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; changes in fair value of contingent consideration obligations; inventory step-up expense; 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 March 25, 2016
Total debt	$	6,531.3
Less: Unrestricted cash		341.4
Net debt	**$**	**6,189.9**
GAAP Net Income:		
Six months ended March 25, 2016	$	329.4
Plus: Fiscal year ended September 25, 2015		324.7
Less: Six months ended March 27, 2015		191.5
Twelve months ended March 25, 2016		462.6
Trailing twelve months adjustments:		
Interest expense, net		343.5
Income taxes		(134.2)
Depreciation		124.9
Intangible asset amortization		651.0
Restructuring and related charges, net		44.7
Non-restructuring impairment		16.9
Inventory step-up expense		27.2
Income from discontinued operations		(80.8)
Acquisition related expenses		49.3
Change in fair value of contingent consideration obligations		(6.3)
Significant legal and environmental charges		46.5
Non-cash stock compensation expense		68.3
Other income (expense)		(2.2)
Other credit facility addbacks		34.1
Acquired Adjusted EBITDA (1)		64.3
Adjusted EBITDA	**$**	**1,709.8**
Net Debt Leverage Ratio:		**3.6**

(1) This amount represents the pre-acquisition portion of Adjusted EBITDA of Ikaria and Therakos for the twelve months ended March 25, 2016 that is not included in historical Mallinckrodt results.