May 9, 2023

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, excluding settlement obligations, 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. These adjustments include, but are not limited to, restructuring charges, net; inventory step-up expense; discontinued operations; changes in fair value of contingent consideration obligations; significant legal and environmental charges; unrealized loss on equity investments; separation costs; gains on debt extinguishment, net; fresh-start inventory-related expenses; reorganization items, net 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.

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 loss is included in the following table.

NET DEBT LEVERAGE RATIO [1]:

	Successor
	March 31, 2023
Total debt principal outstanding	$ 3,523.1
Less: Unrestricted cash	480.0
Net debt [2]	**$ 3,043.1**

	Successor	Predecessor	Non-GAAP Combined
	Period from June 17, 2022 through March 31, 2023	Period from April 2, 2022 through June 16, 2022	Twelve Months Ended March 31, 2023
GAAP Net Loss:			
Period from December 31, 2022 through March 31, 2023	$ (249.3)	$ —	$ (249.3)
Plus: Period from June 17, 2022 through December 30, 2022	(598.1)	—	$ (598.1)
Plus: Period from April 2, 2022 through June 16, 2022	—	(193.5)	(193.5)
Twelve months ended March 31, 2023	(847.4)	(193.5)	(1,040.9)
Trailing twelve months adjustments:			
Interest expense	486.3	50.4	536.7
Income taxes	(82.8)	(491.4)	(574.2)
Depreciation	40.7	17.9	58.6
Intangible asset amortization	451.9	126.7	578.6
Restructuring charges, net	12.3	2.8	15.1
Fresh-start inventory-related expense	370.1	—	370.1
Discontinued operations	(0.2)	(0.3)	(0.5)
Changes in fair value of contingent consideration obligations	0.9	0.1	1.0
Non-cash shared-based compensation	4.0	0.5	4.5
Separation costs	26.1	7.0	33.1
Gain on debt extinguishment, net	(21.4)	—	(21.4)
Fair value impact on debt extinguishment	22.4	—	22.4
Unrealized (gain) loss on equity investment	5.9	18.5	24.4
Other income, net	(2.5)	(8.0)	(10.5)
Reorganization items, net	28.8	587.5	616.3
Bad debt expense - customer bankruptcy	6.4	—	6.4
Other credit facility addbacks	(1.9)	0.1	(1.8)
Adjusted EBITDA	**$ 499.6**	**$ 118.3**	**$ 617.9**
Net Debt Leverage Ratio:			**4.9**

(1) The trailing twelve month period includes the results of the company prior to its emergence from Chapter 11 (Predecessor) and after its emergence (Successor). While these periods are not comparable, management believes that its adjusted EBITDA for the Successor period when combined with the adjusted EBITDA for the Predecessor period provides a more meaningful assessment of the company's borrowing capacity.

(2) Net debt does not include the settlement obligations.