	(32.0)
Purchase of noncontrolling interest	—	(7.2)

Edgar Filing: PERRIGO Co plc - Form 10-Q

Other financing	(3.7	) (5.0)
Net cash from (for) financing activities	2,477.5	1,074.9	
Effect of exchange rate changes on cash	(91.7	) (0.5)
Net increase (decrease) in cash and cash equivalents	2,630.9	(170.5)
Cash and cash equivalents, beginning of period	799.5	779.9	
Cash and cash equivalents, end of period	\$3,430.4	\$609.4	

Supplemental Disclosures of Cash Flow Information

Cash paid/received during the period for:

Interest paid	\$62.1	\$54.7
Interest received	\$0.6	\$2.1
Income taxes paid	\$113.0	\$83.3
Income taxes refunded	\$9.1	\$3.6

See accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents

PERRIGO COMPANY PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 28, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

The Company closed on its acquisition of Omega Pharma Invest NV ("Omega") on March 30, 2015, after the end of its third fiscal quarter. Therefore, Omega is not included in this quarter's results. See Note 16 for further information on the Omega acquisition.

Perrigo Company plc (formerly known as Perrigo Company Limited, and prior thereto, Blisfont Limited) ("Perrigo" or "the Company"), was incorporated under the laws of Ireland on June 28, 2013, and became the successor registrant of Perrigo Company on December 18, 2013 in connection with the consummation of the acquisition of Elan Corporation, plc ("Elan"), which is discussed further in Note 2. With the acquisition of Omega, the Company is now a top five global over-the-counter ("OTC") consumer goods and pharmaceutical company, offering consumers and customers high quality products at affordable prices. From its beginnings in 1887 as a packager of generic home remedies, the Company has grown to become the world's largest manufacturer of OTC products and supplier of infant formulas for the store brand market. The Company is also a leading provider of branded OTC products, generic extended topical prescription products, and receives royalties from Multiple Sclerosis drug Tysabri®. Perrigo provides "Quality Affordable Healthcare Products®" across a wide variety of product categories and geographies, primarily in North America, Europe, and Australia, as well as other key markets including Israel and China.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended June 28, 2014. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation have been included.

The Company's sales of OTC pharmaceutical products are subject to the seasonal demands for cough/cold/flu and allergy products, and consumer dynamics in the retail environments in which the Company's customers operate. In addition, the Company's animal health products are subject to the seasonal demand for flea and tick products, which typically peaks during the warmer weather months. Accordingly, operating results for the three and nine months ended March 28, 2015 are not necessarily indicative of the results that may be expected for a full fiscal year.

Segment Reporting Change

In conjunction with the closing of the Omega acquisition, the Company changed its reporting segments to better align with the Company's organizational structure. These organizational changes were made to optimize the Company's structure to better serve its customers and to reflect the way in which the Chief Operating Decision Maker now reviews the Company's operating results. Beginning in the fourth quarter of fiscal 2015, the Company's reporting segments are as follows:

-

Edgar Filing: PERRIGO Co plc - Form 10-Q

Consumer Healthcare will include the legacy Consumer Healthcare business and the legacy Nutritionals (Infant nutrition and VMS) business to create one consumer facing segment. This segment will also include the legacy Israel Pharmaceuticals and Diagnostics business, previously reported in the "Other" category.

Branded Consumer Healthcare will comprise the newly acquired Omega business.

Rx Pharmaceuticals will continue to comprise the legacy Rx Pharmaceuticals business.

Specialty Sciences will continue to comprise royalties from Tysabri®.

Other will comprise the legacy Active Pharmaceutical Ingredients ("API") business.

Table of Contents

Change in Fiscal Year

In the second quarter of fiscal 2015, the Company announced that its fiscal year-end will begin on January 1 and end on December 31 of each year, starting on January 1, 2016. The Company's current fiscal year will end on June 27, 2015, followed by a transition period from June 28, 2015 to December 31, 2015. The Company plans to disclose the results of the transition period on a Form 10-KT transition report.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Recent Accounting Standard Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2015-03, "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). The amendments in ASU 2015-03 require debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. The guidance will be effective for the Company for the transition period ending December 31, 2015, though early adoption is permitted. As of March 28, 2015, the Company had \$42.4 million of deferred financing fees recorded in Other long-term assets that would be subject to the reclassification in the future.

In July 2013, the FASB issued Accounting Standards Update 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"). The amendments in ASU 2013-11 provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The Company prospectively adopted this guidance in fiscal 2015, and presented \$90.2 million as a reclassification from Non-current deferred income taxes to Other non-current liabilities upon adoption.

NOTE 2 – ACQUISITIONS

All of the below acquisitions, with the exception of the Vedants transaction, have been accounted for under the acquisition method of accounting, and the related assets acquired and liabilities assumed were recorded at fair value as of the acquisition date. Fair value estimates are based on a complex series of judgments about future events and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets and liabilities assumed, as well as asset lives, can materially impact the Company's results of operations.

The effects of all of the acquisitions described below were included in the Condensed Consolidated Financial Statements prospectively from the date of acquisition. Unless otherwise indicated, acquisition costs incurred were immaterial and were recorded in Administration expense.

Fiscal 2015 Acquisitions

Lumara Health, Inc.

On October 31, 2014, the Company acquired a portfolio of women's healthcare products from Lumara Health, Inc., a privately-held, Chesterfield, Missouri-based specialty pharmaceutical company, for cash consideration of \$83.0 million. The acquisition of this portfolio further expanded the Company's women's healthcare product offerings.

Operating results attributable to the acquired Lumara products are included in the Rx Pharmaceuticals segment. The intangible assets acquired consisted of three product formulations with useful lives ranging from 8 to 12 years.

Table of Contents

The below table indicates the final purchase price allocation (in millions):

	Lumara
Total purchase consideration	\$83.0
Assets acquired:	
Accounts receivable, net	2.9
Inventories	1.5
Prepaid expenses and other current assets	0.4
Property and equipment, net	0.1
Intangible assets - formulations	82.0
Total assets	86.9
Liabilities assumed:	
Accrued liabilities	3.9
Net assets acquired	\$83.0

Fiscal 2014 Acquisitions

Aspen Global Inc.

On February 28, 2014, the Company acquired a basket of OTC products sold in Australia and New Zealand from Aspen Global Inc. ("Aspen"). The acquisition of this product portfolio broadened the Company's product offering in Australia and New Zealand and furthered the Company's strategy to expand the Consumer Healthcare portfolio outside the U.S. Operating results attributable to the acquired Aspen products are included in the Consumer Healthcare segment.

The intangible assets acquired consisted of trademarks and trade names, customer relationships, and non-compete agreements. Customer relationships were assigned a 15-year useful life, trademarks and trade names were assigned a 25-year useful life, and non-compete agreements were assigned a 5-year useful life. The goodwill recorded is not deductible for tax purposes.

Fera Pharmaceuticals, LLC

On February 18, 2014, the Company acquired a distribution and license agreement for the marketing and sale of methazolamide from Fera Pharmaceuticals, LLC ("Fera"), a privately-held specialty pharmaceutical company. The acquisition of this agreement further expanded the Company's ophthalmic offerings. Operating results attributable to this agreement are included in the Rx Pharmaceuticals segment. The intangible asset acquired was assigned a 15-year useful life.

Elan Corporation, plc

On December 18, 2013, the Company acquired Elan in a cash and stock transaction as follows (in millions, except per share data):

Elan shares outstanding as of December 18, 2013	515.7
Exchange ratio per share	0.07636
Total Perrigo shares issued to Elan shareholders	39.4
Perrigo per share value at transaction close on December 18, 2013	\$155.34
Total value of Perrigo shares issued to Elan shareholders	6,117.2
Cash consideration paid at \$6.25 per Elan share	3,223.2
Cash consideration paid for vested Elan stock options and share awards	111.5

Total consideration

\$9,451.9

8

Table of Contents

In addition, the Company paid cash consideration of \$16.1 million to the Elan stock option and share award holders for the unvested portion of their awards, which was charged to earnings during fiscal 2014.

At the completion of the transaction, the holder of each Elan ordinary share and each Elan American Depositary Share received from Perrigo \$6.25 in cash and 0.07636 of a Perrigo ordinary share. As a result of the transaction, based on the number of outstanding shares of Perrigo and Elan as of December 18, 2013, former Perrigo and Elan shareholders held approximately 71% and 29%, respectively, of Perrigo's ordinary shares immediately after giving effect to the acquisition.

Elan, headquartered in Dublin, Ireland, provided the Company with assets focused on the treatment of Multiple Sclerosis (Tysabri®). The Company's management believed the acquisition of Elan would provide recurring annual operational synergies, related cost reductions, and tax savings. Certain of these synergies resulted from the elimination of redundant public company costs while optimizing back-office support. The jurisdictional mix of income and the new corporate structure have, and will continue to, result in a lower worldwide effective tax rate.

The operating results for Elan are included in the Specialty Sciences segment. During fiscal 2014, the Company incurred and expensed acquisition-related costs which were recorded in unallocated expenses. The costs related primarily to general transaction costs (legal, banking and other professional fees), financing fees, and debt extinguishment. See Note 8 for further details on the Loss on extinguishment of debt. The table below details these transaction costs and where they were recorded (in millions):

Line item	Fiscal 2014
Administration	\$108.9
Interest expense, net	10.0
Other expense, net	0.2
Loss on extinguishment of debt	165.8
Total acquisition-related costs	\$284.9

The Company acquired two definite-lived intangible assets in the acquisition, both of which are exclusive technology agreements:

Tysabri®: The Company is entitled to royalty payments from Biogen Idec Inc. ("Biogen") based on its Tysabri® sales in all indications and geographies. The royalty was 12% for the 12-month period ended May 1, 2014. Subsequent to May 1, 2014, the Company is entitled to 18% royalty payments on annual sales up to \$2.0 billion and 25% royalty payments on annual sales above \$2.0 billion. The asset's value is \$5.8 billion, which is being amortized over a useful life of 20 years.

Prialt: The Company is also entitled to royalty payments based on Prialt sales. The royalty rates range from 7% to 17.5% based on specific levels of annual U.S. sales. The asset's value is \$11.0 million, which is being amortized over a useful life of 10 years.

Additionally, the Company recorded \$2.3 billion of goodwill, which is not deductible for tax purposes, representing the expected synergies of the combined company, as described above. The following table reflects the allocation by reportable segment (in millions):

Segment	Goodwill
Consumer Healthcare	\$1,110.0
Rx Pharmaceuticals	845.1
Nutritionals	177.4
Specialty Sciences	200.6
Total	\$2,333.1

Table of Contents

Purchase Price Allocation of Fiscal 2014 Acquisitions

The purchase price allocation for Elan was finalized during the first quarter of fiscal 2015. Since June 28, 2014, revisions included a \$13.0 million decrease in net tax-related liabilities, resulting in a corresponding decrease in goodwill.

The below table indicates the purchase price allocation for fiscal 2014 acquisitions (in millions):

	Aspen	Fera	Elan
Purchase price paid	\$53.7	\$17.3	\$9,451.9
Contingent consideration	—	0.8	—
Total purchase consideration	\$53.7	\$18.1	\$9,451.9
Assets acquired:			
Cash and cash equivalents	\$—	\$—	\$1,807.3
Investment securities	—	—	100.0
Accounts receivable	—	—	44.2
Inventories	2.7	0.3	—
Prepaid expenses and other current assets	—	—	27.1
Property and equipment	—	—	9.2
Goodwill	4.6	—	2,333.1
Intangible assets:			
Trade names and trademarks	34.8	—	—
Customer relationships	9.8	—	—
Non-competition agreements	1.8	—	—
Distribution and license agreements	—	17.8	5,811.0
Intangible assets	46.4	17.8	5,811.0
Other non-current assets	—	—	93.4
Total assets	53.7	18.1	10,225.3
Liabilities assumed:			
Accounts payable	—	—	2.0
Accrued liabilities	—	—	120.8
Deferred tax liabilities	—	—	631.8
Other non-current liabilities	—	—	18.8
Total liabilities	—	—	773.4
Net assets acquired	\$53.7	\$18.1	\$9,451.9

Vedants Drug & Fine Chemicals Private Limited

To further improve the long-term cost position of its API business, on August 6, 2009, the Company acquired an 85% stake in Vedants Drug & Fine Chemicals Private Limited ("Vedants"), an API manufacturing facility in India, for \$11.5 million in cash. The Company purchased the remaining 15% stake in Vedants during the second quarter of fiscal 2014 for \$7.2 million in cash. The transaction was accounted for as an equity transaction and resulted in the elimination of the noncontrolling interest.

Table of Contents

NOTE 3 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Changes in the carrying amount of goodwill, by reportable segment, were as follows (in millions):

Reporting Segments:	Balance at June 28, 2014	Purchase accounting adjustments	Currency translation adjustment	Balance at March 28, 2015
Consumer Healthcare	\$1,406.3	\$(6.2)	\$(12.7)	\$1,387.4
Nutritionals	510.1	(1.0)	—	509.1
Rx Pharmaceuticals	1,258.3	(4.7)	(31.4)	1,222.2
API	97.6	—	(13.1)	84.5
Specialty Sciences	201.8	(1.1)	—	200.7
Total goodwill	\$3,474.1	\$(13.0)	\$(57.2)	\$3,403.9

Intangible Assets

Other intangible assets and related accumulated amortization consisted of the following (in millions):

	March 28, 2015		June 28, 2014	
	Gross	Accumulated Amortization	Gross	Accumulated Amortization
Amortizable intangibles:				
Distribution and license agreements	\$6,029.4	\$424.3	\$6,027.3	\$192.1
Developed product technology/formulation and product rights	977.2	352.4	931.7	302.5
Customer relationships	364.9	111.1	372.0	97.5
Trade names and trademarks	47.1	11.1	47.8	5.6
Non-compete agreements	14.6	6.5	15.3	9.4
Total	\$7,433.2	\$905.4	\$7,394.1	\$607.1
Non-amortizable intangibles:				
Trade names and trademarks	\$56.4	\$—	\$59.5	\$—
In-process research and development	7.0	—	10.2	—
Total	63.4	—	69.7	—
Total other intangible assets	\$7,496.6	\$905.4	\$7,463.8	\$607.1

Certain intangible assets are denominated in currencies other than the U.S. dollar; therefore, their gross and net carrying values are subject to foreign currency movements.

The Company recorded amortization expense of \$321.9 million and \$181.1 million for the nine months ended March 28, 2015 and March 29, 2014, respectively. The increase in amortization expense was due primarily to the incremental amortization expense incurred on the amortizable intangible assets acquired as part of the Elan acquisition.

Table of Contents

Impairment Testing

The Company has filed breach of contract litigation against a third party as it believes the third party has wrongfully enabled a competitor against the Company on a new product line in the animal health category. The Company moved for a preliminary injunction to prevent the third party from licensing or otherwise enabling the competitor from entering or staying on the over-the-counter market with a directly competing product. During the third quarter of fiscal 2015, the motion was denied. The Company had goodwill and intangible assets with a total net book value of \$434.4 million as of March 28, 2015 attributable to its Animal Health reporting unit. The Company also had a supply agreement with this third party that expired at the end of calendar year 2014 and has not been renewed.

The Company deemed the events described above to be indicators of potential impairment of its Animal Health reporting unit's intangible assets, which include goodwill, indefinite-lived intangible assets, and definite-lived intangible assets. The Company performed impairment testing for all of its Animal Health intangible assets as of March 28, 2015 and none were determined to be impaired. The Company will continue to monitor and assess its Animal Health intangible assets for potential impairment should further impairment indicators arise and at least annually as applicable.

NOTE 4 – INVENTORIES

Major components of inventory at March 28, 2015 and June 28, 2014, were as follows (in millions):

	March 28, 2015	June 28, 2014
Finished goods	\$316.0	\$307.0
Work in process	150.2	146.7
Raw materials	170.8	177.9
Total inventories	\$637.0	\$631.6

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable.

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not observable.

Table of Contents

The following tables summarize the valuation of the Company's financial instruments carried at fair value by the above pricing categories at March 28, 2015 and June 28, 2014 (in millions):

	March 28, 2015			Total
	Level 1	Level 2	Level 3	
Assets:				
Investment securities	\$21.8	\$—	\$—	\$21.8
Foreign currency forward contracts	—	4.9	—	4.9
Funds associated with Israeli post employment benefits	—	16.6	—	16.6
Total assets	\$21.8	\$21.5	\$—	\$43.3
Liabilities:				
Contingent consideration	\$—	\$—	\$12.4	\$12.4
Interest rate swap agreements	—	5.0	—	5.0
Foreign currency forward contracts	—	8.1	—	8.1
Total liabilities	\$—	\$13.1	\$12.4	\$25.5
	June 28, 2014			Total
	Level 1	Level 2	Level 3	
Assets:				
Investment securities	\$20.7	\$—	\$—	\$20.7
Foreign currency forward contracts	—	3.1	—	3.1
Funds associated with Israeli post-employment benefits	—	19.3	—	19.3
Total assets	\$20.7	\$22.4	\$—	\$43.1
Liabilities:				
Contingent consideration	\$—	\$—	\$17.4	\$17.4
Interest rate swap agreements	—	8.3	—	8.3
Foreign currency forward contracts	—	0.8	—	0.8
Total liabilities	\$—	\$9.1	\$17.4	\$26.5

The table below presents changes in the liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended March 28, 2015 and March 29, 2014 (in millions):

	Three Months Ended		Nine Months Ended	
	March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Contingent Consideration				
Beginning balance:	\$12.4	\$17.3	\$17.4	\$22.2
Net realized losses	—	5.7	—	0.8
Settlements	—	—	(5.0) —
Ending balance:	\$12.4	\$23.0	\$12.4	\$23.0

Net realized losses in the table above were recorded in Administration expense. During the three and nine months ended March 28, 2015 there were no transfers between Levels 1, 2, and 3. The Company's policy regarding the recording of transfers between levels is to record any such transfers at the end of the reporting period. See [Note 6](#) for information on the Company's investment securities. See [Note 7](#) for a discussion of derivatives.

Israeli post-employment benefits represent amounts the Company has deposited in funds managed by financial institutions designated by management to cover post-employment benefits for its Israeli employees as required by Israeli law. The funds are recorded in Other non-current assets and values are determined using prices for recently traded financial instruments with similar underlying terms, as well as directly or indirectly observable inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Table of Contents

Contingent consideration represents milestone payment obligations obtained through product acquisitions and is valued using estimates based on probability-weighted outcomes, sensitivity analysis, and discount rates reflective of the risk involved. The estimates are updated quarterly and the liabilities are adjusted to fair value depending on a number of assumptions, including the competitive landscape and regulatory approvals that may impact the future sales of a product.

As of March 28, 2015, the Company's fixed rate long-term debt consisted of public bonds with a carrying value of \$3.9 billion and a fair value of \$4.1 billion based on quoted market prices (Level 1). As of June 28, 2014, the Company's fixed rate long-term debt consisted of private placement senior notes with registration rights with a carrying value of \$2.3 billion and a fair value of \$2.4 billion. The fair value at June 28, 2014 was determined by discounting the future cash flows of the financial instruments to their present value, using interest rates offered for borrowings and deposits of a similar nature and remaining maturities (Level 2).

The carrying amounts of the Company's other financial instruments, consisting of cash and cash equivalents, accounts receivable, accounts payable, short-term debt, and variable rate long-term debt, approximate their fair value.

NOTE 6 – INVESTMENTS

Available for Sale Securities

The Company's available for sale securities totaled \$21.8 million at March 28, 2015 and are reported in Investment securities. At June 28, 2014, available for sale securities totaled \$20.7 million, of which \$5.9 million are reported in Investment securities and \$14.8 million are reported in Other non-current assets.

Net unrealized investment gains (losses) on available for sale securities were as follows (in millions):

	March 28, 2015	June 28, 2014
Equity securities, at cost less impairments	\$17.1	\$17.1
Gross unrealized gains	4.9	3.8
Gross unrealized losses	(0.2	) (0.2
Estimated fair value of equity securities	\$21.8	\$20.7

During the three months ended March 29, 2014, the Company sold one of its investment securities and recorded a loss of \$9.9 million. The loss was reclassified out of accumulated other comprehensive income ("AOCI") and into earnings.

The factors affecting the assessment of impairments include both general financial market conditions and factors specific to a particular company. The equity securities in a gross unrealized loss position at March 28, 2015 were in that position for less than 12 months.

Cost Method Investments

The Company's cost method investments totaled \$8.3 million and \$9.0 million at March 28, 2015 and June 28, 2014, respectively, and are included in Other non-current assets.

Equity Method Investments

The Company's equity method investments totaled \$52.2 million and \$57.4 million at March 28, 2015 and June 28, 2014, respectively, and are included in Other non-current assets. The Company recorded net losses of \$0.3 million and \$6.6 million during the three and nine months ended March 28, 2015, respectively, and net losses of \$3.8 million and

\$5.1 million during the three and nine months ended March 29, 2014, respectively, for the Company's proportionate share of the equity method investment earnings or losses. In addition, during the three months ended March 29, 2014, the Company sold one of its equity method investments and recorded a loss of \$2.8 million. The losses noted above are recorded in Other expense, net.

Table of Contents

NOTE 7 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company enters into certain derivative financial instruments, when available on a cost-effective basis, to mitigate its risk associated with changes in interest rates and foreign currency exchange rates as follows:

Interest rate risk management - The Company is exposed to the impact of interest rate changes. The Company's objective is to manage the impact of interest rate changes on cash flows and the market value of the Company's borrowings. The Company utilizes a mix of debt maturities along with both fixed-rate and variable-rate debt to manage changes in interest rates. In addition, the Company may enter into treasury-lock agreements and interest rate swap agreements on certain investing and borrowing transactions to manage its interest rate changes and to reduce its overall cost of borrowing.

Foreign currency exchange risk management - The Company conducts business in several major currencies other than the U.S. dollar and is subject to risks associated with changing foreign exchange rates. The Company's objective is to reduce cash flow volatility associated with foreign exchange rate changes on a consolidated basis to allow management to focus its attention on business operations. Accordingly, the Company enters into various contracts that change in value as foreign exchange rates change to protect the value of existing foreign currency assets and liabilities, commitments, and anticipated foreign currency sales and expenses.

All derivative instruments are managed on a consolidated basis to efficiently net exposures and thus take advantage of any natural offsets. Gains and losses related to the derivative instruments are expected to be offset largely by gains and losses on the original underlying asset or liability. The Company does not use derivative financial instruments for speculative purposes.

All of the Company's designated derivatives were classified as cash flow hedges as of March 28, 2015 and June 28, 2014. Designated derivatives meet hedge accounting criteria, which means the fair value of the hedge is recorded in shareholders' equity as a component of Other comprehensive income ("OCI"), net of tax. The deferred gains and losses are recognized in income in the period in which the hedged item affects earnings. Any ineffective portion of the change in fair value of the derivative is immediately recognized in earnings. All of the Company's designated derivatives are assessed for hedge effectiveness quarterly.

The Company also has economic non-designated derivatives that do not meet hedge accounting criteria. These derivative instruments are adjusted to current market value at the end of each period through earnings. Gains or losses on these instruments are offset substantially by the remeasurement adjustment on the hedged item.

Interest Rate Swaps and Treasury Locks

Interest rate swap agreements are contracts to exchange floating rate for fixed rate payments (or vice versa) over the life of the agreement without the exchange of the underlying notional amounts. The notional amounts of the interest rate swap agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The differential paid or received on the interest rate swap agreements is recognized as an adjustment to interest expense. All of the Company's interest rate swaps qualify for hedge accounting.

The Company has term loans with floating interest rates priced off the LIBOR yield curve, as described in Note 8. To hedge the change in the LIBOR rate, the Company has outstanding forward interest rate swap agreements with a notional amount totaling \$240.0 million. The effective portion of the hedge remains in AOCI and is being amortized to earnings over the life of the debt.

During the second quarter of fiscal 2015, the Company entered into forward interest rate swaps and treasury locks (together "Rate Locks") to hedge against changes in the interest rates between the date the Rate Locks were entered into and the date of the issuance of the Company's 2014 Bonds, discussed in Note 8. These Rate Locks were designated as cash flow hedges of expected future debt issuances with a notional amount totaling \$750.0 million. The Rate Locks were settled upon the issuance of an aggregate of \$1.6 billion principal amount on December 2, 2014 for a cumulative after-tax loss of \$5.8 million after recording \$1.1 million of ineffectiveness.

Table of Contents

During the first quarter of fiscal 2014, the Company entered into forward interest rate swap agreements to hedge against changes in the benchmark interest rate between the date the swap agreements were entered into and the date of the issuance of the 2013 Bonds, discussed in Note 8. These swaps were designated as cash flow hedges of expected future debt issuances with a notional amount totaling \$725.0 million. The interest rate swaps were settled upon the issuance of an aggregate of \$2.3 billion principal amount on December 18, 2013 for a cumulative after-tax loss of \$12.8 million after recording \$0.5 million of ineffectiveness.

In addition, due to the retirement of the underlying private placement senior notes (described in Note 8 as "the Notes") on December 23, 2013, the Company wrote off the amounts remaining in OCI associated with the cash flow hedges related to the Notes, resulting in a loss of \$2.6 million recorded against earnings.

Foreign Currency Derivatives

The Company enters into foreign currency forward contracts, both designated and non-designated, in order to manage the impact of foreign exchange fluctuations on expected future purchases and related payables denominated in a foreign currency, and to hedge the impact of foreign exchange fluctuations on expected future sales and related receivables denominated in a foreign currency. Both types of forward contracts have a maximum maturity date of 15 months. The total notional amount for these contracts was \$329.8 million and \$228.5 million as of March 28, 2015 and June 28, 2014, respectively.

In November 2014, in order to economically hedge the foreign currency exposure associated with the planned payment of the euro-denominated purchase price of Omega, the Company entered into non-designated option contracts with a total notional amount of €2.0 billion. The option contracts settled in December 2014, resulting in a loss of \$26.4 million recorded against earnings. The option contracts were replaced with non-designated forward contracts that matured during third quarter of fiscal year 2015. The Company recorded losses of \$259.8 million and \$298.1 million during the three and nine months ended March 28, 2015, respectively, in other expense, net related to the settlement of the forward contracts. The losses on the derivatives due to changes in the EUR/USD exchange rates were economically offset at closing in the final settlement of the euro-denominated Omega purchase price. Because these derivatives were economically hedging a future acquisition, the cash outflow associated with their settlement is shown as an investing activity on the Condensed Consolidated Statements of Cash Flows.

Fair Value Hedges

During the first quarter of 2014, the Company entered into three pay-floating interest rate swaps with a total notional amount of \$425.0 million to hedge changes in the fair value of the Company's senior notes from fluctuations in interest rates. These swaps were designated and qualified as fair value hedges of the Company's fixed rate debt. Accordingly, the gain or loss recorded on the pay-floating interest rate swaps was directly offset by the change in fair value of the underlying debt. Both the derivative instrument and the underlying debt were adjusted to market value at the end of each period with any resulting gain or loss recorded in Other expense, net. The hedge was terminated in the second quarter of fiscal year 2014 due to the retirement of the underlying senior notes.

Effects of Derivatives on the Financial Statements

The below tables indicate the effects of all of the Company's derivative instruments on its consolidated financial statements. All amounts exclude income tax effects and are presented in millions.

The balance sheet location and gross fair value of the Company's outstanding derivative instruments at March 28, 2015 and June 28, 2014 were as follows:

Table of Contents

		Asset Derivatives	
		Balance Sheet Location	Fair Value
			March 28, 2015
			June 28, 2014
Designated derivatives:			
Foreign currency forward contracts	Other current assets	\$3.1	\$2.8
Total designated derivatives		\$3.1	\$2.8
Non-designated derivatives:			
Foreign currency forward contracts	Other current assets	\$1.8	\$0.3
Total non-designated derivatives		\$1.8	\$0.3
		Liability Derivatives	
		Balance Sheet Location	Fair Value
			March 28, 2015
			June 28, 2014
Designated derivatives:			
Foreign currency forward contracts	Accrued liabilities	\$2.0	\$0.7
Interest rate swap agreements	Other non-current liabilities	5.0	8.3
Total designated derivatives		\$7.0	\$9.0
Non-designated derivatives:			
Foreign currency forward contracts	Accrued liabilities	\$6.1	\$0.1
Total non-designated derivatives		\$6.1	\$0.1

The gains (losses) recognized in OCI for the effective portion of the Company's designated cash flow hedges were as follows:

		Amount of Gain/(Loss) Recorded in OCI (Effective Portion)			
		Three Months Ended		Nine Months Ended	
		March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Designated Cash Flow Hedges					
Treasury locks		\$—	\$—	\$(2.7)	\$—
Interest rate swap agreements		2.0	(2.1)	3.9	9.0
Foreign currency forward contracts		(3.8)	1.0	(10.4)	6.6
		\$(1.8)	\$(1.1)	\$(9.2)	\$15.6

The gains (losses) reclassified from AOCI into earnings for the effective portion of the Company's designated cash flow hedges were as follows:

		Amount of Gain/(Loss) Reclassified from AOCI to Income (Effective Portion)			
		Three Months Ended		Nine Months Ended	
		March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Designated Cash Flow Hedges	Income Statement Location				
Treasury locks	Interest expense, net	\$—	\$—	\$—	\$0.2
Interest rate swap agreements	Interest expense, net	0.8	0.9	2.7	3.0
Foreign currency forward contracts	Net sales	(0.1)	0.8	—	2.0
	Cost of sales	(2.8)	2.7	(2.4)	5.5
	Interest expense, net	—	—	—	0.1
	Other expense, net	(0.4)	0.2	(4.3)	1.9
		\$(2.5)	\$4.6	\$(4.0)	\$12.7

The amount expected to be reclassified out of AOCI into earnings during the next 12 months is a\$5.6 million loss.

17

Table of Contents

The gains (losses) recognized against earnings for the ineffective portion of the Company's designated cash flow hedges were as follows:

Designated Cash Flow Hedges	Income Statement Location	Amount of Gain/(Loss) Recognized in Income (Ineffective Portion)			
		Three Months Ended		Nine Months Ended	
		March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Treasury locks	Other expense, net	\$—	\$—	\$(0.4	) \$2.3
Interest rate swap agreements	Other expense, net	—	—	(0.7	) (5.4
Foreign currency forward contracts	Net sales	—	0.2	(0.1	) 0.1
	Cost of sales	(0.1	) (0.2	) 0.1	(0.3
Total		\$(0.1	) \$—	\$(1.1	) \$(3.3

The effects of the Company's fair value hedges on the Condensed Consolidated Statements of Operations were as follows:

Designated Fair Value Hedges	Income Statement Location	Amount of Gain/(Loss) Recognized in Income			
		Three Months Ended		Nine Months Ended	
		March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Interest rate swap agreements	Other expense, net	\$—	\$—	\$—	\$0.9
Fixed-rate debt	Other expense, net	—	—	—	(4.1
Net hedge		\$—	\$—	\$—	\$(3.2

The effects of the Company's non-designated derivatives on the Condensed Consolidated Statements of Operations were as follows:

Non-Designated Derivatives	Income Statement Location	Amount of Gain/(Loss) Recognized in Income			
		Three Months Ended		Nine Months Ended	
		March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Foreign currency forward contracts	Other expense, net	\$(255.7	) \$(0.8	) \$(300.6	) \$(0.4
	Interest expense, net	(2.5	) (0.1	) (2.4	) 0.1
Foreign exchange option contracts	Other expense, net	—	—	(26.4) —
Total		\$(258.2	) \$(0.9	) \$(329.4	) \$(0.3

Table of Contents

NOTE 8 – INDEBTEDNESS

Debt

Total borrowings outstanding are summarized as follows (in millions):

	March 28, 2015	June 28, 2014
Short term debt	\$3.4	\$2.1
Term loans		
2014 Term Loan due December 18, 2015	300.0	—
2014 Euro-Denominated Term Loan due December 5, 2019	530.9	—
2013 Term Loan due December 18, 2015	—	300.0
2013 Term Loan due December 18, 2018	—	630.0
	830.9	930.0
Senior notes		
3.50% Unsecured Senior Notes due December 15, 2021, including unamortized discount of \$0.3 million ⁽¹⁾	499.7	—
3.90% Unsecured Senior Notes due December 15, 2024, including unamortized discount of \$2.8 million ⁽¹⁾	697.2	—
4.90% Unsecured Senior Notes due December 15, 2044, including unamortized discount of \$1.2 million ⁽¹⁾	398.8	—
1.30% Unsecured Senior Notes due November 8, 2016, including unamortized discount of \$0.3 million ⁽²⁾	499.7	499.6
2.30% Unsecured Senior Notes due November 8, 2018, including unamortized discount of \$0.6 million ⁽²⁾	599.4	599.3
4.00% Unsecured Senior Notes due November 15, 2023, including unamortized discount of \$3.0 million ⁽²⁾	797.0	796.8
5.30% Unsecured Senior Notes due November 15, 2043, including unamortized discount of \$1.6 million ⁽²⁾	398.4	398.3
	3,890.2	2,294.0
Other financing	2.3	8.1
Total borrowings outstanding	4,726.8	3,234.2
Less short-term debt and current portion of long-term debt	(359.0	) (143.7
Total long-term debt, less current portion	\$4,367.8	\$3,090.5

⁽¹⁾ Public bonds issued on December 2, 2014, discussed below collectively as the "2014 Bonds."

⁽²⁾ Private placement unsecured senior notes with registration rights as of June 28, 2014 and public bonds as of October 1, 2014, discussed below collectively as the "2013 Bonds."

Unamortized deferred financing fees totaled \$42.4 million at March 28, 2015 and \$27.4 million at June 28, 2014.

The Company was in compliance with all covenants under its various debt agreements as of March 28, 2015 and June 28, 2014.

Omega Financing

Bridge agreement

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

Table of Contents

Debt issuance

On December 2, 2014, Perrigo Finance plc, a 100% owned finance subsidiary of the Company ("Perrigo Finance") issued \$500.0 million aggregate principal amount of 3.50% senior notes due 2021 (the "2021 Notes"), \$700.0 million aggregate principal amount of 3.90% senior notes due 2024 (the "2024 Notes"), and \$400.0 million aggregate principal amount of 4.90% senior notes due 2044 (the "2044 Notes" and, together with the 2021 Notes and the 2024 Notes, the "2014 Bonds"). Interest on the 2014 Bonds is payable semiannually in arrears in June and December of each year, beginning in June 2015. The 2014 Bonds are governed by a base indenture and a first supplemental indenture (collectively the "2014 Indenture"). The 2014 Bonds are fully and unconditionally guaranteed on a senior unsecured basis by the Company, and no other subsidiary of the Company guarantees the 2014 Bonds. There are no restrictions under the 2014 Bonds on the Company's ability to obtain funds from its subsidiaries. The Company received net proceeds of approximately \$1.6 billion from issuance of the 2014 Bonds after fees and market discount. The Company may redeem the 2014 Bonds in whole or in part at any time for cash at the redemption prices described in the 2014 Indenture.

On December 5, 2014, Perrigo Finance entered into a term loan agreement consisting of a €500.0 million tranche maturing December 5, 2019, and a \$600.0 million Revolving Credit Agreement (the "2014 Revolver") (together, the "2014 Credit Agreements") and Perrigo Company entered into a \$300.0 million term loan tranche maturing December 18, 2015. The 2014 Credit Agreements allowed for the issuance of an additional €300.0 million term loan tranche and an increase in the borrowing capacity under the 2014 Revolver to \$1.0 billion upon closing the Omega acquisition. There were no borrowings outstanding under the 2014 Revolver as of March 28, 2015.

Debt extinguishment

On December 5, 2014, the Company repaid the remaining \$895.0 million outstanding under its 2013 Term Loan, then terminated both the 2013 Term Loan and 2013 Revolver described below in "Elan Financing." The Company recorded a \$9.6 million loss on extinguishment of debt during the nine months ended March 28, 2015, which consisted of the Bridge Loan Facility interest expense and the 2013 Term Loan and 2013 Revolver deferred financing fees.

Elan Financing

Bridge agreement

In connection with the Elan acquisition, on July 28, 2013, the Company 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 the Company draw under the Bridge Credit Agreements.

Debt issuance

On September 6, 2013, the Company entered into a \$1.0 billion term loan agreement (the "2013 Term Loan") and a \$600.0 million revolving credit agreement (the "2013 Revolver") (together, the "2013 Credit Agreements"). The 2013 Term Loan consisted 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. Amounts outstanding under the 2013 Credit Agreements bore interest at the Company's option (a) at the alternative base rate or (b) the eurodollar rate plus, in either case, applicable margins as set forth in the 2013 Credit Agreements. Obligations of the Company under the 2013 Credit Agreements were guaranteed by Perrigo Company plc, certain U.S. subsidiaries of Perrigo Company plc, Elan, and certain Irish subsidiaries of Elan until November 21, 2014, at which time the terms of the 2013 Credit

Agreements were amended to remove all guarantors.

On November 8, 2013, the Company issued \$500.0 million aggregate principal amount of its 1.30% senior notes due 2016 (the "2016 Notes"), \$600.0 million aggregate principal amount of its 2.30% senior notes due 2018 (the "2018 Notes"), \$800.0 million aggregate principal amount of its 4.00% senior notes due 2023 (the "2023 Notes") and \$400.0 million aggregate principal amount of its 5.30% senior notes due 2043 (the "2043 Notes" and, together with the 2016 Notes, the 2018 Notes and the 2023 Notes, the "2013 Bonds") in a private placement with registration rights. Interest on the 2013 Bonds is payable semiannually in arrears in May and November of each year, beginning in May 2014. The 2013 Bonds are governed by a base indenture and a first supplemental indenture

Table of Contents

(collectively the "2013 Indenture"). The 2013 Bonds are the Company's unsecured and unsubordinated obligations, ranking equally in right of payment to all of the Company's existing and future unsecured and unsubordinated indebtedness. The Company received net proceeds of \$2.3 billion from issuance of the 2013 Bonds after fees and market discount. The 2013 Bonds are not entitled to mandatory redemption or sinking fund payments. The Company may redeem the 2013 Bonds in whole or in part at any time for cash at the redemption prices described in the 2013 Indenture. The 2013 Bonds were guaranteed on an unsubordinated, unsecured basis by the same entities that guaranteed the 2013 Credit Agreement until November 21, 2014, at which time the 2013 Indenture was amended to remove all guarantors.

On September 2, 2014, the Company offered to exchange its private placement senior notes with public bonds (the "Exchange Offer"). The Exchange Offer expired on October 1, 2014, at which time substantially all of the private placement notes had been exchanged for bonds registered with the Securities and Exchange Commission. As a result of the changes in the guarantor structure noted above, the Company is no longer required to present guarantor financial statements.

Debt extinguishment

On December 18, 2013, the Company repaid the remaining principal balance with accrued interest and fees of \$360.0 million outstanding under its credit agreement dated as of October 26, 2011, then terminated the agreement in its entirety.

On November 20, 2013, the Company priced a tender offer and consent solicitation in regard to the 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 26, 2013, notice was given to holders that the remaining notes not duly tendered would be redeemed on December 27, 2013 at a redemption price of par plus accrued interest. On December 27, 2013, the redemption was completed for a total payment of \$28.5 million. Upon completion of the redemption, the indenture was terminated.

On December 23, 2013, the Company completed the prepayment of all obligations under its private placement senior notes (the "Notes"). All of the Notes were outstanding under the master note purchase agreement dated May 29, 2008 with various institutional investors (the "Note Agreement"). The terms of the Note Agreement provided for prepayment at any time at the Company's option together with applicable make-whole premiums and accrued interest, which totaled \$1.1 billion. Upon completion of the prepayment, the Note Agreement was terminated.

As a result of the debt retirements, the Company recorded a loss of \$165.8 million during the second quarter of fiscal 2014 as follows (in millions):

Make-whole payments	\$133.5
Write-off of financing fees on Bridge Credit Agreements	19.0
Write-off of deferred financing fees	10.5
Write-off of unamortized discount	2.8
Total loss on extinguishment of debt	\$165.8

Accounts Receivable Securitization

The Company has a \$200.0 million accounts receivable securitization program, which expires in June 2015. Under the terms of the securitization program, subsidiaries can sell certain eligible trade accounts receivables to a wholly owned bankruptcy-remote special purpose entity, Perrigo Receivables, LLC. There were no borrowings outstanding under the securitization program at March 28, 2015 or June 28, 2014.

Table of Contents

NOTE 9 – EARNINGS PER SHARE AND SHAREHOLDERS' EQUITY

Earnings per Share

A reconciliation of the numerators and denominators used in the basic and diluted earnings per share ("EPS") calculation is as follows (in millions):

	Three Months Ended		Nine Months Ended	
	March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Numerator:				
Net income (loss)	\$(94.9	) \$48.1	\$71.5	\$73.4
Denominator:				
Weighted average shares outstanding for basic EPS	140.8	133.7	137.0	108.9
Dilutive effect of share-based awards	—	0.6	0.5	0.5
Weighted average shares outstanding for diluted EPS	140.8	134.3	137.5	109.4
Anti-dilutive share-based awards excluded from computation of diluted EPS	0.7	—	0.1	0.1

Shareholders' Equity

Perrigo Company plc (formerly known as Perrigo Company Limited, and prior thereto, Blisfont Limited) was incorporated under the laws of Ireland on June 28, 2013 and became the successor registrant to Perrigo Company on December 18, 2013 in connection with the consummation of the Elan acquisition. Shares of Perrigo Company's common stock were canceled and exchanged for Perrigo Company plc ordinary shares on a one-for-one basis (together with the payment of \$0.01 in cash per Perrigo Company share). All the remaining unsold shares of Perrigo Company were deregistered. Perrigo Company plc began trading on the New York Stock Exchange on December 19, 2013 and the Tel Aviv Stock Exchange on December 22, 2013 under the same symbol used by Perrigo Company ("PRGO") prior to December 18, 2013.

The Company issued 35 thousand and 40 thousand shares related to the exercise and vesting of share-based compensation during the three months ended March 28, 2015 and March 29, 2014, respectively. The Company issued 261 thousand and 374 thousand shares related to the exercise and vesting of share-based compensation during the nine months ended March 28, 2015 and March 29, 2014, respectively.

In addition, to partially finance the Omega acquisition, the Company issued 6,809,210 ordinary shares at \$152.00 per share in a public offering that closed on November 26, 2014. The offering raised approximately \$1.0 billion, offset by \$35.7 million of issuance costs.

The Company does not currently have an ordinary share repurchase program.

Table of Contents

NOTE 10 – ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in the Company's AOCI balances, net of tax, for the nine months ended March 28, 2015 were as follows (in millions):

	Foreign currency translation adjustments	Fair value of derivative financial instruments, net of tax	Fair value of investment securities, net of tax	Post- retirement and pension liability adjustments, net of tax	Total AOCI
Balance at June 28, 2014	\$164.4	\$(16.1	) \$2.4	\$(11.1	) \$139.6
OCI before reclassifications	(152.1	) (8.2	) 0.7	(2.2	) (161.8
Amounts reclassified from AOCI	—	3.2	—	—	3.2
Other comprehensive income	(152.1	) (5.0	) 0.7	(2.2	) (158.6
Balance at March 28, 2015	\$12.3	\$(21.1	) \$3.1	\$(13.3	) \$(19.0

NOTE 11 – INCOME TAXES

The effective tax rate for the three months ended March 28, 2015 was a benefit of 7.6% on a net loss reported in the period. For the three months ended March 29, 2014, the effective tax rate on income was 23.3%. The effective tax rates on income for the nine months ended March 28, 2015 and March 29, 2014 were 21.1% and 31.3%, respectively. The effective tax rates for the three and nine months ended March 28, 2015 were impacted by changes to the estimated jurisdictional mix of income. Additionally, the effective tax rate for the nine months ended March 29, 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.

In fiscal 2011, Israel enacted new tax legislation that reduced the effective tax rate to 10% for 2011 and 2012, 7% for 2013 and 2014, and 6% thereafter for certain qualifying entities that elect to be taxed under the new legislation. This legislation was rescinded as announced in the Official Gazette on August 5, 2013. The new legislation enacted a 9% rate for certain qualifying entities that elect to be taxed under the new legislation. The Company has two entities that had previously elected the new tax legislation for years after fiscal 2011. For all other entities that do not qualify for this reduced rate, the tax rate has been increased from 25% to 26.5%. These rates were applicable to the Company as of the first quarter of fiscal 2014 and unfavorably impacted the effective tax rate in the amount of \$1.8 million.

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 were applicable to the Company as of the first quarter of fiscal 2014 and favorably impacted the effective tax rate in the amount of \$4.7 million.

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 the Company as of June 30, 2013.

The Company's 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 the Company's profits are determined to be earned and taxed, and the relative amounts of income in these jurisdictions; changes in the valuation of the Company's deferred tax assets and liabilities; adjustments to estimated taxes upon finalization of various tax returns; the resolution of any pending or future tax audit, examination or challenge; adjustments to the Company's 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. international tax reform); changes in U.S. GAAP; expiration or the inability to renew tax rulings or tax holiday incentives; and the

repatriation of earnings with respect to which the Company has not previously provided for taxes.

The total liability for uncertain tax positions was \$313.1 million and \$205.4 million as of March 28, 2015 and June 28, 2014, respectively, before considering the federal tax benefit of certain state and local items. This increase is due primarily to the adoption of ASU 2013-11 concerning the offset of applicable deferred tax assets for net operating loss, tax credit or other similar carryforwards. See [Note 1](#) for additional information regarding the adoption.

Table of Contents

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. The total amount accrued for interest and penalties in the liability for uncertain tax positions was \$47.1 million and \$45.3 million as of March 28, 2015 and June 28, 2014, respectively.

The Company's primary income tax jurisdictions are Ireland, the U.S., and Israel. Because the Company files income tax returns in Ireland, the U.S. (including various state and local jurisdictions), Israel, and numerous other jurisdictions, it is subject to audits by tax authorities from several jurisdictions.

Although the Company believes that its tax estimates are reasonable and that the Company prepares its 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 its estimates or from its 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 Company is currently under audit by the Israel Tax Authority and the Internal Revenue Service for fiscal 2011 and 2012. The IRS audit of fiscal 2009 and 2010 had previously concluded with the issuance of a statutory notice of deficiency on August 27, 2014. While the Company 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 same fiscal 2009 and 2010 audit. The statutory notice asserted an incremental tax obligation of approximately \$69.2 million, inclusive of interest and penalties. The Company disagrees with the IRS's positions asserted in the notice of deficiency and plans to contest them in U.S. Federal court. In January 2015, the Company paid this amount, a prerequisite to being able to contest the IRS's positions in U.S. Federal court. The payment was recorded in the three months ended March 28, 2015 as a deferred charge on the balance sheet given the Company's anticipated action to recover this amount. An unfavorable resolution of this matter could have a material impact on the Company's consolidated financial statements in future periods. There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. At this time, the Company cannot predict the outcome of any audit or related litigation.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

In addition to the discussions below, the Company has pending certain other legal actions and claims incurred in the normal course of business. The Company records accruals for such contingencies when it is probable a liability will be incurred and the amount of the loss can be reasonably estimated. As of March 28, 2015, the Company has determined the liabilities associated with certain litigation matters are probable and can be reasonably estimated. The Company has accrued for these matters and will continue to monitor each related legal issue and adjust accruals for new information and further development. Other than the items disclosed below, the Company considers the remainder of litigation matters to be immaterial individually and in the aggregate.

Texas Medicaid

In June 2013, the Company received notices from the Office of the Attorney General for the State of Texas, of civil investigative demands to two of the Company's affiliates, Perrigo Pharmaceuticals Company and Paddock Laboratories, LLC, for information under the Texas Medicaid Fraud Prevention Act relating to the submission of prices to Texas Medicaid in claims for reimbursement for drugs. The Company has cooperated with requests for information and is in the process of evaluating this and other information. While the Company does not know the full extent of its potential liability at this time and intends to vigorously defend against any claims, the Company could be subject to material penalties and damages. The Company previously established a contingency loss accrual of

\$15.0 million to cover potential settlement or other outcomes. Due to changes in circumstances, during the three months ended March 28, 2015 the Company accrued an additional \$9.0 million. In addition, the Company recorded a receivable of \$7.0 million that it expects to collect from the previous owners of Paddock Laboratories, LLC. The Company cannot predict whether it will obtain a settlement on terms it deems acceptable, or whether a settlement or potential liability for these claims will be higher than the amount recorded.

Table of Contents

Eltroxin

During October and November 2011, nine applications to certify a class action lawsuit were filed in various courts in Israel related to Eltroxin, a prescription thyroid medication manufactured by a third party and distributed in Israel by Perrigo Israel Agencies Ltd. The respondents include Perrigo Israel Pharmaceuticals Ltd. and/or Perrigo Israel Agencies Ltd., the manufacturers of the product, and various health care providers who provide health care services as part of the compulsory health care system in Israel.

The nine applications arose from the 2011 launch of a reformulated version of Eltroxin in Israel. The applications generally alleged the respondents (a) failed to timely inform patients, pharmacists and physicians about the change in the formulation; and (b) failed to inform physicians about the need to monitor patients taking the new formulation in order to confirm patients were receiving the appropriate dose of the drug. As a result, claimants allege they incurred the following damages: (a) purchases of product that otherwise would not have been made by patients had they been aware of the reformulation; (b) adverse events to some patients resulting from an imbalance of thyroid functions that could have been avoided; and (c) harm resulting from the patients' lack of informed consent prior to the use of the reformulation.

All nine applications were transferred to one court in order to determine whether to consolidate any of the nine applications. On July 19, 2012, the court dismissed one of the applications and ordered the remaining eight applications be consolidated into one application. On September 19, 2012, a consolidated motion to certify the eight individual motions was filed by lead counsel for the claimants. Generally, the allegations in the consolidated motion are the same as those set forth in the individual motions; however, the consolidated motion excluded the manufacturer of the reformulated Eltroxin as a respondent. Several hearings on whether or not to certify the consolidated application took place in December 2013 and January 2014. The court has not yet made a decision regarding whether or not to approve the consolidated application as a class action. As this matter is in its early stages, the Company cannot reasonably predict at this time the outcome or the liability, if any, associated with these claims.

Tysabri® Product Liability Lawsuits

The Company and collaborator Biogen are co-defendants in product liability lawsuits arising out of the occurrence of Progressive Multifocal Leukoencephalopathy ("PML"), a serious brain infection, and serious adverse events, including deaths, which occurred in patients taking Tysabri®. The Company and Biogen will each be responsible for 50% of losses and expenses arising out of any Tysabri® product liability claims. While these lawsuits will be vigorously defended, management cannot predict how these cases will be resolved. Adverse results in one or more of these lawsuits could result in substantial judgments against the Company.

Neot Hovav

In March and June of 2007, lawsuits were filed by three separate groups against both the State of Israel and the Council of Neot Hovav in connection with waste disposal and pollution from several companies, including the Company, that have operations in the Neot Hovav region of Israel. These lawsuits were subsequently consolidated into a single proceeding in the District Court of Beer-Sheva. The Council of Neot Hovav, in June 2008, and the State of Israel, in November 2008, asserted third-party claims against several companies, including the Company. The pleadings alleged a variety of personal injuries arising out of the alleged environmental pollution. Neither the plaintiffs nor the third-party claimants were required to specify a maximum amount of damages, but the pleadings alleged damages in excess of \$72.5 million, subject to foreign currency fluctuations between the Israeli shekel and the U.S. dollar. On January 9, 2013, the District Court of Beer-Sheva ruled in favor of the Company. On September 29, 2014, the Supreme Court of Israel affirmed the ruling of the District Court in favor of the Company and as a result, the matter is now closed.

Table of Contents

NOTE 13 – RESTRUCTURING CHARGES

The Company periodically takes actions to reduce redundant expenses and improve operating efficiencies, typically in connection with its business acquisitions. The following summarizes the Company's restructuring activity for the three and nine months ended March 28, 2015 and March 29, 2014 (in millions):

	Three Months Ended		Nine Months Ended	
	March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Beginning balance	\$3.2	\$14.3	\$16.4	\$2.9
Additional charges	1.1	19.5	5.3	36.5
Payments	(0.7	) (17.0	) (16.7	) (22.6
Non-cash adjustments	—	(4.1	) (1.4	) (4.1
Ending balance	\$3.6	\$12.7	\$3.6	\$12.7

Restructuring activity includes severance, lease exit costs, and asset impairments. Charges are reported in Restructuring expense. The charges during the three and nine months ended March 29, 2014 were due primarily to Elan. Substantially all of the liability remaining at March 28, 2015 is expected to be paid by the end of the fiscal year.

NOTE 14 – SEGMENT INFORMATION

The Company has five reportable segments, aligned primarily by type of product: Consumer Healthcare, Nutritionals, Rx Pharmaceuticals, API, and Specialty Sciences, along with an Other category. In conjunction with the Elan acquisition on December 18, 2013, the Company expanded its operating segments to include the Specialty Sciences segment, which is comprised of assets focused on the treatment of Multiple Sclerosis (Tysabri®). The majority of corporate expenses, which generally represent shared services, are charged to operating segments as part of a corporate allocation. Unallocated expenses relate to certain corporate services not allocated to the segments.

The below tables show select financial measures by reporting segment (in millions):

	Three Months Ended			Balance at March 28,
	March 28, 2015			2015
	Net Sales	Operating Income (Loss)	Amortization of Intangibles	Total Assets
Consumer Healthcare	\$537.3	\$91.8	\$8.6	\$6,143.3
Nutritionals	129.9	11.2	7.2	1,037.8
Rx Pharmaceuticals	251.6	100.0	18.3	2,605.9
API	30.7	10.5	0.5	252.2
Specialty Sciences	81.9	5.5	72.8	6,055.8
Other	17.7	1.3	0.4	87.8
Unallocated expenses	—	(21.1) —	—
Total	\$1,049.1	\$199.2	\$107.8	\$16,182.8

Table of Contents

	Three Months Ended ⁽¹⁾ March 29, 2014			Balance at March 29, 2014
	Net Sales	Operating Income (Loss)	Amortization of Intangibles	Total Assets
Consumer Healthcare	\$537.3	\$84.4	\$5.3	\$2,555.2
Nutritionals	137.8	7.3	7.3	1,011.5
Rx Pharmaceuticals	223.4	77.0	17.5	1,985.4
API	32.0	6.8	0.5	286.8
Specialty Sciences	53.4	(54.5	) 76.4	7,799.5
Other	20.2	0.8	0.4	104.4
Unallocated expenses	—	(18.5) —	—
Total	\$1,004.2	\$103.3	\$107.4	\$13,742.8
	Nine Months Ended March 28, 2015			
	Net Sales	Operating Income (Loss)	Amortization of Intangibles	
Consumer Healthcare	\$1,560.2	\$232.0	\$26.0	
Nutritionals	385.7	26.9	21.6	
Rx Pharmaceuticals	722.8	274.4	53.3	
API	85.5	24.9	1.5	
Specialty Sciences	260.4	29.8	218.4	
Other	57.7	3.4	1.1	
Unallocated expenses	—	(70.7) —	
Total	\$3,072.3	\$520.7	\$321.9	
	Nine Months Ended ⁽¹⁾ March 29, 2014			
	Net Sales	Operating Income (Loss)	Amortization of Intangibles	
Consumer Healthcare	\$1,612.1	\$263.8	\$15.9	
Nutritionals	406.6	28.3	22.1	
Rx Pharmaceuticals	673.6	260.5	55.2	
API	105.2	37.4	1.6	
Specialty Sciences ⁽²⁾	60.8	(73.5	) 85.0	
Other	58.3	2.6	1.3	
Unallocated expenses	—	(149.7) —	
Total	\$2,916.6	\$369.5	\$181.1	

⁽¹⁾ Amounts may not foot due to rounding.

⁽²⁾ Specialty Sciences represents activity for the period beginning on December 18, 2013 and ending March 29, 2014.

In conjunction with the closing of the Omega acquisition on March 30, 2015, the Company changed its reporting segments to better align with the Company's organizational structure and reflect the way in which the Chief Operating Decision Maker now reviews the Company's operating results. This reporting change will take effect starting in the fourth quarter of fiscal 2015. See Note 1 for more information.

NOTE 15 – COLLABORATIVE ARRANGEMENTS

In December 2014, the Company entered into a collaboration agreement with a clinical stage biotechnology company, pursuant to which the parties will collaborate in the ongoing development of a topical OTC drug product. The

Company will provide assistance including non-clinical, clinical, and manufacturing activities in support of an NDA submission to the FDA. As part of the agreement, the Company paid \$10.0 million for an exclusive option to

Table of Contents

purchase and license certain assets as specified in separate asset purchase and license agreements. The \$10.0 million fee is reported in Research and development expense. If the product is successful in Phase 3 clinical trials, the Company is required to make an additional option payment of \$5.0 million. If the Company exercises its purchase option, it will be required to pay a purchase price of \$10.0 million as well as certain contingent milestone payments, which could total \$50.0 million in aggregate.

NOTE 16 – SUBSEQUENT EVENTS

Rejection of Unsolicited Proposal from Mylan

On April 6, 2015, Mylan N.V. ("Mylan") sent the Company a letter containing an unsolicited proposal to acquire all of the outstanding ordinary shares of Perrigo for \$205.00 per share (the "Proposal"), which Mylan made public on April 8. Following a comprehensive review, the Company's Board of Directors unanimously rejected the Proposal, concluding that it substantially undervalued the Company and its future growth prospects, and was not in the best interests of Perrigo's shareholders.

On April 24, 2015 Mylan provided a firm offer to acquire all of the outstanding ordinary shares of Perrigo for \$60.00 per share in cash and 2.2 Mylan ordinary shares for each Perrigo ordinary share (the "Offer"). The same day, the Company announced its rejection of the Offer, citing the same reasons as its rejection of the Proposal.

On April 29, 2015, Mylan announced a revised offer to acquire all of the outstanding ordinary shares of Perrigo for \$75.00 per share in cash and 2.3 Mylan ordinary shares for each Perrigo ordinary share (the "Revised Offer"). The same day, the Company announced its rejection of the Revised Offer.

Prior to making the Proposal, Mylan was the subject of market speculation related to a possible offer for Mylan from Teva Pharmaceutical Industries Ltd. ("Teva"). On April 21, 2015, Teva announced an unsolicited proposal to acquire all of the outstanding shares of Mylan for \$82.00 per share, with the consideration to be comprised of approximately 50 percent cash and 50 percent stock. On April 27, 2015, Mylan announced that its Board of Directors had rejected this proposal, following which Teva announced that it reiterated its commitment to its proposal.

Omega Acquisition Closing

On March 30, 2015, the Company completed its acquisition of Omega, a limited liability company incorporated under the laws of Belgium (the "Acquisition"). The Company purchased 95.77% of the issued and outstanding share capital of Omega (685,348,257 shares) from Alychlo NV ("Alychlo") and Holdco I BE NV ("Holdco" and, together with Alychlo, the "Sellers"), limited liability companies incorporated under the laws of Belgium under the terms of the Share Purchase Agreement dated November 6, 2014 (the "Share Purchase Agreement"). Omega holds the remaining 30,243,983 shares as treasury shares.

The Sellers have agreed to indemnify the Company for certain potential future losses. The Sellers' indemnification and other obligations to the Company under the Share Purchase Agreement are secured up to \$268.7 million⁽¹⁾. Under the terms of the Share Purchase Agreement, Alychlo and its affiliates are subject to a three-year non-compete in Europe, and the Sellers are subject to a two-year non-solicit, in each case subject to certain exceptions. The Share Purchase Agreement contains other customary representations, warranties, and covenants of the parties thereto.

Consideration paid totaled \$4.4 billion, and consisted of \$2.1 billion of cash (inclusive of \$67.7 million in interest incurred from November 6, 2014, the date on which the Company entered into the agreement to purchase Omega, through the closing date), the assumption of \$1.4 billion of Omega debt as detailed below, and the issuance of 5,397,711 Perrigo shares. The cash consideration was financed by a combination of debt and equity issued by the

Company, as further described in Notes 8 and 9.

⁽¹⁾ Amounts are denominated in euros and are shown translated at an exchange rate of €1 = \$1.0834 as of March 30, 2015.

28

Table of Contents

In connection with the Acquisition, the Company assumed all outstanding indebtedness of Omega and its subsidiaries, which included:

- i. Senior notes: \$146.3 million⁽¹⁾ of 5.1045% senior notes due 2023 and \$20.0 million of 6.19% senior notes due 2016;
- ii. Retail bonds: \$325.0 million⁽¹⁾ of 5.125% retail bonds due 2017, \$195.0 million⁽¹⁾ of 4.500% retail bonds due 2017, and \$130.0 million⁽¹⁾ of 5.000% retail bonds due 2019;
- iii. Revolving credit facility with \$541.7 million⁽¹⁾ outstanding; and
- iv. Certain overdraft facilities totaling \$54.2 million⁽¹⁾.

On April 8, 2015, the Company repaid the amount outstanding under Omega's revolving credit facility described above (\$539.1 million at the April 8, 2015 exchange rate of €1 = \$1.0782) and terminated the facility.

Omega is a leading European OTC Company and is expected to provide the Company several key benefits including advancing the Company's growth strategy outside the U.S. by providing access across a larger global platform with critical mass in key European countries, establishing commercial infrastructure in the high-barrier to entry European OTC marketplace, strengthening the Company's product portfolio while enhancing scale and distribution, enhancing the Company's financial profile, and expanding the Company's international management capabilities.

The initial accounting for the Acquisition is incomplete. Significant relevant information needed to complete the accounting is not available because the valuation for the assets acquired and liabilities assumed is not complete. As a result, determining those values is not practicable and the Company is unable to disclose these values or provide other relevant disclosures at this time.

The Company incurred costs in connection with the Acquisition related to general transaction costs (legal, banking and other professional fees), financing fees, and debt extinguishment. The amounts recorded were not allocated to a reporting segment. The table below details the transaction costs, as well as losses on hedging activities associated with the Acquisition, and where they were recorded for the three and nine months ended March 28, 2015 (in millions):

Line item	Three Months Ended March 28, 2015	Nine Months Ended
Administration	\$2.0	\$13.6
Interest expense, net	18.7	23.7
Other expense, net	258.2	323.9
Loss on extinguishment of debt	—	9.6
Total Acquisition-related costs	\$278.9	\$370.8

See Note 7 for further details on losses on Omega-related hedging activities shown above in Other expense, net, and Note 8 for details on the loss on extinguishment of debt.

⁽¹⁾ Amounts are denominated in euros and are shown translated at an exchange rate of €1 = \$1.0834 as of March 30, 2015.

Table of Contents

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THIRD QUARTER AND YEAR-TO-DATE FOR FISCAL YEARS 2015 AND 2014

EXECUTIVE OVERVIEW

The Company closed on its acquisition of Omega Pharma Invest NV ("Omega") on March 30, 2015, after the end of its third fiscal quarter. Therefore, Omega is not included in this quarter's results. See Note 16 to the Condensed Consolidated Statements for further information on the Omega acquisition.

Perrigo Company plc (formerly known as Perrigo Company Limited, and prior thereto, Blisfont Limited) ("Perrigo" or "the Company"), was incorporated under the laws of Ireland on June 28, 2013, and became the successor registrant of Perrigo Company on December 18, 2013 in connection with the consummation of the acquisition of Elan Corporation, plc ("Elan"), which is discussed further in Note 2. With the acquisition of Omega, the Company is now a top five global over-the-counter ("OTC") consumer goods and pharmaceutical company, offering consumers and customers high quality products at affordable prices. From its beginnings in 1887 as a packager of generic home remedies, the Company has grown to become the world's largest manufacturer of OTC products and supplier of infant formulas for the store brand market. The Company is also a leading provider of branded OTC products, generic extended topical prescription products and receives royalties from Multiple Sclerosis drug Tysabri®. Perrigo provides "Quality Affordable Healthcare Products®" across a wide variety of product categories and geographies, primarily in North America, Europe, and Australia, as well as other key markets including Israel and China.

Segments

For the three and nine months ended March 28, 2015 and March 29, 2014, the Company has five reportable segments, aligned primarily by type of product: Consumer Healthcare, Nutritionals, Rx Pharmaceuticals, API, and Specialty Sciences. In addition, the Company has an Other category that consists of the Israel Pharmaceutical and Diagnostic Products operating segment, which does not individually meet the quantitative thresholds required to be a separately reportable segment.

The Consumer Healthcare ("CHC") segment is the world's largest store brand marketer and manufacturer of OTC pharmaceutical products. Major product categories include analgesics, cough/cold/allergy/sinus, gastrointestinal, smoking cessation, animal health, and secondary product categories include feminine hygiene, diabetes care and dermatological care.

The CHC business markets products comparable in quality and effectiveness to national brand products. The cost to the retailer of a store brand product is significantly lower than that of a comparable nationally advertised brand-name product. Generally, the retailers' dollar profit per unit of store brand product is greater than the dollar profit per unit of the comparable national brand product. The retailer, therefore, can price a store brand product below the competing national brand product and realize a greater profit margin. The consumer benefits by receiving a high quality product at a price below the comparable national brand product. Therefore, the Company's business model saves consumers on their healthcare spending. The Company, one of the original architects of private label pharmaceuticals, is the market leader for consumer healthcare products in many of the geographies where it currently competes – the U.S., U.K., and Mexico – and is developing its position in Australia. The Company's market share of OTC store brand products has grown in recent years as new products, retailer efforts to increase consumer education and awareness, and economic conditions have directed consumers to the value of store brand product offerings.

•

The Nutritionals segment develops, manufactures, markets and distributes store brand infant and toddler formula products, infant and toddler foods, and vitamin, mineral and dietary supplement ("VMS") products to retailers, distributors and consumers primarily in the U.S., Canada, Mexico, and China. Similar to the Consumer Healthcare segment, this business markets store brand products comparable in quality and formulation to the national brand products. The cost to the retailer of a store brand product is significantly lower than that of a comparable nationally advertised brand-name product. The retailer, therefore, can price a store brand product below the competing national brand product yet realize a greater profit margin. All infant formulas sold in the U.S. are subject to the same regulations governing manufacturing and

Table of Contents

ingredients under the Infant Formula Act of 1980, as amended. Store brands, which offer substantial savings to consumers, must meet the same U.S. Food and Drug Administration ("FDA") requirements as the national brands. Substantially all products are developed using ingredients and formulas comparable to those of national brand products. In most instances, packaging is designed to increase visibility of store brand products and to invite and reinforce comparison to national brand products in order to communicate store brand value to the consumer.

The Rx Pharmaceuticals segment develops, manufactures and markets a portfolio of prescription ("Rx") drugs primarily for the U.S. market. The Company defines 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, oral solid dosage forms and oral liquid formulations. The strategy in the Rx Pharmaceuticals segment is to be the first to market with those new products that are exposed to less competition because they have formulations that are more difficult and costly to develop and launch (e.g., extended topicals, specialty solutions or products containing controlled substances). In addition, the Rx Pharmaceuticals segment offers OTC products through the prescription channel (referred to as "ORx[®]" marketing). ORx[®] products are OTC products available for pharmacy fulfillment and healthcare reimbursement when prescribed by a physician. The Company offers over 100 ORx[®] products reimbursable through many health plans and Medicaid and Medicare programs.

The API segment develops, manufactures and markets active pharmaceutical ingredients ("API") used worldwide by the generic drug industry and branded pharmaceutical companies. The API business identifies APIs critical to its pharmaceutical customers' future product launches and then works closely with these customers on the development processes. API development is focused on the synthesis of less common molecules for the U.S., European and other international markets. The Company is also focusing development activities on the synthesis of molecules for use in its own OTC and Rx pipeline products. This segment is undergoing a strategic platform transformation, moving certain production from Israel to the acquired API manufacturing facility in India to allow for lower cost production and to create space for other, more complex production in Israel.

As a result of the Elan acquisition on December 18, 2013, the Company expanded its operating segments to include the Specialty Sciences segment, which is comprised of assets focused on the treatment of Multiple Sclerosis (Tysabri[®]).

In addition to general management and strategic leadership, each business segment has its own sales and marketing teams focused on servicing the specific requirements of its customer base. Each of these business segments share Research & Development, Supply Chain, Information Technology, Finance, Human Resources, Legal, and Quality services.

In conjunction with the closing of its acquisition of Omega, the Company changed its reporting segments in the fourth quarter of fiscal 2015 to better align with the Company's organizational structure. These organizational changes were made to optimize the Company's structure to better serve its customers and to reflect the way in which the Chief Operating Decision Maker now reviews the Company's operating results. See [Note 1](#) to the Condensed Consolidated Financial Statements for details on the Company's new reporting segments, which are effective beginning in the fourth quarter of fiscal 2015.

Seasonality

The Company has historically been impacted by seasonal demand and consumer dynamics in the retail environment in which its customers operate. Accordingly, operating results for the three and nine months ended March 28, 2015 are not necessarily indicative of the results that may be expected for a full fiscal year. The Company's sales of OTC pharmaceutical products typically are subject to seasonal demands for cough/cold/flu products in its second and third

fiscal quarters, and allergy products in its first and fourth fiscal quarters. In addition, the Company's animal health products are subject to seasonal demand for flea and tick products, which typically peaks during the warmer weather months. Omega's sales are also impacted by seasonality and tend to peak in the fourth fiscal quarter due to increased demand for seasonal health and wellness products.

The Consumer Healthcare segment was unfavorably impacted in the first half of fiscal 2015 as a result of category decreases, driven primarily by timing differences related to seasonal promotions and lower contract sales.

Table of Contents

In addition, the Nutritionals segment was impacted by competitive market dynamics in the VMS and infant foods categories. These factors resulted in lower sales in these segments for the first half of fiscal 2015 as compared to fiscal 2014. Other than the market dynamics in the VMS and infant foods categories, the Company does not expect these trends to continue. The Company anticipates that the absence of these trends, combined with expected higher new product sales in the fourth quarter of fiscal 2015, will result in stronger fourth quarter results compared to historical fiscal year comparisons.

Consolidated Results

Quarter-to-date

(\$ in millions)	Three Months Ended		Increase/(Decrease) % Change		
	March 28, 2015	March 29, 2014			
Net sales	\$1,049.1	\$1,004.2	\$ 44.9	4	%
Gross profit	\$378.8	\$315.0	\$ 63.8	20	%
Gross profit %	36.1	% 31.4	%		
Operating expenses	\$179.6	\$211.7	\$ (32.1)	) (15)%
Operating expenses %	17.1	% 21.1	%		
Operating income	\$199.2	\$103.3	\$ 95.9	93	%
Operating income %	19.0	% 10.3	%		
Interest and other, net	\$301.9	\$40.6	\$ 261.3	644	%
Income tax expense (benefit)	\$(7.8)	) \$14.6	\$ (22.4)	) 153	%
Net income (loss)	\$(94.9)	) \$48.1	\$ (143.0)	) 297	%

The increase in net sales of \$44.9 million for the third quarter of fiscal 2015 was driven primarily by new product sales of \$80.8 million and \$28.5 million of incremental royalty sales of Tysabri®. This increase was offset partially by lower sales volumes on certain products in the CHC and Nutritionals segments, discontinued products of \$22.6 million, and \$21.4 million of unfavorable changes in foreign currency exchange rates, including the amount due to Tysabri® royalty sales.

Third quarter fiscal 2015 gross profit and gross profit percentage increased due primarily to increased sales in the Rx segment, improved efficiencies in manufacturing facilities, and improved product mix.

Operating expenses decreased due largely to the absence of the Elan acquisition costs and restructuring expenses that were recorded in fiscal 2014, and reduced administrative and selling expenses as a result of increased efficiencies. The increase in Interest and other, net, was due primarily to the losses incurred in the current quarter related to the Company's derivative activities in connection with the Omega acquisition.

Table of Contents

Year-to-date

(\$ in millions)	Nine Months Ended		Increase/(Decrease)% Change		
	March 28, 2015	March 29, 2014			
Net sales	\$3,072.3	\$2,916.6	\$ 155.7	5	%
Gross profit	\$1,084.3	\$1,031.9	\$ 52.4	5	%
Gross profit %	35.3	% 35.4	%		
Operating expenses	\$563.6	\$662.4	\$ (98.8	) (15)%
Operating expenses %	18.3	% 22.7	%		
Operating income	\$520.7	\$369.5	\$ 151.2	41	%
Operating income %	16.9	% 12.7	%		
Interest and other, net	\$430.1	\$262.6	\$ 167.5	64	%
Income tax expense (benefit)	\$19.1	\$			