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 SEC 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 represents net income, prepared in accordance with accounting principles generally accepted in the U.S. (GAAP), adjusted for interest, taxes, depreciation and amortization and certain items that management believes are not reflective of the operational performance of the business. These adjustments include, but are not limited to, restructuring and related charges, net; discontinued operations; acquisition-related expenses; significant legal and environmental charges; historical EBITDA of companies acquired during the period 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, management 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.

	Twelve months ended December 25, 2015	
Total debt	$	6,536.5
Less: Unrestricted cash		521.9
Net debt	**$**	**6,014.6**
GAAP Net Income:		
Three months ended December 25, 2015	$	211.1
Plus: Fiscal year ended September 25, 2015		324.7
Less: Three months ended December 26, 2014		92.7
Twelve months ended December 25, 2015		443.1
Trailing twelve months adjustments:		
Interest expense		303.5
Income taxes		(114.7)
Depreciation		112.3
Intangible asset amortization		598.9
Restructuring and related charges, net		39.5
Inventory step-up expense		29.5
Income from discontinued operations		(106.4)
Acquisition related expenses		54.5
Significant legal and environmental charges		97.8
Non-cash stock compensation expense		86.4
Other income (expense)		(24.5)
Other credit facility addbacks		33.9
Acquired Adjusted EBITDA [1]		149.2
Adjusted EBITDA	**$**	**1,703.0**
Net Debt Leverage Ratio:		**3.5**

(1) This amount represents the pre-acquisition portion of Adjusted EBITDA of Ikaria and Therakos for the twelve months ended December 25, 2015 that is not included in historical Mallinckrodt results.