KNIGHT THERAPEUTICS INC.

Management's Discussion and Analysis

For the three and nine-month periods ended September 30, 2020

The following is Management's Discussion and Analysis of the financial condition and operating results of Knight Therapeutics Inc. ("Knight" or the "Company") for the three and nine-month periods ended September 30, 2020. This document should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto for the three and nine-month periods ended September 30, 2020 and the audited consolidated financial statements and Management's Discussion and Analysis of financial condition and operating results in our annual report for the year ended December 31, 2019. Knight's unaudited interim condensed consolidated financial statements as at and for the three and nine-month periods ended September 30, 2020 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". All amounts herein are expressed in thousands of Canadian dollars (unless otherwise indicated) except for share and per share amounts. All other currencies are in thousands.

This discussion and analysis was prepared by management from information available as at November 12, 2020. Further information about Knight Therapeutics Inc., including the Annual Information Form, is available online on SEDAR at www.sedar.com.

Cautionary note regarding forward-looking statements

This Management's Discussion and Analysis may contain certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws. Forward-looking statements and information can generally be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue", "plans" or similar terminology. Forward-looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Company to control or predict, that may cause the Company's actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out herein. Factors and risks which could cause actual results to differ materially from current expectations are discussed in the Company's Annual Report and in the Company's latest Annual Information Form found on SEDAR at www.sedar.com. The Company undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed, and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.

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(In thousands of Canadian dollars, except for share and per share amounts)

GLOSSARY OF ABBREVIATIONS

Abbreviation	Calendar
Q3-20	Third quarter of 2020
Q2-20	Second quarter of 2020
Q1-20	First quarter of 2020
Q4-19	Fourth quarter of 2019
Q3-19	Third quarter of 2019
Q2-19	Second quarter of 2019
Q1-19	First quarter of 2019
Q4-18	Fourth quarter of 2018

Abbreviation	Company
60P	60^{o} Pharmaceuticals LLC
Advaxis	Advaxis Pharmaceuticals Inc.
Alimera	Alimera Sciences Inc.
Antibe	Antibe Therapeutics Inc.
Ardelyx	Ardelyx, Inc.
AstraZeneca	AstraZeneca AB
BMS	Bristol-Myers Squibb
Braeburn	Braeburn Pharmaceuticals Inc.
GBT	Biotoscana Investments S.A.
Knight or the Company	Knight Therapeutics Inc.
KTB	Knight Therapeutics (Barbados) Inc
Medison	Medison Biotech (1995) Ltd.
Moksha8	Moksha8, Inc.
NEMO II	New Emerging Medical Opportunities Fund II Ltd.
NEMO III	New Emerging Medical Opportunities Fund III Ltd.
Profound	Profound Medical Inc.
Puma	Puma Biotechnology, Inc.
Sectoral	Sectoral Asset Management Inc.
Synergy	Synergy CHC Corp.
Triumvira	Triumvira Immunologics Inc.
TXMD	TherapeuticsMD, Inc.

Abbreviation	Financial
Annual Financial Statements	Audited annual consolidated financial statements
ARS	Argentine Peso
BOB	Bolivian Boliviano
BRL	Brazilian Real
C$ or $	Canadian Dollar
CDI	Certificados de Depositos Interfinancieros (Brazil interbank lending rate)
CHF	Swiss Franc
CLP	Chilean Peso
COP	Colombian Peso
DC&P	Disclosure Controls and Procedures
ECL	Expected credit loss
EPS	Earnings per share to common shareholders
EUR	Euro
FVTPL	Fair value through profit or loss
ICFR	Internal control over financial reporting
IFRS	International Financial Reporting Standards
Interim Financial Statements	Unaudited interim condensed consolidated financial statements

Abbreviation	Financial (continued)
MXN	Mexican Peso
PEN	Peruvian Sol
PPA	Purchase price allocation
PYG	Paraguayan Guarani
Selic	Monetary policy interest rate used by the Central Bank of Brazil
US$/USD	U.S. Dollar
UYU	Uruguayan Peso

Abbreviation	Territory
LATAM	Latin America
U.S.	United States of America

Abbreviation	Other
B3	B3 S.A. – Brasil, Bolsa, Balcão
BDR	Brazilian depositary receipt
CEO	Chief executive officer
CNS	Central Nervous System
GX	Generic
HIV	Human immunodeficiency virus infection
IBS-C	Irritable Bowel Syndrome with Constipation
IQVIA	IQVIA Incorporated, a leading pharmaceutical market research organization
MTO	Mandatory tender offer
NCIB	Normal Course Issuer Bid
NDS	New Drug Submission
NIHB	Non-Insured Health Benefits for First Nations and Inuit Program
OIC	Opioid-induced constipation
pERC	Pan-Canadian Oncology Drug Review Expert Review Committee
PMPRB	Patented Medicine Prices Review Board
PRV	Priority Review Voucher

OVERVIEW

Section 1 – About Knight Therapeutics Inc.

Knight Therapeutics Inc. is a specialty pharmaceutical company, headquartered in Montreal, Canada, and listed on the Toronto Stock Exchange under the ticker symbol "GUD". The Company operates in Canada, Latin America and select international markets and the activities performed are as follows:

- Principal business activity is developing, acquiring, in-licensing, out-licensing, manufacturing, marketing and distributing pharmaceutical products in Canada, Latin America and select international markets.
- Finances other life sciences companies with the goal of strengthening relationships in the life science industry and securing product distribution rights for Canada and select international markets.
- Invested in life sciences venture capital funds whereby the Company may receive preferential access to innovative healthcare products for Canada and select international markets.
- Develops innovative pharmaceutical products including those to treat neglected tropical and rare pediatric diseases.

Section 2 – Q3-20 Highlights

Financial Results

- Revenues were $45,239, an increase of $41,209 or 1,023% over prior year.
- Gross margin was $19,533 or 43% compared to $3,301 or 82% in prior year.
- Interest income generated of $3,188 a decrease of $2,870 or 47% over prior year.
- Adjusted earnings[1] of $6,582, an increase of $1,020 or 18% over prior year.
- Net income for the period was $17,492 compared to a net loss of $2,959 in prior year.

Corporate Developments

- Launched a NCIB in July 2020 and purchased 797,952 common shares for an aggregate cost of $4,745.
- Completed the tender offer process and acquired an additional 48.74% of GBT.

Products

- Obtained regulatory approval for Lenvima® and Halaven® in Ecuador.
- Received regulatory approval from Health Canada for Imvexxy™ and Bijuva™.
- Submitted a supplement to a NDS of Nerlynx® for HER2-positive metastatic breast cancer.

Strategic Investments

- Received distributions of $14,887 from strategic fund investments and realized a gain of $9,348.

Subsequent to quarter-end

- Signed a new exclusive distribution agreement with Gilead for the continued commercialization of AmBisome® in Brazil, effective January 1, 2021.

[1]Adjusted earnings is not a defined term under IFRS, refer to Section 4 for additional details.

Section 3 – GBT Transaction

GBT is a specialty pharmaceutical company headquartered in Montevideo, Uruguay, operating in 10 countries in Latin America. GBT markets and sells licensed innovative products and engages in development, manufacturing and marketing of specialty pharmaceutical branded generic products. GBT's business model focuses on therapeutic areas covering infectious diseases, oncology and onco-hematology, and certain other specialty therapeutics.

On November 29, 2019 the Company acquired a controlling stake of 51.2% in GBT ("GBT Transaction"), from a controlling shareholder group that included Advent International and Essex Woodlands, among others. The purchase price per share paid by the Company at closing was $3.48 [BRL 10.96], for an aggregate purchase price of $189,024 [BRL 595,662], which was funded entirely from the Company's cash on hand. An amount equivalent to 20% of the Purchase Price was deposited in escrow to secure the sellers' indemnification obligations under the purchase agreement for the GBT Transaction. The escrow amount will be released equally over a period of three years from closing, net of claims in accordance with the terms and conditions of the Share Purchase Agreement.

Subsequent to the GBT Transaction, the remaining 48.8% of GBT was publicly-held and traded on B3, Brazil's main stock exchange, through BDRs. On July 15, 2020, the Company announced the launch of the tender offer for the acquisition and delisting of all outstanding BDR of Biotoscana Investments S.A (the "Unified Tender Offer").

In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. Prior to the completion of the Unified Tender Offer, the Company held foreign exchange forward contracts to sell CAD and buy USD $124,442 at a weighted average rate of 1.32 CAD/USD ("USD Contract"). In addition, the Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 510,873 at an average rate of 4.10 BRL per USD ("BRL Contract"). Along with the launch of the Unified Tender Offer, the Company settled the USD Contract and BRL Contract ("FX Contracts") and the Company converted $163,797 to BRL 510,873.

The public shareholders had the choice between the following two tender options:

- BRL11.23 per BDR with an amount equivalent to 20% deposited in an escrow account to secure the sellers' indemnification obligations under the purchase agreement for the GBT Transaction, provided that BRL 0.91 of the escrow amount shall be mandatorily paid on or at any time prior to November 29, 2022. The escrow amount will be released equally over a period of three years from closing, net of claims in accordance with the terms and conditions of the Share Purchase Agreement.
- BRL10.40 per BDR in cash on the settlement date ("Alternative Offer Price").

Upon close of the tender offer process, 99.6% of the public shareholders tendered their BDRs through the Alternative Offer Price. The Company paid an aggregate purchase price of $170,855 [BRL 537,523] and obtained 99.94% ownership of GBT. On October 23, 2020, the BDR program of GBT was cancelled by the Brazilian Securities and Exchange Commission. Refer to section 10 for further details.

(In thousands of Canadian dollars, except for share and per share amounts)

FINANCIAL RESULTS

Section 4 – Results of Operations

Impact of Hyperinflation

The Company applies IAS 29, Financial Reporting in Hyperinflation Economies, as the Company's Argentine subsidiaries used the Argentine Peso as their functional currency. IAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy be adjusted based on an appropriate general price index to express the effects of inflation. If the Company did not apply IAS 29, the effect on the Company's operating income would be as follows:

Q3-20

	Reported under IFRS	Excluding impact of IAS 29	Variance $[1]	Variance %[2]
Revenues	**45,239**	**45,847**	(608)	1%
Cost of goods sold	**25,706**	**24,765**	(941)	4%
Gross margin	**19,533**	**21,082**	(1,549)	7%
Gross margin (%)	***43%***	***46%***		
Expenses				
Selling and marketing	**7,763**	**7,604**	(159)	2%
General and administrative	**10,835**	**10,883**	48	0%
Research and development	**2,967**	**3,026**	59	2%
Amortization of intangible assets	**5,703**	**5,756**	53	1%
Operating Loss	**(7,735)**	**(6,187)**	(1,548)	25%

[1] *A positive variance represents a positive impact to net income due to the application of IAS 29 and a negative variance represents a negative impact to net income due to the application of IAS 29*

[2] *Percentage change is presented in absolute values*

YTD-20

	Reported under IFRS	Excluding impact of IAS 29	Variance $[1]	Variance %[2]
Revenues	**144,328**	**145,860**	(1,532)	1%
Cost of goods sold	**82,698**	**78,792**	(3,906)	5%
Gross margin	**61,630**	**67,068**	(5,438)	8%
Gross margin (%)	***43%***	***46%***		
Expenses				
Selling and marketing	**26,928**	**27,021**	93	0%
General and administrative	**27,424**	**26,656**	(768)	3%
Research and development	**8,035**	**8,175**	140	2%
Amortization of intangible assets	**17,546**	**17,407**	(139)	1%
Operating Loss	**(18,303)**	**(12,191)**	(6,112)	50%

[1] *A positive variance represents a positive impact to net income due to the application of IAS 29 and a negative variance represents a negative impact to net income due to the application of IAS 29*

[2] *Percentage change is presented in absolute values*

(In thousands of Canadian dollars, except for share and per share amounts)

Statement of Income

			Change				Change	
	Q3-20	Q3-19	**$[1]**	**%[2]**	**YTD-20**	YTD-19	**$[1]**	**%[2]**
Revenues	**45,239**	4,030	41,209	1,023%	**144,328**	10,190	134,138	1,316%
Cost of goods sold	**25,706**	729	(24,977)	3,426%	**82,698**	1,671	(81,027)	4,849%
Gross margin	**19,533**	3,301	16,232	492%	**61,630**	8,519	53,111	623%
Gross margin (%)	***43%***	*82%*			***43%***	*84%*		
Expenses								
Selling and marketing	**7,763**	1,146	(6,617)	577%	**26,928**	3,341	(23,587)	706%
General and administrative	**10,835**	4,761	(6,074)	128%	**27,424**	12,339	(15,085)	122%
Research and development	**2,967**	892	(2,075)	233%	**8,035**	2,502	(5,533)	221%
Amortization of intangible assets	**5,703**	424	(5,279)	1,245%	**17,546**	1,273	(16,273)	1,278%
Operating loss	**(7,735)**	(3,922)	(3,813)	97%	**(18,303)**	(10,936)	(7,367)	67%
Interest income on financial instruments measured at amortized cost	**(1,754)**	(4,825)	(3,071)	64%	**(7,477)**	(14,651)	(7,174)	49%
Other interest income	**(1,434)**	(1,233)	201	16%	**(4,038)**	(3,457)	581	17%
Interest expense	**822**	—	(822)	N/A	**3,070**	—	(3,070)	N/A
Other income	**(243)**	(1,579)	(1,336)	85%	**(133)**	(1,949)	(1,816)	93%
Net (gain) loss on financial assets measured at fair value through profit or loss	**(12,873)**	4,883	17,756	N/A	**(22,642)**	(19,649)	2,993	15%
Net gain on mandatory tender offer liability	**(10,502)**	—	10,502	N/A	**(12,072)**	—	12,072	N/A
Realized gain on sale of asset held for sale	**—**	—	—	N/A	**(2,948)**	—	2,948	N/A
Realized gain on automatic share purchase plan	**—**	—	—	N/A	**(4,168)**	—	4,168	N/A
Share of net income of associate	**—**	(128)	(128)	N/A	**—**	(448)	(448)	N/A
Foreign exchange loss	**703**	638	(65)	10%	**9,666**	3,315	(6,351)	192%
Loss on hyperinflation	**401**	—	(401)	N/A	**1,205**	—	(1,205)	N/A
Income (loss) before income taxes	**17,145**	(1,678)	18,823	N/A	**21,234**	25,903	(4,669)	18%
Income tax								
Current	**(3,079)**	999	4,078	N/A	**1,386**	3,168	1,782	56%
Deferred	**2,732**	282	(2,450)	869%	**(3,679)**	1,549	5,228	N/A
Income tax (recovery) expense	**(347)**	1,281	1,628	N/A	**(2,293)**	4,717	7,010	N/A
Net income (loss) for the period	**17,492**	(2,959)	20,451	N/A	**23,527**	21,186	2,341	11%
Attributable to:								
Shareholders of the Company	**18,094**	(2,959)	21,053	N/A	**33,834**	21,186	12,648	60%
Non-controlling interest	**(602)**	—	(602)	N/A	**(10,307)**	—	(10,307)	N/A
Attributable to shareholders of the Company								
Basic net earnings (loss) per share	**0.138**	(0.021)	0.159	N/A	**0.256**	0.150	0.106	71%
Diluted net earnings (loss) per share	**0.138**	(0.021)	0.159	N/A	**0.255**	0.150	0.105	70%
Adjusted earnings[3]	**6,582**	5,562	1,020	18%	**23,510**	14,755	8,755	59%

[1] *A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income*

[2] *Percentage change is presented in absolute values*

[3] *Adjusted earnings is a non-IFRS measures, refer to section "Adjusted earnings" for additional details*

(In thousands of Canadian dollars, except for share and per share amounts)

Revenues	***Q3-20 vs Q3-19*** For the quarter ended September 30, 2020 revenues increased by $41,209 or 1,023% over prior year explained by the following: • The consolidation of GBT's financial results accounted for $40,574 of incremental revenues for Q3-20, which is broken down per country as follows: ○ Brazil: $16,020 ○ Argentina: $8,497 ○ Colombia: $7,659 ○ Rest of LATAM: $8,398 • The remainder of the growth in revenues of $635 is mainly attributable to timing of sales of Impavido® and the in-licensing of Trelstar®. ***YTD-20 vs YTD-19*** For the nine-month period ended September 30, 2020 revenues increased by $134,138 or 1,316%, explained by the following: • The consolidation of GBT's financial results accounted for $132,168 of incremental revenues for YTD-20, which is broken down per country as follows: ○ Brazil: $51,839 ○ Argentina: $29,686 ○ Colombia: $25,215 ○ Rest of LATAM: $25,428 • The remainder of the growth in revenues of $1,970 is mainly attributable to timing of sales of Impavido®, the growth in Movantik® and the in-licensing of Trelstar®.
Gross margin	***Q3-20 vs Q3-19*** For the quarter ended September 30, 2020 gross margin decreased from 82% to 43% explained by the following: • Overall decrease in gross margin (%) attributable to the consolidation of GBT's results. • In addition, the Company recorded an inventory provision of $1,871 mainly due to impact on certain new product launches as a result of COVID-19. • The gross margin increases from 43% to 46% excluding the impact of IAS 29 ("Adjusted Gross Margin"). Refer to "Impact of Hyperinflation" above for further details. ***YTD-20 vs YTD-19*** For the nine-month period ended September 30, 2020, gross margin decreased from 84% to 43% explained by the following: • Overall decrease in gross margin (%) attributable to the consolidation of GBT's results. • In addition, the Company recorded an inventory provision of $6,797, of which $874 relates to inventory destroyed due to temperature excursions during transportation. The remaining $5,923 is primarily due to delays in certain new product launches and COVID-19. • The gross margin increases from 43% to 46% excluding the impact of IAS 29 ("Adjusted Gross Margin"). Refer to "Impact of Hyperinflation" above for further details. In addition, the Adjusted Gross Margin of GBT increases from 46% to 47% excluding the PPA adjustment of $865.

(In thousands of Canadian dollars, except for share and per share amounts)

Selling and marketing	***Q3-20 vs Q3-19*** For the quarter ended September 30, 2020, selling and marketing expenses increased by $6,617, or 577%, explained by the following: • The consolidation of GBT's financial results accounted for $6,305 of incremental selling and marketing expenses for Q3-20. ***YTD-20 vs YTD-19*** For the nine-month period ended September 30, 2020, selling and marketing expenses increased by $23,587, or 706%, explained by the following: • The consolidation of GBT's financial results accounted for $23,258 of incremental selling and marketing expenses for YTD-20 which includes an additional ECL of $2,210.
General and administrative	***Q3-20 vs Q3-19*** For the quarter ended September 30, 2020, general and administrative expenses increased by $6,074, or 128%, explained by the following: • The consolidation of GBT's financial results accounted for $4,710 of incremental general and administrative expenses for Q3-20. • During Q3-20, the Company incurred $3,490 of advisory, legal, regulatory and bank fees incurred related to the completion of the Unified Tender Offer, an increase of $1,014 incurred in Q3-19 for the acquisition of GBT. ***YTD-20 vs YTD-19*** For the nine-month period ended September 30, 2020, general and administrative expenses increased by $15,085, or 122%, explained by the following: • The consolidation of GBT's financial results accounted for $16,119 of incremental general and administrative expenses for YTD-20. • During YTD-20, the Company incurred expenses of $3,810 related to the completion of the Unified Tender Offer, compared to $3,803 of non-recurring expenses in YTD-19 on professional fees related to the activist campaign, public proxy battle and related litigations between the Company and dissident shareholder Meir Jakobsohn, Medison's CEO as well as $2,476 on legal and consulting fees incurred in YTD-19 related to the acquisition of GBT. Furthermore, the Company incurred additional expenses related to the growth of the Company.
Research and development expenses	***Q3-20 vs Q3-19*** • For the quarter ended September 30, 2020, research and development expenses increased by $2,075, or 233%, mainly explained by the consolidation of GBT's financial results which accounted for $2,006 of the incremental expenses. ***YTD-20 vs YTD-19*** • For the nine-month period ended September 30, 2020, research and development expenses increased by $5,533, or 221%, mainly explained by the consolidation of GBT's financial results which accounted for $5,470 of the incremental expenses.
Amortization	***Q3-20 vs Q3-19*** • For the quarter ended September 30, 2020, amortization of intangible assets increased by $5,279, or 1,245%, mainly explained by the amortization of the definite-life intangible assets acquired in the acquisition of GBT. For further details on the purchase price accounting, refer to note 3 in the Interim Financial Statements. ***YTD-20 vs YTD-19*** • For the nine-month period ended September 30, 2020, amortization of intangible assets increased by $16,273, or 1,278%, mainly explained by the amortization of the definite-life intangible assets acquired in the acquisition of GBT. For further details on the purchase price accounting, refer to note 3 in the Interim Financial Statements.

(In thousands of Canadian dollars, except for share and per share amounts)

Interest income	• Includes "Interest income on financial instruments measured at amortized cost" and "Other interest income". • Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable. ***Q3-20 vs Q3-19*** • Interest income for Q3-20 was $3,188, a decrease of $2,870 or 47% compared to the same period in prior year due to a decrease in interest rates, the average cash and marketable securities balances and a lower average loan balance. ***YTD-20 vs YTD-19*** • Interest income for YTD-20 was $11,515, a decrease of $6,593 or 36% compared to the same period in prior year due to a decrease in interest rates, the average cash and marketable securities balances partially offset by a higher average loan balance.
Interest Expense	***YTD-20 vs YTD-19 and Q3-20 vs Q3-19*** • The consolidation of GBT's financial results accounted for $3,058 (Q3-20: $822) of incremental interest expense for YTD-20. GBT's interest expense mainly relates to interest on its bank loans. Refer to Section 7 for further information on the debt.
Net gain or loss on financial assets measured at fair value through profit or loss	• As a result of the revaluation of financial assets measured at FVTPL. • Net gain mainly attributed to unrealized gains on revaluation of the strategic fund investments and realized gains recorded on distributions received during the period. • Refer to note 9 in the Interim Financial Statements for further information.
Net gain on mandatory tender offer liability	• Overall gain during the nine-month period ended September 30, 2020 of $12,072 (Q3-20: $10,502) composed of: o Change in fair value of MTO liability: gain of $7,199 (Q3-20: gain of $10,373) o Foreign exchange revaluation of MTO liability: gain of $47,686 (Q3-20: gain of $5,494) o Change in fair value of FX Contracts: loss of $37,521 (Q3-20: loss of $73) o Foreign exchange revaluation BRL cash, representing the FX impact on the cash balance held in BRL from the launch to the close of the Unified Tender Offer: loss of $5,292 (Q3-20: loss of $5,292) • The change in the fair value of the MTO liability is mainly driven by the tender of 99.6% of the public shareholders of GBT using the Alternative Offer Price. • Refer to Section 10 for further details.
Realized gain on sale of asset held for sale	• As a result of the disposal of the shares of Medison the Company recorded a gain of $2,948, representing the difference between the book value and the selling price of $77,000. Refer to note 12 in the Interim Financial Statements for further details.
Realized gain on automatic share purchase plan	• Refer to Section 14 for further details.
Foreign exchange gain or loss	***Q3-20 vs Q3-19*** • No significant variance. • In addition to the foreign exchange loss recorded in the statement of income, the Company has recorded a loss of $10,377 in the statement of OCI related to the revaluation of Knight's entities from their respective functional currencies to the CAD. ***YTD-20 vs YTD-19*** • The consolidation of GBT's financial results accounted for a foreign exchange loss of $12,282, of which $9,021 relates to unrealized losses on intercompany balances and $3,261 relates to losses on third party balances. • The loss from GBT is offset by a foreign exchange gain of $5,931 which is largely due to gains on certain USD dollar denominated net assets. • In addition to the foreign exchange loss recorded in the statement of income, the Company has recorded a loss of $18,078 in the statement of OCI related to the revaluation of Knight's entities from their respective functional currencies to the CAD.

(In thousands of Canadian dollars, except for share and per share amounts)

Loss on hyperinflation	• Relates to loss on net monetary position (monetary assets less monetary liabilities) under hyperinflation accounting. Refer to "Impact of Hyperinflation" below for further details. • Refer to note 2.3 in the Annual Financial Statements for further details on hyperinflation accounting.
Income tax recovery or expense	***Q3-20 vs Q3-19*** • Current income tax recovery due to losses on the settlement of the foreign exchange contracts. ***YTD-20 vs YTD-19*** • Deferred income tax recovery mainly due to reduction of deferred tax liability recorded on the definite-life intangible assets acquired as part of the GBT Transaction offset by current income tax expense.

Non-IFRS measure: EBITDA and Adjusted earnings

The Company discloses non-IFRS measures that do not have standardized meanings prescribed by IFRS. The Company believes that shareholders, investment analysts and other readers find such measures helpful in understanding the Company's financial performance and in interpreting the effect of the GBT Transaction on the Company. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other companies.

The Company uses the following non-IFRS measures:

EBITDA: Operating (loss) income adjusted to exclude amortization and impairment of intangible assets, depreciation, PPA accounting adjustments, and the impact of IAS 29 (accounting under hyperinflation) but to include costs related to leases. In addition, EBITDA does not reflect the portion of GBT's adjusted earnings attributable to the non-controlling interests.

Adjusted earnings: Operating (loss) income adjusted to exclude amortization and impairment of intangible assets, depreciation, acquisition costs, non-recurring expenses incurred but to include interest income earned net of interest expenses and costs related to leases. In addition, the adjusted earnings do not reflect the portion of GBT's adjusted earnings attributable to the non-controlling interests.

Explanation of adjustments

Acquisition costs	Acquisition costs relate to expenses of $3,490 for the quarter (Q3-19: $2,476) and $3,810 for the nine-month period on legal and consulting fees related to the acquisition of GBT.
Other non-recurring expenses	Other non-recurring expenses relate to expenses incurred by the Company that are not due to, and are not expected to occur in, the ordinary course of business. For the nine-month period ended September 30, 2020, the Company incurred one-time costs of $2,663 and $595 for the three-month period explained as following: • $1,151 (Q3-20: $595) related to restructuring activities including severance to certain employees as part of restructuring and integration of GBT. • $874 (Q3-20: Nil) related to inventory destroyed due to a temperature excursion during transportation. The Company has initiated insurance claims for the loss and due to its contingent nature, the claim has not been recorded. • $638 (Q3-20: Nil) related to a bad debt against accounts receivable. During Q3-19, the Company recorded an expense of $536 (YTD-19: $3,803 related to the activist campaign, public proxy battle and related litigations between Knight and dissident shareholder Meir Jakobsohn, Medison's CEO).
Interest income	Includes "Interest income on financial instruments measured at amortized cost" and "Other interest income". Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable.
Interest expense	Includes GBT's interest expense mainly related to interest on its bank loans.

(In thousands of Canadian dollars, except for share and per share amounts)

For the three-month and nine-month periods ended September 30, 2020, the Company calculated adjusted earnings as follows:

			Change				Change	
	Q3-20	Q3-19	**$[1]**	**%[2]**	**YTD-20**	YTD-19	**$[1]**	**%[2]**
Operating loss	**(7,735)**	(3,922)	(3,813)	97%	**(18,303)**	(10,936)	(7,367)	67%
Adjustments to operating loss:								
Amortization of intangible assets	**5,703**	424	5,279	1245%	**17,546**	1,273	16,273	1278%
Depreciation of property, plant and equipment	**1,382**	112	1,270	1134%	**4,916**	305	4,611	1512%
Lease costs (IFRS 16 adjustment)	**(820)**	(122)	(698)	572%	**(2,405)**	(274)	(2,131)	778%
Impact of PPA accounting	—	—	—	N/A	**865**	—	865	N/A
Impact of IAS 29	**1,601**	—	1,601	N/A	**5,973**	—	5,973	N/A
EBITDA	**131**	(3,508)	3,639	N/A	**8,592**	(9,632)	18,224	N/A
Acquisition costs	**3,490**	2,476	1,014	41%	**3,810**	2,476	1,334	54%
Other non-recurring expenses	**595**	536	59	11%	**2,663**	3,803	(1,140)	30%
Interest income	**3,188**	6,058	(2,870)	47%	**11,515**	18,108	(6,593)	36%
Interest expense on bank loans	**(822)**	—	(822)	N/A	**(3,070)**	—	(3,070)	N/A
Adjusted earnings	**6,582**	5,562	1,020	18%	**23,510**	14,755	8,755	59%

[1] *A positive variance represents a positive impact to adjusted earnings and a negative variance represents a negative impact to net income*
[2] *Percentage change is presented in absolute values*

Upon the close of the Unified Tender Offer of GBT, Knight operated as a single business and operating segment. As a result, the Company is providing financial measures of performance for YTD-20 and Q3-20 for the consolidated activities of Knight. In the following analysis the Company will discuss certain key drivers of its financial performance which are aggregated as follows:

- **International**: This refers to the financial performance of the business acquired through the GBT Transaction as well as all other activities of Knight outside of Canada.
- **Canada**: This refers to the financial performance of the Canadian commercial activities of Knight. The Canadian operations is a start up with the recent launches of innovative products and the preparation for the commercial launches of Ibsrela™, Imvexxy™ and Bijuva™.
- **Corporate**: This includes the costs of the corporate management team, business development & corporate finance functions and the expenses of a public company offset by interest income.

For the three-month period ended September 30, 2020, adjusted earnings were $6,582, an increase of $1,020 or 18% compared to the same period last year. The variance is mainly explained by the incremental adjusted earnings generated by the GBT Transaction offset by a decline in interest income. The adjusted earnings for Q3-20 is broken down by the following key drivers of financial performance:

- International: Adjusted earnings of $8,811.
- Canada: Adjusted loss of $2,471 driven by the operational activities related to the recently launched products and costs related to the preparation of new commercial launches.
- Corporate: Adjusted earnings of $242 driven by interest income of $3,188 offset by the corporate costs of Knight.

For the nine-month period ended September 30, 2020, adjusted earnings were $23,510, an increase $8,755 or 59% compared to the same period last year. The variance is mainly explained by the GBT Transaction offset by a decline in interest income. The adjusted earnings for YTD-20 is broken down by the following key drivers of financial performance:

- International: Adjusted earnings of $26,256.
- Canada: Adjusted loss of $5,439 driven by the operational activities related to the recently launched products and costs related to the preparation of new commercial launches.
- Corporate: Adjusted earnings of $2,693 driven by interest income of $11,515 offset by the corporate costs of Knight.

(In thousands of Canadian dollars, except for share and per share amounts)

FINANCIAL CONDITION

Section 5 – Balance Sheets

			Change	
	09-30-20	12-31-19	**$**	**%[1]**
ASSETS				
Current				
Cash, cash equivalents and restricted cash	**218,091**	174,268	43,823	25%
Marketable securities	**158,944**	235,045	(76,101)	32%
Trade receivables	**51,894**	85,845	(33,951)	40%
Other receivables	**11,809**	17,622	(5,813)	33%
Inventories	**61,783**	70,870	(9,087)	13%
Prepaids and deposits	**2,927**	3,306	(379)	11%
Other current financial assets	**26,248**	26,303	(55)	0%
Income taxes receivable	**6,439**	8,265	(1,826)	22%
Total current assets	**538,135**	621,524	(83,389)	13%
Marketable securities	**15,317**	126,869	(111,552)	88%
Trade receivables	**1,908**	4,715	(2,807)	60%
Prepaids and deposits	**4,066**	4,652	(586)	13%
Right-of-use Asset	**4,651**	6,409	(1,758)	27%
Property, plant and equipment	**21,979**	22,639	(660)	3%
Investment properties	**1,439**	1,740	(301)	17%
Intangible assets	**156,641**	173,372	(16,731)	10%
Goodwill	**77,770**	88,262	(10,492)	12%
Other financial assets	**146,868**	132,848	14,020	11%
Deferred income tax assets	**1,123**	3,991	(2,868)	72%
Other long-term receivables	**41,582**	41,582	—	0%
	473,344	607,079	(133,735)	22%
Assets held for sale	**2,484**	76,700	(74,216)	97%
Total assets	**1,013,963**	1,305,303	(291,340)	22%

[1] *Percentage change is presented in absolute values*

(In thousands of Canadian dollars, except for share and per share amounts)

			Change	
	09-30-20	12-31-19	**$**	**%[1]**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**42,475**	94,406	(51,931)	55%
Lease liabilities	**1,089**	1,788	(699)	39%
Other liabilities	**1,270**	1,750	(480)	27%
Other financial liabilities	**—**	184,023	(184,023)	N/A
Bank loans	**41,567**	50,557	(8,990)	18%
Income taxes payable	**11,828**	15,447	(3,619)	23%
Other balances payable	**802**	2,833	(2,031)	72%
Total current liabilities	**99,031**	350,804	(251,773)	72%
Accounts payable and accrued liabilities	**383**	—	383	N/A
Lease liabilities	**3,351**	4,812	(1,461)	30%
Bank loan	**1,840**	5,022	(3,182)	63%
Other balances payable	**8,495**	1,699	6,796	400%
Deferred income tax liabilities	**18,641**	27,860	(9,219)	33%
Total liabilities	**131,741**	390,197	(258,456)	66%
Equity				
Share capital	**695,066**	723,832	(28,766)	4%
Warrants	**117**	785	(668)	85%
Contributed surplus	**18,203**	16,463	1,740	11%
Accumulated other comprehensive income	**2,530**	17,405	(14,875)	85%
Retained earnings	**166,306**	52,246	114,060	218%
Attributable to shareholders of the Company	**882,222**	810,731	71,491	9%
Non-controlling interests	**—**	104,375	(104,375)	N/A
Total equity	**882,222**	915,106	(32,884)	4%
Total liabilities and equity	**1,013,963**	1,305,303	(291,340)	22%

[1] *Percentage change is presented in absolute values*

(In thousands of Canadian dollars, except for share and per share amounts)

	09-30-20 vs 12-31-19
Cash and cash equivalents and marketable securities (current and long term)	• Refer to Section 7 – Liquidity and Capital Resources for further information.
Trade receivables (current and long term)	• Trade receivables decreased by $36,758, or 41% explained as follows: o Approximately $9,445 related to the depreciation of LATAM currencies. o Approximately $24,494 related to net collection of receivables (collections of receivables offset by increase due to sales). o $2,819 related to an additional ECL recorded during YTD-20. • Refer to note 6 in the Interim Financial Statements for further details.
Other receivables (current)	• Other receivables decreased by $5,813, or 33% mainly due a decrease in the distribution receivable from a fund investment of $911 and a decrease in interest receivable due to timing of marketable securities and loan maturities and an overall decline in interest rates. • Refer to note 7 in the Interim Financial Statements for further details.
Inventories	• Inventories decreased by $9,087 or 13% explained as follows: o Increase of approximately $1,516 related to net inventory purchases (purchases offset by cost of good sold). The net inventory purchases are driven by timing of purchases and new product launches. o Decrease of approximately $3,806 related to the depreciation of LATAM currencies partially offset by hyperinflation adjustments. o Decrease of $6,797 due to an additional inventory provision recorded against inventory in YTD-20. Refer to discussion on gross margin for further details on the inventory provision.
Other financial assets (current and long term)	• Increase of $13,965 driven by: **Loans and other receivables:** increase of $3,859 mainly attributable to net loans issued of $3,109 and gain on foreign exchange revaluation of $883. Refer to Section 9 for further information on Knight's strategic lending portfolio. **Equity investments, Warrants and Derivatives:** decrease of $5,673 driven by the disposal of equity investments during the period and the revaluation of equity investments, warrants and derivatives. Refer to note 9 in the Interim Financial Statements for further information. **Funds:** increase of $15,779 due to mark-to-market adjustments of $22,834, capital calls of $15,010 and foreign exchange gains of $4,020 offset by distributions received of $24,540 and a distributions receivable of $1,545. • Refer to Section 10 for further information on Knight's strategic investments.
Income tax receivable	• Decrease relates to timing of income tax installments.
Intangible assets	• Decrease mainly due to the depreciation of the LATAM currencies during the period and amortization, partially offset by additions of $18,665 mainly related to certain milestones payable under product license agreements.
Goodwill	• Decrease due to the depreciation of the LATAM currencies during the period. • Refer to Section 3 for further details.
Other long-term receivables	• Refer to Section 6 for further information.
Assets held for sale & Investment in associate	• Decrease due to the closing of the Knight and Medison settlement and purchase agreement pursuant to which Knight agreed to sell its 28.3% ownership for $77,000. • Refer to note 12 in the Interim Financial Statements for further information.
Accounts payable and accrued liabilities (current and long term)	• Decrease in accounts payable and accrued liabilities balance of $51,548, or 55%, mainly related to payments of inventory purchases, payments of GBT Transaction fees, the depreciation of LATAM currencies and a lower accrual balance in Q3-20 compared to Q4-19 due to timing.

(In thousands of Canadian dollars, except for share and per share amounts)

09-30-20 vs 12-31-19	
Other Financial liabilities	• The balance of $184,023 as at December 31, 2019 was related to the Unified Tender Offer required to acquire the remaining 48.8% of GBT. The Company completed the Unified Tender Offer during Q3-20 and therefore settled the liability. • Refer to note 9 in the Interim Financial Statements for further details.
Bank loans (current and long term)	• Decrease of $12,172 mainly due to loan repayments of $8,219 and a decrease due to foreign exchange revaluation of $15,683, partially offset by an additional loan of $10,998 issued to a subsidiary of GBT in March 2020. • For further details on the bank loans held by GBT, refer to Section 7.
Other balances payable (current and long term)	• Increase due to additional regulatory and sales milestones recorded on in-licensed products.
Deferred income tax liability	• Decrease mainly related to the recognition of deferred income tax recovery on the definite-life intangible assets as a result of the GBT Transaction.
Share capital	• Decrease mainly related to the purchase of Knight's common shares though the NCIB. • Refer to note 14 in the Interim Financial Statements for further information.
Warrants	• Decrease related to expired and surrendered warrants.
Contributed surplus	• Increase related to the expired and surrendered warrants and share-based compensation expense. • Refer to the statement of changes in equity in the Interim Financial Statements for further information.
Accumulated other comprehensive income	• Decrease related to other comprehensive loss attributable to shareholders of the Company of $9,114 for the period and $5,761 related to other comprehensive income that was allocated to non-controlling interest prior to the complete acquisition of GBT. • Refer to the statement of changes in shareholders' equity in the Interim Financial Statements for further information.
Retained earnings	• Increase due to the net income attributable to shareholders of the Company of $33,834 for YTD-20 and $90,484 reclassed from NCI to retained earnings as a result of the acquisition of an additional 48.74% of GBT, partially offset by Knight's common shares purchased through the NCIB. • Refer to the statement of changes in shareholders' equity in the Interim Financial Statements for further information.
Non-controlling interests	• Upon the acquisition of an additional 48.74% of GBT, the balance of non-controlling interests was reclassified to retained earning and accumulated other comprehensive income. • Refer to note 9 in the Interim Financial Statements for further details.

(In thousands of Canadian dollars, except for share and per share amounts)

Section 6 – Notices of Reassessment

Knight received notices of reassessment from the CRA and the QRA in July 2018 and January 2019 respectively. The notices relate to the disposition in 2014 of a PRV held by Knight's wholly-owned subsidiary, Knight Therapeutics (Barbados) Inc. A PRV is a transferrable asset that entitles the holder to a priority review for a drug of its choice.

The Company's PRV was granted on March 19, 2014 upon the FDA approval of Impavido® and was disposed of to a third party in November 2014 for gross proceeds of US$125,000. The notices of reassessment provide that Knight is liable to pay an aggregate of $23,340 and $18,242 to the CRA and QRA respectively in additional taxes and interest. Knight has made a deposit for the full amount to the CRA in July 2018 and to the QRA in February 2019.

Knight believes that the reassessments are unfounded and filed a notice of objection with CRA in September 2018 to start the appeals process. Based on the Company's view of the likely outcome of the appeals process, Knight expects to recover the total of $41,582 deposited and has not recorded any tax provision related to the disposal of the PRV in its financial statements. However, there can be no assurance regarding the outcome or when a resolution may be reached.

Although Knight believes its tax provisions are adequate, the final determination of tax audits and any related disputes could be materially different from historical income tax provisions and accruals.

Section 7 – Liquidity and Capital Resources

The Company's Investment Policy governs the investment activities relating to cash resources. An Investment Committee composed of representatives from management and the Board of Directors monitors compliance with said policy. The Company invests in strategic investments in the form of equity funds, debt funds, equity or liquid investment securities with varying terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations and prevailing interest rates.

The Company believes that its existing cash, cash equivalents and marketable securities as well as cash generated from operations are sufficient to finance its current operations, working capital requirements and future product and corporate acquisitions. The table below sets forth a summary of cash flow activity and should be read in conjunction with our consolidated statements of cash flows.

			Change		YTD		Change	
	Q3-20	Q3-19	**$**	**%**[1]	**2020**	2019	**$**	**%**[1]
Net cash from operating activities	**(8,412)**	4,028	(12,440)	N/A	**(16,502)**	(2,908)	(13,594)	467%
Net cash from investing activities	**(128,235)**	73,113	(201,348)	N/A	**93,153**	132,274	(39,121)	30%
Net cash from financing activities	**(5,148)**	(53,762)	48,614	90%	**(33,858)**	(53,783)	19,925	37%
Increase in cash and cash equivalents during the period	**(141,795)**	23,379	(165,174)	N/A	**42,793**	75,583	(32,790)	43%
Net foreign exchange difference	**293**	835	(542)	65%	**1,030**	(1,243)	2,273	N/A
Cash, cash equivalents and restricted cash beginning of the period	**359,593**	294,911	64,682	22%	**174,268**	244,785	(70,517)	29%
Cash, cash equivalents and restricted cash, end of the period	**218,091**	319,125	(101,034)	32%	**218,091**	319,125	(101,034)	32%
Marketable securities, end of the period	**174,261**	380,967	(206,706)	54%	**174,261**	380,967	(206,706)	54%
Cash, cash equivalents, restricted cash, and marketable securities, end of the period	**392,352**	700,092	(307,740)	44%	**392,352**	700,092	(307,740)	44%
Cash, cash equivalents, restricted cash, and marketable securities net of bank loans	**348,945**	700,092	(351,147)	51%	**348,945**	700,092	(351,147)	51%
Cash, cash equivalents and restricted cash, net of bank loans	**174,684**	319,125	(144,441)	45%	**174,684**	319,125	(144,441)	45%

[1] *Percentage change is presented in absolute values*

(In thousands of Canadian dollars, except for share and per share amounts)

	Q3-20	YTD-20
Net cash from operating activities	Primarily relates to cash generated through revenues, dividends from associates and interest received, offset by operating expenses including salaries, research and development expenses, advertising and promotion costs, interest paid and other corporate expenses. Cash flows from operating activities exclude revenues and expenses not affecting cash, such as unrealized and realized gains or losses on financial assets, share based compensation expense, depreciation and amortization, foreign exchange gains or losses, hyperinflation losses, share of net income and dividends from associate, other income, deferred other income, and net changes in non-cash balances relating to operations.	
	For the three-month period ended September 30, 2020, cash outflows from operations were $8,412, driven by an increase in non-cash working capital of $15,413 offset by net income generated adjusted for certain reconciling items of $7,009. The increase of working capital is mainly due to the reduction of accounts payable and accrued liabilities, partially offset by net collections of accounts receivable and a decrease in inventories. Additionally, the cash outflows includes an outflow of $3,690 related to fees paid for the Unified Tender Offer For further details refer to consolidated statement of cash flows and note 18 in the Interim Financial Statements.	For the nine-month period ended September 30, 2020, cash outflows from operations were $16,502 driven by an increase in non-cash working capital of $30,974, interest payments on debt of $1,321 offset by net income generated adjusted for certain reconciling items of $15,793. The increase in working capital is mainly due to the reduction of accounts payable and accrued liabilities and an increase in inventories as discussed in Section 5. Additionally, the cash outflows includes an outflow of $7,274 related to fees paid for the GBT Transaction and Unified Tender Offer. For further details refer to consolidated statement of cash flows and note 18 in the Interim Financial Statements.
Net cash from investing activities	For the three-month period ended September 30, 2020, cash flows were mainly driven by: • Acquisition of an additional 48.74% of GBT of $170,855; • acquisition of intangibles and property and equipment of $2,052, offset by; • Net proceeds on marketable securities of $31,778, and • net distributions from life sciences funds of $12,877.	For the nine-month period ended September 30, 2020, cash flows were mainly driven by: • Net proceeds on marketable securities of $189,221; • proceeds on the sale of Medison of $77,000 • net distributions from life sciences funds of $11,986; • net proceeds from disposals of equity investments of $2,919; • net proceeds from loan receivables of $422, offset by; • acquisition of an additional 48.74% of GBT of $170,855, and • acquisition of intangibles and property and equipment of $17,143.
Net cash from financing activities	Cash flows from financing activities were mainly due to the repurchase of common shares through the NCIB, principal repayments on bank loans, principal repayments on lease liabilities, proceeds from the repayment of share purchase loans and the participation of employees and directors in the Company's share purchase plan.	

Subsequent to the GBT Transaction, the Company has the following indebtedness as at September 30, 2020:

As at				**September 30, 2020**		December 31, 2019	
Banks	**Currency of debt**	**Interest rate**	**Maturity**	**Current $**	**Non-Current $**	Current $	Non-Current $
Citibank	ARS	18.40%	November 2, 2020	600	—	2,991	—
Itaú Unibanco	BRL	1.65% +100% CDI	December 8, 2023	27,535	—	42,532	—
Banco Santander	BRL	2.00% +100% CDI	December 13, 2021	3,741	1,840	5,034	5,022
Banco Santander	BRL	1.39% +100% CDI	March 4, 2021	9,691	—	—	—
Total Bank Loans				**41,567**	**1,840**	50,557	5,022

Banco Santander

In March 2020, Banco Santander loaned an additional BRL 40,132 to a subsidiary of GBT. The loan is guaranteed by a USD 10,000 deposit to Banco Santander. The principal and interest are due on the maturity date of March 4, 2021.

PRODUCT ACQUISITION STRATEGY

Section 8 – Products

The Company's focus is to market and sell licensed innovative products and engage in development, manufacturing and marketing of specialty pharmaceutical branded generic products in Canada, LATAM and select international markets. The Company's business model focuses on therapeutic areas covering pain, gastrointestinal, women's health, infectious diseases, oncology and onco-hematology, rare diseases, special treatments and immunology.

In addition, Knight's wholly owned subsidiary in Barbados develops innovative pharmaceuticals including those used to treat neglected tropical diseases and rare pediatric diseases. Knight expects to expand its product portfolio within existing therapeutic fields in Canada and internationally, and intends to leverage its expertise in specialty sales and marketing, product acquisition and in-licensing to gain a competitive advantage in delivering pharmaceutical products to the marketplace, thereby decreasing scientific risks, long development timelines and high development costs.

The Company has a pipeline of products in the process of being submitted for regulatory approval, in pre-commercialization and at its early stages of commercialization. Such activities require substantial financial investment therefore it is expected that the Company's selling and marketing, and research and development expenses will increase. The following summarizes certain products from Knight's product portfolio.

Prescription Pharmaceutical Products

Product	Indication	Canada	Brazil	Argentina	Colombia	Mexico	Others	Partner
Pain/Gastrointestinal								
Movantik®	OIC	Launched						AstraZeneca
Probuphine®	Opioid addiction	Launched						Titan
Ibsrela™	IBS-C	Approved						Ardelyx
Salofalk®	Ulcerative colitis				Marketed		Marketed	Dr. Falk
Women's Health								
Imvexxy™	Moderate-to-severe dyspareunia	Approved						TXMD
Bijuva™	Moderate-to-severe vasomotor symptoms due to menopause	Approved						TXMD
Specialty								
Impavido®	Leishmaniasis						Launched	Own
Oncology								
Nerlynx®	Adjuvant breast cancer	Launched						Puma
Nerlynx®	Metastatic breast cancer	Submitted						Puma
Trelstar®	Advanced prostate cancer	Marketed						Debiopharm
Vidaza®	Myelodysplastic syndrome		Marketed					Celgene (BMS)
Abraxane®	Metastatic pancreatic, and metastatic breast cancer		Launched					Celgene (BMS)
Halaven ®	Metastatic breast cancer		Marketed	Launched	Submitted		Launched	Eisai
Halaven ®	Soft tissue sarcoma		Launched	Launched	Submitted		Launched	Eisai
Ladevina	Multiple myeloma			Marketed	Launched		Marketed	Own
Lenvima®	Differentiated thyroid cancer, Advanced renal cell cancer, and Unresectable hepatocellular carcinoma		Marketed	Launched	Submitted		Launched	Eisai
Zyvalix	Metastatic prostate cancer			Marketed	Launched		Marketed	Own
Nilotinib	Chronic myeloid leukemia			Submitted				Own
Anti-infective								
Ambisome®	Fungal infection		Marketed				Launched	Gilead
Epclusa®	Chronic hepatitis C		Launched		Launched		Launched	Gilead
Cresemba®	Fungal infection		Launched	Launched	Launched	Launched	Launched	Basilea
CNS								
Inovelon®	Lennox-Gastaut syndrome		Launched	Submitted	Submitted	Launched	Submitted	Eisai
Fycompa®	Partial-onset seizures,and primary generalized tonic-clonic seizures		Launched	Submitted	Submitted	Launched	Submitted	Eisai
Respiratory								
Selexipag	Pulmonary arterial hypertension			Launched				Own
Fibridoner	Idiopathic pulmonary fibrosis			Marketed				Own

Launched: product has been on the market under 5 years
Marketed: product has been on the market over 5 years

Pain/Gastrointestinal

Movantik®

In December 2016, Knight entered into an agreement with AstraZeneca for the rights to Movantik® in Canada under which Knight is responsible for all commercial, regulatory and certain supply chain activities. Movantik® is the first once-daily oral peripherally-acting mu-opioid receptor antagonist for the treatment of OIC in adult patients with non-cancer pain who have had an inadequate response to laxatives. According to the Canadian Family Physician Practice Guideline, it is estimated that at least 26% of chronic opioid users suffer from OIC. According to IQVIA data, Movantik® sales in Canada were $479 and $1,375 for the three and nine-month periods ended September 30, 2020 (2019: $419 and $1,169).

Probuphine®

On February 1, 2016, Knight entered into an exclusive licensing agreement with Braeburn to commercialize Probuphine® in Canada. Probuphine®, indicated for the treatment of opioid drug dependence, is a subdermal implant designed to deliver buprenorphine continuously for six months following a single treatment, promoting patient compliance and retention. Health Canada approved Probuphine® on April 18, 2018 for the management of opioid dependence in patients clinically stabilized on no more than 8 mg of sublingual buprenorphine in combination with counselling and psychosocial support. Probuphine® must be inserted and removed by a healthcare professional who has successfully completed the Probuphine® Education Program.

On October 29, 2018, Knight launched Probuphine® in Canada. Furthermore, the Company reached an agreement with the pan-Canadian Pharmaceutical Alliance and to date has obtained reimbursement of Probuphine® through public insurance plans administered by Alberta, Saskatchewan, New Brunswick, Manitoba, Ontario, Quebec, Newfoundland, Nova Scotia, Veterans Affairs Canada, and the NIHB.

Tenapanor

On March 16, 2018, Knight entered into an exclusive licensing agreement with Ardelyx to commercialize tenapanor in Canada. Tenapanor is a first-in-class small molecule treatment that has completed Phase 3 development for IBS-C (marketed as Ibsrela™) and for hyperphosphatemia. Ardelyx received regulatory approval for Ibsrela™ from the US FDA in September 2019. On April 17, 2020, the Company announced that Ibsrela™ was approved by Health Canada. The Company expects to launch Ibsrela™ in Canada in early 2021. In September 2020, Ardelyx announced FDA acceptance of its New Drug Application tenapanor to control serum phosphorous in adult patients with chronic kidney disease (CKD) on dialysis.

Salofalk®

Salofalk® is indicated for treatment of ulcerative colitis in both acute attacks and relapse prevention as well as for the treatment of acute episodes of Crohn's disease. Salofalk® is licensed from Dr. Falk Pharma and GBT holds the rights to commercialize the product in Colombia, Argentina and Peru.

Women's Health

TXMD

On July 31, 2018, Knight entered into an exclusive licensing agreement for the commercial rights of Imvexxy™ and Bijuva™ in Canada and Israel. Imvexxy™ is a TXMD FDA-approved product (estradiol vaginal inserts), for the treatment of moderate-to-severe dyspareunia (vaginal pain associated with sexual activity), a symptom of vulvar and vaginal atrophy (VVA), due to menopause. Bijuva™ was approved by the U.S. FDA on October 18, 2018, is a bio-identical hormone therapy combination of estradiol and progesterone in a single, oral softgel for the treatment of moderate-to-severe vasomotor symptoms due to menopause. Both Imvexxy™ and Bijuva™ were approved by Health Canada during Q3-20. The Company expects to launch both products in 2022.

Specialty

Impavido®

On February 27, 2014, Knight acquired the worldwide rights to Impavido® as part of its business separation agreement with Paladin. Impavido® is an oral drug treatment based on miltefosine for the visceral, cutaneous and mucocutaneous leishmaniasis which is caused by a protozoa parasite from over 20 Leishmania species and is approved for sale in the U.S, Germany and Israel. Impavido® was launched in the U.S in March 2016 by Knight's commercialization partner, Profounda.

Oncology

NERLYNX®

On January 9, 2019, Knight entered into an exclusive license agreement with Puma for the exclusive right to commercialize NERLYNX® (neratinib) in Canada. On July 16, 2019, NERLYNX® was approved by Health Canada for the extended adjuvant treatment of adult patients with early stage HER2-overexpressed/amplified breast cancer following adjuvant trastuzumab-based therapy. Furthermore, in September 2020, Knight announced that it has submitted a supplemental NDS to Health Canada for neratinib in combination with capecitabine for the treatment of patients with HER2-positive metastatic breast cancer who have failed two or more prior lines of HER2-directed treatments, which was approved by the US FDA in February 2020. In December 2019 pERC published their final report recommending that NERLYNX® should not be reimbursed through the public insurance plans. Knight launched NERLYNX® at the end of 2019 and the Company will focus on ensuring access to patients in 2020.

Trelstar®

On January 8, 2020, Knight announced that the Company entered into an agreement with Debiopharm for the Canadian commercial rights of Trelstar®, for the treatment of advanced prostate cancer. On April 20, 2020, the Company announced that it took over commercial activities from Debiopharm's previous partner, Allergan and is commercializing Trelstar® in Canada.

Vidaza® and Vidaza® Gx

Vidaza® (azacytidine) is indicated for the treatment of patients with Myelodysplastic Syndrome of the subtypes: Refractory anemia (RA) or refractory anemia with ringed sideroblasts (if accompanied by neutropenia or thrombocytopenia or requiring transfusions), refractory anemia with excess blasts, refractory anemia with excess blasts in transformation, and chronic myelomonocytic leukemia. Vidaza® is licensed from Celgene (now BMS), and GBT holds the rights to commercialize the product in Brazil. In addition, GBT also holds the rights to a Vidaza® Gx, which was launched in 2019.

Abraxane®

Abraxane® (paclitaxel protein-bound particles for injectable suspension) is indicated for the first-line treatment of patients with metastatic pancreatic adenocarcinoma, in combination with gemcitabine. Abraxane® is licensed from Celgene (now BMS), and GBT holds the rights to commercialize the product in Brazil. The Company previously held the rights to commercialize the product in Mexico, which terminated on August 17, 2020.

Lenvima®

Lenvima® (lenvatinib) is indicated for (1) the treatment of adult patients with progressive, locally advanced or metastatic, differentiated (papillary/follicular/Hürthle cell) thyroid carcinoma, refractory to radioactive iodine, (2) the treatment of adult patients with advanced or unresectable hepatocellular carcinoma who have received no prior systemic therapy, (3) the treatment of adult patients with advanced renal cell carcinoma following one prior anti-angiogenic therapy, in combination with everolimus. Lenvima® is licensed from Eisai and GBT holds the rights to commercialize the product in Latin America except Mexico. Eisai holds the rights to commercialize the product in Mexico.

Zyvalix®

Zyvalix® (Abiraterone acetate) is indicated in combination with prednisone for the treatment of castration-resistant metastatic prostate carcinoma and castration sensitive high-risk metastatic prostate carcinoma. Zyvalix® is part of GBT's proprietary branded generic portfolio and is commercialized in Argentina, Chile and Colombia.

Anti-Infective

AmBisome®

AmBisome® (amphotericin B) is a non-pyrogenic lyophilized sterile intravenous infusion of liposomal amphotericin B. It is indicated for (1) the empirical therapy of presumed fungal infections in febrile, neutropenic patients, (2) for the treatment of cryptococcal meningitis in HIV infected patients, (3) for the treatment of severe deep mycotic infections, endemic and opportunistic systemic mycosis, (4) for the treatment of persistent fever of undetermined origin in neutropenic patients who do not respond to antibiotic therapy after 96 hours which is highly indicative of systemic fungal infection caused by *Candida, Aspergillus* or *Cryptococcus*, and (5) treatment of visceral leishmaniasis in adults and immunocompetent children. AmBisome® is licensed from Gilead and has been part of GBT's Brazilian affiliate's portfolio for over twenty years. GBT is responsible for all commercial activities in Brazil as well as Bolivia, Paraguay and Peru. On October 26, 2020, the Company announced that they signed a new exclusive agreement with Gilead for the commercialization of AmBisome® in Brazil. The new agreement is effective starting January 1, 2021.

Cresemba®

Cresemba® (isavuconazonium sulfate) is s an azole antifungal agent indicated for use in adults for the treatment of invasive aspergillosis and invasive mucormycosis. Cresemba® is licensed from Basilea Pharmaceutica Ltd, and GBT holds the rights to commercialize the product in Latin America. Cresemba® is commercialized in Argentina, Colombia, Mexico, Chile, Peru, and was launched in Brazil in Q1-20.

Gilead Anti-Infective Portfolio

The Gilead HIV portfolio includes Atripla®, Complera®, Genvoya®, Stribild®, Truvada® and Viread®. The Gilead Hepatitis C portfolio includes Epclusa®, Harvoni®, Sovaldi® and Vemlidy®. GBT holds the rights to commercialize these products in different countries across Latin America.

Central Nervous System

Inovelon®

Inovelon® (rufinamide) is an antiepileptic agent that possesses novel triazole derivative structure and extensive anticonvulsant effects. It is marketed in Europe, the United States and Japan as an adjunctive therapy for Lennox-Gastaut syndrome, one of the most severe and intractable forms of childhood-onset epilepsy. Inovelon® is licensed from Eisai and GBT holds the rights to commercialize the product in Latin America.

Fycompa®

Fycompa® (perampanel) is an antiepileptic agent that is used as an adjunctive therapy in the management of partial-onset seizures, in adult patients with epilepsy who are not satisfactorily controlled with conventional therapy. Fycompa® is licensed from Eisai and GBT holds the rights to commercialize the product in Latin America.

Respiratory

Fibridoner®

Fibridoner® (pirfenidone) indicated for the treatment of mild to moderate idiopathic pulmonary fibrosis in adults. Fibridoner® is part of GBT's proprietary branded generic portfolio and is commercialized in Argentina.

(In thousands of Canadian dollars, except for share and per share amounts)

Section 9 – Strategic Lending

Knight finances other life sciences companies in all geographic markets with the goal of strengthening relationships in the life sciences industry and securing product distribution rights for Canada and select international markets. Typically, loans have low double-digit interest rates and may come with additional consideration to the Company. Loans often come with product rights or product options for Canada and select international markets. These loans strengthen Knight's ties within the life sciences industry and, in doing so, helped secure product rights for Knight either on a direct or indirect basis. As of the date hereof, Knight has four secured loans outstanding to life sciences companies as outlined in the table below. To date, the strategic lending portfolio has led to the acquisition or in-licensing of Knight's consumer health products (as described in Section 8), the Antibe family, the 60P family, TULSA-PRO® and the Triumvira family.

	Nominal loan balance as at September 30, 2020	
Entity	**In Source Currency**	**In Canadian Dollars[1]**
Moksha8	US$11,993	$15,998
Synergy	US$7,500	$10,004
60P[2]	US$6,310	$8,417
Other strategic loan	US$2,738	$3,652
Total		**$38,071**

[1] Converted at the Bank of Canada closing exchange rates on September 30, 2020
[2] Excludes 60P Convertible Debenture received as consideration for loans issued to 60P

As at September 30, 2020, the nominal loan balance outstanding was $38,071 [US$28,541] (December 31, 2019: $37,409, including $24,296 [US$17,810]). The following table summarizes the movement in loans and other receivables during the nine-month period ended September 30, 2020.

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net loss on FA[1] $	Foreign exchange[2,3] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
Amortized Cost	2,181	7,364	(52)	—	(221)	9,272	5,349	3,923
FVTPL	28,390	3,531	(7,734)	(133)	1,104	25,158	6,610	18,548
Total	**30,571**	**10,895**	**(7,786)**	**(133)**	**883**	**34,430**	**11,959**	**22,471**

[1] Net changes related to change in the fair value of loan receivables and recognition of day 1 gains
[2] Recorded a gain of $788 in the statement of income in "Foreign exchange loss" (2019: loss of $2) and a gain of $95 in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations" (2019: loss of $540)
[3] During the three-month period ended September 30, 2020, recorded a loss of $472 in the statement of income in "Foreign exchange loss (gain)" (2019: gain of $246) and a loss of $228 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2019: gain of $141)

Triumvira

On February 20, 2019, the Company entered into a $6,585 [US$5,000] secured loan with Triumvira for the development of its novelty T cell therapies and obtained the exclusive rights to commercialize Triumvira's future products in select countries. On April 16, 2020, Triumvira repaid the loan and all remaining accrued interest as at the date thereof.

(In thousands of Canadian dollars, except for share and per share amounts)

Synergy

On August 9, 2017, Knight issued a secured loan of $12,705 [US$10,000] with an annual interest rate of 10.5% for a three-year term to Synergy. On May 8, 2020, the Company amended certain terms of the loan with Synergy and issued an additional loan of $3,547 [US$2,500] which bears interest at 12.5% per annum and matures on May 8, 2021.

Section 10 – Strategic Investments

Fund Investments

Knight invests in life sciences venture capital funds in which the Company earns a return similar to any other limited partner in the fund and may receive preferential access to innovative healthcare products from around the world for Canada and select international markets. Since inception of the fund strategy, Knight has committed to invest with the following capital fund managers for approximately $126,653 of which $32,448 remains committed as at September 30, 2020. To date, the investments in venture capital funds have led to the Canadian in-license of Iluvien® from Alimera and a portfolio of products from Advaxis. Knight does not expect to invest in additional venture capital funds.

	Fund Commitments	
Entity	**In Source Currency**	**In Canadian Dollars[1]**
Teralys Capital	C$30,000	$30,000
Domain Associates LLC	US$25,000	$29,063
Forbion Capital Partners	EUR 19,500	$27,550
Sectoral Asset Management[2]	US$13,000	$13,919
Sanderling Ventures LLC	US$10,000	$11,625
HarbourVest Partners LLC	C$10,000	$10,000
TVM Capital GmbH	US$1,600	$1,996
Bloom Burton Healthcare Lending Trust[3]	C$1,500	$1,500
Genesys Capital Management (Fund III) Inc.	C$1,000	$1,000
Total		**$126,653**

[1] Converted at the Bank of Canada noon exchange rates as of the commitment date (using the September 30, 2020 closing rates total fund commitment would be $139,142)
[2] Knight received a full return of capital from its US$13,000 investment in Sectoral's NEMO II and subsequently committed to reinvest US$10,000 into Sectoral's NEMO III
[3] Represents an investment in a debt fund

Since the inception of the strategic fund investments, the Company invested $129,918 and received distributions of $85,407 on which a gain of $36,652 was realized. Furthermore, as at September 30, 2020, the fund investments were recorded at their fair value of $129,840 including an unrealized gain of $48,677. The following table summarizes the movement in fund investments during the nine-month period ended September 30, 2020.

(In thousands of Canadian dollars, except for share and per share amounts)

Carrying value as at January 1	Additions[1]	Distributions[2,3]	Net (loss) gain on FA	Foreign exchange [4,5]	Carrying value end of period	Current other financial assets	Non-current other financial assets
$	$	$	$	$	$	$	$
114,061	**15,010**	**(26,085)**	**22,834**	**4,020**	**129,840**	**9,917**	**119,923**

[1] Investments in equity or debt funds including US$4,125 and EUR 1,766 (2019: including US$3,301 and EUR 2,642)
[2] Distributions received from funds including US$4,338 and EUR 7,804 (2019: including US$1,665 and EUR 724)
[3] Includes distribution receivable of $1,545 (2019: $2,456)
[4] Recorded a gain of $2,126 in the statement of income in "Foreign exchange loss" (2019: loss of $2,134) and $1,940 in the statement of other comprehensive (loss) income in "Unrealized (loss) gain on translation of foreign operations" (2019: loss of $1,773)
[5]During the three-month period ended September 30, 2020, recorded a gain of $1,344 in the statement of income in "Foreign exchange loss (gain)" (2019: loss of $1,082) and a loss of $1,923 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2019: gain of $855)

Other investments

Profound

During 2020, Knight sold its remaining 111,355 common shares of Profound at an average selling price of $16.39 for total proceeds of $1,825. The common shares sold were previously acquired by Knight at an average cost of $6.55 per share.

MTO liability and Foreign Currency Contracts

On December 20, 2019, Knight Therapeutics Inc. submitted to B3, the authorization request to carry-out a Unified Tender Offer for the acquisition of the remaining 48.8% of GBT. As a result, Knight had a contractual obligation to the minority shareholders of GBT. On November 29, 2019, the Company recorded the initial liability at $178,266 [BRL 567,145] and an offset to equity which represents the net present value of the cash disbursement should all BDRs holders choose the same consideration as the controlling shareholders. On July 15, 2020, the Company launched the Unified Tender Offer to acquire the remaining 48.8% of GBT and completed the process on September 3, 2020 when the MTO liability was settled.

In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. Prior to the completion of the Unified Tender Offer, the Company held foreign exchange forward contracts to sell CAD and buy USD $124,442 at a weighted average rate of 1.32 CAD/USD ("USD Contract"). In addition, the Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 510,873 at an average rate of 4.10 BRL per USD ("BRL Contract"). Along with the launch of the Unified Tender Offer, the Company settled the USD Contract and BRL Contract ("FX Contracts") and the Company converted $163,797 to BRL 510,873. Prior to the settlement of the FX Contracts, a derivative liability of $36,425 (December 31, 2019: derivative asset of $1,096) was recorded.

As a result of the settlement of the MTO liability and FX Contracts, the Company recorded the following net gain for the three and nine-month periods ended September 30, 2020, in the consolidated statement of income as "Net gain on mandatory tender offer liability".

(In thousands of Canadian dollars, except for share and per share amounts)

	Three months ended September 30	Nine months ended September 30
	$	$
Change in fair value of MTO liability	(10,373)	(7,199)
Foreign exchange revaluation of MTO liability	(5,494)	(47,686)
Change in fair value of FX Contracts	73	37,521
Foreign exchange revaluation BRL cash[1]	5,292	5,292
Net gain on mandatory tender offer liability	**(10,502)**	**(12,072)**

[1] Represents FX impact on cash balance held in BRL from the launch to the close of the Unified Tender Offer

As a result of the tender offer process, the Company paid an aggregate purchase price of $170,855 [BRL 537,523] and obtained 99.94% ownership of GBT.

For additional details regarding the movement in equities or derivatives held by Knight throughout the quarter, refer to note 9 "Other Financial Instruments" of the Interim Financial Statements.

Section 11 – Rest of World Strategy

Knight's international strategy is focused on identifying potential products and companies that fit within its existing business model, but that are located in select areas such as Latin America, Middle East, Israel, Australia, Romania, Russia, Sub-Saharan Africa, and other countries excluding the U.S., Western Europe, Japan and China.

On November 29, 2019, the Company acquired a controlling stake in GBT, a Latin American specialty pharmaceutical company operating in Brazil, Argentina, Colombia, Mexico, Chile, Peru, Ecuador, Uruguay, Paraguay and Bolivia. This transformational acquisition establishes Knight as a premiere pan-American (ex-US) specialty pharmaceutical company. Knight believes Latin America and the other countries where it wants to grow internationally provide potentially significant growth and value opportunities. For further details on the GBT transaction refer to Section 3.

RISK MANAGEMENT

Section 12

12.1 Currency Risk

GBT Transaction

Effective November 29, 2019, upon close of the GBT Transaction, the Company has significant exposure to foreign currencies of emerging markets in Latin America. GBT generates a significant portion of its revenues in BRL, ARS and COP as well as a basket of other Latin American currencies (BOB, MXN, PEN, PYG, UYU and CLO). Such currencies have been historically volatile and could create significant fluctuations on the Company's result when translated to CAD. Furthermore, GBT is exposed to a currency mismatch due to certain pharmaceutical products, active pharmaceutical ingredient and operating costs denominated in currencies of developed markets (CHF, USD, EUR). The currency mismatch exposes GBT to foreign exchange risks which could result in significant fluctuations of the Company's gross margin or net income.

Currency risks in net financial assets

Knight holds a significant portion of its net financial assets in USD, EUR, BRL, ARS, CLP and COP which results in financial risk due to fluctuations in the value of the currencies relative to the Canadian dollar. Assuming all other variables remain constant, a 5% change, would have resulted in a change in the statement of loss or other comprehensive loss for the nine-month period ended September 30, 2020 as follows:

(In thousands of Canadian dollars, except for share and per share amounts)

	$
Foreign Exchange Risk (5% change)	
USD	**5,356**
EUR	**1,485**
BRL	**(1,566)**
COP	**404**
ARS	**183**
CLP	**84**

The Company is also exposed to currency risk on the BOB, CHF, MXN, PEN, PYG and UYU. A 5% change in the Company's net exposure to these currencies would have resulted in a change in the statement of income or other comprehensive income of $121.

12.2 Equity Price Risk

Equity price risk arises from changes in market prices of the equity and fund investments and derivatives. The carrying values of investments subject to equity price risk are $138,686 as at September 30, 2020 (December 31, 2019: $126,280). The Company monitors its equity investments for impairment on a periodic basis and at least every reporting period. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company's Board of Directors regularly reviews and approves equity investment decisions.

12.3 Interest Rate Risk

The Company is subject to interest rate risk on the interest income generated on its cash, cash equivalents and marketable securities. Details regarding maturity dates and effective interest rates are described in note 5 of the Interim Financial Statement. Assuming that all other variables remain constant, a 1% decline on the interest rate generated on cash, cash equivalents and marketable securities would have resulted in a reduction of interest income of $3,924 over a one-year period.

The Company is also subject to interest rate risk on the interest expense incurred on its bank loans. Details regarding maturity dates and effective interest rates are described in Section 7. Assuming that all other variables remain constant, a 1% increase on the interest rate would have resulted in an increase of interest expense of $434 over a one-year period.

12.4 Liquidity Risk

The Company generates sufficient cash from operating activities to fulfill its obligations as they become due. The Company has sufficient funds available through its cash, cash equivalents and marketable securities should its cash requirements exceed cash generated from operations to cover all financial liability obligations. Periodically, the Company forecasts their projected cash flows both at the subsidiary and consolidated level. If any issues are identified, the corporate teams work with the local teams to provide liquidity support. The Company negotiates lines of credit with global and regional banks to diversify its options and ensure competitive financing rates.

As at September 30, 2020, there were no restrictions on the flow of these funds nor have any of these funds been committed in any way, except as set out in note 21 of the Interim Financial Statements.

12.5 Credit Risk

The Company considers its maximum credit risk to be $221,124 (December 31, 2019: $248,812) which is the total of the following assets; trade receivables, interest receivable, loans receivables and investment in funds.

The marketable securities and cash equivalent balances are subject to minimal risk of changes in value and are invested in institutions with a S&P or DBRS credit rating of A or R1(low) or better which are invested in the following:

- four Canadian financial institutions & one foreign affiliates of a Canadian financial institution
- three Canadian credit unions
- one foreign bank

The Company is exposed to credit risk from its customers and continually monitors its customers' credit. Individual credit limits are established after an analysis of the client's credit history, credit ratings, and forward-looking information provided by internal and external sources. There is a credit policy in place to ensure that these limits are periodically reviewed and immediately adjusted if needed. Furthermore, the Company establishes the ECL based upon days past due and the likelihood of collection for each customer.

The credit risk on loans and interest receivable is due to the risk of insolvency or operational failure of the partners in the strategic lending transaction. The Company has assessed that loans measured at FVTPL have S&P credit ratings between CCC+ and CC. The Company also has a credit risk on its investment in funds and derivatives which are held through venture funds or issued by a counterparty.

12.6 COVID-19 Risk

The recent outbreak of the coronavirus, or COVID-19, which has been declared by the World Health Organization to be a pandemic, has spread across the globe and is impacting worldwide economic activity. A public health pandemic, including COVID-19, poses the risk that the Company and its employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. Certain countries where the Company has significant operations, have required entities to limit or suspend business operations and have implemented travel restrictions and quarantine measures.

As with much of the pharmaceutical industry, the Company's revenues from launch products and resulting prescription growth has been adversely affected by COVID-19. Knight suspended in-person promotional and medical activities in all countries in March 2020. The Knight field team continues to use digital means to interact with healthcare providers. These interactions tend to be less frequent and in the case of complex infectious disease and oncology product launches, potentially less impactful. While it is not possible at this time to estimate the impact that COVID-19 could have on the Company, the continued spread of COVID-19 and the measures taken by the governments of countries affected could disrupt the supply chain and the manufacture or shipment of product inventories and adversely impact the Company's business, financial condition or results of operations. Uncertainties related to the continued magnitude and duration of the COVID-19 pandemic, the extent to which it will impact our estimated future financial results, worldwide macroeconomic conditions including interest rates, employment rates, consumer spending, health insurance coverage, the speed of the anticipated recovery and governmental and business reactions to the pandemic, including any possible re-initiation of shutdowns or renewed restrictions, have increased the complexity of developing the potential impact of COVID-19. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact.

Any future developments could have a material adverse effect on the Company's business and results. In addition, due to the severity and global nature of the COVID-19 pandemic, it is possible that the estimates used in the preparation of the financial statements can change in the near term and may have a material impact. Potential impacts may include, but are not limited to, impairment of intangible assets, goodwill, property plant and equipment, and financial assets, write-downs on inventory and a change in the estimated credit loss on accounts receivable.

As at September 30, 2020, the Company assessed the possible impacts of COVID-19 on its financial results. The Company has evaluated its financial assets, property, plant and equipment, intangible assets, and goodwill for impairment and no changes

(In thousands of Canadian dollars, except for share and per share amounts)

from the carrying amount were required in the reporting period.

As of the approval date of these financial statements, the outbreak has not had a material impact on the Company's results. The Company and its employees have transitioned to working remotely and steps have been taken to establish digital sales channels. Furthermore, the Company has sufficient liquidity to meet all operating requirements for the foreseeable future. The Company is developing return to field or office protocols on a country by country basis to ensure compliance with local regulations, ensuring safety of employees, patients and healthcare professionals.

12.7 Risk Factors

For a detailed discussion of additional risk factors, please refer to the Company's latest Annual Information Form on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Section 13 – Selected Quarterly Financial Information

This selected information is derived from our Annual Financial Statements.

	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18
Revenues	**45,239**	53,250	45,839	37,271	4,030	3,204	2,956	3,888
Net income (loss)	**17,492**	15,512	(9,477)	(3,153)	(2,959)	18,956	5,189	221
Adjusted earnings[1]	**6,582**	9,972	6,435	11,651	5,562[1]	4,564[1]	4,629[1]	5,607
EPS								
Basic	**0.138**	0.133	(0.013)	(0.049)	(0.021)	0.133	0.036	0.002
Diluted	**0.138**	0.133	(0.013)	(0.049)	(0.021)	0.132	0.036	0.002
Cash, cash equivalents and marketable securities	**392,352**	566,837	592,578	536,182	700,092	745,272	748,411	787,062
Total assets	**1,013,963**	1,224,748	1,267,135	1,305,303	1,022,261	1,074,371	1,058,191	1,051,832
Total non-current liabilities	**32,710**	33,754	34,304	39,393	5,812	6,339	5,440	4,615

[1]Refer to definition in section 4. Adjusted earnings includes a positive net adjustment of $2,890 for Q3-19, $1,576 for Q2-19 and $1,539 for Q1-19 related to the GBT transaction, proxy fight and IFRS 16.

Section 14 – Outstanding Share Data

The table below summarizes the share data:

As at	**November 12, 2020**	**September 30, 2020**
Common Shares[1]	130,172,932	130,345,574
Stock Options	5,336,673	5,344,395
Warrants	28,228	28,228

[1] Number of common shares as at September 30, 2020 excludes 172,642 shares that were purchased in September but not yet cancelled as at September 30, 2020.

On July 8, 2019, the Company announced that the Toronto Stock Exchange approved its notice of intention to make a NCIB ("2019 NCIB"). A copy of the notice to commence the NCIB is available without charge by contacting the Company by email at info@gudknight.com or by phone at 514-484-4483.

Under the terms of the 2019 NCIB, Knight could purchase for cancellation up to 12,053,693 common shares of the Company which represented 10% of its public float as at July 2, 2019. The NCIB commenced on July 11, 2019 and came to an end in April 2020, when the Company completed its maximum purchases under the NCIB. The Company purchased a total of 12,053,692 common shares at an average price of $7.14 per share.

Knight entered into an agreement with a broker to facilitate purchases of its common shares under the 2019 NCIB. Under Knight's ASPP, the broker was able to purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. Such purchases were made by the broker based on parameters and instructions communicated by the Company prior to any regulatory restrictions or self-imposed blackout periods. The Company was in a blackout period starting January 15, 2020 and remained in blackout until the completion of the 2019 NCIB. Therefore, an ASPP liability was recorded to reflect the obligation of Knight to repurchase its common shares under the NCIB and through the ASPP.

Upon the completion of the 2019 NCIB, the Company purchased 4,804,443 common shares in 2020 ("Acquired Shares") for an aggregate cash consideration of $31,265 ("Purchase Price"). As a result of the purchases, the difference between the Purchase Price and the ASPP liability of the Acquired Shares was recorded as a gain $4,168 for the nine-month period ended September 30, 2020, in the statement of income in "Realized gain on automatic share purchase plan".

On July 10, 2020, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch an additional NCIB ("2020 NCIB"). Under the terms of the 2020 NCIB, Knight may purchase for cancellation up to 10,856,710 common shares of the Company which represented 10% of its public float as at July 6, 2020. The NCIB commenced on July 14, 2020 and will end on the earlier of July 13, 2021 or when the Company completes its maximum purchases under the NCIB. Furthermore, Knight entered into an agreement with a broker to facilitate purchases of its common shares under the NCIB. Under Knight's automatic share purchase plan, the broker may purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods.

During the three-month period ended September 30, 2020, the Company purchased 797,952 common shares, for an aggregate cash consideration of $4,745, of which $1,009 remains to be settled and 172,642 common shares remain to be cancelled as at September 30, 2020.

Section 15 – Use of Proceeds from Financing

To date, Knight has raised net proceeds of approximately $685,000 from five public offerings. In our short form prospectuses related to the offerings, Knight disclosed that its intent was to use a substantial portion of the net proceeds (i) for potential acquisitions of (a) in-licensing of over-the-counter and prescription pharmaceutical products and targeted promotion of these products, and (b) specialty pharmaceutical businesses in select international markets, (ii) for financing of other life sciences companies in Canada and internationally as well as for investments in funds focused in the life sciences sector, and (iii) the remainder for general corporate purposes.

As at September 30, 2020, Knight had deployed and invested or committed to deploy and invest over $700,000 for the purposes disclosed in the prospectuses, as described above. Pending the application of the remainder of the net proceeds, Knight has invested part of the net proceeds in short-term investment-grade securities and bank deposits, and, holds the remainder in cash. Knight anticipates that it has sufficient funds available to achieve its business objectives and milestones as listed in the prospectuses.

Section 16 – Payment of Dividends

The Company has not paid dividends on its common shares since inception and does not anticipate declaring dividends in the foreseeable future. Knight's current policy is to retain earnings to finance the acquisition and development of new products and to reinvest in the growth of the Company. Any future determination to pay dividends is at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors of the Company deems relevant.

Section 17 – Product Pricing Regulation on Certain Patented Drug Products

All patented drug products sold in Canada that form part of Knight's portfolio of products are subject to pricing regulation by the PMPRB, a federal agency tasked with ensuring that prices of patented medicines are not excessive. For new patented products, the maximum non-excessive list price ("MLP") in Canada is will be set by the lower of the list price and the median international price ("MIP") for the same drug sold in a specified set of developed comparator countries. Otherwise, the MLP will be set by the lower of the list price and the top of the domestic prices of existing comparable drugs sold in Canada. For existing patented products, prices cannot be increased annually by more than a factor based on Statistics Canada's Consumer Price Index. The PMPRB monitors compliance through a review of the average transaction price of each patented drug product as reported by pharmaceutical companies like Knight on a semi-annual basis. The PMPRB may from time to time deem certain of Knight's existing or future patented products to be excessively priced based on the application of its empowering legislation and regulations, including those related to price increases, the comparative assessment of new products and reductions in the highest price in international reference countries. Such determinations by the PMPRB may have a material adverse effect on Knight's financial condition and results of operations or cash flows.

The Canadian federal government has made a commitment to reduce the cost of prescription drug pending in Canada. On December 2, 2017, Health Canada published the following proposed key changes:

- changes in the comparator countries used to determine price ceilings. The changes include removal of the US (which generally has the highest international drug prices) and Switzerland and addition of seven new countries judged to have similar consumer protection-oriented mandates and relative wealth as Canada;
- new, economics-based price regulatory factors to allow the PMPRB to regulate based on the value of a medicine and its impact on the health care system; and,
- changes to certain reporting requirements, including reporting all discounts and rebates provided to third-party payers, such as provincial drug plans.

On August 21, 2019, the federal government published the final regulations governing the PMPRB. The new regulations include eleven countries as comparators and was expected to come into force on July 1, 2020. On November 21, 2019, the PMPRB published a draft set of new guidelines for the implementation of the final regulations. The PMPRB began seeking views of stakeholders and interested members of the public and extended their consultation period in connection with the guidelines through February 14, 2020. The implementation of the amended PMPRB regulations was delayed due to COVID-19 and is now expected to come into force on January 1, 2021. The PMPRB is now moving forward with the issuance of final Guidelines which were published on October 23, 2020.

The regulatory changes to the PMPRB may have a significant adverse effect on the price of patented drugs sold by the Corporation in Canada and may limit the Corporation's ability to in-license and launch products in Canada due to more restrictive pricing regulations.

Section 18 – Financial Instruments

The Company's investment policy regulates the investment activities relating to cash resources. The Company invests in strategic investments in the form of equity funds, debt funds, equity or liquid investment securities with varying terms to maturity, selected with regard to the expected timing of investments and expenditures for continuing operations, and prevailing interest rates.

Section 19 – Off-balance Sheet Arrangements

The Company's off-balance sheet arrangements consist of contractual obligations and agreements for development, sales, marketing and distribution rights to innovative drug products. The effect of terminating these arrangements under normal operating circumstances consists of an effective transition of the remaining responsibilities and obligations to the licensor under agreed upon time frames and conditions. Please refer to note 31 of the Annual Financial Statements for the year ended December 31, 2019 for additional information. Other than these contractual obligations and commitments, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Section 20 – Commitments

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. The Company has entered into various agreements which include contractual commitments extending beyond the current year. These commitments are classified into three major categories: Fund commitments, milestones and purchase commitments, and equity and loan commitments. The commitments of the Company as at September 30, 2020 are as follows:

[i] Fund commitments

As at September 30, 2020, under the terms of Company's agreements with life sciences venture capital funds, $32,448 (December 31, 2019: $44,116), including $6,236 [US$4,675] and $7,112 [EUR 4,550] (December 31, 2019: $11,452 [US$8,817] and $8,826 [EUR 6,052]), may be called over the life of the funds (based on the closing foreign exchange rates).

As at November 12, 2020, $32,448 remains to be called by life science venture capital funds.

[ii] Milestones and purchase commitments

Under certain agreements, Knight may have to pay additional consideration should the Company achieve certain sales volumes or if certain milestones are met, such as regulatory approval in Canada or LATAM. The Company may have to pay up to $327,278 including $45,559 [US$34,155], $143,362 [CHF 99,000] and $602 [EUR 385] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $1,152 [EUR 737], of inventory for pharmaceutical products during the five-year period after their respective commercial launch. For products that are currently launched, as at November 12, 2020, the Company has committed to inventory purchases of $307,488 [BRL 819,444, USD 64,645 and CHF 18,793], which will be purchased over the next 8 years.

(In thousands of Canadian dollars, except for share and per share amounts)

	$
2020	**8,390**
2021	**42,463**
2022	**50,919**
2023	**59,689**
2024	**61,682**
2025 and beyond	**84,345**
Total	**307,488**

Furthermore, Knight has committed to certain sales force and marketing spend obligations during the five-year period after the commercial launch of one of its products.

[iii] Equity and loan commitments

Subject to a loan agreement with a borrower, Knight has committed to up to a maximum equity investment of $3,335 [US$2,500] to participate in the initial public offering of the borrower.

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $11,338 [US$8,500] should the borrower meet certain pre-defined profitability targets over its 2020 to 2021 financial years.

Section 21 – Related Party Transactions

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $13 to the Company for the nine-month period ended September 30, 2020.

Section 22 – Segment Reporting

Upon the acquisition of an additional 48.74% of GBT the Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets. This reflects the revised management structure and the way that the chief operating decision-maker evaluates the business.

Geographic Information

The following table represents the revenues per country, based on where the customer is located.

	Three months ended September 30	Nine months ended September 30
	$	$
Revenues		
Brazil	**16,020**	**51,839**
Argentina	**8,497**	**29,686**
Colombia	**7,659**	**25,215**
Rest of LATAM	**8,398**	**25,428**
Canada	**1,162**	**3,284**
Other[1]	**3,503**	**8,876**
Total	**45,239**	**144,328**

[1] Includes Europe, US and other countries.

(In thousands of Canadian dollars, except for share and per share amounts)

As at September 30, 2020, non-current operating assets consisting of property, plant and equipment, intangible assets, goodwill, assets held for sale and other long-term receivables were held in the following geographic areas.

As at September 30, 2020	Non-current operating assets
	$
Brazil	58,822
Argentina	42,597
Colombia	36,157
Rest of LATAM	95,352
Canada	66,598
Other	930
Total	**300,456**

For the three and nine-month periods ended September 30, 2019, revenues from products sold in Canada were $551 and $3,479, and revenues from products sold internationally were $1,727 and $8,463 respectively. Furthermore, noncurrent operating assets consisting of property and equipment, intangible assets, investment in associate and other receivables held in Canada and internationally were $134,635 and $1,303 respectively.

Section 23 – Significant Accounting Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts or revenues and expenses during the reporting period. Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ materially from those estimates. Our significant accounting estimates and assumptions are reported in note 3 of our 2019 Annual Financial Statements.

Section 24 – Disclosure Controls and Procedures

The Company is committed to providing timely, accurate and balanced disclosure of all material information about the Company and to providing fair and equal access to such information. Management is responsible for establishing and maintaining its DC&P to ensure that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Company have been detected. Management continues to evolve and enhance its system of controls and procedures.

Canadian regulations allow issuers to limit the evaluation of ICFRs of a business that an issuer acquired not more than 365 days before the last day of the period covered by the Company's filings.

Section 25 – Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate ICFR. The Company has designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our DC&P or ICFR will prevent all errors or all fraud.

During the quarter ended September 30, 2020, there was no significant changes in our ICFR that materially affected, or is reasonably likely to materially affect the Company's internal controls over financial reporting. Canadian regulations allow issuers to limit the evaluation of ICFRs of a business that an issuer acquired not more than 365 days before the last day of the period covered by the Company's filings.

Section 26 – Subsequent Event

AmBisome® distribution agreement

On October 26, 2020, the Company announced a new exclusive distribution agreement with Gilead for the continued commercialization of AmBisome® in Brazil, effective January 1, 2021.