



KNIGHT THERAPEUTICS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022

INTERIM CONSOLIDATED BALANCE SHEETS
[In thousands of Canadian dollars]

[Unaudited]

As at	<i>Notes</i>	September 30, 2022	December 31, 2021
ASSETS			
Current			
Cash and cash equivalents	3	101,822	85,963
Marketable securities	4	43,320	63,539
Trade receivables	5	80,054	55,388
Other receivables	6	10,345	5,056
Inventories	7	84,942	72,397
Prepays and deposits		2,000	2,165
Other current financial assets	9, 10	17,172	13,491
Income taxes receivable		3,193	6,970
Total current assets		342,848	304,969
Prepays and deposits		3,777	3,046
Right-of-use assets		5,647	4,671
Property, plant and equipment		29,927	25,265
Investment properties		—	1,457
Intangible assets	8	370,888	350,299
Goodwill		83,412	75,403
Other financial assets	9, 10	149,739	178,952
Deferred income tax assets		1,308	2,048
Other long-term receivables	12	46,011	43,431
		690,709	684,572
Assets held for sale		1,786	2,350
Total assets		1,035,343	991,891

INTERIM CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

[Unaudited]

As at	Notes	September 30, 2022	December 31, 2021
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		90,865	65,309
Lease liabilities		2,293	1,614
Other liabilities		6,447	1,989
Bank loans	11	25,148	26,662
Income taxes payable		2,728	7,073
Other balances payable		12,051	2,655
Total current liabilities		139,532	105,302
Accounts payable and accrued liabilities		269	281
Lease liabilities		3,550	3,417
Bank loan	11	8,072	9,265
Other balances payable		24,321	19,235
Deferred income tax liabilities		5,083	12,373
Total liabilities		180,827	149,873
Shareholders' equity			
Share capital	14 [i]	607,765	628,854
Warrants		117	117
Contributed surplus		23,196	21,776
Accumulated other comprehensive income (loss)	15	46,529	(376)
Retained earnings		176,909	191,647
Total shareholders' equity		854,516	842,018
Total liabilities and shareholders' equity		1,035,343	991,891

Commitments [note 20]

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

[Unaudited]		Three months ended September 30,		Nine months ended September 30, 2022	
	Notes	2022	2021	2022	2021
Revenues	17	72,281	73,340	211,908	185,205
Cost of goods sold		41,880	35,574	110,735	97,988
Gross margin		30,401	37,766	101,173	87,217
Expenses					
Selling and marketing		13,456	9,990	34,072	26,787
General and administrative		10,416	8,763	29,814	25,296
Research and development		4,220	3,793	10,615	9,196
Amortization of intangible assets		12,243	11,199	34,586	24,136
Impairment of intangible assets		2,080	—	2,080	—
Operating (loss) income		(12,014)	4,021	(9,994)	1,802
Interest income on financial instruments measured at amortized cost		(1,096)	(188)	(2,150)	(1,721)
Other interest income		(1,366)	(1,214)	(4,219)	(3,465)
Interest expense		1,479	959	4,307	2,287
Other (income) expense	13	(5,860)	286	(5,989)	193
Net loss (gain) on financial instruments measured at fair value through profit or loss	9	5,446	21,301	29,501	(16,644)
Foreign exchange (gain) loss		(10,787)	(7,143)	(9,105)	252
Gain on hyperinflation		(681)	(92)	(1,514)	(214)
Income (loss) before income taxes		851	(9,888)	(20,825)	21,114
Income tax					
Current		1,204	1,351	2,175	1,293
Deferred		(1,944)	(2,653)	(8,296)	(4,155)
Income tax recovery		(740)	(1,302)	(6,121)	(2,862)
Net income (loss) for the period		1,591	(8,586)	(14,704)	23,976
Basic net earnings (loss) per share	16	0.01	(0.07)	(0.13)	0.19
Diluted net earnings (loss) per share	16	0.01	(0.07)	(0.13)	0.19
Weighted average number of common shares outstanding					
Basic	16	114,466,484	123,059,239	115,569,933	125,946,921
Diluted	16	114,597,655	123,059,239	115,569,933	125,970,589

See accompanying note

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

[In thousands of Canadian dollars]

[Unaudited]

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net income (loss) for the period	1,591	(8,586)	(14,704)	23,976
Other comprehensive income (loss), net of taxes				
Items that may be reclassified subsequently to net income or loss:				
Unrealized income on translation of foreign operations	27,462	6,671	47,222	362
Items permanently in other comprehensive income or loss:				
Net loss on equity investments at fair value through other comprehensive income	(99)	(44)	(317)	(61)
Other comprehensive income for the period	27,363	6,627	46,905	301
Total comprehensive income (loss) for the period	28,954	(1,959)	32,201	24,277

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[In thousands of Canadian dollars]

[Unaudited]

	<i>Notes</i>	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balance as at January 1, 2021		694,351	117	18,731	(1,503)	174,545	886,241
Net income for the period		—	—	—	—	23,976	23,976
Other comprehensive income for the period		—	—	—	301	—	301
Comprehensive income		—	—	—	301	23,976	24,277
Share-based compensation expense	14 [ii]	—	—	2,739	—	—	2,739
Issuance under share purchase plan	14 [ii]	247	—	—	—	—	247
Shares purchased under Normal Course Issuer Bid	14 [iii]	(41,917)	—	—	—	1,010	(40,907)
Balance as at September 30, 2021		652,681	117	21,470	(1,202)	199,531	872,597
Balance as at January 1, 2022		628,854	117	21,776	(376)	191,647	842,018
Net loss for the period		—	—	—	—	(14,704)	(14,704)
Other comprehensive income for the period		—	—	—	46,905	—	46,905
Comprehensive income (loss)		—	—	—	46,905	(14,704)	32,201
Share-based compensation expense	14 [ii]	—	—	1,420	—	—	1,420
Issuance under share purchase plan	14 [ii]	262	—	—	—	—	262
Shares purchased under Normal Course Issuer Bid	14 [iii]	(21,351)	—	—	—	(34)	(21,385)
Balance as at September 30, 2022		607,765	117	23,196	46,529	176,909	854,516

See accompanying notes

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

[In thousands of Canadian dollars]

[Unaudited]		Three months ended September 30,		Nine months ended September 30,	
	Notes	2022	2021	2022	2021
OPERATING ACTIVITIES					
Net income (loss) for the period		1,591	(8,586)	(14,704)	23,976
Adjustments reconciling net income to operating cash flows:					
Deferred income tax recovery		(1,944)	(2,653)	(8,296)	(4,155)
Share-based compensation (income) expense	14 [ii]	261	421	1,492	2,772
Depreciation and amortization		15,268	12,995	42,427	28,914
Impairment of intangible assets		2,080	—	2,080	—
Net loss (gain) on financial instruments	9	5,446	21,301	29,501	(16,644)
Interest expense		1,479	959	4,307	2,287
Unrealized foreign exchange gain		(8,104)	(6,443)	(7,435)	(1,087)
Gain on hyperinflation		(681)	(92)	(1,514)	(214)
Other expense (income)		47	(1)	—	(1)
		15,443	17,901	47,858	35,848
Changes in non-cash working capital and other items	18	(4,114)	(7,580)	(12,129)	4,089
Cash inflow from operating activities		11,329	10,321	35,729	39,937
INVESTING ACTIVITIES					
Purchase of marketable securities		(21,412)	—	(80,647)	(47,895)
Purchase of intangible assets		(74)	(1,705)	(18,524)	(220,198)
Purchase of property and equipment		(563)	(688)	(639)	(1,118)
Investment in funds	9 [iv]	(2,847)	(5,359)	(3,300)	(10,963)
Proceeds on maturity of marketable securities		21,370	—	101,240	146,896
Proceeds from repayments of loans receivable	9 [i]	—	—	407	2,494
Proceeds from disposal of equity investments	9 [ii]	—	—	—	2,624
Proceeds from distribution of funds	9 [iv]	230	2,042	3,408	13,412
Cash (outflow) inflow from investing activities		(3,296)	(5,710)	1,945	(114,748)
FINANCING ACTIVITIES					
Proceeds from contributions to share purchase plan	14 [ii]	65	76	228	210
Proceeds from bank loans		—	2,325	422	2,325
Repurchase of common shares through Normal Course Issuer Bid	14 [iii]	(4,463)	(17,864)	(21,385)	(40,907)
Principal repayment of lease liabilities		(625)	(744)	(1,914)	(2,141)
Principal repayments on bank loans		(56)	—	(5,447)	(14,911)
Cash outflow from financing activities		(5,079)	(16,207)	(28,096)	(55,424)
Increase (decrease) in cash and cash equivalents during the period		2,954	(11,596)	9,578	(130,235)
Cash and cash equivalents, beginning of the period		93,119	102,582	85,963	229,592
Net foreign exchange difference		5,749	1,504	6,281	(6,867)
Cash and cash equivalents, end of the period		101,822	92,490	101,822	92,490
Supplemental cash flow information:					
Interest received		1,379	846	5,322	7,774
Interest paid		(510)	(204)	(2,633)	(1,323)
Net income taxes paid		(1,104)	(798)	(6,327)	(3,390)

See accompanying notes

GLOSSARY OF ABBREVIATIONS

Abbreviation	Company
Crescita	Crescita Therapeutics Inc.
GBT	Biotoscana Investments Inc.
Knight or the Company	Knight Therapeutics Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Moksha8	Moksha8, Inc.
Synergy	Synergy CHC Corp.

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

Abbreviation	Other
Annual Financial Statements	Audited annual consolidated financial statements
AOCI	Accumulated other comprehensive income
CDI	Certificados de Depósitos Interfinanceiros (Brazil interbank lending rate)
CEO	Chief Executive Officer
CRA	Canada Revenue Agency
DSU	Deferred share units
ECL	Expected credit loss
FA	Financial Assets
FDA	Food and Drug Administration (United States)
FV	Fair value
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
G&A	General and administrative
GIC	Guaranteed Investment Certificate
IBR	Incremental borrowing rate
IFRS	International Financial Reporting Standards
Interim Financial Statements	Unaudited interim condensed consolidated financial statements
LATAM	Latin America
NCIB	Normal Course Issuer Bid
PRV	Priority Review Voucher
PSU	Performance share units
RE	Retained earnings
RSU	Restricted share units
WAFV	Weighted average fair value

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, developing, manufacturing, marketing and distributing pharmaceutical products in Canada, Latin America and select international markets. The Company's corporate headquarters are 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 for the three and nine-month periods ended September 30, 2022, 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.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those set out in note 2 "Summary of significant accounting policies" of the Company's annual consolidated financial statements for the year ended December 31, 2021.

These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

The Company's interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2022 and 2021 were authorized for issue by the Board of Directors on November 9, 2022.

External Environment and Inflation Risk

The current global macroeconomic environment is characterized by elevated levels of inflation due to several external factors including global supply chain constrains, the global COVID-19 pandemic, conflict in Ukraine and volatile global financial and economic conditions. Knight continues to experience increased inflationary pressures, across all our geographies, on operating expenses including but not limited to compensation costs largely for unionized employees, raw material and product costs driven by rising costs of our partners and suppliers in both developed and developing markets. Such increase in costs cannot be matched to the same extent by increase in our product prices due to local regulations and competitive pressure for certain of our products. There is no assurance that continued inflation pressures will not have similar impacts on Knight's future operations.

Impact of the COVID-19 Pandemic

We continue to monitor the ongoing impact of the COVID-19 on our business in areas including but not limited to manufacturing and supply chain operations, regulatory approval process as well as the impact to the pharmaceutical industry, the local and global economy.

As with much of the pharmaceutical industry, the Company's revenues from newly launched products and resulting prescription growth has been adversely affected by COVID-19 in the past two years. However, in the nine-month period ended September 30, 2022 we saw an increase in patient treatments as our markets reduce COVID-19 restrictions. The long-term effects, market dynamics, the scope or duration of the financial and other challenges arising from the COVID-19 pandemic cannot be predicted and it is possible that we will continue to see variable demand in future periods.

Despite, our close monitoring of the COVID-19 pandemic impact, including the emergence of variant strains of the virus, on our business, it is difficult to predict the future impact COVID-19 may have on our business, results of operations, financial position and cash flows. Knight's revenues and growth may be negatively impacted as governments implement

new or additional pricing regulations as a measure to balance budgets and recover COVID-19 pandemic spending while private payers may face budget constraints and continue to increase hurdle rate for drug reimbursement.

In the nine-month period ended September 30, 2022 Knight field teams across most of the countries, have increased field activities including in-person medical visits to physicians and increased volume of such activities is expected in the future. The Company, both in Canada and LATAM, has returned to the office using a hybrid work model following the protocols to ensure compliance with local regulations, ensuring safety of employees, patients and healthcare professionals.

It is possible that the estimates used in the preparation of the Interim 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 expected credit loss on accounts receivable. The Company has sufficient liquidity to meet all operating requirements for the foreseeable future.

Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these unaudited interim consolidated financial statements.

As at September 30, 2022, the Company assessed the possible impacts of COVID-19 and inflation risk on its financial results. The Company has evaluated its other 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 related to COVID-19 and inflation risk.

3. CASH AND CASH EQUIVALENTS

As at	September 30, 2022	December 31, 2021
	\$	\$
Cash in bank	97,550	76,929
Cash equivalents	4,272	9,034
Total	101,822	85,963

4. MARKETABLE SECURITIES

As at	September 30, 2022	December 31, 2021
	\$	\$
Current		
GICs earning interest at rates ranging from 3.45% to 4% and maturing October 2022 to September 2023 (December 31, 2021: 0.65% to 3.37%, January 2022 to June 2022)	43,320	63,539
Total current	43,320	63,539

5. TRADE RECEIVABLES

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, 2022, the Company has recorded an additional ECL of \$164 and \$609 (2021: increase in ECL of \$53 and decrease in ECL of \$350), respectively, in the statement of income (loss) in "Selling and marketing".

6. OTHER RECEIVABLES

As at	September 30, 2022	December 31, 2021
	\$	\$
Interest receivable	2,546	1,545
Other receivables ¹	5,317	2,288
Sales and other taxes receivable	2,482	1,223
Total	10,345	5,056

¹ Includes distribution receivable from strategic funds investments of \$2,500 (2021: \$389).

7. INVENTORIES

As at	September 30, 2022	December 31, 2021
	\$	\$
Raw materials	11,389	11,168
Work in progress	5,108	2,409
Finished goods	68,445	58,820
Total	84,942	72,397

During the three and nine-month periods ended September 30, 2022, the Company recorded inventory write-downs of \$236 and \$1,098 (2021: \$368 and \$940), in the consolidated statement of income (loss) in “Cost of goods sold”.

8. INTANGIBLE ASSETS

Impairment

During the three-month period ended September 30, 2022, the Company recorded an impairment loss of \$2,080 (2021: Nil) in the consolidated statement of income (loss) in “Impairment of intangible assets”. The loss represents a write-down of the upfront and certain milestones payments made under certain product license agreements as a result of a change in commercial expectations. The recoverable amount was determined based on value in use (“VIU”) at the individual intangible asset level. The value-in-use calculations considers the forecasted cash flows of the intangible assets based on the commercialization plans for the products.

9. OTHER FINANCIAL ASSETS

As at	September 30, 2022	December 31, 2021
	\$	\$
Loans and other receivables [i]		
Measured at amortized cost	9,299	6,272
Measured at FVTPL	28,838	26,796
Equity Investments [ii]		
Measured at FVTPL	1,972	1,824
Measured at FVOCI	3,136	4,876
Derivatives [iii]		
Measured at FVTPL	1,137	1,286
Fund Investments [iv]		
Measured at FVTPL	122,529	151,389
Total	166,911	192,443

As a result of changes in fair value and the disposal of financial assets, the Company recorded the following net loss (gain) on financial instruments in the consolidated statement of income (loss) as “Net loss (gain) on financial instruments measured at fair value through profit or loss”:

2022	Three months ended September 30			Nine months ended September 30		
	Unrealized loss (gain) on FA measured at FVTPL	Realized gain on FA measured at FVTPL	Total	Unrealized loss (gain) on FA measured at FVTPL	Realized loss (gain) on FA measured at FVTPL	Total
For the period ended September 30, 2022	\$	\$	\$	\$	\$	\$
Loans and other receivables [i] ¹	(473)	—	(473)	(58)	—	(58)
Equity Investments [ii]	(151)	—	(151)	(147)	—	(147)
Derivatives [iii]	(98)	—	(98)	(64)	82	18
Fund Investments [iv]	6,168	—	6,168	32,213	(2,525)	29,688
Total	5,446	—	5,446	31,944	(2,443)	29,501

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

2021	Three months ended September 30			Nine months ended September 30		
	Unrealized (gain) loss on FA measured at FVTPL	Realized gain on FA measured at FVTPL	Total	Unrealized (gain) loss on FA measured at FVTPL	Realized gain on FA measured at FVTPL	Total
For the period ended September 30, 2021	\$	\$	\$	\$	\$	\$
Loans and other receivables [i] ¹	30	—	30	(33)	—	(33)
Equity Investments [ii]	1,251	—	1,251	1,933	(1,639)	294
Derivatives [iii]	68	—	68	158	—	158
Fund Investments [iv]	28,042 ²	(8,090) ²	19,952	(1,071) ²	(15,992) ²	(17,063)
Total	29,391	(8,090)	21,301	987	(17,631)	(16,644)

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

²Includes reclassification of \$6,456 of unrealized gain to realized as a result of NEMO II fund liquidation. Unrealized loss (gain) from the existing funds' investments for the three and nine-month periods were \$21,586 unrealized loss and \$7,527 unrealized gain respectively. Realized gain from the existing funds' investments for the three and nine-month periods were \$1,634 and \$9,536 respectively.

[i] Loans and other receivables

As at September 30, 2022, the nominal loan balance outstanding was \$39,166 [US\$28,574] (December 31, 2021: \$33,691 [US\$26,574]). 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 \$	Foreign exchange ^{1,2} \$	Carrying value end of period \$	Current other financial assets \$	Non- current other financial assets \$
2022								
Amortized Cost	6,272	3,130 ³	(407)	—	304	9,299	5,497	3,802
FVTPL	26,796	—	—	58	1,984	28,838	8,122	20,716
Total	33,068	3,130	(407)	58	2,288	38,137	13,619	24,518
2021								
Amortized Cost	8,847	35	(2,494)	—	(38)	6,350	2,561	3,789
FVTPL	24,261	2,108	—	33	52	26,454	7,548	18,906
Total	33,108	2,143	(2,494)	33	14	32,804	10,109	22,695

¹ During the three-month period ended September 30, 2022, the Company recorded a gain of \$1,329 in the statement of income (loss) in "Foreign exchange loss" (2021: gain of \$632) and a gain of \$530 in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations" (2021: gain of \$236)

² During the nine-month period ended September 30, 2022, the Company recorded a gain of \$1,624 in the statement of income (loss) in "Foreign exchange loss" (2021: gain of \$59) and a gain of \$664 in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations" (2021: loss of \$45)

³ Includes a reclassification of \$1,348 to "Other Receivables"

[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 \$	Disposals \$	Net gain (loss) on FA \$	Foreign exchange \$	Carrying value end of period \$	Current other financial assets \$	Non- current other financial assets \$
2022								
FVTPL	1,824	—	—	147	1	1,972	1,972	—
FVOCI	4,876	—	(1,550)	(343)	153	3,136	1,180	1,956
Total	6,700	—	(1,550)	(196)	154	5,108	3,152	1,956
2021								
FVTPL	5,154	—	(2,624)	(294)	—	2,236	2,236	—
FVOCI	4,464	—	—	—	1	4,465	1,353	3,112
Total	9,618	—	(2,624)	(294)	1	6,701	3,589	3,112

Equity investments measured at FVOCI

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

As at	September 30, 2022		December 31, 2021	
	Number of common shares owned	FV \$	Number of common shares owned	FV \$
Crescita	1,935,489	1,180	1,935,489	1,258
Synergy ¹	17,645,812	—	17,645,812	—
Medimetriks ²	1,157,504	1,956	2,315,007	3,618
Total		3,136		4,876

¹ Valued using the quoted market price (closing share price on the OTCXD) less the day 1 gain on initial measurement that the Company deferred. FV before considering the deferred day 1 gain is \$133 [US\$97] (December 31, 2021: \$25 [US\$19])

² Valued using the income approach valuation method less the day 1 gain on initial measurement that the Company deferred. FV, net of the day 1 gain, in original currency is US\$1,427 (December 31, 2021: US\$2,855)

[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 \$	Disposals \$	Net loss on FA \$	Foreign exchange \$	Carrying value end of period \$	Current other financial assets \$	Non-current other financial assets \$
2022	1,286	—	(187)	(18)	56	1,137	401	736
2021	1,493	—	—	(158)	(1)	1,334	180	1,154

[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 \$
2022	151,389	3,300	(5,520)	(29,688)	3,048	122,529	—	122,529
2021	149,736	10,963	(27,615)	17,063	(1,243)	148,904	—	148,904

¹ Investments in equity or debt funds including US\$870 and EUR 1,552 (2021: including US\$2,875 and EUR 1,771)

² Distributions received or receivable from funds including EUR 2,221 (2021: including US\$12,297 and EUR 1,090)

³ Includes distribution receivable of \$2,500 (2021: \$14,203, including US\$ 8,157 final distribution from NEMO II following its liquidation)

⁴ During the three-month period ended September 30, 2022, recorded a loss of \$1,902 in the statement of income (loss) in "Foreign exchange loss" (2021: loss of \$502) and a gain of \$5,627 in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations" (2021: gain of \$3,463)

⁵ During the nine-month period ended September 30, 2022, recorded a loss of \$3,781 in the statement of (loss) income in "Foreign exchange loss" (2021: loss of \$2,763) and a gain of \$6,830 in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations" (2021: gain of \$1,520)

10. MEASUREMENT OF FINANCIAL ASSETS

[i] Fair value hierarchy

As at September 30,	2022	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Recurring fair value measurements				
Loans measured at FVTPL	28,838	—	—	28,838
Equity investments measured at FVTPL	1,972	1,972	—	—
Equity investments measured at FVOCI	3,136	1,180	—	1,956
Derivatives	1,137	—	—	1,137
Fund investments measured at FVTPL	122,529	—	—	122,529
Total	157,612	3,152	—	154,460

As at December 31,	2021	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Recurring fair value measurements				
Loans measured at FVTPL	26,796	—	—	26,796
Equity investments measured at FVTPL	1,824	1,824	—	—
Equity investments measured at FVOCI	4,876	1,258	—	3,618
Derivatives	1,286	—	—	1,286
Fund investments measured at FVTPL	151,389	—	—	151,389
Total	186,171	3,082	—	183,089

There were no transfers between levels of the fair value hierarchy for the nine-month period ended September 30, 2022 or year ended December 31, 2021.

[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 technique that uses only data from observable markets. The Company has the following deferred day 1 gains:

As at	September 30, 2022		December 31, 2021	
	US\$	\$	US\$	\$
Equity investments measured at FVOCI				
Medimetriks	365	500	730	925
Synergy	3,764	5,159	3,764	4,772
Total	4,129	5,659	4,494	5,697

11. BANK LOANS

The Company had the following indebtedness as at the end of the following periods:

As at September 30, 2022

	Currency of debt	Interest rate	Effective interest rate	Maturity	Current \$	Non-current \$	Total \$
Banks							
Itaú Unibanco Brasil	BRL	1.65% + CDI	13.31%	Dec 8, 2023	13,112	—	13,112
Itaú Unibanco Brasil	BRL	2.20% + CDI	13.87%	Dec 28, 2022	6,665	—	6,665
Bancolombia	COP	2.28% + IBR	7.35%	Oct 12, 2026	2,385	8,072	10,457
Banco ICBC Argentina ¹	ARS	63% ²	63%	N/A	768	—	768
Banco Itaú Argentina ¹	ARS	65% ³	65%	N/A	2,218	—	2,218
Total Bank Loans					25,148	8,072	33,220

¹ Overdraft balances

² Fixed rate renewed monthly

³ Fixed rate renewed daily

As at December 31, 2021

	Currency of debt	Interest rate	Effective interest rate	Maturity	Current \$	Non-current \$	Total \$
Banks							
Itaú Unibanco Brasil	BRL	1.65% + CDI	5.97%	Dec 8, 2023	15,028	—	15,028
Itaú Unibanco Brasil	BRL	2.20% + CDI	11.35%	Dec 28, 2022	5,601	—	5,601
Bancolombia	COP	2.28% + IBR	4.47%	Oct 12, 2026	2,448	9,265	11,713
Banco ICBC Argentina ¹	ARS	42% ²	42%	N/A	694	—	694
Banco Itaú Argentina ¹	ARS	40% ³	40%	N/A	2,891	—	2,891
Total Bank Loans					26,662	9,265	35,927

¹ Overdraft balances

² Fixed rate renewed monthly

³ Fixed rate renewed daily

12. OTHER LONG-TERM RECEIVABLE

As at	September 30, 2022	December 31, 2021
	\$	\$
Tax deposit – notices of reassessment	41,582	41,582
Other	4,429	1,849
Total	46,011	43,431

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 International S.A. 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. In addition, interest income on the deposit is payable to Knight by the CRA and QRA if the Company wins the process. The amount, as at September 30, 2022 is estimated at \$2,406 and has not been recorded by the Company.

Knight believes that the reassessments are unfounded and filed a notice of objection with CRA in September 2018 to start the appeals process. In October 2021, CRA responded to Knight's notice of objection with a confirmation of their initial tax reassessments. Knight filed a notice of appeal to the Tax Court of Canada in December 2021.

Based on the Company's view of the likely outcome of the appeals process, Knight expects to recover the total of \$41,582 deposited with the taxation authorities 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 accrual.

13. OTHER INCOME

In Q3-22, Knight executed a settlement agreement and general release ("Settlement Agreement") with the former shareholders of GBT. The Company made certain claims ("Claims") with respect to its indemnification rights under the purchase agreement for the acquisition of GBT. Under the Settlement Agreement, Knight received \$6,030 (US\$4,600) as settlement for the Claims, which was recorded in the "Other (income) expense" in the consolidated statement of income (loss).

14. SHAREHOLDERS' 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, 2022		117,783,189	628,854
Issuance under share purchase plan	[ii]	48,564	262
Shares purchased under NCIB	[iii]	(3,995,689)	(21,351)
Shares purchased under NCIB not yet cancelled		122,189	— ¹
Balance as at September 30, 2022		113,958,253	607,765

¹ Represents shares purchased under NCIB for \$655 that were cancelled subsequent to the quarter end.

[ii] Stock-based compensation plans

The Company has three stock-based compensation plans: the Share Option Plan ("the Option Plan"), the Share Purchase Plan, the Omnibus Equity Incentive Plan ("the Omnibus Plan").

Stock options

The fair value of the options granted during the nine-month period ended September 30, 2022 was estimated at \$1.53 using Black-Scholes option pricing model using the following assumptions:

Nine-months ended September 30, 2022

Weighted average risk-free interest rate	2.28%
Dividend yield	Nil
Weighted average volatility factor [i]	24%
Forfeiture rate	2%
Weighted average expected life	6.2 years

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

	Nine-month period ended September 30,			
	2022		2021	
	Number of share options #	Weighted average exercise price \$	Number of share options #	Weighted average exercise price \$
Balance beginning of the period	5,166,130	7.40	5,298,806	7.50
Granted	261,783	5.21	174,417	5.65
Expired/forfeited	(554,367)	8.56	(248,399)	8.06
Balance at end of the period	4,873,546	7.15	5,224,824	7.42
Options exercisable at the end of the period	3,941,942	7.34	3,990,708	7.50

Deferred share units

The Company may grant DSUs to any non-employee director of Knight under the Omnibus Plan. During the three months ended September 30, 2022, the Company granted 3,295 DSUs to non-employee board members (2021: nil). As at September 30, 2022, the number of outstanding DSUs was 80,793 (29,205 as at September 30, 2021).

Restricted share units and performance share units

The following table shows the RSUs and PSUs granted and outstanding at the beginning and end of the reporting period and the weighted average fair value at grant date per unit ("WAFV"):

	Nine-month period ended September 30, 2022			
	RSUs		PSUs	
	Number of units #	WAFV \$	Number of units #	WAFV \$
Balance beginning of the period	111,751	5.58	215,487	5.63
Granted	139,353	5.21	279,873	5.21
Forfeited/ cancelled	(18,814)	5.27	(20,393)	5.33
Balance at end of the period	232,290	5.38	474,967	5.40
Weighted average remaining contractual life of the share units outstanding at end of period	2.10 years		2.11 years	

	Nine-month period ended September 30, 2021			
	RSUs		PSUs	
	Number of units	WAFV	Number of units	WAFV
	#	\$	#	\$
Balance beginning of the period	—	—	—	—
Granted	104,216	5.65	216,904	5.65
Forfeited/ cancelled	(5,393)	5.65	(5,393)	5.65
Balance at end of the period	98,823	5.65	211,511	5.65
Weighted average remaining contractual life of the share units outstanding at end of period	2.63 years		2.63 years	

The Company recorded an expense of \$189 and \$1,420 (2021: \$421 and \$2,772) for the three-month and nine-month period ended September 30, 2022 related to the share-based compensation for stock options, DSUs, PSUs and RSUs, with corresponding credits to contributed surplus net of forfeitures and accrued liabilities for social security contributions and employer taxes.

Share Purchase Plan

The Company has a Share Purchase Plan (“Purchase Plan”) which allows 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 11, 2022. 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, 2022, the Company issued 48,564 shares (2021: 46,967 shares) under the Purchase Plan for a total of \$262 (2021: \$247).

[iii] NCIB

On July 12, 2021, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch a NCIB. Under the terms of the NCIB, Knight may purchase for cancellation up to 10,267,956 common shares of the Company which represented 10% of its public float as at June 30, 2021. The NCIB commenced on July 14, 2021 and ended July 13, 2022.

On July 12, 2022, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch a NCIB (“2022 NCIB”). Under the terms of the 2022 NCIB, Knight may purchase for cancellation up to 7,988,986 common shares of the Company which represented 10% of its public float as at June 30, 2022. The 2022 NCIB commenced on July 14, 2022 and will end on the earlier of July 13, 2023 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 and nine-month periods ended September 30, 2022, the Company purchased 800,700 and 3,995,689 (2021: 2,963,022 and 7,844,438) common shares at an average price of \$5.57 and \$5.35 (2021: \$6.03 and \$5.21) for aggregate cash consideration of \$4,463 and \$21,385 (2021: \$17,864 and \$40,907), of which \$655 remains to be settled as at September 30, 2022. Subsequent to quarter-end up to November 9, 2022, the Company purchased an additional 887,800 common shares at an average purchase price of \$5.35 for an aggregate cash consideration of \$4,750.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

As at	September 30, 2022	December 31, 2021
	\$	\$
Net losses on equities at FVOCI net of tax of \$656 (2021: \$681)	(8,553)	(8,236)
Unrealized gain on translation of foreign operations	55,082	7,860
Total	46,529	(376)

16. EARNINGS PER SHARE

Basic

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net income (loss)	1,591	(8,586)	(14,704)	23,976
Weighted average shares outstanding	114,466,484	123,059,239	115,569,933	125,946,921
Basic net income (loss) per share	\$0.01	\$(0.07)	\$(0.13)	\$0.19

Diluted

Diluted earnings per share have 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 and the DSUs, PSUs and RSUs issued under Omnibus plan. Diluted earnings per share is determined using the treasury stock method to evaluate the dilutive effect of stock options and DSUs, PSUs and RSUs. PSUs are included in the dilutive calculation only when the performance target associated with the PSU is met.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net income (loss)	1,591	(8,586)	(14,704)	23,976
Weighted average shares outstanding	114,466,484	123,059,239	115,569,933	125,946,921
Adjustment for share options, RSUs and DSUs	131,171	— ¹	— ¹	23,668
Weighted average shares outstanding	114,597,655	123,059,239	115,569,933	125,970,589
Diluted net earnings (loss) per share	\$0.01	\$(0.07)	\$(0.13)	\$0.19

¹Adjustments for diluted earnings per share have not been included as the share options, RSUs and DSUs are anti-dilutive for the three-month period ended September 30, 2021 and nine-month period ended September 31, 2022

17. SEGMENT REPORTING

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. 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,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenues				
Brazil	29,398	31,271	92,708	79,071
Colombia	11,643	13,967	34,612	33,464
Argentina	15,417	10,418	39,208	28,255
Rest of LATAM	10,994	12,042	28,937	29,463
Canada	2,697	2,023	7,338	5,313
Other ¹	2,132	3,619	9,105	9,639
Total	72,281	73,340	211,908	185,205

¹Includes Europe, US and other countries.

As at September 30, 2022 and December 31, 2021 non-current operating assets consisting of property, plant and equipment, intangible assets, goodwill, assets held for sale, right-of-use assets and other long-term receivables were held in the following geographic areas:

As at	September 30, 2022	December 31, 2021
	\$	\$
Canada	63,493	63,858
Brazil	57,623	53,753
Argentina	56,842	50,839
Colombia	21,438	22,812
Uruguay	212,123	182,917
Luxembourg	45,055	45,286
Rest of LATAM	81,097	81,954
Total	537,671	501,419

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,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Changes in non-cash working capital:				
Decrease (increase) in				
Trade and other receivables	64	(160)	(22,303)	(4,993)
Prepays and deposits	(842)	(567)	(356)	1,434
Inventories	(3,956)	(19,248)	(1,994)	(19,742)
Income taxes receivable	253	1,359	1,453	978
Increase (decrease) in				
Accounts payable and accrued liabilities	(233)	10,055	13,204	28,132
Other liabilities	1,425	672	1,255	738
Income tax payable	(315)	513	(755)	(1,135)
Other:				
Interest payment on bank loans	(510)	(204)	(2,633)	(1,323)
	(4,114)	(7,580)	(12,129)	4,089

19. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's Executive Chairman of the Board of Directors, provided administrative services of approximately \$10 and \$24 (2021: \$17 and \$62) to the Company for the three and nine-month periods ended September 30, 2022.

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 loan commitments. The commitments of the Company as at September 30, 2022 are as follows:

[i] Fund commitments

As at September 30, 2022, under the terms of Company's agreements with life sciences venture capital funds, \$14,694 (December 31, 2021: \$17,785), including \$875 [US\$639] and \$934 [EUR 698] (December 31, 2021: \$1,913 [US\$1,509] and \$3,113 [EUR 2,163]), may be called over the life of the funds (based on the closing foreign exchange rate on September 30, 2022).

[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 \$353,691 including \$75,676 [US\$55,210], \$138,182 [CHF 98,800] and \$1,329 [EUR 993] (December 31, 2021: up to \$322,318, including \$46,224 [US\$36,460], \$137,299 [CHF 98,800] and \$792 [EUR 550]) upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to \$11,332 [EUR 738, CHF 5,412, USD 2,000] (December 31, 2021: \$11,118 [EUR 738, CHF 5,412 and USD 2,000]), 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 \$217,686 [BRL 442,060, USD 65,576 and CHF 11,127] (December 31, 2021: \$278,793 [BRL 787,865, USD 63,961 and CHF 13,286]), which will be purchased over the next 8 years.

	\$
2022	8,094
2023	54,087
2024	54,872
2025	52,509
2026	12,923
2027 and beyond	35,201
Total	217,686

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.

Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: GUD

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