



KNIGHT THERAPEUTICS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020

INTERIM CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

[Unaudited]

As at	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current			
Cash, cash equivalents and restricted cash	4	218,091	174,268
Marketable securities	5	158,944	235,045
Trade receivables	6	51,894	85,845
Other receivables	7	11,809	17,622
Inventories	8	61,783	70,870
Prepays and deposits		2,927	3,306
Other current financial assets	9, 10	26,248	26,303
Income taxes receivable		6,439	8,265
Total current assets		538,135	621,524
Marketable securities	5	15,317	126,869
Trade receivables	6	1,908	4,715
Prepays and deposits		4,066	4,652
Right-of-use assets		4,651	6,409
Property, plant and equipment		21,979	22,639
Investment properties		1,439	1,740
Intangible assets		156,641	173,372
Goodwill		77,770	88,262
Other financial assets	9, 10	146,868	132,848
Deferred income tax assets		1,123	3,991
Other long-term receivables	13	41,582	41,582
		473,344	607,079
Assets held for sale		2,484	76,700
Total assets		1,013,963	1,305,303

INTERIM CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

[Unaudited]

As at	Notes	September 30, 2020	December 31, 2019
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities		42,475	94,406
Lease liabilities		1,089	1,788
Other liabilities		1,270	1,750
Other financial liabilities	9, 10	—	184,023
Bank loans	11	41,567	50,557
Income taxes payable		11,828	15,447
Other balances payable		802	2,833
Total current liabilities		99,031	350,804
Accounts payable and accrued liabilities		383	—
Lease liabilities		3,351	4,812
Bank loans	11	1,840	5,022
Other balances payable		8,495	1,699
Deferred income tax liabilities		18,641	27,860
Total liabilities		131,741	390,197
Equity			
Share capital	14 [i]	695,066	723,832
Warrants		117	785
Contributed surplus		18,203	16,463
Accumulated other comprehensive income	15	2,530	17,405
Retained earnings		166,306	52,246
Attributable to shareholders of the Company		882,222	810,731
Non-controlling interests		—	104,375
Total equity		882,222	915,106
Total liabilities and equity		1,013,963	1,305,303

Commitments *[note 21]*

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF INCOME

[In thousands of Canadian dollars, except for share and per share amounts]

[Unaudited]

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Revenues		45,239	4,030	144,328	10,190
Cost of goods sold		25,706	729	82,698	1,671
Gross margin		19,533	3,301	61,630	8,519
Expenses					
Selling and marketing		7,763	1,146	26,928	3,341
General and administrative		10,835	4,761	27,424	12,339
Research and development		2,967	892	8,035	2,502
Amortization of intangible assets		5,703	424	17,546	1,273
Operating loss		(7,735)	(3,922)	(18,303)	(10,936)
Interest income on financial instruments measured at amortized cost		(1,754)	(4,825)	(7,477)	(14,651)
Other interest income		(1,434)	(1,233)	(4,038)	(3,457)
Interest expense		822	—	3,070	—
Other income		(243)	(1,579)	(133)	(1,949)
Net (gain) loss on financial instruments measured at fair value through profit or loss	9	(12,873)	4,883	(22,642)	(19,649)
Net gain on mandatory tender offer liability	9 [iii]	(10,502)	—	(12,072)	—
Realized gain on sale of asset held for sale	12	—	—	(2,948)	—
Realized gain on automatic share purchase plan	14 [iv]	—	—	(4,168)	—
Share of net income of associate		—	(128)	—	(448)
Foreign exchange loss		703	638	9,666	3,315
Loss on hyperinflation		401	—	1,205	—
Income (loss) before income taxes		17,145	(1,678)	21,234	25,903
Income tax					
Current		(3,079)	999	1,386	3,168
Deferred		2,732	282	(3,679)	1,549
Income tax (recovery) expense		(347)	1,281	(2,293)	4,717
Net income (loss) for the period		17,492	(2,959)	23,527	21,186
Attributable to:					
Shareholders of the Company		18,094	(2,959)	33,834	21,186
Non-controlling interest		(602)	—	(10,307)	—
Attributable to shareholders of the Company					
Basic earnings (loss) per share	16	0.138	(0.021)	0.256	0.150
Diluted earnings (loss) per share	16	0.138	(0.021)	0.255	0.150
Weighted average number of common shares outstanding					
Basic	16	130,867,769	137,783,892	132,346,922	141,147,239
Diluted	16	131,051,220	138,154,629	132,614,809	141,519,892

See accompanying note

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

[In thousands of Canadian dollars]

[Unaudited]

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net income (loss) for the period	17,492	(2,959)	23,527	21,186
Other comprehensive (loss) income, net of taxes				
Items that may be reclassified subsequently to net income:				
Unrealized (loss) gain on translation of foreign operations	(10,377)	2,589	(18,078)	(6,339)
Items permanently in other comprehensive income or loss:				
Net (loss) gain on equity investments at fair value through other comprehensive income net of tax of \$172 and \$9 (\$135 and \$249 for the three and nine-month periods ended September 30, 2019)	(62)	738	(381)	2,999
Share of other comprehensive loss of associate net of tax of \$323 and \$539 for the three and nine-month periods ended September 30, 2019	—	(1,023)	—	(1,706)
Other comprehensive (loss) income for the period	(10,439)	2,304	(18,459)	(5,046)
Total comprehensive income (loss) for the period	7,053	(655)	5,068	16,140
Attributable to :				
Shareholders of the Company	9,462	(655)	24,720	16,140
Non-controlling interest	(2,409)	—	(19,652)	—

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[In thousands of Canadian dollars]

[Unaudited]

Equity attributable to shareholders of the Company									
		Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total	Non- controlling interest	Total equity
	Notes								
Balance as at January 1, 2019		761,844	785	14,326	20,955	232,122	1,030,032	—	1,030,032
Net income for the period		—	—	—	—	21,186	21,186	—	21,186
Other comprehensive loss for the period		—	—	—	(5,046)	—	(5,046)	—	(5,046)
Comprehensive (loss) income		—	—	—	(5,046)	21,186	16,140	—	16,140
Share-based compensation expense	11 [ii]	—	—	1,639	—	—	1,639	—	1,639
Issuance under share purchase plan	11 [iii]	213	—	—	—	—	213	—	213
Repayment of share purchase loans		425	—	—	—	—	425	—	425
Shares purchased under Normal Course Issuer Bid	11 [iv]	(38,310)	—	—	—	(15,973)	(54,283)	—	(54,283)
Automatic share purchase plan liability pursuant to Normal Course Issuer Bid	11 [v]	(26,057)	—	—	—	(9,930)	(35,987)	—	(35,987)
Balance as at September 30, 2019		698,115	785	15,965	15,909	227,405	958,179	—	958,179
Balance as at January 1, 2020		723,832	785	16,463	17,405	52,246	810,731	104,375	915,106
Net income (loss) for the period		—	—	—	—	33,834	33,834	(10,307)	23,527
Other comprehensive loss for the period		—	—	—	(9,114)	—	(9,114)	(9,345)	(18,459)
Comprehensive (loss) income		—	—	—	(9,114)	33,834	24,720	(19,652)	5,068
Share-based compensation expense	14 [ii]	—	—	1,422	—	—	1,422	—	1,422
Issuance under share option plan		945	—	(350)	—	—	595	—	595
Issuance under share purchase plan	14 [iii]	208	—	—	—	—	208	—	208
Shares purchased under Normal Course Issuer Bid	14 [iv]	(29,919)	—	—	—	(10,258)	(40,177)	—	(40,177)
Acquisition of shares through mandatory tender offer		—	—	—	(5,761)	90,484	84,723	(84,723)	—
Expired and surrendered warrants		—	(668)	668	—	—	—	—	—
Balance as at September 30, 2020		695,066	117	18,203	2,530	166,306	882,222	—	882,222

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

[Unaudited]

	<i>Notes</i>	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
OPERATING ACTIVITIES					
Net income for the period		17,492	(2,959)	23,527	21,186
Adjustments reconciling net income to operating cash flows:					
Deferred income tax expense (recovery)		2,732	282	(3,679)	1,549
Share-based compensation expense	14 [ii]	725	484	1,422	1,639
Depreciation and amortization		7,085	536	22,462	1,578
Net (gain) loss on financial instruments	9	(12,873)	4,883	(22,642)	(19,649)
Net gain on mandatory tender offer liability	9 [iii]	(10,502)	—	(12,072)	—
Realized gain on sale of asset held for sale	12	—	—	(2,948)	—
Realized gain on automatic share purchase plan	14 [iv]	—	—	(4,168)	—
Interest expense		822	—	3,070	—
Foreign exchange loss		703	638	9,666	3,315
Loss on hyperinflation		401	—	1,205	—
Share of net income of associate		—	(128)	—	(448)
Other adjustments		424	(180)	(50)	(363)
		7,009	3,556	15,793	8,807
Changes in non-cash working capital and other items	18	(15,413)	472	(30,974)	2,368
Other long-term receivable	13	—	—	—	(18,242)
Dividends from associate		—	—	—	4,159
Interest payments on bank loans		(8)	—	(1,321)	—
Cash (outflow) inflow from operating activities		(8,412)	4,028	(16,502)	(2,908)
INVESTING ACTIVITIES					
Acquisition of shares through mandatory tender offer		(170,855)	—	(170,855)	—
Purchase of marketable securities		(662)	(20,300)	(37,778)	(203,445)
Purchase of intangible assets		(1,191)	(328)	(14,024)	(2,317)
Purchase of property and equipment		(861)	—	(3,119)	(4)
Exercise of warrant investments		—	—	(397)	—
Issuance of loans receivables		—	(1,987)	(7,364)	(20,038)
Purchase of equity investments		—	—	—	(6)
Investment in funds	9 [iv]	(2,010)	(5,864)	(15,010)	(18,434)
Proceeds on sale of asset held for sale	12	—	—	77,000	—
Proceeds on maturity of marketable securities		32,440	90,543	226,999	362,091
Proceeds from repayments of loans receivable	9 [i]	17	873	7,786	3,574
Proceeds from disposal of equity investments	9 [ii]	—	1,676	2,919	1,676
Proceeds from distribution of funds	9 [iv]	14,887	8,500	26,996	9,177
Cash (outflow) inflow from investing activities		(128,235)	73,113	93,153	132,274
FINANCING ACTIVITIES					
Proceeds from exercise of stock options		115	—	595	—
Proceeds from contributions to share purchase plan		62	62	175	178
Proceeds from repayment of share purchase loans		—	425	—	425
Proceeds from bank loans		—	—	10,998	—
Repurchase of common shares through Normal Course Issuer Bid	14 [iv]	(3,736)	(54,181)	(35,001)	(54,181)
Principal repayment of lease liabilities		(888)	(68)	(2,406)	(205)
Principal repayments on bank loans		(701)	—	(8,219)	—
Cash outflow from financing activities		(5,148)	(53,762)	(33,858)	(53,783)
(Decrease) increase in cash and cash equivalents during the period		(141,795)	23,379	42,793	75,583
Cash, cash equivalents and restricted cash, beginning of the period		359,593	294,911	174,268	244,785
Net foreign exchange difference		293	835	1,030	(1,243)
Cash, cash equivalents and restricted cash, end of the period		218,091	319,125	218,091	319,125
Supplemental cash flow information:					
Interest received		1,044	5,634	9,299	16,897
Net income taxes paid		(3,718)	—	(6,745)	(1,197)

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

GLOSSARY OF ABBREVIATIONS

Abbreviation	Company
Crescita	Crescita Therapeutics Inc.
GBT	Biotoscana Investments S.A.
Knight or the Company	Knight Therapeutics Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Medison	Medison Biotech (1995) Ltd.
Moksha8	Moksha8, Inc.
Profound	Profound Medic
Synergy	Synergy CHC Corp.
Triumvira	Triumvira Immunologics Inc.

Abbreviation	Currency
ARS	Argentine Peso
BRL	Brazilian Real
CAD	Canadian dollar
CHF	Swiss Franc
EUR	Euro
US\$/USD	U.S. Dollar

Abbreviation	Other
B3	B3 S.A. – Brasil, Bolsa, Balcão
BDR	Brazilian Depository Receipts
CDI	Certificados de Depositos Interfinancieros (Brazil interbank lending rate)
CEO	Chief Executive Officer
CGU	Cash generating unit
CRA	Canada Revenue Agency
ECL	Expected credit loss
FA	Financial Assets
FDA	Food and Drug Administration (United States)
FV/FMV	Fair value
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GIC	Guaranteed investment certificate
IFRS	International Financial Reporting Standards
LATAM	Latin America
MTO	Mandatory public tender offer
PRV	Priority Review Voucher
RE	Retained earnings
Selic	Monetary policy interest rate used by the Central Bank of Brazil

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

1. NATURE OF OPERATIONS

Description of business

Knight was incorporated on November 1, 2013 under the Canada Business Corporations Act. The Company is a specialty pharmaceutical company, and its principal business activity is acquiring, in-licensing, out-licensing, manufacturing, marketing and distributing pharmaceutical products in Canada, Latin America and select international markets. The Company is located at 3400 de Maisonneuve Boulevard West, Suite 1055, Montreal, Quebec, H3Z 3B8. Knight is listed on Toronto Stock Exchange under the ticker symbol "GUD".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in note 2 "Summary of significant accounting policies" of the Company's consolidated financial statements for the year ended December 31, 2019. These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

The Company's interim condensed consolidated financial statements for the nine months ended September 30, 2020 and 2019 were authorized for issue by the Board of Directors on November 12, 2020.

Impact of the COVID-19 Pandemic

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. There is significant uncertainty regarding the potential impact that the pandemic may have on the Company's operations. The extent to which the impacts of COVID-19 affect the judgments and estimates described in note 3 to the Company's 2019 consolidated financial statements depends on future developments, which are highly uncertain and cannot be predicted.

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 these estimates, including the allowance for inventory obsolescence, expected credit losses and the carrying values of financial assets, property plant and equipment, goodwill and other intangible assets. Actual results may differ significantly from our estimates, including as a result of COVID-19. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these condensed interim consolidated financial statements.

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 from the carrying amount were required in the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

3. BUSINESS COMBINATION

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.

Fair value of consideration

On November 29, 2019, the Company transferred \$185,778 (“Cash Transferred”) to the controlling shareholders, of which 20% was deposited in escrow. The purchase consideration was \$189,024 (“Purchase Consideration”) including the Cash Transferred and a net loss on a forward foreign currency contract of \$3,246. On the acquisition date, the Company consolidated a cash balance amount of \$16,718 and a debt amount of \$63,704. The net debt of \$46,986 is not reflected in the Purchase Consideration.

Purchase consideration, net assets acquired, and goodwill

The consideration for the acquisition and preliminary measurement of assets acquired and liabilities assumed, as well as goodwill, in accordance with IFRS 3 Business Combinations, is estimated as follows:

	\$
Purchase Consideration	189,024
Recognized amounts of identifiable net assets	
Current Assets	
Cash and cash equivalents	16,718
Trade and other receivables	73,879
Inventories	73,763
Income tax receivable	7,079
Other current assets	2,267
Non-Current Assets	
Trade and other receivables	4,601
Property, plant and equipment	22,211
Right of use assets	5,487
Intangible assets	157,855
Deferred income tax assets	816
Other non-current assets	6,303
Current Liabilities	
Accounts payable and accrued liabilities	(70,839)
Bank loans	(56,382)
Lease Liabilities	(1,418)
Income taxes payable	(3,633)
Other current liabilities	(1,368)
Non-Current Liabilities	
Bank loans	(7,322)
Lease Liabilities	(4,069)
Deferred income tax liabilities	(25,605)
Other non-current liabilities	(544)
Net identifiable assets acquired	199,799
Less: non-controlling interest	(97,275)
Add: goodwill on acquisition	86,500
Net assets acquired	189,024

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

Provisional accounting

Due to the timing of the acquisition and the complexity associated with the valuation process, the measurement of the intangible assets and assets-held-for-sale acquired, including deferred taxes, is subject to adjustment. Furthermore, the Company has not yet determined its allocation of goodwill to stand-alone CGUs. The Company will conclude on the allocation in 2020.

Management will finalize the accounting for the acquisition no later than one year from the acquisition date and, as required under IFRS 3, will reflect these adjustments retrospectively. There may be differences between these provisional estimates and the final acquisition accounting, and these differences may be material.

Foreign Currency Contracts

The Company entered into foreign exchange forward contracts and foreign exchange non-deliverable forward contracts to mitigate its exposure to foreign currency risks for the acquisition of 51.2% of GBT in exchange for BRL 596,662. The Company entered into foreign exchange forward contracts to sell CAD and buy USD \$85,000 at a weighted average rate of 1.31 CAD per USD. The Company also entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 595,662 at a weighted average rate of 4.08 BRL per USD. These contracts were settled on November 27, 2019 and the Company designated the effective portion of these contracts as cash flow hedges which resulted in an increase of the Purchase Consideration by \$3,246.

Mandatory Tender Offer

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 note 9 for further details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

As at	September 30, 2020	December 31, 2019
	\$	\$
Cash in bank	202,236	163,931
Cash equivalents	15,855	5,337
Restricted cash	—	5,000
Total	218,091	174,268

5. MARKETABLE SECURITIES

As at	September 30, 2020	December 31, 2019
	\$	\$
Current		
GICs earning interest at rates ranging from 1.25% to 3.30% and maturing from December 2020 to June 2021 (December 31, 2019: 2.16% to 3.25%, January 2020 to December 2020)	128,975	191,978
Term deposits of US\$22,467 earning interest at rates ranging from 1.60% to 3.04% and maturing from February 2021 to April 2021 (December 31, 2019: US\$22,331; 2.57% to 3.00%, January 2020 to July 2020)	29,969	29,003
GICs of US\$7,000 earned interest at rates ranging from 3.14% to 3.24% and matured from January 2020 to February 2020	—	9,092
Corporate bond investment with a coupon rate of 1.57% and matured May 2020	—	4,972
Total current	158,944	235,045
Non-current		
GICs earning interest at rates ranging from 3.09% to 3.37% and maturing from January 2022 to March 2022 (December 31, 2019: 2.65% to 3.37%; January 2021 to March 2022)	15,317	111,146
Term deposits of US\$12,106 earned interest at rates ranging from 2.82% to 3.04% and matured from February 2021 to April 2021	—	15,723
Total non-current	15,317	126,869
Total	174,261	361,914

6. TRADE RECEIVABLES

As at	September 30, 2020	December 31, 2019
	\$	\$
Current	51,894	85,845
Non-Current	1,908	4,715
Total	53,802	90,560

The Company maintains an allowance for ECL that represents its estimate of uncollectible amounts based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. During the three and nine-month periods ended September 30, 2020, the Company has recorded an additional ECL of \$398 and \$2,819, respectively, in the statement of income as operating expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

7. OTHER RECEIVABLES

As at	September 30, 2020	December 31, 2019
	\$	\$
Interest receivable	3,052	7,534
Other receivables ¹	4,824	6,086
Commodity taxes receivable	3,933	4,002
Total	11,809	17,622

¹ Includes a distribution receivable from a strategic fund investment of \$1,545 (2019: \$2,456)

8. INVENTORIES

As at	September 30, 2020	December 31, 2019
	\$	\$
Raw materials	7,340	12,081
Work in progress	5,224	2,158
Finished goods	49,219	56,631
Total	61,783	70,870

During the three and nine-month periods ended September 30, 2020, the Company recorded an increase in inventory provision of \$1,871 and \$6,797, respectively, in the statement of income in "Cost of goods sold".

9. OTHER FINANCIAL INSTRUMENTS

As at	Carrying amount	
	September 30, 2020	December 31, 2019
	\$	\$
Loans and other receivables [i]		
Measured at amortized cost	9,272	2,181
Measured at FVTPL	25,158	28,390
Equity Investments [ii]		
Measured at FVTPL	3,205	3,712
Measured at FVOCI	4,100	6,473
Derivatives [iii]		
Assets measured at FVTPL	1,541	4,334
Liabilities measured at FVTPL	—	—
MTO liability [iii]		
Measured at amortized cost	—	(184,023)
Fund Investments [iv]		
Measured at FVTPL	129,840	114,061
Total	173,116	(24,872)
Total other financial assets	173,116	159,151
Total other financial liabilities	—	(184,023)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

As a result of changes in fair value and the disposal of financial assets during the three and nine-month periods ended September 30, the Company recorded the following net gains on financial instruments in the consolidated statement of income as “Net (gain) loss on financial instruments measured at fair value through profit or loss”.

2020	Three months ended September 30,			Nine months ended September 30,		
	Unrealized (gain) loss on FA measured at FVTPL \$	Realized (gain) loss on FA measured at FVTPL \$	Total \$	Unrealized (gain) loss on FA measured at FVTPL \$	Realized (gain) loss on FA measured at FVTPL \$	Total \$
Loans and other receivables [i] ¹	(404)	—	(404)	179	(46)	133
Equity Investments [ii]	(48)	—	(48)	(513)	712	199
Derivatives [iii] ²	(36,400)	36,425	25	1,216	36,165	37,381
Fund Investments [iv]	(3,025)	(9,348)	(12,373)	(7,578)	(15,256)	(22,834)
Total	(39,877)	27,077	(12,800)	(6,696)	21,575	14,879

¹Realized (gain) loss on financial assets measured at FVTPL includes recognition of deferred day 1 gains and change in FMV related to early repayment.

²The total loss for the three and nine-month periods of \$25 and \$37,381 includes an unrealized gain of \$36,352 and an unrealized loss of \$1,096, respectively, and a realized loss of \$36,425 recorded on foreign exchange contracts which is recorded in the consolidated statement of income as “Net gain on mandatory tender offer liability”. Refer to Note 9 [iii] for additional details.

2019	Three months ended September 30,			Nine months ended September 30,		
	Unrealized (gain) loss on FA measured at FVTPL \$	Realized (gain) loss on FA measured at FVTPL \$	Total \$	Unrealized (gain) loss on FA measured at FVTPL \$	Realized (gain) loss on FA measured at FVTPL \$	Total \$
Loans and other receivables [i] ¹	(237)	(90)	(327)	6,671	(995)	5,676
Equity Investments [ii]	236	(87)	149	617	(85)	532
Derivatives [iii]	(32)	—	(32)	(124)	—	(124)
Fund Investments [iv]	7,971	(2,878)	5,093	(22,723)	(3,010)	(25,733)
Total	7,938	(3,055)	4,883	(15,559)	(4,090)	(19,649)

¹Realized (gain) loss on financial assets measured at FVTPL includes recognition of deferred day 1 gains and change in FMV related to early repayment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

[i] Loans and other receivables

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.

	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
	\$	\$	\$	\$	\$	\$	\$	\$
2020								
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
2019								
Amortized cost	2,964	2,046	(2,684)	—	(101)	2,225	—	2,225
FVTPL	24,711	21,249	(3,524)	(5,676)	(441)	36,319	14,121	22,198
Total	27,675	23,295	(6,208)	(5,676)	(542)	38,544	14,121	24,423

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

[ii] Equity investments

The following table summarizes the movement in equity investments during the nine-month period ended September 30.

	Carrying value as at January 1 \$	Additions ¹ \$	Disposals ² \$	Net (loss) gain on FA ³ \$	Foreign exchange \$	Carrying value end of period \$	Current other financial assets \$	Non- current other financial assets \$
2020								
FVTPL	3,712	782	(1,094)	(199)	4	3,205	3,205	—
FVOCI	6,473	—	(1,825)	(638)	90	4,100	987	3,113
Total	10,185	782	(2,919)	(837)	94	7,305	4,192	3,113
2019								
FVTPL	4,736	6	(471)	(532)	(9)	3,730	3,730	—
FVOCI	6,074	—	(1,205)	3,030	(98)	7,801	4,710	3,091
Total	10,810	6	(1,676)	2,498	(107)	11,531	8,440	3,091

¹ Equities purchased or received as consideration with the strategic lending transactions

² Cash received upon disposal of equities during the period

³ Net changes due to revaluation to fair market value recorded in the statement of income (FVTPL) or statement of comprehensive income (FVOCI)

Equity investments measured at FVOCI

Under IFRS 9, the Company has designated the following strategic investments as equity investments measured at FVOCI.

	September 30, 2020		December 31, 2019	
	Number of common shares owned	FV \$	Number of common shares owned	FV \$
Crescita	1,935,489	987	1,935,489	1,800
Profound	—	—	111,355	1,642
Synergy ¹	17,645,812	—	17,645,812	—
Medimetriks ²	2,315,007	3,113	2,315,007	3,031
Total		4,100		6,473

¹ Valued using the quoted market price closing share price less the day 1 gain on initial measurement that the Company deferred. FMV before considering the deferred day 1 gain is \$1,554 [US\$1,165]

² Valued using the income approach valuation method less the day 1 gain on initial measurement that the Company deferred. FMV, net of the day 1 gain, in original currency is US\$2,333

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

[iii] Derivatives

The following table summarizes the movement in derivatives recorded at FVTPL during the nine-month period ended September 30.

	Carrying value as at January 1 \$	Additions ¹ \$	Disposals ² \$	Net (loss) gain on FA ³ \$	Foreign exchange ^{4,5} \$	Carrying value end of period \$	Current other financial assets \$	Non- current other financial assets \$	Current other financial liabilities
2020	4,334	—	34,689	(37,381)	(101)	1,541	180	1,361	—
2019	1,805	998	—	124	(58)	2,869	197	2,672	—

¹ Derivatives recognized during the period

² Derivatives derecognized or disposed of during the period

³ Includes a loss of \$37,521 recorded on foreign exchange contracts, which is recorded in the consolidated statement of income as "Net gain on mandatory tender offer liability"

⁴ Recorded a loss of \$87 (2019: loss of \$25) in the statement of income in "Foreign exchange loss" and a loss of \$14 (2019: gain of \$33) in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations"

⁵ During the three-month period ended September 30, 2020, recorded a loss of \$23 (2019: loss of \$9) in the statement of income in "Foreign exchange loss (gain)" and a gain of \$12 (2019: loss of \$14) in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations"

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".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[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.

[iv] Fund investments

The following table summarizes the movement in fund investments recorded at FVTPL during the nine-month period ended September 30.

	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
	\$	\$	\$	\$	\$	\$	\$	\$
2020	114,061	15,010	(26,085)	22,834	4,020	129,840	9,917	119,923
2019	87,054	18,434	(9,177)	25,733	(3,907)	118,137	—	118,137

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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

10. MEASUREMENT OF FINANCIAL INSTRUMENTS

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Levels	Description	Type of financial instruments normally classified as such
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities.	<ul style="list-style-type: none"> • Investments in equities¹
Level 2	Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.	<ul style="list-style-type: none"> • Investments in equities²
Level 3	Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.	<ul style="list-style-type: none"> • Investments in equities³ • Investments in funds • Loans and receivables measured at FVTPL • Loans and receivables measured at Amortized Cost • Derivatives

¹ Publicly-traded equities in active markets

² Publicly-traded equities in inactive markets

³ Privately-held equities

[i] Fair value hierarchy

As at	September 30, 2020	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Recurring fair value measurements				
Loans measured at FVTPL	25,158	—	—	25,158
Equity investments measured at FVTPL	3,205	3,205	—	—
Equity investments measured at FVOCI	4,100	987	—	3,113
Derivative assets	1,541	—	—	1,541
Fund investments measured at FVTPL	129,840	—	—	129,840
Total	163,844	4,192	—	159,652

As at	December 31, 2019	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Recurring fair value measurements				
Loans measured at FVTPL	28,390	—	—	28,390
Equity investments measured at FVTPL	3,712	3,712	—	—
Equity investments measured at FVOCI	6,473	3,442	—	3,031
Derivatives	4,334	—	—	4,334
Fund investments measured at FVTPL	114,061	—	—	114,061
Total	156,970	7,154	—	149,816

During the nine-month period ended September 30, 2020, an equity investment was transferred from level 2 to level 3 due to the delisting of the company. There were no transfers between levels of the fair value hierarchy for year ended December 31, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

[ii] Day 1 Gains

Upon acquisition of a financial instrument, the Company measures its fair value and compares it to the acquisition price. The difference is recognised as a gain or loss only if fair value is based on a quoted price in an active market or based on a valuation method that uses only data from observable markets. The Company has the following deferred day 1 gains:

As at	September 30, 2020		December 31, 2019	
	US\$	\$	US\$	\$
Loans measured at FVTPL				
Triumvira	—	—	46	60
Equity investments measured at FVOCI				
Medimetriks	730	974	730	948
Synergy	3,764	5,021	3,764	4,889
Total	4,494	5,995	4,540	5,897

11. BANK LOANS

Subsequent to the GBT Transaction, the Company has the following indebtedness:

As at	Banks	Currency of debt	Interest rate	Maturity	September 30, 2020		December 31, 2019	
					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 made by Knight to Banco Santander. The principal and interest are due on the maturity date of March 4, 2021.

12. INVESTMENT IN ASSOCIATE

On November 21, 2019, Knight and Medison entered into a definitive settlement and purchase agreement (“Medison Agreement”) pursuant to which Knight agreed to sell its 28.3% ownership for a cash consideration of \$77,000. As part of the Medison Agreement, the parties agreed to release each other from all claims and withdraw all legal proceedings initiated by both parties. The transaction closed on March 16, 2020 and Knight recorded a gain of \$2,948 on the sale of the investment in the statement of income in “Realized gain on sale of asset held for sale”.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

13. OTHER RECEIVABLE

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.

14. EQUITY

[i] Share capital

The authorized share capital of the Company is comprised of an unlimited number of common shares and an unlimited number of first preferred shares, which may be issued from time to time in one or more series, without par value. The issued and outstanding share capital of Knight is as follows:

	Notes	Number of common shares	\$
Balance as at January 1, 2020		135,637,302	723,832
Issuance under share purchase plan	[iii]	33,025	208
Issuance under share option plan	[ii]	105,000	945
Shares purchased under NCIB ¹	[iv]	(5,429,753)	(29,919)
Balance as at September 30, 2020		130,345,574	695,066

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

[ii] Share option plan

The Company has an equity-settled Share Option Plan in place for employees, directors, officers and consultants of the Company which was re-approved by the shareholders on June 25, 2020 ("the Plan"). The aggregate maximum number of stock options outstanding under the Plan at any given time shall not exceed 10% of the outstanding shares of the Company as of the grant date. The option period may be up to ten years from the date the option is granted. The Board of Directors or its designated committee may determine when an option will become exercisable and may determine that the option will be exercisable immediately upon the date of grant, in instalments or pursuant to a vesting schedule. If no specific determination is made, the stock options vest in equal tranches of 25% per annum on each anniversary date. Stock options that have been exercised, expired, cancelled, forfeited or terminated become available for re-issuance under the Plan. Generally, the stock options have a seven-year or ten-year term and vest over a one-year period for directors and a three or four-year period for employees.

The Company recorded compensation expense of \$725 and \$1,422 (2019: \$484 and \$1,639) for the three and nine-month periods ended September 30, 2020 with corresponding credits to contributed surplus related to the issuance of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

stock options net of forfeitures. The weighted average fair value of the options granted during the period, estimated by using the Black-Scholes option pricing model, was \$2.68 (2019: \$3.13). The fair value of the options was estimated on the date of grant based on the following weighted average assumptions:

	Nine months ended September 30,	
	2020	2019
Weighted average risk-free interest rate	0.41%	1.77%
Dividend yield	Nil	Nil
Weighted average volatility factor [i]	39.12%	40%
Unvested forfeiture rate	2%	2%
Weighted average expected life	6.26 years	6.04 years

[i] Volatility was determined using the historical share price of the Company.

	Nine months ended September 30,			
	2020		2019	
	Number of share options #	Weighted average exercise price \$	Number of share options #	Weighted average exercise price \$
Balance beginning of the period	4,892,872	7.63	4,129,843	7.64
Options granted	937,778	7.00	756,439	7.62
Options exercised	(105,000)	5.67	—	—
Options expired/forfeited	(381,255)	8.32	(111,548)	8.27
Balance at end of the period	5,344,395	7.51	4,774,734	7.63
Options exercisable at the end of the period	3,557,176	7.47	3,489,047	7.39

[iii] Share purchase plan

The Company has a Share Purchase Plan (“Purchase Plan”) which allows eligible employees and directors of the Company to purchase common shares at listed market prices from treasury. The Purchase Plan was re-approved by the Board of Directors and the shareholders on May 7, 2019. The plan allows for employees to contribute up to a maximum of 10% of their salary and directors to contribute up to \$10 per year. Under the Purchase Plan, the Company will contribute 25% of employees’ or directors’ contributions in the form of common shares if the employee remains employed by the Company or director remains on the Board, and has held the original shares for two years from the original purchase date. The Company’s contribution in common shares is calculated using the lesser of the original common share value at the original purchase date and at the date of the Company’s contribution. During the nine-month period ended September 30, 2020, 30,025 shares (2019: 27,873 shares) were issued under the Purchase Plan for a total of \$208 (2019: \$213).

[iv] NCIB and ASPP

On July 8, 2019, the Company announced that the Toronto Stock Exchange approved its notice of intention for a NCIB (“2019 NCIB”). Under the terms of the 2019 NCIB, Knight could have 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 shares remain to be cancelled as at September 30, 2020.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at	September 30, 2020	December 31, 2019
	\$	\$
Net unrealized losses on equities at FVOCI net of tax of \$1,331 (2019: \$1,070)	(8,829)	(8,448)
Share of other comprehensive income of an associate net of tax of \$387	767	767
Unrealized gain on translation of foreign operations	10,592	28,670
Total	2,530	20,989
Non-controlling interest	—	(3,584)
Attributable to shareholders of the Company	2,530	17,405

16. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net income attributable to shareholders of the Company	18,094	(2,959)	33,834	21,186
Weighted average shares outstanding	130,867,769	137,783,892	132,346,922	141,147,239
Basic earnings per share	\$0.138	(\$0.021)	\$0.256	\$0.150

Diluted

Diluted earnings per share has been calculated after adjusting the weighted average number of shares used in the basic calculation to assume the conversion of all potentially dilutive shares. A potentially dilutive share for the Company consists of share options where the exercise price is below the average market price of the Company's shares during the period.

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	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net income attributable to shareholders of the Company	18,094	(2,959)	33,834	21,186
Weighted average shares outstanding	130,867,769	137,783,892	132,346,922	141,147,239
Adjustment for warrants and share options	183,451	370,737	267,887	372,653
Weighted average shares outstanding	131,051,220	138,154,629	132,614,809	141,519,892
	\$0.138	(\$0.021)	\$0.255	\$0.150

17. 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	Nine months ended
	September 30	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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[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.

18. STATEMENT OF CASH FLOWS

Effect on cash flows of changes in working capital and other non-cash balances are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Changes in non-cash working capital:				
Decrease (increase) in				
Trade and other receivables	10,977	(2,043)	31,211	(1,972)
Prepays and deposits	7,661	362	(1,311)	—
Inventories	(445)	50	1,876	664
Income taxes receivable	(3,386)	—	(3,377)	92
Increase (decrease) in				
Accounts payable and accrued liabilities	(27,140)	1,721	(51,364)	3,102
Other liabilities	33	—	66	—
Income tax payable	(2,273)	949	(5,806)	1,882
Other				
Other Financial Assets	(840)	(567)	(2,269)	(1,400)
	(15,413)	472	(30,974)	2,368

19. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

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.

20. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately \$5 and \$13 (2019: \$4 and \$11) to the Company for the three and nine-month periods ended September 30, 2020.

21. 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[In thousands of Canadian dollars, except for share and per share amounts]

[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, the Company has committed to inventory purchases of \$120,922 [BRL 31,579, USD 64,645 and CHF 18,793], which will be purchased over the next 8 years.

	\$
2020	8,390
2021	8,695
2022	13,775
2023	19,168
2024	20,317
2025 and beyond	50,577
Total	120,922

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.

22. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative amounts in the consolidated statements income, consolidated balance sheets and consolidated statements of cash flow have been reclassified to conform to the presentation adopted in the current period.

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