2020 ANNUAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 17, 2021

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1 Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") summarizes ADVANZ PHARMA Corp. Limited's (the "Company", "ADVANZ PHARMA", and together with its subsidiaries, the "Group", or "we" or "us" or "our") consolidated operating results and cash flows for the years ended December 31, 2020 and 2019, and the Company's balance sheet as at December 31, 2020 and 2019. The MD&A was prepared as of March 17, 2021 and should be read in conjunction with the audited consolidated financial statements and the notes thereto as at and for the years ended December 31, 2020 and 2019, and previously filed MD&As. Financial information in this MD&A is based on financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and amounts are stated in thousands of United States Dollars ("USD"), which is the reporting currency of the Company, unless otherwise noted. The significant exchange rates used in the translation to the reporting currency are:

	US$ per Great British pound (£)	
As at, and for the periods ended	Closing	Average
January 1, 2019 to March 31, 2019	1.3041	1.3023
April 1, 2019 to June 30, 2019	1.2704	1.2856
July 1, 2019 to September 30, 2019	1.2300	1.2355
October 1, 2019 to December 31, 2019	1.3187	1.2806
January 1, 2020 to March 31, 2020	1.2376	1.2813
April 1, 2020 to June 30, 2020	1.2395	1.2412
July 1, 2020 to September 30, 2020	1.2927	1.2918
October 1, 2020 to December 31, 2020	1.3651	1.3212

Some of the statements contained in this MD&A constitute forward-looking information within the meaning of applicable Canadian securities legislation ("forward-looking statements"), which are based upon the current internal expectations, estimates, projections, assumptions and beliefs of the Group's management ("Management"). Refer to the "*Forward-looking Statements*" section of this MD&A for a discussion of certain risks, uncertainties, and assumptions relating to forward-looking statements. Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com. The results of operations, business prospects and financial condition of ADVANZ PHARMA will be affected by, among other things, the risks described in this MD&A and those set out in other documents filed with the Canadian Securities Administrators, available on SEDAR at www.sedar.com.

Certain measures used in this MD&A do not have any standardized meaning under IFRS. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. See "*Results of Operations*", "*Segment Performance*", "*Selected Annual Financial Information",* "*Selected Quarterly Financial Information*", and "*Non-IFRS Financial Measures*".

2 Business Overview, Corporate Strategy and Segments

i. Business Overview

ADVANZ PHARMA is a global pharmaceutical company focused on serving the needs of patients and healthcare providers around the world with continued access to high quality, niche established medicines. The Group has two reporting segments, which consist of ADVANZ PHARMA International and ADVANZ PHARMA North America, in addition to its Corporate cost centre, which is not a reportable segment.

The registered head office of the Company is located at 11-15 Seaton Place, St Helier, Jersey, JE4 0QH. The corporate head office of the Company is located at Capital House, 85 King William Street, London, EC4N 7BL.

ii. Corporate Strategy

ADVANZ PHARMA's long term corporate strategy is to be the leading platform for niche established medicines with advanced commercial capabilities in Western Europe through a combination of pipeline development and acquisition. Our strategy is captured by the acronym PLAN:

- Product Expansion -- We will expand the breadth and depth of our Niche Established Medicines portfolio, to deliver future organic growth.
- Lean and Leverage Global Capability -- We will deliver scalability and efficiency through process, system and organisational enhancements.
- Acquire & Integrate -- We will acquire and integrate advanced commercial capabilities in Western Europe and acquire Niche Established Medicines to deliver revenue and profit growth.
- N-gage -- We will embed a dynamic culture and clear purpose, that empowers and engages our employees and builds our external reputation.

Product Pipeline

The Company has a pipeline of assets that are at various stages of development. The pipeline of products in development consists of a variety of products and deal types, with staggered launches to support on an ongoing basis. The Company's historical pipeline has not contributed significantly to reported results.

During the first quarter, Mytolac (Lanreotide), a co-development deal signed by the Company in 2015, received European Approval of its DCP. Mytolac is highly complex and a difficult to make product. The regulatory procedure was started in 2019 and in early March

2021, the Company received the formal approval and positive outcome of the European Decentralised Procedure. Mytolac is indicated for treatment of acromegaly, for relief of Neuroendocrine tumor ("NET") symptoms such as flushing, diarrhea in NET patients. The Company is required to pay certain milestone payments as part of the co-development deal, with $3 million remaining to be paid based on various milestones being achieved.

iii. Segments

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. 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 of the consolidated financial statements for the year ended December 31, 2020, 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

ADVANZ PHARMA North America segment has a diversified product portfolio that focuses primarily on the United States ("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.

3 Recent Events

i. Events during, and subsequent to, the fourth quarter of 2020

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 Fund X Epsilon ("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 (the "Proposed Acquisition"). The Proposed Acquisition is to be effected by means of a members' scheme of arrangement under Article 125 of the Companies (Jersey) Law 1991 (as amended) (the "Scheme").

Under the terms of the proposed acquisition, each existing shareholder of the Company will be entitled to receive $17.26 in cash (the "Cash Offer") in respect of each share of the Company. The Proposed 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.

The Company believes that the Proposed Acquisition will offer the Company the opportunity to increase the pace and scale of the growth strategy by acquiring in-licensing and co-developing new products, as well as pursuing selective larger scale acquisitions of attractive product portfolios or companies.

The Proposed Acquisition requires the approval of the Company's shareholders at (i) a court meeting; and (ii) a general meeting, both scheduled to take place on March 29, 2021. At the court meeting, the approval by a majority in number of the shareholders, representing not less than three-quarters of the voting rights of the shares voted by those shareholders, is required. At the general meeting, the approval required for the resolution to be passed is at least two-thirds of the votes cast.

Settlement of Transfer Pricing Enquiry

During the fourth quarter of 2020, Her Majesty's Revenue and Customs ("HMRC") enquiry was closed 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.

Acquisition of Global Rights to Cyclophosphomide tabs 50mg

On January 29, 2021, the Company through an indirect wholly owned subsidiary acquired the global rights to Cyclophosphomide 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.

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 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.

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.

Acquisition of Correvio Pharma Corp.

On May 27, 2020 (the “Correvio Closing Date”), the Company, through a wholly owned subsidiary, completed the acquisition (the "Correvio Acquisition") of 100% of the issued and outstanding shares of Correvio Pharma Corp. ("Correvio") pursuant to a plan of arrangement under the Canada Business Corporations Act (the "CBCA").

Correvio is a specialty pharmaceutical company dedicated to offering patients and healthcare providers innovative therapeutic options that effectively and conveniently manage acute medical conditions to improve health and quality of life. Correvio currently has two marketed, in-hospital cardiology products, Brinavess® (vernakalant IV), for the rapid conversion of recent onset atrial fibrillation to sinus rhythm in adults, and Aggrastat® (tirofiban HCl), a reversible GP IIb/IIIa inhibitor indicated for use in patients with acute coronary syndrome, which are commercially available in markets outside of the United States. Correvio has licensed a European approved antibiotic, Xydalba™ (dalbavancin), a second generation, semi-synthetic lipoglycopeptide for the treatment of acute bacterial skin and skin structure infections in adults. Correvio has also licensed Zevtera®/Mabelio® (ceftobiprole medocaril sodium), a cephalosporin antibiotic for the treatment of community-acquired and hospital-acquired pneumonia. In addition, Correvio has also licensed commercialization rights to a pre-registration drug/device combination product, Trevyent®, for the treatment of pulmonary arterial hypertension in certain regions outside the United States.

The Correvio Acquisition was completed for total consideration of $76 million, which includes the repayment of debt. As part of the purchase agreement, on the Correvio Closing Date, Correvio’s outstanding credit agreements with CRG-managed funds were repaid. The total value of these items as at the Correvio Closing Date was $48 million. The purchase price was funded using cash on hand.

Acquisition of rights to portfolio of Alprostadil products

On April 1, 2020, the Group completed the acquisition of rights to a portfolio of Alprostadil products from UCB S.A. for €75 million (the “Alprostadil Acquisition”). On closing, the Group paid the purchase price of €75 million, and a deposit for inventory of €11.8 million, using cash on hand.

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®.

U.K. Competition and Markets Authority investigations

The Group continues to defend its position in relation to the remaining Competition and Markets Authority ("CMA") investigations into Prochlorperazine, Liothyronine, Hydrocortisone and Nitrofurantoin that have been announced previously. In September 2020, there was a second oral hearing in the Hydrocortisone investigation, following the first oral hearing in July 2017. In October 2020, there was a fourth oral hearing in relation to Liothyronine and the first oral hearing in relation to Nitrofurantoin. The Group has received further requests for information since these oral hearings. Subsequently in January 2021, the CMA announced that it was closing 2 out of its 3 heads of claim in the Prochlorperazine investigation.

The Group does not believe that competition law has been infringed and will continue to work co-operatively with the CMA in relation to these investigations.

Business Impact in Relation to Brexit

On June 23, 2016, the United Kingdom ("U.K.") held a referendum and voted to withdraw from the European Union ("Brexit"). On March 29, 2017, the U.K. delivered notice to the European Council in accordance with Article 50 of the Treaty on European Union ("EU") of the U.K.’s intention to withdraw from the EU. The U.K. left the EU on January 31, 2020 and entered into a 11 month transition period until December 31, 2020 to agree a new trading relationship with the EU. On December 30, 2020, the U.K.- EU Trade Deal was signed and on December 31, 2020, the U.K. exited the EU single market and customs union. Although there were changes in quality and regulatory arrangements that required Marketing Authorisation holder transfers from the entities of the Group within the U.K. to the EU, along with establishment of testing and release sites in Europe for the products manufactured in the U.K. and exported to the EU, the Group did not experience any material interruption to sales or supplies. The Group has also not experienced any material challenges with movement of goods.

ADVANZ PHARMA International has significant operations within the U.K. and other parts of the EU, and therefore continues to monitor developments related to Brexit, including the impact resulting from currency market movements.

ii. Other events

Voluntary de-listing from the Toronto Stock Exchange

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.

Re-domicile from Canada to Europe

On December 2, 2019, the Company announced its intention to change its domicile from Canada to Jersey, Channel Islands, in support of its strategic focus on Western Europe. 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.

Board of Director Changes

On January 1, 2020, the Company announced Elmar Schnee, an existing advisor and observer to the Board, had been appointed the new Non-Executive Chairman of the Board. Mr. Schnee has more than 30 years of senior-level pharmaceutical experience including CEO at Merck Serono, and Managing Director at UCB Pharma. He is currently serving on the board of Jazz Pharmaceuticals, and as the Chairman of Santhera Pharmaceuticals and Calliditas Therapeutics AB. Mr Schnee replaced Randy Benson who had previously been appointed as the Non-Executive Chairman of the Board on September 6, 2018.

On January 1, 2020, the Company also announced Adeel Ahmad, Chief Financial Officer of the Group, had been appointed to the Board on an interim basis. Mr. Ahmad replaced Barry Fishman, a member of the Board since September 6, 2018.

Acquisition of International Rights to Salagen® and Panretin®

On April 1, 2019, the Company announced the acquisition of the global rights to two established medicines, Salagen® tablets (pilocarpine hydrochloride) (excluding Japan) and Panretin® gel (alitretinoin), from Eisai Inc. ("Eisai") for $30 million in cash plus approximately $3.3 million for purchased inventory and related prepayments. The acquisition was completed on March 31, 2019. The acquisition was funded using cash on hand on April 15, 2019.

Salagen® indications include the treatment of symptoms of dry mouth from salivary gland hypofunction caused by radiotherapy for cancer of the head and neck, and the treatment of symptoms of dry mouth in patients with Sjogren's Syndrome.

Panretin® indications include the topical treatment of cutaneous lesions in patients with AIDS-related Kaposi's sarcoma ("KS"). Panretin® gel is not indicated when systematic anti-KS therapy is required (for example, more than 10 new KS lesions in the prior month, symptomatic lymphedema, symptomatic pulmonary KS, or symptomatic visceral involvement). There is no experience to date using Panretin® gel with systematic anti-KS treatment.

Rating Agency Changes

On July 31, 2018, in connection with the approval of the Company's recapitalization transaction by the court, Standard & Poors Global Ratings ("S&P") raised its corporate credit rating of ADVANZ PHARMA to "B-" from "D", as well as assigned an issue-level rating of "B-" to ADVANZ PHARMA's secured debt. Similarly, on July 30, 2018, Moody's Investors Service ("Moody's") assigned ADVANZ PHARMA a B3 Corporate Family Rating and a B3-PD Probability of Default Rating. Moody's also assigned a B3 rating to ADVANZ PHARMA's secured debt.

On November 4, 2019, S&P announced an update to the credit analysis of the Company. There were no changes as a result of the update to the ratings previously assigned by S&P, which was "B-".

On December 22, 2020, Moody's announced an update to their credit analysis of ADVANZ PHARMA. There were no changes, as a result of the update to the rating previously assigned by Moody's to ADVANZ PHARMA, which was a B3 Corporate Family Rating.

To the extent that the Company intends to complete any future transactions, the Company's ability to complete any such transactions may be effected by credit rating agency decisions.

Business Impact in Relation to the United Kingdom's Health Service Medical Supplies (Costs) Act 2017

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.

4 Results of Operations

(in $000's, except per share data)	Twelve months ended Dec 31, 2020	Dec 31, 2019
Revenue	525,584	508,321
Gross profit	333,249	336,812
Gross profit %	63 %	66 %
Adjusted gross profit [(1)]	337,178	336,812
Adjusted gross profit % [(1)]	64 %	66 %
Total operating expenses	338,558	476,846
Operating loss for the year	(5,309)	(140,034)
Income tax recovery	(48,907)	(22,007)
Net loss for the year	(74,858)	(196,018)
Loss per share		
Basic	(1.53)	(4.01)
Diluted	(1.53)	(4.01)
EBITDA [(1)]	162,433	92,013
Adjusted EBITDA [(1)]	232,555	233,581

Notes:

(1) Represents a non-IFRS measure. For the relevant definitions and reconciliation to reported results, see "*Non-IFRS Financial Measures*" section of this MD&A. Management believes non-IFRS measures, including Adjusted EBITDA, provide supplementary information to IFRS measures used in assessing the performance of the business.

Revenue

Revenue for the year ended December 31, 2020 increased by $17,263, or 3%, compared to 2019. This increase was due to higher sales from the ADVANZ PHARMA International segment combined with higher foreign exchange rates impacting translated revenues from this segment, partially offset by lower sales from the ADVANZ PHARMA North America segment. ADVANZ PHARMA International revenue for the year ended December 31, 2020 increased by $26,603, or 7%, primarily due to $20,369 of revenue from the recently acquired portfolio of Alprostadil products sold within the ADVANZ PHARMA International segment, and $18,537 of revenue from the recently acquired Correvio, which were not included in the comparative period, combined with higher revenue due to favorable foreign exchange rates positively impacting translated revenues by $2,126. The remaining net decrease in revenue attributable to key products for the year ended December 31, 2020, excluding the impact of foreign currency translation, were primarily from Fusidic Acid, Thiamine and Carbimazole. These decreases to revenue were partially offset by higher revenue from key products including Cyanocobalamin, Codeine Phosphate+Paracetamol and Salagen®. ADVANZ PHARMA North America revenue for the year ended December 31, 2020 decreased by $9,340, or 7%, when compared to 2019, primarily due to lower volumes on key products, including Dyrenium®, Photofrin® and Donnatal®, partially offset by higher revenue on key products, including Plaquenil®, Salagen® and Dibenzyline®, combined with revenue from the recently acquired portfolio of Alprostadil products sold within the ADVANZ PHARMA North America segment which was not included in the comparative period. Refer to the "*Segment Performance*" section of this MD&A for a further discussion on segmental and product specific performance.

Gross Profit and Gross Profit %

Gross profit for the year ended December 31, 2020 decreased by $3,563, or 1%, compared to 2019 primarily due to a shift in product mix and a non-cash inventory fair value adjustment increasing the cost of sales due to an increase in the fair value of inventory associated with the Correvio Acquisition amounting to $3,929, partially offset by an increase attributable to favorable foreign exchange rates positively impacting the translated results.

Adjusted gross profit, which represents gross profit removing the impact of this non-cash fair value adjustment described above, increased by $366, or 0%, for the year ended December 31, 2020 compared to 2019.

Gross profit percentage for the year ended December 31, 2020 decreased by 3% compared to 2019, primarily due to a change in the mix of product sales within both the segments, combined with the factors described above.

Operating Expenses and Tax

Operating expenses for the year ended December 31, 2020 decreased by $138,288, or 29%, compared to 2019. The decrease in operating expenses is primarily due to $124,208 lower impairment charges, and $12,165 lower amortization charges on intangible assets primarily due to prior year impairments, partially offset by additional amortization on recently acquired intellectual property related to Correvio and portfolio of Alprostadil products. For a further detailed description of operating expenses, refer to the "*Corporate and Other Costs*" section of this MD&A. For a further detailed description of certain segment operating expenses, refer to the "*Segment Performance*" section of this MD&A.

Operating loss for the year ended December 31, 2020 decreased by $134,725, or 96%, compared to 2019, primarily due to lower operating expenses, partially offset by lower gross profit as described above.

The current income tax recovery recorded for the year ended December 31, 2020 increased by $52,844, compared to 2019. The current income tax recovery was higher for the year ended December 31, 2020 primarily due to a reversal of taxes payable related to uncertain tax positions. This reversal was recorded post settlement agreement with HMRC. Further, the income tax expense was lower during the year due to deductible amortization arising on the internal sale of intellectual property during the third quarter of 2019 related to North America segment to Mercury Pharma Group Limited, a company registered in the U.K.. In addition, the current income tax expense for 2019 was higher due to restrictions applying on the deductibility of U.K. interest. These restrictions do not apply in 2020 as a result of change in tax residential status of the Company from Canada to the U.K.. The deferred income tax recovery recorded for the year ended December 31, 2020 decreased by $25,944, compared to 2019. The decrease is primarily on account of reversal of the taxable temporary differences recorded in connection with the purchase price accounting of certain acquired assets, combined with recognition of a net deferred tax asset of $17.6 million during the third quarter of 2019, due to temporary differences arising on sale of North American intellectual property to Mercury Pharma Group Limited. This decrease is further combined with the announcement in the U.K. on March 11, 2020 that there would no longer be a corporate tax rate reduction from 19% to 17% effective April 1, 2020. This change to the U.K. tax rate has caused an increase in deferred tax liability of $6.2 million. This is partially offset by release of deferred tax liability that has been recognized on acquisition of Correvio.

The net loss for the year ended December 31, 2020 was $74,858, and loss per share was $1.53. Significant components comprising the net loss for the year ended December 31, 2020 are amortization of intangible assets of $192,184, interest and accretion expenses of $91,610, selling and marketing costs of $36,049, general and administrative costs of $35,524, research and development costs of $33,050, unrealized foreign exchange loss of $32,998, and acquisition related, restructuring and other costs of $30,009, partially offset by gross profit of $333,249, and income tax recovery of $48,907. Refer to the "*Corporate and Other Costs*" section of this MD&A for further information related to expenses impacting net loss for the year.

EBITDA and Adjusted EBITDA

EBITDA is higher than the net loss as it excludes: interest and accretion expense; interest income; income taxes; depreciation; and amortization of intangible assets. Refer to the "*Non-IFRS Financial Measures*" section of this MD&A for a full reconciliation. EBITDA for the year ended December 31, 2020 increased by $70,420 compared to 2019. The increase in EBITDA is primarily due to $124,208 lower impairment charges, and $4,073 lower general and administrative costs, partially offset by $53,301 higher foreign exchange loss, combined with $3,563 lower gross profit.

Adjusted EBITDA also includes adjustments for: impairments; fair value adjustments to acquired inventory; acquisition related, restructuring and other costs; share-based compensation expense; fair value (gain) loss including purchase consideration and derivatives; foreign exchange (gain) loss; unrealized foreign exchange (gain) loss; legal settlements and related legal costs; and gain on debt and purchase consideration settlement (refer to the "*Non-IFRS Financial Measures*" section of this MD&A for a full reconciliation and description of these expenses). Adjusted EBITDA decreased by $1,026, or 0%, for the year ended December 31, 2020, compared to 2019. Adjusted EBITDA by segment for the year ended December 31, 2020 was $158,181 from ADVANZ PHARMA International and $84,112 from ADVANZ PHARMA North America. Refer to the "*Segment Performance*" section of this MD&A for a further discussion on segment performance. In addition, during the year ended December 31, 2020, the Group incurred $9,738 of corporate costs. Corporate expenses for the year ended December 31, 2020 decreased by $3,197, compared to 2019, primarily due to lower salaries and benefit costs.

5 Segment Performance

ADVANZ PHARMA International

(in $000's)	Twelve months ended Dec 31, 2020	Dec 31, 2019
Revenue	405,395	378,792
Cost of sales	170,272	144,604
Gross profit	235,123	234,188
Gross profit %	58 %	62 %
Adjusted Gross Profit [(1)]	239,052	234,188
Adjusted Gross Profit %[(1)]	59 %	62 %
General and Administrative, Selling and Marketing and Research and Development Expenses	80,871	65,983
Adjusted EBITDA[(1)]	158,181	168,205

Notes:

(1) Represents a non-IFRS measure. For the relevant definitions, see "*Non-IFRS Financial Measures*" section of this MD&A.

Revenue for the year ended December 31, 2020 increased by $26,603, or 7%, compared to 2019. A $24,477 increase in revenue was further compounded with a $2,126 increase in revenue as a result of the GBP strengthening against the USD, when compared to 2019. The increase in revenue is primarily due to $20,369 of revenue from the recently acquired portfolio of Alprostadil products sold within the ADVANZ PHARMA International segment, and $18,537 of revenue from the Correvio Acquisition, which were not included in the comparative period. The remaining net decrease in revenue attributable to key products for 2020, excluding the impact of foreign currency translation, were: (i) a $8,170 decrease from Fusidic Acid; (ii) a $4,058 decrease from Thiamine; (iii) a $2,003 decrease from Carbimazole; and (iv) a $1,978 decrease from Prochlorperazine Mesilate. These lower product volumes and revenues are primarily due to ongoing competitive market pressures resulting in market share erosion in the U.K., combined with loss of tenders and phasing of shipments. These decreases to revenue were partially offset by: (i) a $4,659 increase from Cyanocobalamin due to a release of certain provisions; (ii) a $2,881 increase from Codeine Phosphate+Paracetamol; and (iii) a $2,697 increase from Salagen®. These higher product volumes and revenues, excluding Cyanocobalamin, are primarily due to increased trading, phasing of shipments and price volume mix. The remaining decrease is primarily due to general competitive market pressures across the segment's product portfolio.

Cost of sales for the year ended December 31, 2020 increased by $25,668, or 18%, compared to 2019. The increase in cost of sales for the year ended December 31, 2020, is primarily due to higher revenues as described above, combined with non-cash inventory fair value adjustment increasing the cost of sales associated with the Correvio Acquisition amounting to $3,929, and a shift in the mix of product sales, when compared to 2019.

Gross profit for the year ended December 31, 2020 increased by $935, or 0%, compared to 2019, primarily due to change in the mix of product sales, partially offset by a non-cash inventory fair value adjustment increasing the cost of sales associated with the Correvio Acquisition amounting to $3,929.

Gross profit as a percentage of revenue for the year ended December 31, 2020 decreased by 4%, compared to 2019. The decrease was primarily due to shift in product mix and the factors described above.

General and administrative, selling and marketing and research and development costs for year ended December 31, 2020 increased by $14,888, compared to 2019. A $12,454 increase in general and administrative, selling and marketing and research and development costs during the year ended December 31, 2020 is primarily due to the Correvio Acquisition, which was not included in the comparative period. The remaining increase was primarily as a result of higher costs associated with sales promotion, advertising and public relation activities. This is partially offset by lower costs associated with travel and other administrative expenditures due to COVID-19.

ADVANZ PHARMA North America

(in $000's)	Twelve months ended Dec 31, 2020	Dec 31, 2019
Revenue	120,189	129,529
Cost of sales	22,063	26,905
Gross profit	98,126	102,624
Gross profit %	82 %	79 %
General and Administrative, Selling and Marketing and Research and Development Expenses	14,014	24,313
Adjusted EBITDA[(1)]	84,112	78,311

Notes:

(1) Represents a non-IFRS measure. For the relevant definitions, see "*Non-IFRS Financial Measures*" section of this MD&A.

Revenue for the year ended December 31, 2020 decreased by $9,340, or 7%, compared to 2019. The decrease was primarily due to: (i) a $11,067 decrease from Dyrenium® primarily as a result of generic competition that arose during the latter half of 2019; (ii) a $5,620 decrease from Photofrin as a result of COVID-19; and (iii) a $3,825 decrease from Donnatal® due to continued competitive pressures impacting market share. These declines in revenue were partially offset by: (i) $3,941 of revenue from the recently acquired portfolio of Alprostadil products sold within the ADVANZ PHARMA North America Segment which was not included in the comparative period; (ii) a $3,240 increase from Plaquenil® driven by higher customer demand due to COVID-19; (iii) a $3,207 increase from Salagen® due to the timing of the acquisition in 2019 and phasing of shipments; and (iv) a $1,231 increase from Dibenzyline® primarily due to lower returns during 2020. The remaining decrease was primarily due to general competitive market pressures across the segment's product portfolio.

Cost of sales for the year ended December 31, 2020 decreased by $4,842, or 18%, compared to 2019 primarily due to lower revenue as described above.

Gross profit for the year ended December 31, 2020 decreased by $4,498, or 4%, compared to 2019. The decrease was primarily due to the revenue decreases as described above, combined with change in the mix of product sales.

Gross profit as a percentage of revenue for the year ended December 31, 2020 increased by 3%, compared to 2019. The increase was primarily due to a shift in product mix, combined with increased sales from higher margin products.

General and administrative, selling and marketing and research and development costs for the year ended December 31, 2020 decreased by $10,299, compared to 2019. The decrease was primarily due to lower general and administrative costs as a result of closure of Barbados operations resulting in lower employee costs and costs related to infrastructure, lower selling and marketing costs due to lower sales promotional expenses related to Donnatal®, lower travel costs due to COVID-19, lower research and development costs due to lower clinical trial spend and lower costs associated with validation and stability testing activities.

6 Corporate and Other Costs

The following table details expenses from the Company's corporate cost centre and other operating expenses from the business segments:

	Twelve months ended	
(in $000's)	Dec 31, 2020	Dec 31, 2019
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	30,009	33,841
Share-based compensation expense	3,307	3,943
Amortization of intangible assets	192,184	204,349
Impairments	5,073	129,281
Depreciation expense	3,362	2,201
Interest and accretion expense	91,610	105,683
Interest income	(958)	(2,195)
Foreign exchange gain	(5,194)	(820)
Unrealized foreign exchange loss (gain)	32,998	(24,677)
Total	457,014	554,837

General and Administrative Expenses

General and administrative expenses reflect costs related to salaries and benefits, professional and consulting fees, reporting issuer costs, travel and other administrative expenditures. General and administrative expenses for the year ended December 31, 2020 decreased by $4,073, or 10%, compared to 2019. The decrease is primarily attributable to lower employee costs and costs related to infrastructure within ADVANZ PHARMA North America primarily as a result of closure of the Barbados operations in the third quarter of 2019, partially offset by an increase attributable to the Correvio Acquisition of $2,746, combined with foreign exchange rate movements negatively impacting translation of general and administrative costs from ADVANZ PHARMA International.

Selling and Marketing Expenses

Selling and marketing expenses reflect costs incurred by the Group for the marketing, promotion and sale of the Group’s broad portfolio of products across the Group's segments. Selling and marketing costs for the year ended December 31, 2020 increased by $1,536, or 4%, compared to 2019, comprised of an increase of $5,559, or 22%, within ADVANZ PHARMA International and a decrease of $4,023, or 44%, within ADVANZ PHARMA North America. The increase within ADVANZ PHARMA International is primarily as a result of costs associated with sales promotion and advertising activities of Correvio, which was not included in the comparative period of 2019. Within ADVANZ PHARMA North America, the decrease is primarily attributable to lower sales promotional expenses related to Donnatal®.

Research and Development Expenses

Research and development expenses reflect costs for clinical trial activities, product development, professional and consulting fees and services associated with the activities of the medical, clinical and scientific affairs, quality assurance costs, regulatory compliance and drug safety costs (Pharmacovigilence) of the Group. Research and development costs for the year ended December 31, 2020 increased by $3,929, or 13%, compared to 2019 primarily due to the Correvio Acquisition, combined with foreign exchange rate movements negatively impacting the translation of general and administrative costs from ADVANZ PHARMA International. This is partially offset by lower clinical trial spend, combined with lower costs associated with validation and stability testing activities.

Acquisition Related, Restructuring and Other Costs

Acquisition related, restructuring and other costs for the year ended December 31, 2020 was $30,009. Acquisition related, restructuring and other costs for the year ended December 31, 2020 decreased by $3,832, or 11%, compared to 2019. Acquisition related, restructuring and other costs incurred for the year ended December 31, 2020 primarily relate to: (i) $16,162 of costs related to internal restructuring and integration, primarily related to the Correvio Acquisition; (ii) $5,544 of transaction costs in assessing potential acquisitions; (iii) $3,299 of costs incurred in connection with the formal sale process; and (iv) $3,289 of costs related to ongoing regulatory matters in connection with the CMA investigations (refer to the "*Litigation and Arbitration*" section of this MD&A for further details).

Share-Based Compensation Expense

The share based compensation expense relates to the fair value of the Management Incentive Plan ("MIP") adopted by the Company. Share-based compensation expense for the year ended December 31, 2020 was $3,307.

The fair value of the MIP was derived using a Monte-Carlo simulation model given the existence of market based vesting conditions. 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.

Amortization of Intangible Assets

Amortization of intangible assets for the year ended December 31, 2020 was $192,184.

The expense for the year ended December 31, 2020 comprised of the following amounts:

- Amortization related to acquired product rights and manufacturing processes for the year ended December 31, 2020 was $163,425;
- Amortization related to distribution and supplier contracts for the year ended December 31, 2020 was $23,149;
- Amortization related to intellectual properties for the year ended December 31, 2020 was $4,297;
- Amortization related to licensing agreements for the year ended December 31, 2020 was $1,180; and
- Amortization related to other intangibles for the year ended December 31, 2020 was $133.

Asset Impairments

In accordance with IAS 36 - Impairments, Management performed impairment tests as a result of triggering events and whereby the recoverable amount of certain products was determined by the greater of a value in use model and a fair value less cost to sell model. The recoverable amount was then compared to the carrying value of the intangible asset to determine the extent of the impairment.

During the year ended December 31, 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 impairments recorded on acquired product rights during the year ended December 31, 2020 were $5,073. The significant impairments described as follows:

Intangible Assets - ADVANZ PHARMA International

Year ended December 31, 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 was $3,797, primarily related to Prochlorperazine Mesilate and Clotiazepam.

Year ended December 31, 2019

During the third and 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 during the third and fourth quarter was $5,090 and $4,602, respectively, primarily related to impairments on Dipipanone + Cyclizine and Trifluoperazine during the fourth quarter and Hydrocortisone and Dicycloverine during the third quarter of 2019.

Intangible assets - ADVANZ PHARMA North America

Year ended December 31, 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. 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 was $103,679, primarily related to impairments on Donnatal®, Lanoxin® and Dibenzyline®.

Goodwill - ADVANZ PHARMA North America

Year ended December 31, 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.

Depreciation Expense

Depreciation expense is comprised of depreciation on fixed assets, as well as depreciation on right-of-use assets associated with leases for facilities and other items. Depreciation expense for the year ended December 31, 2020 increased by $1,161, or 53%, compared to 2019. The increase was primarily due to the acquisition of Correvio.

Interest and Accretion

Interest and accretion expense for the year ended December 31, 2020 was $91,610, representing a decrease of $14,073, when compared to 2019. The decrease was primarily due to reversal of interest payable related to uncertain tax positions.

The interest and accretion expense for the year ended December 31, 2020 of $91,610, is primarily comprised of the following amounts:

- Interest related to the Company's USD term loan for the year ended December 31, 2020 was $59,354;
- Interest related to the Company's EUR term loan for the year ended December 31, 2020 was $15,611; and
- Interest related to the Company's secured notes for the year ended December 31, 2020 was $24,264;

Partially offset by:

- Reversal of interest on uncertain tax position due to settlement agreement with HMRC of $8,966.

Foreign Exchange (Gain) Loss and Unrealized Foreign Exchange (Gain) Loss

Foreign exchange gain for the year ended December 31, 2020 was $5,194.

Unrealized foreign exchange loss for the year ended December 31, 2020 was $32,998. The primary component of the unrealized foreign exchange loss for the year ended December 31, 2020 is the recognition of loss on the European Euro ("EUR") denominated term loan, combined with unrealized foreign exchange loss on inter-company balances and working capital movements within ADVANZ PHARMA International segment.

The foreign exchange translation impact of ADVANZ PHARMA International is recorded within other comprehensive loss. During the year ended December 31, 2020, there were a total of $64,023 foreign exchange gain, net of tax, associated with the translation of entities with a different functional currency, primarily GBP denominated balances within the ADVANZ PHARMA International segment.

7 Selected Annual Financial Information

(in $000's, except per share amounts)	Twelve months ended Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Revenue	525,584	508,321	536,986
Net income (loss) for the year	(74,858)	(196,018)	1,467,303
Total assets	1,580,985	1,593,010	1,830,944
Total long-term liabilities	1,363,281	1,375,893	1,433,299
Earnings (Loss) per share [(1)]			
Basic	(1.53)	(4.01)	93.69
Diluted	(1.53)	(4.01)	93.69

Notes:
(1) Amounts presented for 2018 have been adjusted for the retrospective effect of the share consolidation as part of the recapitalization transaction completed in 2018.

8 Selected Quarterly Financial Information

For the three months ended (in $000's, except per share amounts)	Unaudited							
	Q4-2020	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019
Revenue	134,982	128,744	131,866	129,992	121,962	119,644	131,076	135,639
Gross profit	80,026	79,671	86,910	86,642	79,243	80,996	85,465	91,108
Adjusted gross profit [(1)]	81,692	81,315	87,529	86,642	79,243	80,996	85,465	91,108
Operating income (loss)	(6,159)	(5,405)	(4,349)	10,604	(25,621)	(111,810)	(8,097)	5,494
Net income (loss) for the period	2,448	(42,025)	(26,595)	(8,686)	(24,600)	(119,175)	(44,255)	(7,988)
Cash and cash equivalents	160,186	141,014	149,166	266,491	261,138	243,343	224,309	248,590
Total assets	1,580,985	1,537,862	1,503,366	1,509,394	1,593,010	1,593,757	1,759,711	1,875,034
Total liabilities	1,573,399	1,605,951	1,584,739	1,564,109	1,577,896	1,604,800	1,616,286	1,669,364
EBITDA [(1)]	18,396	30,230	43,447	70,360	31,382	(46,629)	35,076	72,184
Adjusted EBITDA [(1)]	50,544	53,467	65,055	63,489	52,814	55,936	59,741	65,090
Earnings (loss) per share								
Basic	0.05	(0.86)	(0.54)	(0.18)	(0.50)	(2.44)	(0.90)	(0.16)
Diluted	0.05	(0.86)	(0.54)	(0.18)	(0.50)	(2.44)	(0.90)	(0.16)

Notes:
(1) Represents a non-IFRS measure. For the relevant definitions see the "*Non-IFRS Financial Measures*" section of this MD&A. For the relevant reconciliation to reported results, see the "*Non-IFRS Financial Measures*" section of this Annual MD&A for the year ended December 31, 2020 and 2019, and for other periods presented, refer to previous publicly filed MD&As.

During the quarterly periods presented above, the Group has experienced a general declining trend in operating results excluding the impact of acquisitions. Management has focused the discussion and analysis below on comparing to the most recent quarters presented above in order to describe the most current business trends that have occurred in the fourth quarter of 2020.

Revenues in the fourth quarter of 2020 were $134,982 which consisted of $105,595 from ADVANZ PHARMA International, and $29,387 from ADVANZ PHARMA North America. Revenues during the third quarter of 2020 were $128,744, which consisted of $102,991 from ADVANZ PHARMA International, and $25,753 from ADVANZ PHARMA North America. Revenue from ADVANZ PHARMA International increased by $2,604, or 3%. A $2,064 increase as a result of GBP strengthening against the USD was further compounded by a $540 increase as a result of higher product volumes, when compared to the third quarter of 2020. Increase in revenue attributable to key products for the fourth quarter of 2020, excluding the impact of foreign currency translation, were: (i) a $1,923 increase from Argipressin due to COVID-19; (ii) a $1,199 increase from Nitrofurantoin due to higher product volumes; and (iii) a $965 increase from Haloperidol due to COVID-19. These increases to revenue were partially offset by: (i) a $2,016 decrease from Salagen®; and (ii) a $842 decrease from Hydralazine HCL. These lower product volumes and revenues are primarily due to phasing of shipments and price volume mix. The remaining increase was primarily due to volume increases across the segment's product portfolio. The ADVANZ PHARMA North America revenue increase of $3,634, or 14%, is primarily due to: (i) $2,234 higher revenue from Zonegran®; and (ii) $1,188 higher revenue from Donnatal®. These revenue increases are primarily due to higher product volumes.

Gross profit in the fourth quarter of 2020 increased by $355 compared to the third quarter of 2020 due to a shift in the mix of product sales within each segment. The increase in gross profit is comprised of a $1,948, or 9%, increase within ADVANZ PHARMA North America primarily due to the factors described above, and a $1,593, or 3%, decrease within ADVANZ PHARMA International.

Adjusted gross profit for the fourth quarter of 2020, which represents gross profit removing the impact of non-cash fair value adjustment increasing the cost of sales due to an increase in the fair value of inventory, increased by $377, compared to the third quarter of 2020, primarily due to the factors described above.

Gross profit as a percentage of revenue in the fourth quarter of 2020 was 59% compared with the third quarter of 2020 of 62%. The change in gross profit percentage is primarily due to a shift in the mix of product sales within both the segments.

Net loss during the fourth quarter of 2020 compared to the third quarter of 2020, decrease by $44,473. The decrease in net loss is primarily due to $36,777 higher income tax recovery, $12,827 lower interest and accretion expense and $7,119 lower amortization

expense. This decrease is partially offset by $3,300 higher general and administrative, selling and marketing and research and development costs and $3,536 higher acquisition related, restructuring and other costs.

Adjusted EBITDA in the fourth quarter of 2020 of $50,544 consisted of $33,619 related to ADVANZ PHARMA International, $18,993 related to ADVANZ PHARMA North America, offset by $2,068 related to corporate expenses. This is compared with third quarter of 2020 Adjusted EBITDA of $53,467, which consisted of $37,974 related to ADVANZ PHARMA International, $17,689 related to ADVANZ PHARMA North America, offset by $2,196 related to Corporate expenses. Adjusted EBITDA for the fourth quarter of 2020 was $2,923 lower than the third quarter of 2020. The net decrease of total Adjusted EBITDA of $2,923 is primarily due to $3,300 higher general and administrative, selling and marketing and research and development costs, partially offset by $355 higher gross profit as a result of factors described above.

9 Balance Sheet Analysis

As at (in $000's)	Dec 31, 2020	Dec 31, 2019	Change $	Change %
Working capital [(1)]	263,106	291,254	(28,148)	(10)%
Long-lived assets	1,130,150	1,121,720	8,430	1 %
Other long-term assets	1,302	1,508	(206)	(14)%
Current liabilities excluding working capital items	23,691	23,475	216	1 %
Long-term liabilities	1,363,281	1,375,893	(12,612)	(1)%
Shareholder's equity	7,586	15,114	(7,528)	(50)%

Notes:

(1) Represents a non-IFRS measure. For the relevant definitions, see "*Non-IFRS Financial Measures*" section of this MD&A.

Working capital

ADVANZ PHARMA defines working capital as total current assets less trade payables, accrued liabilities and interest payable, income taxes payable and other current liabilities. The $28,148 decrease in working capital from December 31, 2019 to December 31, 2020 is primarily due to the following factors:

- Cash and cash equivalents, including restricted cash, decreased by $97,699 primarily due to approximately $85,291 paid for the Alprostadil Acquisition, $68,793 paid for the Correvio Acquisition net of cash assumed on acquisition, and $111,367 as a result of debt amortization and interest payments, as further discussed in the "*Liquidity*" section of this MD&A, partially offset by cash flows generated from operating activities of $166,214;
- Trade payables, accrued liabilities and interest payable increased by $53,662 primarily due to an increase in trade payables of $31,872 mainly due to the timing of inventory purchases and vendor payments within ADVANZ PHARMA International, a $11,030 increase in interest payable on the Company's debt as a result of timing of interest payments, an increase in accrued liabilities driven by the deferment of value added tax payment of $8,684 to March 2021, and a $7,555 increase as a result of the Correvio Acquisition. This increase is partially offset by a decrease of $8,895 primarily due to release of certain provisions recorded in prior years; and
- Other current liabilities which include accruals for returns, chargebacks, rebates and other revenue accruals, increased by $3,461 primarily on account of returns accrual on higher than expected sales of Plaquenil® due to COVID-19, partially offset by a decrease due to claims of wholesalers.

Offset primarily by:

- Inventory increased by $62,022 primarily due to a $24,489 increase in Zonegran® inventory, a $8,997 increase driven by the Correvio Acquisition, combined with a $11,957 increase in inventory related to portfolio of Alprostadil products. This is further compounded with an increase of $4,142 due to favorable effects of foreign exchange rate movements. The remaining increase is primarily due to the timing of inventory purchase to meet demand;
- Prepaid expenses and other current assets increased by $8,286. The increase is primarily due to an approximately $14.3 million inventory deposit as a result of the acquisition of a portfolio of products from UCB S.A., combined with an increase due to favorable effects of foreign exchange rate movements. These increases were partially offset by reduction in supplier deposits for inventory, combined with amortization of prepayments relating to directors and officers liability insurance for the year ended December 31, 2020;
- Accounts receivable increased by $5,515. The increase is primarily due to a $9,618 increase as a result of the Correvio Acquisition, combined with $3,584 higher accounts receivable due to favorable effects of exchange rate changes. This increase is partially offset by a decrease due to higher proceeds from customers during the fourth quarter of 2020; and
- Income tax payable, net of receivable, decreased by $50,851, primarily due income tax recovery recorded for the period of $30,375. This recovery is primarily due to $38,361 reversal of taxes payable related to uncertain tax positions post settlement agreement with the HMRC, further combined with $13,138 payments of corporation tax. This decrease is partially offset by corporation tax charge for the year.

Long-lived assets

Long-lived assets consist of intangible assets, goodwill, fixed assets and right-of-use assets. The $8,430 increase in long-lived assets from December 31, 2019 to December 31, 2020 is primarily due to the following factors:

- Acquisition of product rights to Prostavasin®, Viridal®, Vasaprostan® and Edex® as part of the Alprostadil Acquisition, for €75 million;
- Amount allocated towards intangible assets and goodwill of $70,275 as a result of purchase price allocation for the Correvio Acquisition;
- $41,037 increase due to foreign exchange translation; and
- Capital expenditure towards development costs of $4,296.

Offset primarily by:

- Intangible asset amortization recorded for the year ended December 31, 2020 of $192,184;
- Impairment of $5,073 recorded during the year 2020. Refer to the "*Corporate and other costs*" section of this MD&A for further information; and
- Right-of-use assets decreased by $3,359 primarily due to modification in lease term with respect to Company's office premises in the U.K., combined with depreciation charge for the year.

Other long-term assets

Other long-term assets is comprised of deferred tax assets. The $206 decrease from December 31, 2019 to December 31, 2020 is primarily due to the reversal of previously recognized deferred tax assets.

Current liabilities excluding working capital items

Current liabilities excluding working capital items consists of the current portion of long-term debt and lease liabilities. The $216 increase from December 31, 2019 to December 31, 2020 is primarily due to an increase in current portion of long-term debt by $468 due to foreign exchange movements, partially offset by a decrease of $252 in lease liabilities due to repayment of lease rentals in 2020.

Long term liabilities

Long-term obligations consist of long-term debt, lease liabilities, assumed contingent obligation, other liabilities and deferred income tax liabilities. The $12,612 decrease in long term liabilities from December 31, 2019 to December 31, 2020 is primarily due to:

- A decrease in deferred income tax liabilities of $11,974 primarily due to the reversal of certain taxable temporary differences in respect of the carrying value of assets recorded as a result of purchase price accounting of past acquisitions. This is partially offset by an increase in deferred tax liability of $6.2 million as a result of an announcement in the U.K. on March 11, 2020 that there would no longer be a corporate tax rate reduction from 19% to 17% effective April 1, 2020, combined with a $1,100 increase due to temporary difference in respect of the carrying value of assets recorded as a part of the Correvio Acquisition; and
- A decrease in long-term lease liabilities of $4,117 is primarily due to modification in lease term with respect to Company's office premises in the U.K., combined with repayments of lease rentals in 2020.

Offset primarily by:

- An increase of $5,100 in assumed contingent obligation recognized as a part of the Correvio Acquisition; and
- An increase in long-term debt including the current portion of long-term debt of $1,358 is primarily due to adverse impact of change in foreign exchange rates for $22,415, partially offset by company making repayments during the year for $21,057.

Shareholders' equity

Shareholders' equity decreased by $7,528 from December 31, 2019 to December 31, 2020. The decrease is primarily related to:

- A net loss for the year ended December 31, 2020 of $74,858.

Partially offset by:

- A net foreign exchange impact of $64,023, primarily from the translation of ADVANZ PHARMA International; and
- An increase in contributed surplus for the year ended December 31, 2020 of $3,307.

10 Liquidity

Liquidity

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.

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.

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 Group had approximately $160 million of cash and cash equivalents on hand as of December 31, 2020 (December 31, 2019 - $261 million). The Company's capital structure is comprised of debt totaling $1,324,436 and shareholders' equity of $7,586. This compares with debt of $1,323,078 and shareholders' equity of $15,114 as at December 31, 2019.

Sources and Uses of Cash

	Twelve months ended	
(in $000's)	Dec 31, 2020	Dec 31, 2019
Cash flows from operating activities	166,214	188,177
Cash flows used in investing activities	(159,003)	(34,247)
Cash flows used in financing activities	(114,639)	(129,933)
Total	(107,428)	23,997

The Group's business continues to generate cash flow from operating activities. Cash flows from operations represent net income adjusted for changes in working capital, non-cash items and excludes interest paid as this is recorded within cash used in financing activities.

Cash flows from operating activities for the year ended December 31, 2020 decreased by $21,963 compared to 2019. The decrease is primarily due to $43,685 unfavorable non-cash working capital movement, combined with $3,563 lower gross profit, and $1,392 higher general and administrative, selling and marketing, and research and development costs. This decrease is partially offset by $11,939 lower income taxes paid during the year 2020, combined with $4,374 higher realized foreign exchange gain and $3,832 lower acquisition related, restructuring and other costs when compared to 2019.

Cash flows used in investing activities for the year ended December 31, 2020 are primarily related to the Alprostadil Acquisition for approximately $85,291, combined with the Correvio Acquisition for approximately $68,793, net of cash assumed.

Cash flows used in financing activities for the year ended December 31, 2020 is primarily comprised of: (i) $90,310 of contractual interest payments;(ii) $21,057 of scheduled long-term debt principal repayments; and (iii) $2,378 for repayment of lease liabilities.

Cash and Capital Management

The purpose of cash and capital management is to ensure that there is sufficient cash to meet all the financial commitments and obligations of the Group as they come due. Since inception, the Group has financed its cash requirements primarily through the issuances of securities, short-term borrowings, long-term debt as well as cash flows generated from operations.

Liquidity risk is the risk that the Group may encounter difficulty meeting obligations associated with financial liabilities. The Group manages liquidity risk through the management of its capital structure.

In managing the Group's capital, Management estimates future cash requirements by preparing annual financial forecasts for review and approval by the Board. The financial forecasts are reviewed and updated periodically and establish approved activities for the year and estimates the costs associated with those activities. Forecast to actual variances are prepared and reviewed by Management and are presented regularly to the Board.

Risk Factors and Uncertainties

The Company can be exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is disclosed within note 18 of the consolidated financial statements for the year ended December 31, 2020.

11 Lending Arrangements and Debt

As at (in $000's)	Dec 31, 2020	Dec 31, 2019
Term Loans		
- USD Term Loan	763,433	779,421
- EUR Term Loan	261,031	243,685
8% senior secured notes	299,972	299,972
Total Debt	1,324,436	1,323,078
Less: Current Portion	(21,455)	(20,987)
Long-Term Debt	1,302,981	1,302,091

As at December 31, 2020, approximately 80% of total debt was denominated in USD (December 31, 2019 - 82%) and 20% denominated in EUR (December 31, 2019 - 18%).

During the twelve months ended December 31, 2020, the Company made $21,057 of principal repayments and paid $90,310 of cash interest expense on its debt.

Details of the Company's lending arrangements are further disclosed in the notes to the consolidated financial statements for the year ended December 31, 2020.

The following table presents repayments of long-term debt principal, interest payments on long-term debt and payments on lease liabilities on an undiscounted basis:

(in $000's)	< 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	Thereafter	Total
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
Total	35,368	34,778	57,455	113,095	1,439,460	—	1,680,156

12 Contractual Obligations

Contractual Obligations

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.

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

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.

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, subject to certain restrictions. The Group holds directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions.

Details of the contractual obligations are further disclosed in the notes to the consolidated financial statements for the year ended December 31, 2020.

Off-Balance Sheet Arrangements

During the year ended December 31, 2020, the Group did not engage in any off-balance sheet financing arrangements.

13 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 (" ("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.

(d) Proposed Transactions

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. Refer to the "*Recent Events*" section of this MD&A for a further detailed description.

14 Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from Management's perspective. Accordingly, they should not be considered in isolation nor as a substitute to the Company's financial information reported under IFRS. Management uses non-IFRS measures such as Adjusted Gross Profit, EBITDA, Adjusted EBITDA and Working Capital to provide investors with supplemental information of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. Securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess its ability to meet future debt service requirements, in making capital expenditures, and to consider the business' working capital requirements.

The definition and reconciliation of Adjusted Gross Profit, EBITDA, Adjusted EBITDA and Working Capital used and presented by the Company to the most directly comparable IFRS measures follows below.

Adjusted Gross Profit

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. Under IFRS, acquired inventory is required to be recognized at fair value at the date of acquisition. 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.

	Three months ended		Twelve months ended	
(in $000's)	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Gross profit per financial statements	80,026	79,243	333,249	336,812
Add back: Fair value adjustment to acquired inventory	1,666	—	3,929	—
Adjusted Gross Profit	81,692	79,243	337,178	336,812

EBITDA

EBITDA is defined as net income (loss) adjusted for interest and accretion expense, interest income, income taxes, depreciation and amortization of intangible assets. Management uses EBITDA to assess the Company's operating performance.

Adjusted EBITDA

Adjusted EBITDA is defined as EBITDA adjusted for 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. Management uses Adjusted EBITDA, among other Non-IFRS financial measures, as the key metric in assessing business performance when comparing actual results to budgets and forecasts. Management believes Adjusted EBITDA is an important measure of operating performance and cash flow and provides useful information to investors because it highlights trends in the underlying business that may not otherwise be apparent when relying solely on IFRS measures.

(in $000's)	Three months ended Dec 31, 2020	Three months ended Dec 31, 2019	Twelve months ended Dec 31, 2020	Twelve months ended Dec 31, 2019
Net loss for the period	2,448	(24,600)	(74,858)	(196,018)
Interest and accretion expense	12,832	25,017	91,610	105,683
Interest income	(86)	(562)	(958)	(2,195)
Income taxes	(42,852)	(14,661)	(48,907)	(22,007)
Depreciation	1,220	72	3,362	2,201
Amortization of intangible assets	44,834	46,116	192,184	204,349
EBITDA	18,396	31,382	162,433	92,013
Impairment	957	21,000	5,073	129,281
Fair value adjustment to acquired inventory	1,666	—	3,929	—
Acquisition related, restructuring and other	6,915	10,506	30,009	33,841
Share-based compensation expense	1,111	741	3,307	3,943
Foreign exchange (gain) loss	38	75	(5,194)	(820)
Unrealized foreign exchange (gain) loss	21,461	(10,890)	32,998	(24,677)
Adjusted EBITDA	50,544	52,814	232,555	233,581

Working Capital

ADVANZ PHARMA defines working capital as total current assets less trade payables, accrued liabilities and interest payable, income taxes payable and other current liabilities.

15 Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires Management to make a number of judgments, estimates and assumptions regarding recognition and measurement of assets, liabilities, revenues and expenses, gains and losses, and disclosures of contingencies. These estimates and assumptions are subject to change based on experience and new information. Critical accounting estimates are those that require Management to make assumptions about matters that are highly uncertain at the time the estimate is made. Critical accounting estimates are also those estimates which, where a different estimate could have been used or where changes in the estimate that are reasonably likely to occur, would have a material impact on the company's financial condition, changes in financial condition or financial performance. Critical accounting estimates and judgments are reviewed annually by the Audit Committee of the Board.

Information about the judgments, estimates and assumption that have the most significant effect on 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 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 of the consolidated financial statements for the year ended December 31, 2020 for further information.

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 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 of the consolidated financial statements for the year ended December 31, 2020 for further details.

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 Notes 4 and 9 of the consolidated financial statements for the year ended December 31, 2020 for further details.

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.

Current and Future Accounting Pronouncements

Note 2 of the consolidated financial statements as at and for the year ended December 31, 2020 describes information relating to current and future significant accounting standards applicable to the Company.

16 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 XYDALBA™ 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 of the consolidated financial statements for year ended December 31, 2020.

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 of the consolidated financial statements for year ended December 31, 2020.

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 of the consolidated financial statements for year ended December 31, 2020.

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

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 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 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 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 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 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 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.

17 Outstanding Share Data

The authorized 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.

As at December 31, 2020 and March 16, 2021, the Company had 48,913,490 limited voting shares issued and outstanding.

As at December 31, 2020 and March 16, 2021, 1,000 Class A special shares have been issued to GSO. Each Class A special share can be redeemed by the Company for a redemption price of $1.00 per share upon the earliest to occur of: (i) the holders of Class A special shares ceasing to beneficially own, in the aggregate, at least 12.5% of the issued and outstanding limited voting shares for thirty consecutive days; or (ii) a written demand by any holder of the Class A special shares.

As at December 31, 2020 and March 16, 2021, 1,000 Class B special shares have been issued to Solus. Each Class B special share can be redeemed by the Company for a redemption price of $1.00 per share upon the earliest to occur of: (i) the holders of Class B special shares ceasing to beneficially own, in the aggregate, at least 12.5% of the issued and outstanding limited voting shares for thirty consecutive days; or (ii) a written demand by any holder of the Class B special shares.

As at December 31, 2020 and March 16, 2021, no Class C special shares have been issued.

Following the recapitalization transaction that was completed during the third quarter of 2018, the Company instituted a MIP through the issuance of shares ("MIP Exchangeable Shares") of a subsidiary ("MIPCo"). Pursuant to an exchange rights agreement dated September 7, 2018 (the "ERA") between the Company, MIPCo, the holders of MIP Exchangeable Shares and certain other parties, on the occurrence of certain liquidity events described in the ERA, the MIP Exchangeable Shares may be exchanged for Limited Voting Shares of the Company. The MIP Exchangeable Shares are structured so that holders are entitled to participate in a percentage (ranging between 7.59% and 10.12% depending on the value of MIPCo at the time of the exchange) of the growth in value of MIPCo above a hurdle, which is initially equal to the total equity value of the Group on September 6, 2018, increasing by 9% annually on a compounding basis. The number of limited voting shares of the Company into which the MIP Exchangeable Shares are exchangeable cannot be determined until the occurrence of a liquidity event contemplated by the ERA. The maximum number of Limited Voting Shares which may be issued upon exchange of the MIPCo exchangeable shares is 3,664,069 Limited Voting Shares. A copy of the ERA is available for review on SEDAR at www.sedar.com. As at December 31, 2020 and March 16, 2021, 426,939 MIP Exchangeable Shares have been issued.

18 Control Environment

Management is responsible for establishing and maintaining adequate Internal Control over Financial Reporting ("ICFR") and disclosure controls and procedures ("DC&P"). ADVANZ PHARMA's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are required by the various provincial securities regulators to certify annually that they have designed or caused to be designed, the Company's disclosure controls and procedures, as defined in the Canadian Securities Administrators' National Instrument 52-109 ("NI 52-109"), and that they have evaluated the effectiveness of the presence and function of these controls and procedures in the applicable period.

Internal control is a framework designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting framework includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Disclosure controls and procedures form a broader framework designed to provide reasonable assurance that other financial information disclosed publicly fairly presents in all material respects the financial conditions, results of operations and cash flows of the Company for the periods presented in the Company's MD&A. The Company's disclosure controls and procedures framework included processes designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to management by others within those entities to allow timely decisions regarding required disclosures.

Together, the internal control over financial reporting and disclosure controls and procedure frameworks provide internal control over financial reporting and disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Further, the effectiveness of disclosure controls and internal control is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or proceedings may change.

The Company carried out an evaluation, under the supervision and with the participation of its Management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in the Canadian Securities Administrators' NI 52-109) as at December 31, 2020, based on the framework and criteria established in Internal Control - Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, Management concluded that the Company’s disclosure controls and procedures were effective as at December 31, 2020, to ensure that information required to be disclosed by the Company in reports that are filed or submitted to Canadian securities authorities is recorded, processed, summarized and reported within the time periods specified in Canadian securities laws.

As at December 31, 2020, Management had assessed the effectiveness of the Company's internal control over financial reporting using the criteria set forth by COSO in Internal Control - Integrated Framework (2013). Based on this assessment, Management has determined that the Company's internal control over financial reporting was effective as at December 31, 2020.

Management will continue to periodically evaluate the Company's DC&P and ICFR, and will make any modifications from time to time as deemed necessary. Based on their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

19 Forward-looking Statements

Certain statements contained in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities laws ("forward-looking statements"), which are based upon the current internal expectations, estimates, projections, assumptions and beliefs of Management. Statements concerning the Company's objectives, goals, strategies, intentions, plans, beliefs, assumptions, projections, predictions, expectations and estimates, and the business, operations, future financial performance and condition of the Company are forward-looking statements. This MD&A uses words such as "believe", "expect", "anticipate", "estimate", "intend", "may", "will", "would", "could", "plan", "create", "designed", "predict", "project", "seek", "ongoing", "increase", "upside" and similar expressions and the negative and grammatical variations of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such forward-looking statements reflect the current beliefs of Management based on information currently available to them, and are based on assumptions and subject to risks and uncertainties. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements. In addition, this MD&A may contain forward-looking statements attributed to third-party industry sources.

By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections or other characterizations of future events or circumstances that constitute forward-looking statements will not occur. Such forward-looking statements in this MD&A speak only as of the date of this MD&A. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- the ability of the Company to compete against companies that are larger and have greater financial, technical and human resources than that of the Company, as well as other competitive factors, such as technological advances achieved, patents obtained and new products introduced by competitors;
- the performance of the Company's business and operations;
- the Company's capital expenditure programs;
- the future development of the Company, its growth strategy and the timing thereof;
- the acquisition strategy of the Company including the completion of acquisition of Correvio;
- the Company's ability to achieve all of its estimated synergies as a result of cost reductions and/or integration initiatives;
- the estimated future contractual obligations of the Company;
- the Company's future liquidity and financial capacity;
- the Company's ability to satisfy its financial obligations in future periods;
- the supply and market changes in demand for pharmaceutical products within the Company's portfolio of pharmaceutical products;
- cost and reimbursement of the Company's products;
- the availability and extent to which the Company's products are reimbursed by government authorities and other third party payors, as well as the impact of obtaining or maintaining such reimbursement on the price of the Company's products;
- the Company's business priorities, long-term growth strategy and/or stabilization programs or initiatives;
- changes in regulatory rules or practices in the U.S., U.K. or in other jurisdictions in which the Company sells products;
- the impact of changes in laws and regulations on the Company's business;
- the credit ratings described herein;
- changes in prescription recommendations or behaviours by clinical commissioning groups or other healthcare groups in the U.S., U.K., or in any other jurisdictions in which the Company sells its products;
- the inclusion of the Company's products on formularies or clinical commissioning groups providing guidance to prescribe the Company's products or the Company's ability to achieve favourable formulary or clinical commissioning group status, as well as the impact on the price of the Company's products in connection therewith;
- the acquisition, in-licensing and/or launch of new products including, but not limited to, the acceptance and demand for new pharmaceutical products, and the impact of competitive products and prices; and
- the market size for the Company's products including, without limitation, its pipeline products.

With respect to the forward-looking statements contained in this MD&A, such statements are subject to certain risks, including those risks set forth below and in other documents filed with the Canadian Securities Administrators, available on SEDAR at www.sedar.com, and the Company has made assumptions regarding, among other factors:

- Following the completion of the recapitalization transaction, the Company has the following significant shareholders, GSO, Solus and Bybrook Capital LLP, in its capacity as investment manager of certain investment funds and/or accounts ("Bybrook") who own or control approximately 35.6%, 17.9% and 18.8%, respectively, of the outstanding limited voting shares, GSO owns the Class A Special Shares and Solus owns the Class B Special Shares. These parties may be able to significantly affect the outcome of important matters affecting ADVANZ PHARMA that require shareholder approval, including business combinations or other

transactions that could be recommended for acceptance by shareholders by the Board. It is possible that the interests of GSO, Solus or Bybrook may in some circumstances conflict with the Company's interests and the interests of other shareholders. In addition, such parties are in the business of making investments in other companies and may hold securities of, and may from time to time in the future acquire interests in, businesses that directly or indirectly compete with all or a portion of the Company's business or the businesses of its suppliers. None of GSO, Solus or Bybrook have entered into any non-competition agreements with the Company, or provided any covenants not to compete with the Company;

- the outcome of the formal sale process announced by the Company on October 23, 2020, and further announcement regarding agreement on the terms of a cash offer to be made by Nordic Capital, the timing of any transaction resulting therefrom and the potential impact on the Company;
- the ability of the Company to create a financial foundation for the Company that will be able to support its long-term growth;
- the ability of the Company to achieve the Company's financial goals;
- the ability of the Company to comply with its contractual obligations, including, without limitation, its obligations under debt arrangements;
- the Company's future liquidity position, and access to capital, to fund ongoing operations and obligations (including debt obligations);
- the ability of the Company to stabilize its business;
- the ability of the Company to implement and successfully achieve its business priorities in order to stabilize the Company's business;
- the ability of the Company to execute its long-term growth strategy and/or not being delayed in executing such strategy;
- the successful licensing of products to third parties or to the Company, as applicable, to market and distribute such products on terms favourable to the Company;
- the ability of the Company to maintain key partnerships, and licensing and partnering arrangements, now and in the future;
- the ability of the Company to maintain its distribution networks and distribute its products effectively despite significant geographical expansion;
- the general regulatory environment in which the Company operates, including the areas of taxation, environmental protection, consumer safety and health regulation;
- the tax treatment of the Company and its subsidiaries and the materiality of legal and regulatory proceedings;
- the ability of the Company to successfully resolve regulatory investigations into the pricing of its products;
- the timely receipt of any required regulatory approvals, including in respect of the Company's pipeline of products;
- the general economic, financial, market and political conditions impacting the industry and countries in which the Company operates;
- the ability of the Company to sustain or increase profitability, fund its operations with existing capital, and/or raise additional capital to fund its operations or future acquisitions;
- the ability of the Company to meet its financial forecasts and projections over the next twelve months and beyond;
- the ability of the Company to acquire or in-license any necessary technology, products or businesses and effectively integrate such acquisitions or such in-licensed technology or products;
- the development and clinical testing of products under development;
- the ability of the Company to obtain necessary approvals for commercialization of the Company's products from the U.S. Food and Drug Administration, the U.K. Medicines and Healthcare products Regulatory Agency, the EMA or other regulatory authorities;
- future currency exchange and interest rates;
- reliance on third party contract manufacturers to manufacture the Company's products on favourable terms;
- reliance on third party distributors to distribute the Company's products on favourable terms;
- reliance on development partners to develop the Company's products;
- the ability of the Company to generate sufficient cash flow from operations and to access existing and proposed credit facilities and the capital markets to meet its future obligations on acceptable terms;
- potential competition to the Company's pharmaceutical products, including competition created by pharmaceutical parallel trade;
- the availability of raw materials and finished products necessary for the Company's products;
- the impact of increasing competition;
- the impact of the entry of competitive products, including the timing of the entry of such products in the market place;
- the ability of the Company to obtain and retain qualified staff, equipment and services in a timely and efficient manner;
- the ability of the Company to maintain and enforce the protection afforded by any patents or other intellectual property rights;
- the ability of the Company to conduct operations in a safe, efficient and effective manner;
- the results of continuing and future safety and efficacy studies by industry and government agencies related to the Company's products;

- the ability of the Company to retain members of the senior management team, including but not limited to, the officers of the Company;
- the ability of the Company to successfully market its products and services;
- clinical commissioning groups and/or other healthcare groups in the markets in which the Company sells its products, including the U.K. and United States, not making adverse prescribing recommendations against the Company's products;
- the impact of the U.K.'s withdrawal from the EU. A significant portion of the Company's business is in the U.K. pharmaceutical industry and a significant portion of the Company's contract manufacturers are in mainland Europe. While the long-term effects of the separation remain to be seen, the U.K.'s exit from the EU could result in a number of developments, including, without limitation, regulatory changes in the pharmaceutical industry, cross-border tariff and cost structure changes or loss of access to EU global trade markets. Therefore, the U.K.'s exit from the EU could have a material adverse effect on the Company's business, financial condition and results of operations. The U.K. is currently in a transition period set to end on December 31, 2020, during which the terms the exit are set to be negotiated. As a result, uncertainty over the exact nature of the separation and the landscape for trade will persist for at least the remainder of 2020;
- a significant number of the Company's products are vulnerable to price competition driven by pharmaceutical parallel trade ("PPT"). PPT refers to pharmaceutical products that are put on the market in one country by the owner of the intellectual property rights to such products, or with the consent of the owner, that are subsequently imported into another country by a third party for secondary sale without the consent or authorization of the intellectual property right owner. Many of the Company's products are distributed in the European Union, where PPT is common and, as a result, some of the Company's products may be subject to price competition caused by PPT, which could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, PPT may restrict the Company's ability to ensure that patients receive products designed for their local preferences and needs and possibly to the satisfaction of applicable governmental regulations in the jurisdiction of import. Moreover, as a result of PPT, packaging, manuals and instructions may be provided in a foreign language and may lack domestic telephone numbers and other important contact information for patient support, which may result in a diminished experience for the patient and diminished product reputation, which could have a material adverse effect on the Company's business, financial condition and results of operations;
- the impact of the recently enacted U.K. Health Service Medical Supplies (Costs) Act on the Company's business, including, without limitation, on the pricing of the Company's products in the U.K. and on the operations of the Company;
- the Company's operating results, financial condition and financial forecasts may fluctuate from period to period for a number of reasons, including as a result of events or occurrences disclosed in the Company's public filings. As a result, the Company believes that quarter-to-quarter comparisons of results from operations or financial forecasts, or any other similar period-to-period comparisons, should not be construed as reliable indicators of the Company's future performance. The events or occurrences described in the Company's public filings on SEDAR may cause the Company's operating results and/or financial forecasts to fluctuate and such events or occurrences could have a material adverse effect on the Company's business, financial condition and results of operations. In any period, the Company's results may be below the expectations of market analysts and investors, which could cause the trading price of the Company's securities to decline; and
- the potential direct or indirect operational impacts resulting from infectious diseases or pandemics, such as the COVID-19 outbreak.

Forward-looking statements contained in this MD&A are based on the key assumptions described herein. Readers are cautioned that such assumptions, although considered reasonable by the Company, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided in this MD&A as a result of numerous known and unknown risks and uncertainties and other factors. The Company cannot guarantee future results.

Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to, the risk factors described herein and in the Company's other filings with the Canadian Securities Administrators which are available on SEDAR, online at www.sedar.com..

Forward-looking statements contained in this MD&A are based on Management's current plans, expectations, estimates, projections, beliefs and opinions and the assumptions relating to those plans, expectations, estimates, projections, beliefs and opinions may change. Management has included the summary of assumptions and risks related to forward-looking statements included in this MD&A for the purpose of assisting the reader in understanding Management's current views regarding those future outcomes. Readers are cautioned that this information may not be appropriate for other purposes. Readers are cautioned that the lists of assumptions and risk factors contained herein are not exhaustive. Neither the Company nor any other person assumes responsibility for the accuracy or completeness of the forward-looking statements contained herein.

Such forward-looking statements are made as of the date of this MD&A and the Company disclaims any intention or obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

All of the forward-looking statements made in this MD&A are expressly qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

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Refer to the "*Liquidity*" and "*Lending Arrangements and Debt*" sections of this MD&A for a further discussion on the Company's financial position, liquidity and future outlook.

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