Unaudited Condensed Interim Consolidated Financial Statements of

ADVANZ PHARMA Corp. Limited

March 31, 2021

Table of Contents

ADVANZ PHARMA Corp. Limited

Condensed Interim Consolidated Balance Sheet

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

As at	Mar 31, 2021 (unaudited)	Dec 31, 2020 (audited)
Assets		
Current		
Cash and cash equivalents	135,140	160,186
Restricted cash	4,166	6,175
Accounts receivable (Note 5)	120,543	115,435
Inventory (Note 6)	135,297	133,126
Prepaid expenses	6,327	6,864
Income taxes recoverable (Note 12)	5,091	3,673
Other current assets (Note 7)	9,191	24,074
	415,755	449,533
Non-current		
Intangible assets (Note 8)	833,042	867,140
Goodwill (Note 9)	256,046	254,174
Tangible assets	1,940	2,000
Right-of-use assets	5,760	6,836
Deferred income tax assets (Note 12)	1,289	1,302
Total Assets	1,513,832	1,580,985
Liabilities		
Current		
Trade payables, accrued liabilities and interest payable (Note 10)	126,694	161,619
Other current liabilities (Note 11)	16,579	20,854
Income taxes payable (Note 12)	5,819	3,954
Current portion of long-term debt (Note 13)	21,215	21,455
Current portion of lease liabilities (Note 13)	1,979	2,236
Purchase consideration payable (Note 4)	1,534	—
	173,820	210,118
Non-current		
Long-term debt (Note 13)	1,286,476	1,302,981
Lease liabilities (Note 13)	4,727	5,584
Assumed contingent obligation	706	5,100
Deferred income tax liabilities (Note 12)	42,107	48,581
Other liabilities	991	1,035
Total Liabilities	1,508,827	1,573,399
Shareholders' Equity		
Share capital (Note 14)	1,915,000	1,915,000
Contributed surplus	63,623	62,528
Accumulated other comprehensive loss	(201,846)	(213,413)
Deficit	(1,771,772)	(1,756,529)
Total Shareholders' Equity	5,005	7,586
Total Liabilities and Shareholders' Equity	1,513,832	1,580,985

Approved and authorized for issue by the Board of Directors on May 13, 2021.

Elmar Schnee''	**Graeme Duncan''**
Director (Signed)	Director (Signed)

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

ADVANZ PHARMA Corp. Limited

Unaudited Condensed Interim Consolidated Statements of Income (Loss)

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

	Three months ended	
	Mar 31, 2021	**Mar 31, 2020**
Revenue (Notes 11 and 21)	136,109	129,992
Cost of sales (Notes 6 and 23)	52,659	43,350
Gross profit	83,450	86,642
Operating expenses (Note 23)		
General and administrative	10,578	7,486
Selling and marketing	10,507	7,817
Research and development	8,247	7,850
Acquisition related, restructuring and other (Note 23)	9,579	4,266
Share-based compensation expense (Note 16)	1,095	724
Amortization of intangible assets (Note 8)	41,146	47,171
Impairments (Note 8)	7,100	—
Depreciation expense	748	724
Total operating expenses	89,000	76,038
Operating income for the period	(5,550)	10,604
Finance income and expense		
Interest and accretion expense (Note 13)	24,953	27,552
Interest income	(443)	(504)
Foreign exchange loss	1,191	245
Unrealized foreign exchange gain (Note 18)	(8,349)	(12,106)
Change in assumed contingent obligation (Note 8)	(4,438)	—
Loss before tax for the period	(18,464)	(4,583)
Income taxes (Note 12)		
Current tax expense	3,703	4,000
Deferred tax (recovery) expense	(6,924)	103
Net loss for the period	(15,243)	(8,686)
Loss per share (Note 15)		
Basic loss per share	(0.31)	(0.18)
Diluted loss per share	(0.31)	(0.18)

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

ADVANZ PHARMA Corp. Limited

Unaudited Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

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

	Three months ended	
	Mar 31, 2021	**Mar 31, 2020**
Net loss for the period	(15,243)	(8,686)
Other comprehensive income (loss), net of tax		
Amounts that will be reclassified to net income (loss)		
Cumulative translation adjustment	11,567	(61,867)
Other comprehensive income (loss) for the period, net of tax	11,567	(61,867)
Total comprehensive loss for the period	(3,676)	(70,553)

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

ADVANZ PHARMA Corp. Limited

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

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

	Share Capital					
	Number of Shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity (Deficit)
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)	—	—	724	—	—	724
Net loss for the period	—	—	—	—	(8,686)	(8,686)
Cumulative translation adjustment	—	—	—	(61,867)	—	(61,867)
Balances, March 31, 2020	48,913,490	1,915,000	59,945	(339,303)	(1,690,357)	(54,715)
Balances, January 1, 2021	48,913,490	1,915,000	62,528	(213,413)	(1,756,529)	7,586
Share-based compensation expense (Note 16)	—	—	1,095	—	—	1,095
Net loss for the period	—	—	—	—	(15,243)	(15,243)
Cumulative translation adjustment	—	—	—	11,567	—	11,567
Balances, March 31, 2021	48,913,490	1,915,000	63,623	(201,846)	(1,771,772)	5,005

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

ADVANZ PHARMA Corp. Limited

Unaudited Condensed Interim Consolidated Statements of Cash Flows

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

	Three months ended	
	Mar 31, 2021	**Mar 31, 2020**
Cash flows from (used in) operating activities		
Net loss for the period	(15,243)	(8,686)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Interest and accretion expense (Note 13)	24,953	27,552
Interest income	(443)	(504)
Depreciation and amortization (Note 8)	41,894	47,895
Share-based compensation expense (Note 16)	1,095	724
Impairments (Note 8)	7,100	—
Income tax (recovery) expense	(3,221)	4,103
Change in assumed contingent obligation (Note 8)	(4,438)	—
Unrealized foreign exchange gain (Note 18)	(8,349)	(12,106)
Income taxes paid	(4,325)	(6,929)
Income tax refunds	657	—
Decrease in restricted cash	1,885	—
Other non-cash items	5,531	(3,903)
Changes in non-cash working capital (Note 24)	(33,961)	(1,976)
Net cash flows from operating activities	13,135	46,170
Cash flows from (used in) investing activities		
Purchase consideration paid (Note 4)	(5,047)	—
Purchase of fixed assets and capitalized development costs (Note 8)	(443)	(1,198)
Interest earned	443	504
Net cash flows used in investing activities	(5,047)	(694)
Cash flows from (used in) financing activities		
Repayment of long-term debt (Note 13)	(5,309)	(5,214)
Repayment of lease liabilities (Note 13)	(593)	(824)
Interest on lease liabilities	(199)	(229)
Interest paid (Note 13)	(24,410)	(18,427)
Net cash flows used in financing activities	(30,511)	(24,694)
Net change in cash and cash equivalents	(22,423)	20,782
Effects of exchange rate changes on cash and cash equivalents	(2,623)	(15,429)
Cash and cash equivalents, beginning of period	160,186	261,138
Cash and cash equivalents, end of period	135,140	266,491

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

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.

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. 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.

These condensed interim 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 ™ 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 condensed interim consolidated financial statements are the property of their respective owners.

2. Significant Accounting Policies

(a) Basis of Presentation

These condensed interim consolidated financial statements for the three month period ended March 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"), applicable to the preparation of interim financial statements including IAS 34, "Interim Financial Reporting". The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for financial instruments that are measured at fair value. These condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with ADVANZ PHARMA's annual consolidated financial statements as at and for the year ended December 31, 2020.

The condensed interim consolidated financial statements have been prepared in accordance with the accounting policies as set out in ADVANZ PHARMA's annual consolidated financial statements as at and for the year ended December 31, 2020, prepared in accordance with IFRS. The presentation of these condensed interim consolidated financial statements is consistent with the presentation of the annual consolidated financial statements.

The condensed interim 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 three month ended March 31, 2021, the Company has experienced the impact of COVID-19 with sales teams being unable to travel and hospitals reducing certain procedures being performed. 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, which would trigger a change of control provision in the Company existing debt agreements. 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 in an aggregate euro-equivalent amount equal to $1.6 billion. The amounts under the senior secured notes have been funded into escrow. As a result, and further supported by future financing cash outflows associated with the senior secured notes being lower than the existing debt, Management has concluded the acquisition does not change its assessment that the Company will continue as a going concern.

Taking this 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 condensed interim consolidated financial statements have been presented in United States ("**U.S.**") dollars (together, "**USD**"), which is also the Company's functional currency.

(b) 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.

(c) Recent Accounting Pronouncements

Recent accounting pronouncements 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**") 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 did not have a material impact on our condensed interim consolidated financial statements.

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

The preparation of the condensed interim consolidated financial statements requires the Company 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.

In preparing these condensed interim consolidated financial statements, the significant judgments made by the Company in applying the group policies and the key sources of estimation uncertainty were the same as those applied to the consolidated annual financial statements as at and for the year ended December 31, 2020.

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

4. Acquisitions

Product Acquisition

2021

On January 29, 2021, the Company, through a wholly owned subsidiary, acquired the global rights to Cyclophosphamide 50mg tablets from Zenex Pharmaceuticals Pty Ltd for AUD 8.5 million ($6.5 million), of which AUD 6.5 million was paid on closing and AUD 2 million of this amount was due upon the grant of marketing authorization in New Zealand, which was paid in April 2021, 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 this product with effect from January 29, 2021 within revenue, cost of goods sold and operating expenses.

Business Combination

2020

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.

The revenue and profit of Correvio are included in the ADVANZ PHARMA International segment in Segment Reporting disclosure in Note 21.

The purchase price allocation for Correvio Acquisition was finalized during the first quarter of 2021 and there were no changes to the allocation which was considered for the annual consolidated financial statements for the year ended December 31, 2020.

5. Accounts Receivable

As at	Mar 31, 2021	Dec 31, 2020
Accounts receivable	121,776	116,791
Loss allowance	(1,233)	(1,356)
Total	120,543	115,435

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

As at	Mar 31, 2021	Dec 31, 2020
Past due 1 - 30 days	7,412	3,828
Past due 31 - 60 days	138	705
Past due 61 - 120 days	286	1,449
Past due more than 120 days	2,717	3,999
Total	10,553	9,981

Amounts past due represent accounts receivable past due based on the customer's contractual terms. The net amounts past due are approximately $11 million (2020 - $10 million), which is equivalent to 9% (2020 - 9%) of the net accounts receivable balance as at March 31, 2021. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, "Financial Instruments", which permits the use of

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

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	Mar 31, 2021	Dec 31, 2020
Finished goods	105,451	92,710
Raw materials	25,133	25,982
Work in process	34,402	42,202
Obsolescence reserve	(29,689)	(27,768)
Total	135,297	133,126

Inventory costs charged to cost of sales during the three month period ended March 31, 2021 was $48,238 (2020 - $38,412) which includes $1,457 (2020 - $nil) of non-cash fair value adjustments related to inventories acquired through the Correvio Acquisition. The Company increased its reserve for obsolete inventory by $1,921 during the three month period ended March 31, 2021.

7. Other Current Assets

As at	Mar 31, 2021	Dec 31, 2020
Advances to suppliers	5,755	8,169
Deposit with suppliers	3,316	15,208
Others	120	697
Total	9,191	24,074

8. Intangible Assets

	Acquired Product Rights and Manufacturing Processes	Intellectual Property	IPR&D	All Other Intangibles	Licensing Agreements	Total
Balances, January 1, 2021	812,214	19,170	12,122	1,214	22,420	867,140
Additions (Note 4)	6,531	—	314	51	—	6,896
Amortization	(39,881)	(776)	—	(92)	(397)	(41,146)
Impact of foreign exchange	6,704	160	195	2	191	7,252
Impairments	(2,884)	—	—	—	(4,216)	(7,100)
Balances, March 31, 2021	782,684	18,554	12,631	1,175	17,998	833,042

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

In the first quarter of 2021, 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, decreased demand 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 unaudited interim 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).

Summary of Impairments

During the three months ended March 31, 2021, the Group recorded impairment losses of $7,100 (2020 - nil) with respect to the acquired product rights, manufacturing processes and licensing agreements. Details of impairments are summarized below:

Impairments

ADVANZ PHARMA International

During the first quarter of 2021, the Group became aware that United Therapeutics Corporation ("**UTC**"), with whom the Group had a licensing agreement to commercialize Trevyent®, has unilaterally decided to discontinue its development. The Group is in discussion with UTC regarding this decision, and has recorded an impairment on the entire carrying value assigned to this licensing agreement. The total impairment recorded on the licensing agreement during the first quarter of 2021 was $4,216. The Group had also assumed a contingent obligation to make milestone payments related to Trevyent®, which was recognized as part of the Correvio Acquisition. In light of UTC's actions, the Group no longer expects to make these milestone payments, and hence recorded this reversal amounting to $4,438 in the statement of consolidated income (loss) for the period ended March 31, 2021 under finance income and expense.

ADVANZ PHARMA North America

In the first quarter of 2021, the Group determined that triggering events had occurred with respect to Kapvay® within the ADVANZ PHARMA North America segment. The triggering events included increased product competition, decreased demand and the Group developing recent forecasts, which resulted in a decrease to future revenue forecasts. 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 Kapvay® during the first quarter of 2021 was $2,884.

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.

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%**
Kapvay	162	(181)	(88)	78

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

9. Goodwill

	Total
Balance, January 1, 2021	254,174
Impact of foreign exchange	1,872
Balance, March 31, 2021	256,046

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

As described in Note 8, on discontinuation of development for Trevyent® by UTC, Management determined that there was a triggering event during the first quarter of 2021, that required an impairment test on the Correvio goodwill. Based on the impairment test performed, there was no impairment as the recoverable amount, which was based on value in use model, supports the cash generating unit carrying value of $80 million. The key assumptions and estimates used by Management in determining the recoverable amount using a value in use methodology, were related to estimated future cash flows including volume assumptions, post-tax discount rate of 10%, and assumed long-term growth rate of 0%.

The recoverable amount would decrease by $3.7 million, if the discount rate were to increase by 0.5%, and increase by $4.1 million, 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 $2.6 million and decrease by $2.3 million, respectively.

10. Trade Payables, Accrued Liabilities and Interest Payable

As at	Mar 31, 2021	Dec 31, 2020
Trade payables	18,106	48,113
Accrued liabilities	91,479	94,443
Interest payable on long-term debt	17,109	19,063
Total	126,694	161,619

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, 2021	3,736	14,770	1,877	471	20,854
Additions	6,503	2,284	2,667	546	12,000
Utilization / Releases	(5,972)	(7,400)	(2,361)	(542)	(16,275)
Balance, March 31, 2021	4,267	9,654	2,183	475	16,579

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. 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.

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

12. Income Taxes

There have been no significant changes to tax matters in connection with normal course operations during the reporting period subsequent to the filing of the Company's consolidated annual financial statements for the year ended December 31, 2020. Refer to Note 12 in the Company's consolidated annual financial statements for the year ended December 31, 2020 for a full description of the Company's tax matters.

The Group is subject to income tax in numerous jurisdictions with varying tax rates. On March 3, 2021, the UK 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 in the second quarter of 2021. Had this been enacted on March 31, 2021, the Group estimates that there would be a net increase in its deferred tax liabilities of $5.3 million.

Although statutory tax rates may not have changed significantly, 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.

The Company 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 reporting period in which the Company determines that realization is not in doubt. Where the final determined outcome is different from the Company's estimate, such difference will impact the Group's income taxes in the reporting period during which such determination is made.

13. Long-term Debt and Lease Liabilities

As at	Mar 31, 2021	Dec 31, 2020
Term Loans [(a)]		
- USD Term Loan	759,436	763,433
- EUR Term Loan	248,283	261,031
8% senior secured notes [(b)]	299,972	299,972
Total long-term debt	1,307,691	1,324,436
Less: current portion of long-term debt	(21,215)	(21,455)
Long-term portion	1,286,476	1,302,981

(a) The Company entered into a 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 three month period ended March 31, 2021 was $18,588 (2020 - $19,962).

(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

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

Notes require no payment of principal throughout their term. Interest on the Secured Notes is payable semi-annually on April 1 and October 1 of each year. Interest expense on the Secured Notes for the three month period ended March 31, 2021 was $5,999 (2020 - $5,999).

The fair value of long-term debt as at March 31, 2021 was $1.3 billion.

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

Balance, January 1, 2021	1,324,436
Repayments	(5,309)
Impact of foreign exchange	(11,436)
Balance, March 31, 2021	1,307,691

Interest and accretion expense

	Three months ended	
	Mar 31, 2021	**Mar 31, 2020**
Interest expense - Term Loans and Secured Notes	24,587	25,961
Interest expense on lease liabilities	199	229
Other interest	167	1,362
Interest and accretion expense	24,953	27,552

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

Balance, January 1, 2021	7,820
Repayments	(593)
Impact of foreign exchange	(521)
Balance, March 31, 2021	6,706

14. Share Capital

The authorized share capital of the Company as at March 31, 2021 consists of an unlimited number of limited voting shares, Class A special shares, Class B special shares and Class C special shares.

No Class C special shares have been issued.

15. Loss Per Share

The calculation of basic and diluted loss per share for the three month period ended March 31, 2021 was based on the information in the table below.

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

	Three months ended	
	Mar 31, 2021	**Mar 31, 2020**
Net loss for the period attributable to shareholders	(15,243)	(8,686)
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	(0.31)	(0.18)
Diluted loss per share	(0.31)	(0.18)

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 March 31, 2021 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 majority of the Group assets. An exchange rights agreement provides for mechanisms that can attribute the value of assets held outside of the 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.

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 Company has accounted for the issued MIP Shares on the basis that they will be equity settled, after evaluating alternatives that may require cash settlement. The MIP was valued at $10 million on September 7, 2018 using a Monte-Carlo simulation model in accordance with IFRS. 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 any dividends.

For the three month period ended March 31, 2021 the Group recorded share based compensation expense of $1,095 (2020: $724) related to the MIP Shares.

As at March 31, 2021, 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 $8,038 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 United Kingdom ("**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.

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.

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 8.

During the three month period ended March 31, 2021 the royalty expense was $96 (2020 - $150).

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 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 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, U.K. Competition and Markets Authority (**"CMA"**) has opened a number of investigations into the International segment of ADVANZ PHARMA. Nine investigations have been opened. Five 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 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 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 products: Liothyronine tablets, Carbimazole tablets and Fusidic Acid ointment. On February 15, 2018, and November 25, 2019, the 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 a number of further requests for information, as well as a third letter of facts issued on December 29, 2020, which the Company responded to in January 2021 and a fourth letter of facts issued on April 23, 2021, which the Company is in the process of responding to. 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 UK 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 UK 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. The CMA has since issued various requests for further information. 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. On January 22, 2021, the CMA issued a decision to close two of its three heads of claim against the Company in this investigation and in February 2021 the CMA issued a letter of facts (**"LOF"**) summarizing its revised case. The Company responded to the LOF on April 19, 2021. 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. On April 22, 2021, the CMA informed the Company that it was continuing its investigation but did not expect to take any further steps until the Autumn of 2021. 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. In March 2021, the Group filed motions for an entry of judgment under Federal Rule of Civil Procedure 54(b) and for a stay of Winder's counterclaims pending appeal. Winder is opposing both motions. The Court is expected to issue its decisions on the Federal Rule of Civil Procedure 54(b) motion and stay motion in the second quarter of 2021.

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 (**"Lazarus US Action"**). 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. On March 31, 2021, the Lazarus US Action (including the Kelley lawsuit noted below) and the three Ontario actions were settled and a confidential agreement for settlement was entered into by the Group and each of the defendants (including Blake Kelley) (the **"Lazarus Settlement Agreement"**). On April 13, 2021, a stipulation for dismissal was filed in US District Court for the District of South Carolina. On April 14, 2021, orders dismissing the three Ontario actions were filed in the Ontario Superior Court of Justice.

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 Trade Practice Act, civil conspiracy, and violation of the Computer Fraud and Abuse Act. The Kelley lawsuit has been consolidated with the Lazarus lawsuit. The Kelley lawsuit was settled on March 31, 2021 as part of the Lazarus Settlement Agreement.

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. The stay in the VeV lawsuit is no longer in force as a result of the stipulation for dismissal filed on April 13, 2021 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 UK Health Service Medical Supplies (Costs) Act 2017 (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 U.K. Department of Health and Social Care (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 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 took place during April 2021 and a decision of the arbitration tribunal is awaited.

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.

The unaudited condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2020.

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.

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

As at (Amounts in USD)	Mar 31, 2021	Dec 31, 2020
United States Dollars	44,445	38,208
Euro	24,396	7,845
South African Rand	4,954	3,616
Pound Sterling	3,748	3,941
New Zealand Dollars	2,820	2,269
Canadian Dollars	2,164	2,242
Australian Dollars	1,586	5,832
Others	4,334	4,992
Total	88,447	68,945

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 increases or decreases in the exchange rates of these currencies against Group's reporting currency.

As at (Amounts in USD)	Increase / Decrease	Impact on statement of income or loss Mar 31, 2021
United States Dollars	Increase by 5%*	2,076
United States Dollars	Decrease by 5%*	(2,285)
Euro	Increase by 5%*	1,253
Euro	Decrease by 5%*	(1,359)
South African Rand	Increase by 5%*	236
South African Rand	Decrease by 5%*	(261)
Pound sterling	Increase by 5%*	249
Pound sterling	Decrease by 5%*	(220)
New Zealand Dollars	Increase by 5%*	135
New Zealand Dollars	Decrease by 5%*	(150)
Canadian Dollars	Increase by 5%*	98
Canadian Dollars	Decrease by 5%*	(108)
Australian Dollars	Increase by 5%*	76
Australian Dollars	Decrease by 5%*	(83)

*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 increases or decreases in the exchange rate of this currency against Group’s reporting currency.

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

As at (Amounts in USD)	Increase / Decrease	Impact on other components of equity Mar 31, 2021
Pound sterling	Increase by 5%*	68,831
Pound sterling	Decrease by 5%*	(68,831)

*Holding all other variables constant

Unrealized foreign exchange (gain) loss

Unrealized foreign exchange gain for the three month period ended March 31, 2021 was $8,349 (2020 - $12,106). The primary component of the unrealized foreign exchange gain in the three month period ended March 31, 2021 is the recognition of unrealized foreign exchange gain on the EUR Term Loan as a result of USD strengthening against EUR, combined with the recognition of unrealized foreign exchange gain (loss) on inter-company balances and working capital movements.

Interest Rate Risk

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 is 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:

	Three months ended	
	Mar 31, 2021	Mar 31, 2020
Impact of a 1% increase in USD LIBOR interest rates for long-term debt on net income (loss)	(1,909)	(1,970)
Impact of a 1% decrease in USD LIBOR interest rates for long-term debt on net income (loss)	—	1,770
Impact of a 1% increase in interest rates above EURIBOR floor for long-term debt on net income (loss)	(648)	(638)

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 loss allowance. As at March 31, 2021, the loss allowance was $1,233 (December 31, 2020 - $1,356).

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 March 31, 2021 the Group’s single largest U.S. wholesale customer accounted for approximately 17% or $20 million of net trade receivables and 16% or $21 million of total revenue for the three months ended March 31, 2021. The Group does not consider there to be additional concentration risk within ADVANZ PHARMA International.

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

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 on-going 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 obligations, COVID-19 and other payment obligations 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. Refer to Note 2 for Management's going concern assessment related to the proposed acquisition of the Company by Bidco.

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 March 31, 2021:

As at							**Mar 31, 2021**
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	106,585	—	—	—	—	—	106,585
Returns, chargebacks, rebates and other revenue accruals (Note 11)	8,012	2,172	6,395	—	—	—	16,579
Purchase consideration payable	1,534	—	—	—	—	—	1,534
Long-term debt	5,304	5,304	10,607	21,215	1,265,261	—	1,307,691
Interest on long-term debt	33,150	16,493	44,369	87,877	137,128	—	319,017
Lease liabilities	826	725	1,397	2,647	3,399	—	8,994
Assumed contingent obligation [(1)]	—	—	614	614	10,921	4,000	16,149
Royalties payable	750	750	1,500	—	—	—	3,000
	156,161	25,444	64,882	112,353	1,416,709	4,000	1,779,549

(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.

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

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 assets or liabilities that are measured at fair value as at March 31, 2021 and December 31, 2020.

Measurement of fair values

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

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	Mar 31, 2021	Dec 31, 2020
Long-term debt (Note 13)	1,307,691	1,324,436
Shareholders' Equity	5,005	7,586
	1,312,696	1,332,022

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

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. 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 first quarter of 2021, the Company completed an asset acquisition, as disclosed within Note 4. The results of this acquisition, since the acquisition date, are included within the ADVANZ PHARMA International segment. ADVANZ PHARMA International segment operates primarily outside of the North American marketplace.

ADVANZ PHARMA North America

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, change in assumed contingent obligation 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 2020 segment information has been amended to be consistent with the information presented in the current period.

The following tables set forth AEBITDA along with its reconciliation to operating loss, total assets and total liabilities by reportable operating segment for the three month period ended March 31, 2021 and 2020.

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

	ADVANZ PHARMA International	ADVANZ PHARMA North America	Corporate	**Three months ended Mar 31, 2021**
Revenue	110,372	25,737	—	136,109
Cost of sales	47,971	4,688	—	52,659
Add: Inventory fair value adjustment	1,457	—	—	1,457
Adjusted Gross Profit [(1)]	63,858	21,049	—	84,907
General and administrative	6,790	989	2,799	10,578
Selling and marketing	9,298	1,209	—	10,507
Research and development	7,122	1,125	—	8,247
AEBITDA	40,648	17,726	(2,799)	55,575
AEBITDA reconciles to operating income (loss) as follows:				
Other expense:				
Acquisition related, restructuring and other	2,244	100	7,235	9,579
Share-based compensation expense	—	—	1,095	1,095
Amortization of intangible assets	32,872	8,274	—	41,146
Impairments	4,216	2,884	—	7,100
Depreciation expense	667	81	—	748
Inventory fair value adjustment	1,457	—	—	1,457
Operating income (loss) for the period	(808)	6,387	(11,129)	(5,550)

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.

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

	ADVANZ PHARMA International	ADVANZ PHARMA North America	Corporate	**Three months ended Mar 31, 2020**
Revenue	96,925	33,067	—	129,992
Cost of sales	37,993	5,357	—	43,350
Adjusted Gross Profit [1]	58,932	27,710	—	86,642
General and administrative	4,249	535	2,702	7,486
Selling and marketing	6,620	1,197	—	7,817
Research and development	6,505	1,345	—	7,850
AEBITDA	41,558	24,633	(2,702)	63,489
AEBITDA reconciles to operating income (loss) as follows:				
Other expense:				
Acquisition related, restructuring and other	1,239	136	2,891	4,266
Share-based compensation expense	—	—	724	724
Amortization of intangible assets	36,763	10,408	—	47,171
Depreciation expense	644	80	—	724
Operating income (loss) for the period	2,912	14,009	(6,317)	10,604

Geographic Information

The Company has major operations in the U.K., the U.S., and Europe.

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):

For the three month period ended					**Mar 31, 2021**
	United States	United Kingdom & Ireland	Europe	All other countries [1]	**Total**
Revenue	25,737	56,223	30,466	23,683	136,109

For the three month period ended					**Mar 31, 2020**
	United States	United Kingdom & Ireland	Europe	All other countries [1]	Total
Revenue	33,067	58,425	17,635	20,865	129,992

Notes:

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

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

Product Revenue by Category

ADVANZ PHARMA International

	Three months ended	
	Mar 31, 2021	**Mar 31, 2020**
Branded	69,562	51,566
Generics	40,810	45,359
Total	110,372	96,925

ADVANZ PHARMA North America

	Three months ended	
	Mar 31, 2021	**Mar 31, 2020**
Branded	24,503	26,720
Authorized Generics and other	1,234	6,347
Total	25,737	33,067

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

As at						**Mar 31, 2021**
	Jersey	United States	United Kingdom	Ireland	All other countries [(1)]	**Total**
Current assets	43,707	8,113	85,244	222,513	56,178	415,755
Non-current assets	—	12,892	1,078,408	280	6,497	1,098,077
Total assets	43,707	21,005	1,163,652	222,793	62,675	1,513,832
Current liabilities	50,910	808	27,539	71,094	23,469	173,820
Non-current liabilities	1,286,476	633	43,534	222	4,142	1,335,007
Total liabilities	1,337,386	1,441	71,073	71,316	27,611	1,508,827

As at						**Dec 31, 2020**
	Jersey	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

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

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

22. Related Party Transactions

(a) Compensation of Directors and Key Management

Compensation consisting of salaries, performance bonuses, other bonuses related to the formal sale process, other benefits, severance and director fees to key management personnel and directors for the three month period ended March 31, 2021 amounted to $7,171 (2020 - $1,313).

Share based compensation expense recorded for key management and directors, for the three month period ended March 31, 2021 amounted to $609 (2020 - $497).

(b) Recapitalization Transaction

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

23. Nature of expenses

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

	Three months ended	
	Mar 31, 2021	**Mar 31, 2020**
Product, manufacturing and distribution costs	52,659	43,350
Salaries, bonus and benefits	14,678	9,379
Sales and marketing expenses	4,428	4,440
Research and development expenses	4,311	4,767
Share-based compensation expense	1,095	724
Amortization and depreciation	41,894	47,895
Impairments	7,100	—
Professional fees including those related to restructuring costs	11,691	6,284
Travel expenses	280	512
Other expenses	3,523	2,037
Total	141,659	119,388

Acquisition related, restructuring and other costs for the three month period ended March 31, 2021 was $9,579 (2020 - $4,266). The year to date expense is primarily due to $7,978 of costs incurred in connection with formal sale process.

(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:

	Three months ended	
	Mar 31, 2021	**Mar 31, 2020**
Accounts receivable	(3,569)	(6,041)
Inventory	(1,314)	3,559
Prepaid expenses and other current assets	15,250	3,528
Trade payables and accrued liabilities	(40,040)	(9,884)
Other current liabilities	(4,288)	6,862
Changes in non-cash working capital	(33,961)	(1,976)