



**November 5, 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 income (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 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; research and development ("R&D") upfront payments 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 (loss) is included in the following table.

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

	Twelve Months Ended September 27, 2019
Total debt	\$ 5,810.9
Less: Unrestricted cash	498.8
<b>Net debt</b>	<b>\$ 5,312.1</b>
GAAP Net Income (Loss):	
Nine months ended September 27, 2019	\$ 160.6
Plus: Twelve months ended December 28, 2018	(3,607.0)
Less: Nine months ended September 28, 2018	111.4
Twelve months ended September 27, 2019	(3,557.8)
<i>Trailing twelve months adjustments:</i>	
Interest expense	321.9
Income taxes	(482.8)
Depreciation	135.1
Intangible asset amortization	843.5
Non-restructuring impairment charges	4,004.6
Restructuring charges, net	12.4
Inventory step-up expense	51.3
Discontinued operations	(6.8)
Changes in fair value of contingent consideration obligations	(40.4)
Acquisition related expenses	2.0
Loss on divestiture	0.2
Significant legal and environmental charges	59.7
Non-cash stock compensation expense	37.3
Separation costs	56.4
R&D upfront payment	20.0
Other (income) expense, net	(142.5)
Other credit facility addbacks	20.4
<b>Adjusted EBITDA</b>	<b>\$ 1,334.5</b>
<b>Net Debt Leverage Ratio:</b>	<b>4.0</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.