

Consolidated Financial Statements of

ADVANZ PHARMA Corp. Limited

December 31, 2020

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Independent auditors' report to the members of ADVANZ PHARMA Corp. Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, ADVANZ PHARMA Corp. Limited's group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise: Consolidated Balance Sheet as at 31 December 2020; Consolidated Statement of Income (Loss), Consolidated Statement of Comprehensive Income (Loss), Consolidated Statement of Changes in Equity (Deficit) and Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Context

This is our first year as Group auditors having taken over the role from PricewaterhouseCoopers LLP, Toronto after the 2019 audit and the Company redomiciling to Jersey. The below selection summarises our audit approach. The key audit matters that have been presented are in our professional judgement, the most significant in the audit of the financial statements of the current period. Given this is our first year, and the audit is performed in accordance with International Standards on Auditing (UK) ("ISAs (UK)") for the first time, key audit matters have been presented for the first time in accordance with ISA (UK) 701.

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Overview

Audit scope

- Our primary responsibility is to audit the consolidated financial statements of ADVANZ PHARMA Corp. Limited (the 'Group') which have been prepared in accordance with the requirements of International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). Our audit is performed under International Standards on Auditing (ISAs UK). We conducted our audit by performing full scope audits over five components, two of which are financially significant and specific financial statement line item audit procedures over another three. Based on our planned approach our audit procedures achieved coverage of 85% of Group revenues, 86% of Adjusted EBITDA and 96% of total assets.

Key audit matters

- Impairment of goodwill allocated to the International segment
- Competition & Markets Authority Investigation
- Gross-to-net accounting in the North America segment
- COVID-19

Materiality

- Overall materiality: US\$3,800,000 is based on two percent of adjusted earnings before interest, tax, depreciation and amortization (excluding adjustments for foreign exchange and share based payments).
- Performance materiality: US\$2,800,000.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to pharmaceutical regulatory requirements (including, but not limited to, those of the Federal Trade Commission, US Food and Drug Administration, the European Medicines Agency and the UK Medicines & Healthcare products Regulatory Agency), various legal and administrative proceedings, which include product liability, intellectual property, commercial, antitrust (UK & US), government and regulatory investigations, related private litigation, compliance with tax legislation, compliance with the requirements of having a reporting issuer status on the Toronto Stock Exchange and ordinary course employment-related issues, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies (Jersey) Law 1991. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to various pressures on management, including the pressure to achieve sales budgets and ensure consistent supply of products to meet demand. Incentives are largely driven by results (through a combination of individual objectives and Group results). We also note specific pressures on management due to a potential sale of the company and commercial pressures arising due to the COVID-19 pandemic.



We believe the risk of fraudulent manipulation of financial statements arises in the posting of fraudulent journals, inclusion of bias in estimates and accounting for large or unusual transactions. Audit procedures performed by the engagement team included:

- We have held discussions with management, the Group's general counsel and legal advisors throughout the audit. We have considered known or suspected instances of non compliance with laws and regulations. We have reviewed key correspondence between the company and regulatory authorities and communication between the company and its legal advisors. We have also obtained an independent confirmation from the Group's legal counsel.
- We have selected specific journals based on risk criteria for testing. We have considered management's estimates and tested them for bias, individually and in aggregate. We have challenged assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the purchase price adjustments, sales returns and impairment of intangible assets. We have reviewed the accounting for large and unusual transactions.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of goodwill allocated to the International segment</i></p> <p>(Refer Note 9 'Goodwill' of the Financial Statements) Goodwill amounting to \$220 million was allocated to the International segment as at 31 December 2020 (31 December 2019: \$212 million).</p> <p>Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it may be impaired.</p> <p>Management performed an impairment assessment over the goodwill balance by calculating the recoverable value of the cash generating unit (CGU) to which the goodwill is allocated and concluded that no provision for impairment was necessary as at 31 December 2020.</p> <p>The estimate of the recoverable amount is supported by a discounted cash flow assessment. The key assumptions in management's cash flow projections are</p>	<p>To address this risk we have designed and performed a number of audit procedures over the discounted cash flow analysis performed by management. We tested the appropriateness of management's key forecasts for 2021 and beyond by comparing the expected performance for the past two years included in the five-year plan to the actual and performance and against budget. We also engaged our valuation specialists to develop an independent estimate of the discount rate and long term- growth rate which included benchmarking against comparable companies and we compared the range to the assumptions used by management.</p> <p>We also:</p> <ul style="list-style-type: none"> • Tested the integrity of the model. • Agreed the cash flow forecasts, including adjustments to reflect the impact of COVID 19, that formed the basis of the model to the Board approved five year plans.



Key audit matter	How our audit addressed the key audit matter
<p>the future revenue projections (including pipeline of products) within a five-year period, the long-term growth rate and the discount rate. Changes in these assumptions could lead to impairment or a change in headroom in the carrying value of these assets.</p> <p>We considered this a key audit matter given the relative significance of value of goodwill to the financial statements and extent of estimation uncertainty involved around impairment assessments.</p>	<ul style="list-style-type: none"> ● Assessed the sensitivity analysis performed by management on the growth rate and discount rate to determine whether reasonable changes on these key assumptions would result in the carrying amounts exceeding their recoverable amounts. ● Performed additional independent sensitivities in respect of the forecast revenues and the pipeline risk adjustment in addition to the ones that were prepared by management. We also performed a comparison of the actual pipeline revenues for 2019 and 2020 against the budget. ● Performed an overall assessment by comparing the EV-to-adjusted EBITDA multiple (enterprise multiple) of the International business with the enterprise multiple of the entire Group which was calculated based on the offer from Nordic Capital. <p>Based on the work performed we found that the underlying financial information and final assumptions used were supported by the evidence we obtained.</p> <p>We have also assessed the disclosures made in the financial statements, including the judgements and estimates disclosures and sensitivity analysis.</p> <p>Based on the above procedures performed, management’s assessment of the carrying value of goodwill relating to the International segment was considered to be reasonable. We have also assessed management’s disclosures within the Group Financial Statements and consider them to be appropriate.</p>
<p><i>Competition & Markets Authority Investigation</i></p> <p>(Refer Note 17 ‘Commitments and Contingencies’ of the Financial Statements)</p> <p>The Competition & Markets Authority (“CMA”) has a number of ongoing investigations into the International segment of ADVANZ PHARMA Corp. Limited.</p> <p>There is a high level of management judgement required in considering the possible outcome in these investigations and the possibility or amount of any potential fines or other implications, if any.</p> <p>Management uses its experience and consults with external counsel in order to form its judgements.</p> <p>We considered this a key audit matter as the eventual outcome of these matters is uncertain and the position</p>	<p>Our procedures include the following:</p> <p>Discussing matters with internal and external counsel to obtain an update on the status of each of the CMA investigations.</p> <ul style="list-style-type: none"> ● We considered the completeness of the disclosures through reading the latest communications with the CMA and checking the CMA website. ● We have read the Board meeting minutes and correspondence with the external counsel. ● We have assessed management’s conclusions and obtained confirmation from external legal counsel and held discussions with



Key audit matter	How our audit addressed the key audit matter
<p>taken by management is based on significant judgement.</p>	<p>external counsel with respect to the status of the CMA investigations and understanding the basis for the legal advice provided to management.</p> <ul style="list-style-type: none"> • Assessed compliance with the recognition criteria of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). <p>Based on the above procedures, we found that the assessment made by management is supportable and the positions taken are in compliance with IAS 37.</p> <p>We reviewed the sufficiency and appropriateness of the Litigation and Arbitration disclosures in the Financial Statements based on our underlying work. We determined that appropriate disclosures are included in Note 17 of the Group Financial Statements.</p>
<p><i>Gross-to-net accounting in the North America segment</i></p> <p>(Refer Note 11 of the Financial Statements).</p> <p>In the US the Group sells its products directly to wholesale distributors. The wholesale distributors in turn sell to independent pharmacies, managed care organisations, hospitals and group purchasing organizations ("indirect customers"). The ultimate selling price is determined based on the contractual arrangements that the Group has with the patient's insurer or other payment programme. The time between initial shipment to the distributor (when the revenue is recognised), the dispensing of a product to a patient and notification by the relevant insurer or payment programme may be several months. An estimate of the net selling price is necessary at the date of shipment when the revenue is recognised and accordingly, the Group recognises liabilities related to rebates, discounts and rights of return.</p> <p>The matter has been determined to be a key audit matter due to the extent of estimation uncertainty involved. The estimation process involves large volumes of data and requires significant judgement and can contain risks of management bias.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • We evaluated whether management's revenue recognition policies applied were consistent with IFRSs as adopted by the IASB, noting no differences. • Obtaining an understanding from management with regard to recording of rebates, discounts, sales returns and the estimation of revenue and period end provisions including the impact of any increases or decreases in sales due to COVID and the impact that would have on any specific provisions, in particular the returns provision. • Testing the inputs used in the estimation of revenue in the context of rebates, discounts and sales returns to source data. • Assessing the underlying assumptions used for determination of rebates, discounts and sales returns. • Developing a point estimate based on third party data for material balances and testing management's estimation process to assess the reasonableness of recorded provisions. • Performing a look back analysis by comparing recent actuals with the estimates of earlier periods and assessing subsequent events. • Testing the credit notes issued to customers and payments made to them during the year and subsequent to the year end along with the terms of the related schemes. • We have also assessed the disclosures made in the financial statements, including the judgements and estimates disclosures and sensitivity analysis.



Key audit matter	How our audit addressed the key audit matter
	From the evidence obtained we found the assumptions, methodology and policies used to be appropriate.
<p><i>COVID-19</i></p> <p>(Refer Note 2(a) 'COVID 19' of the Financial Statements)</p> <p>The COVID-19 outbreak had wide ranging impacts across the world which have led to a significant number of disruptions. Disruptions that have impacted the Group in 2020 include restrictions on the Group's sales team's ability to travel.</p> <p>The outbreak has also impacted the demand for certain products which the Group sells which were considered useful in the treatment of COVID-19 symptoms. Conversely some products were adversely affected as patients found it more difficult to access the Group's products.</p> <p>Areas of the Group's financial statements which could therefore be impacted include revenue, cost of sales, impairments of intangible assets, going concern assessment and disclosures.</p> <p>For the purpose of assessing going concern, management has performed a cash flow forecast for the 12 months up to 31 March 2022. For the purposes of impairment reviews, management has assessed cash flows for the next five years followed by a period into perpetuity. Each of these cash flow projections have been prepared taking into account the expected impact of COVID-19. As a result of the potential impact on the Group, we have determined management's consideration of COVID-19 to be a key audit matter.</p>	<p>We reviewed management's assessment of the impact of the uncertainty presented by the COVID-19 pandemic and considered its completeness. In assessing management's consideration of the potential impact of COVID-19, we have discussed with management and the Directors the critical estimates and judgements applied in preparing the 2020 Financial Statements in order to understand and challenge the rationale underlying the sensitivities applied as a result of COVID-19.</p> <p>Refer to the key audit matters entitled 'Impairment of goodwill allocated to the International segment' above and 'Gross to net accounting and provisions (North America Segment)' above.</p> <p>We audited the disclosures included in the Financial Statements in respect of the impact of COVID-19, including going concern and we consider them reasonable.</p> <p>We have also adapted the audit using video conferencing including performing virtual inventory counts to satisfy ourselves as to the sufficiency of audit work performed across our significant and material components</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

Our audit is performed under International Standards on Auditing (ISAs UK). We conducted our audit by performing full scope audits over five components, two of which are financially significant and specified financial statement line item audit procedures over another three. All work has been performed by the Group audit team based in the UK. Based on our planned approach our audit procedures achieved coverage of 85% of Group revenues, 86% of Adjusted EBITDA and 96% of total assets.



Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall group materiality</i>	US\$3,800,000.
<i>How we determined it</i>	two percent of adjusted earnings before interest, tax, depreciation and amortization (excluding adjustments for foreign exchange and share based payments)
<i>Rationale for benchmark applied</i>	Adjusted earnings before interest, tax, depreciation and amortization ('adjusted EBITDA') is a market focus. However, we have removed foreign exchange and share based payments from the adjusted EBITDA measure as we do not consider these unusual or infrequent in their nature.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between \$1,900,000 and \$3,420,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US\$2,800,000 for the group financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above \$190,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises Management's Discussion & Analysis (MD&A). The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, any form of assurance thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company
- the company financial statements are not in agreement with the accounting records

We have no exceptions to report arising from this responsibility.

A handwritten signature in blue ink, appearing to read 'Sarah Quinn', with a horizontal line extending to the right.

Sarah Quinn
for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants
Watford
17 March 2021

ADVANZ PHARMA Corp. Limited

Consolidated Balance Sheets

(Stated in thousands of U.S. Dollars, except where otherwise stated)

As at	Dec 31, 2020	Dec 31, 2019
Assets		
Current		
Cash and cash equivalents	160,186	261,138
Restricted cash	6,175	2,922
Accounts receivable (Note 5)	115,435	109,920
Inventory (Note 6)	133,126	71,104
Prepaid expenses	6,864	8,025
Income taxes recoverable (Note 12)	3,673	2,046
Other current assets (Note 7)	24,074	14,627
	449,533	469,782
Non-current		
Intangible assets (Note 8)	867,140	885,371
Goodwill (Note 9)	254,174	224,538
Tangible assets	2,000	1,616
Right-of-use assets	6,836	10,195
Deferred income tax assets (Note 12)	1,302	1,508
Total Assets	1,580,985	1,593,010
Liabilities		
Current		
Trade payables, accrued liabilities and interest payable (Note 10)	161,619	107,957
Other current liabilities (Note 11)	20,854	17,393
Income taxes payable (Note 12)	3,954	53,178
Current portion of long-term debt (Note 13)	21,455	20,987
Current portion of lease liabilities (Note 13)	2,236	2,488
	210,118	202,003
Non-current		
Long-term debt (Note 13)	1,302,981	1,302,091
Lease liabilities (Note 13)	5,584	9,701
Assumed contingent obligation	5,100	—
Deferred income tax liabilities (Note 12)	48,581	60,555
Other liabilities	1,035	3,546
Total Liabilities	1,573,399	1,577,896
Shareholders' Equity		
Share capital (Note 14)	1,915,000	1,915,000
Contributed surplus	62,528	59,221
Accumulated other comprehensive loss	(213,413)	(277,436)
Deficit	(1,756,529)	(1,681,671)
Total Shareholders' Equity	7,586	15,114
Total Liabilities and Shareholders' Equity	1,580,985	1,593,010

Approved and authorized for issue by the Board of Directors on March 16, 2021.

Elmar Schnee"
Director (Signed)

Graeme Duncan"
Director (Signed)

The accompanying notes are an integral part of these consolidated financial statements.

ADVANZ PHARMA Corp. Limited

Consolidated Statements of Income (Loss)

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	For the year ended	
	Dec 31, 2020	Dec 31, 2019
Revenue (Notes 11 and 21)	525,584	508,321
Cost of sales (Notes 6 and 23)	192,335	171,509
Gross profit	333,249	336,812
Operating expenses (Note 23)		
General and administrative	35,524	39,597
Selling and marketing	36,049	34,513
Research and development	33,050	29,121
Acquisition related, restructuring and other (Note 23)	30,009	33,841
Share-based compensation expense (Note 16)	3,307	3,943
Amortization of intangible assets (Note 8)	192,184	204,349
Impairments (Notes 8 and 9)	5,073	129,281
Depreciation expense	3,362	2,201
Total operating expenses	338,558	476,846
Operating loss for the year	(5,309)	(140,034)
Finance income and expense		
Interest and accretion expense (Note 13)	91,610	105,683
Interest income	(958)	(2,195)
Foreign exchange gain	(5,194)	(820)
Unrealized foreign exchange loss (gain) (Note 18)	32,998	(24,677)
Loss for the year before tax	(123,765)	(218,025)
Income taxes (Note 12)		
Current tax (recovery) expense	(30,375)	22,469
Deferred tax recovery	(18,532)	(44,476)
Net loss for the year	(74,858)	(196,018)
Loss per share (Note 15)		
Basic loss per share	(1.53)	(4.01)
Diluted loss per share	(1.53)	(4.01)

The accompanying notes are an integral part of these consolidated financial statements.

ADVANZ PHARMA Corp. Limited

Consolidated Statements of Comprehensive Income (Loss)

(Stated in thousands of U.S. Dollars, except where otherwise stated)

	For the year ended	
	Dec 31, 2020	Dec 31, 2019
Net loss for the year	(74,858)	(196,018)
Other comprehensive income, net of tax		
Amounts that will be reclassified to net loss		
Cumulative translation adjustment	64,023	11,873
Other comprehensive income for the year, net of tax	64,023	11,873
Total comprehensive loss for the year	(10,835)	(184,145)

The accompanying notes are an integral part of these consolidated financial statements.

ADVANZ PHARMA Corp. Limited

Consolidated Statements of Changes in Equity (Deficit)

(Stated in thousands of U.S. Dollars, except where otherwise stated)

	Share Capital		Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
	Number of Shares	Amount				
Balances, January 1, 2019	48,913,490	1,915,000	55,278	(289,309)	(1,485,653)	195,316
Share-based compensation expense (Note 16)	—	—	3,943	—	—	3,943
Net loss for the year	—	—	—	—	(196,018)	(196,018)
Cumulative translation adjustment	—	—	—	11,873	—	11,873
Balances, December 31, 2019	48,913,490	1,915,000	59,221	(277,436)	(1,681,671)	15,114
Balances, January 1, 2020	48,913,490	1,915,000	59,221	(277,436)	(1,681,671)	15,114
Share-based compensation expense (Note 16)	—	—	3,307	—	—	3,307
Net loss for the year	—	—	—	—	(74,858)	(74,858)
Cumulative translation adjustment	—	—	—	64,023	—	64,023
Balances, December 31, 2020	48,913,490	1,915,000	62,528	(213,413)	(1,756,529)	7,586

The accompanying notes are an integral part of these consolidated financial statements.

ADVANZ PHARMA Corp. Limited

Consolidated Statements of Cash Flows

(Stated in thousands of U.S. Dollars, except where otherwise stated)

	For the year ended	
	Dec 31, 2020	Dec 31, 2019
Cash flows from (used in) operating activities		
Net loss for the year	(74,858)	(196,018)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Interest and accretion expense (Note 13)	91,610	105,683
Interest income	(958)	(2,195)
Depreciation and amortization (Note 8)	195,546	206,550
Share-based compensation expense (Note 16)	3,307	3,943
Impairments (Notes 8 and 9)	5,073	129,281
Income tax recovery (Note 12)	(48,907)	(22,007)
Unrealized foreign exchange loss (gain) (Note 18)	32,998	(24,677)
Income taxes paid	(13,138)	(25,077)
Income tax refunds	—	110
(Increase) decrease in restricted cash	(478)	343
Other non-cash items	8,281	818
Changes in non-cash working capital (Note 24)	(32,262)	11,423
Net cash flows from operating activities	166,214	188,177
Cash flows from (used in) investing activities		
Purchase of fixed assets and capitalized development costs (Note 8)	(5,877)	(5,773)
Purchase consideration paid (Notes 4 and 8)	(85,291)	(30,000)
Purchase of subsidiary, net of cash acquired (Note 4)	(68,793)	—
Proceeds from sale of assets	—	7
Interest earned	958	1,519
Net cash flows used in investing activities	(159,003)	(34,247)
Cash flows from (used in) financing activities		
Repayment of long-term debt (Note 13)	(21,057)	(20,973)
Repayment of lease liabilities	(2,378)	(1,597)
Interest paid on lease liabilities	(894)	(1,113)
Interest paid (Note 13)	(90,310)	(106,250)
Net cash flows used in financing activities	(114,639)	(129,933)
Net change in cash and cash equivalents	(107,428)	23,997
Effects of exchange rate changes on cash and cash equivalents	6,476	12,703
Cash and cash equivalents, beginning of year	261,138	224,438
Cash and cash equivalents, end of year	160,186	261,138

The accompanying notes are an integral part of these consolidated financial statements.

ADVANZ PHARMA Corp. Limited

Notes to Consolidated Financial Statements

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

1. Description of Business and General Information

ADVANZ PHARMA Corp. Limited (the "**Company**", "**ADVANZ PHARMA**", and together with its subsidiaries, the "**Group**") is a global pharmaceutical company, owning or licensing, through its subsidiaries, a diversified portfolio of branded and generic prescription products. The Group has two reportable segments, which consist of ADVANZ PHARMA International and ADVANZ PHARMA North America, as well as a corporate cost centre, which is not a reportable segment. Refer to Note 21 for a further description on the Group's segments.

On December 17, 2019, the Company held a special meeting of the holders of limited voting shares to vote on a special resolution to authorize the board of directors of the Company (the "**Board**") to change the domicile by way of continuance of the Company from Canada to Jersey, Channel Islands and amend the Company's articles to effect the change of name of the Company from "ADVANZ PHARMA Corp." to "ADVANZ PHARMA Corp. Limited". The shareholders of the Company approved the special resolution and accordingly the name of the Company changed from "ADVANZ PHARMA Corp." to "ADVANZ PHARMA Corp. Limited" and the Company continued into Jersey, Channel Islands. The name change and change in domicile took effect on January 1, 2020.

Effective January 1, 2020, the registered and head office of the Company is located at 11-15 Seaton Place, St Helier, Jersey, JE4 0QH.

On March 27, 2020, the Company's limited voting shares were de-listed from the Toronto Stock Exchange ("**TSX**"). The de-listing is the result of the Company's application to voluntarily de-list its limited voting shares from the TSX, which was consented to in writing by holders of approximately 94.6% of the limited voting shares. The Company will, however, remain a 'reporting issuer' under the applicable Canadian Securities Laws, shares that are currently freely tradeable in Ontario will continue to be freely tradeable in Ontario, and the Company will continue to disseminate its continuous disclosure documents as required by such laws until such time as it is no longer required to do so.

The Group's business does not experience a significant amount of seasonal variation in demand.

On January 27, 2021, the Group announced that it has reached an agreement on the terms of a cash offer, to be made by a subsidiary of Nordic Capital, a leading healthcare private equity investor, pursuant to which Nordic Capital will acquire the entire issued and to-be-issued limited voting share capital of the Company. Refer to Note 25(a) for more details.

These consolidated financial statements include trademarks that are protected under applicable intellectual property laws and are the property of ADVANZ PHARMA or its affiliates or its licensors. Solely for convenience, the trademarks of ADVANZ PHARMA, its affiliates and/or its licensors referred to in these financial statements may appear with or without the ® or TM symbol, but such references or the absence thereof are not intended to indicate, in any way, that the Company or its affiliates or licensors will not assert, to the fullest extent under applicable law, their respective rights to these trademarks. Any other trademarks used in these consolidated financial statements are the property of their respective owners.

ADVANZ PHARMA Corp. Limited

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2. Significant Accounting Policies

(a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, except for: (i) financial instruments that are measured at fair value, as described in (o) below, if any, and (ii) fair value of assets acquired and liabilities assumed in a business combination. Refer to Note 4. The accounting policies have been consistently applied throughout the year unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Company to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The consolidated financial statements have been prepared on a going concern basis, based on management's assessment of the Company's financial position and COVID-19.

In December 2019, a novel strain of coronavirus, which causes the COVID-19 disease, was reported to have surfaced in Wuhan, China and on January 20, 2020, the World Health Organization declared the outbreak a global health emergency. The COVID-19 outbreak has continued to evolve rapidly with impacts seen across the world, which has led to a significant number of disruptions globally. Disruptions that could impact the Company include but are not limited to, our sales teams' ability to travel, the ability of our contract manufacturing organizations to manufacture, the ability of our distributors to deliver to our patients, the ability of patients to get to hospitals and doctors for treatments, and the ability of the Company to raise additional capital to fund future acquisitions. During the year ended December 31, 2020, the Company has experienced the impact of COVID-19 with sales teams being unable to travel and hospitals reducing certain procedures being performed, which has specifically impacted the performance of Photofrin. However, the Company has also experienced increased demand for certain products. Plaquenil has experienced increased demand during the first half of 2020 resulting in higher revenue, partially offset by an increased management estimated returns accrual, and as a result, the Group does not currently believe that COVID-19 will have a significant negative impact on the business over the next 12 months. Given the remote working environment, the Group continues to closely monitor cybersecurity threats and the overall operating effectiveness of controls. Other disruptions from COVID-19 may occur, and if they occur, could have an impact on the Company's operating results.

Management's going concern assessment included taking into the account the acquisition of ADVANZ PHARMA by CIDRON AIDA BIDCO Limited ("Bidco"), an indirect wholly owned subsidiary of Nordic Fund X Epsilon. The cash consideration payable to ADVANZ PHARMA Shareholders for the ADVANZ PHARMA shares pursuant to the terms of the acquisition will be funded by funds to be invested indirectly in Bidco by Nordic Fund X Epsilon and certain other investment funds managed or advised by Nordic Capital affiliates.

In connection with its financing of Bidco, on January 27, 2021, Nordic Fund X Epsilon has entered into an equity commitment letter with Bidco.

In addition, an affiliate of Bidco has received financing commitments from Barclays Bank PLC, Barclays Bank Ireland PLC, Goldman Sachs Bank USA, Intesa SanPaolo S.p.A., J.P. Morgan AG, Jefferies Finance LLC, Morgan Stanley Senior Funding, Inc. and Royal Bank of Canada in order to refinance existing debt of the ADVANZ PHARMA and fund costs in relation to such refinancing and the acquisition on or around the Scheme becoming Effective by way of senior facilities and senior secured notes and/or bridge facilities in an aggregate euro-equivalent amount equal to \$1,580 million.

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Taking into account, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and, as such, they continue to adopt the going concern basis of accounting in preparing the financial statements. These consolidated financial statements have been presented in United States ("U.S.") dollars (together, "USD"), which is also the Company's functional currency.

(b) Basis of Consolidation

The wholly owned subsidiaries of the Company are consolidated to produce the financial results for the consolidated corporation. All intercompany transactions, balances, income and expenses on transactions between the subsidiaries are fully eliminated. Profits and losses resulting from intercompany transactions that were recognized are also fully eliminated.

These consolidated financial statements include the following wholly owned material subsidiaries of the Company: ADVANZ PHARMA Investment Holdings (Jersey) Limited, ADVANZ PHARMA (Jersey) Limited, Amdipharm Holdings S.à R.L., Amdipharm AG, Amdipharm Limited, ADVANZ PHARMA Generics (UK) Limited, Abcur AB, ADVANZ PHARMA Services (UK) Limited, Boucher and Muir Pty Limited, Concordia Financing (Jersey) Limited, Concordia Investment Holdings (UK) Limited, Correvio Pharma Corp, Correvio International S.à R.L, Mercury Pharma Group Limited, Mercury Pharmaceuticals (Ireland) Limited, Mercury Pharma International Limited and Mercury Pharmaceuticals Limited.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those followed by other members of the Group.

(c) Comparative Financial Information

Certain prior period balances have been additionally presented to conform with the current period financial statement presentation. Refer to notes 18 and 21 for further details.

(d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM").

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company.

(e) Business Combinations

Acquisitions have been accounted for as business combinations using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are recognized in the statement of income (loss) and comprehensive income (loss) as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are initially recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of

ADVANZ PHARMA Corp. Limited

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the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Changes in fair value that are not considered measurement adjustments are recognized through the consolidated statements of income (loss). Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Contingent consideration that is classified as a financial asset or a financial liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognized in the consolidated statements of income (loss).

(f) Foreign Currency Translation

The Company's consolidated financial statements are presented in USD, which is the Company's functional currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. All of the Company's significant subsidiaries report in USD with the exception of subsidiaries within the ADVANZ PHARMA International segment which report primarily in Great British Pounds ("GBP" or "£") and certain others in Indian Rupees, European Euros ("EUR"), Swiss Franc, South African Rand, Hong Kong Dollars, Australian Dollars and Swedish Krona. Transactions in foreign currencies are initially recorded at the functional currency rate of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at the balance sheet dates. All differences are taken to the consolidated statements of income (loss). Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates in effect at the date when the fair value was determined.

The assets and liabilities of foreign operations are translated into USD at the rate of exchange prevailing at the balance sheet dates, and their consolidated statements of income (loss) are translated at exchange rates prevailing at the average exchange rate for the period. The exchange differences arising on the translation are taken directly to a separate component of equity (accumulated other comprehensive income (loss)). On disposal or dissolution of a foreign operation, the deferred cumulative amount recognized in equity relating to the particular foreign operation is recognized in the consolidated statements of income (loss).

(g) Cash and cash equivalents, and restricted cash

Cash and cash equivalents includes cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with maturities of three months or less or that are readily convertible to cash, and which are subject to an insignificant risk of changes in value.

Cash equivalents as at December 31, 2020 includes deposits held with major financial institutions of \$4,046 (2019 - \$16,523).

Restricted cash as at December 31, 2020 includes primarily cash secured letters of credit and bonds of \$6,175 (2019 - \$2,922).

(h) Inventory

Inventories consist of raw materials, work-in-progress and finished goods. Inventory, other than inventory acquired through a business combination, is valued at the lower of cost based on weighted average cost and net realizable value. Net realizable value is the estimated selling prices less applicable

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selling expenses and costs to complete the sale. If the carrying value exceeds the net realizable value, a write-down is recognized. A reserve is taken on inventory for quantities not expected to be consumed. This reserve offsets the inventory balance. Inventories acquired through business combinations are initially recognized at fair value.

(i) Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. The assets are amortized using the straight line method over their estimated useful life, or using a declining balance approach if such method is more appropriate based on the pattern in which the assets future economic benefits are expected to be consumed by the Group and has been presented separately under amortization of intangible assets in the Consolidated Statements of Income. The declining balance rate used by the Group for certain acquired product rights ranges between 10% and 50% annually. Amortization recorded on all other intangibles applied on a straight line basis is as follows:

Acquired product rights and manufacturing processes	7-28 years
Intellectual property	20 years
Customer list	4 years
Supplier and Distribution contracts	5 years
Licensing agreements	12 years
Software and other intangibles	3-5 years

The estimated useful life is reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

In-process research & development ("**IPR&D**") acquired in a business combination is capitalized as intangibles not yet brought into use and accordingly is not amortized, but is tested for impairment on an annual basis or more frequently if there are indications that IPR&D may be impaired. When IPR&D is completed, the asset will be assigned a useful life and amortized, or when abandoned, written off as an impairment. Indefinite life intangible assets, including IPR&D, are measured at cost less accumulated impairment losses.

Costs incurred on development projects are recognized as intangible assets when technical feasibility has been met, the Group's resources and intention to develop are committed, expenditures can be measured reliably and there is an expectation of future economic benefits. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Intellectual property acquired in a business combination is recognized separately as an intangible asset if it meets the definition of an intangible asset in accordance with IAS 38, "Intangible Assets", and its fair value can be measured reliably.

All development costs with a finite useful life that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit.

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(j) Goodwill

Goodwill represents the excess fair value of consideration transferred over the fair value of the underlying net assets in a business combination and is measured at cost less accumulated impairment losses. Goodwill is not amortized, but is tested for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGU") or group of CGU's, that are expected to benefit from the synergies of the acquisitions. If the recoverable amount of the CGU or group of CGU's is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to other assets of the CGU or group of CGU's.

(k) Impairment of Non-Financial Assets

The Group reviews assets such as property and equipment and intangible assets with finite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets not yet brought into use are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Recoverable amount is the higher of an asset's fair value less the cost of disposal and value in use, (being the present value of the expected future cash flows of the relevant asset or CGU), as determined by the Group.

Any impairment losses are recognized immediately in the consolidated statements of income (loss). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Lease and Right-of-use assets

The Group recognizes a right-of-use asset and a corresponding lease liability for all arrangements in which it is a lessee, except for leases with a term of 12 months or less (short-term leases) and low-value leases. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the future lease payments as from the commencement date of the lease to the end of the lease term. The lease term includes the period of any lease extension that in management's assessment is reasonably certain to be exercised by the Group. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a change to the lease terms or expected payments under the lease, or a modification that is not accounted for as a separate lease.

(m) Provisions

Provisions are recognized when present (legal or constructive) obligations as a result of a past event will lead to a probable outflow of economic resources and amounts can be estimated reliably. Provisions are measured at the Group's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

The Group performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. All provisions are reviewed at each reporting date and adjusted to reflect the current

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best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability has been recognized.

(n) Income Taxes

Income taxes are comprised of current and deferred taxes.

Current tax is recognized in connection with income for tax purposes, unrealized tax benefits, excluding interest in respect thereof, and the recovery of tax paid in a prior period. The determination of income for tax purposes requires interpretation of the relevant rules and judgment, therefore an unrealized tax benefit may arise in connection with taxation years that have not yet been reviewed by the relevant tax authority. If appropriate, an unrealized tax benefit will be realized in the reporting period in which the Group determines that realization is not in doubt. Current tax is measured at the tax rate applicable to the taxation period during which the income for tax purposes arose.

Deferred tax is recognized on the difference between the carrying amount of an asset or a liability, as reflected in the financial statements, and the corresponding tax base, used in the computation of income for tax purposes (“**temporary difference**”). A deferred tax liability is generally recognized for any temporary difference in respect of an asset where the carrying amount exceeds the tax base and in respect of a liability where the carrying amount is less than the tax base. A deferred tax asset is generally recognized for any temporary difference in respect of an asset where the carrying amount is less than the tax base, in respect of a liability where the carrying amount exceeds the tax base and to the extent that it is probable that income for tax purposes will be available from which the temporary difference can be deducted. Deferred tax is not recognized if a temporary difference arises in connection with goodwill or the initial recognition (other than in a business combination) of an asset or liability in a transaction that affects neither income for tax purposes nor income for accounting purposes.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient income for tax purposes will be available from which the temporary difference can be deducted. Deferred taxes are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that are enacted or substantively enacted during the reporting period and reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to realize the asset or settle the liability that gave rise to the temporary difference.

Income taxes are recognized in the consolidated statements of income (loss), except when they relate to an item that is recognized in other comprehensive income (loss) or directly in equity, in which case, the taxes are also recognized in other comprehensive income (loss) or directly in equity, respectively. Where income taxes arise from the initial accounting for a business combination, these are included in the accounting for the business combination.

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(o) Financial Instruments

Financial assets held with an objective to hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest are measured at amortised cost using the effective interest method. Debt investments held with an objective to hold both assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of fair value are measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are classified and measured at fair value through profit or loss ("FVTPL"). Financial liabilities are classified as either FVTPL or other financial liabilities, and the portion of the change in fair value that relates to the Company's credit risk is presented in other comprehensive income (loss). Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net income (loss). Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Accounts receivables are initially recognized at their invoiced amounts. Provisions for doubtful accounts receivables, recorded as allowance for doubtful accounts, are established using an expected credit loss ("ECL") model. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivables.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in consolidated net income (loss).

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the Group transfers substantially all risks and rewards of ownership or the contractual rights to the cash flows expire. Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

The following table illustrates the classification and measurement of the Group's financial instruments:

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Financial Instruments	Financial assets at amortized cost	Liabilities at amortized cost	As at Dec 31, 2020
Cash and cash equivalents	160,186	—	160,186
Restricted cash	6,175	—	6,175
Accounts receivable	115,435	—	115,435
Trade payables, accrued liabilities and interest payable	—	(161,619)	(161,619)
Returns, chargebacks, rebates and other revenue accruals (Note 11)	—	(20,854)	(20,854)
Lease liabilities	—	(7,820)	(7,820)
Long-term debt	—	(1,324,436)	(1,324,436)
Assumed contingent obligation	—	(5,100)	(5,100)
	281,796	(1,519,829)	(1,238,033)

Financial Instruments	Financial assets at amortized cost	Liabilities at amortized cost	As at Dec 31, 2019
Cash and cash equivalents	261,138	—	261,138
Restricted Cash	2,922	—	2,922
Accounts receivable	109,920	—	109,920
Trade payables, accrued liabilities and interest payable	—	(107,957)	(107,957)
Returns, chargebacks, rebates and other revenue accruals (Note 11)	—	(17,393)	(17,393)
Lease liabilities	—	(12,189)	(12,189)
Long-term debt	—	(1,323,078)	(1,323,078)
	373,980	(1,460,617)	(1,086,637)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

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Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

(p) Share-based Compensation

The Management Incentive Plan ("MIP") involves participants acquiring shares in a subsidiary of the Company which will be exchangeable for limited voting shares of the Company in certain circumstances. The MIP is subject to certain market based exchange conditions and has been valued using a Monte Carlo valuation model. The fair value of the MIP shares are recognized as a compensation expense over time and the related credit is recorded as a reserve for share-based compensation within contributed surplus. The share-based compensation expense is adjusted for subsequent changes in the Group's estimate of timing of when the exchange may occur. The effect of these are recognized in the period of change.

(q) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is calculated by dividing the applicable net earnings by the sum of the weighted average number of shares outstanding during the year and all additional shares that would have been outstanding if potentially dilutive shares had been issued during the year. Potential ordinary shares are considered to be anti dilutive when the group is making losses.

(r) Revenue Recognition

Revenue is recorded as net revenue and is recognized in the consolidated statement of income (loss) when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer, generally at the point in time of shipment to or receipt of the products by the customer. The amount of revenue to be recognized is based on the consideration the Group expects to receive in exchange for its goods. If a contract contains more than one performance obligation, the consideration is allocated based on the standalone selling price of each performance obligation.

The Group operates in a number of different geographical segments, with different markets. Further detail by segment related to revenue recognition is described below:

ADVANZ PHARMA North America segment

Revenue within the ADVANZ PHARMA North America segment is primarily derived from two customer groups, those being authorized generic partners ("**AG Partners**") and wholesalers. Revenue from AG Partners is recognized at the time of sale to the AG Partners as this is the point of transferring control over the promised goods to the customer, based on the following; 1) the AG Partners are responsible for setting their sales price to the final customer and collecting on their receivables; 2) the Group can reliably measure the amount of revenue to be recognized (this includes the impact of gross to net adjustments, including expected returns, wholesaler and retail inventory levels, prescription data, current market trends, competitor activity and historical experience); 3) the AG Partners are responsible for managing their customers; and 4) costs associated with the sale have been incurred at the time the

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product is sold to the AG Partner. Revenue recognition on sales to wholesalers is similar to AG Partners, however, sales to wholesalers are initially invoiced to one wholesaler partner and then subsequently sold to the other wholesalers, at which point revenue is recognized consistent with that of AG Partner revenue recognition.

Products sold in the United States are covered by various Government and State programs under which products are sold at a discount. Rebates are granted to healthcare authorities and under contractual arrangements with certain customers. Some wholesalers are entitled to chargeback incentives based on the selling price to the end customer under specific contractual arrangements. Cash discount may also be granted for prompt payment. Returns, discounts, incentives and rebates, are recognized in the period in which the underlying sales are recognized as a reduction of gross sales. The estimated amounts described above are recognized in the income statement within **Revenue** as a reduction of gross sales, and within **Other current liabilities** in the balance sheet. They are subject to regular review and adjustment as appropriate based on the most recent data available to management. Refer to notes 3 and 11 for further details.

Revenue related to Photofrin® is concentrated primarily within the United States ("U.S.") and is sold through distributors. The point of revenue recognition is at the time the distributors receive the product. Revenue is recognized at this time as the distributor has obtained control over the promised goods since they have no right of return, except for expired product (at which point they are entitled only to a replacement product), and full risk of ownership of the product has been transferred.

The Group also earns revenue from profit-sharing arrangements with AG Partners. Under these arrangements revenue is recognized when it can be reliably measured.

ADVANZ PHARMA International segment

Revenue within the ADVANZ PHARMA International segment is recognized at the time of sale to the wholesalers, distributors, hospitals and pharmacies, as this is the point of transferring control over the promised goods to the customer. The ADVANZ PHARMA International segment is not subject to significant levels of gross to net adjustments. Revenue is recognized on either shipment or receipt by the customer depending on the contractual terms of the sales agreement.

(s) Recent Accounting Pronouncements

(i) Recent accounting pronouncements adopted

On October 22, 2018, the IASB issued a narrow scope amendment to IFRS 3, "Business Combinations" ("**IFRS 3**"). This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The Group has adopted this amendment to IFRS 3 from January 1, 2020 and has applied this to the acquisitions completed during 2020. Refer to Note 4.

(ii) Recent accounting pronouncements not yet adopted

Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures (the "Phase 1" amendments). Interest rate benchmarks including London Interbank Offered Rate ("LIBOR"), the Euro Interbank Offered Rate ("EURIBOR"), and certain other Interbank Offered Rates ("IBOR"s) are being reformed. The Phase 1 amendments provide temporary relief from applying specific contractual cash flow accounting requirements to contractual cash flow relationships directly affected by IBOR reform. The Phase 1 amendments are mandatory and effective January 1, 2021. The application of the amendments are not expected to have a material impact on our consolidated financial statements.

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Other recent accounting pronouncements that were issued by the International Accounting Standards Board or the IFRS Interpretation Committee are not applicable or do not have a significant impact to the Company.

3. Critical Accounting Estimates and Judgments and Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements requires the Group to make a number of judgments, estimates and assumptions regarding recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about the judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Revenue Recognition

i. **Chargebacks**

The accrual for chargebacks is a significant and complex estimate used in the recognition of revenue and represents variable consideration under IFRS 15. In the United States, the Group sells its products directly to wholesale distributors. The wholesale distributors sell directly to independent pharmacies, managed care organizations, hospitals and group purchasing organizations ("**indirect customers**"). The difference between what price the Group sells to the wholesaler and what price the wholesaler sells to the indirect customer is called a chargeback. The accrual for chargebacks is based on the historical sales mix of the wholesalers for their government and retail customers. As sales are made to large wholesale customers, the Group continually monitors the accrual for chargebacks and makes adjustments when it believes that actual chargebacks may differ from estimated accruals.

ii. **Returns**

The accrual for returns is a significant and complex estimate used in the recognition of revenue and represents variable consideration under IFRS 15. The Group has a returns policy that allows wholesalers to return the product within a specified period prior to and subsequent to the expiration date. Accruals for returns are recognized in the period in which the underlying revenue is recognized, as a reduction of the transaction price at the inception of the contract. The Group estimates accruals for returns based upon historical experience, representing the Group's best estimate. While such experience has allowed for reasonable estimations in the past, history may not always be an accurate indicator of future returns. During 2020, the Group experienced higher than expected sales from Plaquenil and revisited the Group's estimate for returns related to Plaquenil. The key estimates used to calculate the returns accrual include (i) an assumed return rate of 50%, and (ii) an assumed inventory in the retail channel equal to approximately 75% of the inventory held by the wholesalers ("Retail Factor"). If the assumed returns rate was to increase or decrease by 5% the returns accrual would increase or decrease by \$0.5 million, respectively, and if the Retail Factor increases or decreases by 5%, the returns accrual would increase or decrease by \$0.2 million, respectively. The Group continually monitors accruals for returns and makes adjustments when it believes that actual product returns may differ from established reserves.

iii. **Rebates**

The accrual for rebates is a significant and complex estimate used in the recognition of revenue and represents variable consideration under IFRS 15. Rebates are granted to healthcare authorities and under contractual arrangements with certain customers. Products sold in the United States are covered by various programs (such as Medicaid and Medicare) under which products are sold at a discount. The Group estimates its accruals for rebates based on current contractual terms and conditions as well as the

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historical experience, changes to business practices and credit terms. While such experience has allowed for reasonable estimations in the past, history may not always be an accurate indicator of future rebate liabilities. The Group continually monitors the accrual for rebates and makes adjustments when it believes that actual rebates may differ from established accruals. All rebates are recognized in the period in which the underlying sales are recognized as a reduction of sales revenue.

iv. **Other transaction price adjustments**

The accrual for other transaction price adjustments is a significant and complex estimate used in the application of IFRS 15. Other price adjustments are credits issued by the wholesaler to reflect various decreases in the selling price. The price that the Group sells to the wholesaler is called the Wholesale Acquisition Cost (or "WAC"). Decreases to WAC are discretionary decisions made by the wholesalers to reflect competitive market conditions. Amounts recorded for other transaction price adjustments are initially estimated at the inception of the contract with the wholesaler, based upon an estimated decline in market prices. The Group regularly monitors these and other factors and re-evaluates the adjustment to the transaction price as additional information becomes available.

Impairment of non-financial assets

The Group reviews amortized non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. It also reviews annually non-financial assets with indefinite life for impairment. If the recoverable amount of the respective non-financial asset is less than its carrying amount, it is considered to be impaired. In the process of measuring the recoverable amount, the Group makes estimates and assumptions about future events and circumstances. Calculating the fair value less cost of disposal ("FVLCD") of CGUs for non-current asset and goodwill impairment tests requires the Group to make estimates and assumptions related to discount rates, cash flows and long-term growth rates. The actual results may vary and may cause significant adjustments. Refer to Notes 8 and 9 for further information and sensitivity analysis.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. The integrated nature of the Group's global operations gives rise to many transactions in the ordinary course of business in respect of which the determination of income for tax purposes may be uncertain. The Group uses judgment to determine its income for tax purposes which may impact the recognized amount of assets or liabilities, the disclosure of contingent liabilities or the reported amount of revenue or expense during the reporting period. The Group evaluates these judgments based upon historical experience, current and expected future outcomes, third-party evaluations and various other assumptions believed to be reasonable in the circumstances.

The evaluation by the Group may result in an unrealized tax benefit in connection with taxation years that have not yet been reviewed by the relevant tax authority. The Group believes that the amount of unrealized tax benefits appropriately reflects the uncertainty of items that are, or may in the future be under discussion, audit, dispute or appeal with a tax authority or which may otherwise result in uncertainty in the determination of income for tax purposes. The unrealized tax benefit is determined based on the Group's estimate of the potential outcomes and is reviewed during each reporting period. If appropriate, an unrealized tax benefit will be realized in the reporting period in which the Group determines that realization is not in doubt. Where the finally determined outcome is different from the Group's estimate, such difference will impact the Group's income taxes in the reporting period during which such determination is made.

A deferred tax asset is generally recognized for any temporary difference in respect of an asset where the tax base exceeds the carrying amount and to the extent that it is probable that income for tax purposes will be available from which the temporary difference can be deducted and in respect of a liability where the carrying amount exceeds the tax base. The amount of the deferred tax asset recognized could be reduced if income or temporary differences from which the asset can be deducted do not materialize, which might occur due to

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various factors, including adverse business conditions. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient income for tax purposes will be available from which the temporary difference can be deducted. The magnitude of any reduction of the amount of any temporary difference recognized is significantly influenced by the Group's forecast of income for tax purposes.

COVID-19

During the year ended December 31, 2020, the Company experienced higher than expected sales on certain products as a result of COVID-19 and have considered this in assessing their accruals for returns. The Group continually monitors accruals for returns and makes adjustments when it believes that actual product returns may differ from established reserves. Refer to Note 11 for further detail on gross to net accruals as at December 31, 2020.

During the year ended December 31, 2020, the Company experienced lower sales of Photofrin as a result of hospitals reducing certain procedures being performed. This lower sales level resulted in the Group performing an impairment test on the Goodwill associated with Photofrin. The key estimates used by management in determining the recoverable amount include the discount rate, cash flows and long-term growth rate.

Accounting for acquisitions

The determination of whether an acquired set of assets and activities is a business or an asset can be judgmental, particularly if the target is not producing outputs. Management uses a number of factors to make this determination, which are primarily focused on whether the acquired set of assets and activities include substantive processes that mean the set is capable of being managed for the purpose of providing a return. Key determining factors include the stage of development of any assets acquired, the readiness and ability of the acquired set to produce outputs and the presence of key experienced employees capable of conducting activities required to develop or manufacture the assets. Typically, the specialised nature of many pharmaceutical assets and processes is such that until assets are substantively ready for production and promotion, there are not the required processes for a set of assets and activities to meet the definition of a business in IFRS 3. Refer to Note 4 for details on acquisitions and Note 9 for sensitivity disclosures.

Business combinations are accounted for using the acquisition method of accounting. Fair values are attributable to the identifiable assets and liabilities. Attributing fair value is a judgement. The determination of fair value requires the Group to make estimates and assumptions with respect to future cash flows, expected synergies to be realized as a result of the acquisition and discount rates. The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill.

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4. Acquisitions

Asset acquisitions

2020

On March 6, 2020, the Company, through its wholly owned subsidiary, announced it entered into a definitive agreement to acquire the rights to a portfolio of alprostadil products from UCB S.A. for €75 million.

The Alprostadil product portfolio consists of two established, niche, injectable Prostaglandin E1 formulations for the treatment of erectile dysfunction and peripheral arterial occlusive disease. The products are marketed under the brand names Prostavasin®, Viridal®, Vasaprostan® and Edex®.

On April 1, 2020, the Company closed this transaction and paid the purchase price of €75 million, and a deposit for inventory of €11.8 million, using cash on hand.

The Group has recorded this transaction as an asset acquisition (included under intangible assets which have been presented within the ADVANZ PHARMA International segment) and recorded the results from operations associated with these products with effect from April 1, 2020 within revenue, cost of goods sold and operating expenses.

2019

On March 31, 2019, the Company, through wholly owned subsidiaries, completed the acquisition of international rights to Salagen® tablets (pilocarpine hydrochloride) (excluding Japanese rights) and Panretin® (alitretinoin) gel 0.1% for \$30 million in cash plus \$3.3 million for inventory and related prepayments (the "Products Acquisition"). The Company settled this obligation of \$33.3 million using cash on hand on April 15, 2019.

Business Combination

On May 27, 2020 (the "**Correvio Closing Date**") the Company, through a wholly owned subsidiary, completed the acquisition of 100% of the issued and outstanding shares of Correvio Pharma Corp. ("**Correvio**") (the "**Correvio Acquisition**").

The Correvio Acquisition was completed for a total consideration of \$76 million, including the repayment of certain Correvio indebtedness of \$48.1 million, which was funded using cash on hand.

Acquisition related costs of \$14,928 were charged to the consolidated statement of income (loss) for the year ended December 31, 2020. The revenue and profit of Correvio from the closing date to December 31, 2020 are included in the ADVANZ PHARMA International segment in Segment Reporting disclosure in Note 21.

The purchase price allocation for Correvio Acquisition is not final as the Company is in the process of concluding the valuation of intangible assets and associated deferred income taxes obtained from this acquisition, including the evaluation of currently in process research and development projects.

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Fair Value of Consideration Transferred

Cash paid	76,001
Total Consideration	76,001
Adjusted for the following:	
Discharge of Correvio long-term debt	(48,137)
Cash assumed on acquisition excluding restricted cash	(7,208)
Total fair value of consideration transferred	20,656

Assets Acquired and Liabilities Assumed

The transaction has been accounted for as a business combination under the acquisition method of accounting. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date.

	Amounts Recognized as of the Acquisition Date	Measurement period adjustments	Recognized post measurement period adjustments
Restricted cash	2,461	—	2,461
Accounts receivable	10,806	—	10,806
Inventory ^(a)	14,652	(1,141)	13,511
Prepaid expenses	703	18	721
Fixed assets	381	—	381
Right-of-use assets	1,810	—	1,810
Intangible assets ^(b)	—	48,100	48,100
Deferred income tax assets	300	—	300
Accounts payable	(10,151)	—	(10,151)
Accrued liabilities ^(c)	(5,978)	840	(5,138)
Current income taxes payable	(290)	—	(290)
Lease liabilities	(1,950)	—	(1,950)
Deferred income tax liabilities ^(d)	—	(7,693)	(7,693)
Other liabilities	(1,150)	—	(1,150)
Assumed contingent obligation ^(e)	—	(5,100)	(5,100)
Long-term debt	(48,137)	—	(48,137)
Total identifiable net assets	(36,543)	35,024	(1,519)
Goodwill ^(f)	57,199	(35,024)	22,175
Total fair value of consideration transferred	20,656	—	20,656

(a) Includes an initial assessment of the fair value increase to inventory of \$9,163 of which \$3,929 has been recorded in cost of sales in the period from May 27, 2020 to December 31, 2020.

(b) The following table summarizes the amounts assigned to identifiable intangible assets:

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	Useful life	Amounts recognized
Acquired product rights	12 years	24,500
Licensing agreements	12 years	23,600
Total identifiable intangible assets acquired		48,100

- (c) Accrued liabilities includes a fair value adjustment related to provisions of \$1,825 based on a preliminary assessment of fair value.
- (d) Deferred income tax liabilities have been recognized in connection with intangible assets and inventory using the substantively enacted tax rates at which the temporary differences were expected to be realized as of the closing date.
- (e) The Company assumed contingent obligation payable of \$5,100, which included the fair value of milestone payments for licenses of Zevtera[®] and Trevyent[®] on acquisitions of Correvio. The fair value is determined based on Management's best estimate of future performance using a weighted probability scenario.
- (f) The balance of goodwill, which to date, has been presented within the ADVANZ PHARMA International segment, is the difference between the acquisition date fair value of the consideration transferred and the values assigned to the assets acquired and liabilities assumed. None of the goodwill is expected to be deductible for income tax purposes. The goodwill recorded represents the following:
- a cost savings and operating synergies expected to result from combining the operations of orrevio with those of the Company;
 - b the value of the continuing operations of Correvio's existing business (that is, the higher rate of return on the assembled net assets versus if the Company had acquired all of the net assets separately); and
 - c intangible assets that do not qualify for separate recognition.

For the period from acquisition to December 31, 2020, Correvio contributed revenue of \$18.5 million, and gross profit of \$13.1 million.

On a pro-forma basis, Group's consolidated revenues would have been higher by \$15.8 million, gross profit higher by \$9.8 million and net loss before tax, would be increased by \$18.9 million for the twelve months ended December 31, 2020.

5. Accounts Receivable

As at	Dec 31, 2020	Dec 31, 2019
Accounts receivable	116,791	110,840
Loss allowance	(1,356)	(920)
Total	115,435	109,920

Bad debt write-offs of \$272 were recorded during the year ended December 31, 2020 (2019 - \$1,555).

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An aging of accounts receivable balances past due but not impaired is as follows:

As at	Dec 31, 2020	Dec 31, 2019
Amounts past due (net of loss allowance)		
Past due 1 - 30 days	3,828	9,621
Past due 31 - 60 days	705	1,273
Past due 61 - 120 days	1,449	3,049
Past due more than 120 days	3,999	2,186
Total	9,981	16,129

Amounts past due represent accounts receivable past due based on the customer's contractual terms. The net amounts past due of approximately \$10 million (2019 - \$16 million), which is equivalent to 9% (2019 - 15%) of the net accounts receivable balance as at December 31, 2020, has been assessed for recoverability by the Group. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. The loss allowance primarily corresponds to past due more than 120 days.

6. Inventory

As at	Dec 31, 2020	Dec 31, 2019
Finished goods	92,710	66,516
Raw materials	25,982	21,420
Work in process	42,202	8,401
Obsolescence reserve	(27,768)	(25,233)
Total	133,126	71,104

Inventory costs charged to cost of sales during the year ended December 31, 2020 were \$160,537 (2019 - \$140,663) which includes \$3,929 (2019 - \$nil) of non-cash fair value adjustments related to inventories acquired through the Correvio Acquisition. The Company increased its reserve for obsolete inventory by \$2,535 (2019 - \$2,654) during the year ended December 31, 2020. Write-down of inventories of \$8,185 (2019 - \$10,409) were recorded during the year ended December 31, 2020.

7. Other Current Assets

As at	Dec 31, 2020	Dec 31, 2019
Advances to suppliers	8,169	9,880
Deposits with suppliers	15,208	918
Others	697	3,829
Total	24,074	14,627

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8. Intangible Assets

	Acquired Product Rights and Manufacturing Processes	Intellectual Property	Supplier and Distribution Contracts	IPR&D	All Other Intangibles	Licensing Agreements	Total
Balances, January 1, 2019	1,062,990	24,545	52,012	6,587	558	—	1,146,692
Additions	30,000	—	—	3,178	323	—	33,501
Transfer from IPR&D	153	—	—	(153)	—	—	—
Amortization	(173,446)	(1,640)	(28,821)	—	(442)	—	(204,349)
Impact of foreign exchange	22,326	—	740	189	71	—	23,326
Impairments	(113,371)	—	—	(428)	—	—	(113,799)
Balances, December 31, 2019	828,652	22,905	23,931	9,373	510	—	885,371
Additions (Note 4)	117,261	—	—	3,769	820	23,600	145,450
Transfer from IPR&D	916	—	—	(916)	—	—	—
Amortization	(163,425)	(4,297)	(23,149)	—	(133)	(1,180)	(192,184)
Impact of foreign exchange	33,667	562	(782)	112	17	—	33,576
Impairments	(4,857)	—	—	(216)	—	—	(5,073)
Balances, December 31, 2020	812,214	19,170	—	12,122	1,214	22,420	867,140

Impairment of intangible assets

In accordance with the Group's accounting policy, IPR&D is tested for impairment annually, and also when there is an indicator of impairment. The remaining intangible assets are tested for impairment when events or changes in business circumstances indicate that the carrying amount may not be recoverable.

Summary of impairments

For the year ended December 31, 2020, the Group recorded total impairment losses of \$4,857 (2019 - \$113,371) with respect to acquired product rights and manufacturing processes and \$216 with respect to IPR&D (2019 - \$428). Details of significant impairments are described below.

There have been no reversals of impairment losses or any previous impairments recorded with respect to acquired product rights and manufacturing processes intangible assets.

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Impairments

ADVANZ PHARMA International

Fourth quarter of 2020

During the fourth quarter of 2020, the Group determined that triggering events had occurred with respect to certain products. These triggering events required the Group to perform tests for impairment. The triggering events included increased product competition, product supply challenges and the Group developing recent forecasts, which resulted in a decrease to future revenue forecasts.

The total impairment recorded on acquired product rights during the fourth quarter of 2020 was \$741 (2019: \$5,090).

Third quarter of 2020

The total impairment recorded on acquired product rights during the third quarter of 2020 was \$319 (2019: \$4,602).

Second quarter of 2020

During the second quarter of 2020, the Group determined that triggering events had occurred with respect to certain products. These triggering events required the Group to perform tests for impairment. The triggering events included increased product competition, product supply challenges and the Group developing recent forecasts, which resulted in a decrease to future revenue forecasts. The Company recorded impairments using a fair value less costs of disposal model in the consolidated statement of income (loss). The calculation of the recoverable amount was determined using discounted cash flow projections based on financial forecasts approved by the Company (level 3 of fair value hierarchy).

The total impairment recorded on acquired product rights during the second quarter of 2020 was \$3,797 (2019:\$nil). Details of significant impairments were as follows:

	Impairment	Remaining Carrying Value as at Dec 31, 2020
Prochlorperazine Mesilate	1,718	1,170
Clotiazepam	1,256	—

Key assumptions of the models are as follows:

- Discount rate: 12.5%; and
- Estimated future product cash flows, including price and volume assumptions based on historical trends which is factored in the terminal revenue growth assumption.

The following table presents a sensitivity to show the impact on the impairments for changes in certain assumptions:

	Discount Rate		Terminal revenue growth assumption	
	+1%	-1%	+1%	-1%
Prochlorperazine Mesilate	23	(25)	(1)	1

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Fourth quarter of 2019

During the fourth quarter of 2019, the Group determined that certain triggering events had occurred with respect to certain products. The triggering events included market pricing pressures, sustained issues experienced with respect to product supply, and/or increased product competition resulting in a decrease to future forecasts.

The total impairment recorded on acquired product rights during the fourth quarter of 2019 was \$5,090. Details of significant impairments recorded during the fourth quarter were as follows:

	Impairment	Remaining Carrying Value as at Dec 31, 2019
Dipipanone + Cyclizine	1,478	6,098
Trifluoperazine	1,237	6,136

Key assumptions of the models are as follows:

- Discount rate: 12.5%; and,
- Estimated future product cash flows, including price and volume assumptions based on historical trends which is factored in the terminal revenue growth assumption.

The following table presents a sensitivity to show the impact on the impairments for changes in certain assumptions:

	Discount Rate		Terminal revenue growth assumption	
	+1%	-1%	+1%	-1%
Dipipanone + Cyclizine	291	(326)	(156)	139
Trifluoperazine	320	(360)	(177)	158

Third quarter of 2019

During the third quarter of 2019, the Group determined that certain triggering events had occurred with respect to certain products within the ADVANZ PHARMA International segment. The triggering events included market pricing pressures, sustained issues experienced with respect to product supply, and/or increased product competition resulting in a decrease to future forecasts.

The total impairment recorded on acquired product rights during the third quarter of 2019 was \$4,602. Details of significant impairments were as follows:

	Impairment	Remaining Carrying Value as at Dec 31, 2019
Hydrocortisone	1,897	666
Dicycloverine	1,352	—

Key assumptions of the models are as follows:

- Discount rate: 12.5%; and,
- Estimated future product cash flows, including price and volume assumptions based on historical trends which is factored in the terminal revenue growth assumption.

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The following table presents a sensitivity to show the impact on the impairments for changes in certain assumptions:

	Discount Rate		Terminal revenue growth assumption	
	+1%	-1%	+1%	-1%
Hydrocortisone	38	(43)	(19)	17
Dicycloverine	-	-	-	-

ADVANZ PHARMA North America

Third quarter of 2019

During the third quarter of 2019, the Group determined that certain triggering events had occurred with respect to certain products within the ADVANZ PHARMA North America segment.

With respect to Donnatal®, the triggering event was a sustained decline in market share as a result of competition which has resulted in lower forecasted revenue. The Group has experienced a sustained higher level of competition from unapproved products being sold as a substitutable products for the Group's Donnatal® tablets and elixir, which has resulted in the Group lowering its revenue forecasts. Refer to Note 17 for further details on the Group's current lawsuits related to Donnatal®. For the remaining products, the triggering event primarily related to the development of revised forecasts for these products, resulting in lower forecasted revenue.

The total impairment recorded on acquired product rights during the third quarter of 2019 was \$103,679. Details of significant impairments were as follows :

	Impairment	Remaining carrying value as at Dec 31, 2019
Donnatal®	64,108	37,666
Lanoxin®	18,421	13,772
Dibenzyline®	15,887	2,310

The calculation of the recoverable amount was determined using discounted cash flows projections based on financial forecasts approved by the Company (level 3 of fair value hierarchy).

Key assumptions of the models are as follows:

- Discount rate: 14.5%; and,
- Estimated future product cash flows, including price and volume assumptions based on historical trends which is factored in the terminal revenue growth assumption.

The following table presents a sensitivity to show the impact on the impairments for changes in certain assumptions:

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	Discount Rate		Terminal revenue growth assumption	
	+1%	-1%	+1%	-1%
Donnatal®	735	(801)	(531)	498
Lanoxin®	404	(446)	(308)	285
Dibenzyliline®	52	(58)	(39)	35

IPR&D

Annual Impairment test

The Group completes its annual impairment testing on IPR&D during the fourth quarter.

The Group recorded an impairment on IPR&D during the fourth quarter of 2020 in the amount of \$216 (2019 - \$428). The impairment relates to projects that have been abandoned, or certain IPR&D projects with lower present day future forecasts compared with those at the time of the acquisition of the ADVANZ PHARMA International segment. The calculation of the recoverable amount of IPR&D was determined using the discounted cash flow projections based on financial forecasts.

9. Goodwill

As at	Dec 31, 2020	Dec 31, 2019
Opening balance	224,538	232,784
Additions (Note 4)	22,175	—
Impairment	—	(15,482)
Impact of foreign exchange	7,461	7,236
Total	254,174	224,538

In accordance with the Group's accounting policy, the carrying value of goodwill is assessed annually as well as assessed for impairment triggers at each reporting date to determine whether there exists any indicators of impairment.

The addition to the goodwill relates to this Correvio Acquisition which was completed during the second quarter of 2020. The Company has allocated goodwill to Correvio Group of CGUs. Refer to Note 4 for further details on acquisition.

Annual Impairment Test

The Group completed its annual goodwill impairment testing on the goodwill in the ADVANZ PHARMA International group of CGUs, Correvio Group of CGUs, and the Orphan Drugs group of CGUs, which have goodwill carrying values of \$219,515, \$22,175 and \$12,484, respectively (2019 - \$212,054, \$nil and \$12,484, respectively).

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ADVANZ PHARMA International

2020

The calculation of recoverable amount of the ADVANZ PHARMA International group of CGUs was determined using discounted cash flow projections based on financial forecasts approved by the Group covering a five-year period (level 3 of fair value hierarchy) and a terminal growth assumption of 0.5%. The key assumptions and estimates used in determining the FVLCD are related to revenue and gross margin assumptions, which are based on the most recently approved financial forecasts and assumed growth rates, working capital assumptions, the effective tax rate between 8% to 13% and the discount rate of 11% applied to the cash flow projections. As a result of the impairment testing performed, it was determined that the recoverable amount of the ADVANZ PHARMA International group of CGUs of \$1,136,506 exceeded the carrying value of the ADVANZ PHARMA International group of CGUs of \$839,040.

The recoverable amount would decrease by \$48,586 if the discount rate were to increase by 0.5% and would increase by \$53,420 if the discount rate were to decrease by 0.5%. If the terminal growth rate were to increase or decrease by 0.5%, the recoverable amount would increase by \$38,044, or decrease by \$34,586, respectively.

2019

The calculation of recoverable amount of the ADVANZ PHARMA International group of CGUs was determined using discounted cash flow projections based on financial forecasts approved by the Group covering a five-year period (level 3 of fair value hierarchy) and a terminal growth assumption of 0.5%. The key assumptions and estimates used in determining the FVLCD are related to revenue and gross margin assumptions, which are based on the most recently approved financial forecasts and assumed growth rates, working capital assumptions, the effective tax rate of 13% and the discount rate of 11% applied to the cash flow projections. As a result of the impairment testing performed, it was determined that the recoverable amount of the ADVANZ PHARMA International group of CGUs of \$957,933 exceeded the carrying value of the ADVANZ PHARMA International group of CGUs of \$792,211.

The recoverable amount would decrease by \$42,355 if the discount rate were to increase by 0.5% and would increase by \$46,569 if the discount rate were to decrease by 0.5%. If the terminal growth rate were to increase or decrease by 0.5%, the recoverable amount would increase by \$30,172, or decrease by \$27,429, respectively.

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Correvio

2020

The Correvio group of CGUs was acquired during 2020 and was valued using discounted cash flow projections. The key assumptions and estimates used in determining the FVLCD are related to revenue and gross margin assumptions, which are based on the most recently approved financial forecasts and assumed growth rates, working capital assumptions. As a result of the impairment testing performed, no impairment was required. Goodwill will increase by \$1,817 if the discount rate were to increase by 0.5% and would decrease by \$1,975 if the discount rate were to decrease by 0.5%. If the revenue growth rate assumption was to increase or decrease by 0.5%, the Goodwill would decrease by \$2,054, or increase by \$1,896, respectively. The carrying value and the recoverable amount of the Correvio Group of CGUs is \$71,494.

Orphan Drugs

2020

The calculation of recoverable amount of the Orphan Drugs group of CGUs was determined using discounted cash flow projections based on financial budgets approved by the Group covering a five-year period (level 3 of fair value hierarchy). The key assumptions and estimates used in determining the VIU are related to revenue and gross margin assumptions, which are based on the financial forecasts and assumed growth rates, and the discount rate of 13% applied to the cash flow projections. As a result of the impairment testing performed, it was determined that the recoverable amount of the Orphan Drugs group of CGUs is \$35,789.

The recoverable amount of the Orphan Drugs group of CGUs would decrease by \$1,438 if the discount rate were to increase by 0.5%, and would increase by \$1,559 if the discount rate were to decrease by 0.5%. If the terminal growth rate were to increase or decrease by 0.5%, the recoverable amount would increase by \$957, or decrease by \$884, respectively.

2019

During the fourth quarter of 2019, the Group completed its annual goodwill impairment testing within the Orphan Drugs group of CGUs. As a result of the impairment testing performed, the Group recorded an impairment loss of \$15,482 on goodwill. The reason for the impairment was primarily related to the development of revised forecasts for the product.

The Group recorded an impairment charge using a VIU model, in the consolidated statement of income (loss) in the fourth quarter of 2019. The calculation of recoverable amount of the Orphan Drugs group of CGUs was determined using discounted cash flow projections based on financial budgets approved by the Group covering a five-year period (level 3 of fair value hierarchy). The key assumptions and estimates used in determining the VIU are related to revenue and gross margin assumptions, which are based on the financial forecasts and assumed growth rates, and the discount rate of 15% applied to the cash flow projections. As a result of the impairment testing performed, it was determined that the recoverable amount of the Orphan Drugs group of CGUs is \$37,539.

The recoverable amount of the Orphan Drugs group of CGUs would decrease by \$1,252 if the discount rate were to increase by 0.5%, and would increase by \$1,339 if the discount rate were to decrease by 0.5%. If the terminal growth rate were to increase or decrease by 0.5%, the recoverable amount would increase by \$727, or decrease by \$680, respectively.

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10. Trade payables, accrued liabilities and interest payable

As at	Dec 31, 2020	Dec 31, 2019
Trade payables	48,113	16,241
Accrued liabilities	94,443	83,683
Interest payable on long-term debt	19,063	8,033
Total	161,619	107,957

11. Other current liabilities

The following table describes movements in the Group's balances relating to returns, chargebacks, rebates and other revenue accruals:

	Chargebacks /Rebates/Co- pay	Returns	Inventory management	Prompt pay	Total
Balance, January 1, 2019	15,138	6,395	3,860	484	25,877
Additions	28,843	14,221	11,569	3,082	57,715
Utilization / Releases	(39,458)	(11,304)	(12,342)	(3,095)	(66,199)
Balance, December 31, 2019	4,523	9,312	3,087	471	17,393
Additions	16,042	32,631	11,081	2,705	62,459
Utilization / Releases	(16,829)	(27,173)	(12,291)	(2,705)	(58,998)
Balance, December 31, 2020	3,736	14,770	1,877	471	20,854

The closing balance relates to accruals made to estimate the liabilities arising from chargebacks, rebates, returns and other price adjustments recorded as a reduction of revenue, as explained in Note 3. Payments are expected within 12 months from the balance sheet date. Invoices received for such charges and estimates are shown in the accounts payable when received. The accrual is for the uninvoiced portion of the charges and estimates.

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12. Income Taxes

Significant components of the current and deferred income tax reflected in the consolidated statements of income (loss) are as follows:

For the year ended	Dec 31, 2020	Dec 31, 2019
Current income tax (recovery) expense	(30,375)	22,469
Deferred income tax recovery	(18,532)	(44,476)
Recovery of income taxes	(48,907)	(22,007)

Current and deferred income tax referred to above is recognized based on the Group's best estimate of the tax rates expected to apply to the income, loss or temporary difference.

Effective January 1, 2020, the Company changed its domicile from Canada to Jersey, Channel Islands, and became a tax resident in the U.K.. As a result of this change, there was no impact to the consolidated statement of income (loss).

The Group is subject to income tax in numerous jurisdictions with varying tax rates and in some of these territories certain matters are under discussion with local tax authorities. These discussions are often complex and are in different stages with respect to assessments, appeals and refunds. The Company actively seeks to manage the associated risks by proactively engaging with tax authorities. Accruals for tax contingencies require management to make estimates and judgements with respect to the ultimate outcome of a tax audit and actual results could vary from these estimates. Where tax exposures can be quantified, a provision is made based on best estimates and management's judgements. Given the inherent uncertainties in assessing the outcomes of these exposures the Group could, in future years, experience adjustments to this provision, including releases of provisions when those exposures are settled or become time-barred.

During the year, the Group reached an agreement with Her Majesty's Revenue and Customs ("HMRC") regarding the level of interest deductibility in the U.K. As at December 31, 2019, the Group had recorded a total accrual of \$15.2 million in respect of additional corporate tax arising from the agreement relating to the 4 years ended December 31, 2018. This accrual had an offsetting tax receivable for the same amount in respect of U.K. taxes overpaid. Upon submission in 2020 of the amended returns for the years above, the accrual was utilized against the corresponding receivable, eliminating both balances as at the year end.

During the current year ended, there were no material changes to the statutory tax rates in the taxing jurisdictions where the majority of the Group's income for tax purposes was earned or where its material temporary differences or losses are expected to be realized or settled.

On March 11, 2020, the U.K. announced that there would no longer be a corporate tax rate reduction from 19% to 17% effective April 1, 2020. The U.K. is where the majority of the Group's income for tax purposes was earned or where its temporary differences, primarily relating to differences between the accounting and tax values for intellectual property, or losses are expected to be realized or settled. This change to the U.K. tax rate has caused an increase in the deferred tax liability of \$6.2 million.

On March 3, 2021, the U.K. announced that there would be a corporate tax rate increase from 19% to 25%, effective from April 1, 2023. This change is expected to be substantively enacted before the end of March 2021. Had this been enacted on December 31, 2020, the Group estimates that there would be a net increase in its deferred tax liabilities of \$3.1 million.

Although statutory tax rates may not have changed materially, except if noted above, the impact of commercial decisions and market forces result in changes to the distribution of income for tax purposes amongst taxing jurisdictions that may result in a change of the effective tax rate applicable to such item of income or temporary difference.

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During the year, the Group performed internal restructuring transactions to centralize the Group's intellectual property in the U.K.. This included the transfer of certain assets, including intellectual property related to Correvio International S.a.r.l, a company registered in Switzerland, to Mercury Pharma Group Limited, a company registered in the U.K.. As a result of this transfer, the Group released a deferred tax asset of \$5.8 million that had been recognized on the Correvio Acquisition.

The Group continues to believe the amount of unrealized tax benefits appropriately reflects the uncertainty of items that are or may in the future be under discussion, audit, dispute or appeal with a tax authority or which otherwise result in uncertainty in the determination of income for tax purposes. If appropriate, an unrealized tax benefit will be realized in the year in which the Group determines that realization is not in doubt. Where the final determined outcome is different from the Group's estimate, such difference will impact the Group's income taxes in the year during which such determination is made.

A reconciliation of the amount of income taxes reflected above compared to the amount of income taxes that would result by multiplying income (loss) before income taxes by the legislated tax rate applicable to the Company is as follows:

For the year ended	Dec 31, 2020	Dec 31, 2019
Loss for the year before tax	(123,765)	(218,025)
Expected recovery at the Company's U.K. tax rate of 19% (2019 - Canadian tax rate of 26.5%)	(23,515)	(57,777)
Other deferred tax movements	(5,012)	(22,590)
Change in deferred income tax assets not recognized (utilized)	2,506	24,845
Effect of tax rates outside of U.K. (2019 - outside of Canada)	1,382	(11,652)
Change in tax rates during the year	6,167	25
Overseas taxation	2,798	—
Double taxation relief	(1,249)	—
Updated estimate of current tax on account of interest deductibility	—	9,058
Adjustments in respect of prior periods (Refer below)	(41,658)	—
Non-deductible and non-taxable items	9,674	35,857
Other items	—	227
Recovery of income taxes	(48,907)	(22,007)

The HMRC enquiry was closed in the fourth quarter of 2020 resulting in a settlement amount of \$8.5 million in respect of years 2013 to 2019. There was an existing provision for the potential exposure totaling \$56.4 million and therefore \$47.9 million, made up of \$38.9 million corporate tax provision and \$9 million corporate tax interest provision, was reversed through the current tax and interest and accretion expense lines, respectively.

Significant components of the deferred income tax assets and liabilities reflected in the consolidated balance sheets are as follows:

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As at	Dec 31, 2020	Dec 31, 2019
Deferred income tax assets (liabilities) in respect of:		
Intangible assets	(47,169)	(56,679)
Other items	(110)	(2,368)
Deferred income tax assets (liabilities), net	(47,279)	(59,047)
Deferred income tax assets	1,302	1,508
Deferred income tax liabilities	(48,581)	(60,555)
Deferred income tax assets (liabilities), net	(47,279)	(59,047)

The change in the balance of net deferred tax assets (liabilities) includes a \$629 increase that arises as a result of the required revaluation of certain balances denominated in currencies other than USD. This reduction has been reflected as a component of accumulated other comprehensive income (loss) and not as part of the deferred income tax expense (recovery).

A deferred income tax asset has not been recognized for certain temporary differences that may be available to reduce income subject to tax in a taxation period subsequent to the period covered by these financial statements. The amount of such temporary differences, that is the amount before applying the relevant tax rate, which is not recognized in the consolidated balance sheets or consolidated statements of income (loss), is as follows:

As at	Dec 31, 2020	Dec 31, 2019
Losses and credits	434,668	186,791
Total unrecognized temporary differences	434,668	186,791

The deferred income tax assets in connection with the Group's losses and credits that may be available to reduce income subject to tax in a taxation period subsequent to the period covered by these consolidated financial statements, is as follows:

As at	Dec 31, 2020	Dec 31, 2019
Expiring within 15 years	13,737	170
Expiring between 15 and 20 years	606	3,185
No expiration	42,005	38,573
Total deferred income tax asset in respect of losses and credits	56,348	41,928
Total in North America	512	743
Total in Europe	51,953	40,937
Total in other jurisdictions	3,883	248
Total deferred income tax asset in respect of losses and credits	56,348	41,928

The integrated nature of the Group's global operations gives rise to many transactions in the ordinary course of business in respect of which the determination of income for tax purposes may be uncertain. Transactions that arise between multiple taxing jurisdictions are subject to review by these jurisdictions, where a decision of one taxing authority may not agree with the decision of another. The Group is committed to mitigating uncertainty that may arise in connection with such transactions and to this end has prepared documentation that complies with local legislation and is in accordance with international guidelines, such as those of the Organization of Economic Co-operation and Development. Refer to the Income taxes section of the Critical Accounting Estimates and Judgments and Key Sources of Estimation Uncertainty of these notes to the

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consolidated financial statements for additional information regarding the Group's judgment and use of estimates relevant to income taxes.

The Group's global operations requires a corporate structure that includes affiliated legal entities that are collectively subject to the authority of numerous taxing jurisdictions. Certain transactions may arise which create a temporary difference in connection with an affiliated legal entity. The realization of this temporary difference may result in income tax. As at December 31, 2020, the Group has recognized \$820 (2019 - \$3,483) deferred income tax liability in connection with the realization of a temporary difference for certain affiliated legal entities on the basis that it is probable that such a temporary difference will be realized in the foreseeable future.

13. Long-term Debt and Lease liabilities

As at	Dec 31, 2020	Dec 31, 2019
Term Loans ^(a)		
- USD Term Loan	763,433	779,421
- EUR Term Loan	261,031	243,685
8% senior secured notes ^(b)	299,972	299,972
Total long-term debt	1,324,436	1,323,078
Less: current portion of long-term debt	(21,455)	(20,987)
Long-term portion	1,302,981	1,302,091

- (a) The Company entered into a credit agreement (the "**Credit Agreement**") on September 6, 2018 pursuant to which a syndicate of lenders made available secured term loans at par in the aggregate principal amounts of \$799.4 million in one tranche (the "**USD Term Loan**") and €222.8 million in a separate tranche (the "**EUR Term Loan**", and together, the "**Term Loans**"). All obligations of the Company under the Term Loans are guaranteed by all current and future material subsidiaries of the Company and include security of first priority interests in the assets of the Company and its material subsidiaries. The Term Loans have a maturity date of September 6, 2024, have variable interest rates and require quarterly principal repayments at a rate of 0.5%. Interest rates are calculated based on LIBOR and EURIBOR plus applicable margins on the USD Term Loan and EUR Term Loan, respectively, with a LIBOR or EURIBOR floor of 1%. Interest expense on the Term Loans for the year ended December 31, 2020 was \$74,965 (2019 - \$77,497).
- (b) The Company issued on September 6, 2018 at par approximately \$300 million 8.00% senior secured first lien notes due on September 6, 2024 (the "**Secured Notes**"). All obligations of the Company under the Secured Notes are guaranteed by all current and future material subsidiaries of the Company and include security of first priority interests in the assets of the Company and its material subsidiaries. The Secured Notes require no payment of principal throughout their term. Interest on the Secured Notes is payable semi-annually on April 1st and October 1st of each year. Interest expense on the Secured Notes for the year ended December 31, 2020 was \$24,264 (2019 - \$23,998).

The fair value of long-term debt as at December 31, 2020 was \$1.3 billion.

The following table describes movements in the Company's long-term debt balance:

Balance, January 1, 2020	1,323,078
Repayments	(21,057)
Impact of foreign exchange	22,415
Balance, December 31, 2020	1,324,436

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Interest and accretion expense

For the year ended	Dec 31, 2020	Dec 31, 2019
Interest expense - Term Loans and Secured Notes	99,229	101,495
Interest expense on lease liabilities	473	1,113
Interest (reversal) charge on uncertain tax positions ⁽¹⁾	(8,966)	2,159
Other interest	874	916
Interest and accretion expense	91,610	105,683

(1) Relates to reversal of interest on uncertain tax position due to settlement agreement with HMRC. Refer note 12 for further details.

The following table describes movements in the Company's lease liabilities balance:

Balance, January 1, 2020	12,189
Additions (Note 4)	1,950
Impact of modification of lease term	(2,999)
Repayments	(2,378)
Termination of lease	(539)
Impact of foreign exchange	316
Others	(719)
Balance, December 31, 2020	7,820

14. Share Capital

The authorized share capital of the Company as at December 31, 2020 consists of an unlimited number of limited voting shares, Class A special shares, Class B special shares and Class C special shares.

Common shares and limited voting shares

The holders of limited voting shares are entitled to one vote for each limited voting share on all matters to be voted on at all meetings of shareholders of the Company, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class. Subject to the rights of the holders of any other class of share ranking in priority to the limited voting shares, the holders of the limited voting shares are entitled to (i) receive, on a ratable basis, any dividend declared by the Company in respect of the limited voting shares; and (ii) receive the remaining property and assets of the Company available for distribution, after payment of liabilities, upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company on a ratable basis.

Class A, Class B and Class C special shares

1000 Class A special shares were issued to GSO (as defined in Note 22 (b)) at an issue price of \$1.00 per share and are fully paid up.

1000 Class B special shares were issued to Solus (as defined in Note 22 (b)) at an issue price of \$1.00 per share and are fully paid up.

The Class A and Class B special shares have the following significant rights, privileges, restrictions and conditions: (i) holders of these shares are entitled to receive notice of, to attend and speak at any meeting of the holders of limited voting shares; (ii) ability to elect a certain number of directors, depending on their holding of limited voting shares; (iii) no entitlement to dividends; (iv) redeemable by the holder; and (v) in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, entitled to receive \$1.00 for each Class A or Class B special share held, in pari passu, before any distribution of any

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part of the property and assets of the Company among the holders of the limited voting share. The Class A and B special shares are classified as other liabilities in the consolidated balance sheets.

No Class C special shares have been issued.

15. Loss Per Share

The calculation of basic and diluted loss per share for the years ended December 31, 2020 and 2019 was based on the information in the table below.

	2020	2019
Net loss for the year	(74,858)	(196,018)
Weighted average number of shares in issue	48,913,490	48,913,490
Weighted average number of fully diluted shares	48,913,490	48,913,490

Loss per share

Basic loss per share	(1.53)	(4.01)
Diluted loss per share	(1.53)	(4.01)

The Company has a management incentive plan (the "MIP") (as described in Note 16), pursuant to which a maximum of 3,664,069 limited voting shares of the Company can be issued. If such number of limited voting shares are issued, this will dilute basic earnings per share in the future. However, the options outstanding at December 31, 2020 and December 31, 2019 are considered to be anti-dilutive as the Group is loss-making.

16. Share Based Compensation

Management Incentive Plan

The Company has a management incentive plan which allows participants to share 7.59% of the incremental value growth of the Company in excess of an opening value on September 6, 2018, plus a hurdle of 9% per annum compounding on an annual basis. This 7.59% may increase to 10.12% if certain additional performance thresholds are met.

Participants acquired shares ("MIP Shares") in a subsidiary of the Company (the "MIP Subsidiary") which holds an ownership interest in the ADVANZ PHARMA International segment. An exchange rights agreement provides for mechanisms that can attribute the value of assets held outside of MIP Subsidiary to the MIP Shares, for purposes of calculating the value of the MIP Shares.

The exchange rights agreement also provides for the exchange of MIP Shares into limited voting shares of ADVANZ PHARMA in certain circumstances. These circumstances arise primarily in connection with an exit event ("Exit Event"). An Exit Event includes the following:

- (i) a change of control of the Company,
- (ii) a sale of substantially all of the assets of the Company and its subsidiaries on a consolidated basis (including by way of sale, merger, amalgamation, arrangement, business combination, consolidation, reorganisation or other similar transaction); or
- (iii) an insolvency event, as defined in the exchange rights agreement.

In addition, MIP Shares may be exchanged into limited voting shares of ADVANZ PHARMA pursuant to certain tag-along rights contained in the exchange rights agreement upon a sale of 25% or more of the issued and outstanding limited voting shares of ADVANZ PHARMA by certain significant shareholders of ADVANZ PHARMA.

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The performance of the MIP will be measured on or around the date of an Exit Event. The MIP Shares may be purchased and/or exchanged for new limited voting shares of the Company.

The Group has accounted for the issued MIP Shares on the basis that they will be equity settled. For accounting purposes, and in accordance with IFRS, the MIP was valued at \$10 million on September 7, 2018 using a Monte-Carlo valuation model. The key assumptions included within this simulation were, (i) weighted average probability of expected time to maturity, (ii) share volatility of 35%, (iii) risk free rates between 2.53% and 2.78%, and (iv) the assumption that the Company will not pay dividends.

For the year ended December 31, 2020 the Group recorded share based compensation expense of \$3,307 (2019 - \$3,943) related to the MIP Shares.

As at December 31, 2020, 426,939 MIP Exchangeable Shares were issued and outstanding.

17. Commitments and Contingencies

Commitments

The Group has commitments for purchase obligations with contract manufacturers and royalty payments.

The Group has commitments of \$14,309 relating to purchase obligations with contract manufacturers over the next five years.

The Group has a commitment to pay royalties on certain products acquired from Shionogi Inc. in May 2013 and certain products acquired from Covis Pharma S.à R.L. on April 21, 2015, at certain prescribed rates. These royalties are payable on a quarterly basis.

The Group has a license agreement with Allergan plc ("**Allergan**"), for the rights to commercialize dalbavancin (branded DALVANCE® in the U.S. and XYDALBATM in the rest of the world) in France, the U.K., Germany, Belgium, Nordic nations, other European nations and various Middle Eastern nations. The license agreement has non-refundable milestone payments that may be due to Allergan upon the Group's achievement of various milestones. This license agreement was acquired as part of the Correvio Acquisition. Refer to Note 4.

The Group has a distribution and license agreement with Basilea Pharmaceutica International Ltd. ("**Basilea**") for the rights to commercialize Zevtera®/Mabelio® (ceftobiprole medocaril sodium) in 34 European countries and Israel. Non-refundable milestone payments may be due to Basilea upon the Group's achievement of various milestones and achievement of pre-determined levels of annual net sales. This license agreement was acquired as part of the Correvio Acquisition. Refer to Note 4.

The Group has assumed a contingent obligation to make milestone payments related to Trevyent®. The agreement was acquired as part of the Correvio Acquisition. The expected milestone payments are determined on first regulatory approval, pricing approvals in various countries and the amount to be paid under each scenario and its probability. Refer to Note 4.

During the year ended December 31, 2020, the royalty expense was \$661 (2019 - \$2,275).

Guarantees

Subject to the Final Order granted in connection with the court proceedings in relation to the recapitalization transaction that was completed in the third quarter of 2018, and subject to certain restrictions, all directors and officers of the Group are indemnified by the Group for various items including, but not limited to, all costs to defend lawsuits or actions due to their association with the Group. The Group holds directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions.

In the normal course of business, the Group has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts, license agreements, information technology agreements and various product, service, data hosting and network access agreements. These indemnification arrangements may require the applicable Group entity to compensate counterparties for losses incurred by the counterparties as a result of breaches in representations, covenants and warranties provided by the particular

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Group entity or as a result of litigation or other third party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction.

In connection with the acquisition of Zonegran®, the Group guaranteed the payment, performance and discharge of the purchaser's payment and indemnification obligations under the asset purchase agreement and each ancillary agreement entered into by the purchaser in connection therewith that contained payment or indemnification obligations. Pursuant to the share purchase agreement entered into by the Group in connection with the ADVANZ PHARMA International acquisition, the Group guaranteed the obligations of the purchaser under the agreement and related transaction documents.

In connection with the acquisition of international rights to Salagen® and Panretin®, the Company guaranteed the obligations of certain of its subsidiaries under the asset purchase agreement and each ancillary agreement.

During the third quarter of 2019, the Company guaranteed the obligations of certain of its subsidiaries under an updated wholesaler distribution agreement for the supply of its products in North America.

In connection with the acquisition of Correvio, the Company guaranteed the obligation of its subsidiary under the plan of arrangement.

Litigation and Arbitration

From time to time, the Group becomes involved in various legal and administrative proceedings, which include product liability, intellectual property, commercial, antitrust, government and regulatory investigations, related private litigation and ordinary course employment-related issues. From time to time, the Group also initiates actions or files counterclaims. The Group could be subject to counterclaims or other suits in response to actions it may initiate. The Group believes that the prosecution of these actions and counterclaims is important to preserve and protect the Group, its reputation and its assets. Certain of these proceedings and actions are described below.

Unless otherwise indicated, the Group cannot reasonably predict the outcome of these legal proceedings, nor can it currently estimate the amount of loss, or range of loss, if any, that may result from these proceedings. An adverse outcome in certain of these proceedings could have a material adverse effect on the Group's business, financial condition and results of operations, and could cause the market value of its limited voting shares and/or debt securities to decline.

Since 2016, the United Kingdom ("U.K.") Competition and Markets Authority ("CMA") has opened a number of investigations into the International segment of ADVANZ PHARMA. Nine (9) investigations have been opened. Five (5) of those nine investigations have now been closed by the CMA (although the CMA has powers to be able to re-open them in certain circumstances). Four (4) investigations are on-going and the Company continues to cooperate fully with the CMA. More details of these various investigations are set out below. The Group is defending these CMA investigations and does not believe that it has infringed competition law. It is possible that the outcome of the investigations may lead to a cash outflow if the Group is not successful in defending the proceedings, including after any appeals. However, the Group cannot reasonably predict the outcome of these proceedings, nor can it currently estimate the amount of loss, or range of loss, if any, that may result from these proceedings, and accordingly no provision has been made on the consolidated balance sheet.

On October 25, 2016, the Company announced that the Competition and Markets Authority ("CMA") commenced an investigation into various issues in relation to the U.K. pharmaceutical sector, and that the ADVANZ PHARMA International segment was part of the inquiry. The CMA's investigation includes matters that pre-date the Group's ownership of the ADVANZ PHARMA International business and relates to the ADVANZ PHARMA International segment's pricing of three (3) products: Liothyronine tablets, Carbimazole tablets and Fusidic Acid ointment. On February 15, 2018, and November 25, 2019, the

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Company announced that the CMA notified the Group that it was closing its investigations related to Fusidic Acid and Carbimazole, respectively, on administrative grounds. Such a decision does not prevent the CMA from opening a new investigation into the product in future. The CMA investigation into the pricing of liothyronine tablets continues: on November 21, 2017, the Company announced that the CMA had issued a statement of objections ("SO") to the Group, as well as to the former owners of the ADVANZ PHARMA International segment, Hg Capital LLP and Cinven, in relation to the pricing of liothyronine tablets, in the U.K. between November 2007 and at least July 2017. A SO is a formal statement by the CMA that, on a provisional basis, it considers that a competition infringement may have occurred. On April 20, 2018, the Group responded in detail to the CMA's SO, and on May 21, 2018, the Group attended an oral hearing to present the key points of its response to the CMA decision panel. On January 30, 2019, the CMA panel issued a revised statement of objections ("SO2") narrowing the scope of the investigation into liothyronine tablets, including reducing the period of time under consideration by two years. The Group applied for a stay of the investigation, pending judgment of an appeal to the Court of Appeal in the 'Phenytoin' litigation being conducted by the CMA with various third parties. This stay application was heard by the U.K. High Court on June 11, 2019 and was unsuccessful. The Group filed its response to SO2 on July 11, 2019. An oral hearing took place on September 3, 2019. There was a further oral hearing in January 2020. In March 2020, the Court of Appeal gave its judgment in the 'Phenytoin' litigation. In May 2020, the CMA informed the Company that it would need to revise its SO2 as a result of the Court of Appeal judgment and that a further version ("SO3") would be necessary, which was duly issued on July 10, 2020. The Company responded to SO3 in August 2020 and a fourth oral hearing took place on October 12, 2020. The CMA has since issued further requests for information. The Liothyronine investigation includes matters that pre-date the Company's ownership of the ADVANZ PHARMA International business and the former owners of the ADVANZ PHARMA International Segment, Cinven and Hg Capital, are also named in the various SOs.

On March 3, 2017, the Company announced that the CMA issued a SO to a third party and the Group in relation to the supply of 10mg hydrocortisone tablets in the U.K. between 2013 and 2016. On May 26, 2017, the Company responded in detail to the CMA's SO and on July 20, 2017, the Group attended an oral hearing to present the key points of its response to the CMA decision panel. No decision has been made by the CMA decision panel since this hearing in July 2017. Separately, in December 2016, the CMA issued a SO against Actavis UK in relation to its pricing of hydrocortisone tablets and on March 5, 2019, the CMA issued a SO against Actavis and Waymade in relation to their agreements for 10mg and 20mg hydrocortisone tablets. The Company is not named in either of those two SOs. During 2019, the CMA informed the Company that it was considering merging its investigation into the Company with its separate investigations into Actavis and Waymade. On February 12, 2020, the CMA issued a SO2 merging the three investigations. The Company filed its response to the SO2 on May 27, 2020. A further oral hearing took place on September 10, 2020. Next steps are awaited. The hydrocortisone investigation includes matters that pre-date the Company's ownership of the ADVANZ PHARMA International business and the former owner of the ADVANZ PHARMA International Segment, Cinven, is also named in the various SOs.

On October 10, 2017, the Company announced that the CMA commenced additional investigations in relation to the U.K. pharmaceutical sector, and that the ADVANZ PHARMA International segment and certain of its products are part of the inquiry. These investigations include matters that predate the Company's ownership of the ADVANZ PHARMA International segment, and involve the following products: Carbimazole, Nitrofurantoin, Prochlorperazine, Dicycloverine, Trazodone and Nefopam. On November 12, 2018, the CMA notified the Group that it had closed its investigations into Trazodone, Nefopam and Dicycloverine on the grounds of administrative priority. On February 21, 2019, the Group received notice from the CMA that the investigation into Nitrofurantoin was being amended to include 100mg capsules in addition to 50mg capsules. On May 23, 2019, the CMA issued a SO to the Company and certain of its subsidiaries in relation to Prochlorperazine, whereby the CMA sets out a provisional view that Focus Pharmaceuticals Limited, a subsidiary of the Company, infringed competition law. The Company filed its response to this SO on August 1, 2019. An oral hearing took place on October 8, 2019. The CMA has since asked for further information and conducted further interviews, but has not reached a decision. Subsequently, on January 22, 2021, the

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CMA issued a decision to close two of its three heads of claim against the Company in this investigation. Next steps are awaited. On July 25, 2019, the CMA issued a SO to the Company and certain of its subsidiaries in relation to Nitrofurantoin 50mg and 100 mg capsules, whereby the CMA sets out its provisional view that certain of those subsidiaries infringed competition law. The Company filed its response to this SO in February 2020. An oral hearing was held on October 20, 2020. Next steps are awaited. These two investigations into Prochlorperazine and Nitrofurantoin include matters that pre-date the Company's ownership of the ADVANZ PHARMA International business and the former owner of the ADVANZ PHARMA International segment, Cinven, is named in both SOs.

During the first quarter of 2016, the Group became aware that a third party had notified wholesalers, through listing services, of its intent to distribute and sell in certain U.S. regions a non-FDA approved copy of Donnatal® tablets. On January 6, 2016, the Group commenced a lawsuit against Winder Laboratories, LLC ("Winder") and its principal owner claiming damages from such conduct. In May 2016, the Group became aware that this non-FDA approved product was introduced into certain US regions. On March 15, 2017, the court ruled on Winder's motion to dismiss the Group's claim, denying such motion in part and granting it in part. On March 29, 2017, the third party filed its answer and counter claim in response to the Group's claim. On August 16, 2017, this third party filed a motion to amend its counterclaim to add factual allegations detailing the scope of the Group's campaign to disparage its products and interfere with its contractual and business relationships. On November 8, 2017, the court granted the Group's motion for leave to file its second amended complaint, permitting the Group to include its direct false advertising claim. In June 2018, Winder also began to sell a non-FDA approved generic of Donnatal® elixir in the US market. On June 29, 2018, the Group filed an amended complaint to include claims relating to the listing and distribution of a non-FDA approved copy of Donnatal® elixir. Winder filed an amended counterclaim on May 29, 2020. On October 9, 2020: (i) the Group moved for summary judgment to dismiss Winder's counterclaims; (ii) Winder moved for summary judgment to dismiss the Group's claims; and (iii) Winder moved for summary judgment on its counterclaims. On February 17, 2021, the Court granted summary judgment in favor of Winder on the Group's claims and denied summary judgment for either party on Winder's counterclaims. The Group intends to appeal the summary judgment decision.

On June 16, 2018, the Group commenced a lawsuit in the United States against Lazarus Pharmaceuticals Inc. ("**Lazarus**") and Cameron Pharmaceuticals LLC ("**Cameron**") for listing and distributing a non-FDA approved copy of Donnatal® elixir in certain U.S. regions. Discovery and depositions are now coming to a close. A mediation was held in September 2019 but did not resolve the dispute. On October 9, 2020, Lazarus filed motion materials seeking an order to compel additional discovery. The Company responded on October 23, 2020. The parties have also filed summary judgment briefs. The court is expected to issue its decisions in relation to the discovery motion and the summary judgment briefs in the first quarter of 2021. The litigation has been scheduled for trial in 2021. On June 29, 2018, the Group filed a statement of claim against Lazarus and Mark Thompson (the former Chief Executive Officer of the Company) in the Province of Ontario for, among other things, breach of contract and post-employment covenants. In January 2019, the Group filed a claim in the Province of Ontario against a former employee, Jean-Paul Laurin for, among other things, breach of contract and post-employment covenants. In August 2019, the Group filed a similar claim for breach of contract and post-employment covenants against former employee, Aaron Hullett. A stay motion hearing is scheduled for May 27, 2021. The Group continues to pursue these lawsuits vigorously.

During the first quarter of 2018, the Group filed a complaint in the United States against Blake Kelley, a former employee of the Group, for breach of his employment agreement, non-disclosure agreement, non-competition agreement and separation agreement by, inter alia, retaining, disclosing and / or using the Group's confidential, proprietary, and trade secret information relating to Donnatal®, breach of contract accompanied by a fraudulent act, misappropriation of trade secrets, a claim under the South Carolina Unfair

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Trade Practice Act, civil conspiracy, and violation of the Computer Fraud and Abuse Act. The Kelley lawsuit has been consolidated with the Lazarus lawsuit.

On April 5, 2019, the Group filed a lawsuit in California federal court against Vitae Enim Vitae Scientific Inc. ("VeV"), Boris Gites and Charles Cavallino alleging those defendants conspired with various former employees of the Group, including Mark Thompson and Jean-Paul Laurin, to develop and market phenobarbital and belladonna alkaloids elixir products that would directly compete with the Group's Donnatal® elixir products. On July 23, 2019, the California federal court denied the VeV motion to stay or dismiss the claim and ruled that the claim should be transferred to the courts in South Carolina where the Lazarus and Cameron claims are being heard. The Courts of South Carolina have since transferred the claim back to the courts in California. In October 2019, the VeV lawsuit was stayed, pending the trial in the Lazarus lawsuit.

On September 16, 2016, the Company announced that a bill was introduced in the U.K. House of Commons to amend and extend existing provisions of the National Health Service Act 2006 to enable the Secretary of State to help manage the cost of health service medicines. On April 27, 2017, the U.K. government accorded Royal Assent to the Act. The Act introduces provisions in connection with controlling the cost of health service medicines and other medical supplies. The Act also introduces provisions in connection with the provision of pricing and other information by manufacturers, distributors and suppliers of those medicines and medical supplies. On July 1, 2018, the Department of Health issued regulations relating to the provision of routine and non-routine information. These regulations require manufacturers and wholesalers to provide information relating to sales volumes and average selling prices on a quarterly basis, as well as provide the Department of Health the power to access information relating to costs and inventory holdings on a non-routine basis. The Group has historically provided volume and average selling price data on many of its products, and has continued to do so in accordance with the information regulations issued by the Department of Health on July 1, 2018. Whilst to date, the Group have seen no material adverse impact, the Group continues to monitor the implementation of the Act. In June 2019, as part of the wider review of costs, the Department of Health announced that it intends to issue a consultation on Community Pharmacy Reimbursement Reform, additionally the Department of Health is consulting with the industry on how it intends to utilize any new powers to control the cost of any health service medicines and other supplies. While the full effects and implementation of the Act and these consultations are unknown at this time, the Act could impose certain risks and uncertainties on the Group's operations and cash flows. In addition, although the Group currently believes that the provision of pricing and other information regulations under the Act do not at this time materially adversely affect the Group, the impact on the Group's business will not be known until such time that the regulations are fully implemented and enforced.

On December 12, 2019, a putative securities class action complaint was filed against Correvio and certain of its past officers (collectively the "Defendants") in the United States District Court for the Southern District of New York. The Court appointed co-lead plaintiffs on February 25, 2020. The complaint purports to be on behalf of investors who purchased or otherwise acquired Correvio securities during the period October 23, 2018 to December 5, 2019, inclusive (the "Class Period"), and were damaged thereby. The complaint alleges, among other things, that Correvio made materially false and misleading statements and omissions regarding Correvio's business, operational and compliance policies. Specifically, the complaint alleges that Correvio made false and/or misleading statements and/or failed to disclose that data supporting the resubmitted New Drug Application ("NDA") for Brinavess® did not minimize the significant health and safety issues observed in connection with the drug's original NDA and that the foregoing substantially diminished the likelihood that the U.S. Food and Drug Administration would approve the Correvio resubmitted NDA, which purportedly artificially inflated the market value of Correvio's securities. On July 13, 2020, a tentative agreement was reached to settle all claims. A stipulation and agreement of settlement was agreed to and filed with the Court on September 2, 2020. On November 9, 2020, the Court issued an order in respect of the motion for the

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preliminary approval of settlement. The order sets out that a fairness hearing shall be conducted on May 14, 2021. Payment of the settlement funds was made on or before December 18, 2020 in escrow as required by the order. Correvio's contribution to the settlement amounts was limited to the retention of \$1.5 million which is accounted under accrued liabilities in the consolidated balance sheet, with any remainder to be funded by Correvio's insurance carrier. The settlements are made without any admission or finding of liability and will provide a full release of Correvio and the other named defendants in connection with the allegations in the lawsuit.

The Company's Correvio division has license and research agreements with third parties that include indemnification provisions that are customary in the industry. These indemnification provisions generally require the Company to compensate the other party for certain damages and costs incurred as a result of third-party claims or damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is unlimited. These indemnification provisions may survive termination of the underlying agreement. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in the accompanying condensed interim consolidated financial statements with respect to these indemnification obligations.

The Company's Correvio division has been involved since December 13, 2019 in an arbitration claim in the Hong Kong Arbitration Centre against one of its former distributors in China, in respect of certain alleged contractual breaches. On April 29, 2020, the distributor provided its Statement of Defense and Counter Claims in which it denied that it breached its agreement with Correvio and asserts certain counter claims alleging that Correvio breached its contract with the distributor. The disclosure and response process took place during the second and third quarter of 2020. On November 20, 2020, the Company filed its reply to the Defense and Counter Claims and on March 2, 2021, the distributor filed its rejoinder. The evidentiary hearing is currently scheduled for the second quarter of 2021. The Company believes in the strength of its claims against the distributor and in the absence of merit to the distributor's counter claims and intends to vigorously assert its rights and defenses.

18. Financial Risk Management

The Group's activities expose it to certain financial risks, including currency risk, interest rate risk, credit risk and liquidity risk.

Currency Risk

The Group operates primarily in USD, GBP, EUR and CHF. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The table below shows the extent to which the Group has net monetary assets (liabilities), excluding long-term debt, in currencies other than the functional currency of the respective entity within the Group.

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As at	Dec 31, 2020	Dec 31, 2019
(Amounts in USD)		
United States Dollars	38,208	58,728
Euro	7,845	19,318
Australian Dollars	5,832	35
Pound Sterling	3,941	145
South African Rand	3,616	4,011
New Zealand Dollars	2,269	1,572
Canadian Dollars	2,242	1,099
Papua New Guinea	—	2,035
Others	4,992	5,397
Total	68,945	92,340

During the fourth quarter of 2020, the Company has revised the presentation of its currency risk to reflect the sensitivity of changes in the foreign exchange rates to profit or loss and equity as well. The 2019 information has been amended to be consistent with the information presented in the current year.

Sensitivity

The sensitivity of profit or loss to changes in exchange rates arises mainly from the currencies disclosed above. The following table analyses the Group's sensitivity of profit or loss to increase / decrease in the exchange rates of these currencies against Group's reporting currency.

As at	Increase / Decrease	Impact on statement of income or loss	
		Dec 31, 2020	Dec 31, 2019
(Amounts in USD)			
United States Dollars	Increase by 5%*	1,938	2,962
United States Dollars	Decrease by 5%*	(1,883)	(2,913)
Euro	Increase by 5%*	403	941
Euro	Decrease by 5%*	(382)	(1,003)
Australian Dollars	Increase by 5%*	291	2
Australian Dollars	Decrease by 5%*	(291)	(2)
Pound Sterling	Increase by 5%*	197	(31)
Pound Sterling	Decrease by 5%*	(197)	31
South African Rand	Increase by 5%*	178	201
South African Rand	Decrease by 5%*	(184)	(202)
New Zealand Dollars	Increase by 5%*	113	77
New Zealand Dollars	Decrease by 5%*	(114)	(81)
Canadian Dollars	Increase by 5%*	112	55
Canadian Dollars	Decrease by 5%*	(112)	(55)

*Holding all other variables constant

The sensitivity on equity to changes in exchange rates arises primarily from Pound Sterling. The following table analyses the Group's sensitivity of other components of equity to increase / decrease in the exchange rate of this currency against Group's reporting currency.

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As at (Amounts in USD)	Increase / Decrease	Impact on other components of equity	
		Dec 31, 2020	Dec 31, 2019
Pound sterling	Increase by 5%*	68,258	51,381
Pound sterling	Decrease by 5%*	(68,258)	(51,381)

*Holding all other variables constant

Unrealized foreign exchange loss (gain)

Unrealized foreign exchange loss for the year ended December 31, 2020 was \$32,998 (2019 - gain of \$24,677). The primary component of the unrealized foreign exchange loss for the year is the recognition of unrealized foreign exchange losses on EUR Term Loan as a result of USD weakening against EUR, combined with the recognition of unrealized foreign exchange gain (loss) on inter-company balances and working capital movements.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The long-term debt which bears interest at floating rates is subject to interest rate cash flow risk resulting from market fluctuations in interest rates. Certain long-term debt bear interest at a fixed rate of interest, and as such are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. A 1% appreciation (depreciation) in the interest rate would result in the following:

For the year ended	2020	2019
Impact of a 1% increase in USD LIBOR interest rates for long-term debt on net income (loss)	(7,861)	(8,003)
Impact of a 1% decrease in USD LIBOR interest rates for long-term debt on net income (loss)	2,032	8,003
Impact of a 1% increase in interest rates above EURIBOR floor for long-term debt on net income (loss)	(2,493)	(2,593)

Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that potentially expose the Group to significant concentrations of credit risk consist of cash and cash equivalents, accounts receivables, and other receivables. The Group's investment policies are designed to mitigate the possibility of deterioration of principal, enhance the Group's ability to meet its liquidity needs and provide high returns within those parameters. The Group monitors the collectability of accounts receivable and estimates a loss allowance. As at December 31, 2020, the loss allowance was \$1,356 (2019 – \$920).

Concentrations of credit risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk primarily consist of accounts receivable.

The Group evaluates the recoverability of its accounts receivable on an on-going basis. As of December 31, 2020 the Group's single largest U.S. wholesale customer accounts for approximately 15% or \$17 million of net trade receivables and 20% or \$108 million of total revenue for the twelve months ended December 31, 2020. The Group does not consider there to be additional concentration risk within ADVANZ PHARMA International.

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Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial liability obligations as they become due. The Group has a planning and budgeting process in place to determine funds required to support the Group's normal operating requirements on an ongoing basis. Since inception, the Group has financed its cash requirements primarily through issuances of securities, short-term borrowings and issuances of long-term debt. The Group controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing.

The Group's primary source of liquidity is cash on hand and cash flows from operations not used for financing activities. In order to finance future acquisitions, the Group may consider combinations of debt and equity along with surplus cash on hand depending on the size of the acquisitions. Many factors, including, but not limited to, general market conditions, debt levels and credit ratings, could impact the Group's ability to issue securities and raise new debt on acceptable terms. The Group's management team have assessed the impact of two recently completed acquisitions, including the costs of integration and other payment obligations, and COVID-19 on the Group's liquidity and believe that the cash on hand and the cash flows expected to be generated from operations will provide sufficient liquidity to support the Group's ongoing business and financing cash flow requirements for at least, but not limited to the next 12 months.

At present, the Company has not identified any material continuity-risks specifically associated with COVID-19, but continues to monitor the situation carefully, working with governments and all relevant bodies to ensure that our patients are able to continue to access vital medicines at this time. The Company also continues to monitor the collectability of its receivables, and has noted no significant change in the expected recoverability.

The following tables summarize the Group's significant contractual maturities (on an undiscounted cash flow basis) as at December 31, 2020 and December 31, 2019:

As at	Dec 31, 2020						
Financial Instruments	< 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	Thereafter	Total
Trade payables and accrued liabilities	139,556	—	—	—	—	—	139,556
Returns, chargebacks, rebates and other revenue accruals (Note 11)	7,881	2,152	10,821	—	—	—	20,854
Long-term debt	5,364	5,364	10,727	21,455	1,281,526	—	1,324,436
Interest on long-term debt	29,134	28,579	45,259	88,923	153,901	—	345,796
Lease liabilities	870	835	1,469	2,717	4,033	—	9,924
Assumed contingent obligation ⁽¹⁾	—	—	614	614	10,921	4,000	16,149
Royalties payable	750	750	1,500	750	—	—	3,750
	183,555	37,680	70,390	114,459	1,450,381	4,000	1,860,465

(1) The timing of payment of assumed contingent obligations is based on Management's best estimate and is subject to change on achievement of milestones.

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As at	Dec 31, 2019						
Financial Instruments	< 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	Thereafter	Total
Trade payables and accrued liabilities	96,924	—	—	—	—	—	96,924
Returns, chargebacks, rebates and other revenue accruals (Note 11)	12,067	233	5,093	—	—	—	17,393
Long-term debt	5,247	5,247	10,493	20,987	1,281,104	—	1,323,078
Interest on long-term debt	15,438	30,425	48,968	96,187	256,820	—	447,838
Lease liabilities	926	684	1,370	2,385	6,739	3,476	15,580
Royalties payable	750	750	1,500	3,000	—	—	6,000
	131,352	37,339	67,424	122,559	1,544,663	3,476	1,906,813

19. Financial Instruments – Fair Value Estimation

Accounting classifications and fair values

The fair value of a financial asset or liability is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For the financial assets and liabilities of the Group, the fair values have been estimated as described below:

Cash and cash equivalents	- approximates to the carrying amount;
Long-term debt	- based on quoted price, or by reference to observable quoted prices for similar long-term debt; and
Receivables and payables	- approximates to the carrying amount

There are no significant financial assets or liabilities that are measured at fair value as at December 31, 2020 and December 31, 2019.

Measurement of fair values

There were no transfers between Level 2 and Level 3 during the year.

20. Capital Management

The Group's capital management objectives are to safeguard its ability to provide returns for shareholders and benefits for other stakeholders, by ensuring it has sufficient cash resources to fund its activities, to pursue its commercialization efforts and to maintain its ongoing operations. The Group includes long-term debt and shareholders' equity (deficit) in the definition of capital.

The below table sets forth the Company's capital structure:

As at	Dec 31, 2020	Dec 31, 2019
Long-term debt (Note 13)	1,324,436	1,323,078
Shareholders' Equity	7,586	15,114
	1,332,022	1,338,192

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21. Segmented Reporting

Operating Segments

The Group has two reportable operating segments: ADVANZ PHARMA International and ADVANZ PHARMA North America, as well as a Corporate cost centre, which is not a reportable segment. A brief description of each is as follows:

ADVANZ PHARMA International

The ADVANZ PHARMA International segment consists of a diversified portfolio of branded and generic products that are sold to wholesalers, hospitals and pharmacies in over 90 countries. The ADVANZ PHARMA International segment specializes in the acquisition, licensing and development of off-patent prescription medicines, which may be niche, hard to make products. The segment's over 200 products are manufactured and sold through an out-sourced manufacturing network and marketed internationally through a combination of direct sales and local distribution relationships. During the second quarter of 2020, the Company completed two acquisitions (one asset acquisition and one business combination) as disclosed within Note 4, the results of these acquisitions, since the acquisition date, are primarily included within the ADVANZ PHARMA International segment. ADVANZ PHARMA International operates primarily outside of the North American marketplace.

ADVANZ PHARMA North America

The ADVANZ PHARMA North America segment has a diversified product portfolio that focuses primarily on the U.S. pharmaceutical market. These products include, but are not limited to, Donnatal® for the treatment of irritable bowel syndrome; Zonegran® for the treatment of partial seizures in adults with epilepsy; Nilandron® for the treatment of metastatic prostate cancer; Lanoxin® for the treatment of mild to moderate heart failure and atrial fibrillation; Plaquenil® for the treatment of lupus and rheumatoid arthritis; and Photofrin® for the treatment of certain types of cancer. ADVANZ PHARMA North America's product portfolio consists of branded products and authorized generic contracts. The segment's products are manufactured through an out-sourced production network and sold primarily through a third party distribution network in the U.S.

Corporate

The corporate cost centre represents certain centralized costs including those costs associated with being a public reporting entity.

The chief operating decision maker uses revenue and a measure of adjusted earnings before interest, tax, depreciation and amortization ("AEBITDA") to assess the performance of the operating segments. AEBITDA is defined as net income (loss) adjusted for interest and accretion expense, interest income, income taxes, depreciation and amortization of intangible assets, certain charges including costs associated with acquisitions, restructuring initiatives, and other costs (which includes onerous contract costs and direct costs associated with contractual terminations), management retention costs, non-operating gains / losses, integration costs, legal settlements (net of insurance recoveries) and related legal costs, non-cash items such as unrealized gains / losses on derivative instruments, share based compensation expense / recovery, fair value changes including purchase consideration and derivative financial instruments, asset impairments, fair value increases to inventory arising from purchased inventory from a business combination, gains / losses from the sale of assets and unrealized gains / losses related to foreign exchange.

During the fourth quarter of 2020, the Company has revised the presentation of its segment results to reflect AEBITDA as a key performance measure. The 2019 segment information has been amended to be consistent with the information presented in the current year.

The following tables set forth AEBITDA along with its reconciliation to operating loss, total assets and total liabilities by reportable operating segment for the years ended and as at December 31, 2020 and 2019.

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	ADVANZ PHARMA International	ADVANZ PHARMA North America	Corporate	Year ended Dec 31, 2020
Revenue	405,395	120,189	—	525,584
Cost of sales	170,272	22,063	—	192,335
Add: Inventory fair value adjustment	3,929	—	—	3,929
Adjusted Gross Profit ⁽¹⁾	239,052	98,126	—	337,178
General and administrative	22,744	3,042	9,738	35,524
Selling and marketing	31,003	5,046	—	36,049
Research and development	27,124	5,926	—	33,050
AEBITDA	158,181	84,112	(9,738)	232,555
AEBITDA reconciles to operating loss as follows:				
Other expense:				
Acquisition related, restructuring and other	24,280	179	5,550	30,009
Share-based compensation expense	—	—	3,307	3,307
Amortization of intangible assets	148,659	43,525	—	192,184
Impairments	5,073	—	—	5,073
Depreciation expense	3,040	322	—	3,362
Inventory fair value adjustment	3,929	—	—	3,929
Operating loss for the year	(26,800)	40,086	(18,595)	(5,309)

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	ADVANZ PHARMA International	ADVANZ PHARMA North America	Corporate	Year ended Dec 31, 2019
Revenue	378,792	129,529	—	508,321
Cost of sales	144,604	26,905	—	171,509
Adjusted Gross profit ⁽¹⁾	234,188	102,624	—	336,812
General and administrative	19,031	7,631	12,935	39,597
Selling and marketing	25,444	9,069	—	34,513
Research and development	21,508	7,613	—	29,121
AEBITDA	168,205	78,311	(12,935)	233,581
AEBITDA reconciles to operating loss as follows:				
Other expense:				
Acquisition related, restructuring and other	15,648	9,393	8,800	33,841
Share-based compensation expense	—	—	3,943	3,943
Amortization of intangible assets	150,295	54,018	36	204,349
Impairments	10,120	119,161	—	129,281
Depreciation expense	1,979	150	72	2,201
Operating loss for the year	(9,837)	(104,411)	(25,786)	(140,034)

Notes:

(1) Adjusted Gross Profit is defined as gross profit adjusted for non-cash fair value increases to the cost of acquired inventory from a business combination. As this inventory is sold, the fair value adjustment represents a non-cash cost of sale amount that has been excluded in adjusted gross profit in order to normalize gross profit for this non-cash component.

Geographic Information

The Company has major operations in the U.K., the U.S., and Europe. During the third quarter of 2019, the Group transferred various assets between Group companies at fair value and operations from Barbados to Ireland and India.

During the second quarter of 2020, the Company has revised the presentation of geographical revenue to reflect the customer location and therefore reclassified comparative information.

The following table sets forth revenue by geographic location based on contracted entity (excluding inter-company transactions):

ADVANZ PHARMA Corp. Limited

Notes to Consolidated Financial Statements

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

For the year ended	Dec 31, 2020				
	United States	United Kingdom & Ireland	Europe	All other countries ⁽¹⁾	Total
Revenue	120,189	221,392	105,948	78,055	525,584

For the year ended	Dec 31, 2019				
	United States	United Kingdom & Ireland	Europe	All other countries ⁽¹⁾	Total
Revenue	129,529	228,706	72,932	77,154	508,321

Notes:

(1) All other countries is comprised primarily of Australia, South Africa and Middle East.

Product Revenue by Category

ADVANZ PHARMA International

For the year ended	Dec 31, 2020	Dec 31, 2019
Branded	240,546	201,294
Generics	164,849	177,498
Total	405,395	378,792

ADVANZ PHARMA North America

For the year ended	Dec 31, 2020	Dec 31, 2019
Branded	103,747	115,262
Authorized Generics and other	16,442	14,267
Total	120,189	129,529

ADVANZ PHARMA Corp. Limited

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(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

The following table sets forth assets and liabilities by geographic location (excluding inter-company balances and investments in subsidiaries):

As at	Dec 31, 2020					
	Jersey ⁽²⁾	United States	United Kingdom	Ireland	All other countries ⁽¹⁾	Total
Current assets	58,900	7,039	93,402	239,738	50,454	449,533
Non-current assets	—	12,293	1,112,875	306	5,978	1,131,452
Total assets	58,900	19,332	1,206,277	240,044	56,432	1,580,985
Current liabilities	45,910	729	39,928	106,483	17,068	210,118
Non-current liabilities	1,302,981	633	54,467	1,510	3,690	1,363,281
Total liabilities	1,348,891	1,362	94,395	107,993	20,758	1,573,399

As at	Dec 31, 2019					
	Canada	United States	United Kingdom & Jersey	Ireland	All other countries ⁽¹⁾	Total
Current assets	19,022	9,315	217,138	180,620	43,687	469,782
Non-current assets	—	13,480	1,054,510	19,641	35,597	1,123,228
Total assets	19,022	22,795	1,271,648	200,261	79,284	1,593,010
Current liabilities	34,249	1,956	88,777	62,304	14,717	202,003
Non-current liabilities	1,302,091	58	59,871	5,712	8,161	1,375,893
Total liabilities	1,336,340	2,014	148,648	68,016	22,878	1,577,896

Notes:

(1) All other countries is comprised primarily of Australia, India, Netherlands, Sweden and Switzerland.

(2) On January 1, 2020, the Company changed domicile from Canada to Jersey, Channel Islands. Refer to Note 1 for further details.

22. Related Party Transactions

(a) Compensation of Directors and Key Management

Compensation consisting of salaries, performance and retention bonuses, other benefits, severance and director fees to key management personnel and directors for the year ended December 31, 2020 amounted to \$6,170 (2019 - \$5,209).

Share based compensation expense recorded for key management and directors, for the year ended December 31, 2020 amounted to \$2,570 (2019 - \$2,675).

(b) Recapitalization Transaction

As a result of the Company's recapitalization transaction, which was implemented on September 6, 2018 pursuant to a plan of arrangement under the CBCA, investment funds for which GSO Capital Partners LP or its affiliates acts as investment manager, advisor or sub-advisor ("GSO") and investment funds for which Solus Alternative Asset Management LP or its affiliates acts as investment manager, advisor or sub-advisor

ADVANZ PHARMA Corp. Limited

Notes to Consolidated Financial Statements

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

("Solus"), are now considered to be related parties in accordance with IFRS and also hold a portion of the Group's long-term debt.

(c) Fees Paid for Consulting Services to a Firm Affiliated with a Director

During the year ended December 31, 2020, consulting firms affiliated with member of the Board of the Company provided consulting services to the Company in relation to potential acquisitions. Consulting fees paid or payable to the firms affiliated with the directors for the year ended December 31, 2020 amounted to \$157 (2019 - \$246), which represented the market value of the transactions. As at December 31, 2020, \$49 (2019 - \$92) was outstanding.

23. Nature of expenses

The nature of expenses included in cost of sales and operating expenses are as follows:

For the year ended	Dec 31, 2020	Dec 31, 2019
Production, manufacturing and distribution costs	192,335	171,509
Salaries, bonus and benefits	55,483	41,518
Sales and marketing expenses	17,837	20,320
Research and development expenses	18,672	17,697
Share-based compensation expense	3,307	3,943
Amortization and depreciation	195,546	206,550
Impairments	5,073	129,281
Professional fees including those related to restructuring costs	29,613	45,282
Travel expenses	1,176	3,076
Other expenses	11,851	9,179
Total	530,893	648,355

Acquisition related, restructuring and other costs for the year ended December 31, 2020 was \$30,009. The expense is primarily due to: (i) \$16,162 related to internal restructuring and integration; (ii) \$5,544 of transaction costs in assessing potential acquisitions; (iii) \$3,299 cost incurred in connection with formal sale process; and (iv) \$3,289 of costs related to ongoing regulatory matters in connection with the CMA investigations (refer to Note 17 for further details).

Acquisition related, restructuring and other costs for the year ended December 31, 2019 was \$33,841. The significant expenses include: (i) \$8,615 related to internal restructuring and integration, including costs for closure of Barbados operations; (ii) \$8,279 of costs related to ongoing regulatory matters in connection with the CMA investigations (refer to Note 17 for further details); (iii) \$7,500 due to the Company recording an onerous contract cost related to the remaining royalties payable on Ulesfia; and (iv) \$4,859 of transaction costs in assessing potential acquisitions.

ADVANZ PHARMA Corp. Limited

Notes to Consolidated Financial Statements

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

24. Non-cash working capital

Changes in non-cash working capital is comprised of:

For the year ended	Dec 31, 2020	Dec 31, 2019
Accounts receivable	10,290	4,917
Inventory	(43,956)	3,194
Prepaid expenses and other current assets	(5,708)	2,318
Trade payable and accrued liabilities	6,376	6,991
Other current liabilities	3,590	(8,695)
Other liabilities	(2,854)	2,698
Changes in non-cash working capital	(32,262)	11,423

25. Subsequent events

(a) Formal Sale Process

On October 23, 2020, the Group announced that it had received preliminary approaches from, and was in initial discussions with third parties who had indicated that they were interested in acquiring some or all of the shares in the Group.

On January 27, 2021, the Group further announced that it has reached an agreement on the terms of a cash offer, to be made by a subsidiary of Nordic Capital, a leading healthcare private equity investor, pursuant to which Nordic Capital will acquire the entire issued and to-be-issued limited voting share capital of the Company.

Under the terms of the proposed acquisition, each existing shareholder of the Company will be entitled to received \$17.26 in cash (the “**Cash Offer**”) in respect of each share of the Company. The acquisition values the entire issued and to-be-issued limited voting share capital of the Company at approximately \$846 million.

As an alternative to the Cash Offer, eligible shareholders of the Company may elect for the alternative offer pursuant to which they would receive unlisted shares for each share of the Company, which will be issued upon, or shortly following, the agreement becoming effective, which is expected to be completed in the second quarter of 2021.

(b) Acquisition of Global Rights to Cyclophosphamide tabs 50mg

On January 29, 2021, the Company through an indirect wholly owned subsidiary acquired the global rights to Cyclophosphamide 50mg tabs from Zenex Pharmaceuticals Pty Ltd. The total purchase price was AUD \$8,500, with AUD \$2,000 of this amount due on grant of marketing authorization in New Zealand.