

May 7, 2019

## **NET DEBT LEVERAGE RATIO (NON-GAAP FINANCIAL MEASURE)**

Mallinckrodt plc and its subsidiaries (collectively, "the company") may from time to time reference net debt leverage ratio in its public communications, which is considered a "non-GAAP" financial measure under applicable U.S. Securities and Exchange Commission rules and regulations.

Net debt leverage ratio is a key financial measure that is used by management to assess the borrowing capacity of the company. The company has defined its net debt leverage ratio as net debt (total principal debt outstanding less unrestricted cash) divided by adjusted EBITDA for the trailing twelve month period. Adjusted EBITDA for purposes of the net debt leverage ratio represents net loss, prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"), adjusted for interest expense, taxes, depreciation and amortization, certain items that management believes are not reflective of the operational performance of the business and additional adjustments as allowable under the company's credit facility. These adjustments include, but are not limited to, non-restructuring impairment charges; restructuring and related charges, net; inventory step-up expense; discontinued operations; changes in fair value of contingent consideration obligations; acquisition related expenses; loss on divestiture; significant legal and environmental charges; separation costs and other items identified by the company.

This adjusted measure should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. The company's definition of this adjusted measure may differ from similarly titled measures used by others or similar metrics used by the company for debt covenant compliance.

Because adjusted financial measures exclude the effect of items that will increase or decrease the company's reported results of operations, Mallinckrodt strongly encourages investors to review the company's consolidated financial statements and publicly filed reports in their entirety. A reconciliation of the net debt leverage ratio to GAAP net income is included in the following table.

## NET DEBT LEVERAGE RATIO <sup>1</sup>:

	Twelve Months Ended March 29, 2019
Total debt	\$ 5,893.2
Less: Unrestricted cash	225.8
<b>Net debt</b>	<b>\$ 5,667.4</b>
GAAP Net Income (Loss):	
Three months ended March 29, 2019	\$ 154.9
Plus: Twelve months ended December 28, 2018	(3,607.0)
Less: Three months ended March 30, 2018	(18.0)
Twelve months ended March 29, 2019	(3,434.1)
<i>Trailing twelve months adjustments:</i>	
Interest expense	361.5
Income taxes	(598.2)
Depreciation	116.1
Intangible asset amortization	785.0
Non-restructuring impairment charges	3,893.1
Restructuring and related charges, net	84.2
Inventory step-up expense	113.8
Discontinued operations	(11.7)
Changes in fair value of contingent consideration obligations	(43.1)
Acquisition related expenses	2.6
Loss on divestiture	0.8
Significant legal and environmental charges	19.7
Non-cash stock compensation expense	40.0
Separation costs	17.7
Other (income) expense, net	(39.1)
Other credit facility addbacks	37.1
<b>Adjusted EBITDA</b>	<b>\$ 1,345.4</b>
<b>Net Debt Leverage Ratio:</b>	<b>4.2</b>

<sup>(1)</sup> The Net Debt Leverage Ratio is calculated in accordance with the company's Credit Agreement dated as of March 19, 2014 (as amended, restated, supplemented or otherwise modified) and used for the purpose of testing the financial covenant in Section 6.12 of this agreement.