Mallinckrodt Pharmaceuticals

August 3, 2021

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 charges, net; discontinued operations; changes in fair value of contingent consideration obligations; gains on divestiture; significant legal and environmental charges; separation costs; unrealized gain on equity investment; 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 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 loss is included in the following table.

NET DEBT LEVERAGE RATIO [1]:

		Twelve Months Ended June 25, 2021
Total debt	$	5,159.8
Less: Unrestricted cash		1,254.9
Net debt	**$**	**3,904.9**
GAAP Net Loss:		
Six months ended June 25, 2021	$	(249.7)
Plus: Twelve months ended December 25, 2020		(944.6)
Less: Six months ended June 26, 2020		(983.3)
Twelve months ended June 25, 2021		(211.0)
Trailing twelve months adjustments:		
Interest expense		234.4
Income taxes		(183.4)
Depreciation		110.9
Intangible asset amortization		672.5
Non-restructuring impairment		64.5
Restructuring charges, net		31.4
Discontinued operations		(1.8)
Changes in fair value of contingent consideration obligations		10.1
Gains on divestiture		(15.4)
Significant legal and environmental charges		(17.7)
Non-cash shared-based compensation		18.0
Separation costs		52.3
Unrealized gain on equity investment		(12.5)
Other income, net		(9.4)
Reorganization items, net		264.4
Other credit facility addbacks		4.5
Adjusted EBITDA	**$**	**1,011.8**
Net Debt Leverage Ratio:		**3.9**

(1) 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.