

August 3, 2021

NON-GAAP FINANCIAL MEASURES

Mallinckrodt plc (the company) utilizes certain financial measures that are not prescribed by or prepared in accordance with accounting principles generally accepted in the U.S. (GAAP). The company utilizes these financial measures, commonly referred to as “non-GAAP”, because they are used by management, along with financial measures prepared in accordance with GAAP, to evaluate the company's operating performance. In addition, the company believes that these non-GAAP measures will be used by certain stakeholders to measure the company's operating results. Management believes that presenting these non-GAAP measures provides useful information about the company's performance across reporting periods on a consistent basis by excluding items (which may be favorable or unfavorable) that the company does not believe are indicative of its core operating performance.

Adjustments to GAAP financial results are identified through the execution of a recurring process on a quarterly basis. This process identifies transactions, both favorable and unfavorable, that may not be indicative of the company's core operating performance in the respective period. Each transaction is evaluated by the company based on several factors; including, but not limited to, materiality, frequency of occurrence, the facts and circumstances giving rise to the transaction, and the business' ability to influence the transaction. Based on these factors, the company applies judgment in determining whether the transaction(s) should result in adjustment to GAAP financial results and therefore be included in a non-GAAP measure.

Adjustments to GAAP financial results include certain items regardless of materiality as they are not part of the underlying operating performance of the company. These items currently include the following:

- Income taxes, interest expense, net, and depreciation expense to provide better insight to the operating performance of the business in light of the company's Chapter 11 bankruptcy filing;
- Intangible amortization expense and non-restructuring impairments as these represent charges that are outside the control of those responsible for the underlying operations of the business;
- Restructuring and related charges, net as these expenses represent long-term strategic planning decisions which the company believes do not represent the underlying operations of the respective period when the expenses are recognized under GAAP;
- Inventory step-up expense as this represents the expense recognition of fair value adjustments in excess of the historical cost basis of inventory obtained through

acquisition, these charges are outside the control of those responsible for the underlying operations of the business;

- Income or loss from discontinued operations as this represents events that are not expected to be present in future periods and its exclusion provides better insight to the operating performance of the company's continuing operations;
- Change in contingent consideration fair value as this generally represents changes in expectations regarding future operating performance, as well as changes in market place data (e.g., discount rates) and therefore is not reflective of current period operating performance of the business;
- Acquisition-related expenses represent various transaction costs associated with acquisitions, as these costs are outside the control of those responsible for the underlying operations of the business;
- Losses/gains on divestiture as the impact of such transaction is outside the control of those responsible for the underlying operations of the business;
- Unrealized gains/losses on equity investment as the impact of such investments on the company's reported results of operations for a period is highly variable, difficult to predict and outside the control of those responsible for the underlying operations of the business; and
- Share-based compensation expense to provide better insight to the operating performance of the business in light of the Chapter 11 bankruptcy filing.

In addition to these items, other transactions may be identified (both favorable and unfavorable) during the recurring quarterly process that may not be indicative of the company's core operating performance in the respective period. Each transaction is evaluated by the company based on several factors; including, but not limited to, established materiality thresholds, frequency of occurrence, the facts and circumstances giving rise to the transaction, and the business' ability to influence the transaction. Based on these factors the company applies judgment in determining whether the item should result in adjustment to GAAP financial results and therefore be included in the non-GAAP measure. Examples of the type of items identified through this process include:

- Significant legal and environmental charges as these represent significant expenses that may not be associated with the current operating footprint and performance of the business (e.g., environmental charges at former company owned facilities or charges for significant legal settlements).

- Debt refinancing costs, included in gains debt extinguishment, net, which relate to cash payments recorded to expense and the write-off of deferred financing costs associated with accelerated debt extinguishments, or payments/repurchases.
- Gains on the extinguishment or repurchase of debt as this represents a significant item that is outside the control of those responsible for the underlying operations of the business.
- Research and development (“R&D”) charges resulting from upfront or contingent milestone payments in connection with the acquisition or licensing of third-party intellectual property rights.

Based on the established process described above, the company’s finance department compiles a list of proposed non-GAAP adjustments that is reviewed by a team consisting of the Executive Vice President and Chief Financial Officer (EVP/CFO); Senior Vice President (SVP) of Finance and Corporate Controller; Vice President of Tax; Vice President, Corporate Secretary and General Counsel, International; and Vice President of Restructuring and Investor Relations. With the input of this group, the EVP/CFO and SVP of Finance and Corporate Controller approve the non-GAAP adjustments which are then presented to the Audit Committee on a quarterly basis discussed as necessary.

These non-GAAP measures should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. The company's definition of these non-GAAP measures may differ from similarly titled measures used by others.

The definitions of the most commonly used non-GAAP financial measures are presented below:

Adjusted EBITDA

Adjusted EBITDA represents amounts prepared in accordance with GAAP and adjusts for certain items that management believes are not reflective of the operational performance of the business. Consolidated adjusted EBITDA represents net income (loss) adjusted for interest expense, net, taxes, depreciation and amortization and 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; non-restructuring impairment charges; inventory step-up expense; discontinued operations; changes in fair value of contingent consideration obligations; significant legal and environmental charges; divestitures; separation costs; gain on debt extinguishment, net; unrealized loss (gain) on equity investment; R&D upfront payments; reorganization items, net; share-based compensation and other items identified by the company.

Net Debt

Net debt represents the total principal debt outstanding less unrestricted cash, each as prepared in accordance with GAAP.

Net Debt Leverage Ratio

The net debt leverage ratio is calculated as net debt 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 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 expenses; discontinued operations; changes in fair value of contingent consideration obligations; acquisition-related expenses; losses/gains on divestiture; significant legal and environmental charges; unrealized gains/losses on equity investment; historical EBITDA of companies acquired during the period; separation costs; R&D upfront payments; gains on debt extinguishment, net; reorganization items, net and other items identified by the company.

Net Sales Growth on a Constant-Currency Basis

Net sales growth on a constant-currency basis measures the change in net sales between current- and prior-year periods using a constant currency, the exchange rate in effect during the applicable prior-year period.

Because adjusted financial measures exclude the effect of items that will increase or decrease the company's reported results of operations, management strongly encourages stakeholders to review the company's consolidated financial statements and publicly filed reports in their entirety. A reconciliation of these historical adjusted financial measures to the most directly comparable GAAP financial measures is included in the tables included in Exhibit 99.1 of the company's Current Report on Form 8-K, with the exception of the Net Debt Leverage Ratio, which is published on the company's website.