Perrigo®

Quality, Affordable **Self-Care** Products

2020 Annual Report

From the CEO

Dear Fellow Shareholders,

Perrigo's transformation to a pure-play Consumer Self-Care Company has come a long way in just two short years. We have restored sustainable topline growth, delivered on our financial promises, reconfigured our portfolio of businesses, updated the IT infrastructure and processes of the Company, expanded capacity, upgraded leadership talent, installed business intelligence capabilities, built a new product pipeline of over $500 million and re-instilled a sense of pride and energy among our 11,000 team members. Making this even more remarkable, is that we kept the transformation on track in the face of the global COVID-19 pandemic. I hope you are as proud of Perrigo's global team as I am for how they worked to keep each other safe, kept our essential products flowing and kept our transformation to a consumer self-care company on track through all of the personal and professional uncertainty that came their way in 2020. They are heroes.

As a result of their efforts, Perrigo delivered strong net sales growth for the second year in a row in 2020 and World-wide Consumer sales reached a new record high. Equally important, the team stabilized adjusted operating income after a few years of decline even as we invested over $50 million in our business and overcame $35 million of unplanned headwinds, due primarily to COVID-19 related safety costs and business impact from the weak cold, cough and flu season, related to COVID-19's impact on public life. All in all, we had a very strong year.

Our transformation efforts reached an essential milestone after the year closed when we announced the sale of our Prescription Pharmaceuticals business to Altaris Capital Partners, LLC. The transaction reinforces our ability to deliver on commitments and represents the final major portfolio reconfiguration move in our consumer self-care transformation. Following closure of the transaction, Perrigo will be a pure-play consumer self-care leader with a growth profile in line with consumer-packaged goods ("CPG") peers that trade at significantly higher multiples. We also will enjoy tremendous financial flexibility to turbo charge our growth strategy as we expect to have approximately $2 billion in cash to prudently invest in acquisitions that support our growth strategy and fortify our balance sheet. In many ways, we'll be returning Perrigo to the self-care roots that drove the Company's success for more than a century – this time with a renewed energy, laser-focused purpose and a strong desire to win.

Perrigo is poised to create significant shareholder value. However, there is still much work to be done. It is for this reason that I have accepted the Board of Directors' request to remain Perrigo's President and Chief Executive Officer for another three years, to finish the job and ensure a strong future for our company and all of its stakeholders.

I can say with confidence, looking ahead to 2021, that Perrigo is ready for whatever may come our way. We are ready to complete our transformation and press forward as a consumer self-care company. We are ready to weather the challenges of a dynamic marketplace and we are ready to grow both top and bottom lines. Within the Company we like to say: ***We are Perrigo, and We Are Ready for Now.***

Sincerely,

Murray S. Kessler
President and Chief Executive Officer

COVID-19 Response

The year 2020 was unlike any other. The tangible effects of the global pandemic felt across the world, from economic difficulties for households, communities and businesses to the biggest health crisis of this generation, set off fundamental changes that will reverberate through society for many years.

This past year, Perrigo's vision was the foundation of our tremendous efforts to serve the needs of society during a global pandemic, while maintaining our promises to our customers, team members, shareholders and other stakeholders. As a company operating in a critical industry at a critical time in history, our team rose to the challenge by delivering our critically important products to those who needed them. We accomplished this with an intense focus on keeping our people as safe as possible while advancing our vision: *to make lives better by bringing Quality, Affordable Self-Care Products that consumers trust everywhere they are sold.* We are grateful for our global team and proud of their herculean efforts in 2020.

Keeping Our People Safe

Early in the pandemic, we implemented COVID-19 precautionary measures at all our locations worldwide to protect our people, including restricting entry to our facilities to essential personnel only and enacting safety protocols such as screenings for COVID-19 exposure, social distancing measures and face coverings. We also mandated remote work for all employees who could work from home, prohibited all non-essential business travel and leveraged our technology to support continued global communication and collaboration. These measures not only supported productivity, but also reduced operational risk as our manufacturing and supply chain employees were able to remain focused on their jobs.

Keeping Production Facilities Open to Support Consumers

In addition to prioritizing the well-being of our people, we implemented business continuity procedures to reduce the potential for supply disruptions. This led to a surge in productivity and enabled us to continue delivering our important products throughout the pandemic. We accomplished this without missing a single shift due to COVID-19 in any of our plants.

Prioritizing Products to Support Consumers

Empowering consumers through self-care was more important than ever in 2020. Staying true to our legacy of being responsive to consumer needs, Perrigo reprioritized production to focus on critical products that the world needed most, especially during early stages of the pandemic. After this prioritization to address the dramatic surge in demand for these critical products, we then resumed production of all product lines by mid-summer.

Supporting Communities

In response to the critical need for hand sanitizer, Perrigo quickly mobilized to formulate a new hand sanitizer product, all of which was donated to hospitals and first responders. Additionally, the Company constructed and donated more than 100 face shields and created a month's supply of solution used to test face mask seals. These are just a few examples of the efforts put forth by Perrigo team members to support critical community needs.

Consumer Self-Care Transformation

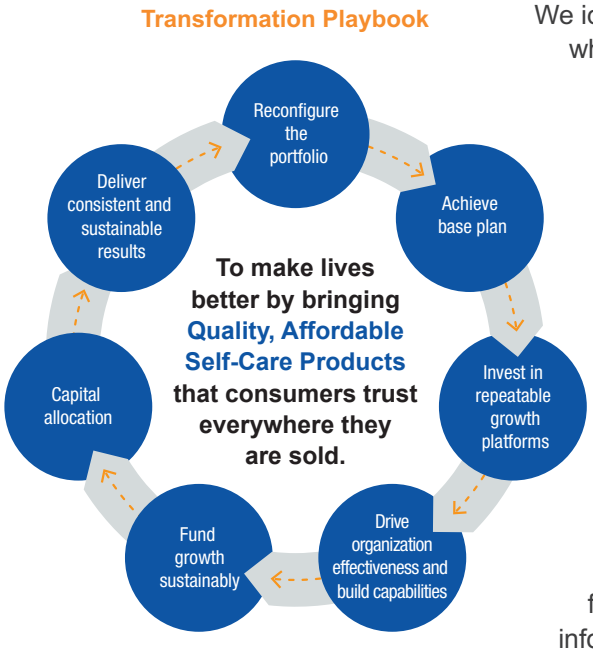
In fiscal year 2020, the Company continued to make significant progress in its three-year plan to transform Perrigo into a global consumer self-care market leader as management and the Board of Directors took decisive action.

Reconfiguring the Portfolio

We advanced our portfolio reconfiguration in 2020 with several key acquisitions and divestitures that align our business with our self-care vision. Our acquisition of High Ridge Brands' oral care assets provides a wider array of oral self-care products for our retail partners and the acquisition of three eastern European over-the-counter ("OTC") skincare and hair loss treatment brands enhances our international branded portfolio. The sale of our Rosemont Pharmaceuticals business in the United Kingdom, along with the March 1, 2021, agreement to sell our Rx Pharmaceutical generic prescriptions business for $1.5 billion in cash and more than $50 million in other considerations, essentially completes our portfolio reconfiguration. At the close of the Rx transaction, Perrigo will be a pure-play global consumer self-care company well positioned to significantly enhance shareholder value.

Achieving Base Plan

We once again delivered on our base plan in 2020, which was highlighted by more than $300 million in new product sales and more than 100% growth in consumer-focused e-commerce. Product launches of OTC diclofenac sodium topical gel 1% and esomeprazole mini, line extensions of our top-performing European skincare brand ACO and XLS weight management brand, and an important new infant formula launch in late December 2019 propelled our self-care portfolio forward, offsetting some of the impact experienced from the very weak cough and cold season. In Consumer Self-Care Americas ("CSCA"), we increased store-brand penetration versus national brand and gained market share, while in Consumer Self-Care International ("CSCI") we held market share within the dynamic pandemic environment.

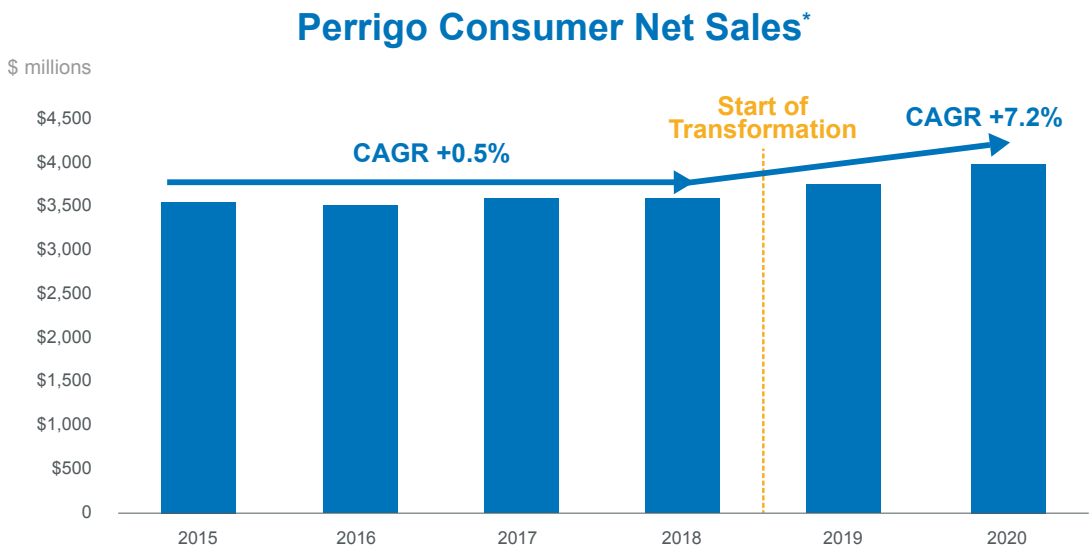


Building Repeatable Growth Platforms

We identified and are executing against five global growth platforms where we can win: (1) Core OTC; (2) Oral Care; (3) Nutrition; (4) Nicotine Replacement Therapy; and (5) Science-Based Naturals. Our recently centralized research and development team added and replenished the future pipeline potential to approximately $500 million. We entered the cannabidiol ("CBD") market through a strategic investment in and long-term supply agreement with a leading supplier of hemp-based CBD products free of tetrahydrocannabinol ("THC-free"). Due to our investments in e-commerce, online sales accounted for approximately 6% of our global net sales.

Driving Organization Effectiveness & Building Capabilities

Investments in business capabilities paid off in 2020, as we launched our internal business intelligence platform, which allows for a deep understanding of market share and consumer takeaway information in real-time. We also made investments in cyber security, R&D and other areas of our business to bolster capabilities and effectively compete in the marketplace. Additionally, we continued deepening our leadership team and CPG expertise throughout the organization and are building a new North American Corporate Headquarters in Grand Rapids, Michigan, to further collaboration, innovation and cultural change.



Funding Growth Sustainably

Initiated in 2019, Project Momentum was established to deliver $100 million in cost savings over three years through a number of initiatives, including reducing non-essential professional services and improving efficiencies throughout the organization. We are on track to realize these savings.

Capital Allocation

We continued to execute on our capital allocation strategy with a focus on disciplined strategic bolt-on acquisitions, increasing capacity to meet consumer demand, and driving shareholder returns. In 2020, Perrigo increased its dividend by 7%, which marks the 17th consecutive year the Company has increased its dividend, and repurchased more than $160 million of Perrigo stock in the fourth quarter. These actions were enabled by strong cash flow from operations.

Delivering Consistent and Sustainable Results

Amidst a volatile macroeconomic backdrop and significant COVID-19 headwinds, Perrigo once again delivered on its financial commitments in 2020. Strong adjusted net sales growth of 5% in 2020* and our continued efforts to drive efficiency and effectiveness are just a few highlights and reasons we are entering 2021 from a position of strength. Our ownership by consumer investors and execution of our proven strategy represent just a few accomplishments of this past year that we ultimately expect to translate into an increase in shareholder value.

* See Financial Reconciliation

Making Lives Better

Commitment to Our People

Perrigo is proudly committed to the health and well-being of its global team. When faced with the challenges of a worldwide pandemic, we focused on understanding and supporting each individual and their unique circumstances, including those serving as essential workers. Our people are the foundation of our business, and we believe it is critical that we invest in their well-being, provide tools and resources that support professional development and work-life balance, and foster an inclusive culture. In recognition of their continued dedication, we awarded a special bonus to our frontline team members to express appreciation for their extraordinary efforts.

As a leading consumer self-care company, it all starts with a strong health and safety culture and continues with our Global Well-Being program, designed to support the health, wellness and work-life balance of our team members. Additionally, as a learning organization, Perrigo provides opportunities for team members to nurture their strengths and build new skills through online development platforms, skilled trades apprenticeship programs, and resources that help leaders effectively manage dispersed teams in our new business environment. Our efforts have been lauded by our global team, as well as in various communities we serve.

Diversity and Inclusion

Diversity and Inclusion ("D&I") remains a high priority for Perrigo, and events during the last year only reinforced our strong commitment to this important work. We are focused on supporting individual uniqueness, recognizing the collective value of our differences and joining our voices in unity to promote social equity. This includes ensuring a safe, respectful workplace for every member of the Perrigo team.

Throughout 2020, Perrigo advanced the rollout of a three-year strategy that is focused on three key areas through global engagement events:

- Informing and educating our workforce on our D&I strategy and key topics;
- Strengthening our talent management practices through a lens of inclusion; and
- Creating our governance and key metrics to establish our foundation and help us monitor progress.

Consistent with these goals, Perrigo took action to promote racial equity, recognized Pride month *globally* for the first time and focused on men's health and well-being during 'Movember'. In addition, Perrigo's President and CEO joined the Valuable 500, a global CEO community revolutionizing disability inclusion through business leadership and opportunity.

Commitment to Corporate Social Responsibility & Sustainability

Perrigo is committed to doing business in a socially, environmentally and fiscally responsible manner and being transparent with its reporting. That commitment is reflected in our well-established governance, corporate responsibility and sustainability programs.

United Nations Sustainable Development Goals

In 2020, Perrigo adopted the United Nations Sustainable Development Goals ("SDGs") framework to guide our initiatives and maximize our positive impact. We are currently focused on the following five SDGs: good health and well-being; training and education; addressing inequalities; responsible consumption; and climate action.

Environment

Perrigo's commitment to the environment is supported by our global drive to enhance the sustainability and reduce the environmental impact of our business. We formalized that commitment in 2015 by establishing a corporate sustainability strategy focused on the following three key areas:

- **Sustainable Operations** – notably the reduction of carbon emissions, energy and water through goal setting and data tracking;
- **Packaging Sustainability** – we set ambitious goals to be achieved by 2025 regarding the recyclability of our packaging and use of recycled content, among others; and
- **Sustainable Supply Chain** – we have goals and policies to exclusively source certified sustainable Palm Oil and paper fibers from sustainable forestry.

In addition to the UN SDGs, we seek to accommodate other ESG reporting frameworks, including the Sustainability Accounting Standards Board (SASB), the Task Force on Climate-Related Disclosures (TFCD), and the Carbon Disclosure Project (CDP) standards.

Commitment to Our Community

Perrigo has a proud legacy of giving back to our local communities by volunteering time and expertise, donating product, charitable giving through the Perrigo Company Charitable Foundation, and monetary donations from our dedicated global team members.


Pedialyte
Compare to the nutrition of Enfamil® Gentlease®
50% More™
Electrolyte Solution
33% MORE ELECTROLYTES*
Gentle
Non-GMO

Perrigo Company Philanthropic Highlights

Over the Last 10 Years Perrigo has donated >$40 million worldwide

More than
$25 million
in monetary donations; and

$16 million
in product donations.

In 2020, Perrigo donated **more than $6.2 million** in cash and product donations worldwide, highlighted by:

>$2.9 million in 2020 Product Donations

- Donated more than **600,000 bottles of hand sanitizer** to hospitals and first responders;
- Our Braunton site in the United Kingdom initiated several projects and donations in 2020, including the development of face shields for first responders, support for mental health initiatives and partnering with our Perrigo Germany team to develop a solution used to test face mask seals;
- Perrigo Israel donated medical kits to Israel Magen David Adom;
- Perrigo Oral Care donated more than **67,000 units** of product.

>$3.3 million in 2020 Monetary Donations

- More than **$1 million** in monetary donations to further education and learning, including scholarships and a partnership with Uversity in Dublin to provide financial support to mature students pursuing bachelor's degrees;
- More than **$1.8 million** in monetary donations to support healthcare needs in communities where Perrigo team members live and work;
- More than **$400,000 donated** to organizations supporting food insecurity.

Perrigo continues to seek ways to go beyond the inherent social benefits of our consumer self-care business model through our **philanthropic efforts** and the **hours contributed by our dedicated global team.**

Shareholder Information

Board of Directors

Rolf A. Classon
Chairman of the Board

Bradley A. Alford
Director; Operating Partner of Advent International Corporation

Orlando D. Ashford
Director; Strategic Advisor, Sycamore Partners

Katherine Doyle
Director; Former Chief Executive Officer of Swanson Health Products, Inc.

Adriana Karaboutis
Director; Chief Information and Digital Officer for National Grid

Murray S. Kessler
Director; President and Chief Executive Officer of Perrigo Company plc

Jeffrey B. Kindler
Director; Chief Executive Officer for Centrexion Corporation

Erica L. Mann
Director; Former President of Bayer Consumer Health Division

Donal O'Connor
Director; Retired Partner, PwC Ireland

Geoffrey M. Parker
Director; Chief Financial Officer for Tricida, Inc.

Theodore R. Samuels
Director; Retired President of Capital Guardian Trust Company

Senior Management

Murray S. Kessler
President and Chief Executive Officer

Raymond P. Silcock
Chief Financial Officer

Svend Andersen
Executive Vice President and President, Consumer Self-Care International

James E. Dillard III
Executive Vice President and Chief Scientific Officer

Thomas M. Farrington
Executive Vice President and Chief Information Officer

Ronald C. Janish
Executive Vice President of Global Operations and Supply Chain and Transformation Officer

Todd W. Kingma
Executive Vice President, General Counsel and Secretary

Sharon Kochan
Executive Vice President and President, Rx Pharmaceuticals

Richard S. Sorota
Executive Vice President and President, Consumer Self-Care Americas

Grainne Quinn
Executive Vice President and Chief Medical Officer

Robert E. Willis
Executive Vice President and Chief Human Resources Officer

Corporate Headquarters

Sharp Building
10-12 Hogan Place
Telephone: +353 1 709 4000

Registered in Ireland

Registration Number 529592

North American Base of Operations

515 Eastern Avenue
Allegan, Michigan 49010
Telephone: (269) 673-8451

Common Stock

Stock Symbol: PRGO
Listed: New York Stock Exchange

Independent Registered Public Accounting Firm

Ernst & Young
Grand Rapids, Michigan

Stockholder Information

Questions concerning stock ownership may be directed to Investor Relations at Bradley.Joseph@perrigo.com.

Stock Transfer Agent

Computershare
P.O. Box 43078
Providence, RI 02940
(800) 622-6757
https://www.computershare.com

Annual Meeting of Shareholders

Wednesday, May 12, 2021, 8:30 a.m. (EDT)
(1:30 p.m. IDT), Virtual Only

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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2020
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	**N/A**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

The Sharp Building, Hogan Place, Dublin 2, Ireland D02 TY74
+353 1 7094000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Ordinary shares, €0.001 par value	PRGO	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). **Yes** ☒ **No** ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of our ordinary shares on June 26, 2020 as reported on the New York Stock Exchange, was $7,360,836,659. Ordinary shares held by each director or executive officer have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 26, 2021, the registrant had 133,096,158 outstanding ordinary shares.

Documents incorporated by reference:

The information called for by Part III will be incorporated by reference from the Registrant's definitive Proxy Statement for its Annual Meeting of Shareholders to be filed pursuant to Regulation 14A or will be included in an amendment to this Form 10-K.

PERRIGO COMPANY PLC
FORM 10-K
YEAR ENDED DECEMBER 31, 2020
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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 our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our, or our industry’s actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In particular, statements about our 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,” “intend,” “believe,” “estimate,” "forecast," “predict,” “potential” or the negative of those terms or other comparable terminology.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe 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 our control, including: the effect of the novel coronavirus (COVID-19) pandemic and the associated economic downturn and supply chain impacts on the Company's business, the timing, amount and cost of any share repurchases; future impairment charges; customer acceptance of new products; competition from other industry participants, some of whom have greater marketing resources or larger market shares in certain product categories than we do; pricing pressures from customers and consumers; resolution of uncertain tax positions, including the Company's appeal of the Notice of Assessment ("NoA") issued by the Irish Office of the Revenue Commissioners (“Irish Revenue”) and the Notices of Proposed Adjustment ("NOPAs") issued by the U.S. Internal Revenue Service and the impact that an adverse result in any such proceeding could have on operating results, cash flows and liquidity; potential third-party claims and litigation, including litigation relating to alleged price-fixing in the generic pharmaceutical industry, alleged class action and individual securities law claims, and alleged product liability claims and litigation relating to uncertain tax positions, including the NoA and NOPAs; potential impacts of ongoing or future government investigations and regulatory initiatives; potential costs and reputational impact of product recalls and sales halts; the impact of tax reform legislation and healthcare policy; general economic conditions; fluctuations in currency exchange rates and interest rates; the consummation of the sale of the RX business, including the ability to achieve the expected benefits thereof, the risk that any required regulatory approvals will not be received or obtained or other closing conditions may not be satisfied within the expected time frame or at all and potential costs or liabilities incurred or retained in connection with the proposed transaction that may exceed the Company's estimates or adversely affect the Company's business or operations; the consummation and success of other announced acquisitions or dispositions, and our ability to realize the desired benefits thereof; and our ability to execute and achieve the desired benefits of announced cost-reduction efforts, and strategic and other initiatives. An adverse result with respect to our appeal of any material outstanding tax assessments or litigation, could ultimately require the use of corporate assets to pay such assessments, damages from third-party claims, and related interest and/or penalties, and any such use of corporate assets would limit the assets available for other corporate purposes. These and other important factors, including those discussed in this report under “Risk Factors” and in any subsequent filings with the United States Securities and Exchange Commission, 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, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

This report contains trademarks, trade names and service marks that are the property of Perrigo Company plc, as well as, for informational purposes, trademarks, trade names, and service marks that are the property of other organizations. Solely for convenience, certain trademarks, trade names, and service marks referred to in this report appear without the ®, ™ and SM symbols, but those references are not intended to indicate that we or the applicable owner, as the case may be, will not assert, to the fullest extent under applicable law, our or their rights to such trademarks, trade names, and service marks.

PART I.

ITEM 1. BUSINESS

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

WHO WE ARE

Our vision is to make lives better by bringing Quality, Affordable Self-Care Products that consumers trust everywhere they are sold. We are a leading provider of over-the-counter ("OTC") health and wellness solutions that enhance individual well-being by empowering consumers to proactively prevent or treat conditions that can be self-managed. We are also a leading producer of generic prescription pharmaceutical topical products including creams, lotions, gels and nasal sprays. We are headquartered in Ireland and sell our products primarily in North America and Europe as well as in other markets around the world.

This vision is designed to support our global reach as we shift our focus to our consumer branded and store brand portfolio and embrace the opportunities for growth we see ahead of us, while remaining loyal to our heritage. Our vision represents an evolution from healthcare to self-care, which takes advantage of a massive global trend and opens up a large number of adjacent growth opportunities. We define self-care as not just treating disease or helping individuals feel better after taking a product, but also maintaining and enhancing their overall health and wellness. Consistent with our vision, in 2019 Perrigo's management and board of directors launched a three-year strategy to transform the Company into a consumer self-care leader. Significant progress has been made on our transformation journey towards achieving the major components of management's transformation strategy, which consists of: reconfiguring the portfolio, delivering on base plans, creating repeatable platforms for growth, driving organizational effectiveness and capabilities, funding growth sustainably, allocating capital, and delivering consistent and sustainable results in line with consumer-packaged goods peers.

Segments

Our reporting and operating segments are as follows:

- **Consumer Self-Care Americas ("CSCA")** comprises our consumer self-care business (OTC, infant formula, and oral self-care categories, our divested animal health category, and contract manufacturing) in the U.S., Mexico and Canada.
- **Consumer Self-Care International ("CSCI")** comprises our consumer self-care business primarily branded in Europe and Australia, our store brand business in the United Kingdom and parts of Europe and Asia, and our divested liquid licensed products business in the United Kingdom.
- **Prescription Pharmaceuticals ("RX")** comprises our prescription pharmaceuticals business in the U.S., which are predominantly generics, and our pharmaceuticals and diagnostic businesses in Israel.

We previously had two legacy segments, Specialty Sciences and Other, which contained our Tysabri® financial asset and active pharmaceutical ingredient ("API") businesses, respectively, both of which have been divested. Following these divestitures, there were no substantial assets or operations left in either of these segments. All expenses associated with our former Specialty Sciences segment were moved to unallocated expenses. Financial information related to our business segments can be found in Item 8. Note 20. Our segments reflect the way in which our management makes operating decisions, allocates resources and manages the growth and profitability of the Company.

MAJOR DEVELOPMENTS IN OUR BUSINESS

Sale of Generic RX Pharmaceuticals Business

On March 1, 2021, we announced a definitive agreement to sell our generic RX Pharmaceuticals business to Altaris Capital Partners, LLC for total consideration of $1.55 billion, including $1.5 billion in cash. As part of the consideration, Altaris Capital Partners, LLC will also assume more than $50.0 million in potential R&D milestone payments and contingent purchase obligations with third-party Rx partners. The transaction is subject to antitrust and other customary closing conditions and is expected to close by the end of the third quarter of 2021. The sale of the generic RX Pharmaceuticals business is an important step in our transformation plan and will establish Perrigo as a pure-play consumer self-care company. The generic RX Pharmaceuticals business will be classified as discontinued operations starting in the first quarter of 2021.

CEO Contract Extension

On March 1, 2021, CEO & President Murray S. Kessler signed a three-year contract extension until October 8, 2024 to complete the Company's self-care transformation. See Item 9B. Other Information for additional details.

Impact of COVID-19 Pandemic

We have been impacted by the coronavirus (COVID-19) global pandemic and the responses by government entities to combat the virus. We currently continue to operate in all our jurisdictions and are complying with the rules and guidelines prescribed in each jurisdiction. Refer to Item 7. Management's Discussion and Analysis - Executive overview for a detailed discussion of the impact of the COVID-19 pandemic to our business.

Share Repurchases

During the year ended December 31, 2020, we repurchased $164.2 million worth of shares at an average purchase price of $48.28 as part of our authorized share repurchase plan.

Director Appointments

During 2020, we took action to expand the expertise and knowledge base of our board of directors. On December 15, 2020, our board of directors appointed Orlando D. Ashford to serve as a director of the Company and a member of its Remuneration Committee. Also, effective July 29, 2020, our board of directors appointed Katherine C. Doyle to serve as a director of the Company and a member of its Audit Committee.

North American Corporate Headquarters

On October 27, 2020, we announced that we will be establishing a new North American Corporate Headquarters in Grand Rapids, Michigan. We signed an agreement to lease space located in Michigan State University's Grand Rapids Innovation Park and expect the building to be ready for occupancy in mid-2022. This new location will help us support cross-functional collaboration and position us to routinely interact with a statewide education and research network within the Grand Rapids Medical Mile. This expansion is consistent with our transformation strategy and will advance our self-care vision.

Bond Issuance and Redemption

On June 19, 2020, our subsidiary Perrigo Finance Unlimited Company (“Perrigo Finance") issued $750.0 million in aggregate principal amount of 3.150% Senior Notes due 2030 (the "2020 Notes"), which are guaranteed by Perrigo, and received net proceeds of $737.1 million after fees and market discount. On July 6, 2020, the net proceeds of the 2020 Notes were used to fund the redemption of Perrigo Finance's $280.4 million of 3.500% Senior Notes due March 15, 2021 and $309.6 million of 3.500% Senior Notes due December 15, 2021. The balance will be used for general corporate purposes which may include the repayment or redemption of additional indebtedness. As a result of the early redemption of the Senior Notes due March 15, 2021 and Senior Notes due December 15, 2021, during the year ended December 31, 2020, we recorded a loss of $20.0 million in Loss on extinguishment of debt on the Consolidated Statements of Operations, consisting of the premium on debt repayments, the write-off of deferred financing fees, and the write-off of the remaining bond discounts.

Financial Asset and Royalty Pharma Contingent Milestone Payments

During the year ended December 31, 2017, we divested the Tysabri® financial asset to Royalty Pharma for consideration consisting of $2.2 billion in upfront cash and up to $250.0 million and $400.0 million in contingent milestone payments if the royalties on global net sales of Tysabri® received by Royalty Pharma met specific thresholds in 2018 and 2020, respectively. We elected to account for the contingent milestone payments using the fair value option method, and these were recorded at an estimated fair value of $134.5 million as of December 31, 2017. During the year ended December 31, 2018, royalties on global net sales of Tysabri® received by Royalty Pharma met the 2018 threshold resulting in an increase to the asset and a gain of $170.1 million recognized in Change in financial assets on the Consolidated Statement of Operations. Also during the year ended December 31, 2018, the fair value of the remaining Royalty Pharma contingent milestone payment related to 2020 increased by $18.6 million to $73.2 million. We received the $250.0 million milestone payment during the first quarter of 2019. During the year ended December 31, 2019, the fair value of the Royalty Pharma contingent milestone payment related to 2020 increased by $22.1 million to $95.3 million. During the year ended December 31, 2020, Royalty Pharma payments from Biogen for Tysabri® sales, as defined in the agreement between the parties, did not exceed the 2020 global net sales threshold of $351.0 million, therefore, we are not entitled to receive the remaining contingent milestone payment of $400.0 million. Accordingly, we wrote off the entire fair value of the remaining milestone payment related to 2020, resulting in a non-cash charge of $95.3 million during the year ended December 31, 2020.

Tax Updates

As described in Item 7. Management's Discussion and Analysis – Recent Developments, Item 1A. Risk Factors - Tax Related Risks, and Item 8. Note 15, we are engaged in tax disputes in several jurisdictions. The following update notes certain material developments in such disputes since December 31, 2019, and makes use of certain terms defined in Item 8. Note 15.

- **IRS Audit (2013-2015 Tax Years).** On January 13, 2021, the IRS issued a 30-day letter proposing, among other modifications, certain transfer pricing adjustments regarding our profits from the distribution of omeprazole during our 2013 to 2015 tax years in the aggregate amount of $141.6 million. We timely filed a protest on February 26, 2021, on the grounds that certain of the government's positions are currently the subject of pending litigation in the Western District of Michigan with respect to refund requests relating to our 2009 through 2012 tax years. We believe that we should prevail on the merits on the issues being contested. However, we have reserved for taxes and interest payable on a 5.24% deemed royalty on omeprazole, which we have conceded, through the tax year ended December 31, 2018.

- **IRS NOPA (Interest Deductibility for 2014-2015 Tax Years).** On January 13, 2021, we received a Revenue Agent Report ("RAR") for our 2013-2015 tax years, which retains the adjustment from the previously disclosed Notice of Proposed Adjustment ("NOPA") dated May 7, 2020, which disallowed interest expense deductions of $414.7 million on $7.5 billion in debts owed by Perrigo U.S. to Perrigo Company plc for the 2014 and 2015 tax years. We timely filed a protest to the RAR with the IRS. The RAR caps the interest rate on the debt for U.S federal income tax purposes at 130.0% of the Applicable Federal Rate on the stated grounds that the loans were not negotiated on an arm's-length basis. We strongly disagree with the IRS position and we will pursue all available administrative and judicial remedies necessary.

- **Irish Revenue NoA.** On November 4, 2020 the Irish High Court ruled that the NoA did not violate our constitutional rights and legitimate expectations as a taxpayer. The Irish High Court did not review the technical merits of the NoA under Irish law. The Tax Appeals Commission will now consider whether the NoA is correct as a matter of Irish tax law, which is currently scheduled to be heard in November 2021. Elan Pharma will continue to vigorously pursue its appeals before the Tax Appeals Commission.

- **Israeli Notice of Assessment.** On December 29, 2020, we received a Stage A assessment from the Israeli Tax Authority for the 2015-2017 tax years in the amount of $63.8 million relating to attribution of intangible income to Israel, income qualifying for a lower preferential rate of tax, exemption from capital gains tax, and deduction of certain settlement payments. We have been granted an extension of time until March 28, 2021 to file a protest to move the matter to Stage B of the assessment process. We strongly disagree with the assessment and will pursue all available administrative and judicial remedies necessary.

- **IRS NOPA (Athena IPR&D Royalty Rate).** In addition to pursuing other administrative and judicial remedies, on April 14, 2020, we filed a request for Competent Authority Assistance with the IRS to alleviate potential double taxation. The request was accepted and is under review.

- **IRS Audit (Transfer Pricing Adjustments in 2009-2012 tax years).** Our previously scheduled trial date of January 26, 2021 for our rebate claims has been continued to May 25, 2021.

Ranir Global Holdings, LLC Acquisition

On July 1, 2019, we acquired 100% of the outstanding equity interest in Ranir Global Holdings, LLC ("Ranir"), a privately-held company. After post-closing adjustments, the total cash consideration paid was $747.7 million, net of $11.5 million cash acquired. Ranir was headquartered in Grand Rapids, Michigan, and is a leading global supplier of private label and branded oral self-care products. This transaction advanced our transformation to a consumer self-care company and enhanced our position as a global leader in consumer self-care solutions. Ranir operations are reported in our CSCA and CSCI segments (refer to Item 8. Note 3).

NEW PRODUCTS

We consider a product to be new if it (i) was reformulated, (ii) was a product line extension due to changes in characteristics such as strength, flavor, or color, (iii) had a change in product status from "prescription only" ("Rx") to OTC, (iv) was a new store brand or branded launch, (v) was provided in a new dosage form or (vi) was sold to a new geographic area with different regulatory authorities, in all cases, within 12 months prior to the end of the period for which net sales are being measured. During the year ended December 31, 2020, new product sales were $303.8 million.

CONSUMER SELF-CARE AMERICAS

Overview

The CSCA segment is focused primarily on the sale of self-care products that help to grow our customers' overall self-care portfolio in categories including upper respiratory, pain and sleep-aids, digestive health, nutrition, vitamins, minerals and supplements, healthy lifestyle, skincare and personal hygiene, and oral self-care in the U.S., Mexico, Canada, and South America. We are a leading provider of self-care products sold to consumers via store brands. Consumer awareness and knowledge of the quality, value and efficacy that our OTC, Nutrition and Oral self-care store brand and branded products continues to grow due to efforts made by our retailers and wholesalers to promote their unique product offerings. We provide our customers self-care products under both their own brands and our brands, which are sold to consumers in store at shelf, store pickup and online. During the year ended December 31, 2020, our CSCA segment represented approximately 53% of consolidated net sales.

The CSCA segment develops, manufactures, and markets store brand, self-care products that are comparable in quality and effectiveness to national brands. Store brand products must meet the same stringent U.S. Food and Drug Administration ("FDA") requirements as national brands within the U.S. and the requirements of comparable regulatory bodies outside the U.S. In most instances, our product packaging is designed to invite and reinforce comparison to national brand products, while communicating store brand value to consumers.

The cost of store brand and our branded products to retailers is significantly lower than that of comparable nationally advertised brand name products. Generally, 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. As a result, our business model results in consumers saving money on their self-care needs.

We are dedicated to continuing to be the leader in developing and marketing new store brand and branded products and have a research and development ("R&D") staff that we believe is one of the most experienced in the industry at developing products comparable in formulation and quality to national brand products. In order to offer consumers product features or benefits that national brand companies do not offer, we have implemented a product development strategy to differentiate store brand and our branded products from national brands. Our R&D team also responds to changes in existing national brand products by reformulating existing products. For example, in the OTC pharmaceutical market, certain new products are the result of changes in product status from Rx-to-OTC.

These “Rx-to-OTC switches” require FDA approval through a process initiated by the drug innovator. The drug innovator usually begins the process by filing a New Drug Application ("NDA"), which is often followed by a competitor filing an Abbreviated New Drug Application ("ANDA"). Global regulatory agencies highly scrutinize any product application submitted to switch a product from physician prescribed Rx to OTC. New drugs are also marketed through the FDA's OTC monograph process, which allows us to produce drugs that are generally recognized as safe and effective without pre-marketing approval. In the oral self-care category, we focus on creating products that are equivalent to the national brands, and also partner with our customers to create exclusive brands and differentiated products. We rely on both internal R&D and strategic product development agreements with outside sources to develop new products.

The CSCA segment also develops, manufactures, and distributes certain branded products, which are consistent with the segment's self-care strategy. Branded products sold under brand names include Prevacid®24HR, Good Sense®, Zephrex D®, ScarAway®, Plackers®, Rembrandt®, Steripod®, Firefly®, REACH®, and Dr. Fresh® .

We manufacture a significant portion of our CSCA segment's products at our plants located in the U.S., Mexico, China, and Israel, and we source the remaining materials and products from third parties. In addition, in order to maximize both our capacity and sales of proprietary formulas, we engage in contract manufacturing, which involves producing unique ANDAs and monograph products through partnerships with major pharmaceutical and direct-to-consumer companies.

We believe the increasing age of the global population, continued rising healthcare costs, and consumers who proactively prevent or treat conditions will drive the need for the enhanced value that our products provide to consumers, which creates strong dynamics for U.S. OTC market growth. Another level of growth includes share gains against store brand competitors and store brand penetration gains versus national brands. In addition, we believe that new products, including new product innovation and products switching from Rx-to-OTC status (as described above) will continue to drive growth within the segment.

Recent Trends and Developments

- In March and April of 2020, we experienced a surge in demand for many of our OTC and infant nutrition products, which we attributed to consumer reaction to the outbreak of COVID-19. In May and June of 2020, the initial surge slowed, and we experienced a decrease in demand for some of these products, which we attributed primarily to the de-load of consumer pantry stocking that occurred during the initial March and April surge. During the fourth quarter of 2020, net sales of cough and cold products decreased as a result of the decline in total cough cold illnesses, which we believe is attributed to social distancing and mask mandates put in place to combat COVID-19. With social distancing and mask mandates continuing, we currently anticipate that we will continue to experience lower demand for cough and cold products into the first half of 2021. Alternatively, it is possible that we could experience additional surges in demand if further concentrated waves of COVID-19 occur.

- On January 11, 2021, we announced that we entered into a formal partnership with Michigan State University that will combine the university's clinical and research expertise with our product innovation, manufacturing scale and retail partnerships to form a new model for self-care innovation. We believe this partnership has the potential to yield customized transformative self-care solutions for consumers.

- On June 17, 2020, we announced our entrance into the cannabidiol ("CBD") market through a strategic investment in and long-term supply agreement with Kazmira LLC ("Kazmira"), a leading supplier of hemp-based, CBD products free of tetrahydrocannabinol ("zero-THC"). In addition to the supply agreement, we acquired an approximate 20% equity stake in Kazmira for $50.0 million with $15.0 million paid at close of the transaction and the balance due within 18 months. Our minority equity investment initiates the first phase of the partnership in which we will collaborate to scale-up Kazmira’s facilities and laboratories, in accordance with current Good Manufacturing Practices and to produce zero-THC CBD from industrial hemp that meets our standards for reliability and consistency. In the second phase of the partnership, we will work to launch zero-THC, hemp-based CBD products in a number of global markets, while leveraging our supply agreement with Kazmira, which is exclusive for the U.S. store brand market (refer to Item 8. Note 8 and Note 11).

- On April 1, 2020, we received approval from the FDA to sell OTC diclofenac sodium topical gel 1%, the store brand equivalent to Voltaren® gel. On September 8, 2020, we launched this product to our retail partners under store brand labels, which provides consumers with a high-quality, value alternative for the temporary relief of arthritis pain.

- On April 1, 2020, we acquired the oral care assets of High Ridge Brands ("Dr. Fresh") for total purchase consideration of $113.0 million, subject to customary post-closing adjustments, including a working capital settlement. After post-closing adjustments, as of December 31, 2020, total cash consideration paid was $106.2 million. This acquisition includes the children's oral care value brand, Firefly®, in addition to the REACH® and Dr. Fresh® brands, and a licensing portfolio. The addition of these brands positions us as the number one fastest-growing value brand player in the children's oral care category and the licensing portfolio will enable creative solutions for our customers (refer to Item 8. Note 3).

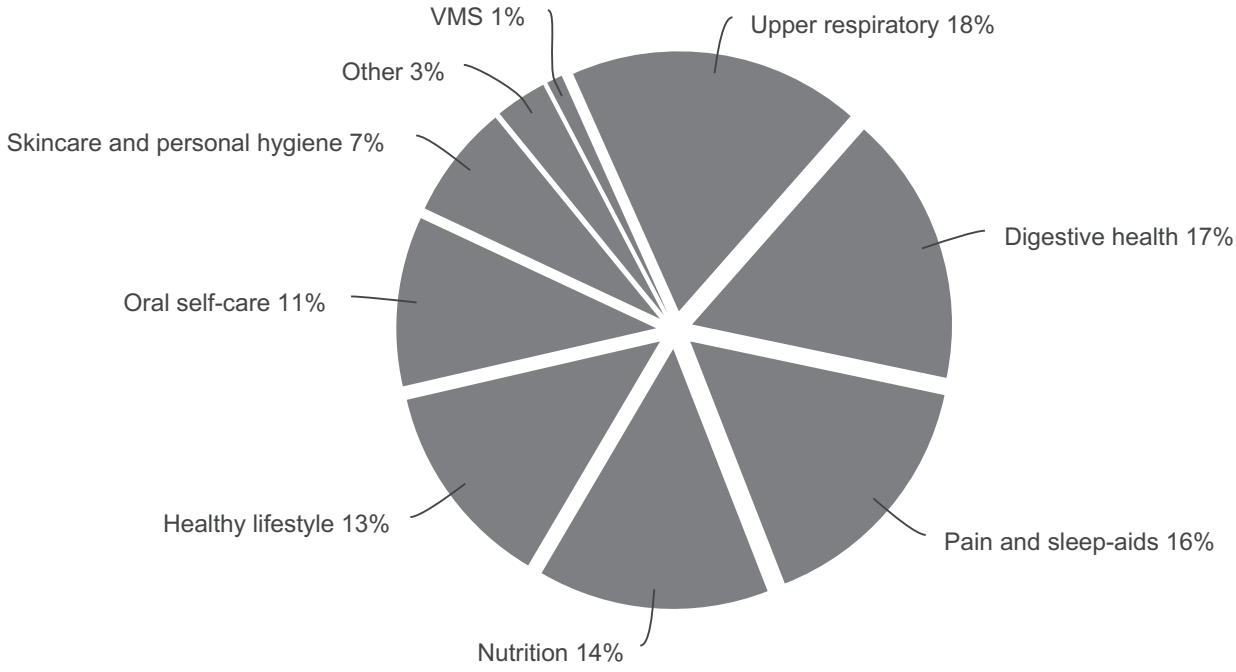
- On January 3, 2020, we acquired Steripod®, a leading toothbrush accessory brand and innovator in the toothbrush protector market, from Bonfit America Inc. Total consideration paid was $26.0 million. The transaction was accounted for as an asset acquisition, in which we capitalized $25.1 million as a brand-named intangible asset. The remainder of the purchase price was allocated to working capital. The acquisition, which includes a portfolio of antibacterial toothbrush protectors, kids' toothbrush protectors and tongue cleaners, complements our current portfolio of oral self-care products, and leverages our manufacturing and marketing platform (refer to Item 8. Note 3).

Products

Our CSCA segment offers products in the following categories:

Product Category	Description
Pain and sleep-aids	Products comprised of pain relievers, fever reducers and sleep-aids.
Upper respiratory	Products that relieve upper respiratory symptoms, including cough suppressants, expectorants, sinus and allergy relief.
Digestive health	Products such as antacids, anti-diarrheal, and anti-heartburn that relieve symptoms associated with digestive issues.
Nutrition	Infant formulas and nutritional beverages.
Healthy lifestyle	Products that help consumers live a healthy lifestyle such as smoking cessation, diabetes care, and well-being products.
Skincare and personal hygiene	Products for the face and body such as dermatological care, scar management, lice treatment, and other products for various skin conditions.
Oral self-care	Products used for oral care, including toothbrushes, toothbrush replacement heads, floss, flossers, whitening products and toothbrush covers.
Vitamins, minerals and supplements ("VMS")	Vitamins, minerals, and supplements.
Other	Diagnostic products and other miscellaneous self-care products.

The chart below reflects net sales by product category in the CSCA segment, which includes net sales from our OTC contract manufacturing business for the year ended December 31, 2020.



We launched several new CSCA products in the year ended December 31, 2020, most notably a store brand infant formula launch at a major retailer, Prevacid®, Diclofenac sodium topical gel 1%, and Esomeprazole Mini. During the year ended December 31, 2020, new product sales in the CSCA segment were $72.0 million.

We, on our own or in conjunction with partners, received final FDA approval for three new products within the CSCA segment in the year ended December 31, 2020, and as of December 31, 2020, we had three new product applications pending FDA approval.

Sales and Marketing

Our customers include major global, national, and regional retail drug, supermarket, and mass merchandise chains such as Walmart, Costco, CVS, Target, Walgreens Boots Alliance, Kroger, Dollar General, Sam's Club, Topco, e-commerce stores including Amazon, and major wholesalers, including McKesson, Amerisource Bergen, and Cardinal Health.

We seek to establish customer loyalty through superior customer service by providing a comprehensive assortment of high quality, affordable products; timely processing, shipment and delivery of orders; assistance in managing customer inventories; and support in managing and building the customer's self-care market portfolio including their store brand business, trade and digital marketing activities. The CSCA segment employs its own sales force to service larger customers and uses industry brokers for other customers. Field sales employees, with support from marketing and customer service team members, are assigned to specific customers in order to work most effectively with the customer. The commercial organization provides our customers with customized in-store and digital marketing programs for all products we supply in the customers' self-care market portfolio.

The primary objective of this management approach is to enable our retail, e-commerce, and wholesale customers to increase sales and market share of their overall self-care portfolio. We partner with our retailers to provide customized store brand and branded products that provide quality and value to consumers. We invite comparison of store brand and our branded products to national brand products. Our sales and marketing personnel assist customers in the development and introduction of new store brand and our branded products, and in the promotion of customers' existing store brand and our branded products by providing market information;

establishing individualized promotions and marketing programs, which may include floor displays, bonus sizes, coupons, rebates, store signs, and promotional packs; and performing consumer research. As e-commerce, an area that has experienced significant and accelerated growth during 2020, due in part to the COVID-19 pandemic, continues to grow as a consumer channel for our products, we see consumers seeking more of their self-care product needs online. We have developed resources, programs and tools to be a strategic marketing partner for our customers' digital marketing efforts. This provides our customers with a holistic campaign to convert shoppers to store brand whether they shop in-store or online.

In contrast to national brand manufacturers, which incur considerable advertising and marketing expenditures targeted directly to the end user or consumer, the CSCA segment's primary marketing efforts are channeled through retailers and wholesalers and reach the consumer through our customers' in-store marketing programs and our digital media programs. Because the retail profit margin for store brand and our branded products is generally higher than national brand products, retailers and wholesalers often commit funds for additional promotions.

In addition to in-store marketing programs, team members in our nutrition category market products directly to consumers and healthcare professionals.

Competition

The markets for our self-care products are highly competitive and differ for each product line and geographic region. Our primary competitors include manufacturers, such as Dr. Reddy's Labs, LNK International, Inc., PL Developments and Aurobindo, and brand-name pharmaceutical and consumer product companies, such as Johnson & Johnson, Procter & Gamble, Reckitt Benckiser, Abbott Nutrition, Bayer AG, Sanofi, and Philips. The various major categories of our CSCA business each have certain key competitors, such that a competitor generally does not compete across all product lines. However, some competitors do have larger sales volumes in certain of our categories. Additionally, national brand companies tend to have more resources committed to marketing their products and could in the future manufacture store brand versions of their products at lower prices than their national brand products. Competition is based on a variety of factors, including price, quality, assortment of products, customer service, marketing support, and approvals for new products (refer to Item 1A. Risk Factors - Operational Risks for additional information and risks associated with competition).

CONSUMER SELF-CARE INTERNATIONAL

Overview

The CSCI segment is comprised of our consumer self-care business outside of North America, including our branded business in Europe and Australia and our store brand businesses in the United Kingdom and parts of Europe and Asia. This segment also included the divested United Kingdom liquid licensed products business, which was sold on June 19, 2020. The CSCI segment develops, manufactures, markets, and distributes many well-known European consumer self-care brands in the upper respiratory, pain and sleep-aids, digestive health, vitamins, minerals and supplements, healthy lifestyle, skincare and personal hygiene, and oral self-care categories. The segment leverages its broad regulatory, sales, and distribution infrastructure to innovate new products and brands, in-license and expand product lines, and sell and distribute third-party brands. The CSCI segment sells these products through an extensive network of customers including pharmacies, wholesalers, drug and grocery store retailers, and para-pharmacies in more than 30 countries, primarily in Europe. Many CSCI products have leading positions in the markets in which they compete. During the year ended December 31, 2020, the CSCI segment represented approximately 28% of consolidated net sales.

Through continued investment in R&D partnerships and new technologies, the CSCI segment strives to offer high quality self-care products that meet consumers' needs. Internal R&D, new product development, insourcing, acquisitions, and partnerships support the new product pipeline, both in terms of brand extensions and product improvements. In the U.K., R&D focuses on the development of both store brand and branded products. Additional R&D centers are located in France, Sweden, Austria, Belgium, China, the Netherlands, and Germany. In the rest of Europe, most R&D is performed by external partners with oversight from our teams. The segment has seven plants dedicated to manufacturing certain of its products.

The CSCI segment primarily focuses on building local and regional brands sold through mass merchandisers, drug stores, individual and chain pharmacies, and e-commerce channels.

While the CSCI segment sells over 200 brands, primarily its own, we concentrate our resources on "Focus Brands", consisting of approximately 20 key brands and sub-brands. These are selected on the basis of their current sales and growth potential in the self-care market. Additional resources, including R&D investments, are allocated to these Focus Brands to strengthen their market position in high opportunity profit categories while leveraging the same R&D efforts under smaller local brands.

Recent Trends and Developments

- Throughout the year, we experienced demand shifts for certain products, which we attributed to consumer dynamics related to the COVID-19 pandemic and the movement and social distancing restrictions put in place to combat spreading of the virus, such as travel bans and country lock-downs, as well as mask mandates. Demand for certain products in our pain and sleep-aids and vitamins, minerals and supplements ("VMS") categories increased, while demand for products in our upper respiratory, skincare and personal hygiene, and healthy lifestyle categories decreased. It is possible that demand in these categories may continue to decrease.

- On October 30, 2020, we acquired three Eastern European OTC dermatological brands, skincare brands Emolium®, Iwostin® and hair loss treatment brand Loxon® from Sanofi for €53.3 million ($62.3 million). The acquisition has been accounted for as a business combination. The addition of these brands complements our already robust skincare portfolio and adds scale to our Eastern European business. The addition of these market-leading OTC brands serves as another step for our growth plans and provides new opportunities for self-care revenue synergy in the European markets (refer to Item 8. Note 3).

- Consistent with our strategy to reconfigure our portfolio to focus on our consumer self-care businesses, on June 19, 2020, we completed the sale of our U.K.- based Rosemont Pharmaceuticals business, a generic prescription pharmaceuticals manufacturer focused on liquid medicines, to a U.K. headquartered private equity firm for cash consideration of £155.6 million (approximately $195.0 million), which resulted in a pre-tax loss of $21.1 million (refer to Item 8. Note 3).

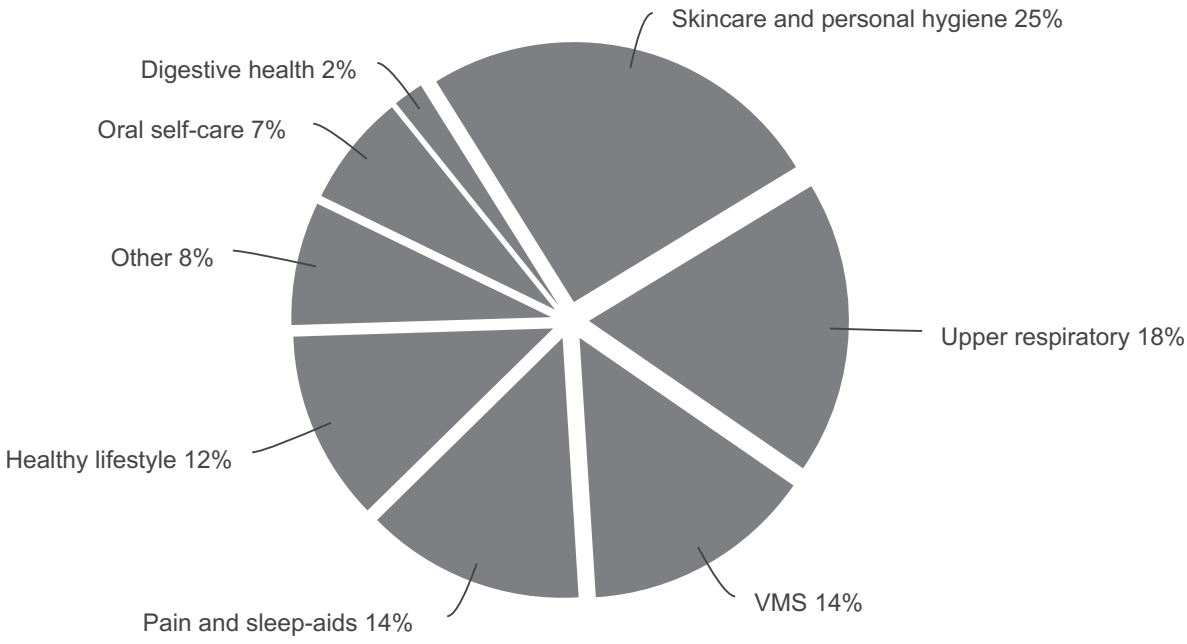
- On February 13, 2020, we acquired Dexsil®, a silicon supplement brand, from RXW Group NV, for total cash consideration paid of approximately $8.0 million. The transaction was accounted for as an asset acquisition, in which we capitalized the consideration paid as a brand-named intangible asset. The acquisition provides additional opportunities for growth through new product launches and geographic expansion (refer to Item 8. Note 3).

Products

Our CSCI segment offers products and Focus Brands in the following categories:

Product Category	Description	Focus Brands
Pain and sleep-aids	Products comprised of pain relievers, fever reducers and sleep-aids.	Solpadeine® Nytol®
Upper respiratory	Products that relieve upper respiratory symptoms, including cough suppressants, expectorants, sinus and allergy relief.	Aflubin® Bronchenolo®/Bronchostop® Physiomer® Phytosun® Coldrex® Prevalin®/Beconase®
Digestive health	Products such as antacids, anti-diarrheal, and anti-heartburn that relieve symptoms associated with digestive issues.	
Healthy lifestyle	Products that help consumers live a healthy lifestyle such as smoking cessation, weight management, diabetes care, and well-being products.	Niquitin® XLS (Medical)® Yokebe®
Skincare and personal hygiene	Products for the face and body such as dermatological care, sun protection, scar management, lice treatment, insect repellents, and other products for various skin conditions.	ACO® Biodermal® Canoderm® Dermalex® Lactacyd® Wartner® Jungle Formula® Paranix® Pencivir®
Oral self-care	Products used for oral care, including toothbrushes, toothbrush replacement heads, floss, flossers, and whitening products.	Plackers®
Vitamins, minerals and supplements ("VMS")	Vitamins, minerals, and supplements.	Abtei® Arterin® Davitamon® Granufink®
Other	Diagnostic products and other miscellaneous self-care products.	

The chart below reflects net sales by product category in the CSCI segment for the year ended December 31, 2020.



We launched a number of new CSCI products in the year ended December 31, 2020, most notably are line extensions in the XLS Forte-Five weight management brand and ACO® brands in the healthy lifestyle and skincare and personal hygiene categories, respectively. During the year ended December 31, 2020, new product sales in the CSCI segment were $98.1 million.

The CSCI segment has more than 150 strategic new products across all product categories in development, with each of its Focus Brands having a five-year innovation master plan.

Sales and Marketing

Our products are sold to customers including pharmacies as well as, drug, grocery, and e-commerce stores located primarily in Europe, such as Walgreens Boots Alliance, McKesson, AS Watson, Tesco, ASDA, DM, Rossman, Carrefour, and Amazon. The CSCI segment continues to align its sales and marketing organization with current market trends by significantly increasing resources towards e-commerce and key account management. The segment sells its products primarily through an established pharmacy sales force to an extensive network of individual pharmacists. Our sales representatives visit pharmacists frequently, ensuring strong in-store visibility of our brands and facilitating pharmacist education programs. Our sales, marketing, and regulatory teams use training/ merchandising teams who work in conjunction with local sales representatives to improve our brands' presence and recognition. During the COVID-19 pandemic, we have combined our traditional sales efforts with telesales to find the optimal sales model and to keep employees and customers safe. We seek to attract key talent from leading OTC, Fast Moving Consumer Goods ("FMCG"), and retailer companies to build strong local teams throughout the countries in which the CSCI segment operates.

The CSCI segment markets products using intensive broadcast advertising and point-of-sale promotional spending to enhance brand equity. Key marketing communication tools for the CSCI segment include television and digital commercials, consumer leaflets, product websites, targeted promotional campaigns and communication programs for health care professionals.

Competition

The competitive landscape of the European consumer products market in the categories in which we compete is highly fragmented, as local companies often hold leadership positions in individual product lines in particular countries. As a result, the relevant competition in each of the CSCI segment's markets is both local and global. Global competitors include GSK, Sanofi, Bayer, Johnson & Johnson, Reckitt Benckiser, Teva, Viatris, Stada, Novartis, Procter & Gamble, and e-commerce companies, as well as additional regional competitors. We believe our key advantage lies in our unique combination of best practices in sales, marketing, and product development (refer to Item 1A. Risk Factors - Operational Risks for additional information and risks associated with competition).

PRESCRIPTION PHARMACEUTICALS

Overview

The RX segment develops, manufactures, and markets a portfolio of generic prescription drugs primarily for sale in the U.S. We define this portfolio as predominantly "extended topicals", as it encompasses a broad array of dosage forms such as creams, ointments, lotions, gels, shampoos, foams, suppositories, sprays, liquids, suspensions, and solutions. The portfolio also includes select injectables, hormones, oral solid dosage forms, oral liquid formulations, and controlled substances. During the year ended December 31, 2020, the RX segment represented approximately 19% of consolidated net sales.

In addition to extended topical products, which are the focus of our development efforts, our current development areas include other delivery systems such as uni-dose nasal sprays, ophthalmic, pre-filled syringes, injectables, and transdermal products, some of which we are developing with third parties. Our other areas of expertise include our production capabilities for controlled substances and hormonal products. Our R&D efforts focus on complex formulations, some of which require costly and/or complex clinical trials.

We manufacture our products in the U.S. and Israel, and also source from various FDA-approved third parties. RX products are manufactured, labeled, and packaged in facilities that comply with strict FDA regulatory standards.

We actively collaborate with other pharmaceutical companies to develop, manufacture, and market certain products or groups of products. These types of collaboration agreements are common in the pharmaceutical industry. We may choose to enter into these types of agreements to, among other things, leverage our or our collaborators' R&D and manufacturing expertise, or utilize our extensive marketing and distribution infrastructure (refer to Item 8. Note 2 for more information regarding our method for recognizing revenue and expenses related to collaboration agreements, as well as Item 8. Note 18 for more information regarding our collaboration agreements).

Recent Trends and Developments

- On March 1, 2021, we announced a definitive agreement to sell our generic RX Pharmaceuticals business to Altaris Capital Partners, LLC for total consideration of $1.55 billion, including $1.5 billion in cash. As part of the consideration, Altaris Capital Partners, LLC will also assume more than $50.0 million in potential R&D milestone payments and contingent purchase obligations with third-party Rx partners. The transaction is subject to antitrust and other customary closing conditions and is expected to close by the end of the third quarter of 2021. The sale of the generic RX Pharmaceuticals business is an important step in our transformation plan and will establish Perrigo as a pure-play consumer self-care company. The generic RX Pharmaceuticals business will be classified as discontinued operations starting in the first quarter of 2021.

- We continued to experience pricing erosion, which moderated compared to the prior year. The key drivers behind the pricing reductions were competitive regulatory approvals for products in our portfolio resulting in increased competition. We expect pricing erosion to continue to impact the segment.

- Starting in the second quarter of 2020, with a partial rebound in the third quarter, we experienced a reduction in demand for certain of our existing base products due to lower prescription volumes driven by the COVID-19 pandemic impact on doctor visits. The decrease in demand for existing base products was market-wide.

- On December 31, 2020, we purchased an Abbreviated New Drug Application ("ANDA") for a generic topical gel for $16.4 million payable in January 2021, which we capitalized as a developed product technology intangible asset. We launched the product in January 2021 and began amortizing it over a 20-year useful life.

- On September 17, 2020, we initiated a voluntary nationwide recall to the retail level of albuterol sulfate inhalation aerosol ("Albuterol") and market withdrawal as a result of complaints from patients that some units may not dispense due to clogging. While corrective action plans are underway, we do not expect to reintroduce the product in calendar year 2021. As a result of the recall, we recorded a net charge of $22.5 million in our Consolidated Statements of Operations during the third quarter. We, along with our manufacturing partner Catalent Pharma Solutions, launched Albuterol in the first quarter of 2020 after receiving approval from the FDA of our ANDA on February 24, 2020.

- During the three months ended September 26, 2020, our RX U.S. reporting unit had an indication of potential impairment primarily from the stoppage of production and distribution of Albuterol and voluntary nationwide recall at the retail level, combined with a decline in market multiples. We prepared an impairment test as of September 26, 2020 and determined the carrying value of the RX U.S. reporting unit exceeded its estimated fair value. We recorded a goodwill impairment of $202.4 million.

- During the three months ended December 31, 2020, we identified indicators of impairment in our RX U.S. reporting unit and performed a quantitative impairment test. As a result, we determined the reporting unit's carrying value exceeded estimated fair value. We recognized a further goodwill impairment of $144.4 million.

- As described in Item 1. Business - Materials Sourcing, we rely on third parties to source many of our raw materials and to manufacture certain dosage forms that we distribute, and certain of these supplier relationships are single-source. Starting in the second quarter of 2021, we anticipate a potential supply disruption of a generic prescription product manufactured by a third party, which disruption could adversely affect our ability to sell and ship the product to customers in a timely manner. While we have identified one or more potential alternative suppliers of the product, delays in qualifying such alternative supplier may result in a supply disruption for the duration of 2021 and re-establishment of reliable supply may not be achieved until 2022 and cannot be assured. If a supply disruption occurs, depending on the duration of the disruption, the adverse impact on our revenue in the RX segment in 2021 could be material. Refer to Item 1A. Risk Factors - Operational Risks.

Products

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

Generic Name [(1)]	Comparative Brand-Name Drug
Acyclovir cream	Zovirax®
Alogliptin tabs	Nesina®
Bacitracin ophthalmic ointment	N/A
Betamethasone calcipotriene ointment and suspension	Taclonex®
Clindamycin phosphate topical solution	Cleocin T®
Erythromycin ophthalmic ointment	N/A
Hydrocortisone pramoxine cream	Pramosone®
Ketoconazole shampoo	Nizoral®
Mesalamine rectal	Rowasa®
Permethrin cream	Elimite®
Tacrolimus ointment	Protopic®
Testosterone 1.62% gel	Androgel®
Testosterone cypionate injection	Depo®, Testosterone
Tretinoin cream and gel	Retin-A®
Triamcinolone cream/ointment	Triderm™/Kenalog™

(1) Contains the same active ingredients present in the same dosage form as the comparable brand-name drug

We launched a number of new RX products in the year ended December 31, 2020, most notably Albuterol Sulfate Inhalation Aerosol (generic equivalent to ProAir HFA®) (which we voluntarily recalled in September 2020, as described above). During the year ended December 31, 2020, net new product sales in the RX segment were $133.7 million.

During the year ended December 31, 2020, we, on our own or in collaboration with partners, received final approval from FDA health authorities for ten Rx drug applications, and as of December 31, 2020, we had 30 Rx drug applications pending approval with the FDA or pending launch.

Sales and Marketing

Our customers include sourcing groups such as Red Oak, WBAD and ClarusONE, major wholesalers, national and regional retail drug, supermarket and mass merchandise chains, hospitals, and pharmacies.

Competition

The market for RX products is subject to intense competition from other generic drug manufacturers, brand-name pharmaceutical companies launching a generic version of their own branded products (known as an authorized generic), manufacturers of branded drug products that continue to produce those products after patent expirations, and manufacturers of therapeutically similar drugs. Among our generic drug manufacturer competitors are Sandoz Inc., Taro Pharmaceuticals, Viatris, Teva Pharmaceutical Industries Ltd., Glenmark Generics Inc., and Lupin.

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

INFORMATION APPLICABLE TO ALL REPORTABLE SEGMENTS

Trademarks, Patents and Licensing Agreements

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

Materials Sourcing

Affordable, high-quality raw materials and packaging components are essential to all of our business units due to the nature of the products we manufacture. Raw materials and packaging components are generally available from multiple suppliers. Supplies of certain raw materials and product delivery systems may be more limited, as they are available from one or only a few suppliers and may require extensive compatibility testing before we can use them. We have been purchasing an increasing number of components and select finished goods rather than manufacturing them because of the availability of goods, economic reasons, temporary production limitations, FDA restrictions, sale of our API businesses, and other factors.

Historically, we have been able to react effectively, yet not always immediately, to situations that require alternate sourcing. Should such alternate sourcing be necessary, FDA requirements placed on products approved through the ANDA or NDA process could substantially lengthen the approval of an alternate source and adversely affect financial results. We believe we have good, cooperative working relationships with substantially all of our suppliers and have historically been able to capitalize on economies of scale in the purchase of materials and supplies due to our volume of purchases (refer to Item 1A. Risk Factors - Operational Risks for risks associated with materials sourcing).

Manufacturing and Distribution

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

Significant Customers

Our primary customer base aligns with the concentration of large drug retailers in the current global retail drug industry marketplace. Walmart is our largest customer and accounted for the following percentage of consolidated net sales:

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
13.3 %	13.0 %	12.8 %

Sales to Walmart are primarily in the CSCA segment. In addition, while no other customer individually comprises more than 10% of net sales, we do have other significant customers. The next five largest customers represent 23.2% of net sales in 2020. The loss of several of these customers could be material. We believe we generally have good relationships with all our customers (refer to Item 1A. Risk Factors - Operational Risks for risks associated with customers).

Environmental

Our facilities and operations are subject to various environmental laws and regulations. We undergo periodic internal audits relating to environmental, health and safety requirements in order to maintain compliance with applicable laws and regulations in each of the jurisdictions in which we operate. We have made, and continue to make, expenditures necessary to comply with applicable environmental laws; however, we do not believe that the costs for complying with such laws and regulations have been or will be material to our business. We do not have any material remediation liabilities outstanding.

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

Human Capital Resources

We are passionate about making lives better. At Perrigo, we believe that the continuous personal and professional development of our people is an important component of our ability to attract, retain, and motivate top talent, which are all important aspects of our self-care strategy. Our global workforce consists of more than 11,500 full time and part time employees spread across 34 countries, of which approximately 17% were covered by collective bargaining agreements as of December 31, 2020. We continuously endeavor to provide a diverse, inclusive, and safe work environment so our colleagues can bring their best to work, every day. We are all responsible for upholding Perrigo's Core Values - Integrity, Respect, and Responsibility - in addition to the Perrigo Code of Conduct which, together, form the foundation of all our policies, procedures, and practices. Together, we drive Perrigo forward to deliver on our vision to make lives better by bringing *Quality, Affordable Self-Care Products* that consumers trust everywhere they are sold.

Diversity and Inclusion

We strive for our employees, including senior management, to represent the diverse consumer base we wish to serve which enables us to deliver on our self-care promise. We believe diversity and inclusion in our

workforce creates lasting benefits for Perrigo, our customers, and shareholders through enhanced team performance, innovation, and profitable growth. To accomplish this objective, we rolled out a three-year strategy at the beginning of 2020 that focuses on three key diversity and inclusion areas:

- Educating our workforce on our diversity and inclusion strategy and initiatives;
- Strengthening our talent management practices through a lens of inclusion; and
- Creating our diversity and inclusion governance and metrics to establish our foundation and help us monitor progress.

Perrigo is committed to the well-being of the communities we serve and the people who work for us. Accordingly, we are taking action to help address racial inequality. We understand the devastating impact that systemic racism, injustice, and acts of violence have on communities of color. Murray Kessler, President and CEO, has encouraged all Perrigo colleagues to stand united and take responsibility to learn how each of us can play a role in fighting both discrimination and implicit bias in the work place and in our society as a whole. These efforts include our leaders and associates continually receiving educational resources and information on how to best serve as allies in support of underrepresented groups and to learn how we can contribute to healing our society's divisions and ending racial injustice.

Compensation, Benefits, Health, Safety, and Well-being

Perrigo’s commitment to self-care starts with our own team. Our top priority during the global COVID-19 pandemic has been, and continues to be, the safety of our colleagues. When faced with the challenges of this pandemic, we focused on understanding and supporting each diverse individual and the unique circumstances impacting their ability to serve as an essential worker. We have implemented safety measures to protect our on-site essential colleagues, while asking those who can safely work from home to do so. On-site, we've implemented a multi-step pre-screening process before entry into any facility, deep-cleaning protocols, and other safety precautions, all consistent with the rules and guidelines in each jurisdiction. As a thank you for their bravery and commitment, management issued a special cash bonus for our colleagues who worked on-site to keep our products flowing to our customers and consumers.

We strive to provide pay, benefits and services that support the total well-being of our people. Our total rewards package delivers competitive pay, broad-based stock grants, cash-based annual incentives, healthcare, retirement benefits, paid time off, and on-site services, among other benefits.

Perrigo’s total rewards complement a strong health and safety culture that continues with our global well-being program designed to inspire colleagues to maintain and improve their health. Launched in 2016, Perrigo’s "HEALTHYyou" well-being program continues to support colleagues and their families as they navigate their own self-care and well-being journeys. Our colleagues highly value this program and it continues to be recognized externally by receiving the Best and Brightest in Wellness™ Award since 2017.

Growth, Development, and Engagement

We are committed to engaging our colleagues and fostering a belonging culture, where our people feel enabled to contribute their best to Perrigo's self-care transformation. This includes initiatives supporting overall job satisfaction, diversity and inclusion, personal and professional skill development, work/life balance, and an environment that encourages good health and safety, while upholding our core values of Integrity, Respect, and Responsibility.

Perrigo regularly conducts global engagement surveys to gather feedback from colleagues to identify strengths and opportunities within our culture. Additionally, we use a variety of channels to facilitate open and direct communication, including regular open forums and town hall meetings with our executive leadership team.

Our development philosophy focuses on a 70-20-10 approach, which provides a practical, blended framework for learning to support individual long-term success (where individuals obtain 70% of their knowledge from job-related experiences, 20% from interactions with others, and 10% from formal educational events). We believe this model enables our people to deliver on our self-care vision by empowering them to be their best and make a difference to Perrigo Colleagues, Customers, Consumers, Communities, and Shareholders.

Corporate Social Responsibility

We are committed to doing business in a socially, environmentally and fiscally responsible manner. That commitment is reflected in our well-established governance, corporate responsibility and sustainability programs, as well as by our board oversight of governance and sustainability. A summary of our environmental and social initiatives is below and additional details can be found in our 2020 Corporate Social Responsibility ("CSR") Report available on our website. In 2020, we adopted the United Nations Sustainable Development Goals ("UN SDG") as a global framework and committed to six goals within the UN SDG framework. Our specific objectives related to each of these goals are detailed in our 2020 CSR report, and will be updated in our 2021 CSR report which we expect to publish in mid-2021.

- Environmental: we are committed to manufacturing our products responsibly, supporting the global drive to reduce carbon emissions and minimize our impact on the climate. We formalized our commitment to sustainability in 2015 by establishing a corporate sustainability strategy focused on reducing the environmental impact of our operations, product packaging, and supply chain. In 2020, we enhanced that strategy by committing to Goal 12: Responsible Production and Consumption and Goal 13: Climate Action, of the UN SDG.

- Social: *Our vision is to make lives better, by bringing quality affordable self-care products that consumers trust, everywhere they are sold*. This puts the social impact of our business front and center. We are proud to maintain goals and programs relating to Diversity and Inclusion, Human Capital Management, Human Rights, and Community Engagement and Giving. In 2020, as part of our social initiatives, we committed to Goal 3: Good Health and Well-being, Goal 4: Quality Education, Goal 5: Gender Equality, and Goal 10: Reducing Inequality, of the UN SDG.

GOVERNMENT REGULATION AND PRICING

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

United States Regulation

U.S. Food and Drug Administration

The FDA has jurisdiction over our prescription and OTC drug products, API, and Infant Formula products. The FDA's jurisdiction extends to the manufacturing, testing, labeling, packaging, storage, distribution, and promotion of these products. We are committed to consistently providing our customers with high quality products that adhere to "current Good Manufacturing Practices" ("cGMP") regulations promulgated by the FDA. If the FDA or comparable regulatory authority becomes aware of new safety information about any of our products, these authorities may require further inspection, enhancement to manufacturing controls, labeling changes, additional testing method requirements, restrictions on indicated uses or marketing, post-approval studies or post-market surveillance.

OTC and Prescription Pharmaceuticals

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

Many of our OTC products are regulated under the OTC monograph system and subject to certain FDA regulations. Under this system, selected OTC drugs are generally recognized as safe and effective and do not require the approval of an ANDA or NDA prior to marketing. Products marketed under the OTC monograph system must conform to specific quality, formula, and labeling requirements, including permitted indications, required

warnings and precautions, allowable combinations of ingredients, and dosage levels. It is generally less costly to develop and bring to market a product regulated under the OTC monograph system.

We also market generic prescription drugs and non-prescription products that have switched from prescription to OTC status. Prior to commercial marketing, these products require approval by the FDA of an ANDA or NDA that provides information on chemistry, manufacturing controls, clinical safety, efficacy and/or bioequivalence, packaging, and labeling. While the development process for these drugs generally requires less time and expense than the development process of a new drug, the size and duration of required studies can vary greatly. Prior to the onset of the Generic Drug User Fee Amendments of 2012 (“GDUFA”), the FDA approval of generic drug applications took approximately three to five times longer than approval of innovator drugs. Pursuant to GDUFA II, during fiscal year 2019, the FDA exceeded its pledge to complete a first cycle review on 90% of electronic generic applications within 10 months of submission.

Under the Federal Food, Drug and Cosmetic Act, as amended ("FFDCA") (the Hatch-Waxman amendments), a company submitting an NDA can obtain a three-year period of marketing exclusivity for a prescription or OTC product if it performs a clinical study that is essential to FDA approval. Longer periods of exclusivity are possible for new chemical entities, orphan drugs (those designated under section 526 of the FFDCA) and drugs under the Generating Antibiotic Incentives Now Act. During this exclusivity period, the FDA cannot approve any ANDAs for a similar or equivalent generic product, which can preclude another party from marketing a similar product during this period. A company may obtain an additional six months of exclusivity if it conducts pediatric studies requested by the FDA on the product. This exclusivity can delay both the FDA approval and sales of certain products.

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

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

The U.S. government's Federal Drug Supply Chain Security Act ("DSCSA") requires development of an electronic pedigree to track and trace each prescription drug at the salable unit level through the distribution system, which will be effective incrementally over a 10-year period. The serialization of all Rx products distributed in the U.S. needed to be completed by November 26, 2018, with the requirement for tracking the products commencing on November 27, 2023. Requirements for the tracing of products at the lot level through the pharmaceutical distribution supply chain went into effect on January 1, 2015 for manufacturers, wholesale distributors, and re-packagers, and on July 1, 2015 for dispensers.

The FDA Reauthorization Act of 2017 created a pathway by which the FDA may, at the request of an applicant, designate a drug with “inadequate generic competition” as a Competitive Generic Therapy ("CGT"). At the request of the applicant, the FDA may expedite the development and review of an ANDA for a drug designated as a CGT. The first approved application for a drug with a CGT designation for which there are no unexpired patents or exclusivities listed in the Orange Book at the time of original submission of the ANDA may be eligible for 180 days of generic exclusivity.

Active Pharmaceutical Ingredients

Third parties develop and manufacture APIs for use in certain of our pharmaceutical products that are sold in the U.S. and other global markets. API manufacturers typically submit a drug master file to the regulatory authority that provides the proprietary information related to the manufacturing process. The FDA inspects the manufacturing facilities to assess cGMP compliance, and the facilities and procedures must be cGMP compliant before API may be exported to the U.S.

Infant Formula

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

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

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

In addition, the FFDCA requires infant formula manufacturers to test product composition during production and shelf-life; to keep records on production, testing, and distribution of each batch of infant formula; to use cGMP and quality control procedures; and to maintain records of all complaints and adverse events, some of which may reveal the possible existence of a health hazard. The FDA conducts yearly inspections of all facilities that manufacture infant formula, inspects new facilities during early production runs, and collects and analyzes samples of infant formula. Our infant formula manufacturing facilities have been inspected by the FDA with no corrective actions required from the most recent inspections.

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

U.S. Department of Agriculture

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

U.S. Environmental Protection Agency

The U.S. Environmental Protection Agency ("EPA") is the main regulatory body in the United States governing environmental regulation. Laws administered by the EPA, often in partnership with state agencies, include but are not limited to the Clean Air Act; the Clean Water Act; the Resource Conservation and Recovery Act; the Comprehensive Environmental Response, Compensation and Liability Act; and the Federal Insecticide, Fungicide, and Rodenticide Act.

U.S. Drug Enforcement Administration

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

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

Federal Healthcare Programs and Drug Pricing Regulation

Within the U.S., government healthcare insurance and welfare programs such as the Medicare and Medicaid programs are important third party payers for patients who are prescribed our products. These programs regulate the amount that pharmacies and other healthcare providers will be paid for our products, and we are subject to price reporting and other compliance obligations under these programs by virtue of our participation. Specifically, U.S. law requires that a pharmaceutical manufacturer, as a condition of federal funds being made available for the manufacturer’s drugs under Medicaid and Medicare Part B, enter into three government pricing program agreements: (i) a Medicaid rebate agreement with the Secretary of Health and Human Services (“HHS”) to pay rebates to state Medicaid programs for the manufacturer’s covered outpatient drugs that are dispensed to Medicaid beneficiaries and paid for by a state Medicaid program; (ii) a 340B program agreement with the Secretary of HHS to provide statutory discounts to certain “covered entity” safety net healthcare providers; and (iii) a Master Agreement with the Department of Veterans Affairs (the "VA") under which discounts are available for purchases by federal agencies. We have such agreements in effect.

Medicaid Rebate Agreement

The Medicaid rebate agreement requires the drug manufacturer to remit rebates to each state Medicaid agency on a quarterly basis for both fee-for-service and Medicaid managed care organization utilization. Rebate amounts are based on pricing data reported by the manufacturer to the Centers for Medicare & Medicaid Services (“CMS”), including Average Manufacturer Price ("AMP") and, in the case of innovator products, Best Price ("BP"). U.S. law also requires that a company that participates in the Medicaid rebate program report average sales price ("ASP") information to CMS for each calendar quarter for certain categories of drugs that are paid under the Medicare Part B program. CMS uses the ASP submissions to determine the amount CMS reimburses providers for such drugs under Medicare Part B.

The Medicaid rebate is calculated each quarter by CMS on the basis of the reported AMP and, in the case of innovator products, BP figures, and consists of the basic and additional rebates. The “basic rebate” formula is based on a minimum rebate percentage applied to AMP and, for innovator products, also considers BP. The “additional rebate" (calculated somewhat differently for innovator and non-innovator drugs) captures price increases that outpace inflation. CMS also uses manufacturer AMP data to calculate a limit on the amount state Medicaid programs can reimburse for multiple source drugs, known as the federal upper limit. Many state Medicaid programs also apply other reimbursement caps. CMS also surveys and publishes retail community pharmacy acquisition cost information, which many state Medicaid programs utilize as a basis for their own reimbursement methodologies.

Pricing and rebate calculations are governed by statutory and regulatory requirements that are complex, vary among products and programs, can change over time, and are subject to interpretation by us, governmental or regulatory agencies, and the courts. In the case of the Medicaid rebate program, if we become aware of errors in

our prior price submissions, or a prior BP submission needs to be updated due to late arriving data, we must resubmit the updated data within specified time frames. Such restatements and recalculations increase our cost of compliance with the Medicaid rebate program, and corrections can result in an overage or underage of our rebate liability for past quarters, depending on the nature of the correction. Despite our best efforts, we cannot be certain that our submissions will not be found by the government to be incomplete or incorrect. Refer to the risk factors under the heading “If we fail to comply with the reporting and payment obligations under the Medicaid rebate program or other governmental purchasing and rebate programs, we could be subject to fines or penalties, which could have a material adverse effect on our financial condition and results of operations” in Item 1A. Risk Factors - Operational Risks.

340B Program Agreement

The 340B drug pricing program requires participating manufacturers to agree to charge statutorily-defined covered entities no more than the 340B “ceiling price” for the manufacturer’s covered outpatient drugs. 340B covered entities include a variety of community health clinics and other entities that receive health services grants from the Public Health Service, as well as certain hospitals that serve a disproportionate share of low-income patients. The ceiling price is calculated on the basis of AMP and the Medicaid rebate, and therefore any changes to Medicaid price reporting and rebate legal standards may impact the 340B ceiling price calculation as well. If we revise data reported to the Medicaid drug rebate program, and such revisions result in a reduction of the 340B ceiling price, we are required to offer refunds to covered entities. Civil monetary penalties can be applied to manufacturers that knowingly and intentionally overcharge covered entities. Manufacturers are required to report the 340B ceiling prices each quarter.

Master Agreement with the Department of Veterans Affairs

U.S. law also requires any company that participates in the Medicaid rebate program and that wants its covered drugs paid for by certain federal agencies and grantees to enter into a Master Agreement with the VA. Under the Master Agreement, the company must offer its prescription innovator drugs for procurement under the Federal Supply Schedule (“FSS”) contracting program, and must charge certain agencies (the VA, Department of Defense, Public Health Service and Coast Guard) no more than a statutory Federal Ceiling Price (“FCP”). The FCP is calculated based on Non-Federal Average Manufacturer Price ("Non-FAMP") data we submit to the VA. FSS contracts include extensive disclosure and certification requirements and standard government terms and conditions with which we must comply. Products sold to the government under an FSS contract must comply with the requirements of the Trade Agreements Act regarding the allowable countries where a product is manufactured or “substantially transformed." Consistent with the VA’s interpretation of the Master Agreement, we have also entered into an agreement to pay rebates on innovator drug prescriptions dispensed to TRICARE beneficiaries by TRICARE network retail pharmacies.

Medicare Part D “Coverage Gap” Rebates

For certain innovator products, manufacturers must also enter into an agreement with the Secretary of HHS to provide rebates with respect to utilization of their products by certain Medicare Part D beneficiaries while those patients are within the Medicare Part D benefit “coverage gap.” Manufacturers are not required to submit separate pricing data under this program; the rebate amount is calculated by CMS based on Part D plans “negotiated prices” paid to pharmacies.

Other Price Regulation and State Regulation

Drug pricing has come under increasing public scrutiny arising out of general concerns about high drug costs or price increases, and transparency of pricing and discounting practices within the pharmaceutical distribution system. Congress is considering various amendments to federal drug pricing laws, as well as new forms of pricing regulation. Several states have enacted laws that, among other things, require manufacturers to report information concerning pharmaceutical pricing or marketing practices or to provide advance notice of price actions or applications for regulatory approvals to certain entities. Additionally, on November 27, 2020, CMS issued an interim final rule implementing a mandatory “Most Favored Nation” demonstration model to test reimbursement of drugs or biologicals under Medicare Part B based on international reference prices (such rule being enjoined by federal courts at this time). On December 12, 2019, the U.S. House of Representatives passed H.R. 3, The Elijah E. Cummings Lower Drug Costs Now Act, which, if enacted, would implement comprehensive measures related to drug pricing, including international reference pricing, as well as requiring manufacturers to pay a rebate on Part D drugs with price increases that outpace inflation. Refer to the risk factors under the headings "Limitations on

reimbursement, continuing healthcare reforms, and changes to reimbursement methods in the United States and other counties may have an adverse effect on our financial condition and results of operations" and “If we fail to comply with the reporting and payment obligations under the Medicaid rebate program or other governmental purchasing and rebate programs, we could be subject to fines or penalties, which could have a material adverse effect on our financial condition and results of operations” in Item 1A. Risk Factors - Operational Risks.

Other U.S. Regulations and Organizations

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

- *Physician Payment Sunshine Act and Similar State Laws* - This act and similar state laws require certain pharmaceutical manufacturers to engage in extensive tracking of payments or transfers of value to physicians and teaching hospitals, maintenance of a payment database and public reporting of the payment data.

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

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

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

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

- *Health Insurance Portability and Accountability Act ("HIPAA")* - HIPAA is a set of regulations designed to protect personal information and data collected and stored in medical records. It established a national standard to be used in all doctors' offices, hospitals and other businesses where personal medical information is stored. In addition to protecting personal medical information, HIPAA also gives patients the right to view their medical records and request changes if the data is incorrect. We could be subject to criminal penalties if we knowingly obtain individually identifiable health information from a covered entity in a manner that is not authorized or permitted by HIPAA or for aiding and abetting the violation of HIPAA.

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

- *California Safe Drinking Water and Toxic Enforcement Act ("Prop 65")* - Prop 65 is a toxic right-to-know warnings law that allows the state attorney general and private enforcers to sue on behalf of the public claiming the products in question sold in California violate the law by exposing consumers to chemicals in levels above those allowed by regulation without carrying warnings.

- California Consumer Privacy Act ("CCPA") - CCPA went into effective on January 1, 2020, which enhanced the data protection rights of residents in California. This law increases our responsibility and potential liability related to personal data of California residents that we process.

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

Regulation Outside the U.S.

We develop and manufacture products and market third-party manufactured products in regions outside the U.S., including Europe, Israel, Canada, Mexico, Australia, Asia, South America, and the Middle East, each of which has its own regulatory environment. The majority of our sales outside the U.S. are in the following categories: OTC and Rx pharmaceuticals, infant formulas, medical devices, dietary supplements, cosmetics, and oral self-care products. Other regulatory agencies, organizations and legislation that may impact our business include, but are not limited to:

- *Privacy Regulations* - We are subject to numerous global laws and regulations designed to protect personal data, such as the European General Data Protection Regulation (“GDPR”). The GDPR introduced more stringent data protection requirements in the EU, as well as substantial fines for breaches of the data protection rules. The GDPR increased our responsibility and potential liability in relation to personal data that we process, and we have put in place appropriate mechanisms to comply with the GDPR.

- *Transparency Laws* - In various jurisdictions in which we operate, we are subject to the laws and regulations aimed at increasing transparency of financial relationships between healthcare professionals and pharmaceutical/medical device manufacturers. These acts require certain pharmaceutical manufacturers to engage in extensive tracking of payments or transfers of value to healthcare professionals.

- *Anti-Bribery Laws* - Various jurisdictions in which we operate have laws and regulations, including the U.K. Bribery Act 2010 and the Irish Criminal Justice (Corruption Offenses) Act 2018, aimed at preventing and penalizing corrupt and anticompetitive behavior.

- *Rules and Regulations Infant Formula* - Outside of the U.S., country-specific regulations define the requirements that we must comply with regarding the manufacturing, testing, labeling, packaging, storage, distribution, and promotion of infant formula. We are subject to ongoing periodic inspection through these complex regulations, including by the FDA and other regulatory agencies such as the Canadian Food Inspection Agency ("CFIA").

European Union

OTC and Prescription Pharmaceuticals

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

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

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

In addition to obtaining marketing authorization for each product, all member states require that a manufacturer's facilities obtain approval from an EU Regulatory Authority. The EU has a code of GMP that each manufacturer must follow and comply with. Regulatory authorities in the EU may conduct inspections of the manufacturing facilities to review procedures, operating systems and personnel qualifications. We believe that our policies, operations and products comply in all material respects with existing regulations to which our operations are subject.

In 2011, it was first proposed that the EU Member States had to transition to the European Falsified Medicines Directive (the "Directive"). The Directive was subsequently written into national law on January 2, 2013. The Directive made reference to a Delegated Act (the Delegated Act lists the detailed requirements for manufacturers). The Delegated Act was finalized and published in February 2017, and it provided for a two-year implementation period. We are in compliance with the Delegated Act. The provisions of the Directive are intended to reduce the risk of counterfeit medicines entering the supply chain and also to ensure the quality of API manufactured outside of the EU. The Directive required the serialization of all Rx and some OTC products, similar to the DSCSA in the U.S.

The European Commission passed legislation requiring new product packaging 'safety features' to prevent falsification of medicinal products primarily within the prescription medicines sector. All marketing authorization holders in the EU member states and EEA members Norway, Iceland, Liechtenstein and Switzerland were required to introduce the necessary changes by February 9, 2019 (or risk forfeiting their product licenses). However, manufacturers based out of Greece, Belgium and Italy have an extended timeline until February 9, 2025 to implement the serialization guidelines as they already feature similar requirements on their current drug packages.

In the EU, member states regulate the pricing of prescription medicinal products, and in some cases, the formulation and dosing of products. This regulation is handled by individual member state national health services. These individual regulatory bodies can result in considerable price differences and product availability among member states. The implementation of tendering systems for the pricing of pharmaceuticals in several countries generally impacts drug pricing for generics; generally, "tendering" refers to a system that requires bids to be submitted to the government by competing manufacturers to be the exclusive, or one of a few, suppliers of a product in a particular country.

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

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

The wholesale distribution of medicinal products is an important activity in the integrated supply chain management. The quality and the integrity of medicinal products can be affected by a lack of adequate control. To

this end, the EU Commission has published guidelines on Good Distribution Practice of Medicinal Products for Human Use in 2013. The present guidelines are based on Articles 84 and 85b(3) of medicinal products for human use directive.

Medical Devices

The EU has enacted into law numerous directives and adopted many harmonizing standards pertaining to a wide range of industrial products, including medical devices. Medical devices that comply with the requirements of applicable directives are entitled to bear the CE marking of conformity, which indicates that the device conforms to the applicable requirements of the directives and, accordingly, can be commercially distributed throughout Europe. The method of assessing conformity varies depending on the class of the product, but normally involves a combination of self-assessment by the manufacturer and a third-party assessment by a Notified Body, an organization accredited by a member state. Assessment by a Notified Body includes an audit of the manufacturer's quality system and may also include specific testing of the product. This assessment is a prerequisite for a manufacturer to commercially distribute the product throughout the EU. On May 25, 2017, the EU's Medical Device Regulation (the "MDR") became effective, with a three year transitional period until full application. The date of application of the MDR, and as a result the date of repeal of the existing Medical Device Directives (the "MDDs"), has been deferred by 12 months to May 26, 2021 due to the COVID-19 pandemic. All Class I (low risk) medical devices need to comply with the MDR by May 26, 2021, and all medical devices sold in the EU will need to be approved under the MDR by May 26, 2025. Notified Bodies, which are organizations accredited by a member state, can continue to approve medical devices under the MDDs until May 26, 2021. Beginning on May 27, 2021, Notified Bodies will no longer be able to approve new medical devices under the MDDs or approve notifications of "substantial" design changes, including changes to labeling/packaging, changes to the manufacturing process, or the addition of new features and functionality, to medical devices that were approved under the MDDs.

Only Notified Bodies that have been designated under the MDR can carry out conformity assessment procedures, and only for certain types of devices listed by the product codes in their designation. This designation process is a lengthy and costly process, resulting in a shortage of certified notified bodies. In connection with the extension of the MDR application date discussed above, Notified Bodies designated under the prior MDD regime were allowed to continue their related governance of medical devices for one additional year, until May 25, 2021, subject to them having a designation under MDD in place throughout this time. The current regulations are not clear on the treatment of the existing certificates granted by Notified Bodies with designations that have expired during this extension period.

Dietary Supplements and Cosmetics

Complying with the legislative framework for dietary supplements and cosmetics in the EU remains challenging as a result of changing EU regulations, diverging national regulations from EU regulations, and diverging regulations between EU member states.

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

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

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

Biocides

Biocides in the EU market must comply with Regulation EU No. 528/2012 ("EU BPR") overseen by the European Chemicals Agency. Contrary to medicines, biocides are not exempted from chemical legislation such as the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals No. 1907/2006 and the Regulation on Classification, Labelling and Packaging Regulation of substances and mixtures EC No. 1272/2008. The EU BPR improves the functioning of the biocidal products market in the EU, while ensuring a high level of protection for humans and the environment through the implementation of a harmonized system at Union level. Biocides are currently transitioning from a national-based system to a European system. The transition involves the gradual integration and approval or re-approval of existing active substances, followed by the pre-market authorization of biocidal finished products. This means all biocidal products will need to complete the reauthorization process, with the assessment focusing on efficacy and safety of the biocides on the European market.

General Product Safety Directive

The General Product Safety Directive (2001/95/EC) complements sector-specific legislation such as rules that apply to electrical and electronic goods, chemicals, and other specific product groups. Together, the General Product Safety Directive and sector specific legislation ensure the safety and traceability of products in the market (other than pharmaceuticals, medical devices, and food which are regulated under separate legislation). If our products fail to meet the General Product Safety Directive, we may incur fines.

Additional Global Regulations and Considerations

We must comply with a variety of U.S. laws related to doing business outside of the U.S., including but not limited to, Office of Foreign Asset Controls; United Nations and EU sanctions; the Iran Threat Reduction and Syria Human Rights Act of 2012; rules relating to the use of certain “conflict minerals” under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and regulations enforced by the U.S. Customs and Border Patrol. Changes in laws, regulations, and practices affecting the pharmaceutical industry and the healthcare system, including imports, exports, manufacturing, quality, cost, pricing, reimbursement, approval, inspection, and delivery of healthcare, may affect our business and operations. International sanctions and boycotts of our products could also impact our sales and ability to export our products.

In recent years, there has been growing concern about the use and misuse of opioids and related products in the United States and around the world. Natural and synthetic opioids have analgesic and sedative effects, and are commonly prescribed by medical professionals for the temporary management of pain. Clinically weaker opioid analgesics, such as products containing codeine, are available from pharmacists in certain jurisdictions without a doctor’s prescription. However, a number of jurisdictions have implemented or are considering restrictions on OTC products containing codeine. For example, in 2018, Australia reclassified codeine to require a prescription, and regulators in Ireland and the UK may be evaluating similar actions. Certain formulations of the branded pain medications we sell in certain non-U.S. jurisdictions contain codeine. Restrictions or prohibitions on the sale of OTC products containing codeine could affect our CSCI segment in future periods.

Tax Regulations

Recent Changes to Tax Laws, Regulations and Related Interpretations

The Organization for Economic Co-operation and Development (“OECD”), which represents a coalition of member countries, has recommended changes to numerous long-standing tax principles relating to Base Erosion and Profit Shifting ("BEPS"). These changes are being adopted and implemented by many of the countries in which we do business and may increase our tax expense in these countries. For example, Ireland implemented "controlled foreign corporation legislation" effective January 1, 2019 as required by the EU Anti-Tax Avoidance Directive ("ATAD") and effective January 1, 2020 has implemented "anti-hybrid legislation." In 2021, Ireland also intends to implement “interest limitation rules”, which are expected to take effect on January 1, 2022, as well as to update the recently implemented anti-hybrid legislation to incorporate the “anti-reverse-hybrid” recommendations contained in ATAD II.

On December 22, 2017, the U.S. enacted the U.S. Tax Cuts and Jobs Act ("U.S. Tax Act"). The U.S. Tax Act includes several significant changes to existing U.S. tax laws that impact us. These changes include a corporate

income tax rate reduction from 35% to 21%, full expensing of fixed assets placed in service in 2018 and the elimination or reduction of certain U.S. deductions and credits, including limitations on the deductibility of interest expense and executive compensation. The U.S. Tax Act also transitions international taxation from a worldwide system to a modified territorial system. This modified territorial system includes, among other items, base erosion prevention measures which have the effect of subjecting certain earnings of our U.S. owned foreign corporations to U.S. taxation as global intangible low-taxed income ("GILTI") and the establishment of a minimum tax on certain payments from our U.S. subsidiaries to related foreign persons as base erosion and anti-abuse tax ("BEAT"). These changes became effective in 2018. The U.S. Tax Act also includes a one-time mandatory deemed repatriation tax on accumulated U.S. owned foreign corporations' previously untaxed foreign earnings ("Transition Toll Tax"). The Transition Toll Tax can be paid over an eight-year period starting in 2018 and will not accrue interest. Based on the 2017 U.S. federal income tax return filed by the Company, the Transition Toll Tax was paid in full with the filing of our 2017 U.S. federal income tax return. During 2018, Treasury and the IRS issued various forms of guidance, including notices of proposed rule-making and proposed Treasury regulations, implementing and clarifying aspects of the U.S. Tax Act and other related topics, including the Transition Toll Tax, BEAT, GILTI, foreign tax credit computations, the full expensing of fixed assets placed in service in 2018, interest expense limitations under Section 163(j), deductibility of interest and/or royalty payments made by U.S. corporate taxpayers to foreign related parties in so-called "hybrid mismatch" arrangements under Section 267A, and the limitation of deductions for key executive compensation as determined under Section 162(m).

During the year ended December 31, 2018, we considered and evaluated Treasury and IRS guidance issued as described above and reflected certain changes in our income tax provision for 2018. In 2019, Treasury and the IRS issued final tax regulations ("Final Regulations") on certain code sections that were introduced by, or changed as a result of, the U.S. Tax Act. The Final Regulations issued in 2019 did not result in material changes to the tax effect recorded in prior periods when proposed regulations were issued. We will continue to record the tax effects of any further proposed regulations in the quarters in which they are issued.

Our preliminary estimate of the impact of the U.S. Tax Act (including the Transition Toll Tax) was recorded as of December 31, 2017 and was subject to the finalization of management's analysis related to certain matters, such as developing interpretations of the provisions of the U.S. Tax Act, changes to certain estimates and amounts related to the earnings and profits of certain U.S. owned foreign subsidiaries and the filing of our tax returns. U.S. Treasury regulations, administrative interpretations or court decisions interpreting the U.S. Tax Act required further adjustments and changes in our 2017 estimates, which did not have a material adverse effect on our business, results of operations or financial conditions. The final determination of the impact of the U.S. Tax Act (including the Transition Toll Tax) was completed in 2018, as required by SAB 118 (refer to Item 8. Note 15).

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act allowed for an increased interest expense limitation and depreciation deductions resulting in a reduction of income tax expense of approximately $36.6 million for tax years 2019 and 2020. Additionally, Treasury and the IRS issued Proposed and Final Regulations in 2020 regarding interest expense limitations under Section 163(j). These regulations adjust the definition of interest expense and items allowable in adjusted taxable income to calculate the annual interest deduction limitation. Perrigo has applied the updated regulations resulting in a reduction of income tax expense of approximately $8.9 million during 2020.

Foreign Incorporation Considerations

Although we are incorporated in Ireland, the IRS may not agree with the conclusion that we are treated as a foreign corporation for U.S. federal tax purposes. For Perrigo Company plc to be treated as a foreign corporation for U.S. federal tax purposes under section 7874 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), either (i) the former stockholders of Perrigo Company must own (within the meaning of section 7874 of the Code) less than 80% (by both vote and value) of our stock by reason of holding shares in Perrigo Company (the "ownership test") as of the closing of the Elan acquisition or (ii) we must have substantial business activities in Ireland after the Elan acquisition (taking into account the activities of our expanded affiliated group). Upon our acquisition of Elan, Perrigo Company stockholders held 71% (by both vote and value) of our shares. We believe that under current law, we should be treated as a foreign corporation for U.S. federal tax purposes. However, we cannot assure that the IRS will agree with our position that the ownership test is satisfied. There is limited guidance regarding the section 7874 provisions, including the application of the ownership test. Based on the limited guidance available, we currently expect that Section 7874 of the Code likely will limit our and our U.S. affiliates' ability to use their U.S. tax attributes, such as net operating losses, to offset certain U.S. taxable income, if any, generated by the

Elan acquisition or certain specified transactions for a period of time following the Elan acquisition (refer to Item 8. Note 15).

Available Information

Our principal executive offices are located at The Sharp Building, Hogan Place, Dublin 2, D02 TY74, and our North American base of operations is located at 515 Eastern Avenue, Allegan, Michigan 49010. Our telephone number is +353 1 7094000. Our website address is www.perrigo.com, where we make available free of charge our reports on Forms 10-K, 10-Q and 8-K, including any amendments to these reports, as soon as reasonably practicable after they are electronically filed with or furnished to the U.S. Securities and Exchange Commission ("SEC"). These filings are also available to the public at www.sec.gov and www.isa.gov.il.

ITEM 1A. RISK FACTORS

SUMMARY OF RISK FACTORS

Operational Risks

- We face vigorous competition from other pharmaceutical and consumer packaged goods companies, which may threaten the demand for and pricing of our products.
- If we do not continue to develop, manufacture, and market innovative products, introduce new line extensions, and expand into adjacent categories that meet customer demands, our net sales may be negatively impacted and we may lose market share.
- We operate in highly regulated industries, and any inability to timely meet current or future regulatory requirements could have a material adverse effect on our business and operating results.
- Limitations on reimbursement, continuing healthcare reforms, and changes to reimbursement methods in the United States and other countries may have an adverse effect on our financial condition and results of operations.
- If we fail to comply with the reporting and payment obligations under the Medicaid rebate program or other governmental purchasing and rebate programs, we could be subject to fines or penalties, which could have a material adverse effect on our business and operating results.
- Unfavorable publicity or consumer perception of the safety, quality, and efficacy of our products could have a material adverse effect on our business.
- Lack of availability, or significant increases in the cost, of raw materials used in manufacturing our products could have a material adverse effect on our profit margins and operating results.
- The COVID-19 global pandemic and the public health and governmental actions in response could continue to have an adverse impact on our operations and could have an adverse impact on our business and financial condition in the future.
- A disruption at any of our main manufacturing facilities could have a material adverse effect on our business, financial position, and results of operations.
- Our business could be negatively affected by the performance of our collaboration partners and suppliers, and any such adverse impact could be material.
- Our business depends upon certain customers for a significant portion of our sales, therefore our business would be adversely affected by a disruption of our relationship with these customers or any material adverse change in these customers' businesses. The risk of such impacts would be increased by continued consolidation in the sectors in which our customers operate.
- Our businesses could be adversely affected by deteriorating economic conditions in the countries in which we operate, and our results may be volatile due to these or other circumstances beyond our control.
- A cyber security breach, disruption or misuse of our information systems, or our external business partners' information systems could have a material adverse effect on our business.
- We are dependent on the services of certain key personnel.

Strategic Risks

- We may not realize the benefits of business acquisitions, divestitures, and other strategic transactions, which could have a material adverse effect on our operating results.
- We have acquired significant assets that could become impaired or subject us to losses and may result in an adverse impact on our results of operations.
- There can be no assurance that our strategic initiatives will achieve their intended effects.

Global Risks
- Our business, financial condition, and results of operations are subject to risks arising from the international scope of our operations.
- We operate in jurisdictions that could be affected by economic and political instability, which could have a material adverse effect on our business.
- The international scope of our business exposes us to risks associated with foreign exchange rates.

Litigation and Insurance Risks
- We are or may become involved in lawsuits and may experience unfavorable outcomes of such proceedings.
- Increased scrutiny on pricing practices and competition in the pharmaceutical industry, including antitrust enforcement activity by government agencies and class action litigation, may have an adverse impact on our business and results of operations.
- Third-party patents and other intellectual property rights may limit our ability to bring new products to market and may subject us to potential legal liability, which could have a material adverse effect on our business and operating results.
- The success of certain of our products depends on the effectiveness of measures we take to protect our intellectual property rights and patents.
- Our ability to achieve operating results in line with published guidance is inherently subject to numerous risks and other factors beyond our control. Publishing earnings guidance subjects us to risks, including increased stock volatility, that could lead to potential lawsuits by investors.
- Significant increases in the cost or decreases in the availability of the insurance we maintain could adversely impact our operating results and financial condition.

Tax Related Risks
- The resolution of uncertain tax positions, including the Notices of Proposed Adjustments and Notice of Assessment, could be unfavorable, which could have an adverse effect on our business.
- Changes to tax laws and regulations or the interpretation thereof could have a material adverse effect on our results of operations and the ability to utilize cash in a tax efficient manner.
- Our effective tax rate or cash tax payment requirements may change in the future, which could adversely impact our future results of operations.

Capital and Liquidity Risks
- Our indebtedness could adversely affect our ability to implement our strategic initiatives.
- We cannot guarantee that we will buy back our ordinary shares pursuant to our announced share repurchase plan or that our share repurchase plan will enhance long-term shareholder value.
- Any additional shares we may issue could dilute your ownership in the Company.
- We are incorporated in Ireland; Irish law differs from the laws in effect in the United States and may afford less protection to, or otherwise adversely affect, our shareholders.
- We may be limited in our ability to pay dividends or repurchase shares in the future.

Operational Risks

We face vigorous competition from other pharmaceutical and consumer packaged goods companies, which may threaten the demand for and pricing of our products.

Our products compete against store brand, generic, and branded health and wellness products. If we are unable to compete successfully, our business may lose customers or face negative pricing pressures. In particular:

- Our CSCA, CSCI and RX segments each experience direct competition from other drug companies, including brand name companies, that may try to prevent, discourage or delay the use of our products through various measures, including introduction of new products, legislative initiatives, changing dosage forms or dosing regimens, regulatory processes, filing new patents or patent extensions, lawsuits, citizens' petitions, and attempts to generate negative publicity prior to our introduction of a new competitive product. Moreover, other companies may produce the same products as us, sometimes sold at dramatically lower margins in order to gain market share. Other companies may also introduce new drugs or drug delivery techniques that make our current products less desirable. In addition, in the RX segment, competitors may lower their prices to compete with generic products, increase advertising, or launch an authorized generic at or near the time the first generic product is launched, depriving the generic product of potential market exclusivity.

- The FDA's increasing acceptance of *in vitro* studies, rather than human clinical studies, to support bioequivalence of generic products may lead to increased production of products that compete with Perrigo's generic product portfolio.
- Our competitors may be able to adapt more quickly to changes in customer requirements or develop products comparable or superior to those offered by us at more competitive prices.
- Competition in the pharmaceutical space may also be impacted by changes in regulations and government pricing programs that may give certain competitors an advantage.

If we do not continue to develop, manufacture, and market innovative products, introduce new line extensions, and expand into adjacent categories that meet customer demands, our net sales may be negatively impacted and we may lose market share.

The growth of our business is due in large part to our ability to develop, manufacture, and market products that meet customer requirements for quality, safety, efficacy, and cost-effectiveness. Margins for existing products tend to decline over time due to aging product life cycles, changes in consumer preferences, pricing pressure from customers, and increased competition. Accordingly, our business model relies heavily on the continuous introduction of innovative products and new product categories. If we do not continue to develop, manufacture, and market new products, or if we fail to stay current with the latest manufacturing information, and packaging technology, we could lose market share, and our net sales may be negatively affected.

The development and commercialization process, particularly with respect to innovative products, is both time consuming and costly, and subject to a high degree of business risk. Products currently under development may require re-design to meet evolving regulatory standards, may not perform as expected, may not pass required bioequivalence studies, or may be the subject of intellectual property challenges. Necessary regulatory approvals may not be obtained in a timely manner, if at all. Even if we are successful in developing a product, our customers' failure to launch one of our products successfully, or delays in manufacturing developed products, could adversely affect our operating results. In addition, regulatory agencies may impose higher standards or additional requirements, as a condition to clearing new products, such as requiring more supporting data and clinical data than previously required, which could negatively impact our net sales. In our CSCA and RX segments, we must prove that the regulated generic drug products in these segments are bioequivalent to their branded counterparts, which may require bioequivalence studies, and, in the case of topical products, even more extensive clinical endpoint trials to demonstrate their efficacy, and the failure to do so could also negatively impact our sales.

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

We operate in highly regulated industries in numerous countries and are subject to the regulations of a variety of U.S. and non-U.S. agencies related to the manufacturing, processing, formulation, packaging, labeling, testing, storing, distribution, import, export, advertising, and sale (including cost, pricing and reimbursement) of our products, as described in detail in Item 1. Business - Government Regulation and Pricing. Changes in laws, regulations, and practices in the countries in which we operate, which may be impacted by political pressure and other factors outside of our control, may be difficult or expensive for us to comply with, could restrict or delay our ability to manufacture, distribute, sell or market our products, and may adversely affect our revenue, operating results, and financial condition or impose significant administrative burdens. Divergence in regulatory approach from country to country, and between the EU and individual member states, adds cost and complexity to the compliance framework; and differences in requirements and/or implementation dates in different jurisdictions may provide competitive advantages to manufacturers that operate in other locations. If our products fail to meet regulatory requirements, our sales may be adversely affected, we may incur fines and penalties, and our exposure to liability relating to product-based claims may increase. Below are some examples of ways in which regulatory risk may impact us:

- We must obtain approval from the appropriate regulatory agencies in order to manufacture and sell our products in the regions in which we operate. Obtaining this approval can be time consuming and costly. When we submit an application for market authorization, there can be no assurance that the regulator will approve that application on a timely basis or at all.
- U.S. law encourages generic competition by providing eligibility for first generic marketing exclusivity if certain conditions are met. If we are granted generic exclusivity, the exclusivity may be shared with other generic companies, including authorized generics; or we may forfeit 180-day exclusivity if we fail to obtain

regulatory approval and begin marketing within the statutory requirements. If we are not the first to file our ANDA, the FDA may grant 180-day exclusivity to another company, thereby effectively delaying the launch of our product and/or possibly reducing our market share.

- Global regulatory agencies regularly inspect our manufacturing facilities and the facilities of our third-party suppliers. The failure of one of these facilities to comply with applicable laws and regulations may lead to a breach of representations made to our customers, or to regulatory or government action against us related to the products made in that facility, including suspension of or delay in regulatory approvals and product seizure, injunction, recall, suspension of production or distribution of our products, loss of licenses or other governmental penalties, or civil or criminal prosecution, which could result in increased cost, lost revenue, or reputational damage.
- In 2020, regulatory agencies globally, including the FDA and EMA, issued guidance on assessing and controlling nitrosamine impurities in medicine products. We are undertaking a review of our product portfolio in accordance with regulatory guidance to assess the risk of the presence of nitrosamine impurities. Any finding of nitrosamine impurities exceeding levels set by regulatory authorities may require us to adopt modified product sourcing and/or manufacturing processes or to initiate product withdrawal.
- Rx-to-OTC switches are critical to our future growth. If regulatory agencies fail to approve Rx-to-OTC switches in new product categories or reassess the terms of existing OTC classifications, our growth prospects and product mix would be impaired. Further, regulatory agencies may reassess the terms of OTC classification if they perceive a shift in the previously assessed benefit/risk profile. Any such reassessment could lead to OTC products reverting to prescription.
- Our infant formula products may be subject to barriers or sanctions imposed by countries or international organizations limiting international trade and dictating the content of such products. If governments enhance regulations on the infant formula industry by, for example, requiring additional testing or compulsory batch-by-batch inspection, our sales and operating margins in this category could be adversely affected.
- The regulation of controlled substances and List I chemicals complicates our supply chain, and adverse regulatory actions may result in temporary or permanent interruption of distribution of our products, withdrawal of our products from the market, or other penalties. If we are unable to obtain necessary quotas for controlled substances and List I chemicals, we risk having delayed product launches or failing to meet commercial supply obligations.
- As described in Item 1. Government Regulation and Pricing, beginning on May 26, 2025, all medical devices sold in the EU will need to be approved under the MDR, with certain device categories requiring compliance sooner, and there is currently a shortage in the number of Notified Bodies authorized to carry out conformity assessments required thereunder. If we fail to secure a notified body certificate under MDR, this will impact our ability to keep our medical devices in the EU market. Moreover, the designation of a notified body certifying certain of our products expired during the pandemic-related deferral of the MDR regulations, and its designation status moving forward is unclear. While we do not expect a material impact on our business, there can be no assurances that our ability to sell these medical devices in the EU will not be interrupted, slowed or otherwise adversely affected.

Limitations on reimbursement, continuing healthcare reforms, and changes to reimbursement methods in the United States and other countries may have an adverse effect on our financial condition and results of operations.

Increasing healthcare expenditures have received considerable public attention in many of the countries in which we operate. In the U.S., government programs such as Medicare and Medicaid, as well as private insurers, have been focused on cost containment. In some markets in the EU and outside the U.S., the government provides healthcare at low direct cost to consumers and regulates pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system. Both private and governmental entities are seeking ways to reduce or contain healthcare costs through legislative and regulatory efforts, as further described in Item 1. Business - Federal Healthcare Programs and Drug Pricing Regulation, which could place further pricing pressure on our products and could negatively impact our results of operations.

For Medicaid programs, many of our products are considered non-innovator products and therefore are subject to Medicaid federal upper limits ("FUL"). Our products generally are subject to state Medicaid program payment methodologies, and may be subject to reimbursement pressures, and in some cases, those pressures may result from practices outside of our control, including how our competitors price their equivalent products. State Medicaid programs are continuing to evaluate their payment methods, and we cannot predict how the FUL or state payment methodologies will affect our pharmacy customers or to what extent these customers may seek additional discounts in light of reimbursement changes in the future. We also cannot predict how the sharing of FUL data and retail survey prices may impact competition in the marketplace in the future.

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

If we fail to comply with the reporting and payment obligations under the Medicaid rebate program or other governmental purchasing and rebate programs, we could be subject to fines or penalties, which could have a material adverse effect on our business and operating results.

As described in Item 1. Business - Federal Healthcare Programs and Drug Pricing Regulation, we have entered into various government drug pricing agreements with the U.S. government. By their nature, these programs require us to provide discounts and rebates and therefore reduce our net product revenue. Further, because the amounts of these discounts are based on our commercial sales practices and can be adversely affected by both significant discounts and price increases, any failure to maintain pricing practices that appropriately take into account these government pricing programs could have an adverse effect on our condition and results of operations. There are other inherent risks associated with participating in these programs, including the following:

- We are required to report pricing data to CMS, including AMP, on a monthly and quarterly basis and BP and ASP on a quarterly basis. We also are required to report quarterly and annual Non-FAMPs to the VA. If we fail timely to submit required information, make misrepresentations in pricing or product data, or are found to have knowingly submitted false information to the government as to certain pricing disclosures, we may be liable for substantial civil monetary penalties and subject to other enforcement actions, including possible exclusion from U.S. federal healthcare programs, and CMS may terminate our Medicaid drug rebate agreement.
- Under the 340B program, if we knowingly and intentionally overcharge covered entities, including in connection with a failure to offer refunds following 340B ceiling price restatements, we may be subject to civil monetary penalties.
- If we inadvertently overcharge the government in connection with our FSS contract or TriCare Agreement, whether due to a misstated Federal Ceiling Price or otherwise, we would be required to refund the difference. Failure to make necessary disclosures and/or to identify contract overcharges can result in False Claims Act allegations or potential violations of other laws and regulations. Unexpected refunds to the government, and responses to a government investigation or enforcement action, are expensive and time-consuming, and could have a material adverse effect on our business, financial condition, results of operations, and growth prospects.
- Pricing and rebate calculations are governed by statutory and regulatory requirements that are complex, vary between products and programs, can change over time, and are subject to interpretation by us, governmental or regulatory agencies, and the courts. Our calculations and methodologies are subject to review by the governmental agencies, and it is possible that these reviews could result in challenges to our submissions. We cannot assure you that our submissions will not be found by the government to be incomplete or incorrect, which could result in civil and/or criminal sanctions, including fines, penalties, and possible exclusion from U.S. federal healthcare programs.

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

We are dependent upon consumers' perception of the safety, quality, and efficacy of our products. Negative consumer perception may arise from media reports, social media posts, product liability claims, regulatory investigations, or recalls affecting our products or our industry, any of which may reduce demand.

- Our products involve risks such as product contamination, spoilage, mislabeling, and tampering that could require us to recall one or more of our products. Serious product quality concerns could also result in governmental actions against us that, among other things, could result in the suspension of production or distribution of our products, product seizures, loss of certain licenses, delays in the issuance of governmental approvals for new products, or other governmental penalties.
- We cannot guarantee that counterfeiting, imitation or other tampering with our products will not occur or that we will be able to detect and resolve it, which could lead to death or injury of consumers and negatively impact our reputation.
- Our nutritional product category is subject to certain consumer preferences and health and nutrition-related concerns, including the number of mothers who choose to use infant formula products rather than breastfeed their babies, which could change based on factors including increased promotion of the benefits of breastfeeding over the use of infant formula by private, public and government sources and changes in the number of families that are provided with infant formula by the U.S. federal government through the Women, Infants and Children program which we do not participate in.
- Our CSCI segment's financial success is dependent on positive brand recognition, which results in part from large investments in marketing over a period of years. The success of our brands may suffer if we do not continue to invest in marketing, or if our marketing plans or product initiatives are unsuccessful. In addition, an issue with one of our products could negatively affect the reputation of other products, potentially hurting our financial results.
- With respect to our powdered infant formula products, a risk of contamination or deterioration may exist at each stage of the production cycle, including the purchase and delivery of raw materials, the processing and packaging of food products, and the use and handling by consumers, hospital personnel, and healthcare professionals. If certain of our infant formula products are found or alleged to have suffered contamination or deterioration, whether or not under our control, our reputation and our infant formula product category sales could be materially adversely affected.
- Negative social media posts or comments about us, store brands or generic pharmaceuticals, or our products could damage our reputation and adversely affect our business. Negative posts or comments about our products could result in increased pharmacovigilance reporting requirements, which may give rise to liability if we fail to fully comply with such requirements.

Lack of availability, or significant increases in the cost, of raw materials used in manufacturing our products could have a material adverse effect on our profit margins and operating results.

We rely on third parties to source many of our raw materials and to manufacture certain dosage forms that we distribute, such as inhalers and sterile injectables. See Item 1. Business - Materials Sourcing. Certain raw materials may experience rapid cost increases due to increased energy costs and other inflationary pressures, and this may have a material negative impact on our financial results, whether or not we are able to pass on such increases to our customers. We maintain several single-source supplier relationships, either because alternative sources are not available or because the relationship is advantageous due to regulatory, performance, quality, support, or price considerations. Unavailability or delivery delays of single-source components or products could adversely affect our ability to ship the related product in a timely manner, a particularly severe effect for higher volume or more profitable products. It can take substantial time and investment to qualify an alternative supplier or material sources and establish reliable supply. For example, starting in the second quarter of 2021, we anticipate a potential supply disruption of a generic prescription product manufactured by a third party, which disruption could adversely affect our ability to sell and ship the product to customers in a timely manner. While we have identified one or more potential alternative suppliers of the product, delays in qualifying such alternative supplier may result in a supply disruption for the duration of 2021 and re-establishment of reliable supply may not be achieved until 2022 and cannot be assured.

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

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

Moreover, our infant formula products require certain key raw ingredients that are derived from raw milk, which is influenced by factors beyond our control including seasonal and environmental factors, governmental agricultural and environmental policy, and global demand. Due to these factors, we cannot guarantee that there will be sufficient supplies of these key ingredients to produce infant formula.

The COVID-19 global pandemic and the public health and governmental actions in response could continue to have an adverse impact on our operations and could have an adverse impact on our business and financial condition in the future.

As the COVID-19 pandemic continues across the globe, the outbreak of the disease and the actions to slow its spread have had an adverse impact on our operations and affected product sales mix across all our segments, as described in Item 7 - Executive Overview - Impact of COVID-19 Pandemic. During the year ended December 31, 2020, all of our segments experienced demand shifts for certain products that caused net sales to increase in certain product categories and decrease in other categories. We attribute these demand shifts to consumer and customer behavior surrounding the COVID-19 pandemic and the movement and social distancing restrictions put in place to combat spreading of the virus, such as travel bans, country lock-downs, and school closings, as well as mask mandates. We also believe that the social distancing measures and mask mandates contributed to the decline in total cough cold illnesses during the fourth quarter of 2020, which resulted in a decline of net sales for cough cold products in our upper respiratory category. Going forward, the continued spread of the disease and the actions to slow it could have an adverse impact on our financial condition, our supply chains and other operations, our results of operations, consumer demand for our products and our ability to access capital. The magnitude of any such adverse impacts are not determinable, but could be material, depending on: the duration, intensity, and continued spread of the disease, including the emergence of new strains of the virus; the duration of business closure and similar government orders, business reopening procedures and the public's willingness to adhere to suggested safety measures; the availability, acceptability and effectiveness of currently approved and potential future vaccines and their effectiveness against new strains of the virus; the severity and duration of any economic downturn resulting from the pandemic; the effectiveness of the Company's efforts at mitigation; and other factors, both known and unknown, many of which are likely to be outside our control. In addition, to the extent that any increased sales of our products during the initial stages of the outbreak may reflect "pantry stocking", consumer demand for such products in future periods may be correspondingly reduced. Further, lower consumer demand for cough cold products in all our segments and certain other self-care products in our CSCI segment may continue, and volume of U.S. prescriptions could decrease in our RX segment in future periods depending on the course of the pandemic and related responses to combat the virus. It is also possible that a change in the course of the pandemic may affect consumer demand for products in future periods in ways we do not currently anticipate.

A disruption at any of our main manufacturing facilities could have a material adverse effect on our business, financial position, and results of operations.

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

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

Our business could be negatively affected by the performance of our collaboration partners and suppliers, and any such adverse impact could be material.

We have entered into strategic alliances with partners and suppliers to develop, manufacture, market and/or distribute certain products, or components of our products in various markets. We commit substantial effort, funds and other resources to these various collaborations. There is a risk that our investments in these collaborative arrangements will not generate financial returns. While we believe our relationships with our partners and suppliers generally are successful, disputes, conflicting priorities or regulatory or legal intervention could be a source of delay or uncertainty as to the expected benefit of the collaboration (refer to Item 8. Note 18). A failure or inability of our partners or suppliers to fulfill their collaboration obligations, or the occurrence of any of the risks above, could have an adverse effect on our business, financial condition, and results of operations.

Our business depends upon certain customers for a significant portion of our sales, therefore our business would be adversely affected by a disruption of our relationship with these customers or any material adverse change in these customers' businesses. The risk of such impacts would be increased by continued consolidation in the sector in which our customers operate.

Sales to our largest customer, Walmart, comprised approximately 13.3% of our net sales for the year ended December 31, 2020. While no other customer individually comprised more than 10% of net sales in 2020, our next five largest customers in 2020 represent 23.2% of net sales in the aggregate. If our relationship with Walmart or any of our other significant customers, including the terms of doing business with the customers, changes significantly, it could have a material adverse impact on us (refer to Item 1. Business - Significant Customers).

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

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

Our businesses could be adversely affected by deteriorating economic conditions in the countries in which we operate, and our results may be volatile due to these or other circumstances beyond our control.

Our customers could be adversely impacted if economic conditions worsen in the U.S. or other countries in which we operate. In the U.S., our consumer self-care business does not advertise our store brand products like national brand companies and thus is largely dependent on retailer promotional activities to drive sales volume and increase market share. If our customers do not have the ability to invest in store brand promotional activities, our sales may suffer. Additionally, while we actively review the credit worthiness of our customers and suppliers, we cannot fully predict to what extent they may be negatively impacted by slowing economic growth. Our stock price may decline due to any earnings release or guidance that does not meet market expectations or other circumstances beyond our control, such as the severity, length and timing of the cough/cold/flu and allergy seasons, the timing of new product approvals and introductions by us and our competitors, and the timing of retailer promotional programs.

A cyber security breach, disruption or misuse of our information systems, or our external business partners' information systems could have a material adverse effect on our business.

Our business operations are increasingly dependent upon information technology systems that are highly complex, interrelated with our external business partners, and may contain confidential information (including personal data, trade secrets or other intellectual property, or proprietary business information). The nature of digital systems, both internally and externally, makes them potentially vulnerable to disruption or damage from human error and/or security breaches, which include, but are not limited to, ransomware, data theft, denial of service attacks, sabotage, industrial espionage, interruptions or other system issues, unauthorized access and computer

viruses. Such events may be difficult to detect, and once detected, their impact may be difficult to assess and address.

Cyber-attacks have become increasingly common. We have experienced immaterial business disruption and data loss as a result of phishing, business email compromise and other types of attacks. While we continue to employ resources to monitor our systems and protect our infrastructure, these measures may prove insufficient, and that could subject us to significant risks, including, without limitation:

- Ransomware attacks, other cyber breaches or disruptions that impair our ability to develop products, meet regulatory approval requirements or deadlines, produce or ship products, take or fulfill orders, and/or collect or make payments on a timely basis;
- System issues, whether as a result of an intentional breach, a natural disaster or human error that damage our reputation and cause us to lose customers, experience lower sales volume, and/or incur significant liabilities;
- Significant expense to remediate the results of any attack or breach and to ensure compliance with any required disclosures mandated by the numerous global privacy and security laws and regulations; and
- Interruptions, security breaches, or loss, misappropriation, or unauthorized access, use or disclosure of confidential information,

which, individually or collectively, could result in financial, legal, business or reputational harm to us and could have a material adverse effect on our business, financial condition and results of operations.

We are also subject to numerous laws and regulations designed to protect personal data, such as the California Consumer Privacy Act in the U.S. and the European Global Data Protection Regulation ("GDPR"). These data protection laws introduced more stringent data protection requirements and significant potential fines, as well as increased our responsibility and potential liability in relation to personal data that we process and possess. We have put mechanisms in place to ensure compliance with applicable data protection laws but there can be no guarantee of their effectiveness.

We are dependent on the services of certain key personnel.

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

Strategic Risks

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

In the normal course of business, we engage in discussions relating to possible acquisitions, divestitures, and other strategic transactions, some of which may be significant in size or impact. Transactions of this nature create substantial demands on management, operational resources, technology, and financial and internal control systems, and can be subject to government approvals or other closing conditions beyond the parties' control. In the case of acquisitions, we may face difficulties with integrating these businesses, managing expanded operations, achieving operating or financial synergies in expected timeframes or in new products or geographic markets. In the case of divestitures, including the planned separation of the RX business, we may face difficulty in effectively transferring contracts, obligations, facilities, and personnel to the purchaser, while minimizing continued exposure to risks and liabilities of the divested business.

There are inherent uncertainties involved in identifying and assessing the value, strengths, and profit potential, as well as the weaknesses, risks, and contingent and other liabilities of acquisition targets, which can be affected by changes in business, industry, market or general economic conditions. Moreover, the financing of any acquisition can have a material impact on our liquidity, credit ratings and financial position. Alternatively, issuing equity to pay all or a portion of acquisition purchase price would dilute our existing shareholders.

On March 1, 2021, we announced the sale of our generic RX Pharmaceuticals business to Altaris Capital Partners, LLC for total consideration of $1.55 billion. The transaction is subject to customary closing conditions,

including certain antitrust approvals, and is expected to close by the end of the third quarter of 2021. The sale of the generic RX Pharmaceuticals business is an important step in our transformation plan and will establish Perrigo as a "pure-play" consumer self-care company, enabling us to concentrate on our worldwide consumer self-care products businesses. However, the sale of the generic RX Pharmaceuticals business could impact our ability to retain key employees, comply with existing debt arrangements, maintain our credit ratings and raise future capital. Further, even if the sale is completed, we may not achieve the anticipated operational, financial, strategic or other benefits therefrom. There can be no assurances that a sale or separation of the generic RX Pharmaceuticals business will achieve our intended goals or that the transformation of Perrigo to a "pure-play" consumer self-care products company will receive the level of market support that we expect, within any specific timeframe. Moreover, after the closing, our business will be less diversified with a narrower focus which could make us more susceptible to changing market conditions or result in increased volatility in our stock price.

Acquisitions and divestitures, including the generic RX Pharmaceuticals business, also involve costs, including fees and expenses of financial advisors, lawyers, accountants, and other professionals, and can involve retention bonuses and other additional compensation of employees or increase turnover in personnel. Any of these risks or expenses could have a negative effect on our financial condition or results of operations.

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

We have recorded significant goodwill and intangible assets on our balance sheet as a result of previous acquisitions, which could become impaired and lead to material charges in the future. Refer to Item 8. Note 4.

We perform an impairment analysis on intangible assets subject to amortization when there is an indication that the carrying amount of any individual asset may not be recoverable. Any significant change in market conditions, estimates or judgments used to determine expected future cash flows that indicates a reduction in carrying value may give rise to impairment in the period that the change becomes known. Goodwill, indefinite-lived intangible asset, and definite-lived intangible asset impairments are recorded in Impairment charges on the Consolidated Statement of Operations. As of December 31, 2020, the net book value of our goodwill and intangible assets were $3.8 billion and $3.0 billion, respectively. In the past three years, we have recognized a total of $755.7 million in asset impairments, across all segments and asset categories (refer to Item 8. Note 4).

There can be no assurance that our strategic initiatives will achieve their intended effects.

We are in the process of implementing certain initiatives designed to increase operational efficiency and improve our return on invested capital by globalizing our supply chain through global shared service arrangements, streamlining our organizational structure, making key executive employee changes, performing a strategic portfolio review, and disposing of certain assets. Furthermore, we are transitioning into a consumer-focused, self-care company. We believe these initiatives will enhance our net sales, operating margins, and earnings; however, certain of these initiatives require substantial upfront costs, and there can be no assurance any of these initiatives will produce the anticipated benefits. Any delay or failure to achieve the anticipated benefits could have a material adverse effect on our projected results.

Global Risks

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

We manufacture, source raw materials, and sell our products in a number of countries. The percentage of our business outside the U.S. has been increasing. We are subject to risks associated with international manufacturing and sales, including: changes in regulatory requirements (see Item 1. Business - Government Regulations and Pricing, changes to tax and import/export laws and trade and customs policies (including the enactment of tariffs on goods imported into the U.S., including but not limited to, goods imported from China), problems related to markets with different cultural biases or political systems, possible difficulties in enforcing agreements, longer payment cycles and shipping lead-times, difficulties obtaining export or import licenses, and imposition of withholding or other taxes.

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

Certain of our facilities operate in a special purpose sub-zone established by the U.S. Department of Commerce Foreign Trade Zone Board, which allows us certain tax advantages on products and raw materials shipped through these facilities. If the Foreign Trade Zone Board were to revoke the sub-zone designation or limit our use, we could be subject to increased duties.

Although we believe that we conduct our business in compliance with applicable anti-corruption, anti-bribery and economic sanctions laws, if we are found to not be in compliance with such laws or other anti-corruption laws, we could be subject to governmental investigations, legal or regulatory proceedings, substantial fines, and/or other legal or equitable penalties. This risk increases in locations outside of the U.S., particularly in locations that have not previously had to comply with the FCPA, U.K. Bribery Act 2010, Irish Criminal Justice (Corruption Offenses) Act 2018, and similar laws.

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

Our operations and supply partners could be affected by economic or political instability, embargoes, military hostilities, unstable governments and legal systems, and inter-governmental disputes as well as travel restrictions, terrorist acts, and other armed conflicts. The global nature of our business involves the following risks, among others:

- Our facilities in Israel are within a conflict zone. If terrorist acts or military actions were to result in substantial damage to our facilities, our business activities would be disrupted since, with respect to most products, we would need to obtain prior regulatory agency approval for a change in manufacturing site. Moreover, certain countries and international organizations have refused to do business with companies with Israeli operations. We are also precluded from marketing our products to certain countries due to U.S. and Israeli regulatory restrictions.
- The U.S. Department of State and other governments have at times issued advisories regarding travel to certain countries in which we do business, causing regulatory agencies to curtail or prohibit their inspectors from traveling to inspect facilities. If these inspectors are unable to inspect our facilities, the regulatory agencies could withhold approval for new products intended to be produced at those facilities.
- On June 23, 2016, the UK electorate voted in a referendum to voluntarily depart from the EU, known as "Brexit". Following the formation of a majority Conservative government in December 2019, the UK approved the withdrawal agreement and left the EU on January 31, 2020. The UK remained in the EU customs union and the single market for a transition period that expired on December 31, 2020. On December 24, 2020, the UK and the EU reached agreement in principle on their future trading relationship and entered into the EU-UK Trade and Cooperation Agreement which applies provisionally until February 28, 2021, by which stage it is expected to be formally ratified by the parties and fully in force. The agreement provides for free trade in goods and limited mutual market access in services, as well as for cooperation mechanisms in a range of policy areas and UK participation in some EU programs. However, significant political and economic uncertainty remains as to aspects of the future relationship between the UK and the EU. Future trading terms between the UK and other trading partners, including the United States, are also unknown. Brexit has created significant instability and volatility in the global financial markets, has led to significant weakening of the British pound compared to the U.S. dollar and other currencies, and could still adversely affect European or worldwide economic or market conditions. Although the EU-UK Trade and Cooperation Agreement is temporarily in place, the full extent of any disruption on imports and exports, for example relating to increased regulatory complexities, is unknown. These complexities may impair the ability of our operations in the EU to transact business in the future in the UK, and similarly the ability of our UK operations to transact business in the future in the EU. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. Any of the above mentioned effects of Brexit, and others we cannot anticipate, could adversely affect our business, business opportunities, operations, and financial results.

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

We report our financial results in U.S. dollars. However, a significant portion of our net sales, assets, indebtedness and other liabilities, and costs are denominated in foreign currencies. These currencies include, among others, the Euro, Indian rupee, British pound, Canadian dollar, Israeli shekel, Australian dollar, and Mexican peso. Our Branded Consumer Self-care business is a euro-denominated business that represents a significant portion of our net sales, net earnings and net assets. Fluctuations in currency exchange rates may have positive or negative impacts on our operating results and/or cash flows. We may seek to mitigate the risk of such impacts through hedging, but such hedging activities may be costly and may not be effective.

In addition, emerging market economies in which we operate may be particularly vulnerable to the impact of rising interest rates, inflationary pressures, weaker oil and other commodity prices, and large external deficits. Risks in one country can limit our opportunities for portfolio growth and negatively affect our operations in another country or countries. Such conditions or developments could have an adverse impact on our operations. In addition, we may be exposed to credit risks in some of those markets.

Litigation and Insurance Risks

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

We may become involved in lawsuits arising from a wide variety of commercial, manufacturing, development, marketing, sales and other business-related matters, including, but not limited to, competitive issues, pricing, contract issues, intellectual property matters, false advertising, antitrust or unfair competition, taxation matters, workers' compensation, product quality/recall, environmental remediation, securities law, disclosure, and regulatory issues. Litigation is unpredictable and could result in potentially significant monetary damages, and we could incur substantial legal expenses, even if a claim against us is unsuccessful. We intend to vigorously defend against any lawsuits, however, we cannot predict how the cases will be resolved. Adverse results in, or settlements of, such cases could result in substantial monetary judgments. No assurance can be made that litigation will not have a material adverse effect on our reputation, financial position or results of operations in the future (refer to Item 8. Note 17).

The actual or alleged presence of certain hazardous substances or petroleum products on, under or in our currently or formerly owned property, or from a third-party disposal facility that we may have used, or the failure to remediate them, could have adverse effects, including, for example, substantial investigative or remedial obligations and limitations on our ability to sell or rent affected property or to borrow funds using affected property as collateral. There can be no assurance that environmental liabilities and costs will not have a material adverse effect on us. See Item 1. Business - Information Applicable to All Reportable Segments - Environmental for more information related to environmental remediation matters.

Increased scrutiny on pricing practices and competition in the pharmaceutical industry, including antitrust enforcement activity by government agencies and class action litigation, may have an adverse impact on our business and results of operations.

There has been increased scrutiny regarding sales, marketing, and pricing practices in the pharmaceutical industry, including criminal antitrust investigations regarding drug pricing, civil False Claims Act investigations relating to drug pricing and marketing, multiple civil antitrust litigation initiated by governmental and private plaintiffs against pharmaceutical manufacturers and individuals, and related media reports.

On May 2, 2017, we disclosed that search warrants were executed at several Perrigo facilities and other locations in connection with the Antitrust Division’s ongoing investigation related to drug pricing in the pharmaceutical industry. Perrigo has also been served with and responded to a civil investigative demand in connection with a related civil False Claims Act investigation by the Civil Division of the Department of Justice. Although no charges or other related civil claims have been brought to date against Perrigo or any of our current employees (or, to the best of our knowledge, former employees), by the Department of Justice, we take the investigation very seriously.

If criminal antitrust charges are filed involving Perrigo, we would incur substantial litigation and other costs, and could face substantial monetary penalties, injunctive relief, negative publicity and damage to our reputation.

Regardless of the ultimate outcome, responding to those charges would divert management's time and attention and could impair our operations. Further, we cannot predict whether legislative or regulatory changes may result from the ongoing public scrutiny of our industry, what the nature of any such changes might be, or what impact they may have on Perrigo. Any of these developments could have a material adverse impact on our business, results of operations, and reputation. While we intend to defend Perrigo's conduct at issue in these investigations vigorously, any adverse decision could have a material adverse impact on our business, results of operations and reputation.

In addition, we have been named as a co-defendant with certain other generic pharmaceutical manufacturers in a number of class action, individual plaintiff direct action, State Attorney General, and county lawsuits alleging that we engaged in anti-competitive behavior to fix or raise the prices of certain drugs starting, in some instances, as early as calendar year 2010 (refer to Item 8. Note 17). While we intend to defend these lawsuits vigorously, any adverse decision could have a material adverse impact on our business, results of operations and reputation.

Third-party patents and other intellectual property rights may limit our ability to bring new products to market and may subject us to potential legal liability, which could have a material adverse effect on our business and operating results.

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

- As a manufacturer of generic pharmaceutical products, the ability of our CSCA, CSCI, and RX segments to bring new products to market is often limited by third-party patents or proprietary rights and regulatory exclusivity periods awarded on products. Launching new products prior to resolution of intellectual property issues may result in us incurring legal liability if the related litigation is later resolved against us. The cost and time for us to develop prescription and Rx-to-OTC switch products is significantly greater than the rest of the new products that we introduce. Any failure to bring new products to market in a timely manner could cause us to lose market share, and our operating results could suffer.
- We could have to defend against charges that we infringed patents or violated proprietary rights of third parties. This could require us to incur substantial expense and could divert significant effort of our technical and management personnel. If we are found to have infringed rights of others, we could lose our right to develop or manufacture some products or could be required to pay monetary damages or royalties to license proprietary rights from third parties. Additionally, if we choose to settle a dispute through licensing or similar arrangements, the costs associated with these arrangements may be substantial and could include ongoing royalties. An adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing and selling a number of our products.
- At times, our CSCA or RX segments may seek approval to market drug products before the expiration of a third party's patents for therapeutically-equivalent products, based upon our belief that such patents are invalid, unenforceable or would not be infringed by our products. In these cases, we may face significant patent litigation. Depending upon a complex analysis of a variety of legal and commercial factors, we may, in certain circumstances, elect to market a store brand or generic pharmaceutical product while litigation is pending, before any court decision, or while an appeal of a lower court decision is pending, known as an "at risk" launch. The risk involved in an "at risk" launch can be substantial because, if a patent holder ultimately prevails, the remedies available to the patent holder may include, among other things, damages measured by the profits lost by the holder, which are often significantly higher than the profits we make from selling the generic version of the product. By electing to proceed in this manner, we could face substantial damages if we receive an adverse final court decision. In the case where a patent holder is able to prove that our infringement was "willful" or "exceptional," under applicable law, the patent holder may be awarded up to three times the amount of its actual damages or we may be required to pay attorneys' fees.

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

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

- We have been issued patents covering certain of our products, and we have filed, and expect to continue to file, patent applications seeking to protect newly developed technologies and products in various countries. Any existing or future patents issued to or licensed by us may not provide us with any significant competitive advantages for our products or may even be challenged, invalidated, or circumvented by competitors. In addition, patent rights may not prevent our competitors from developing, using, or commercializing non-infringing products that are similar or functionally equivalent to our products.
- We also rely on trade secrets, unpatented proprietary know-how, and continuing technological innovation that we seek to protect, in part by confidentiality agreements with licensees, suppliers, employees, and consultants. If these agreements are breached, we may not have adequate remedies for any such breach. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements. Furthermore, trade secrets and proprietary technology may otherwise become known or be independently developed by competitors or, if patents are not issued with respect to products arising from research, we may not be able to maintain the value of such intellectual property rights.

Our ability to achieve operating results in line with published guidance is inherently subject to numerous risks and other factors beyond our control. Publishing earnings guidance subjects us to risks, including increased stock volatility, that could lead to potential lawsuits by investors.

Because we publish earnings guidance, we are subject to several risks. Earnings guidance is inherently uncertain and subject to factors beyond our control. Actual results may vary from the guidance we provide investors from time to time, such that our stock price may decline following, among other things, any earnings release or guidance that does not meet market expectations.

It has become increasingly commonplace for investors to file lawsuits against companies following a rapid decrease in market capitalization. We have been in the past, are currently, and may be in the future, named in these types of lawsuits. These types of lawsuits can be costly and divert management attention and other resources away from our business, regardless of their merits, and could result in adverse settlements or judgments. The inherent uncertainty of earnings guidance and related lawsuits could have a material impact on the Company.

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

To protect the Company against various potential liabilities, we maintain a variety of insurance programs, including property, general, product, and directors' and officers' liability. We may reevaluate and change the types and levels of insurance coverage that we purchase. Insurance costs, including deductible or retention amounts, may increase, or our coverage could be reduced, which could lead to an adverse effect on our financial results depending on the nature of a loss and the level of insurance coverage we maintained. Moreover, we are self-insured when insurance is not available, not offered at economically reasonable premiums or does not adequately cover claims brought against us. Our business inherently exposes us to claims, and an unanticipated payment of a large claim may have a material adverse effect on our business.

Tax Related Risks

The resolution of uncertain tax positions, including the Notices of Proposed Adjustments and Notice of Assessment, could be unfavorable, which could have an adverse effect on our business.

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

We are currently involved in several audits and adjustment-related disputes and related litigation, including the NoA and NOPAs, as described more fully in Item 8. Note 15. Based on a review of the relevant facts and circumstances, we believe that these matters will not result in a material impact on our consolidated financial position, results of operations or cash flows. However, while we believe that our position in these matters is correct, there can be no assurance of ultimate favorable outcomes, and if one or more matters are ultimately resolved unfavorably it would have a material adverse impact on us, including a material adverse impact on our financial

position, liquidity, capital resources, and strategy. In addition, an adverse result with respect to any of such matters could ultimately require the use of corporate assets to pay assessments and related interest, penalties, or other amounts, and any such use of corporate assets would limit the assets available for other corporate purposes. We will consider the financial statement impact of any additional facts as they become available.

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

Although we are incorporated in Ireland, the IRS may assert that we should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes pursuant to section 7874 of the U.S. Internal Revenue Code of 1986, as amended ("Code"). For U.S. federal tax purposes, a corporation generally is considered a tax resident in the jurisdiction of its organization or incorporation. Because we are an Irish incorporated entity, we would generally be classified as a foreign corporation (and, therefore, a non-U.S. tax resident) under these rules. Section 7874 of the Code provides an exception under which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal tax purposes. Refer to Item 1. Business - Government Regulation and Pricing.

We believe that under current law, we should be treated as a foreign corporation for U.S. federal tax purposes. However, there is limited guidance regarding the section 7874 provisions. An unfavorable determination on Perrigo Company plc's treatment as a foreign corporation under section 7874 of the Code or changes to the inversion rules in section 7874 of the Code, the IRS Treasury regulations promulgated thereunder, or other IRS guidance and legislative proposals aimed at expanding the scope of U.S. corporate tax residence could adversely affect our status as a foreign corporation for U.S. federal tax purposes, which could have a material impact on our Consolidated Financial Statements in future periods.

Additionally, we are subject to tax laws in various jurisdictions globally, Refer to Item 1. Business - Government Regulation and Pricing for a discussion of recent changes to U.S. and EU tax laws, including the enactment of the U.S. Tax Act in 2017, which includes the global intangible low-taxed income ("GILTI") and base erosion and anti-abuse tax ("BEAT") regulations. Any of these changes could have a prospective or retroactive application to us, our shareholders, and affiliates, and could adversely affect us by changing our effective tax rate and limiting our ability to utilize cash in a tax efficient manner.

Our effective tax rate or cash tax payment requirements may change in the future, which could adversely impact our future results of operations.

A number of factors may adversely impact our future effective tax rate or cash tax payment requirements, which may impact our future results and cash flows from operations (refer to Item 8. Note 15). These factors include, but are not limited to: changes to income tax rates, to tax laws or the interpretation of such tax laws (including additional proposals for fundamental international tax reform globally); the jurisdictions in which our profits are determined to be earned and taxed; changes in the valuation of our deferred tax assets and liabilities; adjustments to estimated taxes upon finalization of various tax returns; adjustments to our interpretation of transfer pricing standards, treatment or characterization of intercompany transactions, changes in available tax credits, grants and other incentives; changes in stock-based compensation expense; changes in U.S. generally accepted accounting principles; expiration or the inability to renew tax rulings or tax holiday incentives; and divestitures of current operations.

Capital and Liquidity Risks

Our indebtedness could adversely affect our ability to implement our strategic initiatives.

Our business requires continuous capital investments, and there can be no assurance that financial capital will always be available on favorable terms or at all. Additionally, our leverage and debt service obligations could adversely affect the business. At December 31, 2020, our total indebtedness outstanding was $3.6 billion.

- Our senior credit facilities, the agreements governing our senior notes, and agreements governing our other indebtedness contain a number of restrictions and covenants that limit our ability to make distributions or other payments to our investors and creditors unless certain financial tests or other criteria are satisfied. These covenants include specified financial ratios and tests, which could affect our ability to operate our business or limit our ability to take advantage of potential business opportunities, such as acquisitions. If we

do not comply with the covenants and restrictions contained in the agreements governing our indebtedness, we could be in default under those agreements, and the debt, together with accrued interest, could then be declared immediately due and payable.

- A default under certain indebtedness could lead to an acceleration of debt under other debt instruments that contain cross-acceleration or cross-default provisions. If our indebtedness is accelerated, there can be no assurance that we would be able to repay or refinance our debt or obtain sufficient new financing.
- Downgrades to our credit ratings may limit our access to capital and materially increase borrowing costs on current or future financing, including via trade payables with vendors. Customers' inclination to purchase goods from us may also be affected by the publicity associated with deterioration of our credit ratings.
- There are various maturity dates associated with our credit facilities, senior notes, and other debt facilities. There is no assurance that cash, future borrowings or equity financing will be available for the payment or refinancing of our indebtedness. Further, there is no assurance that any future refinancing or renegotiation of our senior credit facilities, senior notes or other debt facilities, or additional agreements will not have materially different or more stringent terms (refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations).

We cannot guarantee that we will buy back our ordinary shares pursuant to our announced share repurchase plan or that our share repurchase plan will enhance long-term shareholder value.

In October 2018 our Board of Directors authorized up to $1.0 billion of share repurchases with no expiration date, subject to the Board of Directors' approval of the pricing parameters and amount that may be repurchased. During the year ended December 31, 2020, we repurchased an aggregate of 3.4 million of our ordinary shares under such authorization at an average purchase price of $48.28 per share. The specific timing and amount of additional buybacks under the authorization, if any, will depend upon several factors, including market and business conditions, the trading price of our ordinary shares, the nature of other investment opportunities and the availability of our distributable reserves. Buybacks of our ordinary shares could affect the market price of our ordinary shares, increase their volatility or diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. Although our share repurchase plan is intended to enhance long-term shareholder value, there is no assurance that it will do so, and short-term share price fluctuations could reduce the plan's effectiveness.

Any additional shares we may issue could dilute your ownership in the Company.

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

Subject to specified exceptions, Irish law grants statutory preemption rights to existing shareholders to subscribe for new issuances of shares for cash, but allows shareholders to authorize the waiver of the statutory preemption rights either in our articles of association or by way of a special resolution. Such disapplication of these preemption rights can either be generally applicable or be in respect of a particular allotment of shares.

At our annual general meeting of shareholders in May 2020, our shareholders authorized our Board of Directors to issue up to a maximum of 33% of our issued ordinary capital on that date for a period of 18 months from the passing of the resolution. At the annual general meeting, our shareholders also authorized our Board of Directors to issue ordinary shares on a nonpreemptive basis in the following circumstances: (i) an issuance of shares in connection with any rights issuance and (ii) an issuance of shares for cash, if the issuance is limited to up to 5% of the Company's issued ordinary share capital (with the possibility of issuing an additional 5% of the Company's issued ordinary share capital provided the Company uses it only in connection with an acquisition or a specified capital investment that is announced contemporaneously with the issuance, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issuance), bringing the total acceptable limit for nonpreemptive share issuances for cash to 10% of the Company's issued ordinary share capital.

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

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

- Under Irish law, the duties of directors and officers of a company are generally owed to the company only. As a result, shareholders of Irish companies do not have the right to bring an action against the directors or officers of a company for the breach of such duties, except in limited circumstances.
- Shareholders may be subject to different or additional tax consequences under Irish law as a result of the acquisition, ownership and/or disposition of ordinary shares, including, but not limited to, Irish stamp duty, dividend withholding tax, Irish income tax, and capital acquisitions tax.
- There is no treaty between Ireland and the U.S. providing for the reciprocal enforcement of foreign judgments. Before a foreign judgment would be deemed enforceable in Ireland, the judgment must be (i) for a definite sum, (ii) provided by a court of competent jurisdiction and (iii) final and conclusive. An Irish High Court may exercise its right to refuse to recognize and enforce a foreign judgment if the foreign judgment was obtained by fraud, if it violated Irish public policy, if it is in breach of natural justice, or if it is irreconcilable with an earlier judgment.
- An Irish High Court may stay proceedings if concurrent proceedings are being brought elsewhere. Judgments of U.S. courts of liabilities predicated upon U.S. federal securities laws may not be enforced by Irish High Courts if deemed to be contrary to public policy in Ireland.
- It could be more difficult for us to obtain shareholder approval for a merger or negotiated transaction than if we were a U.S. company because the shareholder approval requirements for certain types of transactions differ, and in some cases are greater, under Irish law.
- Additionally, under the Irish Takeover Panel Act, 1997, Takeover Rules, 2013, the Board of Directors is not permitted to take any action that might frustrate an offer for our ordinary shares, including issuing additional ordinary shares or convertible equity, making material acquisitions or dispositions, or entering into contracts outside the ordinary course of business, once the Board of Directors has received an approach that may lead to an offer or has reason to believe that such an offer is or may be imminent, subject to certain exceptions. These provisions may give the Board of Directors less ability to control negotiations with hostile offerors and protect the interests of holders of ordinary shares than would be the case for a corporation incorporated in a jurisdiction of the United States.

We may be limited in our ability to pay dividends or repurchase shares in the future.

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

- Our ability to receive cash dividends and distributions from our subsidiaries;
- Compliance with applicable laws and debt covenants;
- Our financial condition, results of operations, capital requirements, general business conditions, and other factors that our Board of Directors may deem relevant; and
- The availability of our distributable reserves, being profits of the company available for distribution to shareholders.

Under Irish law, distributable reserves are the accumulated realized profits so far as not previously utilized by distribution or capitalization, less accumulated realized losses so far as not previously written off in a reduction or a reorganization of capital duly made. In addition, no distribution or dividend may be made if, at the time of the distribution or dividend, our net assets are not, or would not be, after giving effect to such distribution or dividend, be equal to, or in excess of, the aggregate of our called-up share capital plus undistributable reserves.

While we currently expect to continue paying dividends and operating our share repurchase plan, significant changes in our business or financial condition such as asset impairments, sustained operating losses and the selling of assets, could impact the amount of distributable reserves available to us. We could seek to create additional distributable reserves through a reduction in our share premium, which would require 75% shareholder approval and the approval of the Irish High Court. The Irish High Court's approval is a matter for the discretion of the

court, and there can be no assurances that such approval would be obtained. In the event that additional distributable reserves are not created in this way, dividends, share repurchases or other distributions would generally not be permitted under Irish law until such time as we have created sufficient distributable reserves in our audited statutory financial statements as a result of our business activities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our world headquarters is located in Dublin, Ireland, and our North American base of operations is located in Allegan, Michigan. We manufacture products at 21 worldwide locations and have R&D, logistics, and office support facilities in many of the regions in which we operate. We own approximately 71% of our facilities and lease the remainder. Our primary facilities by geographic area were as follows at December 31, 2020:

Country	Number of Facilities	Segment(s) Supported
Ireland	1	CSCA, CSCI, RX
United States	44	CSCA, CSCI, RX
Mexico	9	CSCA
United Kingdom	7	CSCI
France	6	CSCI
Belgium	4	CSCI
Austria	3	CSCI
India	3	CSCA, CSCI
Israel	3	CSCA, RX
Australia	2	CSCI
Germany	2	CSCI

We believe that our production facilities are adequate to support the business, and our property and equipment are well maintained. Our manufacturing plants are suitable for their intended purposes and have capacities for current and near term projected needs of our existing products. As previously announced, we are making strategic investments in certain of our manufacturing plants to enhance our manufacturing capabilities.

ITEM 3. LEGAL PROCEEDINGS

Information regarding our current legal proceedings is presented in Item 8. Note 17.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ADDITIONAL ITEM. INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Our executive officers and their ages and positions as of February 26, 2021 were:

	Title and Business Experience	Age
Svend Andersen	Mr. Andersen was named Executive Vice President and President, Consumer Self-Care International in February 2017. Prior to joining Perrigo in May 2016, Mr. Andersen served as Executive Vice President - Europe for LEO-Pharma from December 2015 to May 2016. Prior to that, he was Regional President and Corporate officer at Hospira, Inc.'s Europe, Middle East and Africa ("EMEA") business for five years, was Executive Vice President responsible for the Western European division's pharmaceuticals, generics, OTC and hospital products businesses at Actavis from 2008 to 2015 including leading Alpharma's EMEA businesses prior to its acquisition by Actavis, and prior to that, spent 10 years with Ferrosan (A Novo Nordisk Subsidiary) specialized in OTC and consumer health products as Vice President for Global Commercial Operations.	59
James E. Dillard III	James E. Dillard III was named Executive Vice President and Chief Scientific Officer in January 2019. Mr. Dillard joined Perrigo from Altria Group, Inc., where he served as Senior Vice President, Research, Development and Sciences and Chief Innovation Officer from January 2009 to May 2018. During his tenure with Altria Group, Mr. Dillard led the creation of the Regulatory Affairs function in 2009 and also served as Chief Innovation Officer for Altria Client Services and Senior Vice President of Research, Development & Regulatory Affairs for Altria Group. He held science and technology leadership roles with U.S. Smokeless Tobacco Company, an Altria Group Inc. operating company, from 2001 to 2009. Mr. Dillard worked for the U.S. Food and Drug Administration between 1987 and 2001 as Director of the Division of Cardiovascular and Respiratory Devices, as well as in various leadership roles in the Center for Devices and Radiological Health and the Office of Device Evaluation.	57
Thomas M. Farrington	Mr. Farrington was named Executive Vice President and Chief Information Officer in November 2015. He formerly served as Senior Vice President and Chief Information Officer from October 2006 to November 2015.	63
Ronald C. Janish	Mr. Janish was named Chief Transformation Officer in January 2019 and Executive Vice President of Global Operations and Supply Chain in October 2015. He served as Senior Vice President of International and Rx Operations from 2012 until 2015 and as Managing Director of Perrigo's Australian operations from 2010 to 2012. Previously, he held Senior Vice President roles for Perrigo in International Market Development, China Business Development and Global Procurement.	55
Murray S. Kessler	Mr. Kessler was appointed President, Chief Executive Officer and Board Member of Perrigo Company plc, effective October 8, 2018. Before joining Perrigo, Mr. Kessler served as the Chairman of the Board of Directors, President and Chief Executive Officer of Lorillard, Inc. (2010-2015). He served as Vice Chair of Altria, Inc. (2009) and President and CEO of UST, Inc. (2000-2009), a wholly owned subsidiary. Previous to his time at UST, Mr. Kessler had over 18 years of consumer packaged goods experience with companies including Vlasic Foods International, Campbell Soup and The Clorox Company. Since 2015, Mr. Kessler has served as voluntary President of the United States Equestrian Federation, a non-profit national governing body.	61
Todd W. Kingma	Mr. Kingma was named Executive Vice President, General Counsel and Secretary in May 2006. He served as Vice President, General Counsel and Secretary from August 2003 to May 2006.	61
Sharon Kochan	Mr. Kochan was named Executive Vice President and President, RX Pharmaceuticals in October 2018. He served as Executive Vice President and President, Branded Consumer Healthcare International from February 2017 to October 2018. He served as Executive Vice President and General Manager, Consumer Healthcare International from August 2012 to February 2017. He served as Executive Vice President, General Manager of Prescription Pharmaceuticals from March 2007 to July 2012 and as Senior Vice President of Business Development and Strategy from March 2005 to March 2007. Mr. Kochan was Vice President, Business Development of Agis Industries (1983) Ltd. from July 2001 until the acquisition of Agis by the Company in March 2005.	52
Grainne Quinn	Dr. Quinn was named Executive Vice President in July 2016 and has served as Chief Medical Officer since November 2015. Prior to that she served as Vice President and Head of Global Patient Safety from January 2014 until November 2015. Dr. Quinn was Vice President and Head of Global Pharmacovigilance and Risk Management for Elan from April 2009 until December 2013 when the Company acquired Elan.	51
Raymond P. Silcock	Mr. Silcock was named Executive Vice President and Chief Financial Officer in March 2019. Prior to joining Perrigo, Mr. Silcock served as Chief Financial Officer at INW Holdings from 2018 to 2019 and as Executive Vice President and Chief Financial Officer of CTI Foods from 2016 to 2018. In March 2019, CTI Foods filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in U.S. Bankruptcy Court in Delaware. From 2013 until the company's sale in 2016, Mr. Silcock was Executive Vice President and Chief Financial Officer of Diamond Foods, Inc. and previously held Chief Financial Officer roles at UST, Inc., Swift & Co. and Cott Corporation. He also served on the board of Pinnacle Foods, Inc. from 2008 until the company was sold in 2018. His early career was highlighted by an 18-year tenure in positions of increasing responsibility at Campbell Soup Company. Mr. Silcock is a Fellow of the Chartered Institute of Management Accountants (UK).	70

	Title and Business Experience	Age
Richard S. Sorota	Mr. Sorota was named Executive Vice President and General Manager of Consumer Self-Care Americas in March 2020. He previously served as Chief Executive Officer and President of Ranir Global Holdings LLC from July 2015 to March 2020. Mr. Sorota has a long history of experience in general management, sales, marketing and product development. While at BISSELL Inc., he served as Senior Vice President and General Manager for Global Sales and Marketing and then Executive Vice President of Global Commercial Operations. Previous roles include serving as President of Consumer Business for HARMAN International, Senior Vice President and General Manager at The Scotts Miracle-Gro Company, and senior leadership roles in marketing and innovation for Philips Electronics and brand management at Procter & Gamble. Rich began his career in Finance at General Electric.	57
Robert Willis	Mr. Willis was named Executive Vice President and Chief Human Resources Officer in March 2019 after serving as Vice President of Human Resources Global Businesses for nearly six years. Prior to joining Perrigo, Mr. Willis gained more than 20 years of experience in Human Resources leadership through roles with Fawaz Alhokair Group in the Middle East, GE Capital in the UK and Ireland, DoubleClick in North America and internationally, and Norkom Technologies in Europe and North America. He also was a Partner and Founding Member of the Black & White Group.	52

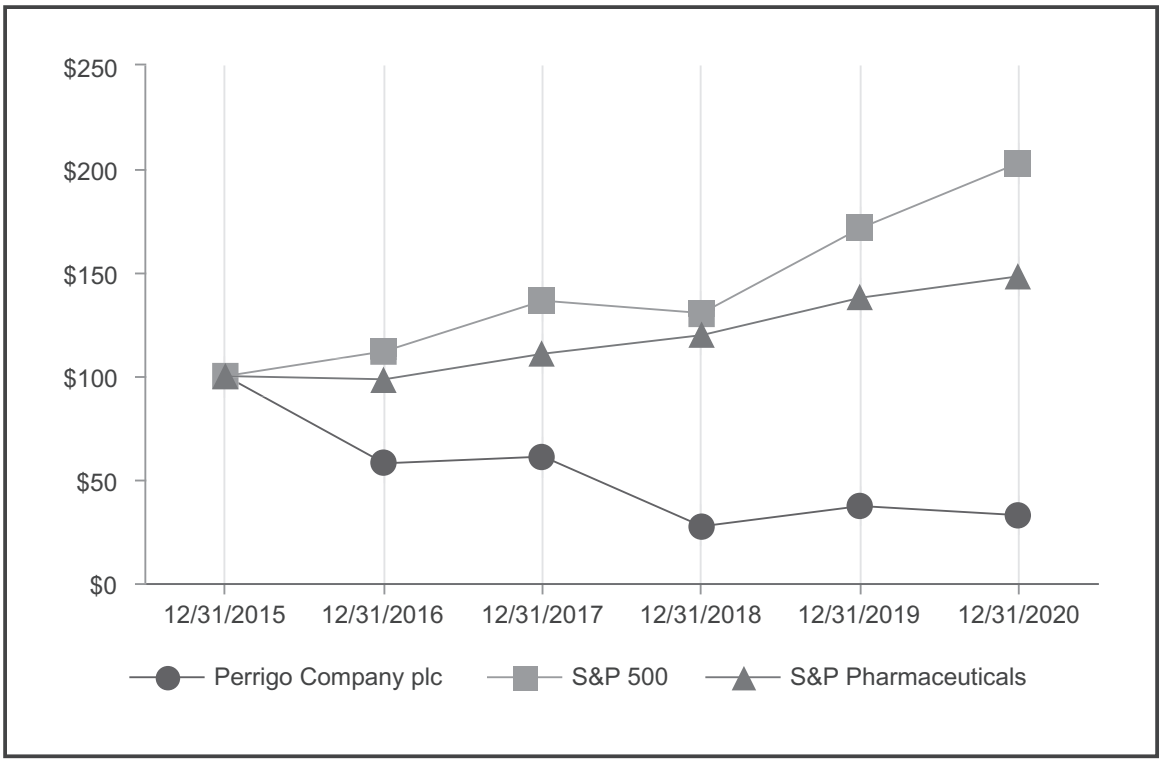
PART II.

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

Prior to June 6, 2013, our common equity traded on the Nasdaq Global Select Market under the symbol PRGO. Since June 6, 2013, our common equity has traded on the New York Stock Exchange under the symbol PRGO. In association with the acquisition of Agis Industries (1983) Ltd., our common equity has been trading on the Tel Aviv Stock Exchange since March 16, 2005 under the same symbol. As of February 26, 2021, there were 4,217 record holders of our ordinary shares.

The graph below shows a comparison of our cumulative total return with the cumulative total returns for the S&P 500 Index and the S&P Pharmaceuticals Index. The graph assumes an investment of $100 at the beginning of the period and the reinvestment of any dividends. Information in the graph is presented for the years ended December 31, 2015 through December 31, 2020.

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



* $100 invested on December 31, 2015 in stock or index - including reinvestment of dividends. Indexes calculated on month-end basis.
** Perrigo Company prior to December 31, 2013. Perrigo Company plc beginning December 18, 2013.

In October 2015, the Board of Directors approved a three-year share repurchase plan of up to $2.0 billion (the "2015 Authorization"). Following the expiration of our 2015 share repurchase plan authorization in October 2018, our Board of Directors authorized up to $1.0 billion of share repurchases with no expiration date, subject to the Board of Directors' approval of the pricing parameters and amount that may be repurchased under each specific share repurchase program (the "2018 Authorization"). During the year ended December 31, 2020, we repurchased 3.4 million ordinary shares at an average purchase price of $48.28 per share for a total of $164.2 million under the 2018 Authorization. We did not repurchase any shares during the year ended December 31, 2019. During the year ended December 31, 2018, we repurchased 5.1 million ordinary shares at an average repurchase price of $77.93 per share, for a total of $400.0 million, which were repurchased under the 2015 Authorization.

Share repurchase activity during the three months ended December 31, 2020 was as follows:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Value of Shares Available for Purchase
October 1 - October 31, 2020	—	$ —	—	
November 1 - November 30, 2020	1,702,800	$ 48.17	1,702,800	
December 1 - December 31, 2020	1,697,200	$ 48.44	1,697,200	$ 835.80 million
Total	3,400,000			$ 835.80 million

ITEM 6. SELECTED FINANCIAL DATA

The Consolidated Statements of Operations data set forth below with respect to the years ended December 31, 2020, December 31, 2019, and December 31, 2018, and the Consolidated Balance Sheet data at December 31, 2020 and December 31, 2019 are derived from and are qualified by reference to the audited consolidated financial statements included in Item 8 of this report and should be read in conjunction with those financial statements and notes and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." The Consolidated Statements of Operations data set forth below with respect to the year ended December 31, 2017 and December 31, 2016 and the Consolidated Balance Sheet data at December 31, 2018, December 31, 2017, December 31, 2016, are derived from audited consolidated financial statements not included in this report.

	Year Ended				
(in millions, except per share amounts)	December 31, 2020[1]	December 31, 2019[2]	December 31, 2018	December 31, 2017	December 31, 2016[3]
Statements of Operations Data					
Net sales	$ 5,063.3	$ 4,837.4	$ 4,731.7	$ 4,946.2	$ 5,280.6
Cost of sales	3,248.1	3,064.1	2,900.2	2,966.7	3,228.8
Gross profit	1,815.2	1,773.3	1,831.5	1,979.5	2,051.8
Operating expenses	1,699.8	1,568.5	1,595.0	1,381.3	4,051.5
Operating income (loss)	$ 115.4	$ 204.8	$ 236.5	$ 598.2	$ (1,999.7)
Net income (loss)	$ (162.6)	$ 146.1	$ 131.0	$ 119.6	$ (4,012.8)
Diluted earnings (loss) from continuing operations per share	$ (1.19)	$ 1.07	$ 0.95	$ 0.84	$ (28.01)
Dividends declared per share	$ 0.90	$ 0.82	$ 0.76	$ 0.64	$ 0.58

(1) Includes the results of operations for assets acquired from High Ridge Brands and Sanofi for the nine months and two months ended December 31, 2020, respectively, as well as results of operations for our Rosemont Pharmaceuticals business that was divested on June 19, 2020.

(2) Includes the results of operations for assets acquired from Ranir Global Holdings, LLC for the six months ended December 31, 2019, as well as results of operations for our animal health business that was divested on July 8, 2019.

(3) Includes the results of operations for assets acquired from Barr Laboratories, Inc. and assets acquired from Matawan Pharmaceuticals, LLC for the five months and eleven months and one week ended December 31, 2016, respectively.

(in millions)	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Balance Sheet Data					
Cash and cash equivalents	$ 641.5	$ 354.3	$ 551.1	$ 678.7	$ 622.3
Total assets	$ 11,488.4	$ 11,301.4	$ 10,983.4	$ 11,628.8	$ 13,870.1
Long-term debt, less current portion	$ 3,528.3	$ 3,365.8	$ 3,052.2	$ 3,270.8	$ 5,224.5

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

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

EXECUTIVE OVERVIEW

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

Our vision is to make lives better by bringing Quality, Affordable Self-Care Products that consumers trust everywhere they are sold. We are a leading provider of over-the-counter ("OTC") health and wellness solutions that enhance individual well-being by empowering consumers to proactively prevent or treat conditions that can be self-managed. We are also a leading producer of generic prescription pharmaceutical topical products including creams, lotions, gels and nasal sprays.

This vision is designed to support our global reach as we shift our focus to our consumer branded and store brand portfolio and embrace the opportunities for growth we see ahead of us, while remaining loyal to our heritage. Our vision represents an evolution from healthcare to self-care, which takes advantage of a massive global trend and opens up a large number of adjacent growth opportunities. We define self-care as not just treating disease or helping individuals feel better after using a product, but also maintaining and enhancing their overall health and wellness. Consistent with our vision, in 2019 Perrigo’s management and board of directors launched a three-year strategy to transform the Company into a consumer self-care leader. Significant progress has been made on our transformation journey towards achieving the major components of management’s transformation strategy, which consists of: reconfiguring the portfolio, delivering on base plans, creating repeatable platforms for growth, driving organizational effectiveness and capabilities, funding growth sustainably, allocating capital, and delivering consistent and sustainable results in line with consumer-packaged goods peers.

Our fiscal year begins on January 1 and ends on December 31 of each year. We end our quarterly accounting periods on the Saturday closest to the end of the calendar quarter, with the fourth quarter ending on December 31 of each year.

Our Segments

Our reporting and operating segments are as follows:

- **Consumer Self-Care Americas ("CSCA")** comprises our consumer self-care business (OTC, infant formula, and oral self-care categories, our divested animal health category, and contract manufacturing) in the U.S., Mexico and Canada.
- **Consumer Self-Care International ("CSCI")** comprises our consumer self-care business primarily branded in Europe and Australia, our store brand business in the United Kingdom and parts of Europe and Asia, and our divested liquid licensed products business in the United Kingdom.
- **Prescription Pharmaceuticals ("RX")** comprises our prescription pharmaceuticals business in the U.S., which are predominantly generics, and our pharmaceuticals and diagnostic businesses in Israel.

Our segments reflect the way in which our management makes operating decisions, allocates resources and manages the growth and profitability of the Company.

For information on each segment, our business environment, and competitive landscape, refer to Item 1. Business. For results by segment and geographic locations see below "Segment Results" and Item 8. Note 2 and Note 20.

Strategy

Our objective is to grow our business by responsibly bringing our self-care vision to life. We aim to accomplish this by leveraging our global infrastructure to expand our product offerings, thereby providing new innovative products and product line extensions to existing consumers and servicing new consumers through entry into adjacent product categories, new geographies and new channels of distribution. Critical to this strategy is investing in and continually improving all aspects of our five strategic pillars which we call the *Perrigo Advantage*:

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

while remaining true to our three core values, *Integrity* - we do what is right; *Respect* - we demonstrate the value we hold for one another; and *Responsibility* - we hold ourselves accountable for our actions. While delivering on our strategy, we remain committed to our corporate responsibility and sustainability programs, which include environmental and social initiatives, as summarized in Item 1. Business - Corporate Social Responsibility.

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

We continually reinvest in our R&D pipeline and work with partners as necessary to strive to be first-to-market with new products. Our organic growth has been driven by successful new product launches across all our segments and expansion in new channels like e-commerce. We expect to continue to grow inorganically through expansion into adjacent products, product categories, and channels, as well as potentially through entry into new geographic markets. We evaluate potential acquisition targets using an internally developed 12-point scale that is weighted towards accretive revenue growth which is highly correlated with increases in shareholder value.

Competitive Advantage

Our consumer-facing business model combines the unique competencies of a fast-moving consumer goods company and a pharmaceutical manufacturing company with the supply chain breadth necessary to support customers in the markets we serve. These durable business model competencies align with our five strategic pillars and provide us a competitive advantage in the marketplace. We fully integrate quality in our operational systems across all products. Our ability to manage our supply chain complexity across multiple dosage forms, formulations, and stock-keeping units, as well as acquisitions, integrations, and hundreds of global partners provides value to our customers. Product development capacity and life cycle management are at the core of our operational investments. Globally we have 21 manufacturing plants that are all in good regulatory compliance standing and have systems and structures in place to guide our continued success. Our leadership team is fully engaged in aligning all our metrics and objectives around sustainable compliance with industry associations and regulatory agencies.

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

- Leadership in first-to-market product development and product life cycle management;
- Turn-key regulatory and promotional capabilities;
- Management of supply chain complexity and utilizing economies of scale;
- Quality and cost effectiveness throughout the supply chain creating a sustainable, low-cost network;
- Deep understanding of consumer needs and customer strategies;
- Industry leading e-commerce support; and
- Expansive pan-European commercial infrastructure, brand-building capabilities, and a diverse product portfolio.

Recent Highlights

Year Ended December 31, 2020

- On March 1, 2021, we announced a definitive agreement to sell our generic RX Pharmaceuticals business to Altaris Capital Partners, LLC for total consideration of $1.55 billion, including $1.5 billion in cash. As part of the consideration, Altaris Capital Partners, LLC will also assume more than $50.0 million in potential R&D milestone payments and contingent purchase obligations with third-party Rx partners. The transaction is subject to antitrust and other customary closing conditions and is expected to close by the end of the third quarter of 2021. The sale of the generic RX Pharmaceuticals business is an important step in our transformation plan and will establish Perrigo as a pure-play consumer self-care company. The generic RX Pharmaceuticals business will be classified as discontinued operations starting in the first quarter of 2021.

- On March 1, 2021, CEO & President Murray S. Kessler signed a three-year contract extension until October 8, 2024 to complete the Company's self-care transformation. See Item 9B. Other Information for additional details.

- During the year ended December 31, 2020, we completed strategic acquisitions and a divestiture that advanced our self-care transformation. We acquired the oral care assets of High Ridge Brands ("Dr. Fresh"), three Eastern European OTC dermatological brands from Sanofi, entered a strategic investment in and long-term supply agreement with Kazmira LLC, and divested our U.K.- based Rosemont Pharmaceuticals business. For additional details on these and other asset acquisitions and the divestiture refer to the "Recent Trends and Developments" discussion in the CSCA and CSCI sections below.

- During the year ended December 31, 2020, we repurchased $164.2 million worth of shares at an average purchase price of $48.28 as part of our authorized share repurchase plan.

- Effective December 15, 2020, our board of directors appointed Orlando D. Ashford to serve as a director of the Company and a member of its Remuneration Committee.

- On October 27, 2020, we announced that we will be establishing a new North American Corporate Headquarters in Grand Rapids, Michigan. We signed an agreement to lease space located in Michigan State University's Grand Rapids Innovation Park and expect the building to be ready for occupancy in mid-2022. This new location will help us support cross-functional collaboration and position us to routinely interact with a statewide education and research network within the Grand Rapids Medical Mile. This expansion is consistent with our self-care transformation and will advance our self-care vision.

- Effective July 29, 2020, our board of directors appointed Katherine C. Doyle to serve as a director of the Company and a member of its Audit Committee.

- On June 19, 2020, we, through our subsidiary, issued $750.0 million in aggregate principal amount of 3.150% Senior Notes due 2030 (the "2020 Notes") and received net proceeds of $737.1 million after fees and market discount. On July 6, 2020, we used a portion of the proceeds to fund the redemption of $280.4 million of our 3.500% Senior Notes due March 15, 2021 and $309.6 million of our 3.500% Senior Notes due December 15, 2021.

Year Ended December 31, 2019

- On July 8, 2019, we completed the sale of our animal health business to PetIQ for cash consideration of $182.5 million, which resulted in a pre-tax gain of $71.7 million recorded in Other (income) expense, net on the Consolidated Statements of Operations.

- On July 1, 2019, we acquired 100% of the outstanding equity interest in Ranir Global Holdings, LLC ("Ranir"), a privately-held company. After post-closing adjustments, the total cash consideration paid was $747.7 million, net of $11.5 million cash acquired. Ranir is headquartered in Grand Rapids, Michigan, and is a leading global supplier of private label and branded oral self-care products. This transaction advanced our transformation to a consumer-focused, self-care company and enhanced our position as a global leader in consumer self-care solutions. Ranir operations are reported in our CSCA and CSCI segments (refer to Item 8. Note 3).

Impact of COVID-19 Pandemic

We have been impacted by the coronavirus (COVID-19) global pandemic and the responses by government entities to combat the virus. We currently continue to operate in all our jurisdictions and are complying with the rules and guidelines prescribed in each jurisdiction. We are closely monitoring the impact of COVID-19 on all aspects of our business in all our global locations. Our first priority has been, and will continue to be, the safety of our employees who continue to come to work and are dedicated to keeping our essential products flowing into the market. We have taken extra precautions at our facilities, to help ensure the health and safety of our employees, that are in line with guidance from global and local health authorities. Among other precautions implemented, we have generally restricted access to our production facilities worldwide to essential employees only and permitted a limited number of nonessential employees into other facilities with a strict approval process, implemented a multi-step pre-screening access process before an employee can enter a facility, communicated regularly with employees and provided education and implemented controls related to physical distancing and hygiene measures, implemented remote work arrangements where appropriate, restricted business travel, and prioritized production of essential products for several months following the initial outbreak. To date, these arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

Both the outbreak of the disease and the actions to slow its spread have had an adverse impact on our operations by, among other things, increasing absenteeism, affecting the supply of raw materials and third party supplied finished goods, and preventing many of our employees from coming to work. We have responded to such impacts by, among other things, implementing protocols to protect the health of factory workers, adjusting production schedules, and seeking alternate suppliers where available, and so far, most of our facilities have continued to produce at high levels despite these challenges. However, a number of jurisdictions that relaxed such restrictions, or have experienced limited public adherence with suggested safety measures, have experienced new surges in COVID-19 cases. Many of these jurisdictions continue to contemplate or implement new or renewed restrictions. In addition, as conditions worldwide continue to evolve, there is uncertainty about the timing of widespread availability and acceptance of vaccines. As such, if the pandemic continues or intensifies, it is possible that these or other challenges may begin having a larger impact on our operations. Additionally, concerns over the economic impact of COVID-19 have caused extreme volatility in financial and other capital markets which has adversely impacted, and may continue to adversely impact our stock price and our ability to access capital markets. The situation surrounding COVID-19 remains fluid, and we are actively managing our response and assessing potential impacts to our financial condition, supply chains and other operations, employees, results of operations, consumer demand for our products, and our ability to access capital. The magnitude of any such adverse impact cannot currently be determined due to a number of uncertainties surrounding COVID-19 (refer to Item 1A. Risk Factors - Operational Risks for related risks).

During the year ended December 31, 2020, all of our segments experienced product demand shifts that caused net sales to increase in certain product categories and decrease in other categories. We attribute these demand shifts to consumer and customer behavior surrounding the COVID-19 pandemic and the movement and social distancing restrictions put in place to combat spreading of the virus, such as travel bans, country lock-downs, and school closings as well as mask mandates. We also believe that the social distancing measures and mask mandates contributed to the decline in total cough and cold illnesses during the fourth quarter of 2020, which resulted in a decline of net sales for cough and cold products in our upper respiratory category. We currently expect this impact to continue in the first half of 2021.

Also, during the year ended December 31, 2020, we had incremental operating costs of approximately $18.0 million related to COVID-19, primarily due to the precautions implemented to keep our employees safe and properly rewarded during the pandemic as well as increased material costs. We expect that similar costs will continue into calendar year 2021. We also experienced a decrease in our effective tax rate due to additional interest and depreciation deductions provided for in the Coronavirus Aid, Relief and Economic Security Act (the “CARES

Act") enacted on March 27, 2020 resulting in a reduction of income tax expense by approximately $36.6 million during the year ended December 31, 2020. Given our financial strength, we expect to continue to maintain sufficient liquidity as we manage through the pandemic.

Moving forward, whether the consumer and customer behavior surrounding COVID-19 that we have experienced in our segments will continue or change and if the incremental operating costs will continue or change is uncertain and will likely depend on the duration and severity of the COVID-19 pandemic, including if new strains of the virus become more prevalent, contagious or harmful, and each individual country's response to the pandemic. These factors may continue to increase or decrease consumer and/or customer demand for certain products within all our business segments. In addition, these dynamics may continue or change now that COVID-19 vaccines have been authorized for emergency use around the world with vaccination programs commencing at various rates. The impact of these vaccination efforts on the evolution of the pandemic globally remains uncertain at this time.

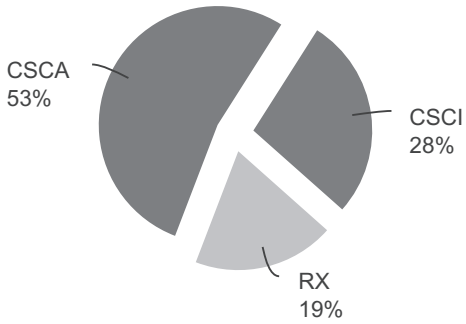
RESULTS OF OPERATIONS

CONSOLIDATED

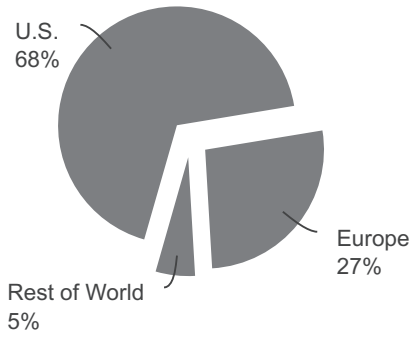
Consolidated Financial Results

(in millions, except percentages)	Year Ended December 31, 2020	December 31, 2019	December 31, 2018
Net sales	$ 5,063.3	$ 4,837.4	$ 4,731.7
Gross profit	$ 1,815.2	$ 1,773.3	$ 1,831.5
Gross profit %	35.9 %	36.7 %	38.7 %
Operating income	$ 115.4	$ 204.8	$ 236.5
Operating income %	2.3 %	4.2 %	5.0 %

Total Net Sales by Segment for the Year Ended December 31, 2020



Total Net Sales by Geography for the Year Ended December 31, 2020*



* Total net sales by geography is derived from the location of the entity that sells to a third party.

Year Ended December 31, 2020 vs. December 31, 2019

Net sales increased $225.9 million, or 5%, due to:

- $303.1 million, or 6%, net increase due primarily to an increase in the CSCA segment of $252.1 million and CSCI segment of $47.4 million.
  - CSCA growth of $252.1 million included $168.2 million from the acquisitions of Ranir and Dr. Fresh for sales in periods of 2020 with no comparable sales in 2019, and net sales growth of $83.9 million driven primarily by certain OTC product categories. OTC growth was due primarily to favorable consumer conversion to products in our digestive health category, the increase of consumer COVID-19 related demand experienced in the first half of 2020 in the pain and sleep aids category, and the incremental impact of new product sales, all of which benefited from strong e-commerce performance. These were partially offset by a $38.6 million reduction in sales from the weak start to the cough cold season, and normal pricing pressure.
  - In our CSCI segment, net sales increased $47.4 million due primarily to Ranir, Dr. Fresh and Eastern European dermatology brands acquisitions contributing $45.3 million in sales for periods of 2020 with no comparable sales in 2019, net positive pricing, the incremental impact of new product sales, and an increase in demand for certain products in our pain and sleep-aids and VMS categories due to pandemic-related factors. These increases were partially offset by a decrease in sales of certain products in our skincare and personal hygiene and healthy lifestyle categories due to pandemic-related factors, a decrease in sales of $24.1 million from the weak start to the cough cold season, and discontinued products of $10.0 million.
  - A $3.6 million increase in the RX segment was due primarily to pre-recall Albuterol sales of $137.6 million and an increase of $27.3 million in other new product sales. These increases were largely offset by normal pricing pressure, $35.2 million of discontinued lower margin distribution

products, $31.2 million for the establishment of the estimated Albuterol recall reserve, and lower prescription volumes from the COVID-19 pandemic related reductions in doctor visits.

- $77.2 million decrease due primarily to:
  - $84.0 million decrease due to our divested animal health business previously included in our CSCA segment, and our divested Rosemont pharmaceuticals business and Canoderm prescription product, both previously included in our CSCI segment; and
  - $2.4 million decrease primarily from unfavorable foreign currency translation in the Mexican Peso; partially offset by
  - $9.2 million increase due to the absence of the Ranitidine retail market withdrawal included in the prior year.

Operating income decreased $89.4 million, or 44%, due to:

- $41.9 million increase in gross profit due primarily to increased net sales as described above, which was partially offset by the net charge of $22.5 million from the Albuterol recall, infant nutrition operational inefficiencies, increased labor and overhead costs associated with the COVID-19 pandemic, and an increase in commodity costs for a certain OTC brand. Gross profit as a percentage of net sales decreased 80 basis points due primarily to the gross profit factors discussed above, unfavorable product mix mainly due to the oral self-care acquisitions, and normal pricing pressures, partially offset by the absence of the Ranitidine retail market withdrawal included in the prior year; more than offset by

- $131.3 million increase in operating expenses due primarily to:
  - $162.3 million increase in impairment charges due to the RX goodwill impairment charges of $346.8 million in the current year being partially offset by $184.5 million in impairment charges primarily for RX goodwill and certain definite-lived intangible assets in our RX and CSCI segments taken in the prior year; and
  - $5.1 million increase in selling and administration expenses due primarily to the inclusion of expenses from our acquisitions of Ranir and Dr. Fresh, an increase in insurance expense, an increase in employee incentive compensation expense, and incremental COVID-19 related operating costs, including employee bonuses and costs related to measures implemented to keep employees safe, partially offset by the absence of expenses from the divested animal health and Rosemont pharmaceutical businesses, the absence of acquisition and integration-related charges related to the acquisition of Ranir, and savings from our current Project Momentum cost savings initiative; partially offset by
  - $22.8 million decrease in restructuring expenses related primarily to the prior year reorganization of our sales force in France and reorganization of our executive management team;
  - $9.8 million decrease in R&D expense due primarily to the absence of pre-commercialization R&D costs for Albuterol in the prior year; and
  - The absence of a $7.1 million asset abandonment charge related to our waste water treatment plant in Vermont taken in the prior year.

Year Ended December 31, 2019 vs. December 31, 2018

Net sales increased $105.7 million, or 2%, due to:

- $279.4 million, or a 6%, net increase due to new product sales of $230.5 million, an increase of $151.4 million due to our acquisition of Ranir, and an overall increase in demand for existing products, partially offset by normal levels of competition-driven pricing pressure primarily in our RX segment and a $59.0 million decrease due to discontinued products; partially offset by
- $173.7 million decrease due to:
  - $86.4 million decrease due primarily to unfavorable Euro foreign currency translation;
  - $50.2 million decrease due to our divested animal health business;
  - $27.9 million decrease due to our exited infant foods business; and

- $9.2 million decrease due to the retail market withdrawal of Ranitidine products.

Operating income decreased $31.7 million, or 13%, due to:

- $58.2 million decrease in gross profit, or a 200 basis point decrease in gross profit as a percentage of net sales, due primarily to normal levels of competition-driven pricing pressure in our RX segment, the retail market withdrawal of Ranitidine products and unfavorable product mix; partially offset by
- $26.5 million decrease in operating expenses due primarily to:
  - $39.9 million decrease in impairment charges due primarily to the $221.9 million in impairment charges related to animal health goodwill and intangible assets and certain in-process research and development ("IPR&D") taken in 2018 being partially offset by $184.5 million in 2019 impairment charges related to RX goodwill and certain definite-lived intangible assets in our RX and CSCI segments; and
  - $31.1 million decrease in R&D expenses primarily related to the absence of a $50.0 million upfront license fee payment to enter into a license agreement with Merck Sharp & Dohme Corp in the prior year, partially offset by 2019 innovation investments and pre-commercialization R&D costs for Albuterol; partially offset by
  - $17.8 million increase due to the absence of an insurance recovery received in the prior year; and
  - $20.6 million increase in selling and administrative expenses due primarily to restored employee incentive compensation and increased acquisition and integration-related charges due to the Ranir acquisition; partially offset by favorable Euro foreign currency translation.

Recent Developments

Internal Revenue Service Audits of Perrigo Company, a U.S. Subsidiary

We are engaged in a series of tax disputes in the U.S. relating primarily to transfer pricing adjustments including income in connection with the purchase, distribution, and sale of store-brand OTC pharmaceutical products in the United States, including the heartburn medication omeprazole. On August 27, 2014, we received a statutory notice of deficiency from the IRS relating to our fiscal tax years ended June 27, 2009, and June 26, 2010 (the “2009 tax year” and “2010 tax year”, respectively). On April 20, 2017, we received a statutory notice of deficiency from the IRS for the years ended June 25, 2011 and June 30, 2012 (the “2011 tax year” and “2012 tax year”, respectively). Specifically, both statutory notices proposed adjustments related to the offshore reporting of profits on sales of omeprazole in the United States resulting from the assignment of an omeprazole distribution contract to an affiliate. In addition to the transfer pricing adjustments, which applied to all four tax years, the statutory notice of deficiency for the 2011 and 2012 tax years included adjustments for the capitalization and amortization of certain expenses that were deducted when paid or incurred in defending against certain patent infringement lawsuits related to Abbreviated New Drug Applications (“ANDAs”).

We do not agree with the audit adjustments proposed by the IRS in either of the notices of deficiency. We paid the assessed amounts of tax, interest, and penalties set forth in the statutory notices and timely filed claims for refund on June 11, 2015 for the 2009 and 2010 tax years, and on June 7, 2017, for the 2011 and 2012 tax years. On August 15, 2017, following disallowance of such refund claims, we timely filed a complaint in the United States District Court for the Western District of Michigan seeking refunds of tax, interest, and penalties of $27.5 million for the 2009 tax year, $41.8 million for the 2010 tax year, $40.1 million for the 2011 tax year, and $24.7 million for the 2012 tax year, for a total of $134.1 million, plus statutory interest thereon from the dates of payment. The amounts sought in the complaint for the 2009 and 2010 tax years were recorded as deferred charges in Other non-current assets on our balance sheet during the three months ended March 28, 2015, and the amounts sought in the complaint for the 2011 and 2012 tax years were recorded as deferred charges in Other non-current assets on our balance sheet during the three months ended July 1, 2017.

The previously scheduled trial date has been continued to May 25, 2021 for the refund case. The total amount of cumulative deferred charge that we are seeking to receive in this litigation is approximately $111.6 million, which reflects the impact of conceding that Perrigo Company, our U.S. subsidiary ("Perrigo U.S.") should have received a 5.24% royalty on all omeprazole sales. That concession was previously paid and is the subject of the above refund claims. The issues outlined in the statutory notices of deficiency described above are continuing, and the IRS will

likely carry forward the adjustments set forth therein as long as the drug is sold, in the case of the omeprazole issue, and for all post-2012 Paragraph IV filings that trigger patent infringement suits, in the case of the ANDA issue.

On January 13, 2021, the IRS issued a 30-day letter with respect to its audit of our fiscal tax years ended June 29, 2013, June 28, 2014, and June 27, 2015. The IRS letter proposed, among other modifications, transfer pricing adjustments regarding our profits from the distribution of omeprazole in such years in the aggregate amount of $141.6 million. We timely filed a protest to the 30-day letter noting that due to the pending litigation described above, IRS Appeals will not consider the merits of the omeprazole or ANDA matters. We believe that we should prevail on the merits on both issues and have reserved for taxes and interest payable on the 5.24% deemed royalty on omeprazole through the tax year ended December 31, 2018. Beginning with the tax year ended December 31, 2019, we began reporting income commensurate with the 5.24% deemed royalty. We have not reserved for the ANDA-related issue described above. While we believe we should prevail on the merits of this case, the outcome remains uncertain. If our litigation position on the omeprazole issue is not sustained, the outcome for the 2009–2012 tax years could range from a reduction in the refund amount to denial of any refund. In addition, we expect that the outcome of the refund litigation could effectively bind future tax years. In that event, an adverse ruling on the omeprazole issue could have a material impact on subsequent periods, with additional tax liability in the range of $24.0 million to $112.0 million, not including interest and any applicable penalties.

On May 7, 2020, we received a final NOPA from the IRS regarding the deductibility of interest related to the IRS audit of Perrigo Company for the years ended June 28, 2014 and June 27, 2015. On January 13, 2021, we received a Revenue Agent Report (“RAR”) for the tax years ended June 29, 2013, June 28, 2014 and June 27, 2015 which retains the adjustment from the NOPA disallowing interest expense deductions of $414.7 million on $7.5 billion in debts owed to Perrigo Company plc for tax years ended June 28, 2014 and June 27, 2015, together with the 30-day letter requiring us to file a written Protest and request for IRS Appeals consideration. The Protest was filed with the IRS on February 26, 2021. The RAR caps the interest rate on the debt for U.S. federal income tax purposes at 130.0% of the Applicable Federal Rate (a blended rate reduction of 4% per annum) on the stated grounds that the loans were not negotiated on an arm's-length basis. We strongly disagree with the IRS position and we will pursue all available administrative and judicial remedies necessary.

Internal Revenue Service Audit of Athena Neurosciences, Inc., a U.S. Subsidiary

On April 26, 2019, we received a revised NOPA from the IRS regarding transfer pricing positions related to the IRS audit of Athena for the years ended December 31, 2011, December 31, 2012 and December 31, 2013. The NOPA carries forward the IRS's theory from its 2017 draft NOPA that when Elan took over the future funding of Athena's in-process research and development after acquiring Athena in 1996, Elan should have paid a substantially higher royalty rate for the right to exploit Athena's intellectual property, rather than rates based on transfer pricing documentation prepared by Elan's external tax advisors. The NOPA proposes a payment of $843.0 million, which represents additional tax and a 40.0% penalty. This amount excludes consideration of offsetting tax attributes and any potential interest that may be imposed. We strongly disagree with the IRS position and will pursue all available administrative and judicial remedies, including those available under the U.S. - Ireland Income Tax Treaty to alleviate double taxation. Accordingly, on April 14, 2020, we filed a request for Competent Authority Assistance with the IRS. The request was accepted and is under review.

Irish Tax Appeals Commission Notice of Amended Assessment

On November 29, 2018, we received a Notice of Amended Assessment ("NoA") in the amount of €1,636.0 million, plus interest and any applicable penalties, from the Irish Office of the Revenue Commissioners (“Irish Revenue”) for the years ended December 31, 2012 and December 31, 2013. The NoA relates to the tax treatment of the 2013 sale of the Tysabri® intellectual property and other assets related to Tysabri® to Biogen Idec by Elan Pharma. We strongly disagree with this assessment and believe that the NoA is without merit and incorrect as a matter of law. We appealed the assessment to the Tax Appeals Commission ("TAC") in December 2018. The tax appeal was stayed by the Irish High Court in February 2019 pending the outcome of judicial review proceedings which were separately commenced by Elan Pharma in the Irish High Court. On November 4, 2020, the Irish High Court ruled that the NoA did not violate our constitutional rights and legitimate expectations as a taxpayer. The Irish High Court did not review the technical merits of the NoA under Irish tax law. The TAC will now consider whether the NoA is correct as a matter of Irish tax law. The tax appeal is scheduled to be heard in November 2021. Elan Pharma will continue to vigorously pursue its tax appeal before the TAC.

Israeli Notice of Assessment

On December 29, 2020, we received a Stage A assessment from the Israeli Tax Authority for the tax years ended December 31, 2015 through December 31, 2017 in the amount of $63.8 million relating to attribution of intangible income to Israel, income qualifying for a lower preferential rate of tax, exemption from capital gains tax, and deduction of certain settlement payments. We have been granted an extension of time, until March 28, 2021 to file a protest to move the matter to Stage B of the assessment process. Our protest will demonstrate that we strongly disagree with the assessment and will pursue all available administrative and judicial remedies necessary.

Refer to Item 1A. Risk Factors - Tax Related Risks and Item 8. Note 15 for additional information on tax related matters.

Impairments

Throughout the years ended December 31, 2020, December 31, 2019, and December 31, 2018, we identified impairment indicators for various assets across our different segments, and therefore, we performed impairment testing. Below is a summary of the impairment charges recorded by segment (in millions):

During the year ended December 31, 2020, we recorded $346.8 million in goodwill impairment charges related to our RX U.S. reporting unit.

	Year Ended December 31, 2019			
	CSCA	CSCI[1]	RX[2]	Total
Goodwill	$ —	$ —	$ 109.2	$ 109.2
Definite-lived intangible assets	—	9.7	59.8	69.5
IPR&D	4.1	0.1	1.6	5.8
	$ 4.1	$ 9.8	$ 170.6	$ 184.5

(1) Relates primarily to an intangible asset for certain pain relief products that we license from a third party.

(2) Relates primarily to our RX U.S. reporting unit goodwill, and definite-lived intangible assets for our generic clindamycin and benzoyl peroxide topical gel (generic equivalent to Benzaclin®), our Evamist® branded product, and a generic product.

	Year Ended December 31, 2018		
	CSCA[1]	CSCI	Total
Goodwill	$ 136.7	$ —	$ 136.7
Indefinite-lived intangible assets	27.7	—	27.7
Definite-lived intangible assets	48.9	0.7	49.6
Assets held-for-sale	0.6	1.1	1.7
IPR&D	8.7	—	8.7
	$ 222.6	$ 1.8	$ 224.4

(1) Relates primarily to animal health and certain IPR&D.

CONSUMER SELF-CARE AMERICAS

Recent Trends and Developments

- In March and April of 2020, we experienced a surge in demand for many of our OTC and infant nutrition products, which we attributed to consumer reaction to the outbreak of COVID-19. In May and June of 2020, the initial surge slowed, and we experienced a decrease in demand for some of these products, which we attributed primarily to the de-load of consumer pantry stocking that occurred during the initial March and April surge. During the fourth quarter of 2020, net sales of cough and cold products decreased as a result of the decline in total cough cold illnesses, which we believe is attributed to social distancing and mask mandates put in place to combat COVID-19. With social distancing and mask mandates continuing, we currently anticipate that we will continue to experience lower demand for cough and cold products into the first half of 2021. Alternatively, it is possible that we could experience additional surges in demand if further concentrated waves of COVID-19 occur.

- On January 11, 2021, we announced that we entered into a formal partnership with Michigan State University that will combine the university's clinical and research expertise with our product innovation, manufacturing scale and retail partnerships to form a new model for self-care innovation. We believe this partnership has the potential to yield customized transformative self-care solutions for consumers.

- On June 17, 2020, we announced our entrance into the cannabidiol ("CBD") market through a strategic investment in and long-term supply agreement with Kazmira LLC ("Kazmira"), a leading supplier of hemp-based, CBD products free of tetrahydrocannabinol ("zero-THC"). In addition to the supply agreement, we acquired an approximate 20% equity stake in Kazmira for $50.0 million with $15.0 million paid at close of the transaction and the balance due within 18 months. Our minority equity investment initiates the first phase of the partnership in which we will collaborate to scale-up Kazmira's facilities and laboratories, in accordance with current Good Manufacturing Practices and to produce zero-THC CBD from industrial hemp that meets our standards for reliability and consistency. In the second phase of the partnership, we will work to launch zero-THC, hemp-based CBD products in a number of global markets, while leveraging our supply agreement with Kazmira, which is exclusive for the U.S. store brand market (refer to Item 8. Note 8 and Note 11).

- On April 1, 2020, we received approval from the FDA to sell OTC diclofenac sodium topical gel 1%, the store brand equivalent to Voltaren® gel. On September 8, 2020, we launched this product to our retail partners under store brand labels, which provides consumers with a high-quality, value alternative for the temporary relief of arthritis pain.

- On April 1, 2020, we acquired the oral care assets of High Ridge Brands ("Dr. Fresh") for total purchase consideration of $113.0 million, subject to customary post-closing adjustments, including a working capital settlement. After post-closing adjustments, as of December 31, 2020, total cash consideration paid was $106.2 million. This acquisition includes the children's oral care value brand, Firefly®, in addition to the REACH® and Dr. Fresh® brands, and a licensing portfolio. The addition of these brands positions us as the number one fastest-growing value brand player in the children's oral care category and the licensing portfolio will enable creative solutions for our customers (refer to Item 8. Note 3).

- On January 3, 2020, we acquired Steripod®, a leading toothbrush accessory brand and innovator in the toothbrush protector market, from Bonfit America Inc. Total consideration paid was $26.0 million. The transaction was accounted for as an asset acquisition, in which we capitalized $25.1 million as a brand-named intangible asset. The remainder of the purchase price was allocated to working capital. The acquisition, which includes a portfolio of antibacterial toothbrush protectors, kids' toothbrush protectors and tongue cleaners, complements our current portfolio of oral self-care products, and leverages our manufacturing and marketing platform (refer to Item 8. Note 3).

Segment Financial Results

Year Ended December 31, 2020 vs. December 31, 2019

(in millions, except percentages)	Year Ended December 31, 2020	Year Ended December 31, 2019
Net sales	$ 2,693.0	$ 2,487.7
Gross profit	$ 858.5	$ 798.9
Gross profit %	31.9 %	32.1 %
Operating income	$ 472.0	$ 414.0
Operating income %	17.5 %	16.6 %

Net sales increased $205.3 million, or 8%, due primarily to:

- $252.1 million, or 10%, net increase due primarily to an increase of $178.2 million in our oral-self care category and from demand driven growth in certain of our OTC product categories. CSCA continued to benefit from robust e-commerce growth.
    - Net sales in our oral self-care category increased $168.2 million due to the acquisitions of Ranir and Dr. Fresh for sales in periods of 2020 with no comparable sales for 2019. In periods with comparable sales in 2019 and 2020, net sales grew $10.0 million driven by the incremental impact of new product sales and growth in the Plackers® brand. These increases were partially offset by declines in sales of travel sized products related to COVID-19 travel restrictions.
    - In OTC, the net sales increase of $75.5 million was due primarily to favorable consumer conversion to products in our digestive health category, the increase of consumer COVID-19 related demand experienced in the first half of 2020 in the pain and sleep aids category, and the incremental impact of new product sales led by Prevacid®, Diclofenac sodium topical gel 1%, and Esomeprazole Mini. These increases were partially offset by a decline of $38.6 million in sales of certain products in the upper respiratory and pain and sleep aids categories, primarily in the fourth quarter of 2020, resulting from the weak start to the cough cold season, and normal pricing pressure on certain products.
    - Nutrition net sales decreased $2.6 million due primarily to the decrease in infant formula product sales resulting from the prior year pre-build of contract pack inventory, operational challenges that led to a shortfall in achieving normal customer service levels, multi-year pricing contracts, and $5.7 million in discontinued products. These decreases were partially offset by new product sales from an infant formula launch at a major retailer in the prior year.
- $46.8 million decrease due primarily to:
    - $43.7 million decrease due to our divested animal health business; and
    - $10.5 million decrease from unfavorable Mexican peso foreign currency translation; partially offset by
    - $7.4 million increase due to the absence of the Ranitidine retail market withdrawal impact included in the prior year.

Operating income increased $58.0 million, or 14%, due primarily to:

- $59.6 million increase in gross profit due primarily to increased net sales as described above, partially offset by operating inefficiencies at one of our infant nutrition facilities as well as increased labor and overhead costs associated with the COVID-19 pandemic. Gross profit as a percentage of net sales decreased 20 basis points due primarily to the operating inefficiencies described above and pricing pressure on certain products, partially offset by the absence of the Ranitidine retail market withdrawal included in the prior year, and favorable product mix; further offset by

- $1.6 million increase in operating expenses due primarily to:
  - $15.3 million increase in selling and administration expenses due primarily to the inclusion of expenses from our acquisitions of Ranir and Dr. Fresh and an increase in promotional expenses on branded products in advance of their pending market launches, partially offset by the absence of expenses from the divested animal health business and savings from our current Project Momentum cost savings initiative; partially offset by
  - The absence of a $7.1 million asset abandonment charge related to our waste water treatment plant in Vermont taken in the prior year; and
  - $4.0 million legal settlement received in the current year.

Year Ended December 31, 2019 vs. December 31, 2018

	Year Ended	
(in millions, except percentages)	**December 31, 2019**	**December 31, 2018**
Net sales	$ 2,487.7	$ 2,411.6
Gross profit	$ 798.9	$ 789.0
Gross profit %	32.1 %	32.7 %
Operating income	$ 414.0	$ 174.4
Operating income %	16.6 %	7.2 %

Net sales increased $76.1 million, or 3%, due primarily to:

- $162.1 million, or 7%, net increase due primarily to an increase of $106.4 million due to our acquisition of Ranir, increased volume due to OTC category growth, market share gains from store brand competitors partly driven by $36.2 million of new product sales, growth in OTC e-commerce, and increased OTC store brand penetration versus national brand, partially offset by lower infant formula contract pack sales as several branded customers made the strategic decision to exit the category, lower net sales in the Mexico business, and competition-driven pricing pressure; partially offset by
- $85.5 million decrease due to:
  - $50.2 million decrease due to our divested animal health business;
  - $27.9 million decrease due to our exited foods business; and
  - $7.4 million decrease due to the retail market withdrawal of Ranitidine products.

Operating income increased $239.6 million, or 137%, due primarily to:

- $9.9 million increase in gross profit due primarily to increased net sales as described above, but a 60 basis point decrease in gross profit as a percentage of net sales, due primarily to pricing pressures, the retail market withdrawal of Ranitidine products, and unfavorable product mix; and

- $229.7 million decrease in operating expenses due primarily to:
    - $218.4 million decrease in impairment charges due primarily to the absence of $213.2 million in impairment charges related to animal health goodwill and intangible assets and a $5.0 million decrease in certain IPR&D impairments; and
    - $34.5 million decrease in R&D expense due primarily to the absence of a $50.0 million upfront license fee payment to enter into a license agreement with Merck; partially offset by current year innovation investments; partially offset by
    - $15.5 million increase in selling and administrative expenses due primarily to increased advertising and promotional spending to support product launches and e-commerce growth, an increase in employee-related expenses, and the acquisition of Ranir; and
    - $7.1 million increase due to an asset abandonment charge related to our waste water treatment plant in Vermont.

CONSUMER SELF-CARE INTERNATIONAL

Recent Trends and Developments

- Throughout the year, we experienced demand shifts for certain products, which we attributed to consumer dynamics related to the COVID-19 pandemic and the movement and social distancing restrictions put in place to combat spreading of the virus, such as travel bans and country lock-downs, as well as mask mandates. Demand for certain products in our pain and sleep-aids and vitamins, minerals and supplements ("VMS") categories increased, while demand for products in our upper respiratory, skincare and personal hygiene, and healthy lifestyle categories decreased. It is possible that demand in these categories may continue to decrease.

- On October 30, 2020, we acquired three Eastern European OTC dermatological brands, skincare brands Emolium®, Iwostin® and hair loss treatment brand Loxon® from Sanofi for €53.3 million ($62.3 million). The acquisition has been accounted for as a business combination. The addition of these brands complements our already robust skincare portfolio and adds scale to our Eastern European business. The addition of these market-leading OTC brands serves as another step for our growth plans and provides new opportunities for self-care revenue synergy in the European markets (refer to Item 8. Note 3).

- Consistent with our strategy to reconfigure our portfolio to focus on our consumer self-care businesses, on June 19, 2020, we completed the sale of our U.K.- based Rosemont Pharmaceuticals business, a generic prescription pharmaceuticals manufacturer focused on liquid medicines, to a U.K. headquartered private equity firm for cash consideration of £155.6 million (approximately $195.0 million), which resulted in a pre-tax loss of $21.1 million (refer to Item 8. Note 3).

- On February 13, 2020, we acquired Dexsil®, a silicon supplement brand, from RXW Group NV, for total cash consideration paid of approximately $8.0 million. The transaction was accounted for as an asset acquisition, in which we capitalized the consideration paid as a brand-named intangible asset. The acquisition provides additional opportunities for growth through new product launches and geographic expansion (refer to Item 8. Note 3).

Segment Financial Results

Year Ended December 31, 2020 vs. December 31, 2019

(in millions, except percentages)	Year Ended December 31, 2020	Year Ended December 31, 2019
Net sales	$ 1,395.2	$ 1,382.2
Gross profit	$ 641.1	$ 639.5
Gross profit %	45.9 %	46.3 %
Operating income	$ 32.3	$ 19.6
Operating income %	2.3 %	1.4 %

Net sales increased $13.0 million, or 1%, due primarily to:

- $47.4 million, or 3%, net increase due primarily to the increase of $45.3 million in sales from our acquisitions of Ranir, Dr. Fresh and Eastern European dermatology brands for periods of 2020 with no comparable sales in 2019, and the incremental impact of new product sales including line extensions in the ACO dermatology product line and the XLS Forte-Five weight management brand in the skincare and personal hygiene and healthy lifestyle categories, respectively. The segment also benefited from an increase in demand for products in our pain and sleep-aids and VMS categories due to pandemic-related consumer behavior in favor of immune support, and an increase in sales from our U.K. store brand business. These increases were partially offset by a decrease in sales of certain products in our skincare and personal hygiene and healthy lifestyle categories due to pandemic-related consumer behavior, school closings, social distancing measures and country lock-downs, a decline of $24.1 million for products in the upper respiratory category from the weak start to the cough cold season, experienced in the fourth quarter of 2020, and discontinued products of $10.0 million.
- $34.4 million decrease due primarily to:
    - $40.3 million decrease due to our divested Rosemont pharmaceuticals business and Canoderm prescription product previously included in the Nordic region; partially offset by
    - $4.1 million increase from favorable foreign currency translation primarily related to the Euro; and
    - $1.8 million increase due to the absence of the Ranitidine retail market withdrawal impact included in the prior year.

Operating income increased $12.7 million, or 65%, due to:

- $1.6 million increase in gross profit due primarily to increased net sales as described above, partially offset by higher commodity costs for a certain OTC brand. Gross profit as a percentage of net sales decreased 40 basis points due primarily to the addition of the oral self-care category and improved performance in the U.K. store brand business which both have a relatively lower gross margins than the overall portfolio, the impact from divested businesses, and an increase in commodity costs for a certain OTC brand, partially offset by the absence of the Ranitidine retail market withdrawal included in the prior year; and
- $11.1 million decrease in operating expenses due primarily to:
    - $9.7 million decrease in impairment changes due to an impairment taken in the prior year on a certain definite-lived intangible asset; and
    - $8.3 million decrease due primarily to the absence of restructuring expenses related to the reorganization of our sales force in France included in the prior year; partially offset by
    - $4.7 million increase in R&D expenses towards continued innovation efforts; and
    - $1.1 million increase in selling and administration expenses due primarily to unfavorable Euro foreign currency translation, and the inclusion of expenses from our acquisitions of Ranir and Dr. Fresh, partially offset by a reduction in selling, advertising and promotional expenses, the absence of expenses from the divestiture of our Rosemont pharmaceuticals business, and savings from our current Project Momentum cost savings initiative.

Year Ended December 31, 2019 vs. December 31, 2018

(in millions, except percentages)	Year Ended December 31, 2019	Year Ended December 31, 2018
Net sales	$ 1,382.2	$ 1,399.3
Gross profit	$ 639.5	$ 668.7
Gross profit %	46.3 %	47.8 %
Operating income	$ 19.6	$ 6.8
Operating income %	1.4 %	0.5 %

Net sales decreased $17.1 million, or 1%, due primarily to:

- $71.6 million, or 5%, net increase due to new product sales of $108.0 million driven by the launch of XLS-Medical Forte 5 and new products in the Phytosun® naturals portfolio, a $45.0 million increase due to our acquisition of Ranir, and volume increases in our UK store brand business, partially offset by lower net sales in France associated with restructuring the sales force and a $13.1 million decrease due to discontinued products; more than offset by
- $88.7 million decrease due to:
  - $86.9 million decrease due primarily to unfavorable Euro foreign currency translation; and
  - $1.8 million decrease due to the retail market withdrawal of Ranitidine products.

Operating income increased $12.8 million, or 188%, due to:

- $29.2 million decrease in gross profit due primarily to unfavorable Euro foreign currency translation, partially offset by the acquisition of Ranir and a 150 basis point decrease in gross profit as a percentage of net sales due primarily to improved performance in the UK store brand business and the acquisition of Ranir, both of which have relatively lower gross margins than the overall portfolio; more than offset by
- $42.0 million decrease in operating expenses due primarily to:
  - $42.4 million decrease in selling and administrative expenses due primarily to favorable Euro foreign currency translation, partially offset by an increase in employee-related expenses; and
  - $7.7 million decrease in restructuring expenses due primarily to the absence of cost reduction initiatives that were taken in the prior year; partially offset by
  - $7.9 million increase in impairment charges due primarily to a certain definite-lived intangible asset.

PRESCRIPTION PHARMACEUTICALS

Recent Trends and Developments

- On March 1, 2021, we announced a definitive agreement to sell our generic RX Pharmaceuticals business to Altaris Capital Partners, LLC for total consideration of $1.55 billion, including $1.5 billion in cash. As part of the consideration, Altaris Capital Partners, LLC will also assume more than $50.0 million in potential R&D milestone payments and contingent purchase obligations with third-party Rx partners. The transaction is subject to antitrust and other customary closing conditions and is expected to close by the end of the third quarter of 2021. The sale of the generic RX Pharmaceuticals business is an important step in our transformation plan and will establish Perrigo as a pure-play consumer self-care company. The generic RX Pharmaceuticals business will be classified as discontinued operations starting in the first quarter of 2021.
- We continued to experience pricing erosion, which moderated compared to the prior year. The key drivers behind the pricing reductions were competitive regulatory approvals for products in our portfolio resulting in increased competition. We expect pricing erosion to continue to impact the segment.

- Starting in the second quarter of 2020, with a partial rebound in the third quarter, we experienced a reduction in demand for certain of our existing base products due to lower prescription volumes driven by the COVID-19 pandemic impact on doctor visits. The decrease in demand for existing base products was market-wide.

- On December 31, 2020, we purchased an Abbreviated New Drug Application ("ANDA") for a generic topical gel for $16.4 million payable in January 2021, which we capitalized as a developed product technology intangible asset. We launched the product in January 2021 and began amortizing it over a 20-year useful life (refer to Item 8. Note 3).

- On September 17, 2020, we initiated a voluntary nationwide recall to the retail level of Albuterol and market withdrawal as a result of complaints from patients that some units may not dispense due to clogging. While corrective action plans are underway, we do not expect to reintroduce the product in calendar year 2021. As a result of the recall, we recorded a net charge of $22.5 million in our Consolidated Statements of Operations during the third quarter. We, along with our manufacturing partner Catalent Pharma Solutions, launched Albuterol in the first quarter of 2020 after receiving approval from the FDA of our ANDA on February 24, 2020.

- During the three months ended September 26, 2020, our RX U.S. reporting unit had an indication of potential impairment primarily from the stoppage of production and distribution of Albuterol and voluntary nationwide recall at the retail level, combined with a decline in market multiples. We prepared an impairment test as of September 26, 2020 and determined the carrying value of the RX U.S. reporting unit exceeded its estimated fair value. We recorded a goodwill impairment of $202.4 million (refer to Item 8. Note 4 and Note 7).

- During the three months ended December 31, 2020, we identified indicators of impairment in our RX U.S. reporting unit and performed a quantitative impairment test. As a result, we determined the reporting unit's carrying value exceeded estimated fair value. We recognized a further goodwill impairment of $144.4 million (refer to Item 8. Note 4 and Note 7).

- As described in Item 1. Business - Materials Sourcing, we rely on third parties to source many of our raw materials and to manufacture certain dosage forms that we distribute, and certain of these supplier relationships are single-source. Starting in the second quarter of 2021, we anticipate a potential supply disruption of a generic prescription product manufactured by a third party, which disruption could adversely affect our ability to sell and ship the product to customers in a timely manner. While we have identified one or more potential alternative suppliers of the product, delays in qualifying such alternative supplier may result in a supply disruption for the duration of 2021 and re-establishment of reliable supply may not be achieved until 2022 and cannot be assured. If a supply disruption occurs, depending on the duration of the disruption, the adverse impact on our revenue in the RX segment in 2021 could be material. Refer to Item 1A. Risk Factors - Operational Risks.

Segment Financial Results

Year Ended December 31, 2020 vs. December 31, 2019

(in millions, except percentages)	Year Ended December 31, 2020	Year Ended December 31, 2019
Net sales	$ 975.1	$ 967.5
Gross profit	$ 315.3	$ 334.9
Gross profit %	32.3 %	34.6 %
Operating income (loss)	$ (177.7)	$ 2.6
Operating income (loss) %	(18.2)%	0.3 %

Net sales increased $7.6 million, or 1%, due to:

- $3.6 million net sales increase was due primarily to $137.6 million from Albuterol sales prior to the recall and an increase of $27.3 million in other new product sales. These increases were largely offset by normal pricing pressure, $35.2 million of discontinued lower margin distribution products, $31.2 million for the establishment of the estimated Albuterol recall reserve, and lower prescription volumes caused by reductions in doctor visits from the COVID-19 pandemic.

- $4.0 million increase due to favorable foreign currency translation.

Operating income decreased $180.3 million, or 6,935%, due to:

- $19.6 million decrease in gross profit due primarily to the net charge of $22.5 million from the Albuterol recall, partially offset by the increase in net sales as described above. Gross profit as a percentage of net sales decreased 230 basis points due primarily to the gross profit factors discussed above and unfavorable product mix; and

- $160.7 million increase in operating expenses due primarily to:
  - $176.1 million increase in impairment charges due primarily to $346.8 million of goodwill impairments in the current year period being partially offset by $170.7 million in impairment charges related to goodwill, certain definite-lived intangible assets and IPR&D in the prior year; partially offset by
  - $11.9 million decrease in R&D expenses due primarily to Albuterol pre-commercialization R&D costs expensed in the prior year; and
  - $4.0 million decrease in selling and administration expenses due primarily to our current Project Momentum cost savings initiative.

Year Ended December 31, 2019 vs. December 31, 2018

	Year Ended	
(in millions, except percentages)	**December 31, 2019**	**December 31, 2018**
Net sales	$ 967.5	$ 920.8
Gross profit	$ 334.9	$ 373.9
Gross profit %	34.6 %	40.6 %
Operating income	$ 2.6	$ 214.6
Operating income %	0.3 %	23.3 %

Net sales increased $46.7 million, or 5%, due primarily to:

- $87.5 million increase due to new product sales of $86.3 million driven mainly by Acyclovir cream (generic equivalent to Zovirax® cream), Testosterone Gel 1.62% (generic equivalent to Androgel®), and the Scopolamine Patch relaunch and higher volumes of existing product sales to meet the increased demand of our existing customers, partially offset by competition-driven pricing pressure; further partially offset by
- $41.8 million of discontinued products.

Operating income decreased $212.0 million, or 99%, due to:

- $39.0 million decrease in gross profit, or a 600 basis point decrease in gross profit as a percentage of net sales, due primarily to competition-driven pricing pressure, and unfavorable product mix; and

- $173.0 million increase in operating expense due primarily to $170.7 million increase in impairment charges related to goodwill, certain definite-lived intangible assets and IPR&D, and a $4.8 million increase in R&D expense due primarily to pre-commercialization R&D costs for Albuterol.

Unallocated Expenses

Unallocated expenses are comprised of certain corporate services not allocated to our reporting segments and are recorded above Operating income on the Consolidated Statements of Operations. Unallocated expenses were as follows (in millions):

Year Ended		
December 31, 2020	**December 31, 2019**	**December 31, 2018**
$ 211.5	$ 231.4	$ 159.2

The $19.9 million decrease for the year ended December 31, 2020 compared to the prior year was due primarily to the absence of $15.6 million in acquisition and integration-related charges related to the acquisition of Ranir, a $15.3 million decrease in legal and consulting fees in part due to our current Project Momentum cost savings initiative, and a $12.6 million decrease in Restructuring expense related primarily to the reorganization of our executive management team. These decreases are partially offset by an increase of $17.0 million in employee incentive compensation expenses, which included COVID-19 bonuses for production employees, and an increase of $14.8 million in insurance related expenses.

The $72.2 million increase for the year ended December 31, 2019 compared to the year ended December 31, 2018 was due primarily to a $31.0 million increase in legal and consulting fees partially due to the absence of a $17.8 million insurance recovery received in the prior year, a $15.6 million increase in acquisition and integration-related charges related to the Ranir acquisition, a $13.8 million increase in employee compensation expenses, and a $10.7 million increase due primarily to our strategic transformation initiative and the reorganization of our executive management team.

Change in Financial Assets, Interest expense, net, Other (income) expense, net and Loss on extinguishment of debt (Consolidated)

	Year Ended		
(in millions)	December 31, 2020	December 31, 2019	December 31, 2018
Change in financial assets	$ 96.4	$ (22.1)	$ (188.7)
Interest expense, net	$ 131.2	$ 121.7	$ 128.0
Other (income) expense, net	$ 17.2	$ (66.0)	$ 6.1
Loss on extinguishment of debt	$ 20.0	$ 0.2	$ 0.5

Change in Financial Assets

The proceeds from our 2017 sale of the Tysabri® financial asset consisted of $2.2 billion in upfront cash and up to $250.0 million and $400.0 million in contingent milestone payments related to 2018 and 2020, respectively. During the year ended December 31, 2019 we received the $250.0 million contingent milestone payment.

During the year ended December 31, 2020, Royalty Pharma payments from Biogen for Tysabri® sales, as defined in the agreement between the parties, did not exceed the 2020 global net sales threshold of $351.0 million. Therefore, we are not entitled to receive the remaining contingent milestone payment of $400.0 million and, accordingly, wrote off the entire fair value of the remaining milestone payment related to 2020 of $95.3 million in Change in financial assets on the Consolidated Statements of Operations (refer to Item 8. Note 7).

During the year ended December 31, 2019 the fair value of the Royalty Pharma contingent milestone payment related to 2020 increased by $22.1 million to $95.3 million. These adjustments were driven by higher projected global net sales of Tysabri® and the estimated probability of achieving the earn-out. There was no contingent milestone based on 2019 sales of Tysabri®. The Royalty Pharma payments from Biogen for Tysabri® were $337.5 million in 2018, which triggered the $250.0 million milestone payment received during the year ended December 31, 2019.

During the year ended December 31, 2018, royalties on global net sales of Tysabri® received by Royalty Pharma met the 2018 threshold resulting in an increase to the asset and a gain of $170.1 million recognized in Change in financial assets on the Consolidated Statement of Operations. Also during that period, the fair value of the Royalty Pharma contingent milestone payment related to 2020 increased $18.6 million due to higher projected global net sales of Tysabri® and the estimated probability of achieving the contingent milestone payment related to 2020.

Interest Expense, Net

The $9.5 million increase during the year ended December 31, 2020 compared to the prior year was due primarily to the addition of interest expense on our 2020 Notes and two promissory notes related to our equity method investment in Kazmira and a reduction of interest income.

The $6.3 million decrease during the year ended December 31, 2019 compared to the year ended December 31, 2018 was due primarily to changes in our underlying hedge exposure and interest income (refer to Item 8. Note 9).

Other (Income) Expense, Net

The $83.2 million change from income to expense during the year ended December 31, 2020 compared to the prior year was due primarily to the absence of the pre-tax gain of $71.7 million on the sale of our animal health business and the $21.1 million pre-tax loss on the divestiture of our Rosemont Pharmaceuticals business, partially offset by a decrease of $4.7 million in unfavorable changes from the revaluation of monetary assets and liabilities held in foreign currencies (refer to Item 8. Note 3).

The $72.1 million change from expense to income during the year ended December 31, 2019 compared to the year ended December 31, 2018 was due primarily to a $71.7 million pre-tax gain on the sale of our animal health business (refer to Item 8. Note 3).

Loss on Extinguishment of Debt

During the year ended December 31, 2020, we recorded a loss of $20.0 million as a result of the early redemption of the 3.500% Senior Notes due March 15, 2021 and 3.500% Senior Notes due December 15, 2021, consisting of the premium on debt repayments, the write-off of deferred financing fees, and the write-off of the remaining bond discounts (refer to Item 8. Note 11).

Income Taxes (Consolidated)

The effective tax rates were as follows:

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
(8.8)%	14.6 %	54.9 %

The effective tax rate for the year ended December 31, 2020 as compared to December 31, 2019 decreased primarily due to the pre-tax profit mix between jurisdictions with varying tax rates offset by U.S. CARES Act and Proposed and Final Section 163(j) interest expense limitation effects.

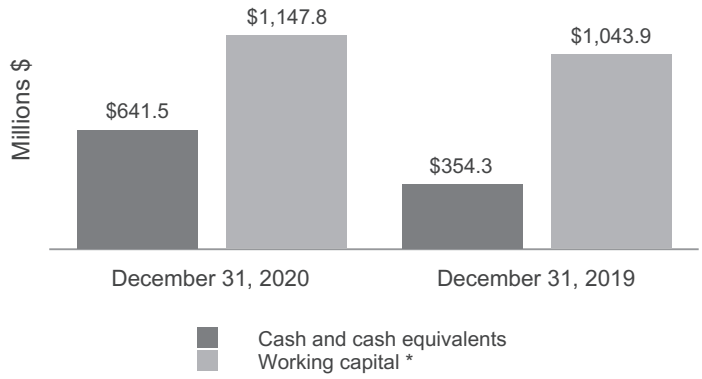
The effective tax rate for the year ended December 31, 2019 as compared to December 31, 2018 decreased primarily due to a decrease in the U.S. valuation allowance offset by increased U.S. permanent adjustments largely due to disallowed interest expense.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

We finance our operations with internally generated funds, supplemented by credit arrangements with third parties and capital market financing. We routinely monitor current and expected operational requirements and financial market conditions to evaluate other available financing sources including term and revolving bank credit and securities offerings. In determining our future capital requirements we regularly consider, among other factors, known trends and uncertainties, such as the Notice of Assessment ("NoA") and the Notices of Proposed Adjustment ("NOPAs"), the current COVID-19 pandemic, and other contingencies. We note that no payment of the additional amounts assessed by Irish Revenue pursuant to the NoA or proposed by the IRS in the NOPAs is currently required, and no such payment is expected to be required, unless and until a final determination of the matter is reached that is adverse to us (refer to Item 8. Note 15 for additional information on the NoA and NOPAs). Based on the foregoing, management believes that our operations and borrowing resources are sufficient to provide for our short-term and long-term capital requirements, as described below. However, an adverse result with respect to our appeal of any material outstanding tax assessments or litigation, including securities or drug pricing matters and product liability

cases, damages resulting from third-party claims, and related interest and/or penalties, could ultimately require the use of corporate assets to pay such assessments and any such use of corporate assets would limit the assets available for other corporate purposes. As such, we continue to evaluate the impact of the above factors on liquidity and may determine that modifications to our capital structure are appropriate if market conditions deteriorate, favorable capital market opportunities become available, or any change in conditions relating to the NoA, the NOPAs, the COVID-19 pandemic or other contingencies have a material impact on our capital requirements.

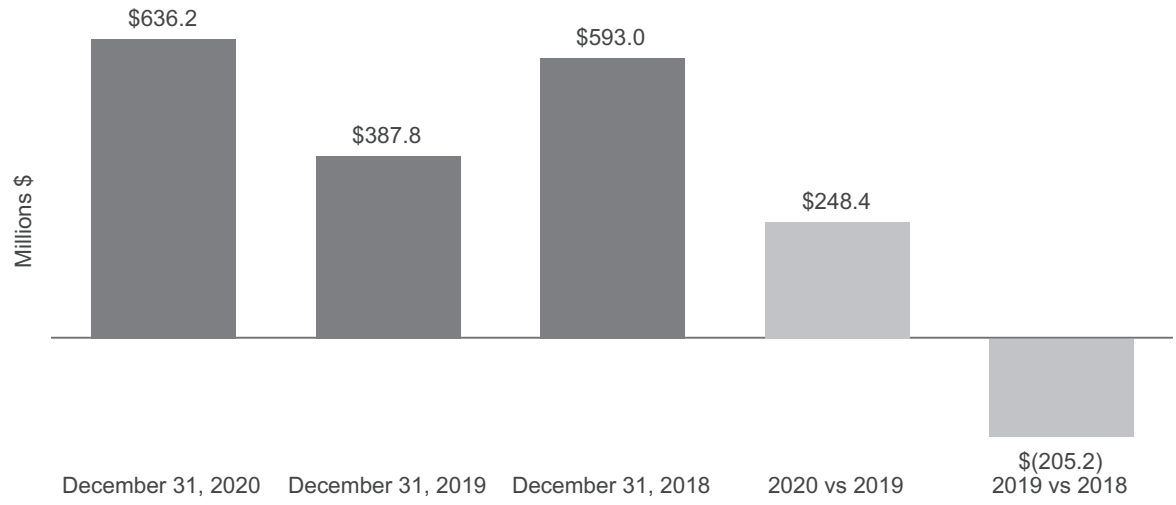
Cash and Cash Equivalents



* Working capital represents current assets less current liabilities, excluding cash and cash equivalents, and excluding current indebtedness.

Cash, cash equivalents, cash flows from operations, and borrowings available under our credit facilities are expected to be sufficient to finance our liquidity and capital expenditures in both the short and long term. Although our lenders have made commitments to make funds available to us in a timely fashion under our revolving credit agreements and overdraft facilities, if economic conditions worsen, including due to the COVID-19 pandemic, or new information becomes publicly available impacting the institutions' credit rating or capital ratios, these lenders may be unable or unwilling to lend money pursuant to our existing credit facilities. Should our outlook on liquidity requirements change substantially from current projections, we may seek additional sources of liquidity in the future.

Cash Generated by (Used in) Operating Activities



Year Ended December 31, 2020 vs. December 31, 2019

The $248.4 million increase in operating cash flow was due primarily to:

- $309.6 million increase in cash from the change in accounts receivable, due primarily to timing of sales and receipt of payments;
- $67.5 million increase in cash from the change in accrued income taxes, due primarily to the CARES Act and adoption of final and proposed 163(j) regulations, as well as the absence of tax liabilities on the Royalty Pharma contingent milestone payment received in the prior year and Israeli withholding tax paid in the prior year; and
- $14.5 million increase in cash from the change in accrued payroll and related taxes, due primarily to the CARES Act payroll tax payment deferrals; partially offset by
- $103.6 million decrease in cash from the change in inventory, due primarily to the build up of inventory levels to improve customer service levels in the CSCA and CSCI segments, as well as higher inventory levels due to a reduction in sales for certain products and an increase in inventory for new product launches in the CSCI segment, partially offset by the current year launch of new products in the RX segment;
- $29.4 million decrease in cash due primarily to the change in prepaid expenses, mainly from payments made for annual prepaid expenses, a payment made for a transitional service agreement, an increase in the cost of our directors and officers prepaid insurance, and the absence of a litigation related settlement received in the prior year, partially offset by payments received related to our cross currency swap; and
- $19.7 million decrease in cash from the change in accounts payable, due primarily to the timing of payments and mix of payment terms.

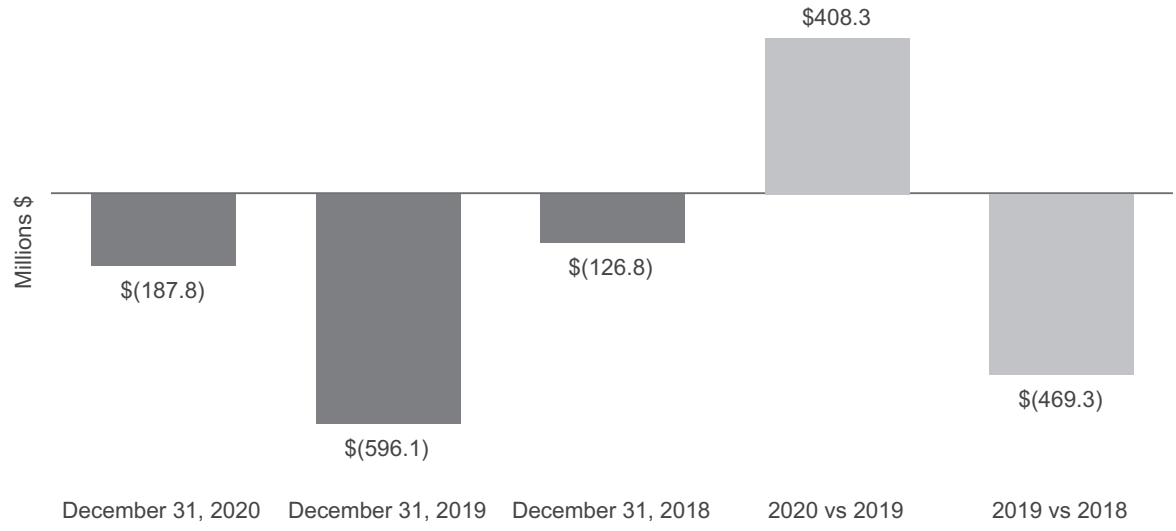
Year Ended December 31, 2019 vs. December 31, 2018

The $205.2 million decrease in operating cash flow was due primarily to:

- $161.7 million decrease in cash due to the change in accounts receivable due primarily to timing of sales and receipt of payments primarily in RX and CSCI, and our acquisition of Ranir;

- $142.6 million decrease in cash due to prior year tax payments made in 2019, 2019 estimated tax payments, and an Israeli withholding tax payment; and
- $74.1 million decrease in cash due to the change in accrued customer programs due primarily to pricing dynamics in our RX segment, as well as timing of rebate and chargeback payments; partially offset by
- $88.9 million increase in cash due to the change in net earnings after adjustments for items such as deferred income taxes, impairment charges, restructuring charges, changes in our financial assets, share-based compensation, amortization of debt premium, gain on sale of business, and depreciation and amortization;
- $36.0 million increase in cash due primarily to changes in operating leases and litigation related settlements;
- $31.6 million decrease in the use of cash primarily due to the continued build-up of inventory at a lower level than in the prior year to support customer demands and improved supply management in our CSCA and CSCI segments, and increased volumes in CSCI due to new product launches; and
- $30.8 million decrease in the use of cash due to the change in accrued payroll and related taxes due primarily to an increase in employee incentive compensation expense.

Cash Generated by (Used in) Investing Activities



Year Ended December 31, 2020 vs. December 31, 2019

The $408.3 million decrease in cash used in investing cash flow was due primarily to:

- $579.2 million decrease in cash used due to the absence of the cash paid for the acquisition of Ranir for $747.7 million, partially offset by the cash paid for the acquisitions of Dr. Fresh for $106.2 million and Eastern European dermatology brands for $62.3 million (refer to Item 8. Note 3);
- $113.9 million decrease in cash used due to the decrease in spending on asset acquisitions, primarily related to the purchase of the Steripod® brand for $25.1 million and the Dexsil® brand for approximately $8.0 million, offset by spending on prior year acquisitions, including for the branded OTC rights to Prevacid®24HR for $61.7 million, two ANDAs for generic products for $15.7 million and $49.0 million, and Budesonide Nasal Spray and Triamcinolone Nasal Spray for $14.0 million (refer to Item 8. Note 3); and
- $5.3 million increase in cash due primarily to the net proceeds from the sale of our Rosemont pharmaceuticals business, partially offset by the proceeds from the sale of our animal health business (refer to Item 8. Note 3); further partially offset by

- $250.0 million decrease in cash due to the absence of the Royalty Pharma contingent milestone proceeds received in the prior year (refer to Item 8. Note 7);
- $32.7 million decrease in cash due to the change in capital spending, used primarily to increase tablet and infant formula capacity, plant efficiency projects, investments in our oral self-care business, and for software and technology initiatives; and
- $15.0 million decrease in cash for the purchase of our equity method investment in Kazmira (refer to Item 8. Note 8).

Capital expenditures for the next twelve months are anticipated to be between $180.0 million and $230.0 million, depending on the progression of project timelines, related to increased infant formula and tablet capacity, manufacturing productivity and efficiency upgrades, software and technology initiatives, and general plant maintenance. We expect to fund these estimated capital expenditures with funds from operating cash flows.

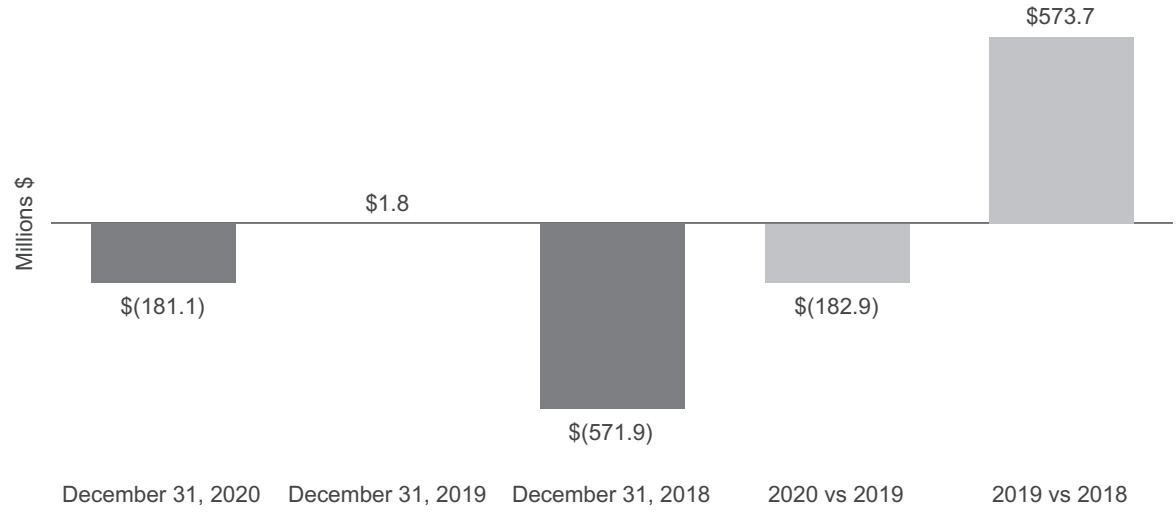
Year Ended December 31, 2019 vs. December 31, 2018

The $469.3 million decrease in investing cash flow was due primarily to:

- $747.7 million decrease in cash used for the acquisition of Ranir (refer to Item 8. Note 3);
- $113.5 million decrease in cash used for other acquisitions, primarily for the branded OTC rights to Prevacid®24HR for $61.7 million, an ANDA for a generic gel product for $49.0 million, an ANDA for a generic product used to relieve pain for $15.7 million, and Budesonide Nasal Spray and Triamcinolone Nasal Spray for $14.0 million, partially offset by the absence of $35.6 million of prior year acquisitions primarily related to an ANDA for a generic topical cream (refer to Item 8. Note 3); and
- $35.1 million decrease in cash used for capital spending, primarily to increase tablet and infant formula capacity and quality/regulation projects; partially offset by
- $250.0 million receipt of the Royalty Pharma contingent milestone proceeds (refer to Item 8. Note 7); and
- $177.3 million in proceeds received from divestitures, primarily from our animal health business (refer to Item 8. Note 3).

Cash used for capital expenditures totaled $137.7 million during the year ended December 31, 2019 compared to $102.6 million in the prior year. The increase in cash used for capital expenditures was due primarily to increase tablet and infant formula capacity and quality/regulation projects in 2019 compared to the prior year.

Cash Generated by (Used in) Financing Activities



Year Ended December 31, 2020 vs. December 31, 2019

The $182.9 million decrease in financing cash flow was due primarily to:

- $164.2 million decrease in cash due to share repurchases;
- $114.0 million decrease in cash due to the increase in payments on long-term debt;
- $19.0 million decrease in cash due to the payment of premiums on the early redemption of the 3.500% Senior Notes due March 15, 2021 and 3.500% Senior Notes due December 15, 2021;
- $11.5 million decrease in cash due to an increase in dividend payments;
- $5.7 million decrease in cash due to an increase in deferred financing fees related to the issuance of long-term debt; and
- $4.4 million decrease in cash due primarily to the payment made on the November 2020 portion of the Kazmira promissory notes; partially offset by
- $143.8 million increase in cash for the issuance of long-term debt (refer to Item 8. Note 11).

Year Ended December 31, 2019 vs. December 31, 2018

The $573.7 million increase in financing cash flow was due primarily to:

- $400.0 million absence in share repurchases;
- $169.0 million increase due to the issuance of long-term debt in our $600.0 million refinance of the 2018 Term Loan in 2019, offset by the absence of our $431.0 million refinance of the 2014 Term Loan; and
- $4.9 million increase in the change in net borrowings (repayments) of revolving credit agreements and other financing; and
- $6.5 million decrease in payments on long-term debt; partially offset by
- $7.5 million increase in dividend payments.

Share Repurchases

In October 2015, the Board of Directors approved a three-year share repurchase plan of up to $2.0 billion. Following the expiration of our 2015 share repurchase plan authorization in October 2018, our Board of Directors authorized up to $1.0 billion of share repurchases with no expiration date, subject to the Board of Directors' approval of the pricing parameters and amount that may be repurchased under each specific share repurchase program. Share repurchases were $164.2 million, $0.0 million, and $400.0 million for the years ended December 31, 2020, December 31, 2019, and December 31, 2018, respectively.

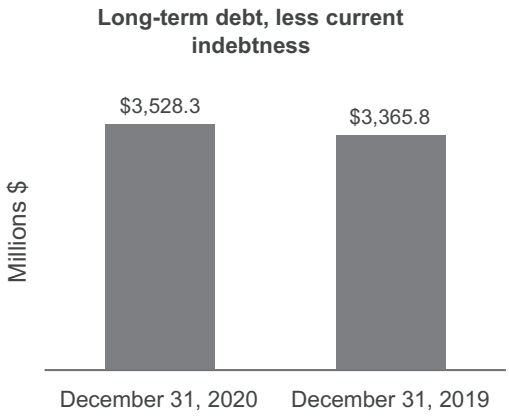
Dividends

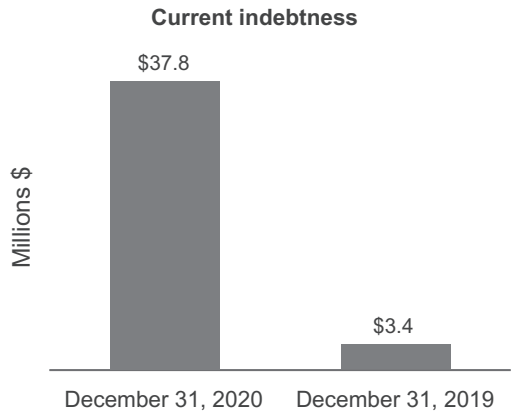
In January 2003, the Board of Directors adopted a policy of paying quarterly dividends. We paid dividends as follows:

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Dividends paid (in millions)	$ 123.9	$ 112.4	$ 104.9
Dividends paid per share	$ 0.90	$ 0.82	$ 0.76

The declaration and payment of dividends, if any, is subject to the discretion of our Board of Directors and will depend on our earnings, financial condition, availability of distributable reserves, capital and surplus requirements, and other factors our Board of Directors may consider relevant.

Borrowings and Capital Resources





Term Loans, Notes and Bonds

Total Term Loans, Notes and Bonds outstanding are summarized as follows (in millions):

			Year Ended December 31, 2020	Year Ended December 31, 2019
Term loan				
2019 Term loan due August 15, 2022			$ 600.0	$ 600.0
Notes and bonds				
	Coupon	Due		
	3.500%	March 15, 2021	$ —	$ 280.4
	3.500%	December 15, 2021	—	309.6
*	5.105%	July 28, 2023	164.9	151.4
	4.000%	November 15, 2023	215.6	215.6
	3.900%	December 15, 2024	700.0	700.0
	4.375%	March 15, 2026	700.0	700.0
	3.150%	June 15, 2030	750.0	—
	5.300%	November 15, 2043	90.5	90.5
	4.900%	December 15, 2044	303.9	303.9
	Total notes and bonds		$ 2,924.9	$ 2,751.4

* Debt denominated in euros subject to fluctuations in the euro-to-U.S. dollar exchange rate.

On June 19, 2020, Perrigo Finance Unlimited Company, a public unlimited company incorporated under the laws of Ireland ("Perrigo Finance") and an indirect wholly-owned finance subsidiary of Perrigo whose primary purpose is to finance the business and operations of Perrigo and its affiliates, issued $750.0 million in aggregate principal amount of 3.150% Senior Notes due 2030 (the “2020 Notes") and received net proceeds of $737.1 million after fees and market discount. Interest on the 2020 Notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2020. The 2020 Notes will mature on June 15, 2030. The 2020 Notes are governed by a base indenture and a third supplemental indenture (collectively, the "2020 Indenture"). The 2020 Notes are fully and unconditionally guaranteed on a senior unsecured basis by Perrigo and no other subsidiary of Perrigo guarantees the 2020 Notes. There are no restrictions under the 2020 Notes on Perrigo's ability to obtain funds from its subsidiaries. Perrigo Finance may redeem the 2020 Notes in whole or in part at any time for cash at the make-whole redemption prices described in the 2020 Indenture. On July 6, 2020, the proceeds of the 2020 Notes were used to fund the redemption of Perrigo Finance's $280.4 million of 3.500% Senior Notes due March 15, 2021 and $309.6 million of 3.500% Senior Notes due December 15, 2021. The balance will be used for general corporate purposes which may include the repayment or redemption of additional indebtedness. As a result of the early redemption of the $280.4 million of 3.500% Senior Notes and $309.6 million of 3.500% Senior Notes, during the year ended December 31, 2020, we recorded a loss of $20.0 million in Loss on extinguishment of debt on the Consolidated Statements of Operations, consisting of the premium on debt repayments, the write-off of deferred financing fees, and the write-off of the remaining bond discounts.

On March 8, 2018, we refinanced the €350.0 million outstanding under the previous term loan with the proceeds of a new €350.0 million ($431.0 million) term loan, maturing March 8, 2020 (the "2018 Term Loan"). As a result of the refinancing during the three months ended March 31, 2018, we recorded a loss of $0.5 million, consisting of the write-off of deferred financing fees in Loss on extinguishment of debt on the Consolidated Statements of Operations. During the year ended December 31, 2019, we made $24.7 million in scheduled principal payments. On August 15, 2019, we refinanced the €284.4 million ($317.1 million) outstanding under the 2018 Term Loan with the proceeds of a new $600.0 million term loan, maturing on August 15, 2022 (the "2019 Term Loan"). As a result of the refinancing, during the year ended December 31, 2019, we recorded a loss of $0.2 million, consisting of the write-off of deferred financing fees in Loss on extinguishment of debt on the Consolidated Statements of Operations.

In connection with the Omega acquisition, we assumed a 5.000% retail bond due in 2019 in the amount of €120.0 million ($130.7 million), which was repaid in full on May 23, 2019.

Overdraft Facilities

We have overdraft facilities available that we use to support our cash management operations. We report any balances outstanding in "Other Financing" in Item 8. Note 11. There were no borrowings outstanding under the facilities as of December 31, 2020 and December 31, 2019.

Leases

We had $221.3 million and $158.2 million of lease liabilities and $217.0 million and $157.5 million of lease assets as of December 31, 2020 and December 31, 2019, respectively.

Accounts Receivable Factoring

We have accounts receivable factoring arrangements with non-related third-party financial institutions (the “Factors”). Pursuant to the terms of the arrangements, we sell to the Factors certain of our accounts receivable balances on a non-recourse basis for credit approved accounts. An administrative fee per invoice is charged on the gross amount of accounts receivables assigned to the Factors, and interest is calculated at the applicable EUR LIBOR rate plus a spread. The total amount factored on a non-recourse basis and excluded from accounts receivable was $6.9 million and $10.0 million at December 31, 2020 and December 31, 2019, respectively.

Revolving Credit Agreement

On March 8, 2018, we entered into a $1.0 billion revolving credit agreement maturing on March 8, 2023 (the "2018 Revolver"). There were no borrowings outstanding under the 2018 Revolver as of December 31, 2020 or December 31, 2019.

Other Financing

On June 17, 2020, we incurred debt of $34.3 million related to our equity method investment in Kazmira pursuant to two promissory notes, with $3.7 million, $5.8 million and $24.8 million to be settled in November 2020, May 2021 and November 2021, respectively. On December 8, 2020, we repaid the $3.7 million balance due on the November 2020 portion of the Promissory Notes (refer to Item 8. Note 8).

We are in compliance with all covenants under our debt agreements as of December 31, 2020 (refer to Item 8. Note 11 and Note 10 for more information on all of the above debt facilities and lease activity, respectively).

Credit Ratings

Our credit ratings on December 31, 2020 were Baa3 (stable) and BBB- (stable) by Moody's Investors Service and S&P Global Ratings, respectively.

In January 2021, Fitch Ratings Inc. assigned a BBB- long-term Issuer Default Rating ("IDR") to Perrigo's IDR with a stable rating outlook.

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have a material current effect or that are reasonably likely to have a material future effect on our financial condition, changes in financial condition, net sales or expenses, results of operations, liquidity, capital expenditures, or capital resources. We acquire and collaborate on potential products still in development and enter into R&D arrangements with third parties that often require milestone payments to the third-party contingent upon the occurrence of certain future events linked to the success of the asset in development. Milestone payments may be required contingent upon the successful achievement of an important point in the development life cycle of the product. Because of the contingent nature of these payments, they are not included in our table of contractual obligations below.

Contractual Obligations

Our enforceable and legally binding obligations as of December 31, 2020 are set forth in the following table. Some of the amounts included in this table are based on management's estimates and assumptions about these obligations, including the duration, the possibility of renewal, anticipated actions by third parties and other factors. Because these estimates and assumptions are necessarily subjective, the enforceable and legally binding obligations actually paid in future periods may vary from the amounts reflected in the table (in millions):

	Payment Due				
	2021	2022-2023	2024-2025	After 2025	Total
Short and long-term debt [1]	$ 162.6	$ 1,224.1	$ 875.2	$ 2,325.5	$ 4,587.4
Finance lease obligations	7.8	8.1	3.2	13.2	32.3
Purchase obligations [2]	1,204.3	10.0	—	—	1,214.3
Operating leases [3]	40.0	54.5	37.8	93.2	225.5
Other contractual liabilities reflected on the consolidated balance sheets:					
Deferred compensation and benefits [4]	—	—	—	118.7	118.7
Other [5]	55.2	26.5	11.5	—	93.2
Total	$ 1,469.9	$ 1,323.2	$ 927.7	$ 2,550.6	$ 6,271.4

(1) Short-term and long-term debt includes interest payments, which were calculated using the effective interest rate at December 31, 2020.
(2) Consists of commitments for both materials and services.
(3) Used in normal course of business, principally for warehouse facilities and computer equipment.
(4) Includes amounts associated with non-qualified plans related to deferred compensation, executive retention and post-employment benefits. Of this amount, we have funded $37.3 million, which is recorded in Other non-current assets on the balance sheet. These amounts are assumed payable after five years, although certain circumstances, such as termination, would require earlier payment.
(5) Primarily includes consulting fees, legal settlements, contingent consideration obligations, restructuring accruals, insurance obligations, and electrical and gas purchase contracts, which were accrued in Other current liabilities and Other non-current liabilities at December 31, 2020 for all years.

We fund our U.S. qualified profit-sharing and investment plan in accordance with the Employee Retirement Income Security Act of 1974 regulations for the minimum annual required contribution and Internal Revenue Service regulations for the maximum annual allowable tax deduction. We are committed to making the required minimum contributions, which we expect to be approximately $27.7 million over the next 12 months. Future contributions are dependent upon various factors, including employees' eligible compensation, plan participation and changes, if any, to current funding requirements. Therefore, no amounts were included in the Contractual Obligations table above. We generally expect to fund all future contributions with cash flows from operating activities.

As of December 31, 2020, we had approximately $504.9 million of liabilities for uncertain tax positions, including interest and penalties. These unrecognized tax benefits have been excluded from the Contractual Obligations table above due to uncertainty as to the amounts and timing of settlement with taxing authorities.

Net deferred income tax liabilities were $235.1 million as of December 31, 2020. This amount is not included in the Contractual Obligations table above because we believe this presentation would not be meaningful. Net deferred income tax liabilities are calculated based on temporary differences between the tax basis of assets and liabilities and their book basis, which will result in taxable amounts in future years when the book basis is settled. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future periods. As a result, scheduling net deferred income tax liabilities as payments due by period could be misleading because this scheduling would not relate to liquidity needs.

Critical Accounting Estimates

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

Revenue Recognition

Net product sales include estimates of variable consideration for which accruals and allowances are established. Variable consideration for product sales consists primarily of chargebacks, rebates, other incentive programs, and related administrative fees recorded on the Consolidated Balance Sheets as Accrued customer programs, and sales returns and shelf stock allowances recorded on the Consolidated Balance Sheets as a reduction to Accounts receivable. Where appropriate, these estimates take into consideration a range of possible outcomes in which relevant factors, such as historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns, are either probability-weighted to derive an estimate of expected value or the estimate reflects the single most likely outcome. Overall, these reserves reflect the best estimates of the amount of consideration to which we are entitled based on the terms of the contract. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from the estimates, these estimates are adjusted, which would affect revenue and earnings in the period such variances become known.

The aggregate gross-to-net adjustments related to RX products can exceed 50% of the segment's gross sales. In contrast, the aggregate gross-to-net adjustments related to CSCA and CSCI typically do not exceed 10% of the segment's gross sales. The following table summarizes the activity in Accrued customer programs and allowance accounts on the Consolidated Balance Sheets (in millions):

	RX				All Other Segments	
	Chargebacks	Medicaid Rebates	Sales Returns and Shelf Stock Allowances	Admin. Fees and Other Rebates	Rebates and Other Allowances	Total
Balance at December 31, 2018	$ 266.0	$ 36.4	$ 71.0	$ 44.5	$ 116.9	$ 534.8
Balances acquired in business acquisition	—	—	—	—	5.7	5.7
Balances disposed of in business divestiture	—	—	—	—	(4.1)	(4.1)
Foreign currency translation adjustments	—	—	—	—	(1.7)	(1.7)
Provisions / Adjustments	2,127.2	47.9	33.9	116.5	224.6	2,550.1
Credits / Payments	(2,157.4)	(56.7)	(33.4)	(126.3)	(227.3)	(2,601.1)
Balance at December 31, 2019	$ 235.8	$ 27.6	$ 71.5	$ 34.7	$ 114.1	$ 483.7
Balances acquired in business acquisition	—	—	—	—	3.0	3.0
Balances disposed of in business divestiture	—	—	—	—	(1.0)	(1.0)
Foreign currency translation adjustments	—	—	—	—	5.5	5.5
Provisions / Adjustments	1,722.3	53.2	12.7	99.5	418.6	2,306.3
Credits / Payments	(1,788.9)	(44.5)	(10.5)	(102.4)	(392.5)	(2,338.8)
Balance at December 31, 2020	$ 169.2	$ 36.3	$ 73.7	$ 31.8	$ 147.7	$ 458.7

Chargebacks

We market and sell U.S. Rx pharmaceutical products directly to wholesalers, distributors, warehousing pharmacy chains, and other direct purchasing groups. We also market products indirectly to independent pharmacies, non-warehousing chains, managed care organizations, and group purchasing organizations, (collectively referred to as "indirect customers"). In addition, we enter into agreements with some indirect customers to establish contract pricing for certain products. These indirect customers then independently select a wholesaler from which to purchase the products at these contracted prices. Alternatively, we may pre-authorize wholesalers to offer specified contract pricing to other indirect customers. Under either arrangement, we provide chargeback credit to the wholesaler for any difference between the contracted price with the indirect customer and the wholesaler's invoice price. The accrual for chargebacks includes an estimate for outstanding claims that occurred but for which the related claim has not yet been paid, and an estimate for future claims that will be made when the wholesaler inventory is sold to the indirect customer. This estimate is based on historical chargeback experience, which includes sell-through levels by wholesalers to retailers, and confirmed wholesaler inventory levels. We regularly assess current pricing dynamics and wholesaler inventory levels to ensure the liability for future chargebacks is fairly stated.

Medicaid Rebates

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

Returns and Shelf Stock Allowances

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

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

RX Administrative Fees and Other Rebates

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

CSCA and CSCI Rebates and Other Allowances

In the CSCA and CSCI segments, we offer certain customers a volume incentive rebate if specific levels of product purchases are made during a specified period. The accrual for rebates is based on contractual agreements and estimated levels of purchasing. In addition, we have a reserve for product returns, primarily related to damaged and unsaleable products. We also have agreements with certain customers to cover promotional activities related to our products such as coupon programs, new store allowances, and product displays. The accrual for these activities is based on customer agreements and is established at the time product revenue is recognized.

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

Income Taxes

Our tax rate is subject to adjustment over the balance of the year due to, among other things, income tax rate changes by governments; the jurisdictions in which our profits are determined to be earned and taxed; changes in the valuation of our deferred tax assets and liabilities; adjustments to estimated taxes upon finalization of various tax returns; adjustments to our interpretation of transfer pricing standards; changes in available tax credits, grants and other incentives; changes in stock-based compensation expense; changes in tax laws or the interpretation of such tax laws; changes in U.S. generally accepted accounting principles; expiration of or the inability to renew tax rulings or tax holiday incentives; and the repatriation of earnings with respect to which we have not previously provided taxes. For the year ended December 31, 2020, we recorded a net decrease in valuation allowances of $86.5 million, comprised primarily of a release of the U.S. valuation allowance against certain deferred tax assets and a decrease in U.S. valuation allowance due to the CARES Act.

Although we believe our tax estimates are reasonable and we prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audit, and any related litigation, could be materially

different from our estimates or from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on operating results and/or cash flows in the periods for which that determination is made. In addition, future period earnings may be adversely impacted by litigation costs, settlements, penalties, and/or interest assessments (refer to Item 8. Note 15).

Legal Contingencies

We are involved in product liability, patent, commercial, regulatory and other legal proceedings that arise in the normal course of business. We record a liability when a loss is considered probable and the amount can be reasonably estimated. If the reasonable estimate of a probable loss is a range and no amount within that range is a better estimate, the minimum amount in the range is accrued. If a loss is not probable or a probable loss cannot be reasonably estimated, no liability is recorded. We have established reserves for certain of our legal matters (refer to Item 8. Note 17). We do not incorporate insurance recoveries into our reserves for legal contingencies. We separately record receivables for amounts due under insurance policies when we consider the realization of recoveries for claims to be probable, which may be different than the timing in which we establish the loss reserves.

Acquisition Accounting

We account for acquired businesses using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recorded at fair value, with limited exceptions. Any excess of the purchase price over the fair value of the specifically identified assets is recorded as goodwill. If the acquired net assets do not constitute a business, or substantially all of the fair value is in a single asset or group of similar assets, the transaction is accounted for as an asset acquisition and no goodwill is recognized. In an asset acquisition, acquired IPR&D with no alternative future use is charged to expense at the acquisition date.

Significant judgment is required in estimating the fair value of intangible assets and in assigning their respective useful lives. The acquired intangible assets can include customer relationships, trademarks, trade names, brands, developed product technology and IPR&D assets. For acquisitions accounted for as business combinations, IPR&D is considered to be an indefinite-lived intangible asset until the research is completed, at which point it then becomes a definite-lived intangible asset, or is determined to have no future use and is then impaired. There are several methods that can be used to determine the fair value of our intangible assets. We typically use an income approach to value the specifically identifiable intangible assets which is based on forecasts of the expected future cash flows. We have historically used a relief from royalty or multi-period excess earnings methodology. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management but are inherently uncertain. We typically consult with an independent advisor to assist in the valuation of these intangible assets. Significant estimates and assumptions inherent in the valuations include discount rates, revenue growth assumptions and expected profit margins. We consider marketplace participant assumptions in determining the amount and timing of future cash flows along with the length of our customer relationships, the attrition, product or technology life cycles, barriers to entry and the risk associated with the cash flows in concluding upon our discount rate. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, we may record adjustments to the purchase accounting. In addition, unanticipated market or macroeconomic events and circumstances may occur that could affect the accuracy or validity of the estimates and assumptions.

Determining the useful life of an intangible asset also requires judgment, as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives. With the exception of certain trademarks, trade names, and brands and IPR&D, the majority of our acquired intangible assets are expected to have determinable useful lives. Our assessment as to the useful lives of these intangible assets is based on a number of factors including competitive environment, market share, trademark, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the trademarked or branded products are sold. Definite-lived intangible assets are amortized to expense over their estimated useful life.

Change in Financial Assets

During the year ended December 31, 2020, Royalty Pharma payments from Biogen for Tysabri® sales, as defined in the agreement between the parties, did not exceed the 2020 global net sales threshold of $351.0 million. Therefore, we are not entitled to receive the remaining contingent milestone payment of $400.0 million and, accordingly,

wrote off the entire fair value of the remaining milestone payment related to 2020 of $95.3 million in Change in financial assets on the Consolidated Statements of Operations (refer to Item 8. Note 7). As of December 31, 2020, there are no contingent milestone payments outstanding; therefore, this accounting estimate will no longer be applicable in future periods.

We valued our contingent milestone payments from Royalty Pharma using a modified Black-Scholes Option Pricing Model ("BSOPM"). Key inputs in the BSOPM are the estimated volatility and rate of return of royalties on global net sales of Tysabri® that are received by Royalty Pharma until the contingent milestones are resolved. As of December 31, 2019, volatility and the estimated fair value of the milestones had a positive relationship such that higher volatility translated to a higher estimated fair value of the contingent milestone payments. Rate of return and the estimated fair value of the milestones had an inverse relationship, such that a lower rate of return correlates with a higher estimated fair value of the contingent milestone payments. We assess volatility and rate of return inputs quarterly by analyzing certain market volatility benchmarks and the risk associated with Royalty Pharma achieving the underlying projected royalties. The table below represents the volatility and rate of return:

	Year Ended
	December 31, 2019
Volatility	30.0 %
Rate of return	7.92 %

Goodwill

Goodwill represents amounts paid for an acquisition in excess of the fair value of net assets received. After completing the divestiture of our Rosemont Pharmaceuticals business, we have five reporting units subject to impairment testing annually, which we performed on the first day of the fourth quarter of the years ended December 31, 2020 and 2019. We perform impairment testing more frequently if events suggest an impairment may exist. We had triggering events during the second, third, and fourth quarters of the year ended December 31, 2020 and the second quarter of the year ended December 31, 2019, and we performed interim impairment tests in those periods. The test for impairment requires us to make several estimates about fair value, most of which are based on projected future cash flows and market valuation multiples. The estimates associated with the goodwill impairment tests are considered critical due to the judgments required in determining fair value amounts, including projected future cash flows that include assumptions about future performance. The discount rates used in testing each of our reporting units' goodwill for impairment during our interim and annual testing were based on the weighted average cost of capital determined for each of our reporting units. In our annual impairment test as of September 27, 2020, discount rates ranged from 7.25% to 10.3%, and perpetual revenue growth rates ranged from 0.0% to 2.0%. In our annual impairment test as of September 29, 2019, discount rates ranged from 7.5% to 12.0%, and perpetual revenue growth rates ranged from 0.0% to 2.0%. Changes in these estimates may result in the recognition of an impairment loss. We recorded goodwill impairment losses of $346.8 million and $109.2 million related to our RX U.S. reporting unit during the years ended December 31, 2020 and December 31, 2019, respectively, which were recorded in Impairment charges on the Consolidated Statements of Operations. In the year ended December 31, 2018, we recorded a goodwill impairment of $136.7 million related to our animal health reporting unit which was subsequently divested on July 8, 2019.

The discounted cash flow forecasts used for our reporting units include assumptions about future activity levels in the near term and longer-term. If growth in our reporting units is lower than expected, we may experience deterioration in our cash flow forecasts that may indicate goodwill in one or more reporting units is impaired in future impairment tests. An increase in the discount rate could negatively impact the estimated fair value of the reporting units and lead to future impairment. Certain macroeconomic factors which are not controlled by the reporting units, such as rising inflation or interest rates, could cause an increase in the discount rate to occur. Deterioration in performance of our reporting units, such as lower than expected revenue or profitability that has a sustained impact on future periods, could also represent potential indicators of impairment requiring further analysis. In our annual impairment test as of September 27, 2020, we evaluated the weighted average cost of capital, market multiples, and forecasted cash flows of each reporting unit, among other factors.

Our RX U.S. reporting unit had an indication of potential impairment during the three months ended September 26, 2020 driven primarily by the stoppage of production and distribution of albuterol sulfate inhalation aerosol and voluntary nationwide recall to the retail level as a result of reports that some units may not dispense due to clogging, combined with a decline in market multiples. We prepared a quantitative analysis as of September 26, 2020 and

determined the carrying value of the RX U.S. reporting unit exceeded its estimated fair value. We recognized a goodwill impairment of $202.4 million, leaving $811.1 million of goodwill in this reporting unit after the impairment.

Our RX U.S. reporting unit had additional indicators of impairment during the three months ended December 31, 2020. We prepared a quantitative test as of December 31, 2020 and determined the carrying value of the RX U.S. reporting unit exceeded its estimated fair value. We recognized a goodwill impairment of $144.4 million, leaving $673.1 million of goodwill in the reporting unit as of December 31, 2020. The RX U.S. reporting unit is at risk for future impairments if it experiences further deterioration in business performance or market multiples or increases in discount rates.

Our Branded Consumer Self-care ("BCS") reporting unit included in the CSCI segment had an indication of potential impairment during the three months ended June 27, 2020 driven by a decrease in forecasted cash flows in the second half of 2020 related to impacts from the COVID-19 pandemic. We prepared a quantitative analysis as of June 27, 2020 and determined that the fair value of the BCS reporting unit continued to exceed net book value by less than 10%. During our annual goodwill testing as of September 27, 2020 and September 29, 2019, we determined the fair value of the BCS reporting unit was less than 10.0% higher than its net book value in both analyses. As a result of the relatively narrow margin between fair value and net book value during the three months ended December 31, 2020 and 2019, this reporting unit is at risk for future impairments if it experiences deterioration in business performance or market multiples or increases in discount rates. Goodwill remaining in this reporting unit was $1,049.2 million as of December 31, 2020.

During our annual goodwill testing as of September 27, 2020 and September 29, 2019, we determined the fair value of the Oral Care International reporting unit included in the CSCI segment was less than 10.0% higher than its net book value, which was due to recent application of fair value acquisition accounting to the reporting unit's net assets rather than the presence of impairment indicators. With a margin between fair value and net book value in this range, the reporting unit is at risk for future goodwill impairments if it experiences deterioration in business performance or market multiples or increases in discount rates. Goodwill remaining in this reporting unit was $88.3 million as of December 31, 2020.

We performed sensitivity analyses on the discounted cash flow valuations that were prepared to estimate the enterprise values of each reporting unit. Discount rates and perpetual revenue growth rates were increased and decreased by increments of 25 or 50 basis points. For the BCS reporting unit, a 75 basis point increase in the discount rate, or a 50 basis point increase in the discount rate combined with a 25 basis point decrease in the residual growth rate, would indicate potential impairment for this reporting unit. For the Oral Care International reporting unit, a 50 basis point increase in the discount rate, or a 25 basis point increase in the discount rate combined with a 25 basis point decrease in the residual growth rate, would indicate potential impairment for this reporting unit. Our sensitivities for both the BCS and Oral Care International reporting units assume a corresponding decrease in market valuation multiples. Based on the sensitivity of the discount rate assumptions on these analyses, an increase in the discount rate over the next twelve months could negatively impact the estimated fair value of the reporting units and lead to a future impairment. Certain macroeconomic factors which are not controlled by the reporting units, such as rising inflation or interest rates, could cause an increase in the discount rate to occur. Deterioration in performance of our reporting units over the next twelve months, such as lower than expected revenue or profitability that has a sustained impact on future periods, could also represent potential indicators of impairment requiring further impairment analysis.

We continue to monitor the progress of our reporting units and assess them for potential impairment should impairment indicators arise, as applicable, and at least annually during our fourth quarter impairment testing.

See Item 8. Note 4 and Note 7 for further information.

Recently Issued Accounting Standards Pronouncements

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

We are a global company with operations primarily throughout North America, Europe, Australia, Mexico, and Israel. We transact business in each location's local currency and in foreign currencies, thereby creating exposures to changes in exchange rates. Our largest exposure is the movement of the U.S. dollar relative to the euro. In addition, our U.S. operations continue to expand their export business, primarily in Canada, China, and Europe, and are subject to fluctuations in the respective exchange rates relative to the U.S. dollar. A large portion of the sales of our Israeli operations is in foreign currencies, primarily U.S. dollars and Euros, while these operations largely incur costs in their local currency.

Due to different sales and cost structures, certain segments experience a negative impact and certain segments a positive impact as a result of changes in exchange rates. We estimate the translation effect of a ten percent devaluation of the U.S. dollar relative to the other foreign currencies in which we transact business would have increased operating income of our non-U.S. operating units by approximately $29.1 million for the year ended December 31, 2020. This sensitivity analysis has inherent limitations. The analysis disregards the possibility that rates of multiple foreign currencies will not always move in the same direction relative to the value of the U.S. dollar over time and does not account for foreign exchange derivatives that we utilize to mitigate fluctuations in exchange rates.

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

The translation of the assets and liabilities of our non-U.S. dollar denominated operations is made using local currency exchange rates as of the end of the year. Translation adjustments are not included in determining net income but are disclosed in Accumulated Other Comprehensive Income ("AOCI") within shareholders' equity on the Consolidated Balance Sheets until a sale or substantially complete liquidation of the net investment in the subsidiary takes place. In certain markets, we could recognize a significant gain or loss related to unrealized cumulative translation adjustments if we were to exit the market and liquidate our net investment. As of December 31, 2020, cumulative net currency translation adjustments increased shareholders' equity by $407.3 million.

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

Interest Rate Risk

We are exposed to interest rate changes primarily as a result of interest income earned on our investment of cash on hand and interest expense on borrowings.

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

See Item 8. Note 9 and Note 1 for further information regarding our derivative instruments and hedging activities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Perrigo Company plc

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Perrigo Company plc (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2021 expressed an unqualified opinion thereon.

Adoption of Accounting Standards Update (ASU) No. 2017-04

As discussed in Note 4 to the consolidated financial statements, the Company changed its method of accounting for goodwill in 2019 due to the adoption of ASU No. 2017-04, *Intangibles – Goodwill and Other*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Goodwill for the RX U.S., BCS, and Oral Care International Reporting Units

Description of the Matter

At December 31, 2020, the Company's goodwill was $3,768.8 million. As discussed in Note 1 of the consolidated financial statements, goodwill is not amortized but rather is tested for impairment at least annually at the reporting unit level. The Company's goodwill is initially assigned to its reporting units as of the acquisition date. The Company recorded goodwill impairment charges of $346.8 million for the year ended December 31, 2020 in the RX U.S. reporting unit.

Auditing management's goodwill impairment tests was complex and highly judgmental due to the significant measurement uncertainty in determining the fair value of the reporting units. In particular, the fair value estimates for the RX U.S., Branded Consumer Self-Care (BCS) and Oral Care International reporting units were sensitive to significant assumptions such as revenue growth, operating margins, and discount rate, which are affected by expected future market or economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment assessment process. For example, we tested controls over the Company's forecast process as well as controls over management's review of the significant assumptions discussed above in estimating the fair values of the reporting units.

To test the fair value of the Company's reporting units, our audit procedures included, among others, assessing methodologies used and testing the significant assumptions discussed above as well as the completeness and accuracy of the underlying data used by the Company. For example, we compared the significant assumptions used by management to current industry and economic trends, changes in the Company's business model, customer base or product mix and other relevant factors. We performed sensitivity analyses of the significant assumptions to evaluate the change in the fair value of the reporting unit resulting from changes in the assumptions. We also reviewed the reconciliation of the fair value of the reporting units to the market capitalization of the Company and evaluated the implied control premium. We also assessed the historical accuracy of the significant assumptions used by management to determine the fair value of its reporting units. The evaluation of the Company's methodology and significant assumptions was performed with the assistance of our valuation specialists.

Uncertain Tax Positions

Description of the Matter

As described in Note 15 to the consolidated financial statements, the Company operates in multiple jurisdictions with complex tax policy and regulatory environments and establishes reserves for uncertain tax positions in accordance with the accounting guidance governing uncertainty in income taxes. Uncertainty in a tax position may arise because tax laws are subject to interpretation. The Company uses significant judgment to (1) determine whether, based on the technical merits, a tax position is more likely than not to be sustained and (2) measure the amount of tax benefit that qualifies for recognition. At December 31, 2020, the Company had liabilities of $396.0 million, excluding interest and penalties, relating to uncertain tax positions.

Auditing the measurement of the Company's uncertain tax positions was challenging because the evaluation of whether a tax position is more likely than not to be sustained and the measurement of the benefit of various tax positions can be complex, involves significant judgment, and is based on interpretations of tax laws and legal rulings.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's accounting process for uncertain tax positions. For example, we tested controls over management's identification of uncertain tax positions and its application of the recognition and measurement principles for uncertain tax positions.

Our audit procedures included, among others, assessing the Company's correspondence with the relevant tax authorities and evaluating income tax opinions or other third-party advice obtained by the Company. To test the Company's assessment and measurement of uncertain tax positions, we involved our tax professionals to assess whether the uncertain tax positions identified by the Company are more-likely-than-not to be sustained upon audit and, if so, to assist in testing the assumptions made by the Company in measuring the amount of tax benefit that qualifies for recognition. We also used our knowledge of, and experience with, the application of domestic and international income tax laws by the relevant income tax authorities to evaluate the Company's assessments of whether the uncertain tax position is more-likely-than-not to be sustained and, if so, the potential outcomes that could occur upon an audit by a taxing authority. We tested the completeness and accuracy of the data and calculations used to determine the amount of tax benefit to recognize. We also evaluated the adequacy of the Company's disclosures to the consolidated financial statements in relation to these matters.

Chargebacks and Product Returns

Description of the Matter

As described in Note 1 to the consolidated financial statements under the caption "Revenue," net product sales include estimates of variable consideration for which accruals and allowances have been established. Variable consideration for product sales include chargebacks, which are recorded as Accrued customer programs, and product returns, which are recorded as a reduction to Accounts receivable.

Auditing the chargeback liability and product returns reserve was challenging because of the subjectivity of certain assumptions required to estimate these amounts. In particular, the accrual for chargebacks includes estimates for outstanding claims that have occurred but for which the related claim has not yet been paid and for future claims that will be made when the wholesaler inventory is sold to the indirect customer. These estimates are based on historical chargeback experience and estimated wholesaler inventory levels. In addition, the estimate of the product returns reserve is based on historical experience with actual returns and considers other factors such as levels of inventory in the distribution channel, product dating and expiration period, size and maturity of the market prior to a product launch, entrance into the market of additional competition, and changes in formulations.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls addressing the risks of material misstatement for chargebacks and product returns. This included, for example, testing controls over management's review of the significant assumptions used to calculate the chargeback liabilities and product returns reserves discussed above.

To test the Company's chargeback liability and product returns reserves, we performed audit procedures that included, among others, testing the accuracy and completeness of the underlying data used in the calculations and evaluating the significant assumptions used by management to estimate its reserves. We also tested the Company's retrospective review of the accuracy of the reserves for product returns, compared the results of the retrospective review to the current year and performed analytical procedures, based on Company and external data sources, to evaluate the completeness of the reserves.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2008.

Grand Rapids, Michigan
March 1, 2021

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

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Net sales	$ 5,063.3	$ 4,837.4	$ 4,731.7
Cost of sales	3,248.1	3,064.1	2,900.2
Gross profit	1,815.2	1,773.3	1,831.5
Operating expenses			
Distribution	100.4	96.1	94.2
Research and development	177.7	187.4	218.6
Selling	579.1	567.0	595.7
Administration	496.0	503.0	435.9
Impairment charges	346.8	184.5	224.4
Restructuring	3.5	26.3	21.0
Other operating expense (income)	(3.7)	4.2	5.2
Total operating expenses	1,699.8	1,568.5	1,595.0
Operating income	115.4	204.8	236.5
Change in financial assets	96.4	(22.1)	(188.7)
Interest expense, net	131.2	121.7	128.0
Other (income) expense, net	17.2	(66.0)	6.1
Loss on extinguishment of debt	20.0	0.2	0.5
Income (loss) before income taxes	(149.4)	171.0	290.6
Income tax expense	13.2	24.9	159.6
Net income (loss)	$ (162.6)	$ 146.1	$ 131.0
Earnings (loss) per share			
Basic	$ (1.19)	$ 1.07	$ 0.95
Diluted	$ (1.19)	$ 1.07	$ 0.95
Weighted-average shares outstanding			
Basic	136.1	136.0	137.8
Diluted	136.1	136.5	138.3

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Net income (loss)	$ (162.6)	$ 146.1	$ 131.0
Other comprehensive income (loss):			
Foreign currency translation adjustments	274.4	28.4	(156.1)
Change in fair value of derivative financial instruments	(13.4)	28.2	(5.7)
Change in post-retirement and pension liability	(5.4)	(1.8)	(5.7)
Other comprehensive income (loss), net of tax	255.6	54.8	(167.5)
Comprehensive income (loss)	$ 93.0	$ 200.9	$ (36.5)

See accompanying Notes to Consolidated Financial Statements.

PERRIGO COMPANY PLC
CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)

	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 641.5	$ 354.3
Accounts receivable, net of allowance for credit losses of $7.6 and $6.7, respectively	1,054.2	1,243.2
Inventories	1,200.2	967.3
Prepaid expenses and other current assets	237.6	165.8
Total current assets	3,133.5	2,730.6
Property, plant and equipment, net	996.0	902.8
Operating lease assets	186.0	129.9
Goodwill and indefinite-lived intangible assets	3,783.9	4,185.5
Definite-lived intangible assets, net	2,974.3	2,921.2
Deferred income taxes	44.2	5.4
Other non-current assets	370.5	426.0
Total non-current assets	8,354.9	8,570.8
Total assets	$ 11,488.4	$ 11,301.4
Liabilities and Shareholders' Equity		
Accounts payable	$ 543.8	$ 520.2
Payroll and related taxes	175.2	156.4
Accrued customer programs	365.9	394.4
Other accrued liabilities	250.3	229.2
Accrued income taxes	9.0	32.2
Current indebtedness	37.8	3.4
Total current liabilities	1,382.0	1,335.8
Long-term debt, less current portion	3,528.3	3,365.8
Deferred income taxes	279.3	280.6
Other non-current liabilities	643.7	515.1
Total non-current liabilities	4,451.3	4,161.5
Total liabilities	5,833.3	5,497.3
Commitments and contingencies - Refer to Note 17		
Shareholders' equity		
Controlling interests:		
Preferred shares, $0.0001 par value per share, 10 shares authorized	—	—
Ordinary shares, €0.001 par value per share, 10,000 shares authorized	7,118.2	7,359.9
Accumulated other comprehensive income	395.0	139.4
Retained earnings (accumulated deficit)	(1,858.1)	(1,695.5)
Total controlling interests	5,655.1	5,803.8
Noncontrolling interest	—	0.3
Total shareholders' equity	5,655.1	5,804.1
Total liabilities and shareholders' equity	$ 11,488.4	$ 11,301.4
Supplemental Disclosures of Balance Sheet Information		
Preferred shares, issued and outstanding	—	—
Ordinary shares, issued and outstanding	133.1	136.1

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Cash Flows From (For) Operating Activities			
Net income (loss)	$ (162.6)	$ 146.1	$ 131.0
Adjustments to derive cash flows:			
Depreciation and amortization	384.8	396.5	423.6
Loss (Gain) on sale of business	20.9	(71.7)	—
Share-based compensation	58.5	52.2	37.7
Impairment charges	346.8	184.5	224.4
Asset abandonments	—	11.0	—
Change in financial assets	96.4	(22.1)	(188.7)
Loss on extinguishment of debt	20.0	0.2	0.5
Restructuring charges	3.5	26.3	21.0
Deferred income taxes	(54.5)	(43.9)	(17.9)
Amortization of debt premium	(2.4)	(4.4)	(8.1)
Other non-cash adjustments, net	(6.0)	26.6	(11.1)
Subtotal	705.4	701.3	612.4
Increase (decrease) in cash due to:			
Accounts receivable	168.9	(140.7)	21.0
Inventories	(170.6)	(67.0)	(98.6)
Accounts payable	(2.7)	17.0	28.8
Payroll and related taxes	10.8	(3.7)	(34.5)
Accrued customer programs	(43.3)	(48.6)	25.5
Accrued liabilities	(23.1)	(23.2)	(20.9)
Accrued income taxes	(7.0)	(74.5)	68.1
Other, net	(2.2)	27.2	(8.8)
Subtotal	(69.2)	(313.5)	(19.4)
Net cash from (for) operating activities	636.2	387.8	593.0
Cash Flows From (For) Investing Activities			
Proceeds from royalty rights	4.1	2.9	13.7
Acquisitions of businesses, net of cash acquired	(168.5)	(747.7)	—
Asset acquisitions	(35.2)	(149.1)	(35.6)
Purchase of equity method investment	(15.0)	—	—
Purchase of investment securities	—	—	(7.5)
Proceeds from the Royalty Pharma contingent milestone	—	250.0	—
Additions to property, plant and equipment	(170.4)	(137.7)	(102.6)
Net proceeds from sale of business	187.8	182.5	5.2
Other investing, net	9.4	3.0	—
Net cash from (for) investing activities	(187.8)	(596.1)	(126.8)
Cash Flows From (For) Financing Activities			
Borrowings (repayments) of revolving credit agreements and other financing, net	(3.9)	0.5	(4.4)
Issuances of long-term debt	743.8	600.0	431.0
Payments on long-term debt	(590.0)	(476.0)	(482.5)
Premiums on early debt retirement	(19.0)	—	—
Deferred financing fees	(6.7)	(1.0)	(2.4)
Issuance of ordinary shares	—	0.9	1.3
Repurchase of ordinary shares	(164.2)	—	(400.0)
Cash dividends	(123.9)	(112.4)	(104.9)
Other financing, net	(17.2)	(10.2)	(10.0)
Net cash from (for) financing activities	(181.1)	1.8	(571.9)
Effect of exchange rate changes on cash and cash equivalents	19.9	9.7	(21.9)
Net increase (decrease) in cash and cash equivalents	287.2	(196.8)	(127.6)
Cash and cash equivalents, beginning of period	354.3	551.1	678.7
Cash and cash equivalents, end of period	$ 641.5	$ 354.3	$ 551.1

	Year Ended		
	December 31, 2020	**December 31, 2019**	**December 31, 2018**
Supplemental Disclosures of Cash Flow Information			
Cash paid/received during the year for:			
Interest paid	$ 145.8	$ 136.8	$ 133.8
Interest received	$ 12.1	$ 15.1	$ 5.0
Income taxes paid	$ 81.2	$ 136.2	$ 144.2
Income taxes refunded	$ 38.3	$ 28.0	$ 5.1

See accompanying Notes to Consolidated Financial Statements.

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

	Ordinary Shares Issued		Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount			
Balance at December 31, 2017	140.8	$ 7,892.9	$ 253.1	$ (1,975.5)	$ 6,170.5
Adoption of new accounting standards	—	—	(1.0)	6.2	5.2
Net income	—	—	—	131.0	131.0
Other comprehensive loss	—	—	(167.5)	—	(167.5)
Issuance of ordinary shares under:					
Stock options	0.1	1.3	—	—	1.3
Restricted stock plan	0.2	—	—	—	—
Compensation for stock options	—	8.1	—	—	8.1
Compensation for restricted stock	—	29.6	—	—	29.6
Cash dividends, $0.76 per share	—	(104.9)	—	—	(104.9)
Shares withheld for payment of employees' withholding tax liability	(0.1)	(5.3)	—	—	(5.3)
Repurchases of ordinary shares	(5.1)	(400.0)	—	—	(400.0)
Balance at December 31, 2018	135.9	7,421.7	84.6	(1,838.3)	5,668.0
Adoption of new accounting standards	—	—	—	(3.3)	(3.3)
Net income	—	—	—	146.1	146.1
Other comprehensive income	—	—	54.8	—	54.8
Issuance of ordinary shares under:					
Stock options	—	0.9	—	—	0.9
Restricted stock plan	0.3	—	—	—	—
Compensation for stock options	—	4.7	—	—	4.7
Compensation for restricted stock	—	50.6	—	—	50.6
Cash dividends, $0.82 per share	—	(112.4)	—	—	(112.4)
Shares withheld for payment of employees' withholding tax liability	(0.1)	(5.6)	—	—	(5.6)
Balance at December 31, 2019	136.1	7,359.9	139.4	(1,695.5)	5,803.8
Net loss	—	—	—	(162.6)	(162.6)
Other comprehensive income	—	—	255.6	—	255.6
Issuance of ordinary shares under:					
Restricted stock plan	0.6	—	—	—	—
Compensation for stock options	—	2.0	—	—	2.0
Compensation for restricted stock	—	56.5	—	—	56.5
Cash dividends, $0.90 per share	—	(123.9)	—	—	(123.9)
Repurchases of ordinary shares	(3.4)	(164.2)	—	—	(164.2)
Shares withheld for payment of employees' withholding tax liability	(0.2)	(10.7)	—	—	(10.7)
Purchase of subsidiary's minority interest	—	(1.4)	—	—	(1.4)
Balance at December 31, 2020	133.1	$ 7,118.2	$ 395.0	$ (1,858.1)	$ 5,655.1

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The Company

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

Our vision is *to make lives better by bringing Quality, Affordable Self-Care Products that consumers trust everywhere they are sold*. We are a leading provider of over-the-counter ("OTC") health and wellness solutions that enhance individual well-being by empowering consumers to proactively prevent or treat conditions that can be self-managed. We are also a leading producer of generic prescription pharmaceutical topical products including creams, lotions, gels and nasal sprays.

Basis of Presentation

Our fiscal year begins on January 1 and ends on December 31 of each year. We end our quarterly accounting periods on the Saturday closest to the end of the calendar quarter, with the fourth quarter ending on December 31 of each year.

Segment Reporting

Our reporting and operating segments are as follows:

- **Consumer Self-Care Americas ("CSCA")** comprises our consumer self-care business (OTC, infant formula, and oral self-care categories, our divested animal health category, and contract manufacturing) in the U.S., Mexico and Canada.
- **Consumer Self-Care International ("CSCI")** comprises our consumer self-care business primarily branded in Europe and Australia, our store brand business in the United Kingdom and parts of Europe and Asia, and our divested liquid licensed products business in the United Kingdom.
- **Prescription Pharmaceuticals ("RX")** comprises our prescription pharmaceuticals business in the U.S., which are predominantly generics, and our pharmaceuticals and diagnostic businesses in Israel.

Our segments reflect the way in which our management makes operating decisions, allocates resources and manages the growth and profitability of the Company. Financial information related to our business segments and geographic locations can be found in Note 2 and Note 20.

Principles of Consolidation

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

Unconsolidated Variable Interest Entities

We have research and development ("R&D") arrangements with certain biotechnology companies that we determined to be variable interest entities ("VIEs"). We did not consolidate the VIEs in our financial statements because we lack the power to direct the activities that most significantly impact their economic performance and thus are not considered the primary beneficiaries of these entities. These arrangements provide us with certain rights and obligations to purchase product candidates from the VIEs, dependent upon the outcome of the development activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions, which affect the reported earnings, financial position and various disclosures. Although the estimates are considered reasonable, actual results could differ from the estimates.

Non-U.S. Operations

We translate our non-U.S. dollar-denominated operations' assets and liabilities into U.S. dollars at current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded in the cumulative translation account, a component of Accumulated other comprehensive income (loss) ("AOCI"). Gains or losses from foreign currency transactions are included in Other (income) expense, net.

Revenue

Product Revenue

We generally recognize product revenue for our contract performance obligations at a point in time, typically upon shipment or delivery of products to customers. For point in time customers for which control transfers on delivery to the customer due to free on board destination terms ("FOB"), an adjustment is recorded to defer revenue recognition over an estimate of days until control transfers at the point of delivery. Where we recognize revenue at a point in time, the transfer of title is the primary indicator that control has transferred. In other limited instances, primarily relating to those contracts that relate to contract manufacturing performed for our customers and certain store branded products, control transfers as the product is manufactured. Control is deemed to transfer over time for these contracts as the product does not have an alternative use and we have a contractual right to payment for performance completed to date. Revenue for contract manufacturing contracts is recognized over the transfer period using an input method that measures progress towards completion of the performance obligation as costs are incurred. For store branded product revenue recognized over time, an output method is used to recognize revenue when production of a unit is completed because product customization occurs when the product is packaged as a finished good under the store brand label of the customer.

Net product sales include estimates of variable consideration for which accruals and allowances are established. Variable consideration for product sales consists primarily of chargebacks, rebates, and administrative fees and other incentive programs recorded on the Consolidated Balance Sheets as Accrued customer programs, and sales returns and shelf stock allowances recorded on the Consolidated Balance Sheets as a reduction to Accounts receivable. Where appropriate, these estimates take into consideration a range of possible outcomes in which relevant factors, such as historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns, are either probability weighted to derive an estimate of expected value or the estimate reflects the single most likely outcome. Overall, these reserves reflect the best estimates of the amount of consideration to which we are entitled based on the terms of the contract. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from the estimates, these estimates are adjusted, which would affect revenue and earnings in the period such variances become known. Accrued customer programs and allowances were $458.7 million and $483.7 million at December 31, 2020 and December 31, 2019, respectively.

Other Revenue Policies

We receive payments from our customers based on billing schedules established in each contract. Amounts are recorded as accounts receivable when our right to consideration is unconditional. In most cases, the timing of the unconditional right to payment aligns with shipment or delivery of the product and the recognition of revenue; however, for those customers where revenue is recognized at a time prior to shipment or delivery due to over time revenue recognition, a contract asset is recorded and is reclassified to accounts receivable when it becomes unconditional under the contract upon shipment or delivery to the customer.

Our performance obligations are generally expected to be fulfilled in less than one year. Therefore, we do not provide quantitative information about remaining performance obligations.

We do not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised products to the customer will be one year or less, which is the case with substantially all customers.

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue.

Shipping and handling costs billed to customers are included in Net sales. Conversely, shipping and handling expenses we incur are included in Cost of sales.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits and other short-term investments with maturities of three months or less at the date of purchase. The carrying amount of cash and cash equivalents approximates its fair value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in first-out method. Costs include material and conversion costs. Inventory related to R&D is expensed when it is determined the materials have no alternative future use.

We maintain reserves for estimated obsolete or unmarketable inventory based on the difference between the cost of the inventory and its estimated net realizable value. In estimating the reserves, management considers factors such as excess or slow-moving inventories, product expiration dating, products on quality hold, current and future customer demand and market conditions. Changes in these conditions may result in additional reserves (refer to Note 6).

Investments

Fair Value Method Investments

Equity investments in which we own less than a 20% interest and cannot exert significant influence are recorded at fair value with unrealized gains and losses included in net income. For equity investments without readily determinable fair values, we may use the Net Asset Value ("NAV") per share as a practical expedient to measure the fair value, if eligible. If the NAV practical expedient cannot be applied, we may elect to use a measurement alternative until the investment’s fair value becomes readily determinable. Under the alternative method, the equity investments are accounted for at cost, less any impairment, plus or minus changes resulting from observable price changes in an orderly transaction for an identical or similar investment of the same issuer.

Equity Method Investments

The equity method of accounting is used for unconsolidated entities over which we have significant influence; generally, this represents ownership interests of at least 20% and not more than 50%. Under the equity method of accounting, we record the investments at carrying value and adjust for a proportionate share of the profits and losses of these entities each period. We evaluate our equity method investments for recoverability. If we determine that a loss in the value of an investment is other than temporary, the investment is written down to its estimated fair value. Evaluations of recoverability are based primarily on projected cash flows.

For more information on our investments, refer to Note 8.

Derivative Instruments

We recognize the entire change in the fair value of the effective portion of derivatives designated as:

- Cash flow hedges in Other Comprehensive Income ("OCI"). The amounts recorded in OCI will subsequently be reclassified to earnings in the same line item on the Consolidated Statements of Operations as impacted by the hedged item when the hedged item affects earnings;

- Fair value hedges in the same line item on the Consolidated Statements of Operations that is used to present the earnings effect of the hedged item; and

- Net investment hedges in OCI classified as a currency translation adjustment. When the net investment in foreign operations is sold or substantially liquidates, the amounts recorded in AOCI are reclassified to earnings.

We exclude option premiums, forward points, and cross-currency basis spread from our assessment of hedge effectiveness, as allowable excluded components from certain of our cash flow and net investment hedges. We have elected to recognize the initial value of the excluded component on a straight-line basis over the life of the derivative instrument, within the same line item on the Consolidated Statements of Operations that is used to present the earnings effect of the hedged item.

We record derivative instruments on the balance sheet on a gross basis as either an asset or liability measured at fair value (refer to Note 7). Additionally, changes in a derivative's fair value, which are measured at the end of each period, are recognized in earnings unless a derivative can be designated in a qualifying hedging relationship. All realized and unrealized gains and losses are included within operating activities in the Consolidated Statements of Cash Flows.

Designated derivatives meet hedge accounting criteria, which means the fair value of the hedge is recorded in shareholders' equity as a component of OCI, net of tax. The deferred gains and losses are recognized in income in the period in which the hedged item affects earnings. All of our designated derivatives are assessed for hedge effectiveness quarterly.

We also have 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.

We are exposed to credit loss in the event of nonperformance by the counterparties on derivative contracts. It is our policy to manage our credit risk on these transactions by dealing only with financial institutions having a long-term credit rating of "Aa3" or better and by distributing the contracts among several financial institutions to diversify credit concentration risk. Should a counterparty default, our maximum exposure to loss is the asset balance of the instrument. The maximum term of our forward currency exchange contracts is 60 months.

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

Interest rate risk management - We are exposed to the impact of interest rate changes through our cash investments and borrowings. We utilize a variety of strategies to manage the impact of changes in interest rates including using a mix of debt maturities along with both fixed-rate and variable-rate debt. In addition, we may enter into treasury-lock agreements and interest rate swap agreements on certain investing and borrowing transactions to manage our exposure to interest rate changes and our overall cost of borrowing.

Foreign currency exchange risk management - We conduct business in several major currencies other than the U.S. dollar and are subject to risks associated with changing foreign exchange rates. Our 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, we enter into various contracts that change in value as foreign exchange rates change to protect the value of existing foreign currency assets and liabilities, commitments, anticipated foreign currency sales and expenses, and net investments in foreign operations.

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. We do not use derivative financial instruments for speculative purposes.

The impact of gains and losses on foreign exchange contracts not designated as hedging instruments related to changes in the fair value of assets and liabilities denominated in foreign currencies are generally offset by net foreign exchange gains and losses, which are also included on the Consolidated Statements of Operations in Other (income) expense, net for all periods presented. When we enter into foreign exchange contracts not

designated as hedging instruments to mitigate the impact of exchange rate volatility in the translation of foreign earnings, gains and losses will generally be offset by fluctuations in the U.S. dollar-translated amounts of each Income Statement account in current and/or future periods.

For more information on our derivatives, refer to Note 9.

Property, Plant and Equipment, net

Property, plant and equipment, net is recorded at cost and is depreciated using the straight-line method. Useful lives for financial reporting range from 3 to 20 years for machinery and equipment and 10 to 45 years for buildings. We capitalize certain computer software and development costs, included in machinery and equipment, when incurred in connection with developing or obtaining computer software for internal use. Capitalized software costs are amortized over the estimated useful lives of the software, which range from 3 to 10 years. Maintenance and repair costs are charged to earnings, while expenditures that increase asset lives are capitalized. Depreciation expense includes amortization of assets recorded under finance leases and totaled $90.1 million, $91.0 million, and $90.0 million for the years ended December 31, 2020, December 31, 2019, and December 31, 2018, respectively.

We held the following property, plant and equipment, net (in millions):

	December 31, 2020	December 31, 2019
Land	$ 55.6	$ 50.4
Buildings	607.4	578.7
Machinery and equipment	1,342.4	1,195.8
Gross property, plant and equipment	2,005.4	1,824.9
Less: accumulated depreciation	(1,009.4)	(922.1)
Property, plant and equipment, net	$ 996.0	$ 902.8

Leases

We adopted ASU 2016-02, Leases, as of January 1, 2019, using the modified retrospective transition approach, with a cumulative-effect adjustment to the opening balance of retained earnings as of the effective date. The financial results reported in periods prior to 2019 are unchanged. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed us to carry forward the historical lease classification.

Adoption of the new standard resulted in additional operating lease liabilities and lease assets, including the transition of existing capital lease liabilities and lease assets to finance classification, of approximately $166.5 million and $164.0 million, respectively, as of January 1, 2019. Upon adoption, there were two primary reasons for the differences between the lease assets and liabilities recognized: (1) the transition requirement to reduce the operating lease asset carrying value by the deferred lease liabilities that existed prior to the adoption date; and (2) the transition of capital leases to finance leases which occurred at their existing carrying values. Additionally, historical build-to-suit assets and liabilities were removed on transition and recorded as an adjustment to retained earnings, net of deferred tax impact. The standard did not materially impact our consolidated net income or cash flow classification.

We lease certain office buildings, warehouse facilities, vehicles, and plant, office, and computer equipment. Lease assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

We evaluate arrangements at inception to determine if lease components are included. An arrangement includes a lease component if it identifies an asset and we have control over the asset. For new leases beginning January 1, 2019 or later, we have elected not to separate lease components from the non-lease components included in an arrangement when measuring the leased asset and leased liability for all asset classes.

Lease assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet. We recognize lease expense for leases on a straight-line basis over the lease term.

We apply the portfolio approach to certain groups of computer equipment and vehicle leases when the term, classification, and asset type are identical. The discount rate selected is the incremental borrowing rate we would obtain for a secured financing of the lease asset over a similar term.

Many of our leases include one or more options to extend the lease term. Certain leases also include options to terminate early or purchase the leased property, all of which are executed at our sole discretion. Optional periods may be included in the lease term and measured as part of the lease asset and lease liability if we are reasonably certain to exercise our right to use the leased asset during the optional periods. We generally consider renewal options to be reasonably certain of execution and included in the lease term when significant leasehold improvements have been made by us to the leased assets. The depreciable lives of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Certain of our lease agreements include contingent rental payments based on per unit usage over contractual levels (e.g., miles driven or machine hours used) and others include rental payments adjusted periodically for market reviews or inflationary indexes. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

For more information on our leases, refer to Note 10.

Goodwill and Intangible Assets

Goodwill

Goodwill represents amounts paid for an acquisition in excess of the fair value of net assets acquired. Goodwill is tested for impairment annually on the first day of our fourth quarter, or more frequently if changes in circumstances or the occurrence of events suggest an impairment exists.

The test for impairment requires us to make several estimates about fair value, most of which are based on projected future cash flows and market valuation multiples. The estimates associated with the goodwill impairment tests are considered critical due to the judgments required in determining fair value amounts, including projected discounted future cash flows. Changes in these estimates may result in the recognition of an impairment loss. We have five reporting units that are evaluated for impairment.

Intangible Assets

We have intangible assets that we have acquired through various business acquisitions and include trademarks, trade names and brands, in-process research and development ("IPR&D"), developed product technology/formulation and product rights, distribution and license agreements, customer relationships and distribution networks, and non-compete agreements. The assets are typically valued initially using the relief from royalty method or the multi-period excess earnings method ("MPEEM").

We test indefinite-lived trademarks, trade names, and brands for impairment annually, or more frequently if changes in circumstances or the occurrence of events suggest impairment exists, by comparing the carrying value of the assets to their estimated fair values. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

Definite-lived intangible assets consist of a portfolio of developed product technology/formulation and product rights, distribution and license agreements, customer relationships, non-compete agreements, and certain trademarks, trade names, and brands. The assets are amortized on either a straight-line basis or proportionately to the benefits derived from those relationships or agreements. Useful lives vary by asset type and are determined based on the period over which the intangible asset is expected to contribute directly or indirectly to our future cash flows. We also review all other long-lived assets that have finite lives and that are not held for sale for impairment when indicators of impairment are evident by comparing the carrying value of the assets to their estimated future undiscounted cash flows.

IPR&D assets are recognized at fair value and are classified as indefinite-lived assets until the successful completion or abandonment of the associated R&D efforts. If the associated R&D is completed, the IPR&D asset

becomes a definite-lived intangible asset and is amortized over the asset's assigned useful life. If it is abandoned, an impairment loss is recorded.

Goodwill, indefinite-lived intangible asset, and definite-lived intangible asset impairments are recorded in Impairment charges on the Consolidated Statement of Operations. See Note 4 for further information on our goodwill and intangible assets.

Share-Based Awards

We measure and record compensation expense for all share-based awards based on estimated grant date fair values. For awards with only service conditions that are based on graded vesting schedules, we recognize the compensation expense on a straight-line basis over the entire award. Forfeitures on share-based awards are recognized in compensation expense in the period in which they occur.

We estimate the fair value of stock option awards granted based on the Black-Scholes option pricing model, which requires the use of subjective and complex assumptions. These assumptions include estimating the expected term that awards granted are expected to be outstanding, the expected volatility of our stock price for a period commensurate with the expected term of the related options, and the risk-free rate with a maturity closest to the expected term of the related awards. Restricted stock and restricted stock units are valued based on our stock price on the day the awards are granted. The estimated fair value of outstanding Relative Total Shareholder Return performance units (“RTSR”) is based on the grant date fair value of RTSR awards using a Monte Carlo simulation, which includes estimating the movement of stock prices and the effects of volatility, interest rates, and dividends (refer to Note 13).

Income Taxes

We record deferred income tax assets and liabilities on the balance sheet as noncurrent based upon the difference between the financial reporting and the tax reporting basis of assets and liabilities using the enacted tax rates. To the extent that available evidence raises doubt about the realization of a deferred income tax asset, a valuation allowance is established.

We have provided for income taxes for undistributed earnings of certain foreign subsidiaries which have not been deemed to be permanently reinvested. For those foreign subsidiaries we have deemed to be permanently reinvested, we have provided no further tax provision.

We record reserves for uncertain tax positions to the extent it is more likely than not the tax return position will be sustained on audit, based on the technical merits of the position. Periodic changes in reserves for uncertain tax positions are reflected in the provision for income taxes. We include interest and penalties attributable to uncertain tax positions and income taxes as a component of our income tax provision (refer to Note 15).

Legal Contingencies

We are involved in product liability, patent, commercial, regulatory and other legal proceedings that arise in the normal course of business. We record a liability when a loss is considered probable and the amount can be reasonably estimated. If the reasonable estimate of a probable loss is a range and no amount within that range is a better estimate, the minimum amount in the range is accrued. If a loss is not probable or a probable loss cannot be reasonably estimated, no liability is recorded. We have established reserves for certain of our legal matters (refer to Note 17). We do not incorporate insurance recoveries into our reserves for legal contingencies. We separately record receivables for amounts due under insurance policies when we consider the realization of recoveries for claims to be probable, which may be different than the timing in which we establish the loss reserves.

Research and Development

All R&D costs, including payments related to products under development and research consulting agreements, are expensed as incurred. We incur costs throughout the development cycle, including costs for research, clinical trials, manufacturing validation, and other pre-commercialization approval costs that are included in R&D. We may continue to make non-refundable payments to third parties for new technologies and for R&D work that has been completed. These payments may be expensed at the time of payment depending on the nature of the payment made. R&D expense was $177.7 million, $187.4 million, and $218.6 million, for the years ended December 31, 2020, December 31, 2019 and December 31, 2018, respectively. During the year ended December 31, 2018, we paid an up-front license fee of $50.0 million allowing us to develop and commercialize an OTC version of Nasonex-branded products (refer to Note 3).

We actively collaborate with other pharmaceutical companies to develop, manufacture and market certain products or groups of products. We may choose to enter into these types of agreements to, among other things, leverage our or others' scientific research and development expertise or utilize our extensive marketing and distribution resources. Our policy on accounting for costs of strategic collaborations determines the timing of the recognition of certain development costs. In addition, this policy determines whether the cost is classified as a development expense or capitalized as an asset. Management is required to form judgments with respect to the commercial status of such products in determining whether development costs meet the criteria for immediate expense or capitalization. For example, when we acquire certain products for which there is already an Abbreviated New Drug Application ("ANDA") or New Drug Application ("NDA") approval directly related to the product, and there is net realizable value based on projected sales for these products, we capitalize the amount paid as an intangible asset. If we acquire product rights that are in the development phase and as to which we have no assurance that the third party will successfully complete its development milestones, we expense the amount paid (refer to Note 18).

Advertising Costs

Advertising costs relate primarily to print advertising, direct mail, on-line advertising, social media communications, and television advertising and are expensed as incurred. For the year ended December 31, 2020, 85% of advertising expense was attributable to our CSCI segment. Advertising costs were as follows (in millions):

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
	$ 130.5	$ 142.8	$ 159.2

Earnings per Share ("EPS")

Basic EPS is calculated using the weighted-average number of ordinary shares outstanding during each period. It excludes both the dilutive effects of additional common shares that would have been outstanding if the shares issued under stock incentive plans had been exercised and the dilutive effect of restricted share units, to the extent those shares and units have not vested. Diluted EPS is calculated including the effects of shares and potential shares issued under stock incentive plans, following the treasury stock method.

Defined Benefit Plans

We operate a number of defined benefit plans for employees globally.

Two significant assumptions, the discount rate and the expected rate of return on plan assets, are important elements of expense and liability measurement. We evaluate these assumptions annually. Other assumptions involve employee demographic factors, such as retirement patterns, mortality, turnover, and the rate of compensation increase.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of either high quality corporate bonds or long term government bonds depending on the depth and liquidity of

the high quality corporate bond market in the different geographies where we have pension liabilities. The bonds are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses are recognized on the Consolidated Statement of Operations using the corridor method. Under the corridor method, to the extent that any cumulative unrecognized net actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets, that portion is recognized over the expected average remaining working lives of the plan participants. Otherwise, the net actuarial gain or loss is recorded in OCI. We recognize the funded status of benefit plans on the Consolidated Balance Sheets. In addition, we recognize the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic pension cost of the period as a component of OCI (refer to Note 16).

Recent Accounting Standard Pronouncements

Below are recent Accounting Standard Updates ("ASU") that we are assessing to determine the effect on our Consolidated Financial Statements. We do not believe that any other recently issued accounting standards could have a material effect on our Consolidated Financial Statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

Recently Issued Accounting Standards Not Yet Adopted

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2019-12: Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	This guidance enhances and simplifies various aspects of the income tax accounting guidance in ASC 740.	January 1, 2021	As of January 1, 2021 we adopted ASU 2019-12, which could have a material impact on the Consolidated Financial Statements due to the sale of the RX business and we are currently assessing the impact.

Recently Adopted Accounting Standard Update

On January 1, 2020, we adopted ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 326")*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the Current Expected Credit Loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost.

We adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, which includes trade receivables and contract assets. The cumulative effect of adopting ASC 326 was not material.

Allowance for Credit Losses

Expected credit losses on trade receivables and contract assets are measured collectively by geographic location. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and for reasonable and supportable forecasts. Historical credit loss experience provides the primary basis for estimation of expected credit losses. Adjustments to historical loss information may be made for significant changes in a geographic location’s economic conditions. Receivables that do not share risk characteristics are evaluated on an individual basis. These receivables are not included in the collective evaluation.

The allowance for credit losses is a valuation account that is deducted from the instruments’ cost basis to present the net amount expected to be collected. Trade receivables and contract assets are charged off against the allowance when the balance is no longer deemed collectible.

The following table presents the allowance for credit losses activity (in millions):

	Year Ended
	December 31, 2020
Beginning balance	$ 6.7
Provision for credit losses, net	2.9
Receivables written-off	(2.3)
Recoveries collected	—
Currency translation adjustment	0.3
Ending balance	$ 7.6

NOTE 2 - REVENUE RECOGNITION

Revenue is recognized when or as a customer obtains control of promised products. The amount of revenue recognized reflects the consideration we expect to be entitled to receive in exchange for these products.

Disaggregation of Revenue

We generated net sales in the following geographic locations[(1)] during each of the periods presented below (in millions):

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
U.S.	$ 3,441.1	$ 3,225.6	$ 3,098.3
Europe[(2)]	1,350.6	1,335.8	1,347.6
All other countries[(3)]	271.6	276.0	285.8
Total net sales	$ 5,063.3	$ 4,837.4	$ 4,731.7

(1) The net sales by geography is derived from the location of the entity that sells to a third party.
(2) Includes Ireland net sales of $29.8 million, $23.4 million, and $25.7 million for the years ended December 31, 2020, December 31, 2019, and December 31, 2018, respectively.
(3) Includes revenue generated primarily in Israel, Mexico, Australia, and Canada.

Product Category

The following is a summary of our net sales by category (in millions):

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
CSCA[1]			
Upper respiratory	$ 489.5	$ 515.2	$ 492.5
Digestive health	452.6	413.9	403.6
Pain and sleep-aids	424.7	383.6	388.1
Nutrition	387.4	394.4	432.4
Healthy lifestyle	348.5	352.4	333.6
Oral self-care	284.6	106.4	—
Skincare and personal hygiene	191.8	182.9	164.1
Vitamins, minerals, and supplements	27.0	28.6	26.1
Animal health	—	43.7	93.9
Other CSCA[2]	86.9	66.6	77.3
Total CSCA	2,693.0	2,487.7	2,411.6
CSCI			
Skincare and personal hygiene	351.8	371.6	396.5
Upper respiratory	255.1	276.8	276.5
Vitamins, minerals, and supplements	201.0	180.2	187.2
Pain and sleep-aids	190.4	167.9	170.0
Healthy lifestyle	165.4	173.8	180.7
Oral self-care	97.8	51.2	8.9
Digestive health	26.5	27.1	29.5
Other CSCI[3]	107.2	133.6	150.0
Total CSCI	1,395.2	1,382.2	1,399.3
RX	975.1	967.5	920.8
Total net sales	$ 5,063.3	$ 4,837.4	$ 4,731.7

(1) Includes net sales from our OTC contract manufacturing business.
(2) Consists primarily of diagnostic products and other miscellaneous or otherwise uncategorized product lines and markets, none of which is greater than 10% of the segment net sales.
(3) Consists primarily of liquid licensed products, our distribution business and other miscellaneous or otherwise uncategorized product lines and markets, none of which is greater than 10% of the segment net sales.

While the majority of revenue is recognized at a point in time, certain of our product revenue is recognized on an over time basis. Predominately, over time customer contracts exist in contract manufacturing arrangements, which occur in both the CSCA and CSCI segments. Contract manufacturing revenue was $262.4 million, $286.8 million, and $300.5 million for the years ended December 31, 2020, December 31, 2019, and December 31, 2018, respectively.

We also recognize a portion of the store brand OTC product revenues in the CSCA segment on an over time basis; however, the timing difference between over time and point in time revenue recognition for store brand contracts is not significant due to the short time period between the customization of the product and shipment or delivery.

Contract Balances

The following table provides information about contract assets from contracts with customers (in millions):

	Balance Sheet Location	December 31, 2020	December 31, 2019
Short-term contract assets	Prepaid expenses and other current assets	$ 19.7	$ 26.3

NOTE 3 - ACQUISITIONS AND DIVESTITURES

Acquisitions During the Year Ended December 31, 2020

Generic Topical Gel Acquisition

On December 31, 2020, we purchased an Abbreviated New Drug Application ("ANDA") for a generic topical gel for $16.4 million payable in January 2021, which we capitalized as a developed product technology intangible asset. We launched the product in January 2021 and began amortizing it over a 20-year useful life. Operating results attributable to the product are included within our RX segment.

Eastern European OTC Dermatological Brands Acquisition

On October 30, 2020, we acquired three Eastern European OTC dermatological brands ("Eastern European Brands"), skincare brands Emolium®, Iwostin®, and hair loss treatment brand Loxon® from Sanofi. The transaction closed for €53.3 million ($62.3 million). We capitalized $52.5 million as brand-named intangible assets and allocated the remainder of the purchase price to goodwill, inventory, customer relationships and deferred tax assets.

The addition of these brands complements our already robust skincare portfolio and adds scale to our Eastern European business. The addition of these market-leading OTC brands serves as another step for Perrigo's CSCI growth plans and provides new opportunities for self-care revenue synergy in the European markets. The operating results of the brands will be reported within our CSCI segment.

The acquisition of the Eastern European Brands was accounted for as a business combination and has been reported in our Consolidated Statements of Operations as of the acquisition date. During the year ended December 31, 2020, we recorded transaction costs in Administration expenses within the CSCI segment.

We are in the process of gathering significant relevant information needed to complete the valuation for the assets acquired and liabilities assumed. As a result, the initial accounting for the acquisition is incomplete. The provisional acquisition amounts recognized for assets acquired and liabilities assumed will be finalized as soon as possible but no later than one year from the acquisition date. The final determination may result in asset and liability fair values and tax bases that differ from the preliminary estimates and require changes to the preliminary amounts recognized.

The goodwill arising from the acquisition consists largely of the assembled workforce, and the cost and revenue synergies expected from integrating the business into the CSCI segment. The goodwill was allocated to our CSCI segment, none of which is deductible for income tax purposes. The definite-lived intangible assets acquired consisted of brands and customer relationships which are being amortized over a weighted average useful life of approximately 18.8 years. Both the brands and customer relationships were valued using the multi-period excess earnings method. Significant judgment was applied in estimating the fair value of the intangible assets acquired, which involved the use of significant estimates and assumptions with respect to the timing and amounts of cash flow projections, including revenue growth rates, projected profit margins, and discount rates.

Oral Care Assets of High Ridge Brands

On April 1, 2020, we acquired the oral care assets of High Ridge Brands ("Dr. Fresh") for total purchase consideration of $113.0 million, subject to customary post-closing adjustments, including a working capital settlement. After post-closing adjustments as of December 31, 2020, total cash consideration paid was $106.2 million, net of $2.0 million that we allocated as prepayment of contract consideration for transitional services to be received related to the transaction.

This acquisition includes the children's oral care value brand, Firefly®, in addition to the REACH® and Dr. Fresh® brands, and a licensing portfolio. The U.S. operations, which represent a significant portion of the business, will be reported in our CSCA segment and the remaining non-U.S. operations will be reported in our CSCI segment.

During the year ended December 31, 2020, we incurred $4.4 million of general transaction costs (legal, banking and other professional fees). The amounts were recorded in Administration expenses within the CSCA segment.

The acquisition of Dr. Fresh was accounted for as a business combination and has been reported in our Consolidated Statements of Operations as of the acquisition date. From April 1, 2020 through December 31, 2020, the acquisition generated Net sales of $72.3 million and pre-tax income of $2.1 million, which included $2.0 million related to inventory costs stepped up to acquisition date fair value.

We are in the process of finalizing the valuation for the assets acquired and liabilities assumed. As a result, the initial accounting for the acquisition is incomplete. The provisional acquisition amounts recognized for assets acquired and liabilities assumed will be finalized as soon as possible but no later than one year from the acquisition date. The final determination may result in asset and liability fair values and tax bases that differ from the preliminary estimates and require changes to the preliminary amounts recognized.

During the three months ended December 31, 2020, we recorded measurement period adjustments to reduce the value of acquired inventory by $1.2 million with an offsetting increase to goodwill. The measurement period adjustment also decreased the amount of Cost of sales recognized by $1.2 million in the three months ended December 31, 2020.

The following table summarizes the consideration paid for Dr. Fresh and the provisional amounts of the assets acquired and liabilities assumed (in millions):

	Oral Care Assets of High Ridge Brands (Dr. Fresh)
Purchase price paid	$ 106.2
Assets acquired:	
Accounts receivable	$ 13.1
Inventories	22.2
Prepaid expenses and other current assets	0.4
Property, plant and equipment, net	0.7
Operating lease assets	2.6
Goodwill	17.2
Distribution and license agreements and supply agreements	$ 2.2
Developed product technology, formulations, and product rights	0.1
Customer relationships and distribution networks	20.6
Trademarks, trade names, and brands	43.2
Total intangible assets	$ 66.1
Total assets	$ 122.3
Liabilities assumed:	
Accounts payable	$ 6.1
Other accrued liabilities	3.8
Payroll and related taxes	0.7
Accrued customer programs	3.0
Other non-current liabilities	2.5
Total liabilities	$ 16.1
Net assets acquired	$ 106.2

The goodwill of $17.2 million arising from the acquisition consists largely of the anticipated growth from new product sales, sales to new customers, the assembled workforce, and the synergies expected from integrating the operations of Dr. Fresh into Perrigo. The goodwill was primarily attributable to our CSCA segment. We are currently evaluating the tax deductibility of the provisional goodwill. We expect some portion to be deductible for income tax purposes. The definite-lived intangible assets acquired consisted of trademarks and trade names, license agreements, and customer relationships which are being amortized over a weighted average useful life of approximately 17.8 years. Customer relationships were valued using the multi-period excess earnings method. Trademarks and trade names and developed technology were valued using the relief from royalty method. Significant judgment was applied in estimating the fair value of the intangible assets acquired, which involved the use of significant estimates and assumptions with respect to the timing and amounts of cash flow projections, including revenue growth rates, projected profit margins, and discount rates.

Dexsil®

On February 13, 2020, we acquired Dexsil®, a silicon supplement brand, from RXW Group NV, for total cash consideration paid of approximately $8.0 million. The transaction was accounted for as an asset acquisition, in which we capitalized the consideration paid as a brand-named intangible asset. We began amortizing the brand intangible over a 25-year useful life. Operating results attributable to the product are included within our CSCI segment.

Steripod®

On January 3, 2020, we acquired Steripod®, a leading toothbrush accessory brand and innovator in the toothbrush protector market, from Bonfit America Inc. Total consideration paid was $26.0 million. The transaction was accounted for as an asset acquisition, in which we capitalized $25.1 million as a brand-named intangible asset. The remainder of the purchase price was allocated to working capital. We began amortizing the brand intangible over a 25-year useful life. Operating results attributable to the product are included within our CSCA segment.

Acquisitions During the Year Ended December 31, 2019

Prevacid®24HR

On November 29, 2019, we acquired the branded OTC rights to Prevacid®24HR from GlaxoSmithKline for $61.5 million in cash. We capitalized $61.7 million, inclusive of closing costs, as a brand named intangible asset and began amortizing it over a 20-year useful life. Operating results attributable to the product are included within our CSCA segment.

Generic Product Acquisition

On July 2, 2019, we purchased the ANDA for a generic gel product for $49.0 million in cash, which we capitalized as a developed product technology intangible asset. We launched the product during the third quarter of 2019 and began amortizing it over a 20-year useful life. Operating results attributable to the product are included within our RX segment.

Ranir Global Holdings, LLC

On July 1, 2019, we acquired 100% of the outstanding equity interest in Ranir Global Holdings, LLC ("Ranir"), a privately-held company, for total base consideration of $750.0 million in a debt-free, cash-free transaction. After post-closing adjustments, total cash consideration paid was $747.7 million, net of $11.5 million cash acquired. We funded the transaction with cash on hand and borrowings under the 2018 Revolver (as defined in Note 11).

Ranir is headquartered in Grand Rapids, Michigan and is a leading global supplier of private label and branded oral self-care products. Ranir's U.S. operations are reported in our CSCA segment and its non-U.S. operations are reported in our CSCI segment.

The acquisition of Ranir was accounted for as a business combination and has been reported in our Consolidated Statements of Operations as of the acquisition date. From July 1, 2019 through December 31, 2019, Ranir generated Net sales of $151.4 million and had $7.6 million of Net income, which is inclusive of a non-recurring charge of $5.7 million related to inventory costs stepped up to acquisition date fair value.

The following table summarizes the consideration paid for Ranir and the amounts of the assets acquired and liabilities assumed (in millions):

		Ranir
Purchase price paid	$	759.2
Assets acquired:		
Cash and cash equivalents	$	11.5
Accounts receivable		40.6
Inventories		59.0
Prepaid expenses and other current assets		4.0
Property, plant and equipment, net		40.8
Operating lease assets		3.7
Goodwill		292.7
Definite-lived intangibles:		
Developed product technology, formulations, and product rights	$	48.6
Customer relationships and distribution networks		260.0
Trademarks, trade names, and brands		41.0
Indefinite-lived intangibles:		
In-process research and development		39.7
Total intangible assets	$	389.3
Other non-current assets		2.8
Total assets	$	844.4
Liabilities assumed:		
Accounts payable	$	17.6
Other accrued liabilities		7.7
Payroll and related taxes		5.5
Accrued customer programs		5.7
Deferred income taxes		45.9
Other non-current liabilities		2.8
Total liabilities	$	85.2
Net assets acquired	$	759.2

The goodwill of $292.7 million arising from the acquisition consists largely of the anticipated growth from new product sales, sales to new customers, the assembled workforce, and the synergies expected from combining the operations of Perrigo and Ranir. Goodwill of $212.6 million and $80.1 million was allocated to our CSCA and CSCI segments, respectively. We expect $252.3 million to be deductible for income tax purposes. The definite-lived intangible assets acquired consisted of trademarks and trade names, developed product technologies, and customer relationships. Trademarks and trade names were assigned useful lives that ranged from 20 to 25-years. Developed product technologies were assigned 10-year useful lives and customer relationships were assigned 24-year useful lives. Customer relationships were valued using the multi-period excess earnings method. Trademarks and trade names, developed technology, and in-process research and development ("IPR&D") were valued using the relief from royalty method. Significant judgment was applied in estimating the fair value of the intangible assets acquired, which involved the use of significant estimates and assumptions with respect to the timing and amounts of cash flow projections, including revenue growth rates, projected profit margins, and discount rates. The opening balance sheet is final.

Generic Product Acquisition

On May 17, 2019, we purchased the ANDA for a generic product used to relieve pain, for $15.7 million in cash, which we capitalized as a developed product technology intangible asset. We launched the product during the third quarter of 2019 and began amortizing it over a 20-year useful life. Operating results attributable to the product are included within our CSCA and RX segment.

Budesonide Nasal Spray and Triamcinolone Nasal Spray

On April 1, 2019, we purchased product ANDAs and other records and registrations of Budesonide Nasal Spray, a generic equivalent of Rhinocort Allergy®, and Triamcinolone Nasal Spray, a generic equivalent of Nasacort Allergy®, from Barr Laboratories, Inc. ("Barr"), a subsidiary of Teva Pharmaceuticals, for $14.0 million in cash. We previously developed and marketed the products in collaboration with Barr under a development, marketing and commercialization agreement that originated in August 2003. Under this prior agreement, we paid Barr a percentage of net income from products sold by Perrigo in the U.S. By purchasing the assets from Barr and terminating the original development, marketing and commercialization agreement, we are now entitled to 100% of the income from sales of the product. Operating results attributable to these products are included within our CSCA segment. The intangible assets acquired are classified as developed product technology with a 10-year useful life.

Acquisitions During the Year Ended December 31, 2018

Generic Product Acquisition

On August 24, 2018, we purchased the ANDA for a generic topical cream for $30.4 million in cash, which we capitalized as a developed product technology intangible asset. We launched this product during the three months ended December 31, 2018 and began amortizing the developed product technology over a 20-year useful life. Operating results attributable to the product are included within our RX segment. Subsequently, during the year ended December 31, 2019, we identified impairment indicators related to changes in pricing and competition in the market, which lowered the projected cash flows that we expect to generate from the asset. We determined the asset was impaired (refer to Note 4 and Note 7).

Nasonex-branded Products

On May 29, 2018, we entered into a license agreement with Merck Sharp & Dohme Corp. ("Merck"), which allows us to develop and commercialize an OTC version of Nasonex-branded products containing the compound, mometasone furoate monohydrate. The acquisition was accounted for as an asset acquisition based on our assessment that substantially all of the fair value of the gross assets acquired was concentrated in a single identifiable asset to be used for R&D. In accordance with Accounting Standards Codification Topic 730 Research and Development ("ASC 730"), the non-refundable upfront license fee of $50.0 million was recorded in R&D expense in our CSCA segment because the intangible research and development asset acquired has no alternative use. The agreement requires us to make contingent payments if we obtain regulatory approval and achieve certain sales milestones. We will also be obligated to make royalty payments on potential future sales. The contingent consideration will be included in the measurement of the cost of the asset when the contingency is resolved and the consideration is paid or becomes payable. Consideration paid after U.S. Food and Drug Administration ("FDA") approval will be capitalized and amortized to cost of goods sold over the economic life of each product.

Pro Forma Impact of Business Combinations

The following table presents unaudited pro forma information as if the Ranir acquisition had occurred on January 1, 2018 and the acquisition of Dr. Fresh and Sanofi brands had occurred on January 1, 2019, and had been combined with the results reported in our Consolidated Statements of Operations for all periods presented (in millions):

	Year Ended		
(Unaudited)	December 31, 2020	December 31, 2019	December 31, 2018
Net sales	$ 5,111.5	$ 5,112.3	$ 5,018.9
Net income (loss)	$ (148.6)	$ 172.4	$ 96.8

The unaudited pro forma information is presented for information purposes only and is not indicative of the results that would have been achieved if the acquisition had taken place at such time. The unaudited pro forma information presented above includes adjustments primarily for amortization charges for acquired intangible assets, depreciation of property, plant and equipment that have been revalued, certain acquisition-related charges, and related tax effects.

Divestitures During the Year Ended December 31, 2020

Rosemont Pharmaceuticals Business

On June 19, 2020, we completed the sale of our U.K.-based Rosemont Pharmaceuticals business, a generic prescription pharmaceuticals manufacturer focused on liquid medicines, to a U.K.-headquartered private equity firm for cash consideration of £155.6 million (approximately $195.0 million). The sale resulted in a pre-tax loss of $21.1 million recorded in our CSCI segment in Other (income) expense, net on the Consolidated Statements of Operations. The charge included professional fees and a $46.4 million write-off of foreign currency translation adjustment from Accumulated other comprehensive income.

Divestitures During the Year Ended December 31, 2019

Animal Health Business

On July 8, 2019, we completed the sale of our animal health business to PetIQ for cash consideration of $182.5 million, which resulted in a pre-tax gain of $71.7 million recorded in our CSCA segment in Other (income) expense, net on the Consolidated Statements of Operations.

NOTE 4 - GOODWILL AND INTANGIBLE ASSETS

During the year ended December 31, 2019, we early adopted ASU No. 2017-04 which removed the Step 2 requirement in instances when the carrying value of a reporting unit exceeds its fair value. Prospectively, if a reporting unit's carrying value exceeds its fair value, we will record an impairment charge in the amount of the difference, limited to the amount of goodwill attributed to that reporting unit.

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

	CSCA	CSCI[1]	RX[2]	Total
Balance at December 31, 2018	$ 1,713.7	$ 1,151.3	$ 1,114.8	$ 3,979.8
Impairments	—	—	(109.2)	(109.2)
Business divestitures	(42.2)	—	—	(42.2)
Business acquisitions	223.0	68.1	—	291.1
Currency translation adjustments	4.6	(15.7)	8.3	(2.8)
Balance at December 31, 2019	1,899.1	1,203.7	1,013.9	4,116.7
Impairments	—	—	(346.8)	(346.8)
Business divestitures	—	(115.6)	—	(115.6)
Business acquisitions	14.8	7.3	—	22.1
Purchase accounting adjustments	(10.4)	12.0	—	1.6
Currency translation adjustments	1.5	83.3	6.0	90.8
Balance at December 31, 2020	$ 1,905.0	$ 1,190.7	$ 673.1	$ 3,768.8

(1) We had accumulated goodwill impairments of $868.4 million as of December 31, 2019 and December 31, 2020.
(2) We had accumulated goodwill impairments of $109.2 million and $456.0 million as of December 31, 2019 and December 31, 2020, respectively.

RX U.S. Reporting Unit Goodwill

On March 1, 2021, we announced a definitive agreement to sell our generic RX Pharmaceuticals business to Altaris Capital Partners, LLC for total consideration of $1.55 billion, including $1.5 billion in cash. As part of the consideration, Altaris Capital Partners, LLC will also assume more than $50.0 million in potential R&D milestone payments and contingent purchase obligations with third-party Rx partners. The transaction is subject to antitrust and other customary closing conditions and is expected to close by the end of the third quarter of 2021. While this was a subsequent event, negotiations during the three months ended December 31, 2020 and leading up to the definitive agreement were considered a triggering event to perform a quantitative impairment test as of December 31, 2020. As a result, we determined the reporting unit's carrying value exceeded estimated fair value. We recognized a goodwill impairment of $144.4 million, leaving $673.1 million of goodwill in the reporting unit as of December 31, 2020 (refer to Note 7).

During the three months ended September 26, 2020, our RX U.S. reporting unit had an indication of potential impairment driven primarily by the stoppage of production and distribution of albuterol sulfate inhalation aerosol and voluntary nationwide recall to the retail level as a result of reports that some units may not dispense due to clogging, combined with a decline in market multiples. We prepared an impairment test as of September 26, 2020 and determined the carrying value of the RX U.S. reporting unit exceeded its estimated fair value. We recognized a goodwill impairment of $202.4 million, leaving $811.1 million of goodwill in this reporting unit after the impairment. The change in fair value from previous estimates was driven by the financial impact of the recall in the current period and related changes in estimates of future cash flows (refer to Note 7).

In conjunction with our annual impairment test, during the three months ended December 31, 2019, we tested our RX U.S. reporting unit for impairment. As a result, we determined its carrying value exceeded estimated fair value by $109.2 million, therefore, we recognized an impairment. The change in fair value from previous estimates was driven by industry and market factors that led to reduced projections of future cash flows (refer to Note 7).

During the three months ended June 29, 2019, our RX U.S. reporting unit had an indication of potential impairment which was driven by a combination of industry and market factors and uncertainty related to the timing and associated cash flows of the projected albuterol sulfate inhalation aerosol (generic equivalent to ProAir® HFA). We prepared an impairment test as of June 29, 2019 and determined that the fair value of the RX U.S. reporting unit continued to exceed net book value by approximately 10%. The excess was lower than our annual impairment test as of September 30, 2018, in which fair value exceeded carrying value by more than 25%. While no impairment was recorded as of June 29, 2019, we continue monitoring developments such as deterioration in business performance or market multiples which could reduce the fair value of this reporting unit and lead to impairment.

BCS Reporting Unit Goodwill

During the three months ended June 27, 2020, our Branded Consumer Self-care ("BCS") reporting unit included in the CSCI segment had an indication of potential impairment which was driven by a decrease in forecasted cash flows in the second half of 2020 related to impacts from the COVID-19 pandemic. We prepared an impairment test as of June 27, 2020 and determined that the fair value of the BCS reporting unit exceeded net book value by less than 10%, consistent with our last annual impairment test as of October 1, 2019. While no impairment was recorded as of June 27, 2020, future developments such as deterioration in business performance or market multiples could reduce the fair value of this reporting unit and lead to impairment in a future period. There was no indication of impairment during the six months ended December 31, 2020. Goodwill remaining in this reporting unit was $1,049.2 million as of December 31, 2020.

Animal Health Goodwill

During the three months ended September 29, 2018, the animal health reporting unit continued to experience declines in its year-to-date financial results and had additional indications of potential impairment due to changes in channel dynamics, a strategic decision to re-prioritize brands, and a decline in the forecasted outlook of the reporting unit. Step one of the goodwill impairment test indicated that the fair value of the animal health reporting unit was below its net book value. We recorded a $136.7 million goodwill impairment charge in the third quarter of 2018 within our CSCA segment.

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

	Year Ended			
	December 31, 2020		December 31, 2019	
	Gross	Accumulated Amortization	Gross	Accumulated Amortization
Indefinite-lived intangibles:				
Trademarks, trade names, and brands	$ 4.3	$ —	$ 18.8	$ —
In-process research and development	10.8	—	50.0	—
Total indefinite-lived intangibles	$ 15.1	$ —	$ 68.8	$ —
Definite-lived intangibles:				
Distribution and license agreements and supply agreements	$ 126.5	$ 87.5	$ 126.7	$ 81.1
Developed product technology, formulations, and product rights	1,363.6	765.9	1,392.8	755.3
Customer relationships and distribution networks	1,934.6	836.4	1,805.6	671.4
Trademarks, trade names, and brands	1,586.6	347.2	1,353.5	250.1
Non-compete agreements	5.2	5.2	6.5	6.0
Total definite-lived intangibles	$ 5,016.5	$ 2,042.2	$ 4,685.1	$ 1,763.9
Total intangible assets	$ 5,031.6	$ 2,042.2	$ 4,753.9	$ 1,763.9

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

The remaining weighted-average useful life for our amortizable intangible assets by asset class at December 31, 2020 was as follows:

Amortizable Intangible Asset Category	Remaining Weighted-Average Useful Life (Years)
Distribution and license agreements and supply agreements	7
Developed product technology, formulations, and product rights	12
Customer relationships and distribution networks	16
Trademarks, trade names, and brands	16

We recorded amortization expense of $294.7 million, $305.5 million, and $333.6 million during the years ended December 31, 2020, December 31, 2019, and December 31, 2018, respectively.

Our estimated future amortization expense is as follows (in millions):

Year	Amount
2021	$ 282.2
2022	252.7
2023	237.3
2024	225.4
2025	214.8
Thereafter	1,761.9

Generic Product (equivalent to Benzaclin®)

During the year ended December 31, 2019, we identified impairment indicators on a definite-lived intangible asset related to our clindamycin and benzoyl peroxide topical gel (generic equivalent to Benzaclin®) in our RX segment. Increases in competition caused price erosion that lowered our long-range revenue forecast, which indicated the asset was no longer recoverable and was impaired. We recorded an asset impairment of $21.2 million (refer to Note 7).

Licensed Pain Relief Products

During the year ended December 31, 2019, following commercial launch delays relating to certain pain relief products that we licensed from a third party, the licensor determined that it would not extend the license agreement upon expiration. As a result, we determined the asset was fully impaired and recorded an asset impairment of $9.7 million relating to this license, which we had reported as a definite-lived intangible asset in our CSCI segment (refer to Note 7).

Evamist Branded Product

During the year ended December 31, 2019, we identified impairment indicators related to our Evamist branded product, which is a definite-lived intangible asset in our RX segment. The indicators related to a decline in sales volume and a corresponding reduction in our long-range revenue forecast. We recorded an asset impairment of $10.8 million (refer to Note 7).

Generic Product

During the year ended December 31, 2019, we identified impairment indicators for a certain definite-lived asset related to changes in pricing and competition in the market, which lowered the projected cash flows we expect to generate from the asset. We recorded an asset impairment of $27.8 million in our RX segment (refer to Note 3 and Note 7).

In-process R&D ("IPR&D")

We recorded an impairment charge of $5.8 million and $8.7 million on certain IPR&D assets during the years ended December 31, 2019, and December 31, 2018, respectively, due to changes in the projected development and regulatory timelines for various projects.

Animal Health Intangible Assets

During the three months ended September 29, 2018, we performed a recoverability test of the definite-lived intangibles and determined a significant asset group was not recoverable and determined the fair value of the indefinite-lived intangible asset had fallen below its net book value. We recorded an impairment charge in the third quarter of 2018 in our CSCA segment comprised of a brand indefinite-lived intangible asset impairment charge of $27.7 million, a developed product technology and distribution agreement definite-lived intangible asset impairment of $41.6 million, a supply agreement definite-lived intangible asset impairment of $2.8 million, and a trade name and trademark definite-lived intangible asset impairment of $4.5 million (refer to Note 7).

As a result of the strategic decision to re-prioritize a brand within the indefinite-lived asset, we reassessed the useful life of the indefinite-lived intangible asset and reclassified a $5.4 million indefinite-lived intangible asset to a definite-lived asset within the CSCA segment as of September 29, 2018. Subsequently, during the three months ended September 28, 2019, we completed the sale of our animal health business to PetIQ (refer to Note 3).

NOTE 5 - ACCOUNTS RECEIVABLE FACTORING

We have accounts receivable factoring arrangements with non-related third-party financial institutions (the "Factors"). Pursuant to the terms of the arrangements, we sell to the Factors certain of our accounts receivable balances on a non-recourse basis for credit approved accounts. An administrative fee per invoice is charged on the gross amount of accounts receivables assigned to the Factors, and interest is calculated at the applicable EUR LIBOR rate plus a spread. The total amount factored on a non-recourse basis and excluded from accounts receivable was $6.9 million and $10.0 million at December 31, 2020 and December 31, 2019, respectively.

NOTE 6 - INVENTORIES

Major components of inventory were as follows (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Finished goods	$ 679.4	$ 530.3
Work in process	221.7	186.9
Raw materials	299.1	250.1
Total inventories	$ 1,200.2	$ 967.3

NOTE 7 - FAIR VALUE MEASUREMENTS

On January 1, 2020, we adopted ASU 2018-13: Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement ("Topic 820"). The amendments in this ASU remove disclosure requirements in Topic 820 related to the amount of, and reasons for, transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, and the valuation processes for Level 3 fair value measurements. Additionally, Topic 820 adds disclosure requirements for the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period, and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. We have amended certain of our quantitative Level 3 fair value measurement disclosures to add the range and weighted average of significant unobservable inputs used.

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.

The table below summarizes the valuation of our financial instruments carried at fair value by the above pricing categories (in millions):

	Year Ended					
	December 31, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis:						
Assets:						
Investment securities	$ 2.5	$ —	$ —	$ 6.6	$ —	$ —
Foreign currency forward contracts	—	21.5	—	—	4.3	—
Cross-currency swap	—	6.3	—	—	26.3	—
Funds associated with Israeli severance liability	—	15.7	—	—	14.6	—
Royalty Pharma contingent milestone	—	—	—	—	—	95.3
Total assets	$ 2.5	$ 43.5	$ —	$ 6.6	$ 45.2	$ 95.3
Liabilities:						
Foreign currency forward contracts	$ —	$ 8.2	$ —	$ —	$ 8.4	$ —
Contingent consideration payments	—	—	13.2	—	—	11.9
Total liabilities	$ —	$ 8.2	$ 13.2	$ —	$ 8.4	$ 11.9
Measured at fair value on a non-recurring basis:						
Assets:						
Goodwill[1]	$ —	$ —	$ 673.1	$ —	$ —	$ 1,013.1
Definite-lived intangible assets[2]	—	—	—	—	—	23.3
Total assets	$ —	$ —	$ 673.1	$ —	$ —	$ 1,036.4

(1) During the year ended December 31, 2020, goodwill with a carrying amount of $1,019.9 million was written down to a fair value of $673.1 million. During the year ended December 31, 2019, goodwill with a carrying amount of $1,122.3 million was written down to a fair value of $1,013.1 million.

(2) During the year ended December 31, 2019, definite-lived intangible assets with a carrying amount of $55.3 million were written down to a fair value of $23.3 million.

There were no transfers within Level 3 fair value measurements during the years ended December 31, 2020 or December 31, 2019 (refer to Note 8 for information on our investment securities and Note 9 for a discussion of derivatives).

Foreign Currency Forward Contracts

We value the foreign currency forward contracts based on notional amounts, contractual rates, and observable market inputs, such as currency exchange rates and credit risk.

Cross-currency Swaps

We value the cross-currency swaps using a method which discounts the expected cash flows resulting from the derivative. We estimate the cash flows using the contractual term of the derivative, including the period to maturity and we use observable market-based inputs, including interest rate curves, and foreign exchange rates.

Funds Associated with Israel Severance Liability

Israeli labor laws and agreements require us to pay benefits to employees dismissed or retiring under certain circumstances. Severance pay is calculated on the basis of the most recent employee salary levels and the length of employee service. We make regular deposits to retirement funds and purchase insurance policies to partially fund these liabilities. The funds 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.

Royalty Pharma Contingent Milestone

During the year ended December 31, 2017, we divested the Tysabri® financial asset to Royalty Pharma for up to $2.85 billion, consisting of $2.2 billion in cash and up to $250.0 million and $400.0 million in contingent milestone payments if the royalties on global net sales of Tysabri® that are received by Royalty Pharma met specific thresholds in 2018 and 2020, respectively.

The table below summarizes the change in fair value of the Royalty Pharma contingent milestone (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Beginning balance	$ 95.3	$ 323.2
Payments received	—	(250.0)
Change in fair value	(95.3)	22.1
Ending balance	$ —	$ 95.3

We value our contingent milestone payments from Royalty Pharma using a modified Black-Scholes Option Pricing Model ("BSOPM"). Key inputs in the BSOPM are the estimated volatility and rate of return of royalties on global net sales of Tysabri® that are received by Royalty Pharma until the contingent milestones are resolved. As of December 31, 2019, volatility and the estimated fair value of the milestones had a positive relationship such that higher volatility translated to a higher estimated fair value of the contingent milestone payments. Rate of return and the estimated fair value of the milestones had an inverse relationship, such that a lower rate of return correlated with a higher estimated fair value of the contingent milestone payments. We assess volatility and rate of return inputs quarterly by analyzing certain market volatility benchmarks and the risk associated with Royalty Pharma achieving the underlying projected royalties. The table below represents the volatility and rate of return:

	Year Ended
	December 31, 2019
Volatility	30.0 %
Rate of return	7.92 %

During the year ended December 31, 2020, Royalty Pharma payments from Biogen for Tysabri® sales, as defined in the agreement between the parties, did not exceed the 2020 global net sales threshold of $351.0 million. Therefore, we are not entitled to receive the remaining contingent milestone payment of $400.0 million and, accordingly, wrote off the entire fair value of the remaining milestone payment related to 2020 of $95.3 million in Change in financial assets on the Consolidated Statements of Operations.

During the year ended December 31, 2019, the fair value of the Royalty Pharma contingent milestone payment related to 2020 increased by $22.1 million to $95.3 million. These adjustments were driven by higher projected global net sales of Tysabri® and the estimated probability of achieving the earn-out. There was no contingent milestone based on 2019 sales of Tysabri®. The Royalty Pharma payments from Biogen for Tysabri® were $337.5 million in 2018, which triggered the $250.0 million milestone payment received during the year ended December 31, 2019.

During the year ended December 31, 2018, royalties on global net sales of Tysabri® received by Royalty Pharma met the 2018 threshold resulting in an increase to the asset and a gain of $170.1 million recognized in Change in financial assets on the Consolidated Statement of Operations. Also during that period, the fair value of the remaining Royalty Pharma contingent milestone payment related to 2020 increased $18.6 million due to higher projected global net sales of Tysabri® and the estimated probability of achieving the contingent milestone payment related to 2020.

Contingent Consideration Payments

The table below summarizes the change in fair value of contingent consideration payments (in millions):

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Beginning balance	$ 11.9	$ 15.3	$ 22.0
Changes in value	1.3	(1.4)	(1.5)
Currency translation adjustments	—	—	(0.2)
Settlements and other adjustments	—	(2.0)	(5.0)
Ending balance	$ 13.2	$ 11.9	$ 15.3

Contingent consideration represents milestone payment obligations obtained through product acquisitions, which are 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. The fair value adjustments are recorded in Other operating expense (income) on the Consolidated Statements of Operations.

As of December 31, 2020, the contingent consideration payments liability was primarily comprised of sales-based milestones related to an IPR&D asset acquired in a prior transaction in our RX segment. The contingent consideration payments liability also included certain event-based milestones, which were immaterial. The fair value of our contingent consideration sales-based milestones as of December 31, 2020, was calculated using the following significant unobservable inputs:

			Twelve Months Ended December 31, 2020
	Valuation Technique	Unobservable Input	Range (Weighted Average)[1]
Contingent consideration payments: sales-based milestones	Discounted cash flow	Projected royalties	$ 36.6
		Projected year of payment of sales-based milestones	2021 - 2036 (2027)
		Discount rate	26.0 %

(1) Unobservable inputs were weighted based on the relative estimated milestone payments.

The discount rate of 26.0% was based on our assessment of the rate of return and development and commercialization risk of the related IPR&D project. We reevaluate the significant unobservable inputs of the sales-based milestones quarterly based on project developments and changes in contingent elements of the liability.

Non-recurring Fair Value Measurements

The non-recurring fair values represent only those assets whose carrying values were adjusted to fair value during the reporting period.

Goodwill and Intangible Assets

RX U.S. Reporting Unit Goodwill

When determining the fair value of our RX U.S. reporting unit in the years ended December 31, 2020 and December 31, 2019, we utilized a combination of comparable company and discounted cash flow techniques. In our comparable company market approach, we considered observable market information and transactions for companies that we deemed to be of a comparable nature, scope, and size of our RX U.S. reporting unit (Level 2 inputs). Our cash flow projections included revenue assumptions related to new and existing products, plus gross margin and operating expenses based on the reporting unit's growth plans (Level 3 inputs). In our discounted cash flow analysis, we used a long-term growth rate of 0.0%, which assumes new product launches will, over time, offset decreases in cash flows of existing portfolio products with definite lives. We used discount rates of approximately 10% in these analyses. The discount rate correlates with the required investment return and risk that we believe market participants would apply to the projected growth rate. In addition, we burdened projected free cash flows with the capital spending deemed necessary to support the cash flows and applied blended jurisdictional tax rates ranging from 19.1% to 21.7%. We weighted indications of fair value resulting from the market approach and present value techniques, considering the reasonableness of the range of measurements and the point within the range that we determined was most representative of fair market conditions. In the determination of fair value of our RX U.S. reporting unit during the three months ended December 31, 2020, we also considered fair value indications related to negotiations for the sale of our RX business that we announced on March 1, 2021 within the weighted indication of fair value (refer to Note 4).

Generic product (equivalent to Benzaclin®)

During the year ended December 31, 2019, we measured the impairment of our clindamycin and benzoyl peroxide topical gel (generic equivalent to Benzaclin®), a definite-lived intangible asset. We utilized a discounted cash flow technique to estimate the fair value of the asset. Significant valuation inputs and assumptions relate to our projected future cash flows, including the total market size, our estimated market share, and our average selling price (refer to Note 4).

Licensed Pain Relief Products

During the year ended December 31, 2019, we measured the impairment of certain pain relief products that we license from a third party, a definite-lived intangible asset. We determined the asset was fully impaired because the agreement with the licensor would not be extended upon expiration (refer to Note 4).

Evamist branded product

When measuring the impairment of our Evamist branded product, a definite-lived intangible asset, during the year ended December 31, 2019, we utilized a discounted cash flow technique to estimate the fair value of the asset. Significant valuation inputs and assumptions relate to our projected future cash flows, including volume and average selling price (refer to Note 4).

Generic product

When measuring the impairment of a certain definite-lived asset during the year ended December 31, 2019, we utilized a discounted cash flow technique to estimate the fair value of the asset. Significant valuation inputs and assumptions relate to our projected future cash flows, including the total market size, our estimated market share, and our average selling price (refer to Note 3 and Note 4).

Animal Health

When determining the fair value of our animal health reporting unit for the year ended December 31, 2018, we utilized a combination of comparable company market and discounted cash flow techniques. In our comparable company market approach, we considered observable market information and transactions for companies that we deemed to be of a comparable nature, scope, and size of animal health (Level 2 inputs). Our cash flow projections included revenue assumptions related to new products, product line extensions, and existing products, plus gross margin, advertising and promotion, and other operating expenses based on the growth plans (Level 3 inputs). In our discounted cash flow analysis, we utilized projected sales growth rate and discount rate assumptions of 2.5% and 9.8%, respectively. The discount rate correlates with the required investment return and risk that we believe market

participants would apply to the projected growth. In addition, we burdened projected free cash flows with the capital spending deemed necessary to support the cash flows and applied the jurisdictional tax rate of 22.8%. We weighted indications of fair value resulting from the market approach and present value techniques, considering the reasonableness of the range of measurements and the point within the range that we determined was most representative of fair market conditions (refer to Note 4).

When assessing our animal health indefinite-lived intangible asset for the year ended December 31, 2018, we utilized a multi-period excess earnings method ("MPEEM") to determine the fair value of the intangible asset. Our cash flow projections included revenue assumptions related to new products, product line extensions, and existing products. We utilized long-term growth rate and discount rate assumptions of (0.3)% and 9.8%, respectively, and we applied a jurisdictional tax rate of 22.8% (refer to Note 4).

When assessing our animal health definite-lived assets for impairment for the year ended December 31, 2018, we utilized a combination of MPEEM and relief from royalty methods to determine the fair values of definite-lived assets within the asset group. The projected financial information, inputs, and assumptions utilized were consistent with those utilized in the goodwill discounted cash flow analysis described above (refer to Note 4).

Fixed Rate Long-term Debt

Our fixed rate long-term debt consisted of the following (in millions):

	Year Ended			
	December 31, 2020		December 31, 2019	
	Level 1	Level 2	Level 1	Level 2
Public bonds				
Carrying value (excluding discount)	$ 2,760.0	$ —	$ 2,600.0	$ —
Fair value	$ 3,031.1	$ —	$ 2,618.4	$ —
Private placement note				
Carrying value (excluding premium)	$ —	$ 164.9	$ —	$ 151.4
Fair value	$ —	$ 177.5	$ —	$ 168.4

The fair values of our public bonds for all periods were based on quoted market prices. The fair values of our private placement note for all periods were based on interest rates offered for borrowings of a similar nature and remaining maturities.

The carrying amounts of our other financial instruments, consisting of cash and cash equivalents, accounts receivable, accounts payable, short-term debt, revolving credit agreements, promissory notes related to our equity method investment in Kazmira, and variable rate long-term debt, approximate their fair value.

NOTE 8 - INVESTMENTS

The following table summarizes the measurement category, balance sheet location, and balances of our equity securities (in millions):

		Year Ended	
Measurement Category	Balance Sheet Location	December 31, 2020	December 31, 2019
Fair value method	Prepaid expenses and other current assets	$ 2.5	$ 6.6
Fair value method[(1)]	Other non-current assets	$ 1.9	$ 2.3
Equity method	Other non-current assets	$ 69.8	$ 17.8

(1) Measured at fair value using the Net Asset Value practical expedient.

The following table summarizes the expense (income) recognized in earnings of our equity securities (in millions):

		Year Ended		
Measurement Category	Income Statement Location	December 31, 2020	December 31, 2019	December 31, 2018
Fair value method	Other (income) expense, net	$ 3.0	$ 4.9	$ 9.5
Equity method	Other (income) expense, net	$ (3.0)	$ (2.7)	$ (2.7)

On June 17, 2020, we announced our entrance into the cannabidiol (“CBD”) market through a strategic investment in and long-term supply agreement with Kazmira LLC ("Kazmira"), a leading supplier of hemp-based CBD products free of tetrahydrocannabinol (“zero-THC”) based in Watkins, Colorado. In addition to the supply agreement, we acquired an approximate 20% equity stake in Kazmira for $50.0 million with $15.0 million paid at close of the transaction and the balance due within 18 months thereafter, reported in our CSCA segment (refer to Note 11). Our minority equity investment initiates the first phase of the partnership in which we will collaborate to scale-up Kazmira’s facilities and laboratories, in accordance with current Good Manufacturing Practices, to produce zero-THC CBD from industrial hemp that meets our standards for reliability and consistency. In the second phase of the partnership, we will work to launch zero-THC hemp-based CBD products in a number of global markets, while leveraging our supply agreement with Kazmira, which is exclusive for the U.S. store brand market. We will report our equity method earnings from Kazmira in our Consolidated Financial Statements on a quarterly lag.

On January 1, 2018, as a result of the adoption of ASU 2016-01 Financial Instruments - Recognition and Measurement of Financial Assets and Liabilities ("ASU 2016-01"), we made a $1.0 million cumulative-effect adjustment to Retained earnings (accumulated deficit) net of tax that consisted of net unrealized losses on previously classified as available for sale securities from OCI.

NOTE 9 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Cross Currency Swaps

In a cross-currency swap, interest payments and principal in one currency are exchanged for principal and interest payments in a different currency. Interest payments are exchanged at fixed intervals during the life of the agreement. Changes in the fair value of cross-currency swaps designated as net investment hedges are recognized as a component of OCI as a foreign currency translation adjustment and are recognized in earnings only upon the sale or substantial liquidation of the hedged net investment. In assessing the effectiveness of these hedges, we use a method based on changes in spot rates to measure the impact of the foreign currency exchange rate fluctuations on both our foreign subsidiary net investment and the related swap. Under this method, changes in the fair value of the hedging instrument, other than those due to changes in the spot rate, are initially recorded in OCI as a translation adjustment. The excluded component is recognized on a systematic and rational basis by accruing the swap payments and receipts within Interest expense, net.

On August 15, 2019, we entered into a cross-currency swap designated as a net investment hedge to hedge the Euro currency exposure of our net investment in European operations. This agreement is a contract to exchange floating-rate Euro payments for floating-rate U.S. dollar payments through August 15, 2022. The payments are based on a notional basis of €450.0 million ($498.0 million) and settle quarterly.

Interest Rate Swaps

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. There were no active designated or non-designated interest rate swaps as of December 31, 2020 and December 31, 2019.

Foreign Currency Forwards

In a foreign currency forward, a contract is written to exchange currencies at a fixed exchange rate at a future settlement date. We designate foreign currency forwards primarily as cash flow hedges to protect against

foreign currency fluctuations of probable forecasted purchases and sales. The settlement dates of foreign currency forwards range from 1 to 60 months.

Foreign currency forward contracts were as follows (in millions):

	Notional Amount	
	December 31, 2020	December 31, 2019
Israeli Shekel (ILS)	$ 436.5	$ 712.7
European Euro (EUR)	312.6	157.6
United States Dollar (USD)	101.5	92.4
British Pound (GBP)	92.3	86.9
Danish Krone (DKK)	65.2	51.7
Chinese Yuan (CNY)	49.1	20.9
Swedish Krona (SEK)	41.2	42.0
Canadian Dollar (CAD)	36.8	41.3
Polish Zloty (PLZ)	21.8	21.5
Mexican Peso (MPX)	15.6	9.7
Australian Dollar (AUD)	11.3	1.2
Switzerland Franc (CHF)	8.2	4.1
Norwegian Krone (NOK)	7.9	6.6
Romanian New Leu (RON)	3.6	2.3
Other	6.2	6.3
Total	$ 1,209.8	$ 1,257.2

Effects of Derivatives on the Financial Statements

The below tables indicate the effects of all derivative instruments on the Consolidated Financial Statements. All amounts exclude income tax effects.

The balance sheet location and gross fair value of our outstanding derivative instruments were as follows (in millions):

		Asset Derivatives	
		Fair Value	
		Year Ended	
	Balance Sheet Location	December 31, 2020	December 31, 2019
Designated derivatives			
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 13.2	$ 1.0
Foreign currency forward contracts	Other non-current assets	0.5	—
Cross-currency swap	Other non-current assets	6.3	26.3
Total designated derivatives		$ 20.0	$ 27.3
Non-designated derivatives			
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 7.8	$ 3.3

		Liability Derivatives	
		Fair Value	
		Year Ended	
	Balance Sheet Location	December 31, 2020	December 31, 2019
Designated derivatives			
Foreign currency forward contracts	Other accrued liabilities	$ 5.8	$ 4.7
Non-designated derivatives			
Foreign currency forward contracts	Other accrued liabilities	$ 2.4	$ 3.7

The following tables summarize the effect of derivative instruments designated as hedging instruments in Accumulated Other Comprehensive Income ("AOCI") (in millions):

	Year Ended December 31, 2020				
Instrument	Amount of Gain/(Loss) Recorded in OCI[1]	Classification of Gain/(Loss) Reclassified from AOCI into Earnings	Amount of Gain/(Loss) Reclassified from AOCI into Earnings	Classification of Gain/(Loss) Recognized into Earnings Related to Amounts Excluded from Effectiveness Testing	Amount of Gain/(Loss) Recognized in Earnings on Derivatives Related to Amounts Excluded from Effectiveness Testing
Cash flow hedges					
Treasury locks	$ —	Interest expense, net	$ (0.1)	Interest expense, net	$ —
Interest rate swap agreements	—	Interest expense, net	(1.8)	Interest expense, net	—
Foreign currency forward contracts	7.3	Net sales	0.2	Net sales	0.1
		Cost of sales	2.9	Cost of sales	1.1
				Other (income) expense, net	0.5
	$ 7.3		$ 1.2		$ 1.7
Net investment hedges					
Cross-currency swap	$ (20.0)			Interest expense, net	$ 6.6
Foreign currency forward contract	(11.2)			Interest expense, net	(0.1)
	$ (31.2)				$ 6.5

(1) Net loss of $6.4 million is expected to be reclassified out of AOCI into earnings during the next 12 months.

Instrument	Year Ended December 31, 2019				
	Amount of Gain/(Loss) Recorded in OCI	Classification of Gain/(Loss) Reclassified from AOCI into Earnings	Amount of Gain/(Loss) Reclassified from AOCI into Earnings	Classification of Gain/(Loss) Recognized into Earnings Related to Amounts Excluded from Effectiveness Testing	Amount of Gain/(Loss) Recognized in Earnings on Derivatives Related to Amounts Excluded from Effectiveness Testing
Cash flow hedges					
Treasury locks	$ —	Interest expense, net	$ (0.1)	Interest expense, net	$ —
Interest rate swap agreements	—	Interest expense, net	(1.8)	Interest expense, net	—
Foreign currency forward contracts	(1.2)	Net sales	2.5	Net sales	(2.1)
		Cost of sales	0.1	Cost of sales	(1.5)
	$ (1.2)		$ 0.7		$ (3.6)
Net investment hedges					
Cross-currency swap	$ 31.2			Interest expense, net	$ 4.9

Instrument	Year Ended December 31, 2018		
	Effective Portion		
	Amount of Gain/(Loss) Recorded in OCI	Classification of Gain/(Loss) Reclassified from AOCI into Earnings	Amount of Gain/(Loss) Reclassified from AOCI into Earnings
Treasury locks	$ —	Interest expense, net	$ (0.1)
Interest rate swap agreements	—	Interest expense, net	(1.8)
Foreign currency forward contracts	(9.1)	Net sales	0.5
		Cost of sales	1.9
		Interest expense, net	(4.8)
		Other (income) expense, net	2.1
	$ (9.1)		$ (2.2)

The amounts of (income)/expense recognized in earnings related to our non-designated derivatives on the Consolidated Statements of Operations were as follows (in millions):

Non-Designated Derivatives	Income Statement Location	Year Ended December 31, 2020	December 31, 2019	December 31, 2018
Foreign currency forward contracts	Other (income) expense, net	$ (10.0)	$ (25.4)	$ 7.6
	Interest expense, net	6.2	1.8	(1.0)
		$ (3.8)	$ (23.6)	$ 6.6

The classification and amount of gain/(loss) recognized in earnings on fair value and hedging relationships were as follows (in millions):

	Year Ended December 31, 2020			
	Net Sales	Cost of Sales	Interest Expense, net	Other (Income) Expense, net
Total amounts of income and expense line items presented on the Consolidated Statements of Operations in which the effects of fair value or cash flow hedges are recorded	$ 5,063.3	$ 3,248.1	$ 131.2	$ 17.2
The effects of cash flow hedging:				
Gain (loss) on cash flow hedging relationships				
Foreign currency forward contracts				
Amount of gain or (loss) reclassified from AOCI into earnings	$ 0.2	$ 2.9	$ —	$ —
Amount excluded from effectiveness testing recognized using a systematic and rational amortization approach	$ 0.1	$ 1.1	$ —	$ 0.5
Treasury locks				
Amount of gain or (loss) reclassified from AOCI into earnings	$ —	$ —	$ (0.1)	$ —
Interest rate swap agreements				
Amount of gain or (loss) reclassified from AOCI into earnings	$ —	$ —	$ (1.8)	$ —

	Year Ended December 31, 2019			
	Net Sales	Cost of Sales	Interest Expense, net	Other (Income) Expense, net
Total amounts of income and expense line items presented on the Consolidated Statements of Operations in which the effects of fair value or cash flow hedges are recorded	$ 4,837.4	$ 3,064.1	$ 121.7	$ (66.0)
The effects of cash flow hedging:				
Gain (loss) on cash flow hedging relationships				
Foreign currency forward contracts				
Amount of gain or (loss) reclassified from AOCI into earnings	$ 2.5	$ 0.1	$ —	$ —
Amount excluded from effectiveness testing recognized using a systematic and rational amortization approach	$ (2.1)	$ (1.5)	$ —	$ —
Treasury locks				
Amount of gain or (loss) reclassified from AOCI into earnings	$ —	$ —	$ (0.1)	$ —
Interest rate swap agreements				
Amount of gain or (loss) reclassified from AOCI into earnings	$ —	$ —	$ (1.8)	$ —

NOTE 10 - LEASES

The balance sheet locations of our lease assets and liabilities were as follows (in millions):

Assets	Balance Sheet Location	December 31, 2020	December 31, 2019
Operating	Operating lease assets	$ 186.0	$ 129.9
Finance	Other non-current assets	31.0	27.6
Total		$ 217.0	$ 157.5

Liabilities	Balance Sheet Location	December 31, 2020	December 31, 2019
Current			
Operating	Other accrued liabilities	$ 34.0	$ 32.0
Finance	Current indebtedness	7.2	3.4
Non-Current			
Operating	Other non-current liabilities	159.3	101.7
Finance	Long-term debt, less current portion	20.8	21.1
Total		$ 221.3	$ 158.2

The below table shows our lease assets and liabilities by reporting segment (in millions):

	Assets				Liabilities			
	Operating		Financing		Operating		Financing	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
CSCA	$ 22.8	$ 22.4	$ 16.7	$ 16.8	$ 23.2	$ 22.8	$ 17.0	$ 16.6
CSCI	34.4	41.6	5.9	5.8	35.2	42.4	2.5	2.9
RX	84.4	35.1	1.2	0.8	85.1	36.3	1.1	0.8
Unallocated	44.4	30.8	7.2	4.2	49.8	32.2	7.4	4.2
Total	$ 186.0	$ 129.9	$ 31.0	$ 27.6	$ 193.3	$ 133.7	$ 28.0	$ 24.5

Lease expense was as follows (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Operating leases[(1)]	$ 43.4	$ 43.7
Finance leases		
Amortization	$ 4.8	$ 3.2
Interest	0.8	0.6
Total finance leases	$ 5.6	$ 3.8

(1) Includes short-term leases and variable lease costs, which are immaterial.

Total operating lease expense for the year ended December 31, 2018 was $51.2 million.

The annual future maturities of our leases as of December 31, 2020 are as follows (in millions):

	Operating Leases	Finance Leases	Total
2021	$ 40.0	$ 7.8	$ 47.8
2022	31.3	5.0	36.3
2023	23.2	3.1	26.3
2024	19.9	1.7	21.6
2025	17.9	1.5	19.4
After 2025	92.0	13.2	105.2
Total lease payments	224.3	32.3	256.6
Less: Interest	31.0	4.3	35.3
Present value of lease liabilities	$ 193.3	$ 28.0	$ 221.3

Our weighted average lease terms and discount rates are as follows:

	December 31, 2020	December 31, 2019
Weighted-average remaining lease term (in years)		
Operating leases	10.00	6.56
Finance leases	8.56	10.33
Weighted-average discount rate		
Operating leases	3.24 %	4.11 %
Finance leases	3.05 %	3.47 %

Our lease cash flow classifications are as follows (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 41.9	$ 43.9
Operating cash flows for finance leases	$ 0.8	$ 0.6
Financing cash flows for finance leases	$ 4.4	$ 3.0
Leased assets obtained in exchange for new finance lease liabilities	$ 7.6	$ 20.2
Leased assets obtained in exchange for new operating lease liabilities	$ 86.9	$ 10.3

NOTE 11 - INDEBTEDNESS

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

	Year Ended	
	December 31, 2020	December 31, 2019
Term loan		
2019 Term loan due August 15, 2022	$ 600.0	$ 600.0
Notes and bonds		
Coupon Due		
3.500% March 15, 2021[4]	$ —	$ 280.4
3.500% December 15, 2021[1]	—	309.6
* 5.105% July 28, 2023[3]	164.9	151.4
4.000% November 15, 2023[2]	215.6	215.6
3.900% December 15, 2024[1]	700.0	700.0
4.375% March 15, 2026[4]	700.0	700.0
3.150% June 15, 2030[5]	750.0	—
5.300% November 15, 2043[2]	90.5	90.5
4.900% December 15, 2044[1]	303.9	303.9
Total notes and bonds	2,924.9	2,751.4
Other financing	58.6	24.6
Unamortized premium (discount), net	(0.3)	7.3
Deferred financing fees	(17.1)	(14.1)
Total borrowings outstanding	3,566.1	3,369.2
Current indebtedness	(37.8)	(3.4)
Total long-term debt less current portion	$ 3,528.3	$ 3,365.8

(1) Discussed below collectively as the "2014 Notes"
(2) Discussed below collectively as the "2013 Notes"
(3) Debt assumed from Omega
(4) Discussed below collectively as the "2016 Notes"
(5) Discussed below as the "2020 Notes"

* Debt denominated in euros subject to fluctuations in the euro-to-U.S. dollar exchange rate.

We are in compliance with all covenants under our debt agreements as of December 31, 2020.

Revolving Credit Agreements

On March 8, 2018, we entered into a $1.0 billion revolving credit agreement maturing on March 8, 2023 (the "2018 Revolver"). There were no borrowings outstanding under the 2018 Revolver as of December 31, 2020 or December 31, 2019.

Term Loans

On March 8, 2018, we refinanced the €350.0 million outstanding under the previous term loan with the proceeds of a new €350.0 million ($431.0 million) term loan, maturing March 8, 2020 (the "2018 Term Loan"). As a result of the refinancing during the three months ended March 31, 2018, we recorded a loss of $0.5 million, consisting of the write-off of deferred financing fees in Loss on extinguishment of debt on the Consolidated Statements of Operations. During the year ended December 31, 2019, we made $24.7 million in scheduled principal payments. On August 15, 2019, we refinanced the €284.4 million ($317.1 million) outstanding under the 2018 Term Loan with the proceeds of a new $600.0 million term loan, maturing on August 15, 2022 (the "2019 Term Loan"). As a result of the refinancing, during the year ended December 31, 2019, we recorded a loss of $0.2 million, consisting of the write-off of deferred financing fees in Loss on extinguishment of debt on the Consolidated Statements of Operations.

Notes and Bonds

2020 Notes and Notes Redemption

On June 19, 2020, Perrigo Finance Unlimited Company ("Perrigo Finance"), a public unlimited company incorporated under the laws of Ireland and an indirect wholly-owned finance subsidiary of Perrigo whose primary purpose is to finance the business and operations of Perrigo and its affiliates, issued $750.0 million in aggregate principal amount of 3.150% Senior Notes due 2030 (the “2020 Notes") and received net proceeds of $737.1 million after fees and market discount. Interest on the 2020 Notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2020. The 2020 Notes will mature on June 15, 2030. The 2020 Notes are governed by a base indenture and a third supplemental indenture (collectively, the "2020 Indenture"). The 2020 Notes are fully and unconditionally guaranteed on a senior unsecured basis by Perrigo and no other subsidiary of Perrigo guarantees the 2020 Notes. There are no restrictions under the 2020 Notes on Perrigo's ability to obtain funds from its subsidiaries. Perrigo Finance may redeem the 2020 Notes in whole or in part at any time for cash at the make-whole redemption prices described in the 2020 Indenture.

On July 6, 2020, the proceeds of the 2020 Notes were used to fund the redemption of Perrigo Finance's $280.4 million of 3.500% Senior Notes due March 15, 2021 and $309.6 million of 3.500% Senior Notes due December 15, 2021. The balance will be used for general corporate purposes which may include the repayment or redemption of additional indebtedness. As a result of the early redemption of the $280.4 million of 3.500% Senior Notes and $309.6 million of 3.500% Senior Notes, during the year ended December 31, 2020, we recorded a loss of $20.0 million in Loss on extinguishment of debt on the Consolidated Statements of Operations, consisting of the premium on debt repayments, the write-off of deferred financing fees, and the write-off of the remaining bond discounts.

2016 Notes

On March 7, 2016, Perrigo Finance issued $500.0 million in aggregate principal amount of 3.500% senior notes due 2021 and $700.0 million in aggregate principal amount of 4.375% senior notes due 2026 (together, the "2016 Notes") and received net proceeds of $1.2 billion after fees and market discount. Interest on the 2016 Notes is payable semi-annually in arrears in March and September of each year, beginning in September 2016. The 2016 Notes are governed by a base indenture and a second supplemental indenture (collectively, the "2016 Indenture"). The 2016 Notes are fully and unconditionally guaranteed on a senior basis by Perrigo, and no other subsidiary of Perrigo guarantees the 2016 Notes. The proceeds were used to repay our revolving credit agreement entered into in December 2014 and amounts borrowed under a $750.0 million revolving credit agreement Perrigo Finance had entered into in December 2015. There are no restrictions under the 2016 Notes on our ability to obtain funds from our subsidiaries. Perrigo Finance may redeem the 2016 Notes in whole or in part at any time for cash at the make-whole redemption prices described in the 2016 Indenture. During the year ended December 31, 2017, we repaid $219.6 million of the 3.500% senior notes due 2021. On July 6, 2020, we repaid the remaining $280.4 million of 3.500% senior notes due 2021, as discussed above under the heading 2020 Notes and Notes Redemption.

Notes and Bonds Assumed from Omega

In connection with the Omega acquisition, on March 30, 2015, the remaining assumed debt includes €135.0 million ($147.0 million) in aggregate principal amount of 5.105% senior notes due 2023 (the "2023 Notes")

The fair value of the 2023 Notes and Retail Bonds exceeded par value by €93.6 million ($101.9 million) on the date of the Omega acquisition. As a result, a fair value adjustment was recorded as part of the carrying value of the underlying debt and will be amortized as a reduction of interest expense over the remaining terms of the respective debt instruments. The adjustment does not affect cash interest payments.

Also in connection with the Omega acquisition, we assumed a 5.000% retail bond due in 2019 in the amount of €120.0 million ($130.7 million), which was repaid in full on May 23, 2019.

2014 Notes

On December 2, 2014, Perrigo Finance issued $500.0 million in aggregate principal amount of 3.500% senior notes due 2021 (the "2021 Notes”), $700.0 million in aggregate principal amount of 3.900% senior notes due 2024 (the “2024 Notes”), and $400.0 million in aggregate principal amount of 4.900% senior notes due 2044 (the “2044 Notes” and, together with the 2021 Notes and the 2024 Notes, the “2014 Notes”) and received net proceeds of $1.6 billion after fees and market discount. Interest on the 2014 Notes is payable semi-annually in arrears in June and December of each year, beginning in June 2015. The 2014 Notes are governed by a base indenture and a first supplemental indenture (collectively, the "2014 Indenture"). The 2014 Notes are fully and unconditionally guaranteed on a senior unsecured basis by Perrigo, and no other subsidiary of Perrigo guarantees the 2014 Notes. There are no restrictions under the 2014 Notes on our ability to obtain funds from our subsidiaries. Perrigo Finance may redeem the 2014 Notes in whole or in part at any time for cash at the make-whole redemption prices described in the 2014 Indenture. During the year ended December 31, 2017, we repaid $96.1 million of the 4.900% senior notes due 2044 and $190.4 million of the 3.500% senior notes due 2021. On July 6, 2020, we repaid the remaining $309.6 million of the 3.500% notes due 2021, as discussed above under the heading 2020 Notes and Notes Redemption.

2013 Notes

On November 8, 2013, Perrigo Company issued $500.0 million aggregate principal amount of its 1.300% senior notes due 2016 (the "1.300% 2016 Notes"), $600.0 million aggregate principal amount of its 2.300% senior notes due 2018 (the "2018 Notes"), $800.0 million aggregate principal amount of its 4.000% senior notes due 2023 (the "4.000% 2023 Notes") and $400.0 million aggregate principal amount of its 5.300% senior notes due 2043 (the "2043 Notes" and, together with the 1.300% 2016 Notes, the 2018 Notes and the 4.000% 2023 Notes, the "2013 Notes") in a private placement with registration rights. We received net proceeds of $2.3 billion from the issuance of the 2013 Notes after fees and market discount. On September 29, 2016, we repaid all $500.0 million of the 1.300% 2016 Notes outstanding. During the year ended December 31, 2017, we made the following debt repayments: all $600.0 million of the 2018 Notes, $584.4 million of the 4.000% 2023 Notes, and $309.5 million of the 2043 Notes.

Interest on the 2013 Notes is payable semi-annually in arrears in May and November of each year, beginning in May 2014. The 2013 Notes are governed by a base indenture and a first supplemental indenture (collectively, the "2013 Indenture"). The 2013 Notes are our unsecured and unsubordinated obligations, ranking equally in right of payment to all of our existing and future unsecured and unsubordinated indebtedness. The 2013 Notes are not entitled to mandatory redemption or sinking fund payments. We may redeem the 2013 Notes in whole or in part at any time for cash at the make-whole redemption prices described in the 2013 Indenture. The 2013 Notes were guaranteed on an unsubordinated, unsecured basis by the same entities that guaranteed our then-outstanding credit agreement until November 21, 2014, at which time the 2013 Indenture was amended to remove all guarantors.

On September 2, 2014, we offered to exchange our private placement senior notes for 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, we are no longer required to present guarantor financial statements.

Other Financing

We have overdraft facilities available that we use to support our cash management operations. We report any balances outstanding in the above table under "Other financing". There were no borrowings outstanding under the facilities as of December 31, 2020 and December 31, 2019.

On June 17, 2020, we incurred debt of $34.3 million related to our equity method investment in Kazmira pursuant to two promissory notes, with $3.7 million, $5.8 million and $24.8 million to be settled in November 2020, May 2021 and November 2021, respectively (refer to Note 8). On December 8, 2020, we repaid the $3.7 million balance due on the November 2020 portion of the Promissory Notes.

We have financing leases that are reported in the above table under "Other financing" (refer to Note 10).

Future Maturities

The annual future maturities of our short-term and long-term debt, including capitalized leases, are as follows (in millions):

Payment Due	Amount
2021	$ 37.9
2022	604.2
2023	384.7
2024	704.2
2025	4.2
Thereafter	1,848.3

NOTE 12 - EARNINGS PER SHARE AND SHAREHOLDERS' EQUITY

Earnings per Share

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

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Numerator:			
Net income (loss)	$ (162.6)	$ 146.1	$ 131.0
Denominator:			
Weighted average shares outstanding for basic EPS	136.1	136.0	137.8
Dilutive effect of share-based awards*	—	0.5	0.5
Weighted average shares outstanding for diluted EPS	136.1	136.5	138.3
Anti-dilutive share-based awards excluded from computation of diluted EPS*	—	1.5	1.4

* In the period of a net loss, diluted shares equal basic shares.

Shareholders' Equity

Our common stock consists of ordinary shares of Perrigo Company plc, a public limited company incorporated under the laws of Ireland.

We trade our ordinary shares on the New York Stock Exchange under the symbol PRGO. Our ordinary shares are also traded on the Tel Aviv Stock Exchange.

Dividends

We paid dividends as follows:

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Dividends paid (in millions)	$ 123.9	$ 112.4	$ 104.9
Dividends paid (per share)	$ 0.90	$ 0.82	$ 0.76

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

Share Repurchases

In October 2015, the Board of Directors approved a three-year share repurchase plan of up to $2.0 billion (the "2015 Authorization"). Following the expiration of the 2015 Authorization in October 2018, our Board of Directors authorized up to $1.0 billion of share repurchases with no expiration date, subject to the Board of Directors' approval of the pricing parameters and amount that may be repurchased under each specific share repurchase program (the "2018 Authorization"). During the year ended December 31, 2020, we repurchased 3.4 million ordinary shares at an average purchase price of $48.28 per share for a total of $164.2 million under the 2018 Authorization. We did not repurchase any shares during the year ended December 31, 2019. During the year ended December 31, 2018, we repurchased 5.1 million ordinary shares at an average repurchase price of $77.93 per share, for a total of $400.0 million, which were repurchased under the 2015 Authorization.

NOTE 13 - SHARE-BASED COMPENSATION PLANS

All share-based compensation for employees and directors is granted under the 2019 Long-Term Incentive Plan, as amended (the "Plan"). The Plan has been approved by our shareholders and provides for the granting of awards to our employees and directors. The purpose of the Plan is to attract and retain individuals of exceptional talent and encourage these individuals to acquire a vested interest in our success and prosperity. The awards that may be granted under this program include non-qualified stock options, restricted stock, restricted share units, and performance share units based on relative total shareholder return ("RTSR"). Restricted shares are generally service-based, requiring a certain length of service before vesting occurs, while restricted share units can be either service-based or performance-based. Performance-based restricted share units require a certain length of service until vesting; however, they contain an additional performance feature, which can vary the amount of shares ultimately paid out based on certain performance criteria specified in the Plan. RTSR performance share units are subject to a market condition. Awards granted under the Plan vest and may be exercised and/or sold from one year to ten years after the date of grant based on a vesting schedule. As of December 31, 2020, there were 4.0 million shares available to be granted.

Share-based compensation expense was as follows (in millions):

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ 58.5	$ 52.2	$ 37.7

As of December 31, 2020, unrecognized share-based compensation expense was $55.2 million, and the weighted-average period over which the expense is expected to be recognized was approximately 1.4 years. Proceeds from the exercise of stock options are credited to ordinary shares.

Stock Options

A summary of activity related to stock options is presented below (options in thousands):

	Number of Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Term in Years	Aggregate Intrinsic Value
Options outstanding at December 31, 2018	1,534	$ 91.56		
Granted	—	$ —		
Exercised	(27)	$ 34.30		
Forfeited or expired	(43)	$ 99.58		
Options outstanding at December 31, 2019	1,464	$ 92.33	5.8	$ —
Granted	—	$ —		
Exercised	—	$ —		
Forfeited or expired	(120)	$ 78.21		
Options outstanding December 31, 2020	1,344	$ 93.61	5.2	$ —
Options exercisable	1,138	$ 96.34	4.8	$ —
Options expected to vest	200	$ 78.51	7.1	$ —

The aggregate intrinsic value for options exercised was as follows (in millions):

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ —	$ 0.5	$ 1.1

The weighted-average fair value per share at the grant date for options granted was as follows:

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ —	$ —	$ 24.43

The fair value was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended
	December 31, 2018
Dividend yield	0.8 %
Volatility, as a percent	31.2 %
Risk-free interest rate	2.8 %
Expected life in years	5.6

The valuation model utilizes historical volatility. The risk-free interest rate is based on the yield of U.S. government securities with a maturity date that coincides with the expected term of the option. The expected life in years is estimated based on past exercise behavior of employees.

Non-Vested Service-Based Restricted Share Units

A summary of activity related to non-vested service-based restricted share units is presented below (units in thousands):

	Number of Non-vested Service-Based Share Units	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Term in Years	Aggregate Intrinsic Value
Non-vested service-based share units outstanding at December 31, 2018	728	$ 89.47		
Granted	818	$ 47.48		
Vested	(269)	$ 95.09		
Forfeited	(66)	$ 71.03		
Non-vested service-based share units outstanding at December 31, 2019	1,211	$ 60.96	1.4	$ 62.5
Granted	823	$ 54.68		
Vested	(372)	$ 69.64		
Forfeited	(42)	$ 59.82		
Non-vested service-based share units outstanding at December 31, 2020	1,620	$ 55.82	1.0	$ 72.5

The weighted-average fair value per share at the date of grant for service-based restricted share units granted was as follows:

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ 54.68	$ 47.48	$ 81.51

The total fair value of service-based restricted share units that vested was as follows (in millions):

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ 25.9	$ 25.6	$ 24.6

Non-Vested Performance-Based Restricted Share Units

A summary of activity related to non-vested performance-based restricted share units is presented below (units in thousands):

	Number of Non-vested Performance-Based Share Units	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Term in Years	Aggregate Intrinsic Value
Non-vested performance-based share units outstanding at December 31, 2018	442	$ 86.61		
Granted	298	$ 47.54		
Vested	(68)	$ 116.35		
Forfeited	(19)	$ 72.83		
Non-vested performance-based share units outstanding at December 31, 2019	653	$ 61.44	1.5	$ 33.7
Granted	291	$ 55.08		
Vested	(184)	$ 68.89		
Forfeited	(9)	$ 70.60		
Non-vested performance-based share units outstanding at December 31, 2020	751	$ 57.13	1.4	$ 33.6

The weighted-average fair value of performance-based restricted share units can fluctuate depending upon the success or failure of the achievement of performance criteria as set forth in the Plan. The weighted-average fair value per share at the date of grant for performance-based restricted share units granted was as follows:

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ 55.08	$ 47.54	$ 85.01

The total fair value of performance-based restricted share units that vested was as follows (in millions):

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ 12.7	$ 8.0	$ 2.4

Non-vested Relative Total Shareholder Return Performance Share Units

The fair value of the RTSR performance share units is determined using the Monte Carlo pricing model as the number of shares to be awarded is subject to a market condition. The valuation model considers a range of possible outcomes, and compensation cost is recognized regardless of whether the market condition is actually satisfied.

The assumptions used in estimating the fair value of the RTSR performance share units granted during each year were as follows:

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Dividend yield	1.6 %	1.6 %	0.9 %
Volatility, as a percent	40.4 %	40.2 %	35.3 %
Risk-free interest rate	0.6 %	1.9 %	2.4 %
Expected life in years	2.8	2.4	2.8

A summary of activity related to non-vested RTSR performance share units is presented below (units in thousands):

	Number of Non-vested RTSR Performance Share Units	Weighted-Average Grant Date Fair Value Per Share	Weighted-Average Remaining Term in Years*	Aggregate Intrinsic Value
Non-vested RTSR performance share units outstanding at December 31, 2018	62	$ 78.35		
Granted	80	$ 55.61		
Vested	—	$ —		
Forfeited	—	$ —		
Non-vested RTSR performance share units outstanding at December 31, 2019	142	$ 63.02	1.5	$ 7.3
Granted	58	$ 67.72		
Vested	(24)	$ 62.73		
Forfeited	—	$ —		
Non-vested RTSR performance share units outstanding at December 31, 2020	176	$ 65.04	1.5	$ 7.9

* Midpoint used in calculation.

The weighted-average fair value per share at the date of grant for RTSR performance share units granted was as follows:

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ 67.72	$ 55.61	$ 101.13

The total fair value of RTSR performance share units that vested was as follows (in millions):

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ 1.5	$ —	$ —

NOTE 14 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in our Accumulated Other Comprehensive Income (loss) ("AOCI") balances, net of tax, were as follows (in millions):

	Fair Value of Derivative Financial Instruments, net of tax	Foreign Currency Translation Adjustments [1]	Post-Retirement and Pension Liability Adjustments, net of tax	Total AOCI
Balance at December 31, 2018	$ (15.5)	$ 104.5	$ (4.4)	$ 84.6
OCI before reclassifications	26.8	28.4	4.9	60.1
Amounts reclassified from AOCI	1.4	—	(6.7)	(5.3)
Other comprehensive income (loss)	28.2	28.4	(1.8)	54.8
Balance at December 31, 2019	12.7	132.9	(6.2)	139.4
OCI before reclassifications	(12.2)	228.0	1.8	217.6
Amounts reclassified from AOCI	(1.2)	46.4	(7.2)	38.0
Other comprehensive income (loss)	(13.4)	274.4	(5.4)	255.6
Balance at December 31, 2020	$ (0.7)	$ 407.3	$ (11.6)	$ 395.0

(1) Refer to the description in Note 3 of the Rosemont Pharmaceuticals business divestiture for information regarding amounts reclassified from AOCI.

NOTE 15 - INCOME TAXES

Pre-tax income (loss) and the (benefit) provision for income taxes from continuing operations are summarized as follows (in millions):

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Pre-tax income (loss):			
Ireland	$ (411.8)	$ (300.3)	$ (109.0)
United States	147.3	(291.9)	(428.6)
Other foreign	115.1	763.2	828.2
Total pre-tax income (loss)	(149.4)	171.0	290.6
Current provision (benefit) for income taxes:			
Ireland	2.7	(2.2)	22.7
United States	17.6	51.0	66.4
Other foreign	47.4	16.1	75.1
Subtotal	67.7	64.9	164.2
Deferred provision (benefit) for income taxes:			
Ireland	(0.1)	—	(13.9)
United States	(52.3)	(30.2)	7.3
Other foreign	(2.1)	(9.8)	2.0
Subtotal	(54.5)	(40.0)	(4.6)
Total provision for income taxes	$ 13.2	$ 24.9	$ 159.6

A reconciliation of the provision based on the Irish statutory income tax rate to our effective income tax rate is as follows:

	Year Ended		
	December 31, 2020	**December 31, 2019**	**December 31, 2018**
Provision at statutory rate	12.5 %	12.5 %	12.5 %
Foreign rate differential	14.9	3.1	(7.1)
State income taxes, net of federal benefit	(6.2)	2.7	3.0
Provision to return	(1.2)	0.8	(1.0)
Tax credits	8.8	(2.7)	(1.3)
Change in tax law	(1.8)	(1.1)	(6.2)
Change in valuation allowance	52.0	(29.1)	51.0
Change in unrecognized taxes	(28.8)	(4.7)	13.8
Permanent differences	(70.7)	31.2	(14.1)
Legal entity restructuring	21.1	—	—
Taxes on unremitted earnings	(8.8)	3.6	3.9
Other	(0.6)	(1.7)	0.4
Effective income tax rate	(8.8)%	14.6 %	54.9 %

Pursuant to changes made by the U.S. Tax Cuts and Jobs Act ("U.S. Tax Act"), remittances from subsidiaries held by Perrigo Company U.S. made in 2018 and future years are generally not subject to U.S. federal income tax. These remittances are either excluded from U.S. taxable income as earnings that were already subject to taxation or qualify for a 100% dividends received deduction. We are indefinitely reinvested in historic U.S. earnings beyond those previously taxed in the U.S. and other unremitted earnings of our foreign subsidiaries, excluding Israel. Due to the complexity of the legal entity structure and the complexity of the tax laws in various jurisdictions, we believe it is not practicable to estimate the additional income taxes that may be payable on the remittance of such undistributed earnings.

Deferred income taxes arise from temporary differences between the financial reporting and the tax reporting basis of assets and liabilities and operating loss and tax credit carryforwards for tax purposes. The components of our net deferred income tax asset (liability) were as follows (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Deferred income tax asset (liability):		
Depreciation and amortization	$ (393.7)	$ (366.7)
Investment in partnership	—	(38.1)
Right of use assets	(44.3)	(30.5)
Unremitted earnings	(42.0)	(29.0)
Inventory basis differences	27.7	32.7
Accrued liabilities	81.4	91.3
Lease obligations	45.3	30.5
Share-based compensation	24.5	23.2
Federal benefit of unrecognized tax positions	23.5	20.7
Loss and credit carryforwards	390.1	373.3
R&D credit carryforwards	48.4	54.1
Interest carryforwards	17.9	60.5
Other, net	0.9	4.1
Subtotal	$ 179.7	$ 226.1
Valuation allowance [1]	(414.8)	(501.3)
Net deferred income tax liability	$ (235.1)	$ (275.2)

(1) The movement in the valuation allowance balance differs from the amount in the effective tax rate reconciliation due to adjustments affecting balance sheet only items and foreign currency.

The above amounts are classified on the Consolidated Balance Sheets as follows (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Assets	$ 44.2	$ 5.4
Liabilities	(279.3)	(280.6)
Net deferred income tax liability	$ (235.1)	$ (275.2)

The change in valuation allowance reducing deferred taxes was (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Balance at beginning of period	$ 501.3	$ 557.9
Change in assessment [1]	(50.3)	(8.3)
Current year operations, foreign currency and other	(36.2)	(48.3)
Balance at end of period	$ 414.8	$ 501.3

(1) Includes release of $51.5 million of valuation allowance against U.S. deferred tax assets in 2020.

We have U.S. federal and state credit carryforwards and U.S. R&D credit carryforwards of $62.0 million as well as U.S. federal and state net operating loss carryforwards and non-U.S. net operating loss carryforwards of $368.6 million, which will expire at various times through 2040. The remaining U.S. and non-US credit carryforwards of $9.0 million, U.S. federal and non-US loss carryforwards of $1,317.5 million, and U.S. interest carryforwards of $78.1 million have no expiration.

For the year ended December 31, 2020 we recorded a net decrease in valuation allowances of $86.5 million, comprised primarily of a release of the U.S. valuation allowance against certain deferred tax assets and a decrease in the U.S. valuation allowance due to the CARES Act. Valuation allowances are determined based on management's assessment of its deferred tax assets that are more likely than not to be realized.

We recorded a valuation allowance against all U.S. deferred tax assets as of December 31, 2016 and continued to maintain this valuation allowance through December 31, 2019. Given our current earnings and anticipated future earnings, we believe there was sufficient positive evidence as of December 31, 2020 to release a portion of the valuation allowance against our U.S. deferred tax assets. The release resulted in the recognition of $51.5 million of U.S. deferred tax assets.

The Company operates in multiple jurisdictions with complex tax policy and regulatory environments and establishes reserves for uncertain tax positions in accordance with the accounting guidance governing uncertainty in income taxes. Uncertainty in a tax position may arise because tax laws are subject to interpretation. The following table summarizes the activity related to the liability recorded for uncertain tax positions, excluding interest and penalties (in millions):

	Unrecognized Tax Benefits
Balance at December 31, 2018	$ 377.1
Additions:	
Positions related to the current year	8.2
Positions related to prior years	3.1
Reductions:	
Settlements with taxing authorities	(3.0)
Lapse of statutes of limitation	(23.5)
Decrease in prior year positions	(12.1)
Cumulative translation adjustment	0.7
Balance at December 31, 2019	350.5
Additions:	
Positions related to the current year	18.2
Positions related to prior years	28.9
Reductions:	
Lapse of statutes of limitation	(2.2)
Decrease in prior year positions	(1.0)
Cumulative translation adjustment	1.6
Balance at December 31, 2020	$ 396.0

We recognize 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 $108.9 million, $98.1 million, and $86.8 million as of December 31, 2020, December 31, 2019, and December 31, 2018, respectively.

If recognized, of the total liability for uncertain tax positions, $250.2 million, $204.6 million, and $203.7 million as of December 31, 2020, December 31, 2019, and December 31, 2018, respectively, would impact the effective tax rate in future periods.

Our major income tax jurisdictions are Ireland, the U.S., Israel, Belgium, France, and the United Kingdom. We are routinely audited by the tax authorities in our major jurisdictions. We have substantially concluded all Ireland income tax matters through the year ended December 31, 2011, all U.S. federal income tax matters through the year ended June 28, 2008, all Israel income tax matters through the year ended June 28, 2014. All significant matters in our remaining major tax jurisdictions have been concluded for tax years through 2016.

Internal Revenue Service Audits of Perrigo Company, a U.S. Subsidiary

We are engaged in a series of tax disputes in the U.S. relating primarily to transfer pricing adjustments including income in connection with the purchase, distribution, and sale of store-brand OTC pharmaceutical products in the United States, including the heartburn medication omeprazole. On August 27, 2014, we received a statutory notice of deficiency from the IRS relating to our fiscal tax years ended June 27, 2009, and June 26, 2010 (the “2009 tax year” and “2010 tax year”, respectively). On April 20, 2017, we received a statutory notice of deficiency from the IRS for the years ended June 25, 2011 and June 30, 2012 (the “2011 tax year” and “2012 tax year”, respectively). Specifically, both statutory notices proposed adjustments related to the offshore reporting of profits on sales of omeprazole in the United States resulting from the assignment of an omeprazole distribution contract to an affiliate. In addition to the transfer pricing adjustments, which applied to all four tax years, the statutory notice of deficiency for the 2011 and 2012 tax years included adjustments for the capitalization and amortization of certain expenses that were deducted when paid or incurred in defending against certain patent infringement lawsuits related to Abbreviated New Drug Applications (“ANDAs”).

We do not agree with the audit adjustments proposed by the IRS in either of the notices of deficiency. We paid the assessed amounts of tax, interest, and penalties set forth in the statutory notices and timely filed claims for refund on June 11, 2015 for the 2009 and 2010 tax years, and on June 7, 2017, for the 2011 and 2012 tax years. On August 15, 2017, following disallowance of such refund claims, we timely filed a complaint in the United States District Court for the Western District of Michigan seeking refunds of tax, interest, and penalties of $27.5 million for the 2009 tax year, $41.8 million for the 2010 tax year, $40.1 million for the 2011 tax year, and $24.7 million for the 2012 tax year, for a total of $134.1 million, plus statutory interest thereon from the dates of payment. The amounts sought in the complaint for the 2009 and 2010 tax years were recorded as deferred charges in Other non-current assets on our balance sheet during the three months ended March 28, 2015, and the amounts sought in the complaint for the 2011 and 2012 tax years were recorded as deferred charges in Other non-current assets on our balance sheet during the three months ended July 1, 2017.

The previously scheduled trial date has been continued to May 25, 2021 for the refund case. The total amount of cumulative deferred charge that we are seeking to receive in this litigation is approximately $111.6 million, which reflects the impact of conceding that Perrigo Company, our U.S. subsidiary ("Perrigo U.S.") should have received a 5.24% royalty on all omeprazole sales. That concession was previously paid and is the subject of the above refund claims. The issues outlined in the statutory notices of deficiency described above are continuing, and the IRS will likely carry forward the adjustments set forth therein as long as the drug is sold, in the case of the omeprazole issue, and for all post-2012 Paragraph IV filings that trigger patent infringement suits, in the case of the ANDA issue.

On January 13, 2021, the IRS issued a 30-day letter with respect to its audit of our fiscal tax years ended June 29, 2013, June 28, 2014, and June 27, 2015. The IRS letter proposed, among other modifications, transfer pricing adjustments regarding our profits from the distribution of omeprazole in such years in the aggregate amount of $141.6 million. We timely filed a protest to the 30-day letter noting that due to the pending litigation described above, IRS Appeals will not consider the merits of the omeprazole or ANDA matters. We believe that we should prevail on the merits on both issues and have reserved for taxes and interest payable on the 5.24% deemed royalty on omeprazole through the tax year ended December 31, 2018. Beginning with the tax year ended December 31, 2019, we began reporting income commensurate with the 5.24% deemed royalty. We have not reserved for the ANDA-related issue described above. While we believe we should prevail on the merits of this case, the outcome remains uncertain. If our litigation position on the omeprazole issue is not sustained, the outcome for the 2009–2012 tax years could range from a reduction in the refund amount to denial of any refund. In addition, we expect that the outcome of the refund litigation could effectively bind future tax years. In that event, an adverse ruling on the omeprazole issue could have a material impact on subsequent periods, with additional tax liability in the range of $24.0 million to $112.0 million, not including interest and any applicable penalties.

The 30-day letter also proposed to reduce Perrigo Company's deductible interest expense for fiscal tax years ended June 28, 2014 (the "2014 tax year") and June 27, 2015 (the "2015 tax year") on $7.5 billion in debts owed by it to Perrigo Company plc. The debts were incurred in connection with the Elan merger transaction in 2013. On May 7, 2020, the IRS issued a NOPA capping the interest rate on the debts for U.S. federal tax purposes at 130.0% of the Applicable Federal Rate (a blended rate reduction of 4.0% per annum), on the stated ground that the loans were not negotiated on an arms'-length basis. The NOPA proposes a reduction in gross interest expense of approximately $414.7 million for tax years 2014 and 2015. On January 13, 2021, we received a Revenue Agent Report ("RAR") together with the 30-day letter requiring our filing of a written Protest to request IRS Appeals consideration. The Protest was filed with the IRS on February 26, 2021. If the IRS were to prevail in its proposed adjustment, we estimate an increase in tax expense of approximately $170.0 million, excluding interest and penalties, for fiscal years ended June 28, 2014 through June 27, 2015. In addition, we expect the IRS to seek similar adjustments for the fiscal years ended December 31, 2015 through December 31, 2018 with potential section 163(j) carryover impacts beyond December 2018. If those further adjustments were sustained, based on preliminary calculations and subject to further analysis, our current best estimate is that the additional tax expense will not exceed $200.0 million, excluding interest and penalties. No further adjustments beyond this period are expected. We strongly disagree with the IRS position and we will pursue all available administrative and judicial remedies necessary. At this stage, we are unable to estimate any additional liability, if any, associated with this matter.

Internal Revenue Service Audit of Athena Neurosciences, Inc., a U.S. Subsidiary

On April 26, 2019, we received a revised NOPA from the IRS regarding transfer pricing positions related to the IRS audit of Athena Neurosciences, Inc. ("Athena") for the years ended December 31, 2011, December 31, 2012, and December 31, 2013. The NOPA carries forward the IRS's theory from its 2017 draft NOPA that when Elan took over the future funding of Athena's in-process research and development after acquiring Athena in 1996, Elan should have paid a substantially higher royalty rate for the right to exploit Athena's intellectual property, rather than rates based on transfer pricing documentation prepared by Elan's external tax advisors. The NOPA proposes a payment of $843.0 million, which represents additional tax and a 40.0% penalty. This amount excludes consideration of offsetting tax attributes and any potential interest that may be imposed. We strongly disagree with the IRS position and will pursue all available administrative and judicial remedies, including those available under the U.S. - Ireland Income Tax Treaty to alleviate double taxation. Accordingly, on April 14, 2020, we filed a request for Competent Authority Assistance with the IRS. The request was accepted and is under review. No payment of the additional amounts is required until the matter is resolved administratively, judicially, or through treaty negotiation.

On December 22, 2016, we received a NOPA from the IRS regarding the deductibility of litigation costs related to the IRS audit of Athena for the years ended December 31, 2011, December 31, 2012, and December 31, 2013. We strongly disagree with the IRS's position asserted in the NOPA and are contesting it. We amended our request for Competent Authority Assistance and this amendment was accepted and is under review.

Irish Revenue Audit of Fiscal Years Ended December 31, 2012 and December 31, 2013

On October 30, 2018, we received an audit finding letter from the Irish Office of the Revenue Commissioners ("Irish Revenue") for the years ended December 31, 2012 and December 31, 2013. The audit finding letter relates to the tax treatment of the 2013 sale of the Tysabri® intellectual property and other assets related to Tysabri® to Biogen Idec by Elan Pharma. The consideration paid by Biogen to Elan Pharma took the form of an upfront payment and future contingent royalty payments. Irish Revenue issued a Notice of Amended Assessment ("NoA") on November 29, 2018 which assesses an Irish corporation tax liability against Elan Pharma in the amount of €1,636 million, not including interest or any applicable penalties.

We strongly disagree with this assessment and believe that the NoA is without merit and incorrect as a matter of law. We will pursue all available administrative and judicial avenues as may be necessary or appropriate. In connection with that, we filed an appeal of the NoA on December 27, 2018 with the Irish Tax Appeals Commission ("TAC") which is the statutory body charged with considering whether the NoA is properly founded as a matter of Irish tax law. Separately, we were also granted leave by the Irish High Court on February 25, 2019 to seek judicial review of the issuance of the NoA by Irish Revenue.

On November 4, 2020, the High Court ruled that the Irish Revenue's decision to issue the NoA did not violate Elan Pharma's constitutional rights and legitimate expectations as a taxpayer. The Irish High Court did not rule on the merits of the NoA under Irish tax law. The TAC will now consider whether the NoA is correct as a matter

of Irish tax law. Elan Pharma will vigorously pursue its tax appeal before the TAC. The tax appeal is scheduled to be heard in November 2021.

No payment will be required unless the appeal pending before the Tax Appeals Commission is finally determined against Elan Pharma.

Israel Tax Authority Audit of Fiscal Year Ended June 27, 2015 and Calendar Years Ended December 31, 2015 through December 31, 2017

The Israel Tax Authority audited our fiscal year ended June 27, 2015, and calendar years ended December 31, 2015, December 31, 2016 and December 31, 2017. On December 29, 2020, we received a Stage A assessment from the Israeli Tax Authority for the tax years ended December 31, 2015 through December 31, 2017 in the amount of $63.8 million relating to attribution of intangible income to Israel, income qualifying for a lower preferential rate of tax, exemption from capital gains tax, and deduction of certain settlement payments. We have been granted an extension of time, to March 28, 2021, to file a protest to the assessment to move the matter to Stage B of the assessment process. We strongly disagree with the assessment and will pursue all available administrative and judicial remedies necessary.

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

Based on the final resolution of tax examinations, judicial or administrative proceedings, changes in facts or law, expirations of statute of limitations in specific jurisdictions or other resolutions of, or changes in, tax positions - one or more of which may occur within the next twelve months - it is reasonably possible that unrecognized tax benefits for certain tax positions taken on previously filed tax returns may change materially from those recorded as of December 31, 2020. However, we are not able to estimate a reasonably possible range of how these events may impact our unrecognized tax benefits in the next twelve months.

Recent Tax Law Changes

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act ("U.S. Tax Act"). The U.S. Tax Act includes a number of significant changes to the existing U.S. tax laws that impact us. These changes include a corporate income tax rate reduction from 35% to 21% and the elimination or reduction of certain U.S. deductions and credits including limitations on the U.S. deductibility of interest expense and executive compensation. The U.S. Tax Act also transitions the U.S. taxation of international earnings from a worldwide system to a modified territorial system. These changes were effective beginning in 2018. The U.S. Tax Act also includes a one-time mandatory deemed repatriation tax on accumulated U.S. owned foreign corporations' previously untaxed foreign earnings ("Transition Toll Tax"). We paid our full Transition Toll Tax liability as of December 31, 2018.

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of the U.S. GAAP ASC 740 income tax accounting for tax law changes enacted in the U.S. during 2017, in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the U.S. Tax Act. In accordance with SAB 118, for the year ended December 31, 2018, we recorded an income tax benefit of $2.4 million in connection with the remeasurement of certain deferred tax assets and liabilities and also recorded a $17.5 million increase of current tax expense in connection with the Transition Toll Tax on cumulative U.S. owned foreign earnings of $1.2 billion. For the year ended December 31, 2018, we completed the accounting for the income tax effects of the U.S. Tax Act. Based on additional guidance issued by the IRS and updates to our calculations we recorded a benefit of $6.3 million related to the Transition Toll Tax. There were no other material changes to the amounts recorded at December 31, 2018. We also finalized the provisional estimate related to our assertion on unremitted earnings of foreign subsidiaries recording an additional deferred tax liability of $8.3 million for the state income tax impacts of repatriating undistributed foreign earnings.

The U.S. Tax Act subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed

Income states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. We have elected an accounting policy to provide for the tax expense related to GILTI in the year the tax is incurred ("period cost method").

On March 27, 2020, the U.S. enacted the CARES Act. The CARES Act allowed for an increased interest expense limitation and depreciation deductions resulting in a reduction of income tax expense of approximately $36.6 million for tax years 2019 and 2020. Additionally, Treasury and the IRS issued Proposed and Final Regulations in 2020 regarding interest expense limitations under Section 163(j). These regulations adjust the definition of interest expense and items allowable in adjusted taxable income to calculate the annual interest deduction limitation. Perrigo has applied the updated regulations resulting in a reduction of income tax expense of approximately $8.9 million during 2020.

On December 22, 2017, the Belgian Parliament approved Belgian tax reform legislation (“Belgium Tax Act”), which was signed by the Belgian King and enacted on December 25, 2017. The Belgium Tax Act provides for a reduction to the corporate income tax rate from 34% to 30%, for 2018 and 2019, as well as a reduced corporate income tax rate of 25% for 2020 and beyond. The Belgium Tax Act also increased the participation exemption on dividend distributions to Belgium entities from 95% to 100%. The Belgium Tax Act also introduces Belgium tax consolidation and other anti-tax avoidance directives. For the year ended December 31, 2018, we recorded additional income tax expense of $24.1 million for the remeasurement of certain deferred tax assets and additional income tax benefit of $33.2 million for the remeasurement of certain deferred tax liabilities as a result of the Belgium Tax Act. Lastly, for the year ended December 31, 2018, we fully reversed the deferred tax liability recorded for Belgian Fairness Tax assessment on unrepatriated earnings, as this tax was ruled unconstitutional in the first quarter of 2018.

NOTE 16 - POST-EMPLOYMENT PLANS

On December 31, 2020, we adopted ASU 2018-14: Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans. The amendments in this ASU remove the disclosure of amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year. Additionally, Subtopic 715-20 adds disclosure requirements to explain the reasons for significant gains and losses related to changes in the benefit obligation for the period.

Defined Contribution Plans

We have a qualified profit-sharing and investment plan under Section 401(k) of the IRS, which covers substantially all U.S. employees. Our contributions to the plan include an annual nondiscretionary contribution of 3% of an employee's eligible compensation and a discretionary contribution at the option of the Board of Directors. Additionally, we match a portion of employees' contributions.

We also have a defined contribution plan that covers our Ireland employees. We contribute up to 18% of each participating employee’s annual eligible salary on a monthly basis.

We assumed a number of defined contribution plans associated with the Omega acquisition and we pay contributions to the pension insurance plans.

Our contributions to all of the plans were as follows (in millions):

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ 27.3	$ 26.6	$ 25.2

Pension and Post-Retirement Healthcare Benefit Plans

We have a number of defined benefit plans for employees based primarily in Ireland, the Netherlands, Belgium, Germany, Switzerland, Greece and France.

Our defined benefit pension plans are managed externally and the related pension costs and liabilities are assessed at least annually in accordance with the advice of a qualified professional actuary. We used a December 31, 2020 measurement date and all plan assets and liabilities are reported as of that date.

We provide certain healthcare benefits to eligible U.S. employees and their dependents who meet certain age and service requirements when they retire. Generally, benefits are provided to eligible retirees after age 65 and to their dependents. Increases in our contribution for benefits are limited to increases in the Consumer Price Index. Additional healthcare cost increases are paid through participant contributions. We accrue the expected costs of such benefits during a portion of the employees' years of service. The plan is not funded. Under current plan provisions, the plan is not eligible for any U.S. federal subsidy related to the Medicare Modernization Act of 2003 Part D Subsidy.

The change in the projected benefit obligation and plan assets consisted of the following (in millions):

	Pension Benefits		Other Benefits	
	Year Ended		Year Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Projected benefit obligation at beginning of period	$ 186.9	$ 168.6	$ 3.7	$ 5.6
Curtailment	—	(2.5)	—	—
Service costs	2.7	2.5	—	0.6
Interest cost	2.8	3.8	0.1	0.2
Actuarial loss (gain)	7.0	22.7	(0.2)	0.3
Amendments	—	—	—	(2.9)
Contributions paid	0.2	0.3	—	—
Benefits paid	(2.3)	(1.6)	(0.1)	(0.1)
Settlements	—	(3.8)	—	—
Foreign currency translation	17.0	(3.1)	—	—
Projected benefit obligation at end of period	$ 214.3	$ 186.9	$ 3.5	$ 3.7
Fair value of plan assets at beginning of period	165.4	151.9	—	—
Actual return on plan assets	8.3	19.8	—	—
Benefits paid	(2.3)	(1.6)	(0.1)	(0.1)
Settlements	—	(3.8)	—	—
Employer contributions	2.3	2.0	0.1	0.1
Contributions paid	0.2	0.3	—	—
Foreign currency translation	15.2	(3.2)	—	—
Fair value of plan assets at end of period	$ 189.1	$ 165.4	$ —	$ —
Unfunded status	$ (25.2)	$ (21.5)	$ (3.5)	$ (3.7)
Presented as:				
Other non-current assets	$ 17.9	$ 15.8	$ —	$ —
Other non-current liabilities	$ (43.1)	$ (37.3)	$ —	$ —

The total accumulated benefit obligation for the defined benefit pension plans was $207.5 million and $180.8 million at December 31, 2020 and December 31, 2019 respectively.

The following information relates to pension plans with an accumulated benefit obligation in excess of plan assets (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Accumulated benefit obligation	$ 107.4	$ 93.7
Fair value of plan assets	$ 71.1	$ 62.1

The following information relates to pension plans with a projected benefit obligation in excess of plan assets (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Projected benefit obligation	$ 114.2	$ 99.4
Fair value of plan assets	$ 71.1	$ 62.1

The following unrecognized actual gain for the other benefits liability was included in OCI, net of tax (in millions):

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ 0.2	$ 2.6	$ 1.3

The unamortized net actuarial loss (gain) in AOCI net of tax for defined benefit pension and other benefits was as follows (in millions):

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
$ 11.6	$ 6.2	$ 4.4

The total estimated credit amount to be recognized from AOCI into net periodic cost during the next year is $1.0 million.

At December 31, 2020, the total estimated future benefit payments to be paid by the plans for the next five years is approximately $14.7 million for pension benefits and $0.8 million for other benefits as follows (in millions):

Payment Due	Pension Benefits	Other Benefits
2021	$ 2.1	$ 0.1
2022	2.6	0.1
2023	2.6	0.2
2024	3.5	0.2
2025	3.9	0.2
Thereafter	27.4	1.1

The expected benefits to be paid are based on the same assumptions used to measure our benefit obligation at December 31, 2020, including the expected future employee service. We expect to contribute $2.4 million to the defined benefit plans within the next year.

Net periodic pension cost consisted of the following (in millions):

	Pension Benefits			Other Benefits		
	Year Ended			Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2020	December 31, 2019	December 31, 2018
Service cost	$ 2.7	$ 2.5	$ 3.0	$ —	$ 0.6	$ 0.6
Interest cost	2.8	3.8	3.8	0.1	0.2	0.2
Expected return on assets	(4.9)	(4.9)	(5.3)	—	—	—
Settlement	—	0.9	—	—	—	—
Curtailment	—	(2.5)	(1.2)	—	—	—
Net actuarial loss/(gain)	0.9	0.8	0.6	(3.2)	(0.3)	(0.1)
Net periodic pension cost/ (gain)	$ 1.5	$ 0.6	$ 0.9	$ (3.1)	$ 0.5	$ 0.7

The components of the net periodic pension cost, other than the service cost component, are included in the line item Other (income) expense, net in the Consolidated Statement of Operations.

The decrease in the discount rate from 1.06% to 0.95% has increased the liability. This decrease of 0.11% versus the discount rate used at December 31, 2019 is primarily attributable to the reduction in bond yields across the Euro zone.

The weighted-average assumptions used to determine net periodic pension cost and benefit obligation were:

	Pension Benefits			Other Benefits		
	Year Ended			Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2020	December 31, 2019	December 31, 2018
Discount rate	0.95 %	1.06 %	2.04 %	3.14 %	4.25 %	3.59 %
Inflation	1.33 %	1.18 %	1.45 %			
Expected return on assets	1.76 %	2.54 %	2.94 %			
Interest crediting rates	0.59 %	0.83 %	1.41 %			

The discount rate is based on market yields at the valuation date and chosen with reference to the yields available on high quality corporate bonds, with regards to the duration of the plan's liabilities.

As of December 31, 2020, the expected weighted-average long-term rate of return on assets of 1.8% was calculated based on the assumptions of the following returns for each asset class:

Equities	5.0 %
Bonds	1.7 %
Absolute return fund	4.0 %
Insurance contracts	1.6 %
Other	0.9 %

The investment mix of the pension plans' assets is a blended asset allocation, with a diversified portfolio of shares listed and traded on recognized exchanges.

Certain of our plans have target asset allocation ranges. As of December 31, 2020, these ranges were as follows:

Equities	20%-30%
Bonds	40%-50%
Absolute return	20%-30%

Other plans do not have target asset allocation ranges, for such plans, the strategy is to invest mainly in Insurance Contracts.

The purpose of the pension funds is to provide a flow of income for members in retirement. A flow of income delivered through fixed interest bonds provides a costly but close match to this objective. Equities are held within the portfolio as a means of reducing this cost, but holding equities creates a strategic risk because they give a very different pattern of return. Property investments are held to help diversify the portfolio. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and investment portfolio reviews.

The following table sets forth the fair value of the pension plan assets (in millions):

	Year Ended							
	December 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equities	$ —	$ 42.8	$ —	$ 42.8	$ 0.1	$ 24.5	$ —	$ 24.6
Bonds	1.2	43.0	—	44.2	1.1	32.7	—	33.8
Insurance contracts	—	—	64.2	64.2	—	—	56.1	56.1
Absolute return fund	—	30.8	—	30.8	—	44.9	—	44.9
Other	—	7.1	—	7.1	—	6.0	—	6.0
Total	$ 1.2	$ 123.7	$ 64.2	$ 189.1	$ 1.2	$ 108.1	$ 56.1	$ 165.4

The following table sets forth a summary of the changes in the fair value of the Level 3 pension plan assets, which were measured at fair value on a recurring basis (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
Assets at beginning of year	$ 56.1	$ 49.9
Actual return on plan assets	1.9	8.1
Purchases, sales and settlements, net	1.2	(0.5)
Foreign exchange	5.0	(1.4)
Assets at end of year	$ 64.2	$ 56.1

The fair value of the insurance contracts is an estimate of the amount that would be received in an orderly sale to a market participant at the measurement date. The amount the plan would receive from the contract holder if the contracts were terminated is the primary input and is unobservable. The insurance contracts are therefore classified as Level 3 investments.

Deferred Compensation Plans

We have non-qualified plans related to deferred compensation and executive retention that allow certain employees and directors to defer compensation subject to specific requirements. Although the plans are not formally funded, we own insurance policies that had a cash surrender value of $37.3 million and $34.4 million at December 31, 2020 and December 31, 2019, respectively, that are intended as a long-term funding source for these plans. The assets, which are recorded in Other non-current assets, are not a committed funding source and may, under certain circumstances, be subject to claims from creditors. The deferred compensation liability of $34.2 million and $31.3 million at December 31, 2020 and December 31, 2019, respectively, was recorded in Other non-current liabilities.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

We lease certain assets, principally warehouse facilities and computer equipment, under agreements that expire at various dates through the year ended December 31, 2040. Certain leases contain provisions for renewal and purchase options and require us to pay various related expenses. The annual future maturities of our leases as of December 31, 2020 was $221.3 million (refer to Note 10).

Rent expense under all leases was $48.2 million, $48.8 million, and $51.2 million for the years ended December 31, 2020, December 31, 2019, and December 31, 2018, respectively.

At December 31, 2020, we had non-cancelable purchase obligations totaling $1.2 billion consisting of contractual commitments to purchase materials and services to support operations. The majority of the obligations are expected to be paid within one year.

In view of the inherent difficulties of predicting the outcome of various types of legal proceedings, we cannot determine the ultimate resolution of the matters described below. We establish reserves for litigation and regulatory matters when losses associated with the claims become probable and the amounts can be reasonably estimated. The actual costs of resolving legal matters may be substantially higher or lower than the amounts reserved for those matters. For matters where the likelihood or extent of a loss is not probable or cannot be reasonably estimated as of December 31, 2020, we have not recorded a loss reserve. If certain of these matters are determined against us, there could be a material adverse effect on our financial condition, results of operations, or cash flows. We currently believe we have valid defenses to the claims in these lawsuits and intend to defend these lawsuits vigorously regardless of whether or not we have a loss reserve. Other than what is disclosed below, we do not expect the outcome of the litigation matters to which we are currently subject to, individually or in the aggregate, have a material adverse effect on our financial condition, results of operations, or cash flows.

Price-Fixing Lawsuits

Perrigo is a defendant in several cases in the generic pricing multidistrict litigation *MDL No. 2724 (United States District Court for Eastern District of Pennsylvania)*. This multidistrict litigation, which has many cases that do not include Perrigo, includes class action and opt-out cases for federal and state antitrust claims, as well as complaints filed by certain states alleging violations of state antitrust laws.

On July 14, 2020, the court issued an order designating the following cases to proceed on a more expedited basis (as a bellwether) than the other cases in *MDL No. 2724:* (a) the May 2019 state case alleging an overarching conspiracy involving more than 120 products (which does not name Perrigo a defendant) and (b) class actions alleging “single drug” conspiracies involving Clomipramine, Pravastatin, and Clobetasol. Perrigo is a defendant in the Clobetasol cases but not the others. On February 9, 2021, the court entered an order provisionally deciding to remove the May 2019 state case and the pravastatin class cases from the bellwether proceedings. The clobetasol class cases remain part of the bellwether. The order allows additional briefing on these issues and other cases may be added to the bellwether cases.

Class Action Complaints

(a) Single Drug Conspiracy Class Actions

We have been named as a co-defendant with certain other generic pharmaceutical manufacturers in a number of class actions alleging single-product conspiracies to fix or raise the prices of certain drugs and/or allocate customers for those products starting, in some instances, as early as June 2013. The class actions were filed on behalf of putative classes of (a) direct purchasers, (b) end payors, and (c) indirect resellers. The products in question are Clobetasol gel, Desonide, and Econazole. The court denied motions to dismiss each of the complaints alleging “single drug” conspiracies involving Perrigo, and the cases are proceeding in discovery. As noted above, the Clobetasol cases have been designated to proceed on a more expedited schedule than the other cases. That schedule has not yet been set.

(b) “Overarching Conspiracy” Class Actions

The same three putative classes, including (a) direct purchasers, (b) end payors, and (c) indirect resellers, have filed two sets of class action complaints alleging that Perrigo and other manufacturers (and some individuals) entered into an “overarching conspiracy” that involved allocating customers, rigging bids and raising, maintaining, and fixing prices for various products. Each class brings claims for violations of Sections 1 and 3 of the Sherman Antitrust Act as well as several state antitrust and consumer protection statutes.

Filed in June 2018, and later amended in December 2018 (with respect to direct purchasers) and April 2019 (with respect to end payors and indirect resellers), the first set of “overarching conspiracy” class actions include allegations against Perrigo and approximately 27 other manufacturers involving 135 drugs with allegations dating back to March 2011. The allegations against Perrigo concern only two formulations (cream and ointment) of one of the products at issue, Nystatin. The court denied motions to dismiss the first set of “overarching conspiracy” class actions, and they are proceeding in discovery. None of these cases are included in the group of cases on a more expedited schedule pursuant to the court’s July 14, 2020 order.

In December 2019, both the end payor and indirect reseller class plaintiffs filed a second set of "overarching conspiracy” class actions against Perrigo, dozens of other manufacturers of generic prescription pharmaceuticals, and certain individuals dating back to July 2009 (end payors) or January 2010 (indirect resellers). The direct purchaser plaintiffs filed their second round overarching conspiracy complaint in February 2020 with claims dating back to July 2009. On March 11, 2020, the indirect reseller plaintiffs filed a motion to amend their second round December 2019 complaint, and that motion was granted. On September 4, 2020, and December 15, 2020, the end payor plaintiffs amended their second round complaint. On October 21, 2020, the direct purchaser plaintiffs amended their second round complaint. On December 15, 2020, the indirect reseller plaintiffs filed another complaint adding allegations for additional drugs that mirror the other class plaintiffs’ claims.

This second set of overarching complaints allege conspiracies relating to the sale of various products that are not at issue in the earlier-filed overarching conspiracy class actions, the majority of which Perrigo neither makes nor sells. The amended indirect reseller complaint alleges that Perrigo conspired in connection with its sales of Betamethasone Dipropionate lotion, Imiquimod cream, Desonide cream and ointment, and Hydrocortisone Valerate cream. The December 2020 indirect reseller complaint alleges that Perrigo conspired in connection with its sales of Adapalene, Ammonium Lactate, Bromocriptine Mesylate, Calcipotriene, Calcipotriene Betamethasone Dipropionate, Ciclopirox, Clindamycin Phosphate, Erythromycin, Fluticasone Propionate, Halobetasol Proprionate, Hydrocortisone Acetate, Methazolamide, Mometasone Furoate, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide. The amended end payor complaint alleges that Perrigo conspired in connection with its sale of the following drugs: Adapalene, Ammonium Lactate, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate, Ciclopirox, Clindamycin Phosphate, Erythromycin, Fenofibrate, Fluocinonide, Fluticasone Propionate, Halobetasol Proprionate, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Mometasone Furoate, Permethrin, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide. The amended direct purchaser complaint alleges that Perrigo conspired in connection with its sale of the following drugs: Adapalene, Ammonium Lactate, Betamethasone Dipropionate, Bromocriptine Mesylate, Ciclopirox, Clindamycin Phosphate, Fenofibrate, Fluocinonide, Halobetasol Proprionate, Hydrocortisone Valerate, Methazolamide, Permethrin, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide.

Perrigo has not yet responded to the second set of overarching conspiracy complaints, and responses are currently or will be stayed.

Opt-Out Complaints

On January 22, 2018, Perrigo was named a co-defendant along with 35 other manufacturers in a complaint filed by three supermarket chains alleging that defendants conspired to fix prices of 31 generic prescription pharmaceutical products starting in 2013. On December 21, 2018, an amended complaint was filed that adds additional products and allegations against a total of 39 manufacturers for 33 products. The only allegations specific to Perrigo relate to Clobetasol, Desonide, Econazole, Nystatin cream, and Nystatin ointment. Perrigo moved to dismiss this complaint on February 21, 2019. The motion was denied on August 15, 2019. The case is proceeding in discovery. On February 3, 2020, the plaintiffs requested leave to file a second amended complaint. The proposed amended complaint adds dozens of additional products and allegations to the original complaint. Perrigo is discussed in connection with allegations concerning an additional drug, Fenofibrate. Defendants opposed the motion for leave to file a second amended complaint and the court has yet to rule on the issue.

On August 3, 2018, a large managed care organization filed a complaint alleging price-fixing and customer allocation concerning 17 different products among 27 manufacturers including Perrigo. The only allegations specific to Perrigo concern Clobetasol. Perrigo moved to dismiss this complaint on February 21, 2019. Plaintiff filed a second amended complaint in April 2019 that adds additional products and allegations. The amended allegations that concern Perrigo include: Clobetasol, Desonide, Econazole, and Nystatin. The motion to dismiss was denied on August 15, 2019. The case is proceeding in discovery.

The same organization amended a different complaint that it had filed in October 2019, which did not name Perrigo, on December 15, 2020, adding Perrigo as a defendant and asserting new allegations of alleged antitrust violations involving Perrigo and dozens of other generic pharmaceutical manufacturers. The allegations relating to Perrigo concern: Adapalene, Betamethasone Dipropionate, Bromocriptine Mesylate, Ciclopirox, Clindamycin Phosphate, Fenofibrate, Fluocinonide, Halobetasol Proprionate, Hydrocortisone Valerate, Imiquimod, Permethrin, Prochlorperazine Maleate, and Triamcinolone Acetonide.

The same organization filed a third complaint on December 15, 2020, naming Perrigo and dozens of other manufacturers alleging antitrust violations concerning generic pharmaceutical drugs. The allegations relating to Perrigo concern: Ammonium Lactate, Calcipotriene Betamethasone Dipropionate, Erythromycin, Fluticasone Propionate, Hydrocortisone Acetate, Methazolamide, Promethazine HCL, and Tacrolimus.

On January 16, 2019, a health insurance carrier filed a complaint in the U.S. District Court for the District of Minnesota alleging a conspiracy to fix prices of 30 products among 30 defendants. The only allegations specific to Perrigo concerned Clobetasol gel, Desonide, Econazole, Nystatin cream, and Nystatin ointment. Perrigo has not yet responded to the complaint, and responses are currently stayed. On December 15, 2020, the complaint was amended to add additional defendants and claims. The new allegations that concern Perrigo relate to Fluocinonide.

The same health insurance carrier filed a new complaint on December 15, 2020, naming Perrigo and dozens of other manufacturers alleging antitrust violations concerning generic pharmaceutical drugs. The allegations relating to Perrigo concern: Adapalene, Ammonium Lactate, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate, Ciclopirox, Clindamycin Phosphate, Erythromycin, Fluticasone Propionate, Halobetasol Proprionate, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide.

On July 18, 2019, 87 health plans filed a Praecipe to Issue Writ of Summons in Pennsylvania state court to commence an action against 53 generic pharmaceutical manufacturers and 17 individuals, alleging antitrust violations concerning generic pharmaceutical drugs. While Perrigo was named as a defendant, no complaint has been filed and the precise allegations and products at issue have not been identified. Proceedings in the case, including the filing of a complaint, have been stayed at the request of the plaintiffs.

On December 11, 2019, a health care service company filed a complaint against Perrigo and 38 other pharmaceutical companies alleging an overarching conspiracy to fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on the same products as those involved in other multi-district litigation ("MDL") complaints naming Perrigo: Clobetasol, Desonide, Econazole, and Nystatin cream/ointment. Perrigo has not yet responded to the complaint, and responses are currently stayed. On December 15, 2020, the complaint was amended to add additional defendants and claims. The new allegations relating to Perrigo concern: Adapalene, Ammonium Lactate, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate, Ciclopirox, Clindamycin Phosphate, Erythromycin, Fenofibrate, Fluocinonide, Fluticasone Propionate, Halobetasol Proprionate, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Permethrin, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide.

On December 16, 2019, a Medicare Advantage claims recovery company filed a complaint against Perrigo and 39 other pharmaceutical companies alleging an overarching conspiracy to fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on the same products as those involved in other MDL complaints naming Perrigo: Clobetasol, Desonide, and Econazole. The complaint was originally filed in the District of Connecticut but has been consolidated into the MDL. Perrigo has not yet had the opportunity to respond to the complaint, and responses are currently stayed. On December 15, 2020, the complaint was amended to add additional defendants and claims. The new allegations relating to Perrigo concern: Adapalene, Ammonium Lactate, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate, Ciclopirox, Clindamycin Phosphate, Desoximetasone, Erythromycin, Fenofibrate, Fluocinonide, Fluticasone Propionate, Halobetasol Proprionate, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Permethrin, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide.

On December 23, 2019, several counties in New York filed an amended complaint against Perrigo and 28 other pharmaceutical companies alleging an overarching conspiracy to fix, raise or stabilize prices of dozens products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on the same products as those involved in other MDL complaints naming Perrigo: Clobetasol, Desonide, Econazole, and Nystatin. The complaint was originally filed in New York State court but was removed to federal court and has been consolidated into the MDL. Perrigo has not yet responded to the complaint, and responses are currently stayed. On December 15, 2020, the complaint was amended to add additional defendants and claims. The new allegations relating to Perrigo concern: Adapalene, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate, Ciclopirox, Clindamycin Phosphate, Erythromycin, Fluticasone Propionate, Halobetasol Proprionate, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Mometasone Furoate, Nystatin, Permethrin, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide.

On December 27, 2019, a healthcare management organization filed a complaint against Perrigo and 25 other pharmaceutical companies alleging an overarching conspiracy to fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on the same products as those involved in other MDL complaints naming Perrigo: Clobetasol, Desonide, Econazole, and Nystatin. The complaint was filed originally in the Northern District of California but has been consolidated into the MDL. Perrigo has not yet responded to the complaint, and responses are currently stayed. On December 15, 2020, the complaint was amended to add additional defendants and claims. The new allegations relating to Perrigo concern: Adapalene, Ammonium Lactate, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate, Ciclopirox, Clindamycin Phosphate, Erythromycin, Fenofibrate, Fluticasone Propionate, Halobetasol Proprionate, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Permethrin, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide.

On March 1, 2020, Harris County of Texas filed a complaint against Perrigo and 29 other pharmaceutical companies alleging an overarching conspiracy to fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The products at issue that plaintiffs claim Perrigo manufacturers or sells include: Adapalene, Betamethasone Dipropionate, Ciclopirox, Clindamycin, Clobetasol, Desonide, Econazole, Ethinyl Estradiol/Levonorgestrel, Fenofibrate, Fluocinolone, Fluocinonide, Gentamicin, Glimepiride, Griseofulvin, Halobetasol Propionate, Hydrocortisone Valerate, Ketoconazole, Mupirocin, Nystatin, Olopatadine, Permethrin, Prednisone, Promethazine, Scopolamine, and Triamcinolone Acetonide. The complaint was originally filed in the Southern District of Texas but has been transferred to the MDL. Harris County amended its complaint in May 2020. Perrigo has not yet responded to the complaint, and responses are currently stayed.

In May 2020, seven health plans filed a writ of summons in the Pennsylvania Court of Common Pleas in Philadelphia concerning an as-yet unfiled complaint against Perrigo, three dozen other manufacturers, and seventeen individuals, concerning alleged antitrust violations in connection with the pricing and sale of generic prescription pharmaceutical products. No complaint has yet been filed, so the precise allegations and products at issue are not yet clear. In addition, Defendants are in the process of being served, and proceedings in the case will likely be stayed.

On June 9, 2020, a health insurance carrier filed a complaint against Perrigo and 25 other manufacturers alleging an overarching conspiracy to allocate customers and/or fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on the same products as those involved in other MDL complaints naming Perrigo: Clobetasol, Desonide, Econazole, and Nystatin. The complaint was filed in the Eastern District of Pennsylvania and has been transferred into the MDL. Perrigo has not yet responded to the complaint, and responses are currently stayed. On December 15, 2020, the complaint was amended to add additional defendants and claims. The new allegations relating to Perrigo concern: Adapalene, Ammonium Lactate, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate, Ciclopirox, Clindamycin Phosphate, Erythromycin, Fluocinonide, Fluticasone Propionate, Halobetasol Proprionate, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Permethrin, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide.

On July 9, 2020, a drugstore chain filed a complaint against Perrigo and 39 other pharmaceutical companies alleging an overarching conspiracy to fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on the same products as those involved in other MDL complaints naming Perrigo: Clobetasol, Desonide, Econazole, and Nystatin. Perrigo is also listed in connection with Fenofibrate. The complaint was filed in the Eastern District of Pennsylvania and will be

transferred into the MDL. Perrigo has not yet responded to the complaint, and responses are currently stayed. On December 15, 2020, the complaint was amended to add additional defendants and claims. The new allegations relating to Perrigo concern: Adapalene, Ammonium Lactate, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate, Ciclopirox, Clindamycin Phosphate, Erythromycin, Fenofibrate, Fluticasone Propionate, Halobetasol Proprionate, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Permethrin, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide.

On August 27, 2020, Suffolk County of New York filed a complaint against Perrigo and 35 other manufacturers alleging an overarching conspiracy to allocate customers and/or fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on the same products as those involved in other MDL complaints naming Perrigo: Clobetasol, Desonide, Econazole, and Nystatin cream and ointment. The other products at issue that plaintiffs claim Perrigo manufacturers or sells include: Adapalene gel, Albuterol, Benazepril HCTZ, Clotrimazole, Diclofenac Sodium, Fenofibrate, Fluocinonide, Glimepiride, Ketoconazole, Meprobamate, Imiquimod, Triamcinolone Acetonide, Erythromycin/Ethyl Solution, Betamethasone Valerate, Ciclopirox Olamine, Terconazole, Hydrocortisone Valerate, Fluticasone Propionate, Desoximetasone, Clindamycin Phosphate, Halobetasol Propionate, Hydrocortisone Acetate, Promethazine HCL, Mometasone Furoate, and Amiloride HCTZ. The complaint was filed in the Eastern District of New York and has been transferred into the MDL. Perrigo has not yet responded to the complaint, and responses are currently stayed.

On September 4, 2020, a drug wholesaler and distributor filed a complaint against Perrigo and 39 other manufacturers alleging an overarching conspiracy to allocate customers and/or fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on Adapalene, Ammonium Lactate, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate (Cal Beta Dip), Ciclopirox, Clindamycin, Clobetasol, Desonide, Econazole, Erythromycin, Fenofibrate, Fluticasone, Halobetasol, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Mometasone furoate, Nystatin, Prochlorperazine, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide. The complaint was filed in the Eastern District of Pennsylvania and will be transferred into the MDL. Perrigo has not yet responded to the complaint, and responses are currently stayed.

On December 11, 2020, a drugstore chain filed a complaint against Perrigo and 45 other manufacturers alleging an overarching conspiracy to allocate customers and/or fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on Adapalene, Ammonium Lactate, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate (Cal Beta Dip), Ciclopirox, Clindamycin Phosphate, Clobetasol, Desonide, Econazole, Erythromycin, Fenofibrate, Fluticasone Propionate, Halobetasol, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Nystatin, Permethrin, Prochlorperazine, Promethazine HCL, Tacrolimus, and Triamcinolone. The complaint was filed in the Eastern District of Pennsylvania and will be transferred into the MDL.

On December 14, 2020, a supermarket chain filed a complaint against Perrigo and 45 other manufacturers (as well as certain individuals) alleging an overarching conspiracy to allocate customers and/or fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on Betamethasone Dipropionate, Bromocriptine Mesylate, Ciclopirox, Clindamycin Phosphate, Clobetasol, Desonide, Econazole, Fenofibrate, Halobetasol, Hydrocortisone Valerate, Nystatin, Permethrin, and Triamcinolone Acetonide. The complaint was filed in the Eastern District of Pennsylvania and will be transferred into the MDL.

On December 15, 2020, a drugstore chain filed a complaint against Perrigo and 45 other manufacturers alleging an overarching conspiracy to allocate customers and/or fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The complaint lists 63 drugs that the chain purchased from Perrigo, but the product conspiracies allegedly involving Perrigo focus on Adapalene, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate (Cal Beta Dip), Ciclopirox, Clindamycin Phosphate, Desonide, Econazole, Erythromycin, Fluocinonide, Fluticasone Propionate, Halobetasol, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Nystatin, Prochlorperazine, Promethazine HCL, Tacrolimus, and Triamcinolone. The complaint was filed in the Eastern District of Pennsylvania and will be transferred into the MDL.

On December 15, 2020, several counties in New York filed a complaint against Perrigo 45 other pharmaceutical companies alleging an overarching conspiracy to fix, raise or stabilize prices of dozens products, most of which Perrigo neither makes nor sells. The allegations that concern Perrigo include: Adapalene, Betamethasone Dipropionate, Bromocriptine Mesylate, Calcipotriene Betamethasone Dipropionate, Ciclopirox, Clindamycin Phosphate, Erythromycin, Fluticasone Propionate, Halobetasol Proprionate, Hydrocortisone Acetate, Hydrocortisone Valerate, Imiquimod, Methazolamide, Mometasone Furoate, Nystatin, Permethrin, Prochlorperazine Maleate, Promethazine HCL, Tacrolimus, and Triamcinolone Acetonide. The complaint was originally filed in New York State court but will likely be removed to federal court and consolidated into the MDL.

State Attorney General Complaint

On June 10, 2020, the Connecticut Attorney General's office filed a lawsuit on behalf of Connecticut and 50 other states and territories against Perrigo, 35 other generic pharmaceutical manufacturers, and certain individuals (including one former and one current Perrigo employee), alleging an overarching conspiracy to allocate customers and/or fix, raise or stabilize prices of eighty products. The allegations against Perrigo focus on the following drugs: Adapalene Cream, Ammonium Lactate cream and lotion, Betamethasone dipropionate lotion, Bromocriptine tablets, Calcipotriene Betamethasone Dipropionate (Cal Beta Dip) Ointment, Ciclopirox cream and solution, Clindamycin solution, Desonide cream and ointment, Econazole cream, Erythromycin base alcohol solution, Fluticasone cream and lotion, Halobetasol cream and ointment, Hydrocortisone Acetate suppositories, Hydrocortisone Valerate cream, Imiquimod cream, Methazolamide tablets, Nystatin ointment, Prochlorperazine suppositories, Promethazine HCL suppositories, Tacrolimus ointment, and Triamcinolone cream and ointment. The Complaint was filed in the District of Connecticut, but has been transferred into the MDL. Perrigo has not yet responded to the complaint, and responses are currently stayed.

Canadian Class Action Complaint

In June 2020, an end payor filed a class action in Ontario, Canada against Perrigo and 29 other manufacturers alleging an overarching conspiracy to allocate customers and/or fix, raise or stabilize prices of dozens of products, most of which Perrigo neither makes nor sells. The product conspiracies allegedly involving Perrigo focus on the same products as those involved in other MDL complaints naming Perrigo: Clobetasol, Desonide, Econazole, and Nystatin. In December 2020, Plaintiffs amended their complaint to add additional claims based on the State AG complaint of June 2020. Perrigo has not yet responded to the complaint.

At this stage, we cannot reasonably estimate the outcome of the liability if any, associated with the claims listed above.

Securities Litigation

In the United States (cases related to events in 2015-2017)

On May 18, 2016, a shareholder filed a securities case against us and our former CEO, Joseph Papa, in the U.S. District Court for the District of New Jersey (*Roofers' Pension Fund v. Papa, et al.*). The plaintiff purported to represent a class of shareholders for the period from April 21, 2015 through May 11, 2016, inclusive. The original complaint alleged violations of Securities Exchange Act sections 10(b) (and Rule 10b-5) and 14(e) against both defendants and 20(a) control person liability against Mr. Papa. In general, the allegations concerned the actions taken by us and the former executive to defend against the unsolicited takeover bid by Mylan in the period from April 21, 2015 through November 13, 2015. The plaintiff also alleged that the defendants provided inadequate disclosure concerning alleged integration problems related to the Omega acquisition in the period from April 21, 2015 through May 11, 2016. On July 19, 2016, a different shareholder filed a securities class action against us and our former CEO, Joseph Papa, also in the District of New Jersey (*Wilson v. Papa, et al.*). The plaintiff purported to represent a class of persons who sold put options on our shares between April 21, 2015 and May 11, 2016. In general, the allegations and the claims were the same as those made in the original complaint filed in the *Roofers' Pension Fund* case described above. On December 8, 2016, the court consolidated the *Roofers' Pension Fund* case and the *Wilson* case under the *Roofers' Pension Fund* case number. In February 2017, the court selected the lead plaintiffs for the consolidated case and the lead counsel to the putative class. In March 2017, the court entered a scheduling order.

On June 21, 2017, the court-appointed lead plaintiffs filed an amended complaint that superseded the original complaints in the *Roofers' Pension Fund* case and the *Wilson* case. In the amended complaint, the lead

plaintiffs seek to represent three classes of shareholders: (i) shareholders who purchased shares during the period from April 21, 2015 through May 3, 2017 on the U.S. exchanges; (ii) shareholders who purchased shares during the same period on the Tel Aviv exchange; and (iii) shareholders who owned shares on November 12, 2015 and held such stock through at least 8:00 a.m. on November 13, 2015 (the final day of the Mylan tender offer) regardless of whether the shareholders tendered their shares. The amended complaint names as defendants us and 11 current or former directors and officers of Perrigo (Mses. Judy Brown, Laurie Brlas, Jacqualyn Fouse, Ellen Hoffing, and Messrs. Joe Papa, Marc Coucke, Gary Cohen, Michael Jandernoa, Gerald Kunkle, Herman Morris, and Donal O'Connor). The amended complaint alleges violations of Securities Exchange Act sections 10(b) (and Rule 10b-5) and 14(e) against all defendants and 20(a) control person liability against the 11 individuals. In general, the allegations concern the actions taken by us and the former executives to defend against the unsolicited takeover bid by Mylan in the period from April 21, 2015 through November 13, 2015 and the allegedly inadequate disclosure throughout the entire class period related to purported integration problems related to the Omega acquisition, alleges incorrect reporting of organic growth at the Company and at Omega, alleges price fixing activities with respect to six generic prescription pharmaceuticals, and alleges improper accounting for the Tysabri® royalty stream. The amended complaint does not include an estimate of damages. During 2017, the defendants filed motions to dismiss, which the plaintiffs opposed. On July 27, 2018, the court issued an opinion and order granting the defendants' motions to dismiss in part and denying the motions to dismiss in part. The court dismissed without prejudice defendants Laurie Brlas, Jacqualyn Fouse, Ellen Hoffing, Gary Cohen, Michael Jandernoa, Gerald Kunkle, Herman Morris, Donal O'Connor, and Marc Coucke. The court also dismissed without prejudice claims arising from the Tysabri® accounting issue described above and claims alleging incorrect disclosure of organic growth described above. The defendants who were not dismissed are Perrigo Company plc, Joe Papa, and Judy Brown. The claims (described above) that were not dismissed relate to the integration issues regarding the Omega acquisition, the defense against the Mylan tender offer, and the alleged price fixing activities with respect to six generic prescription pharmaceuticals. The defendants who remain in the case (the Company, Mr. Papa, and Ms. Brown) have filed answers denying liability, and the discovery stage of litigation began in late 2018. Discovery in the class action ended on January 31, 2021. Defendants expect to file various post-discovery motions including summary judgment motions. We intend to defend the lawsuit vigorously.

On November 14, 2019, the court granted the lead plaintiffs' motion and certified three classes for the case: (i) all those who purchased shares between April 21, 2015 through May 2, 2017 inclusive on a U.S. exchange and were damaged thereby; (ii) all those who purchased shares between April 21, 2015 through May 2, 2017 inclusive on the Tel Aviv exchange and were damaged thereby; and (iii) all those who owned shares as of November 12, 2015 and held such stock through at least 8:00 a.m. on November 13, 2015 (whether or not a person tendered shares in response to the Mylan tender offer) (the "tender offer class"). Defendants filed a petition for leave to appeal in the Third Circuit challenging the certification of the tender offer class. On April 30, 2020, the Third Circuit denied leave to appeal. The District Court has approved the issuance of a notice of the pendency of the class action, and the notice has been sent to shareholders who are eligible to participate in the classes.

Unless otherwise noted, each of the lawsuits discussed in the following sections is pending in the U.S. District Court for the District of New Jersey and has been assigned to the same judges hearing the *Roofers' Pension Fund* case. The allegations in the complaints relate to events during certain portions of the 2015 through 2017 calendar years, including the period of the Mylan tender offer. All but one of these lawsuits allege violations of federal securities laws, but none are class actions. One lawsuit (*Highfields*) alleges only state law claims. Discovery in all these cases, except *Highfields*, is underway and currently scheduled to end in early September 2021. We intend to defend all these lawsuits vigorously.

Carmignac, First Manhattan and Similar Cases. The following seven cases were filed by the same law firm and generally make the same factual assertions but, at times, differ as to which securities laws violations they allege:

Case	Date Filed
Carmignac Gestion, S.A. v. Perrigo Company plc, et al.	11/1/2017
First Manhattan Co. v. Perrigo Company plc, et al.	2/16/2018; amended 4/20/2018
Nationwide Mutual Funds, et al. v. Perrigo Company plc, et al.	10/29/2018
Schwab Capital Trust, et al. v. Perrigo Company plc, et al.	1/31/2019
Aberdeen Canada Funds -- Global Equity Fund, et al. v. Perrigo Company plc, et al.	2/22/2019
Principal Funds, Inc., et al. v. Perrigo Company plc, et al.	3/5/2020
Kuwait Investment Authority, et al. v. Perrigo Company plc, et al.	3/31/2020

The original complaints in the *Carmignac* case and the *First Manhattan* case named Perrigo, Mr. Papa, Ms. Brown, and Mr. Coucke as defendants. Mr. Coucke was dismissed as a defendant after the plaintiffs agreed to apply the July 2018 ruling in the *Roofers' Pension Fund* case to these two cases. The complaints in each of the other cases name only Perrigo, Mr. Papa, and Ms. Brown as defendants.

Each complaint asserts claims under Sections 10(b) (and Rule 10b-5 thereunder) and all cases except *Aberdeen* assert claims under Section 14(e) of the Securities Exchange Act against all defendants, as well as control person liability under Section 20(a) of the Securities Exchange Act against the individual defendants. The control person claims against the individual defendants are limited to the period from April 2015 through April 2016 in the *Carmignac* case. The complaints in the *Carmignac* and *First Manhattan* cases also assert claims under Section 18 of the Exchange Act.

Each complaint alleges inadequate disclosures concerning the valuation and integration of Omega, the financial guidance we provided, our reporting about the generic prescription pharmaceutical business and its prospects, and the activities surrounding the efforts to defeat the Mylan tender offer during 2015, and, in each of the cases other than *Carmignac*, alleged price fixing activities with respect to six generic prescription pharmaceuticals. The *First Manhattan* complaint also alleges improper accounting for the Tysabri® asset. With the exception of *Carmignac*, each of these cases relates to events during the period from April 2015 through May 2017. Many of the allegations in these cases overlap with the allegations of the June 2017 amended complaint in the *Roofers' Pension Fund* case, though the *Nationwide Mutual, Schwab Capital, Aberdeen, Principal Funds* and *Kuwait* complaints do not include the factual allegations that the court dismissed in the July 2018 ruling in the *Roofers' Pension Fund* case.

After the court issued its July 2018 opinion in the *Roofers' Pension Fund* case, the parties in *Carmignac* and *First Manhattan* conferred and agreed that the ruling in the *Roofers' Pension Fund* case would apply equally to the common allegations in their cases. The later filed cases adopted a similar posture. The defendants in the *Carmignac* and other cases listed above filed motions to dismiss addressing the additional allegations in such cases. On July 31, 2019, the court granted such motions to dismiss in part and denied them in part. That ruling applies to each of the above cases. The defendants have filed answers in each case denying liability. Each case is currently in the discovery phase.

Mason Capital, *Pentwater* and Similar Cases. The following eight cases were filed by the same law firm and generally make the same factual allegations:

Case	Date Filed
Mason Capital L.P., et al. v. Perrigo Company plc, et al.	1/26/2018
Pentwater Equity Opportunities Master Fund Ltd., et al. v. Perrigo Company plc, et al.	1/26/2018
WCM Alternatives: Event-Drive Fund, et al. v. Perrigo Co., plc, et al.	11/15/2018
Hudson Bay Master Fund Ltd., et al. v. Perrigo Co., plc, et al.	11/15/2018
Discovery Global Citizens Master Fund, Ltd., et al. v. Perrigo Co. plc, et al.	12/18/2019
York Capital Management, L.P., et al. v. Perrigo Co. plc, et al.	12/20/2019
Burlington Loan Management DAC v. Perrigo Co. plc, et al.	2/12/2020
Universities Superannuation Scheme Limited v. Perrigo Co. plc, et al.	3/2/2020

The complaints in the *Mason Capital* case and the *Pentwater* case originally named Perrigo and 11 current or former directors and officers of Perrigo as defendants. In the July 2018 *Roofers' Pension Fund* ruling, the court dismissed without prejudice each of the defendants other than Perrigo, Mr. Papa and Ms. Brown from that case; these plaintiffs later agreed that this ruling would apply to their cases as well. The complaints in each of the other cases in the above table name only Perrigo, Mr. Papa, and Ms. Brown as defendants.

Each complaint asserts claims under Section 14(e) of the Securities Exchange Act against all defendants, as well as control person liability under Section 20(a) of the Securities Exchange Act against the individual defendants. The complaints in the *WCM* case and the *Universities Superannuation Scheme* case also assert claims under Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Each complaint alleges inadequate disclosure during the tender offer period in 2015 and at various times concerning valuation and integration of Omega, the financial guidance provided by us during that period, alleged price fixing activities with respect to six generic prescription pharmaceuticals, and alleged improper accounting for the Tysabri® asset. The *WCM* complaint also makes these allegations for the period through May 2017 and the *Universities Superannuation Scheme* complaint also concerns certain times during 2016. Many of the factual allegations in these cases overlap with the allegations of the June 2017 amended complaint in the *Roofers' Pension Fund* case, and the *Mason Capital* and *Pentwater* cases include factual allegations similar to those in the *Carmignac* case described above.

After the court issued its July 2018 opinion in the *Roofers' Pension Fund* case, the parties in each of the above cases conferred and agreed that the ruling in the *Roofers' Pension Fund* case would apply equally to the common allegations in their cases. The defendants in each of these cases have filed answers denying liability, and each of the cases is currently in the discovery phase.

Harel Insurance and *TIAA-CREF* Cases. The following two cases were filed by the same law firm and generally make the same factual allegations relating to the period from February 2014 through May 2017 (in the *Harel* case) and from August 2014 through May 2017 (in the *TIAA-CREF* case):

Case	Date Filed
Harel Insurance Company, Ltd., et al. v. Perrigo Company plc, et al.	2/13/2018
TIAA-CREF Investment Management, LLC., et al. v. Perrigo Company plc, et al.	4/20/2018

The complaints in the *Harel* and *TIAA-CREF* cases originally named Perrigo and 13 current or former directors and officers of Perrigo as defendants (adding two more individual defendants not sued in the other cases described in this section). In the July 2018 *Roofers' Pension Fund* ruling, the court dismissed without prejudice 8 of the 11 defendants other than Perrigo, Mr. Papa and Ms. Brown from that case. These plaintiffs later agreed that that ruling would apply to these cases as well and also dismissed their claims against the two additional individuals that only these plaintiffs had named as defendants.

Each complaint asserts claims under Sections 10(b) and 14(e) of the Securities Exchange Act and Rule 10b-5 thereunder against all defendants, as well as control person liability under Section 20(a) of the Securities Exchange Act against the individual defendants. The complaint in the *Harel* case also asserts claims based on Israeli securities laws.

Each of the complaints alleges inadequate disclosure around the tender offer events in 2015 and at various times during the relevant periods concerning valuation and integration of Omega, the financial guidance provided by us during that period, alleged price fixing activities with respect to six generic prescription pharmaceuticals, and alleged improper accounting for the Tysabri® asset from February 2014 until the withdrawal of past financial statements in April 2017.

After the court issued its July 2018 opinion in the *Roofers' Pension Fund* case, the parties in the *Harel* and *TIAA-CREF* cases conferred and agreed that such ruling would apply equally to the common allegations in their cases. The defendants in each of these cases have filed answers denying liability, and each of the cases is currently in the discovery phase.

Other Cases Related to Events in 2015-2017. Certain allegations in the following three cases also overlap with the allegations of the June 2017 amended complaint in the *Roofers' Pension Fund* case and with allegations in one or more of the other individual cases described in the sections above:

Case	Date Filed
Sculptor Master Fund (f/k/a OZ Master Fund, Ltd.), et al. v. Perrigo Company plc, et al.	2/6/2019
Highfields Capital I LP, et al. v. Perrigo Company plc, et al.	6/4/2020
BlackRock Global Allocation Fund, Inc., et al. v. Perrigo Co. plc, et al.	4/21/2020
Starboard Value and Opportunity C LP, et al. v. Perrigo Company plc, et al.	2/25/2021

Each of the above complaints names Perrigo, Mr. Papa, and Ms. Brown as defendants.

The *Sculptor Master Fund (formerly OZ)* complaint asserts claims under Sections 10(b) and 14(e) of the Securities Exchange Act and Rule 10b-5 thereunder against all defendants, as well as control person liability under Section 20(a) of the Securities Exchange Act against the individual defendants. The parties have agreed that the court's rulings in July 2018 in the *Roofers' Pension Fund* case and in July 2019 in the *Carmignac* and related cases will apply to this case as well. The defendants have filed answers denying liability. The plaintiffs are participating in the discovery proceedings in the *Roofers' Pension Fund* case and the various individual cases described above.

The *BlackRock Global* complaint also asserts claims under Securities Exchange Act section 10(b) (and SEC Rule 10b-5) and section 14(e) against all defendants and section 20(a) control person claims against the individual defendants largely based on the same events during the period from April 2015 through May 2017. Plaintiffs contend that the defendants provided inadequate disclosure during the tender offer period in 2015 and point to disclosures at various times during the period concerning valuation and integration of Omega, the financial guidance provided by us during that period, alleged price fixing activities with respect to six generic prescription pharmaceuticals, alleged lower performance in the generic prescription drug business during 2015 and alleged improper accounting for the Tysabri® asset. The defendants have filed answers denying liability. The plaintiffs are participating in the discovery proceedings in the *Roofers' Pension Fund* case and the various individual cases described above.

The *Starboard Value and Opportunity C LP* complaint also asserts claims under Securities Exchange Act section 10(b) (and SEC Rule 10b-5) against all defendants and section 20(a) control person claims against the individual defendants based on events related to alleged price fixing activities with respect to generic prescription drugs during periods that overlap to some extent with the period alleged in the various other cases described above. Plaintiffs contend that the defendants provided inadequate disclosure during 2016 about generic prescription drug business and those alleged matters. The lawsuit was filed on February 25, 2021; no further activity has occurred.

The *Highfields* federal case complaint asserted claims under Sections 14(e) and 18 of the Securities Exchange Act against all defendants, as well as control person liability under Section 20(a) of the Securities Exchange Act against the individual defendants. As originally filed in the U.S. District Court for the District of Massachusetts, the *Highfields* complaint also alleged claims under the Massachusetts Unfair Business Methods Law (chapter 93A) and Massachusetts common law claims of tortious interference with prospective economic advantage, common law fraud, negligent misrepresentation, and unjust enrichment. The factual allegations generally were similar to the factual allegations in the Amended Complaint in the *Roofers' Pension Fund* case described above, except that the *Highfields* plaintiffs did not include allegations about alleged collusive pricing of generic prescription drugs. In March 2020, the District of Massachusetts court granted defendants' motion and transferred the case to the U.S. District Court for the District of New Jersey so that the activities in the case could proceed in tandem with the other cases in the District of New Jersey described above. After the transfer, in June 2020, the *Highfields* plaintiffs voluntarily dismissed their federal lawsuit. The same *Highfields* plaintiffs the same day then filed a new lawsuit in Massachusetts State Court asserting the same factual allegations as in their federal lawsuit and alleging only Massachusetts state law claims under the Massachusetts Unfair Business Methods Law (chapter 93A) and Massachusetts common law claims of tortious interference with prospective economic advantage, common law fraud, negligent misrepresentation, and unjust enrichment. Defendants' motion to dismiss has been fully briefed as of late November 2020, and the motion is pending before the court.

In Israel (cases related to events in 2015-2017)

Because our shares are traded on the Tel Aviv exchange under a dual trading arrangement, we are potentially subject to securities litigation in Israel. Three cases were filed; one was voluntarily dismissed in each of 2017 and 2018 and one was stayed in 2018. We are consulting Israeli counsel about our response to these allegations and we intend to defend this case vigorously.

On June 28, 2017, a plaintiff filed a complaint in Tel Aviv District Court styled *Israel Elec. Corp. Employees' Educ. Fund v. Perrigo Company plc, et al.* The lead plaintiff seeks to represent a class of shareholders who purchased Perrigo stock on the Tel Aviv exchange during the period from April 24, 2015 through May 3, 2017 and also a claim for those that owned shares on the final day of the Mylan tender offer (November 13, 2015). The amended complaint names as defendants the Company, Ernst & Young LLP (the Company's auditor), and 11 current or former directors and officers of Perrigo (Mses. Judy Brown, Laurie Brlas, Jacqualyn Fouse, Ellen Hoffing, and Messrs. Joe Papa, Marc Coucke, Gary Cohen, Michael Jandernoa, Gerald Kunkle, Herman Morris, and Donal O'Connor). The complaint alleges violations under U.S. securities laws of Securities Exchange Act sections 10(b) (and Rule 10b-5) and 14(e) against all defendants and 20(a) control person liability against the 11 individuals or, in the alternative, under Israeli securities laws. In general, the allegations concern the actions taken by us and our former executives to defend against the unsolicited takeover bid by Mylan in the period from April 21, 2015 through November 13, 2015 and the allegedly inadequate disclosure concerning purported integration problems related to the Omega acquisition, alleges incorrect reporting of organic growth at the Company, alleges price fixing activities with respect to six generic prescription pharmaceuticals, and alleges improper accounting for the Tysabri® royalty stream. The plaintiff indicates an initial, preliminary class damages estimate of 2.7 billion NIS (approximately $760.0 million at 1 NIS = 0.28 cents). After the other two cases filed in Israel were voluntarily dismissed, the plaintiff in this case agreed to stay this case pending the outcome of the *Roofers' Pension Fund* case in the U.S. (described above). The Israeli court approved the stay, and this case is now stayed. We intend to defend the lawsuit vigorously.

In the United States (cases related to Irish Tax events)

On January 3, 2019, a shareholder filed a complaint against the Company, our CEO Murray Kessler, and our former CFO Ronald Winowiecki in the U.S. District Court for the Southern District of New York (*Masih v. Perrigo Company, et al.*). Plaintiff purported to represent a class of shareholders for the period November 8, 2018 through December 20, 2018, inclusive. The complaint alleged violations of Securities Exchange Act section 10(b) (and Rule 10b-5) against all defendants and section 20(a) control person liability against the individual defendants. In general the allegations contended that the Company, in its Form 10-Q filed November 8, 2018, disclosed information about an October 31, 2018 audit finding letter received from Irish tax authorities but failed to disclose enough material information about that letter until December 20, 2018, when we filed a current report on Form 8-K about Irish tax matters. The plaintiff did not provide an estimate of class damages. The court selected lead plaintiffs and changed the name of the case to *In* re *Perrigo Company plc Sec. Litig*. The lead plaintiffs filed an amended complaint on April 12, 2019, which named the same defendants, asserted the same class period, and invoked the same Exchange Act sections. The amended complaint generally repeated the allegations of the original complaint with a few additional details and adds that the defendants also failed to timely disclose the Irish tax authorities' Notice of Amended Assessment received on November 29, 2018. Defendants filed a motion to dismiss on May 3, 2019. On May 31, 2019, the plaintiffs filed a second amended complaint, which asserted a longer class period (March 1, 2018 through December 20, 2018) and added one additional individual defendant, former CEO Uwe Roehrhoff. In general, the second amended complaint contends that Perrigo's disclosures about the Irish tax audit were inadequate beginning with Perrigo's 10-K filed on March 1, 2018 through December 20, 2018 and repeats many of the allegations of the April 2019 amended complaint. The second amended complaint alleges violations of Securities Exchange Act section 10(b) (and SEC Rule 10b-5) against all defendants and section 20(a) control person liability against the three individual defendants. All defendants filed a joint motion to dismiss, and the motion was fully briefed. On January 23, 2020, the court granted the motion to dismiss in part and denied it in part, dismissing Mr. Roehrhoff as a defendant and dismissing allegations of inadequate disclosures related to the audit by Irish Revenue during the period March 2018 through October 30, 2018. The court permitted the plaintiffs to pursue their claims against us, Mr. Kessler, and Mr. Winowiecki related to disclosures after Perrigo received the October 30, 2018 audit findings letter and later events through December 20, 2018. The defendants filed answers on February 13, 2020 denying liability, and the court held a scheduling conference on February 28, 2020, and issued a scheduling order on March 3, 2020. Discovery on the remaining issues is underway. Plaintiffs filed a motion for class certification, which was granted in September 2020. In January 2021, class plaintiffs filed a motion for leave to file a third amended complaint in an effort to revive their claim that the disclosure of the audit during the period from March 1, 2018 to October 30, 2018 was also inadequate. The court denied the motion in February 2021. We intend to defend the lawsuit vigorously.

In Israel (case related to Irish Tax events)

On December 31, 2018, a shareholder filed an action against the Company, our CEO Murray Kessler, and our former CFO Ronald Winowiecki in Tel Aviv District Court (*Baton v. Perrigo Company plc, et. al*.). The case is a securities class action brought in Israel making similar factual allegations for the same period as those asserted in the *In re Perrigo Company plc Sec. Litig* case in New York federal court. This case alleges that persons who invested through the Tel Aviv stock exchange can assert claims under Israeli securities law that will follow the

liability principles of Sections 10(b) and 20(a) of the U.S. Securities Exchange Act. The plaintiff does not provide an estimate of class damages. In 2019, the court granted two requests by Perrigo to stay the proceedings pending the resolution of proceedings in the United States. Perrigo filed a further request for a stay in February 2020, and the court granted the stay indefinitely. The plaintiff filed a motion to lift the stay then later agreed that the case should remain stayed through February 2021; the court extended the stay through February 2021. In late February 2021 Perrigo filed a motion to extend the stay. Briefing on the issues is not yet complete, and the issue of whether to extend the stay remains pending before the court. We intend to defend the lawsuit vigorously.

Claim Arising from the Omega Acquisition

On December 16, 2016, we and Perrigo Ireland 2 brought an arbitral claim ("Claim") against Alychlo NV ("Alychlo") and Holdco I BE NV (together the "Sellers") in accordance with clause 26.2 of the Share Purchase Agreement dated November 6, 2014 ("SPA") and the rules of the Belgian Centre for Arbitration and Mediation ("CEPANI"). Our Claim relates to the accuracy and completeness of information about Omega provided by the Sellers as part of the sale process, the withholding of information by the Sellers during that process and breaches of Sellers' warranties. We are seeking monetary damages from the Sellers. The Sellers served their respective responses to the Claim on February 20, 2017. In its response, Alychlo has asserted a counterclaim for monetary damages contending that we breached a warranty in the SPA and breached the duty of good faith in performing the SPA. Alychlo subsequently filed papers seeking permission to introduce an additional counterclaim theory of recovery related to the Irish tax issues disclosed by the Company such that if the position of the Irish tax authorities prevails, Alychlo would have further basis for its counterclaim against Perrigo. In June 2019, the Tribunal denied permission for Alychlo to introduce the additional counterclaim and dismissed certain aspects of the original Alychlo counterclaim. There can be no assurance that our Claim will be successful, and the Sellers deny liability for the Claim. To the extent that aspects of Alychlo's counterclaim survived the Tribunal's ruling in June 2019, we deny that Alychlo is entitled to any relief (including monetary relief). The arbitration proceedings are confidential as required by the SPA and the rules of the CEPANI.

Other Matters

Our Board of Directors received a shareholder demand letter dated October 30, 2018 relating to the allegations in the securities cases and price fixing lawsuits described above. The letter demands that the Board of Directors initiate an action against certain current and former executives and Board members to recover damages allegedly caused to the Company. In response, the Company reminded the shareholder that any derivative claim can only proceed in accordance with Irish law, the law that governs the Company's internal affairs. The shareholder responded that he would file a lawsuit asserting derivative claims.

On October 2, 2019, the shareholder filed a derivative action in the U.S. District Court for the District of New Jersey styled *Krueger derivatively on behalf of nominal defendant Perrigo Company plc v. Alford, et al.* The case was assigned to the same judges who are handling the Roofers' Pension Fund securities class action and related opt out cases described above. In addition to the Company, the lawsuit names as defendants current Board members Alford, Classon, Karaboutis, Kindler, O'Connor, Parker, and Samuels, current CEO Kessler, former Board members Smith, Brlas, Cohen, Fouse, Hoffing, Jandernoa, Kunkle, and Morris, former CEO Hendrickson, former CEO Papa, former CFO Brown, former CFO Winowiecki, and former Executive Vice Presidents Boothe and Coucke. The lawsuit seeks to authorize the shareholder to pursue claims on behalf of the Company against all the individual defendants for breach of their fiduciary duties and for unjust enrichment, and against the current director defendants, former director Mr. Smith, and current CEO Mr. Kessler for violations of Securities Exchange Act §§ 14(a) (proxy statement disclosures) and 29(b) (disgorgement as a result of alleged violations of § 14(a)). The complaint alleges that the following events indicate that the individuals in their respective capacities failed to exercise appropriate control over the management of the Company and made inadequate public disclosures concerning the integration of Omega after acquisition; the Company's past and prospective organic growth; the defense against the Mylan 2015 tender offer; the alleged collusive pricing activities regarding generic prescription products; the accounting by the Company for the Tysabri® royalty stream; the 2018 Irish tax audit including potential liabilities for Irish taxes; and the April 2019 assertion of tax liabilities by the U.S. Internal Revenue Service (many of these factual events also underlie the multiple securities cases discussed earlier in this Note 17). All defendants have filed motions to dismiss asserting various reasons to dismiss. Plaintiff filed his opposition in March 2020. Defendants' filed replies in support of dismissal in June 2020. The court granted the motion to dismiss without prejudice on August 21, 2020. No appeal or other proceedings have been filed by the plaintiff. Therefore, we consider this case to have ended.

Talcum Powder

The Company has been named, together with other manufacturers, in product liability lawsuits in state courts in California, Florida, Missouri, New Jersey and Illinois and in the Southern District of Mississippi alleging that the use of body powder products containing talcum powder causes mesothelioma and lung cancer due to the presence of asbestos. All but one of these cases involve a legacy talcum powder product that has not been manufactured by the Company since 1999. One of the pending actions involves a current prescription product that contains talc as an excipient. The Company has been named in 45 individual lawsuits seeking compensatory and punitive damages and has accepted a tender for a portion of the defense costs and liability from a retailer for one additional matter. The Company has several defenses and intends to aggressively defend these lawsuits. Trials are currently scheduled in 2021 and 2022.

Ranitidine

After regulatory bodies announced worldwide that ranitidine may potentially contain N-nitrosodimethylamine ("NDMA"), a known environmental contaminant, the Company promptly began testing its externally-sourced ranitidine API and ranitidine-based products. On October 8, 2019, the Company halted shipments of the product based upon preliminary results and on October 23, 2019, the Company made the decision to conduct a voluntary retail market withdrawal.

In February 2020, the resulting actions involving Zantac® and other ranitidine products were transferred for coordinated pretrial proceedings to a Multi-District Litigation (In re Zantac®/Ranitidine Products Liability Litigation MDL No. 2924) in the U.S. District Court for the Southern District of Florida. This MDL now includes three master complaints. The Company is named in two of those: the Master Personal Injury Complaint and the Consolidated Consumer Class Action Complaint.

As of January 9, 2021, the Company has been named in ninety-six of the MDL's consolidated personal injury lawsuits in various federal courts alleging that plaintiffs developed various types of cancers or are placed at higher risk of developing cancer as a result of ingesting products containing ranitidine. The Company is named in these lawsuits with manufacturers of the national brand Zantac® and other manufacturers of ranitidine products, as well as distributors, repackagers, and/or retailers. Plaintiffs seek compensatory and punitive damages, and in some instances seek applicable remedies under state consumer protection laws. The Company recently obtained dismissals of the master and the consumer class action complaint brought against it, but Plaintiffs were given leave to amend a subset of their original claims. The Company has also been named in a Complaint brought by the New Mexico Attorney General based on the following theories: violation of a New Mexico public nuisance statute, NMSA 30-8-1 to -14; common law nuisance; and negligence and gross negligence. The Company is named in this lawsuit with manufacturers of the national brand Zantac® and other manufacturers of ranitidine products and/or retailers.

Brand name manufactures named in the lawsuit also face claims under the state's Unfair Practices & False Advertising acts. This action has been consolidated to the MDL. Likewise, the Company has also been named in a Complaint brought by the Mayor and City Council of Baltimore, along with manufacturers of the national brand Zantac® and other manufacturers of ranitidine products and/or retailers. This action brings claims under the Maryland Consumer Protection Act against the brand name defendants only, as well as public nuisance and negligence for the remaining defendants. This action has been noticed to the MDL. Some of the Company's retailer customers are seeking indemnity from the Company for a portion of their defense costs and liability relating to these cases. We intend to defend all of these lawsuits vigorously.

Acetaminophen

The Company has received requests for indemnification and defense of several consumer fraud claims involving its store brand infants' and children's acetaminophen products. In September 2020, the Company was directly named as a defendant in one suit filed in the Central District of California. The Company has also received 16 different claims for indemnification or defense from 10 different retailers for lawsuits filed in California, Illinois and Pennsylvania, with nationwide class action allegations.

The Plaintiffs generally allege that the children's and infants' acetaminophen products have identical drug concentration amounts, yet the infants' product costs more than the children's product and consumers have been misled into purchasing the more expensive product. The Company will aggressively defend the suit in which it is

named and is continuing to assess whether, or to what extent, the Company may contribute in the lawsuits filed against its retail customers.

Guarantee Liability Related to The Israel API Sale

During the year ended December 31, 2017, we completed the sale of our Israel API business to SK Capital, resulting in a guarantee liability of $13.8 million, classified as a Level 3 liability within the fair value hierarchy. Per the agreement, we will be reimbursed for tax receivables for tax years prior to closing and will need to reimburse SK Capital for the settlement of any uncertain tax liability positions for tax years prior to closing. In addition, after closing and going forward, the Israel API business will be assessed by and liable to the Israel Tax Authority ("ITA") for any audit findings. We are no longer the primary obligor on the liabilities transferred to SK Capital, but we have provided a guarantee on certain obligations. During the year ended December 31, 2020, we increased the liability in the amount of $1.2 million. At December 31, 2020 and December 31, 2019, the remaining guarantee liability was $13.2 million and $12.0 million respectively.

NOTE 18 - COLLABORATION AGREEMENTS AND OTHER CONTRACTUAL ARRANGEMENTS

Terms of our various collaboration agreements may require us to make or receive milestone payments upon the achievement of certain product research and development objectives and pay or receive royalties on the future sale, if any, of commercial products resulting from the collaboration. Milestone and up-front payments made, and other research and development costs or reimbursements related to collaboration agreements, are generally recorded in research and development expense if the payments relate to drug candidates that have not yet received regulatory approval. Milestone and up-front payments made related to approved drugs will generally be capitalized and amortized to cost of goods sold over the economic life of the product. Royalties received are generally reflected as revenue, and royalties paid are generally reflected as cost of goods sold. We enter into a number of collaboration agreements in the ordinary course of business. The following is a brief description of agreements with notable potential milestone or purchase obligations.

Development Agreements

On May 15, 2015, we entered into a contractual arrangement with a third party that specializes in research and development and obtaining approval for various drug candidates to develop specific products. We entered into additional contractual arrangements in 2016 with the same counterparty. If the products receive FDA approval, we are required to acquire the ANDAs at pre-determined multiples of the associated development costs. If we acquire approved products under these arrangements, we will capitalize these as intangible assets and amortize them over their useful lives. During the three months ended September 29, 2018, we paid $30.4 million to acquire the ANDA for a generic topical cream. During the three months ended June 29, 2019, we paid $15.7 million to acquire the ANDA for a generic product used to relieve pain. During the three months ended September 28, 2019, we paid $49.0 million for a generic gel product. During the three months ended December 31, 2020, we bought a generic topical gel for $16.4 million (refer to Note 3). The contractual future purchase obligations for other products in development by the third party as of December 31, 2020 totaled an estimated $44.0 million. Purchase obligations could be higher or lower than the estimated contractual amounts based on the third party's actual development costs to obtain regulatory approval.

Development-Stage Rx Products

On May 1, 2015, we entered into a development agreement with a clinical stage biotechnology company for the development of two specialty pharmaceutical products. We paid $18.0 million for an option to acquire the two products, which we reported in research and development expense. On March 1, 2016, we exercised the purchase option to acquire both products, which obligated us to make additional potential milestone payments of up to $30.0 million in the event of regulatory approval and certain sales milestones. We were also obligated to make royalty payments over periods ranging from seven years to ten years from the launch of each product. On December 20, 2017, we completed the sale of one of the Development-Stage Rx Products, which reduced our potential milestone payment obligations from $30.0 million to $17.5 million, plus royalties. On November 30, 2019, we terminated our remaining potential payment obligations by transferring the remaining Development-Stage Rx product back to the clinical stage biotechnology company with which we had the original development agreement.

Generic Injectable Products

In December 2017, we entered into a collaboration agreement with a generic pharmaceutical development company, pursuant to which the parties will collaborate in the ongoing development and commercialization of a generic injectable product. We will provide assistance, including preparing and filing the product ANDA, and be responsible for commercializing the product. As part of the agreement, we paid a $2.5 million milestone payment on the effective date of the agreement, and we subsequently paid a milestone of $0.7 million. The milestones paid to date were reported in research and development expense on the Consolidated Financial Statements. We will make additional payments if regulatory approval is obtained and certain other development milestones are achieved. As of December 31, 2020, the remaining contingent milestone payments could total $13.8 million in the aggregate. There can be no assurance that any such products will be approved by the FDA on the anticipated schedule or at all.

Additional future milestone payments and receipts related to agreements not specifically discussed above are not material.

NOTE 19 - RESTRUCTURING CHARGES

We periodically take action to reduce redundant expenses and improve operating efficiencies. Restructuring activity includes severance, lease exit costs, and related consulting fees. The following reflects our restructuring activity (in millions):

Balance at December 31, 2017	$	21.4
Additional charges		21.0
Payments		(18.8)
Non-cash adjustments		0.4
Balance at December 31, 2018		24.0
Additional charges		25.3
Payments		(29.4)
Non-cash adjustments		(0.3)
Balance at December 31, 2019		19.6
Additional charges		3.5
Payments		(14.3)
Non-cash adjustments		0.7
Balance at December 31, 2020	$	9.5

The charges incurred during the year ended December 31, 2020, were primarily associated with actions taken to streamline the organization. The charges incurred during the year ended December 31, 2019, were primarily associated with our strategic transformation initiative and the reorganization of our executive management team. The charges incurred during the year ended December 31, 2018 were primarily associated with actions taken to streamline our organization, as well as lease exit costs.

Of the amount recorded during the year ended December 31, 2020, $1.4 million related to our CSCI segment, due primarily to various integration initiatives, and $1.0 million was not allocated to a segment and was primarily related to our strategic transformation initiative. Of the amount recorded during the year ended December 31, 2019, $12.2 million related to our CSCI segment, due primarily to the sales force reorganization in France, and $10.1 million was not allocated to a segment and was primarily related to our strategic transformation initiative and the reorganization of our executive management team. Of the amount recorded during the year ended December 31, 2018, $17.4 million related to our CSCI segment. There were no other material restructuring programs in any of the periods presented.

All charges are recorded in Restructuring expense on the Consolidated Financial Statements. The remaining $9.5 million liability for employee severance benefits is expected to be paid within the next year.

NOTE 20 - SEGMENT AND GEOGRAPHIC INFORMATION

Our segment reporting structure is consistent with the way our management makes operating decisions, allocates resources and manages the growth and profitability of the business (refer to Note 1).

Below is a summary of our results by reporting segment (in millions):

	CSCA	CSCI	RX	Unallocated	Total
Year Ended December 31, 2020					
Net sales	$ 2,693.0	$ 1,395.2	$ 975.1	$ —	$ 5,063.3
Operating income (loss)	$ 472.0	$ 32.3	$ (177.7)	$ (211.2)	$ 115.4
Operating income %	17.5 %	2.3 %	(18.2)%	— %	2.3 %
Total assets	$ 4,443.0	$ 4,872.4	$ 2,173.0	$ —	$ 11,488.4
Capital expenditures	$ 126.0	$ 28.8	$ 15.6	$ —	$ 170.4
Property, plant and equipment, net	$ 675.7	$ 163.5	$ 156.8	$ —	$ 996.0
Depreciation/amortization	$ 103.6	$ 177.8	$ 103.4	$ —	$ 384.8
Change in financial assets	$ —	$ —	$ —	$ 96.4	$ 96.4
Year Ended December 31, 2019					
Net sales	$ 2,487.7	$ 1,382.2	$ 967.5	$ —	$ 4,837.4
Operating income (loss)	$ 414.0	$ 19.6	$ 2.6	$ (231.4)	$ 204.8
Operating income %	16.6 %	1.4 %	0.3 %	— %	4.2 %
Total assets	$ 3,990.2	$ 4,682.7	$ 2,628.5	$ —	$ 11,301.4
Capital expenditures	$ 98.4	$ 18.8	$ 20.5	$ —	$ 137.7
Property, plant and equipment, net	$ 599.8	$ 149.9	$ 153.1	$ —	$ 902.8
Depreciation/amortization	$ 97.4	$ 194.3	$ 104.8	$ —	$ 396.5
Change in financial assets	$ —	$ —	$ —	$ (22.1)	$ (22.1)
Year Ended December 31, 2018					
Net sales	$ 2,411.6	$ 1,399.3	$ 920.8	$ —	$ 4,731.7
Operating income (loss)	$ 174.4	$ 6.8	$ 214.6	$ (159.3)	$ 236.5
Operating income %	7.2 %	0.5 %	23.3 %	— %	5.0 %
Total assets	$ 3,571.7	$ 4,613.0	$ 2,798.7	$ —	$ 10,983.4
Capital expenditures	$ 65.0	$ 19.1	$ 18.6	$ —	$ 102.7
Property, plant and equipment, net	$ 530.3	$ 154.8	$ 144.0	$ —	$ 829.1
Depreciation/amortization	$ 104.8	$ 219.2	$ 99.6	$ —	$ 423.6
Change in financial assets	$ —	$ —	$ —	$ (188.7)	$ (188.7)

The net book value of Property, plant and equipment, net by location was as follows (in millions):

	Year Ended	
	December 31, 2020	December 31, 2019
U.S.	$ 678.2	$ 614.5
Europe[(1)]	169.7	146.8
Israel	90.7	86.1
All other countries	57.4	55.4
	$ 996.0	$ 902.8

(1) Includes Ireland Property, plant and equipment, net of $20.3 million and $9.3 million, for the years ended December 31, 2020 and December 31, 2019, respectively.

Sales to Walmart as a percentage of Consolidated Net sales (reported primarily in our CSCA segment) were as follows:

Year Ended		
December 31, 2020	December 31, 2019	December 31, 2018
13.3%	13.0%	12.8%

NOTE 21 - QUARTERLY FINANCIAL DATA (unaudited)

The following table presents unaudited quarterly consolidated operating results for each of our last eight quarters. The information below has been prepared on a basis consistent with our audited consolidated financial statements (in millions, except per share amounts):

	First Quarter	Second Quarter [2]	Third Quarter [3]	Fourth Quarter[4]
Year Ended December 31, 2020				
Net sales	$ 1,341.0	$ 1,219.1	$ 1,213.7	$ 1,289.5
Gross profit	$ 483.2	$ 434.7	$ 428.1	$ 469.2
Change in financial assets	$ (1.6)	$ (2.1)	$ (22.2)	$ 122.3
Net income (loss)	$ 106.4	$ 60.6	$ (154.6)	$ (175.0)
Earnings (loss) per share[1]:				
Basic	$ 0.78	$ 0.44	$ (1.13)	$ (1.29)
Diluted	$ 0.77	$ 0.44	$ (1.13)	$ (1.29)
Weighted average shares outstanding:				
Basic	136.2	136.4	136.5	135.4
Diluted	137.3	137.5	136.5	135.4

(1) The sum of individual per share amounts may not equal due to rounding.
(2) Includes Rosemont Pharmaceuticals business pre-tax loss of $21.1 million.
(3) Includes impairment charges of $202.4 million, change in financial assets of $22.2 million and loss on early debt extinguishment of $20.0 million.
(4) Includes change in financial assets of $122.3 million and impairment charges of $144.4 million.

	First Quarter[2]	Second Quarter [3]	Third Quarter [4]	Fourth Quarter[5]
Year Ended December 31, 2019				
Net sales	$ 1,174.5	$ 1,149.0	$ 1,191.1	$ 1,322.8
Gross profit	$ 448.8	$ 430.8	$ 412.8	$ 480.9
Change in financial assets	$ (10.4)	$ (5.5)	$ (2.6)	$ (3.6)
Net income (loss)	$ 63.9	$ 9.0	$ 92.2	$ (19.0)
Earnings (loss) per share[1]:				
Basic	$ 0.47	$ 0.07	$ 0.68	$ (0.14)
Diluted	$ 0.47	$ 0.07	$ 0.67	$ (0.14)
Weighted average shares outstanding:				
Basic	135.9	136.0	136.0	136.1
Diluted	136.2	136.5	136.8	137.0

(1) The sum of individual per share amounts may not equal due to rounding.
(2) Includes change in financial assets of $10.4 million.
(3) Includes impairment charges of $27.8 million and restructuring charges and other termination benefits of $12.2 million.
(4) Includes animal health divestiture pre-tax gain of $71.7 million, Ranitidine market withdrawal charges of $18.4 million, acquisition-related charges and contingent consideration adjustments of $18.1 million, and impairment charges of $10.9 million.
(5) Includes impairment charges of $141.6 million.

NOTE 22 - SUBSEQUENT EVENTS

On March 1, 2021, we announced a definitive agreement to sell our generic RX Pharmaceuticals business ("RX Business") to Altaris Capital Partners, LLC ("Altaris") for total consideration of $1.55 billion, including $1.5 billion in cash. As part of the consideration, Altaris will also assume more than $50.0 million in potential R&D milestone payments and contingent purchase obligations with third-party Rx partners.

The transaction is subject to antitrust and other customary closing conditions and is expected to close by the end of the third quarter of 2021. The RX Business will be classified as discontinued operations starting in the first quarter of 2021.

The criteria for reporting our RX Business assets as held for sale were met after the balance sheet date, and therefore we classified the assets as held and used as of December 31, 2020. The total carrying amounts of our RX Business assets and liabilities that will be disposed, excluding cash and debt, were approximately $2,100.0 million and $600.0 million, respectively, as of December 31, 2020.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act) as of December 31, 2020. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2020. Management concluded that the consolidated financial statements included in this Annual Report present fairly, in all material respects, the financial position of the Company at December 31, 2020 in conformity with GAAP and our external auditors have issued an unqualified opinion on our consolidated financial statements as of and for the year ended December 31, 2020.

(b) Management’s Annual Report on Internal Control Over Financial Reporting

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

All systems of internal control, no matter how well designed, have inherent limitations. Therefore, even those systems deemed to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of inherent limitations, our internal control over financial reporting may not

prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

During the fourth quarter of 2020, Ranir has been incorporated into our annual report on internal control over financial reporting for our year ended December 31, 2020. Except as discussed, there have been no other changes in our internal control over financial reporting during our fourth quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. The framework used in carrying out our evaluation was the 2013 *Internal Control - Integrated Framework* published by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. In evaluating our information technology controls, we also used components of the framework contained in the *Control Objectives for Information and Related Technology*, which was developed by the Information Systems Audit and Control Association's IT Governance Institute, as a complement to the COSO internal control framework. Management has concluded that our internal control over financial reporting was effective as of December 31, 2020. The results of management's assessment have been reviewed with our Audit Committee.

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

ITEM 9B. OTHER INFORMATION

On March 1, 2021, the Company signed an Amended and Restated Employment Agreement (the "Amended Agreement") with Murray Kessler to extend his term as CEO, President and member of the Board for an additional three year period through October 8, 2024. The term remains subject to automatic renewal thereafter for one-year periods unless either party provides 180 days' prior notice of non-renewal. The Amended Agreement maintains Mr. Kessler's current salary and provides a target annual bonus opportunity of $1,545,000 in 2021 and not less than $1,745,000 in 2022 and future years. Beginning in 2022, the fair value of Mr. Kessler's annual grant under the Company's Long-Term Incentive Plan will be no less than $9,750,000. Under the Amended Agreement, a notice of non-renewal timely sent by the Company will not be considered a Termination for severance purposes.

Except as described above, the terms of Mr. Kessler's ongoing employment remain materially unchanged from his Employment Agreement, dated October 8, 2018, as amended on February 13, 2019.

The foregoing summary of the Amended Agreement is qualified in its entirety by the full text thereof, which is filed as Exhibit 10.57 to this Annual Report on Form 10-K, and is incorporated herein by reference.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Perrigo Company plc

Opinion on Internal Control Over Financial Reporting

We have audited Perrigo Company plc's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Perrigo Company plc (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements") and our report dated March 1, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Grand Rapids, Michigan
March 1, 2021

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

(a) Directors of Perrigo Company plc.

This information is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2021 under the heading "Election of Directors" or will be included in an amendment to this annual report on Form 10-K.

(b) Executive Officers of Perrigo Company plc.

See Part I, Additional Item of this Form 10-K under the heading "Information About our Executive Officers."

(c) Audit Committee Financial Expert.

This information is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2021 under the heading "Audit Committee" or will be included in an amendment to this annual report on Form 10-K.

(d) Identification and Composition of the Audit Committee.

This information is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2021 under the heading "Audit Committee" or will be included in an amendment to this annual report on Form 10-K.

(e) Compliance with Section 16(a) of the Exchange Act.

This information is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2021 under the heading "Delinquent Section 16(a) Reports" or will be included in an amendment to this annual report on Form 10-K.

(f) Code of Ethics.

This information is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2021 under the heading "Corporate Governance" or will be included in an amendment to this annual report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2021 under the headings "Executive Compensation", "Remuneration Committee Report", "Potential Payments Upon Termination or Change in Control" and "Director Compensation" or will be included in an amendment to this annual report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

This information is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2021 under the heading "Ownership of Perrigo Ordinary Shares" or will be included in an amendment to this annual report on Form 10-K. Information concerning equity compensation plans is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2021 under the heading "Equity Compensation Plan Information" or will be included in an amendment to this annual report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

This information is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2021 under the heading "Certain Relationships and Related-Party Transactions" and "Corporate Governance" or will be included in an amendment to this annual report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

This information is incorporated by reference to our Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2021 under the heading "Ratification, in a Non-Binding Advisory Vote, of the Appointment of Ernst & Young LLP as Independent Auditor of the Company and Authorization, in a Binding Vote, of the Board of Directors, Acting Through the Audit Committee, to Fix the Remuneration of the Auditor" or will be included in an amendment to this annual report on Form 10-K.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed or incorporated by reference as part of this Form 10-K:

1. All financial statements. See Index to Consolidated Financial Statements.

2. Financial Schedules.

   Schedule II – Valuation and Qualifying Accounts.

   Schedules other than the one listed are omitted because the required information is included in the footnotes, immaterial or not applicable.

3. Exhibits:

2.1	Transaction Agreement, dated as of July 28, 2013, among Perrigo Company, Elan Corporation, plc, Perrigo Company plc, Habsont Limited and Leopard Company (incorporated by reference from Annex A to the joint proxy statement/prospectus included in the Company's Registration Statement on Form S-4/A filed on October 8, 2013) (File No. 333-190859).
2.2	Part A of Appendix I to Rule 2.5 Announcement (Conditions to the Implementation of the Scheme and the Acquisition) (incorporated by reference from Annex B to the joint proxy statement/prospectus included in the Company's Registration Statement on Form S-4/A filed on October 8, 2013) (File No. 333-190859).
2.3[+]	Asset Purchase Agreement, dated as of February 5, 2013, by and among Elan Pharma International Limited, Elan Pharmaceuticals, Inc. and Biogen Idec International Holding Ltd (incorporated by reference from Exhibit 4(c) (31) of Elan Corporation, plc's Annual Report on Form 20-F for the year ended December 31, 2012) (File No. 001-13896).
2.4	Agreement for the Sale and Purchase of 685,348,257 Shares Of Omega Pharma Invest N.V., dated as of November 6, 2014, by and among the Company, Alychlo N.V. and Holdco I BE N.V. (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 12, 2014) (File No. 001-36353).
2.5	Amendment Agreement dated March 27, 2015 to the Agreement for the Sale and Purchase of 685,348,257 Shares Of Omega Pharma Invest N.V., dated as of November 6, 2014, by and among the Company, Alychlo N.V. and Holdco I BE N.V. (incorporated by reference from Exhibit 2.3 to the Company's Quarterly Report on Form 10-Q filed on April 29, 2015) (File No. 001-36353).
2.6	Assignment Letter dated March 17, 2015 regarding the Agreement for the Sale and Purchase of 685,348,257 Shares Of Omega Pharma Invest N.V., dated as of November 6, 2014, by and among the Company, Alychlo N.V. and Holdco I BE N.V. (incorporated by reference from Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed on April 29, 2015) (File No. 001-36353).
2.7	Closing Letter dated March 17, 2015 regarding the Agreement for the Sale and Purchase of 685,348,257 Shares Of Omega Pharma Invest N.V., dated as of November 6, 2014, by and among the Company, Alychlo N.V. and Holdco I BE N.V. (incorporated by reference from Exhibit 2.2 to the Company's Quarterly Report on Form 10-Q filed on April 29, 2015) (File No. 001-36353).
3.1	Certificate of Incorporation of Perrigo Company plc (formerly known as Perrigo Company Limited) (incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-8 filed December 19, 2013) (File No. 333-192946).
3.2	Memorandum and Articles of Association of Perrigo Company plc, as amended and restated (incorporated by reference from Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on August 10, 2017) (File No. 001-36353).
4.1	Indenture dated as of November 8, 2013, among the Company, the guarantors named therein and Wells Fargo Bank, N.A., as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 12, 2013) (File No. 333-190859).
4.2	First Supplemental Indenture, dated December 18, 2013 to the Indenture dated as of November 8, 2013, among the Company, the guarantors named therein and Wells Fargo Bank, N.A., as Trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 19, 2013) (File No. 333-190859).

4.3	Base Indenture dated as of December 2, 2014, between Perrigo Finance Unlimited Company, formerly known as Perrigo Finance plc, the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 2, 2014) (File No. 001-36353).
4.4	First Supplemental Indenture dated as of December 2, 2014, between Perrigo Finance Unlimited Company, formerly known as Perrigo Finance plc, the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 2, 2014) (File No. 001-36353).
4.5	Supplemental Indenture No. 2, dated as of March 10, 2016, among Perrigo Finance Unlimited Company, the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 10, 2016) (File No. 001-36353).
4.6	Third Supplemental Indenture, dated as of June 19, 2020, among Perrigo Finance Unlimited Company, Perrigo Company plc, and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 19, 2020) (File No. 001-36353).
4.7	Form of 3.900% Senior Notes due 2024 (included as Exhibit A-2 to the First Supplemental Indenture dated as of December 2, 2014, between Perrigo Finance Unlimited Company, formerly known as Perrigo Finance plc, the Company and Wells Fargo Bank, National Association, as trustee) (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 2, 2014) (File No. 001-36353).
4.8	Form of 4.900% Senior Notes due 2044 (included as Exhibit A-3 to the First Supplemental Indenture dated as of December 2, 2014, between Perrigo Finance Unlimited Company, formerly known as Perrigo Finance plc, the Company and Wells Fargo Bank, National Association, as trustee) (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 2, 2014) (File No. 001-36353).
4.9	Form of 3.150% Note due 2030 (included in the Third Supplemental Indenture dated as of June 19, 2020) (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed on June 19, 2020) (File No. 001-36353).
4.10	Form of Global Note representing the 2026 Notes (included in Exhibit 4.5).
4.11	Prospectus, dated April 23, 2012, in connection with the public offering of Omega Pharma Invest N.V. of EUR 180,000,000 of 4.500% retail bonds due 2017 and EUR 120,000,000 of 5.000% retail bonds due 2019 (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K filed on April 3, 2015) (File No. 001-36353).
4.12	Description of the Company's Securities (incorporated by reference to Exhibit 4.12 to the Company's Annual Report on Form 10-K filed on February 27, 2020) (File No. 001-36353).
10.1	Revolving Credit Agreement by and among Perrigo Finance Unlimited Company, Perrigo Company plc, JPMorgan Chase Bank, N.A., and the other lenders party thereto, dated as of March 8, 2018 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 9, 2018).
10.2	Amendment No. 1, by and among Perrigo Finance Unlimited Company, Perrigo Company plc, JPMorgan Chase Bank, N.A., and the other lenders party thereto, dated as of August 15, 2019 (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 16, 2019).
10.3	Term Loan Credit Agreement by and among Perrigo Finance Unlimited Company, Perrigo Company plc, JPMorgan Chase Bank, N.A., and the other lenders party thereto, dated as of August 15, 2019 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 16, 2019).
10.4	Purchase and Sale Agreement by and among Perrigo Pharma International Designated Activity Company, Perrigo Company plc and RPI Finance Trust, dated February 27, 2017 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 28, 2017) (File No. 001-36353).

10.5	Stock Purchase Agreement and Agreement and Plan of Merger by and among Perrigo Oral Health Care Holdings, Inc., Perrigo Ireland 6 DAC, Big Mouth Merger Sub, LLC, Ranir Global Holdings, LLC, Camden Partners III SPV, L.P., RGH SELLER REP, LLC and Perrigo Company plc, effective as of May 8, 2019 (incorporated by reference from Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2019).
10.6*	Perrigo Annual Incentive Plan, as amended and restated effective February 13, 2019 (incorporated by reference from Exhibit 10.5 to the Company's Annual Report on Form 10-K filed on February 27, 2019).
10.7*	2008 Long-Term Incentive Plan, adopted November 4, 2008 (incorporated by reference from Exhibit 10(b) to Perrigo Company's Quarterly Report on Form 10-Q filed on February 3, 2009) (File No. 000-19725).
10.8*	2013 Long-Term Incentive Plan (incorporated by reference from Annex J to the Company's Registration Statement on Form S-4/A filed on October 8, 2013) (File No. 333-190859).
10.9*	Amendment No. 1 to the 2013 Long-Term Incentive Plan, dated as of January 29, 2014 (incorporated by reference from Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q filed on February 6, 2014) (File No. 333-190859).
10.10*	Amendment No. 2 to the 2013 Long-Term Incentive Plan, effective as of July 9, 2015 (incorporated by reference from Exhibit 10.17 to the Company's Annual Report on Form 10-K, filed on August 13, 2015) (File No. 001-36353).
10.11*	Amendment No. 3 to the 2013 Long-Term Incentive Plan, effective as of November 3, 2017 (incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2017) (File No. 001-36353).
10.12*	Amendment No. 4 to the 2013 Long-Term Incentive Plan, effective as of February 13, 2019 (incorporated by reference from Exhibit 10.11 to the Company's Annual Report on Form 10-K filed on February 27, 2019).
10.13*	Perrigo Company plc 2019 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 30, 2019).
10.14*	Nonqualified Deferred Compensation Plan, as amended as of October 10, 2007 and effective January 1, 2007 (incorporated by reference from Exhibit 10.1 to Perrigo Company's Current Report on Form 8-K filed on October 11, 2007) (File No. 000-19725).
10.15*	Amendment One to the Nonqualified Deferred Compensation Plan, dated December 3, 2009 (incorporated by reference from Exhibit 10.14 to the Company's Annual Report on Form 10-K filed on August 14, 2014) (File No. 001-36353).
10.16*	Amendment Two to the Nonqualified Deferred Compensation Plan, dated as of October 10, 2012, (incorporated by reference from Exhibit 10.1 to Perrigo Company's Quarterly Report on Form 10-Q filed on February 1, 2013) (File No. 000-19725).
10.17*	Amendment Three to the Nonqualified Deferred Compensation Plan, dated as of November 13, 2013 (incorporated by reference from Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed on February 6, 2014) (File No. 333-190859).
10.18*	Amendment Four to the Nonqualified Deferred Compensation Plan, dated as of January 31, 2014 (incorporated by reference from Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q filed on February 6, 2014) (File No. 333-190859).
10.19*	Amendment Five to the Nonqualified Deferred Compensation Plan, dated as of August 17, 2015 (incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2015) (File No. 001-36353).
10.20*	Amendment Six to the Perrigo Company Nonqualified Deferred Compensation Plan, dated as of July 23, 2018 (incorporated by reference from Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2018) (File No. 001-36353).
10.21*	Perrigo Company plc Executive Committee Severance Policy, as amended and restated effective February 13, 2019 (incorporated by reference from Exhibit 10.20 to the Company's Annual Report on Form 10-K filed on February 27, 2019).
10.22*	Perrigo Company plc Change in Control Severance Policy for U.S. Employees, as amended and restated effective February 13, 2019 (incorporated by reference from Exhibit 10.21 to the Company's Annual Report on Form 10-K filed on February 27, 2019).

10.23* Perrigo Company plc U.S. Severance Policy, as amended and restated effective February 13, 2019 (incorporated by reference from Exhibit 10.22 to the Company's Annual Report on Form 10-K filed on February 27, 2019).

10.24* Perrigo Company Employee Severance Programme - Ireland, effective April 9, 2020 (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 5, 2020).

10.25* Forms of Grant Agreement under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed on February 6, 2014) (File No. 333-190859).

10.26* Forms of Restricted Stock Unit Award Agreement (Service-Based) under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K filed on November 12, 2014) (File No. 001-36353).

10.27* Forms of Service-Based and Performance-Based Restricted Stock Unit Award Agreements under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K filed on June 22, 2015) (File No. 001-36353).

10.28* Forms of Amendments to Performance-Based Restricted Stock Unit Award Agreements under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K filed on June 26, 2015) (File No. 001-36353).

10.29* Forms of Service-Based and Performance-Based Restricted Stock Unit Award Agreements under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 99.1 to the Company's Current Report on Form 8-K filed on August 12, 2015) (File No. 001-36353).

10.30* Form of Performance-Based Restricted Stock Unit Award Agreement for Non-U.S. Participants under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 2, 2015) (File No. 001-36353).

10.31* Forms of Amendments to Performance-Based Restricted Stock Unit Award Agreements under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K filed on November 13, 2015) (File No. 001-36353).

10.32* Forms of Service-Based Restricted Stock Unit Award Agreements under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.41 to the Company's Transition Report on Form 10-KT filed on February 25, 2016) (File No. 001-36353).

10.33* Forms of Amendment to Service-Based Restricted Stock Unit Award Agreements under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on August 10, 2017) (File No. 001-36353).

10.34* Forms of Amendment to Performance-Based Restricted Stock Unit Award Agreements under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed on August 10, 2017) (File No. 001-36353).

10.35* Forms of Amendment to Nonqualified Stock Option Agreements under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed on August 10, 2017) (File No. 001-36353).

10.36* Forms of Service-Based Restricted Stock Unit Award Agreements under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2017) (File No. 001-36353).

10.37* Forms of Performance-Based Restricted Stock Unit Award Agreements under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2017) (File No. 001-36353).

10.38* Forms of Nonqualified Stock Option Agreements under the Company's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on November 9, 2017) (File No. 001-36353).

10.39* Forms of Service-Based Restricted Stock Unit Award Agreements under the Company's Long-Term Incentive Plan (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 8, 2018) (File No. 001-36353).

10.40* Forms of Service-Based Restricted Stock Unit Award Agreement under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from exhibit 10.61 to the Company's Annual Report on Form 10-K filed on March 1, 2018) (File No. 001-36353).

10.41* Forms of Performance-Based Restricted Stock Unit Award Agreement under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from exhibit 10.62 to the Company's Annual Report on Form 10-K filed on March 1, 2018) (File No. 001-36353).

10.42* Form of Nonqualified Stock Option Agreement under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from exhibit 10.63 to the Company's Annual Report on Form 10-K filed on March 1, 2018) (File No. 001-36353).

10.43* Form of Nonqualified Stock Option Agreement under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.49 to the Company's Annual Report on Form 10-K filed on February 27, 2019) (File No. 001-36353).

10.44* Form of Service-based Restricted Stock Unit Award Agreement under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.50 to the Company's Annual Report on Form 10-K filed on February 27, 2019) (File No. 001-36353).

10.45* Forms of Performance-based Restricted Stock Unit Award Agreements under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.51 to the Company's Annual Report on Form 10-K filed on February 27, 2019) (File No. 001-36353).

10.46* Form of Perrigo Company plc Director Indemnity Agreement (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 19, 2013) (File No. 333-190859).

10.47* Form of Perrigo Company plc Officer Indemnity Agreement (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 19, 2013) (File No. 333-190859).

10.48* Form of Perrigo Company Indemnity Agreement (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 19, 2013) (File No. 333-190859).

10.49* Form of Nonqualified Stock Option Agreement under Perrigo Company plc's 2019 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 30, 2019) (File No. 001-36353).

10.50* Form of Service-based Restricted Stock Unit Award Agreement under Perrigo Company plc's 2019 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 30, 2019) (File No. 001-36353).

10.51* Forms of Performance-based Restricted Stock Unit Award Agreement under Perrigo Company plc's 2019 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 30, 2019) (File No. 001-36353).

10.52* Form of Nonqualified Stock Option Agreement under Perrigo Company plc's 2019 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.61 to the Company's Annual Report on Form 10-K filed on February 27, 2020) (File No. 001-36353).

10.53* Forms of Performance-based Restricted Stock Unit Award Agreement under Perrigo Company plc's 2019 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.62 to the Company's Annual Report on Form 10-K filed on February 27, 2020) (File No. 001-36353).

10.54* Form of Service-based Restricted Stock Unit Award Agreement under Perrigo Company plc's 2019 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.63 to the Company's Annual Report on Form 10-K filed on February 27, 2020) (File No. 001-36353).

10.55* Employment Agreement, effective as of October 8, 2018, by and between Perrigo Management Company and Murray S. Kessler (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 9, 2018) (File No. 001-36353).

10.56* Amendment No. 1 to Employment Agreement, effective as of February 13, 2019, by and between Perrigo Management Company and Murray S. Kessler (incorporated by reference from Exhibit 10.63 to the Company's Annual Report on Form 10-K filed on February 27, 2019) (File No. 001-36353).

10.57* Amended and Restated Employment Agreement, effective as of March 1, 2021, by and between Perrigo Management Company and Murray S. Kessler (filed herewith).

10.58* Form of Nonqualified Stock Option Agreement under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.64 to the Company's Annual Report on Form 10-K filed on February 27, 2019) (File No. 001-36353).

10.59*	Form of Service-based Restricted Stock Unit Award Agreement under Perrigo Company plc's 2013 Long-Term Incentive Plan (incorporated by reference from Exhibit 10.65 to the Company's Annual Report on Form 10-K filed on February 27, 2019) (File No. 001-36353).
10.60*	Forms of Performance-based Restricted Stock Unit Award Agreements under Perrigo Company plc's 2013 Long-Term Incentive Plan incorporated by reference from Exhibit 10.66 to the Company's Annual Report on Form 10-K filed on February 27, 2019) (File No. 001-36353).
10.61*	Letter Agreement between the Company and Raymond Silcock, dated March 17, 2019 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 20, 2019) (File No. 001-36353).
10.62*	Management Agreement, effective as of January 1, 2020 by and between Perrigo Holding NV and Svend Andersen (incorporated by reference from Exhibit 10.80 to the Company's Annual Report on Form 10-K filed on February 27, 2020) (File No. 001-36353).
10.63*	Employment Agreement between Perrigo Pharma International D.A.C. and James Dillard, dated January 25, 2019 (incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 5, 2020) (File No. 001-36353).
21	Subsidiaries of the Registrant.
23	Consent of Ernst & Young LLP.
24	Power of Attorney (see signature page).
31	Rule 13a-14(a) Certifications.
32	Section 1350 Certifications.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File, formatted in Inline XBRL (contained in Exhibit 101.INS).

+ Confidential treatment has been requested for portions of this agreement. A completed copy of the agreement, including the redacted portions, has been filed separately with the SEC.

* Denotes management contract or compensatory plan or arrangement.

(b) Exhibits.
The response to this portion of Item 15 is submitted as a separate section of this Report. See Item 15(a)(3) above.

(c) Financial Statement Schedules.
The response to this portion of Item 15 is submitted as a separate section of this Report. See Item 15(a)(2) above.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

PERRIGO COMPANY PLC
(in millions)

	Year Ended		
	December 31, 2020	December 31, 2019	December 31, 2018
Allowance for doubtful accounts			
Balance at beginning of period	$ 6.7	$ 6.4	$ 6.2
Net bad debt expenses[1]	2.9	0.8	—
Additions/(deductions)[2]	(2.0)	(0.5)	0.2
Balance at end of period	$ 7.6	$ 6.7	$ 6.4

(1) Includes effects of changes in foreign exchange rates.
(2) Uncollectible accounts written off, net of recoveries. Also includes effects of changes in foreign exchange rates.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K for the year ended December 31, 2020 to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Dublin, Ireland on March 1, 2021.

PERRIGO COMPANY PLC

By: /s/ Murray S. Kessler
Murray S. Kessler
Chief Executive Officer and President
(Principal Executive Officer)

POWER OF ATTORNEY

Each person whose signature appears below hereby appoints Murray S. Kessler, Raymond P. Silcock, and Todd W. Kingma and each of them severally, acting alone and without the other, his true and lawful attorney-in-fact with authority to execute in the name of each such person, and to file with the Securities and Exchange Commission, together with any exhibits thereto and other documents therewith, any and all amendments to this Annual Report on Form 10-K for the year ended December 31, 2020 necessary or advisable to enable Perrigo Company plc to comply with the Securities Exchange Act of 1934, or any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, which amendments may make such other changes in the report as the aforesaid attorney-in-fact executing the same deems appropriate.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K for the year ended December 31, 2020 has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 1, 2021.

Signature	Title
/s/ Murray S. Kessler Murray S. Kessler	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ Raymond P. Silcock Raymond P. Silcock	Chief Financial Officer (Principal Accounting and Financial Officer)
/s/ Rolf A. Classon Rolf A. Classon	Chairman of the Board
/s/ Bradley A. Alford Bradley A. Alford	Director
/s/ Orlando D. Ashford Orlando D. Ashford	Director
/s/ Katherine Doyle Katherine Doyle	Director
/s/ Adriana Karaboutis Adriana Karaboutis	Director
/s/ Jeffrey B. Kindler Jeffrey B. Kindler	Director
/s/ Erica L. Mann Erica L. Mann	Director
/s/ Donal O'Connor Donal O'Connor	Director
/s/ Geoffrey M. Parker Geoffrey M. Parker	Director
/s/ Theodore R. Samuels Theodore R. Samuels	Director

Financial Reconciliation

Perrigo Company plc

Reconciliation of Non-GAAP Measures

TABLE I (IN MILLIONS) (UNAUDITED)

	Twelve Months Ended		
	December 31, 2020	December 31, 2019	Total Change
Net sales Reported	$ 5,063.3	$ 4,837.4	
Operating results attributable to held-for-sale business*	—	(24.1)	
Ranitidine market withdrawal**	—	9.2	
Consolidated net sales as so adjusted	$5,063.3	$4,822.5	5.0%

*Held-for-sale business includes our now divested animal health business.
**Ranitidine market withdrawal includes reversal of recorded returns and inventory write-downs.

TABLE II (IN MILLIONS) (UNAUDITED)

	Adjusted Net Sales - Constant Currency Twelve Months Ended					
	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	2015-2018 Change	Adjusted Constant Currency 2015-2018 CAGR
Worldwide Consumer Reported Net Sales	$3,845	$ 4,087	$3,836	$3,811	(34)	(0.3)%
Sales related to VMS business	(162)	(110)	—	—		
Sales related to CSCI exited businesses[1]	(229)	(242)	(32)	—		
Pro-forma Omega[1][2]	260	—	—	—		
Pro-forma other acquisition[1][3]	86	—	—	—		
Sales related to Animal Health	(154)	(144)	(141)	(94)		
Sales related to Infant foods	(29)	(34)	(32)	(34)		
Sales related to Rosemont Pharmaceuticals business[1]	(64)	(66)	(60)	(57)		
Sales related to Nordics[1]	(11)	(11)	(13)	(15)		
FX impact [1]	19	39	31	—		
Adjusted Net Sales - Constant Currency	$3,561	$3,519	$3,589	$3,611	$50	0.5%

(1) Converted 2015-2017 and adjustments made in currencies other than USD at 2018 average FX rate for comparable presentation to 2018.
(2) Omega acquired 3/31/2015; annualized 2015 for comparable presentation to 2018.
(3) Includes GlaxoSmithKline Consumer Healthcare product portfolio and Naturwohl Pharma GmbH acquired in September 2015; annualized 2015 for comparable presentation to 2018.

	Adjusted Net Sales - Constant Currency Twelve Months Ended				
	December 31, 2018	December 31, 2019	December 31, 2020	2018-2020 Change	Adjusted Constant Currency 2018-2020 CAGR
Worldwide Consumer Reported Net Sales	$3,811	$ 3,870	$4,088	277	3.6%
Sales related to Animal Health	(94)	(44)	—		
Sales related to Infant foods	(34)	(6)	—		
Sales related to Rosemont Pharmaceuticals business[1]	(57)	(53)	(29)		
Sales related to Nordics[1]	(15)	(13)	—		
FX impact [1]	—	84	90		
Adjusted Net Sales - Constant Currency	$3,611	$3,838	$4,149	$538	7.2%

(1) Converted 2019-2020 and adjustments made in currencies other than USD at 2018 average FX rate for comparable presentation to 2018.

Perrigo®

Quality, Affordable **Self-Care** Products