



KNIGHT THERAPEUTICS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

KNIGHT THERAPEUTICS INC.

Management's Discussion and Analysis for the three and six-month periods ended June 30, 2020

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

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

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

Cautionary note regarding forward-looking statements

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

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GLOSSARY OF ABBREVIATIONS

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

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

Abbreviation	Financial
Annual Financial Statements	Audited annual consolidated financial statements
ARS	Argentine Peso
BOB	Bolivian Boliviano
BRL	Brazilian Real
C\$ or \$	Canadian Dollar
CDI	Certificados de Depositos Interfinancieros (Brazil interbank lending rate)
CHF	Swiss Franc

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

Abbreviation	Financial (continued)
CLP	Chilean Peso
COP	Colombian Peso
DC&P	Disclosure Controls and Procedures
EPS	Earnings per share to common shareholders
EUR	Euro
FMV	Fair market value
FVTPL	Fair value through profit or loss
ICFR	Internal control over financial reporting
IFRS	International Financial Reporting Standards
Interim Financial Statements	Unaudited interim condensed consolidated financial statements
MXN	Mexican Peso
PEN	Peruvian Sol
PPA	Purchase price allocation
PYG	Paraguayan Guarani
Selic	Monetary policy interest rate used by the Central Bank of Brazil
US\$/USD	U.S. Dollar
UYU	Uruguayan Peso

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

Abbreviation	Other
AIDS	Acquired immune deficiency syndrome
ART	Antiretroviral Therapy
B3	B3 S.A. – Brasil, Bolsa, Balcão
BDR	Brazilian depository receipt
BGx	Branded generic
CADTH	Canadian Agency For Drugs And Technologies In Health
CEO	Chief executive officer
Gx	Generic
HIV	Human immunodeficiency virus infection
IBS-C	Irritable Bowel Syndrome with Constipation
IQVIA	IQVIA Incorporated, a leading pharmaceutical market research organization
MTO	Mandatory tender offer
NCIB	Normal Course Issuer Bid
NDA	New Drug Application
NDS	New Drug Submission
NIHB	Non-Insured Health Benefits for First Nations and Inuit Program
OIC	Opioid-induced constipation
pERC	Pan-Canadian Oncology Drug Review Expert Review Committee
PMPRB	Patented Medicine Prices Review Board
PRV	Priority Review Voucher

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OVERVIEW

Section 1 – About Knight Therapeutics Inc.

Knight Therapeutics Inc. is a specialty pharmaceutical company, headquartered in Montreal, Canada, and listed on the Toronto Stock Exchange under the ticker symbol "GUD". On November 29, 2019, the Company acquired a controlling stake in GBT, a specialty pharmaceutical company operating across 10 countries in Latin America. The activities performed by the Company are as follows:

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

Section 2 – Q2-20 Highlights

Financial Results

- Revenues were \$53,250, an increase of \$50,046 or 1,562% over prior year.
- Gross margin was \$22,237 or 42% compared to \$2,947 or 92% in prior year.
- Interest income generated of \$3,678 a decrease of \$2,482 or 40% over prior year.
- Adjusted earnings¹ of \$9,972, an increase of \$5,408 or 119% over prior year.
- Net income for the period was \$15,512, a decrease of \$3,444 or 18% over prior year.

Corporate Developments

- Purchased 2,478,360 common shares and completed the NCIB launched in July 2019. The Company purchased a total of 12,053,692 common shares at an average price of \$7.14 per share.
- Accepted the resignation of Nancy Harrison, Sylvie Tendler and Kevin Cameron and appointed Janice Murray and Nicolás Sujoy on the Board of Directors.
- Ensuring supply of medicines and safety of our employees during the COVID-19 pandemic.

Products

- Received regulatory approval from Health Canada for lbsrela™ for the treatment of IBS-C.
- Obtained the exclusive Canadian commercial rights of Trelstar®, approved for the treatment of advanced prostate cancer.

Strategic Investments

- Received \$7,094 [US\$5,000] for the full repayment of the strategic loan issued to Triumvira.
- Amended strategic loan issued to Synergy and loaned an additional \$3,547 [US\$2,500].
- Received distributions of \$10,019 from strategic fund investments and realized a gain of \$5,001.

Subsequent to quarter-end

- Obtained regulatory approval for Lenvima® in Ecuador.
- Launched a NCIB in July 2020 to purchase up to 10,856,710 common shares of the Company over the next 12 months.
- Launched the tender offer for the acquisition of the remaining 48.8% of GBT.

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

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Section 3 – GBT Transaction

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

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

The remaining 48.8% ownership of GBT is 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") on similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders may choose to be paid BRL10.15 per BDR in cash on the settlement date plus interest at the Selic rate calculated from November 29, 2019. BDR holders will be able to tender their BDRs at an auction that will take place on August 14, 2020 and the settlement will be completed within 2 business days of the auction, see Section 26 - Subsequent Events.

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FINANCIAL RESULTS

Section 4 – Results of Operations

Impact of Hyperinflation

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

Q2-20

	Reported under IFRS	Excluding impact of IAS 29	Variance	
			\$ ¹	% ²
Revenues	53,250	54,526	(1,276)	2%
Cost of goods sold	31,013	28,956	(2,057)	7%
Gross margin	22,237	25,570	(3,333)	13%
<i>Gross margin (%)</i>	<i>42%</i>	<i>47%</i>		
Expenses				
Selling and marketing	9,051	9,315	264	3%
General and administrative	8,171	8,192	21	0%
Research and development	2,319	2,375	56	2%
Amortization of intangible assets	5,804	6,092	288	5%
Operating Loss	(3,108)	(404)	(2,704)	669%

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

² Percentage change is presented in absolute values

YTD-20

	Reported under IFRS	Excluding impact of IAS 29	Variance	
			\$ ¹	% ²
Revenues	99,089	100,014	(925)	1%
Cost of goods sold	56,992	53,971	(3,021)	6%
Gross margin	42,097	46,043	(3,946)	9%
<i>Gross margin (%)</i>	<i>42%</i>	<i>46%</i>		
Expenses				
Selling and marketing	19,165	19,303	138	1%
General and administrative	16,589	16,526	(63)	0%
Research and development	5,068	5,096	28	1%
Amortization of intangible assets	11,843	11,651	(192)	1%
Operating Loss	(10,568)	(6,533)	(4,035)	62%

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

² Percentage change is presented in absolute values

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	Q2-20			Q2-19	Change	
	Knight ¹	GBT ^{1,2}	Total		\$ ³	% ⁴
Revenues	4,323	48,927	53,250	3,204	50,046	1,562%
Cost of goods sold	1,318	29,695	31,013	257	(30,756)	11,967%
Gross margin	3,005	19,232	22,237	2,947	19,290	655%
<i>Gross margin (%)</i>	<i>70%</i>	<i>39%</i>	<i>42%</i>	<i>92%</i>		
Expenses						
Selling and marketing	1,016	8,035	9,051	1,348	(7,703)	571%
General and administrative	2,661	5,510	8,171	3,883	(4,288)	110%
Research and development	837	1,482	2,319	984	(1,335)	136%
Amortization of intangible assets	387	5,417	5,804	423	(5,381)	1,272%
Operating loss	(1,896)	(1,212)	(3,108)	(3,691)	583	16%
Interest income on financial instruments measured at amortized cost	(2,340)	—	(2,340)	(4,901)	(2,561)	52%
Other interest income	(1,338)	—	(1,338)	(1,259)	79	6%
Interest expense	1,172	1,094	2,266	—	(2,266)	N/A
Other (income) expense	(157)	292	135	(17)	(152)	894%
Net gain on financial assets measured at fair value through profit or loss	(16,499)	—	(16,499)	(19,755)	(3,256)	16%
Net gain on mandatory tender offer liability	(3,222)	—	(3,222)	—	3,222	N/A
Realized gain on automatic share purchase plan	(1,299)	—	(1,299)	—	1,299	N/A
Share of net loss of associate	—	—	—	372	372	N/A
Foreign exchange loss	2,116	1,940	4,056	1,024	(3,032)	296%
Loss on hyperinflation	—	527	527	—	(527)	N/A
Income (loss) before income taxes	19,671	(5,065)	14,606	20,845	(6,239)	30%
Income tax						
Current	536	928	1,464	638	(826)	129%
Deferred	(347)	(2,023)	(2,370)	1,251	3,621	289%
Income tax expense (recovery)	189	(1,095)	(906)	1,889	2,795	148%
Net income (loss) for the period	19,482	(3,970)	15,512	18,956	(3,444)	18%
Attributable to:						
Shareholders of the Company	19,482	(2,033)	17,449	18,956	(1,507)	8%
Non-controlling interests	—	(1,937)	(1,937)	—	(1,937)	N/A
Attributable to shareholders of the Company						
Basic net earnings (loss) per share	0.149	(0.016)	0.133	0.133	(0.000)	0%
Diluted net earnings (loss) per share	0.148	(0.015)	0.133	0.132	(0.001)	1%
Adjusted earnings⁵	2,371	7,601	9,972	4,564	5,408	119%

¹ Refer to operating segment disclosure in Section 22 for definition of "Knight" and "GBT"

² Includes fair value adjustments recorded on the business combination

³ A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income

⁴ Percentage change is presented in absolute values

⁵ Adjusted earnings is a non-IFRS measure, refer to section "Adjusted earnings" for additional details

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

	YTD-20			YTD-19	Change	
	Knight ¹	GBT ^{1,2}	Total		\$ ³	% ⁴
Revenues	7,495	91,594	99,089	6,160	92,929	1,509%
Cost of goods sold	1,882	55,110	56,992	942	(56,050)	5,950%
Gross margin	5,613	36,484	42,097	5,218	36,879	707%
<i>Gross margin (%)</i>	<i>75%</i>	<i>40%</i>	<i>42%</i>	<i>85%</i>		
Expenses						
Selling and marketing	2,212	16,953	19,165	2,195	(16,970)	773%
General and administrative	5,180	11,409	16,589	7,578	(9,011)	119%
Research and development	1,604	3,464	5,068	1,610	(3,458)	215%
Amortization of intangible assets	710	11,133	11,843	849	(10,994)	1,295%
Operating loss	(4,093)	(6,475)	(10,568)	(7,014)	(3,554)	51%
Interest income on financial instruments measured at amortized cost	(5,723)	—	(5,723)	(9,826)	(4,103)	42%
Other interest income	(2,604)	—	(2,604)	(2,224)	380	17%
Interest expense	3,187	2,235	5,422	—	(5,422)	N/A
Other (income) expense	(157)	267	110	(370)	(480)	130%
Net gain on financial assets measured at fair value through profit or loss	(9,769)	—	(9,769)	(24,532)	(14,763)	60%
Net gain on mandatory tender offer liability	(4,744)	—	(4,744)	—	4,744	N/A
Realized gain on sale of asset held for sale	(2,948)	—	(2,948)	—	2,948	N/A
Realized gain on automatic share purchase plan	(4,168)	—	(4,168)	—	4,168	N/A
Share of net income of associate	—	—	—	(320)	(320)	N/A
Foreign exchange (gain) loss	(2,493)	11,456	8,963	2,677	(6,286)	235%
Loss on hyperinflation	—	804	804	—	(804)	N/A
Income (loss) before income taxes	25,326	(21,237)	4,089	27,581	(23,492)	85%
Income tax						
Current	1,344	3,121	4,465	2,169	(2,296)	106%
Deferred	(1,945)	(4,466)	(6,411)	1,267	7,678	N/A
Income tax (recovery) expense	(601)	(1,345)	(1,946)	3,436	5,382	N/A
Net income (loss) for the period	25,927	(19,892)	6,035	24,145	(18,110)	75%
Attributable to:						
Shareholders of the Company	25,927	(10,187)	15,740	24,145	(8,405)	35%
Non-controlling interests	—	(9,705)	(9,705)	—	(9,705)	N/A
Attributable to shareholders of the Company						
Basic net earnings (loss) per share	0.195	(0.077)	0.118	0.169	(0.051)	30%
Diluted net earnings (loss) per share	0.194	(0.076)	0.118	0.169	(0.051)	30%
Adjusted earnings⁵	5,382	11,030	16,412	9,193	7,219	79%

¹ Refer to operating segment disclosure in Section 22 for definition of "Knight" and "GBT"

² Includes fair value adjustments recorded on the business combination

³ A positive variance represents a positive impact to net income and a negative variance represents a negative impact to net income

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<p>Revenues</p>	<p>Q2-20 vs Q2-19 For the quarter ended June 30, 2020 revenues increased by \$50,046, or 1,562%, explained by the following:</p> <ul style="list-style-type: none"> • The consolidation of GBT’s financial results accounted for \$48,927 of incremental revenues for Q2-20, which is broken down per country as follows: <ul style="list-style-type: none"> ○ Brazil: \$21,813 ○ Argentina: \$10,684 ○ Colombia: \$8,464 ○ Rest of LATAM: \$7,966 • Increase in Knight’s revenues of \$1,119, or 35%, mainly attributable to timing of sales of Impavido®, the growth in Movantik® and the in-licensing of Trelstar®. <p>YTD-20 vs YTD-19 For the six-month period ended June 30, 2020 revenues increased by \$92,929, or 1,509%, explained by the following:</p> <ul style="list-style-type: none"> • The consolidation of GBT’s financial results accounted for \$91,594 of incremental revenues for YTD-20, which is broken down per country as follows: <ul style="list-style-type: none"> ○ Brazil: \$35,819 ○ Argentina: \$21,189 ○ Colombia: \$17,556 ○ Rest of LATAM: \$17,030 • Increase in Knight’s revenues of \$1,335, or 22%, mainly attributable to timing of sales of Impavido®, the growth in Movantik® and the in-licensing of Trelstar®.
<p>Gross margin</p>	<p>Q2-20 vs Q2-19 For the quarter ended June 30, 2020 gross margin decreased from 92% to 42% explained by the following:</p> <ul style="list-style-type: none"> • Overall decrease in gross margin (%) attributable to the consolidation of GBT’s results which have a lower gross margin than Knight and a change in Knight’s product mix. • In addition, the Company recorded an inventory provision of \$1,638 due to impact on certain new product launches as a result of COVID-19. • The gross margin increases from 42% to 47% excluding the impact of IAS 29 (“Adjusted Gross Margin”). Refer to “Impact of Hyperinflation” below for further details. In addition, the PPA adjustment of \$233 has no impact on the Adjusted Gross Margin of GBT. <p>YTD-20 vs YTD-19 For the six-month period ended June 30, 2020, gross margin decreased from 85% to 42% explained by the following:</p> <ul style="list-style-type: none"> • Overall decrease in gross margin (%) attributable to the consolidation of GBT’s results which have a lower gross margin than Knight and a change in Knight’s product mix. • In addition, the Company recorded an inventory provision of \$4,926, of which \$874 relates to inventory destroyed due to temperature excursions during transportation. The remaining \$4,052 is primarily due to delays in certain new product launches and COVID-19. • The gross margin increases from 42% to 46% excluding the impact of IAS 29 (“Adjusted Gross Margin”). Refer to “Impact of Hyperinflation” below for further details. In addition, the Adjusted Gross Margin of GBT increases from 46% to 47% excluding the PPA adjustment of \$865.

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<p>Selling and marketing</p>	<p>Q2-20 vs Q2-19 For the quarter ended June 30, 2020, selling and marketing expenses increased by \$7,703, or 571%, explained by the following:</p> <ul style="list-style-type: none"> • The consolidation of GBT’s financial results accounted for \$8,035 of incremental selling and marketing expenses for Q2-20. During Q2-20, the Company recorded an additional ECL of \$1,288. • Decrease in Knight’s selling and marketing expenses of \$332 or 25% primarily due to lower spend as a result of COVID-19. <p>YTD-20 vs YTD-19 For the six-month period ended June 30, 2020, selling and marketing expenses increased by \$16,970, or 773%, explained by the following:</p> <ul style="list-style-type: none"> • The consolidation of GBT’s financial results accounted for \$16,953 of incremental selling and marketing expenses for YTD-20. During YTD-20, the Company recorded an additional ECL of \$2,421. • No significant variance in Knight’s selling and marketing expenses. Knight has delayed certain commercial recruitment in Canada due to COVID-19 as well as delays in obtaining reimbursement of certain products.
<p>General and administrative</p>	<p>Q2-20 vs Q2-19 For the quarter ended June 30, 2020, general and administrative expenses increased by \$4,288, or 110%, explained by the following:</p> <ul style="list-style-type: none"> • The consolidation of GBT’s financial results accounted for \$5,510 of incremental general and administrative expenses for Q2-20. • Decrease in Knight’s general and administrative expenses of \$1,222, or 31%, mainly due to \$1,652 of non-recurring expenses in Q2-19 on professional fees related to the activist campaign, public proxy battle and related litigations between the Company and dissident shareholder Meir Jakobsohn, Medison’s CEO, partially offset by additional expenses incurred due to the growth of the Company. <p>YTD-20 vs YTD-19 For the six-month period ended June 30, 2020, general and administrative expenses increased by \$9,011, or 119%, explained by the following:</p> <ul style="list-style-type: none"> • The consolidation of GBT’s financial results accounted for \$11,409 of incremental general and administrative expenses for YTD-20. • Decrease in Knight’s general and administrative expenses of \$2,398, or 32%, mainly due to \$3,267 of non-recurring expenses in YTD-19 on professional fees related to the activist campaign, public proxy battle and related litigations between the Company and dissident shareholder Meir Jakobsohn, Medison’s CEO, partially offset by additional expenses incurred due to the growth of the Company. • The Company expects to incur significant expenses during Q3-20 related to the Unified Tender Offer.
<p>Research and development expenses</p>	<p>Q2-20 vs Q2-19 For the quarter ended June 30, 2020, research and development expenses increased by \$1,335, or 136%, explained by the following:</p> <ul style="list-style-type: none"> • The consolidation of GBT’s financial results accounted for \$1,482 of incremental research and development expenses for Q2-20. • No significant variance in Knight’s research and development expense. <p>YTD-20 vs YTD-19 For the six-month period ended June 30, 2020, research and development expenses increased by \$3,458, or 215%, explained by the following:</p> <ul style="list-style-type: none"> • The consolidation of GBT’s financial results accounted for \$3,464 of incremental research and development expenses for YTD-20. • No significant variance in Knight’s research and development expense.

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<p>Amortization</p>	<p>Q2-20 vs Q2-19 For the quarter ended June 30, 2020, amortization of intangible assets increased by \$5,381, or 1,272%, explained by the following:</p> <ul style="list-style-type: none"> • The amortization of the definite-life intangible assets acquired in the acquisition of GBT represents \$5,417. For further details on the purchase price accounting refer to note 3 in the Interim Financial Statements. • No significant variance in Knight's amortization. <p>YTD-20 vs YTD-19 For the six-month period ended June 30, 2020, amortization of intangible assets increased by \$10,994, or 1,295%, explained by the following:</p> <ul style="list-style-type: none"> • The amortization of the definite-life intangible assets acquired in the acquisition of GBT represents \$11,133. For further details on the purchase price accounting refer to note 3 in the Interim Financial Statements. • No significant variance in Knight's amortization.
<p>Interest income</p>	<ul style="list-style-type: none"> • Includes "Interest income on financial instruments measured at amortized cost" and "Other interest income". • Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable. <p>Q2-20 vs Q2-19</p> <ul style="list-style-type: none"> • Interest income for Q2-20 was \$3,678, a decrease of 40% or \$2,482 compared to the same period in prior year due to a decrease in the average cash and marketable securities balances partially offset by a higher average loan balance. <p>YTD-20 vs YTD-19</p> <ul style="list-style-type: none"> • Interest income for YTD-20 was \$8,327, a decrease of 31% or \$3,723 compared to the same period in prior year due to a decrease in the average cash and marketable securities balances partially offset by a higher average loan balance.
<p>Interest Expense</p>	<p>YTD-20 vs YTD-19 and Q2-20 vs Q2-19</p> <ul style="list-style-type: none"> • The consolidation of GBT's financial results accounted for \$2,235 (Q2-20: \$1,094) of incremental interest expense for YTD-20. GBT's interest expense mainly relates to interest on its bank loans. Refer to Section 7 for further information on the debt. • Knight's portion of interest expense is mainly related to interest accretion on the MTO liability of \$3,174 (Q2-20: \$1,165). Refer to refer to note 9 in the Interim Financial Statements.
<p>Net gain or loss on financial assets measured at fair value through profit or loss</p>	<ul style="list-style-type: none"> • As a result of the revaluation of financial assets measured at FVTPL. • Net gain mainly attributed to unrealized losses on revaluation of the strategic fund and equity investments. • Refer to note 9 in the Interim Financial Statements for further information.
<p>Net gain on mandatory tender offer liability</p>	<ul style="list-style-type: none"> • Overall gain during the six-month period ended June 30, 2020 of \$4,744 (Q2-20: \$3,222) composed of: <ul style="list-style-type: none"> ○ Unrealized gain of \$42,192 (Q2-20: \$13,578) related to the foreign exchange revaluation of the MTO liability as a result of the devaluation of the BRL, partially offset by; ○ Unrealized loss of \$37,448 (Q2-20: \$10,356) recorded on the forward contracts and non-deliverable forward contracts to purchase the BRL required to fund the Unified Tender Offer. • Refer to Section 10 for further details.
<p>Realized gain on sale of asset held for sale</p>	<ul style="list-style-type: none"> • As a result of the disposal of the shares of Medison the Company recorded a gain of \$2,948, representing the difference between the book value and the selling price of \$77,000. Refer to note 12 in the Interim Financial Statements for further details.

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Realized gain on automatic share purchase plan	<ul style="list-style-type: none">Refer to Section 14 for further details.
Foreign exchange gain or loss	<p>Q2-20 vs Q2-19</p> <ul style="list-style-type: none">The consolidation of GBT's financial results accounted for a foreign exchange loss of \$1,940, of which \$1,048 relates to unrealized losses on intercompany balances and \$892 relates to losses on third party balances.Knight's foreign exchange loss of \$2,116 is largely due to losses on certain USD dollar denominated net assets.In addition to the foreign exchange loss recorded in the statement of income, the Company has recorded a loss of \$13,511 in the statement of OCI related to the revaluation of Knight's entities from their respective functional currencies to the CAD. <p>YTD-20 vs YTD-19</p> <ul style="list-style-type: none">The consolidation of GBT's financial results accounted for a foreign exchange loss of \$11,456, of which \$8,593 relates to unrealized losses on intercompany balances and \$2,863 relates to losses on third party balances.Knight's foreign exchange gain of \$2,493 is largely due to gains on certain USD dollar denominated net assets.In addition to the foreign exchange loss recorded in the statement of income, the Company has recorded a loss of \$7,701 in the statement of OCI related to the revaluation of Knight's entities from their respective functional currencies to the CAD.
Loss on hyperinflation	<ul style="list-style-type: none">Relates to loss on net monetary position (monetary assets less monetary liabilities) under hyperinflation accounting. Refer to "Impact of Hyperinflation" below for further details.Refer to note 2.3 in the Annual Financial Statements for further details on hyperinflation accounting.
Income tax recovery or expense	<ul style="list-style-type: none">Deferred income tax recovery mainly due to reduction of deferred tax liability recorded on the definite-life intangible assets acquired as part of the GBT Transaction offset by current income tax expense.

Non-IFRS measure: EBITDA and Adjusted earnings

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

The Company uses the following non-IFRS measures:

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

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

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Explanation of adjustments

Acquisition costs	Acquisition costs relate to expenses of \$104 for the quarter and \$320 for the six-month period on legal and consulting fees related to the acquisition of GBT.
Other non-recurring expenses	<p>Other non-recurring expenses relate to expenses incurred by the Company that are not due to, and are not expected to occur in, the ordinary course of business. For the six-month period ended June 30, 2020, the Company incurred one-time costs of \$2,068 and \$304 for the three-month period explained as following:</p> <ul style="list-style-type: none"> • \$556 (Q2-20: \$304) related to restructuring activities including severance to certain employees as part of restructuring and integration of GBT. • \$874 (Q2-20: Nil) related to inventory destroyed due to a temperature excursion during transportation. The Company has initiated insurance claims for the loss and due to its contingent nature, the claim has not been recorded. • \$638 (Q2-20: Nil) related to a bad debt against accounts receivable. <p>During Q2-19, the Company recorded an expense of \$1,652 (YTD-20: \$3,267) related to the activist campaign, public proxy battle and related litigations between Knight and dissident shareholder Meir Jakobsohn, Medison's CEO.</p>
Interest income	Includes "Interest income on financial instruments measured at amortized cost" and "Other interest income". Primarily from interest earned on loans, cash and cash equivalents, marketable securities and accretion on loans receivable.
Interest expense on bank loans	Includes GBT's interest expense mainly related to interest on its bank loans and excludes Knight's interest accretion.

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

	Q2-20			Q2-19	YTD-20			YTD-19
	KNIGHT ¹	GBT ^{1,2}	TOTAL		KNIGHT ¹	GBT ^{1,2}	TOTAL	
Operating (loss) income	(1,896)	(1,212)	(3,108)	(3,691)	(4,093)	(6,475)	(10,568)	(7,014)
Adjustments to operating (loss) income:								
Amortization of intangible assets	387	5,417	5,804	423	710	11,133	11,843	849
Depreciation of property, plant and equipment	121	1,689	1,810	96	222	3,312	3,534	193
Lease costs (IFRS 16 adjustment)	(68)	(683)	(751)	(76)	(149)	(1,436)	(1,585)	(152)
Impact of PPA accounting	—	233	233	—	—	865	865	—
Impact of IAS 29	—	2,992	2,992	—	—	3,843	3,843	—
EBITDA	(1,456)	8,436	6,980	3,248	(3,310)	11,242	7,932	(6,124)
Acquisition costs	104	—	104	—	320	—	320	—
Other non-recurring expenses	45	259	304	1,652	45	2,023	2,068	3,267
Interest income	3,678	—	3,678	6,160	8,327	—	8,327	12,050
Interest expense on bank loans	—	(1,094)	(1,094)	—	—	(2,235)	(2,235)	—
Adjusted earnings	2,371	7,601	9,972	4,564	5,382	11,030	16,412	9,193

¹ Refer to operating segment disclosure in Section 22 for definition of "Knight" and "GBT"

² Not adjusted for the non-controlling interest of 48.8%

Adjusted earnings variances

For the three-month period ended June 30, 2020, adjusted earnings was \$9,972, an increase of \$5,408 or 119% compared to the same period last year. The consolidation of GBT's financial results accounted for \$7,601 of the increase which is partially offset by a decrease in Knight's interest income.

For the six-month period ended June 30, 2020, adjusted earnings was \$16,412, an increase \$7,219 or 79% compared to the same period last year. The consolidation of GBT's financial results accounted for \$11,030 of the increase which is partially offset by a decrease in Knight's interest income.

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FINANCIAL CONDITION

Section 5 – Balance Sheets

	06-30-20	12-31-19	Change	
			\$	% ¹
ASSETS				
Current				
Cash, cash equivalents and restricted cash	359,593	174,268	185,325	106%
Marketable securities	191,927	235,045	(43,118)	18%
Trade receivables	66,779	85,845	(19,066)	22%
Other receivables	9,107	17,622	(8,515)	48%
Inventories	71,836	70,870	966	1%
Prepays and deposits	1,937	3,306	(1,369)	41%
Other current financial assets	14,410	26,303	(11,893)	45%
Income taxes receivable	3,032	8,265	(5,233)	63%
Total current assets	718,621	621,524	97,097	16%
Marketable securities	15,317	126,869	(111,552)	88%
Trade receivables	1,958	4,715	(2,757)	58%
Prepays and deposits	3,706	4,652	(946)	20%
Right-of-use Asset	4,821	6,409	(1,588)	25%
Property, plant and equipment	22,948	22,639	309	1%
Investment Property	1,518	1,740	(222)	13%
Intangible assets	164,950	173,372	(8,422)	5%
Goodwill	80,443	88,262	(7,819)	9%
Other financial assets	160,470	132,848	27,622	21%
Deferred income tax assets	5,012	3,991	1,021	26%
Other long-term receivables	42,423	41,582	841	2%
	503,566	607,079	(103,513)	17%
Assets held for sale	2,561	76,700	(74,139)	97%
Total assets	1,224,748	1,305,303	(80,555)	6%

¹ Percentage change is presented in absolute values

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	06-30-20	12-31-19	Change	
			\$	% ¹
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	66,518	94,406	(27,888)	30%
Lease liabilities	1,508	1,788	(280)	16%
Other liabilities	1,588	1,750	(162)	9%
Other financial liabilities	181,357	184,023	(2,666)	1%
Bank loans	44,074	50,557	(6,483)	13%
Income taxes payable	14,334	15,447	(1,113)	7%
Other balances payable	2,617	2,833	(216)	8%
Total current liabilities	311,996	350,804	(38,808)	11%
Lease liabilities	3,766	4,812	(1,046)	22%
Other liabilities	420	—	420	N/A
Bank loan	1,940	5,022	(3,082)	61%
Other balances payable	7,245	1,699	5,546	326%
Deferred income tax liabilities	20,383	27,860	(7,477)	27%
Total liabilities	345,750	390,197	(44,447)	11%
Shareholders' equity				
Share capital	699,067	723,832	(24,765)	3%
Warrants	785	785	—	0%
Contributed surplus	16,882	16,463	419	3%
Accumulated other comprehensive income	16,923	17,405	(482)	3%
Retained earnings	58,209	52,246	5,963	11%
Attributable to shareholders of the Company	791,866	810,731	(18,865)	2%
Non-controlling interests	87,132	104,375	(17,243)	17%
Total equity	878,998	915,106	(36,108)	4%
Total liabilities and shareholders' equity	1,224,748	1,305,303	(80,555)	6%

¹ Percentage change is presented in absolute values

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06-30-20 vs 12-31-19

Cash and cash equivalents and marketable securities (current and long term)	<ul style="list-style-type: none"> Refer to Section 7 – Liquidity and Capital Resources for further information.
Trade receivables (current and long term)	<ul style="list-style-type: none"> Trade receivables decreased by \$21,823, or 24% explained as follows: <ul style="list-style-type: none"> Approximately \$10,920 related to the depreciation of LATAM currencies. Approximately \$8,482 related to net collection of receivables (collections of receivables offset by increase due to sales). \$2,421 related to an additional ECL recorded during YTD-20. Refer to note 6 in the Interim Financial Statements for further details.
Other receivables (current)	<ul style="list-style-type: none"> Other receivables decreased by \$8,515, or 48% mainly due a decrease in the distribution receivable from a fund investment of \$2,176 and a decrease in interest receivable due to timing of marketable securities and loan maturities and an overall decline in interest rates. Refer to note 7 in the Interim Financial Statements for further details.
Inventories	<ul style="list-style-type: none"> Inventories increased by \$996 or 1% explained as follows: <ul style="list-style-type: none"> Increase of approximately \$15,878 related to net inventory purchases (purchases offset by cost of good sold). The net inventory purchases is driven by timing of purchases and new product launches. Decrease of approximately \$9,956 related to the depreciation of LATAM currencies partially offset by hyperinflation adjustments. Decrease of \$4,926 due to an additional inventory provision recorded against inventory in YTD-20. Refer to discussion on gross margin for further details on the inventory provision.
Other financial assets (current and long term)	<ul style="list-style-type: none"> Increase of \$15,729 driven by: <p>Loans and other receivables: increase of \$3,243 mainly attributable to net loans issued of \$2,197 and gain on foreign exchange revaluation of \$1,583. Refer to Section 9 for further information on Knight's strategic lending portfolio.</p> <p>Equity investments, Warrants and Derivatives: decrease of \$5,687 driven by the disposal of equity investments during the period and the revaluation of equity investments, warrants and derivatives. Refer to note 9 in the Interim Financial Statements for further information.</p> <p>Funds: increase of \$18,173 due to capital calls of \$13,000, foreign exchange gains of \$4,645 and mark-to-market adjustments of \$10,461 offset by distributions received of \$9,653 and a distributions receivable of \$280.</p> Refer to Section 10 for further information on Knight's strategic investments.
Income tax receivable	<ul style="list-style-type: none"> Decrease relates to timing of income tax installments.
Intangible assets	<ul style="list-style-type: none"> Decrease mainly due to the depreciation of the LATAM currencies during the period and amortization, partially offset by additions of \$15,255 mainly related to certain milestones payable under product license agreements.
Goodwill	<ul style="list-style-type: none"> Decrease due to the depreciation of the LATAM currencies during the period. Refer to Section 3 for further details.
Other long-term receivables	<ul style="list-style-type: none"> Refer to Section 6 for further information. Increase relates to receivable from a strategic partner.
Assets held for sale & Investment in associate	<ul style="list-style-type: none"> Decrease due to the closing of the Knight and Medison settlement and purchase agreement pursuant to which Knight agreed to sell its 28.3% ownership for \$77,000. Refer to note 12 in the Interim Financial Statements for further information.
Accounts payable and accrued liabilities	<ul style="list-style-type: none"> Decrease in accounts payable and accrued liabilities balance of \$27,888, or 30%, mainly related to payments of inventory purchases, payments of GBT Transaction fees, the depreciation of LATAM currencies and a lower accrual balance in Q2-20 compared to Q4-19 due to timing.

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06-30-20 vs 12-31-19

Other Financial liabilities	<ul style="list-style-type: none"> • Balance of \$181,357 is comprised of; <ul style="list-style-type: none"> ○ MTO liability of \$145,005 which relates to the Unified Tender Offer required to acquire the remaining 48.8% of GBT, partially offset by; ○ A derivative liability of \$36,352 (December 31, 2019: asset of 1,096) on the forward contracts and non-deliverable forward contracts to purchase the BRL required to fund the Unified Tender Offer. • Refer to note 9 in the Interim Financial Statements for further details.
Bank loans (current and long term)	<ul style="list-style-type: none"> • Decrease of \$9,565 mainly due to loan repayments of \$7,518 and a decrease due to foreign exchange revaluation of \$14,312, partially offset by an additional loan of \$11,992 issued to a subsidiary of GBT in March 2020. • For further details on the bank loans held by GBT, refer to Section 7.
Other balances payable (current and long term)	<ul style="list-style-type: none"> • Increase due to additional regulatory and sales milestones recorded on in-licensed products.
Deferred income tax liability	<ul style="list-style-type: none"> • Decrease mainly related to the recognition of deferred income tax recovery on the definite-life intangible assets as a result of the GBT Transaction.
Share capital	<ul style="list-style-type: none"> • Decrease due to the purchase of Knight's common shares through the NCIB and the recognition of the ASPP liability. • Refer to note 14 in the Interim Financial Statements for further information.
Contributed surplus	<ul style="list-style-type: none"> • Increase related to share-based compensation expense. • Refer to the statement of changes in equity in the Interim Financial Statements for further information.
Accumulated other comprehensive income	<ul style="list-style-type: none"> • Decrease related to other comprehensive loss attributable to shareholders' of the Company of \$482 for the period. • Refer to the statement of changes in shareholders' equity in the Interim Financial Statements for further information.
Retained earnings	<ul style="list-style-type: none"> • Increase due to a net income attributable to shareholders of the Company of \$15,512 for YTD-20 partially offset by Knight's common shares purchased through the NCIB. • Refer to the statement of changes in shareholders' equity in the Interim Financial Statements for further information.
Non-controlling interests	<ul style="list-style-type: none"> • Relates to the non-controlling interest acquired as part of the GBT transaction plus the comprehensive income earned since the acquisition attributable to the minority shareholders of GBT.

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Section 6 – Notices of Reassessment

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

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

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

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

Section 7 – Liquidity and Capital Resources

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

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

			Change		YTD		Change	
	Q2-20	Q2-19	\$	% ¹	2020	2019	\$	% ¹
Net cash from operating activities	8,072	2,452	5,620	229%	(13,095)	(6,936)	(6,159)	80%
Net cash from investing activities	89,856	62,703	27,153	43%	225,886	59,161	166,725	282%
Net cash from financing activities	(24,979)	(14)	(24,965)	178,321%	(27,853)	(21)	(27,832)	132,533%
Increase in cash and cash equivalents during the period	72,949	65,141	7,808	12%	184,938	52,204	132,734	254%
Net foreign exchange difference	(298)	(1,340)	1,042	78%	387	(2,078)	2,465	119%
Cash, cash equivalents and restricted cash beginning of the period	286,942	231,110	55,832	24%	174,268	244,785	(70,517)	29%
Cash, cash equivalents and restricted cash, end of the period	359,593	294,911	64,682	22%	359,593	294,911	64,682	22%
Marketable securities, end of the period	207,244	450,361	(243,117)	54%	207,244	450,361	(243,117)	54%
Cash, cash equivalents, restricted cash, and marketable securities, end of the period	566,837	745,272	(178,435)	24%	566,837	745,272	(178,435)	24%
Cash, cash equivalents, restricted cash, and marketable securities net of bank loans	520,823	745,272	(224,449)	30%	520,823	745,272	(224,449)	30%
Cash, cash equivalents and restricted cash, net of bank loans	313,579	294,911	18,668	6%	313,579	294,911	18,668	6%

¹ Percentage change is presented in absolute values

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	Q2-20	YTD-20
Net cash from operating activities	<p>Primarily relates to cash generated through revenues, dividends from associates and interest received, offset by operating expenses including salaries, research and development expenses, advertising and promotion costs, interest paid and other corporate expenses. Cash flows from operating activities exclude revenues and expenses not affecting cash, such as unrealized and realized gains or losses on financial assets, share based compensation expense, depreciation and amortization, foreign exchange gains or losses, hyperinflation losses, share of net income and dividends from associate, other income, deferred other income, and net changes in non-cash balances relating to operations.</p> <p>For the three-month period ended June 30, 2020, cash inflow from operations were \$8,072. The decrease in non-cash working capital was \$3,483 driven by collection of trade and other receivables offset by an increase in inventories and a decrease in accounts payable and accrued liabilities. For further details refer to consolidated statement of cash flows and note 18 in the Interim Financial Statements.</p>	<p>For the six-month period ended June 30, 2020, cash outflow from operations were \$13,095, driven by an increase in non-cash working capital of \$20,305. This is mainly due to the reduction of accounts payable and accrued liabilities and an increase in inventories as discussed in Section 5. For further details refer to consolidated statement of cash flows and note 18 in the Interim Financial Statements.</p>
Net cash from investing activities	<p>For the three-month period ended June 30, 2020, cash flows were mainly driven by:</p> <ul style="list-style-type: none"> • Net proceeds on marketable securities of \$98,113; • net proceeds from loan receivables of \$387, offset by; • net distributions from life sciences funds of \$2,574 offset by; • acquisition of intangibles and property and equipment of \$11,218. 	<p>For the six-month period ended June 30, 2020, cash flows were mainly driven by:</p> <ul style="list-style-type: none"> • Net proceeds on marketable securities of \$161,144; • proceeds on the sale of Medison of \$77,000 • net proceeds from disposals of equity investments of \$2,523; • net proceeds from loan receivables of \$405, offset by; • acquisition of intangibles and property and equipment of \$13,908, and • net investments in life sciences funds of \$891.
Net cash from financing activities	<p>Cash flows from financing activities were mainly due to the repurchase of common shares through the NCIB, principal repayments and interest payments on bank loans, principal repayments on lease liabilities, proceeds from the repayment of share purchase loans and the participation of employees and directors in the Company's share purchase plan.</p>	

As at June 30, 2020, the Company had restricted cash of \$19,318 (2019: \$5,000). The balance includes \$19,250 held by a trustee related to the disposal of the shares of Medison. The cash is expected to be released to Knight upon the issuance of a tax certificate by the Israel Tax Authority.

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

As at	Currency of debt	Interest rate	Maturity	June 30, 2020		December 31, 2019	
				Current \$	Non-Current \$	Current \$	Non-Current \$
Banks							
Citibank	ARS	18.40%	November 2, 2020	1,330	—	2,991	—
Itaú Unibanco	BRL	1.65% +100% CDI	December 8, 2023	28,728	—	42,532	—
Banco Santander	BRL	2.00% +100% CDI	December 13, 2021	3,887	1,940	5,034	5,022
Banco Santander	BRL	1.39% +100% CDI	March 4, 2021	10,129	—	—	—
Total Bank Loans				44,074	1,940	50,557	5,022

Banco Santander

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

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PRODUCT ACQUISITION STRATEGY

Section 8 – Products

Prescription Pharmaceutical Products

Product	Indication	Canada	Brazil	Argentina	Colombia	Mexico	Others	Partner
Pain/Gastrointestinal								
Movantik®	OIC	Launched					Launched	AstraZeneca
Probuphine®	Opioid addiction	Launched						Titan
Ibsrela™	IBS-C	Approved						Ardelyx
Salofalk®	Ulcerative colitis				Marketed		Marketed	Dr. Falk
Women's Health								
Imvexxy™	Moderate-to-severe dyspareunia	Submitted						TXMD
Bijuva™	Moderate-to-severe vasomotor symptoms due to menopause	Submitted						TXMD
Specialty								
Impavido®	Leishmaniasis						Launched	Own
Oncology								
Nerlynx®	Adjuvant breast cancer	Launched						Puma
Nerlynx®	Metastatic breast cancer	Pending submission						Puma
Trelstar®	Advanced prostate cancer	Marketed						Debiopharm
Vidaza®	Myelodysplastic syndrome		Marketed					Celgene (BMS)
Abraxane® / Abraxus®	Metastatic pancreatic, and metastatic breast cancer		Launched			Launched ¹		Celgene (BMS)
Halaven®	Metastatic breast cancer		Marketed	Launched	Submitted		Launched	Eisai
Halaven®	Soft tissue sarcoma		Launched	Launched	Submitted		Launched	Eisai
Ladevina	Multiple myeloma			Marketed	Launched		Marketed	Own
Lenvima®	Differentiated thyroid cancer, Advanced renal cell cancer, and Unresectable hepatocellular carcinoma		Marketed	Launched	Submitted		Launched	Eisai
Zyvalix	Metastatic prostate cancer			Marketed	Launched		Marketed	Own
Nilotinib	Chronic myeloid leukemia			Submitted				Own
Anti-infective								
Ambisome®	Fungal infection		Marketed				Launched	Gilead
Epclusa®	Chronic hepatitis C		Launched		Launched		Launched	Gilead
Cresemba®	Fungal infection		Launched	Launched	Launched	Launched	Launched	Basilea
CNS								
Inovelon®	Lennox-Gastaut syndrome		Launched	Submitted	Submitted	Launched	Submitted	Eisai
Fycompa®	Partial-onset seizures, and primary generalized tonic-clonic seizures		Launched	Submitted	Submitted	Launched	Submitted	Eisai
Respiratory								
Selexipag	Pulmonary arterial hypertension			Launched				Own
Fibridoner	Idiopathic pulmonary fibrosis			Marketed				Own

¹ Agreement terminates as of August 17, 2020. The Company does not expect a significant impact on its results.

Launched: product has been on the market under 5 years

Marketed: product has been on the market over 5 years

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8.1 Knight Products

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

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

Movantik[®]

In December 2016, Knight entered into an agreement with AstraZeneca for the rights to Movantik[®] in Canada and Israel under which Knight is responsible for all commercial, regulatory and certain supply chain activities. Movantik[®] is the first once-daily oral peripherally-acting mu-opioid receptor antagonist for the treatment of OIC in adult patients with non-cancer pain who have had an inadequate response to laxatives. According to the Canadian Family Physician Practice Guideline, it is estimated that at least 26% of chronic opioid users suffer from OIC. According to IQVIA data, Movantik[®] sales in Canada were \$449 and \$896 for the three and six-month periods ended June 30, 2020 (2019: \$392 and \$750).

Probuphine[®]

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

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

Tenapanor

On March 16, 2018, Knight entered into an exclusive licensing agreement with Ardelyx to commercialize tenapanor in Canada. Tenapanor is a first-in-class small molecule treatment that has completed Phase 3 development for IBS-C (marketed as Ibsrela[™]) and is in an ongoing Phase 3 study for hyperphosphatemia. Ardelyx received regulatory approval for Ibsrela[™] from the US FDA in September 2019. On April 17, 2020, the Company announced that Ibsrela[™] was approved by Health Canada. The Company expects to launch Ibsrela[™] in Canada in early 2021.

Antibe family

On November 13, 2015, Knight entered into an exclusive long-term license and distribution agreement with Antibe to commercialize its anti-inflammatory and pain product pipeline, along with certain future Antibe products, in Canada and select countries. On March 20, 2018, Antibe announced that its lead drug, ATB-346, met its primary endpoint in the Phase 2B gastrointestinal safety study. On January 21, 2019, Antibe announced that it has received approval from Health

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Canada to initiate the second part of its Phase 2B dose-ranging, efficacy study for its lead drug, ATB-346. The primary objective of the study is to evaluate the efficacy of ATB-346 in reducing osteoarthritis pain over a 14-day treatment period.

NERLYNX®

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

Trelstar®

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

Triumvira family

On February 20, 2019 Knight entered into a secured loan and exclusive license agreement with Triumvira to commercialize its future approved products for Canada, Israel, Mexico, Colombia and for TAC01-CD19 for Israel, Mexico, Brazil and Colombia. Triumvira is developing novel T cell therapies that are safer and more efficacious than current gene therapy cancer treatments, including chimeric antigen receptor (CAR) and engineered T cell receptor (TCR) therapies.

TXMD

On July 31, 2018, Knight entered into an exclusive licensing agreement for the commercial rights of Imvexxy™ and Bijuva™ in Canada and Israel. Imvexxy™ is a TXMD FDA-approved product (estradiol vaginal inserts), for the treatment of moderate-to-severe dyspareunia (vaginal pain associated with sexual activity), a symptom of vulvar and vaginal atrophy (VVA), due to menopause. Bijuva™ was approved by the U.S. FDA on October 18, 2018, is a bio-identical hormone therapy combination of estradiol and progesterone in a single, oral softgel for the treatment of moderate-to-severe vasomotor symptoms due to menopause. On October 30, 2019 and November 26, 2019, Knight announced that Imvexxy™ and Bijuva™, respectively, were accepted for review by Health Canada.

Impavido®

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

8.2 GBT Products

GBT's focus is to market and sell licensed innovative products and engage in development, manufacturing and marketing of specialty pharmaceutical branded generic products. GBT's business model focuses on therapeutic areas covering infectious diseases, oncology and onco-hematology, rare diseases, special treatments and immunology. The following summarizes certain key products from GBT's product portfolio.

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AmBisome®

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

Vidaza® and Vidaza® GX

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

Abraxane®/Abraxus®

Abraxane®/Abraxus® (paclitaxel protein-bound particles for injectable suspension) is indicated for the first-line treatment of patients with metastatic pancreatic adenocarcinoma, in combination with gemcitabine. In Mexico, Abraxus® is also used as a monotherapy for the treatment of metastatic breast cancer in adult patients in whom first-line treatment of metastatic disease has failed and for whom standard anthracycline therapy is not indicated. Abraxane®/Abraxus® is licensed from Celgene (now BMS), and GBT holds the rights to commercialize the product in Brazil and Mexico. The Abraxus® agreement terminates on August 17, 2020, and has not been extended or renewed.

Cresemba®

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

Halaven®

Halaven® (eribulin mesylate) is a synthetic derivative of halichondrin B, belonging to the halichondrin class of antineoplastic agents. Halaven® is indicated for (1) the treatment of adult patients with locally advanced or metastatic breast cancer who have progressed after at least one chemotherapeutic regimen for advanced disease. Prior therapy should have included an anthracycline and a taxane in either the adjuvant or metastatic setting unless patients were not suitable for these treatments, and (2) the treatment of patients with unresectable soft tissue sarcoma who have received prior chemotherapeutic regimen for advanced or metastatic disease. Halaven® is licensed from Eisai and GBT holds the rights to commercialize the product in Latin America except Mexico. Eisai holds the rights to commercialize the product in Mexico.

Lenvima®

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

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Inovelon[®]

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

Fycompa[®]

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

Salofalk[®]

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

Gilead Anti-Infective Portfolio

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

Ladevina[®]

Ladevina[®] (lenalidomide) is indicated for (1) the treatment, as a maintenance monotherapy, of patients with newly diagnosed multiple myeloma, who have had an autologous stem cell transplant and, in patients with relapsed or refractory mantle cell lymphoma, (2) the treatment of patients with transfusion-dependent anemia due to low-risk and intermediate-1 myelodysplastic syndromes linked to a 5q deletion cytogenetic abnormality with or without abnormalities, (3) the treatment, in combination therapy, of adult patients with multiple myeloma without prior treatment who are not candidates for a transplant, and (4) the treatment, in combination with Dexamethasone and in second line, of multiple myeloma patients who have received at least one prior therapy and have not responded to treatment. Ladevina[®] is part of GBT's proprietary branded generic portfolio and is commercialized in Argentina, Chile and Colombia.

Fibridoner[®]

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

Zyvalix[®]

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

Section 9 – Strategic Lending

Knight finances other life sciences companies in all geographic markets with the goal of strengthening relationships in the life sciences industry and securing product distribution rights for Canada and select international markets. Typically, loans have low double-digit interest rates and may come with additional consideration to the Company. Loans often come with product rights or product options for Canada and select international markets. These loans strengthen Knight's ties within

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the life sciences industry and, in doing so, helped secure product rights for Knight either on a direct or indirect basis. As of the date hereof, Knight has four secured loans outstanding to life sciences companies as outlined in the table below. To date, the strategic lending portfolio has led to the acquisition or in-licensing of Knight's consumer health products (as described in Section 8), the Antibe family, the 60P family, TULSA-PRO® and the Triumvira family.

Nominal loan balance as at June 30, 2020

Entity	In Source Currency	In Canadian Dollars ¹
Moksha8	US\$11,993	\$16,344
Synergy	US\$7,500	\$10,221
60P ²	US\$6,310	\$8,599
Other strategic loan	US\$2,738	\$3,731
Total		\$38,895

¹ Converted at the Bank of Canada closing exchange rates on June 30, 2020

² Excludes 60P Convertible Debenture received as consideration for loans issued to 60P

As at June 30, 2020, the nominal loan balance outstanding was \$38,895 [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 six-month period ended June 30, 2020.

	Carrying value as at January 1	Additions	Loan repayments	Net loss on FA ¹	Foreign exchange ^{2,3}	Carrying value end of period	Current other financial assets	Non-current other financial assets
	\$	\$	\$	\$	\$	\$	\$	\$
Amortized Cost	2,181	7,364	(35)	—	(31)	9,479	3,407	6,072
FVTPL	28,390	2,602	(7,734)	(537)	1,614	24,335	6,675	17,660
Total	30,571	9,966	(7,769)	(537)	1,583	33,814	10,082	23,732

¹ Net changes related to change in the fair value of loan receivables and recognition of day 1 gains

² Recorded a gain of \$1,260 in the statement of income in "Foreign exchange loss" (2019: loss of \$247) and a gain of \$323 in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations" (2019: loss of \$679)

³ During the three-month period ended June 30, 2020, recorded a loss of \$930 in the statement of income in "Foreign exchange loss (gain)" (2019: loss of \$431) and a loss of \$314 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2019: loss of \$257)

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.

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Section 10 – Strategic Investments

Fund Investments

Knight invests in life sciences venture capital funds in which the Company earns a return similar to any other limited partner in the fund and may receive preferential access to innovative healthcare products from around the world for Canada and select international markets. Since inception of the fund strategy, Knight has committed to invest with the following capital fund managers for approximately \$126,653 of which \$33,577 remains committed as at June 30, 2020. To date, the investments in venture capital funds have led to the Canadian in-license of Iluvien® from Alimera and a portfolio of products from Advaxis. Knight does not expect to invest in additional venture capital funds.

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

¹ Converted at the Bank of Canada noon exchange rates as of the commitment date (using the June 30, 2020 closing rates total fund commitment would be \$139,940)

² Knight received a full return of capital from its US\$13,000 investment in Sectoral's NEMO II and subsequently committed to reinvest US\$10,000 into Sectoral's NEMO III

³ Represents an investment in a debt fund

Since the inception of the strategic fund investments, the Company invested \$128,018 and received distributions of \$69,255 on which a gain of \$22,435 was realized. Furthermore, as at June 30, 2020, the fund investments were recorded at their fair value of \$132,234 including a cumulative unrealized gain of \$51,036. The following table summarizes the movement in fund investments during the six-month period ended June 30, 2020.

Carrying value as at January 1	Additions ¹	Distributions ^{2,3}	Net (loss) gain on FA	Foreign exchange ^{4,5}	Carrying value end of period	Current other financial assets	Non-current other financial assets
\$	\$	\$	\$	\$	\$	\$	\$
114,061	13,000	(9,933)	10,461	4,645	132,234	—	132,234

¹ Investments in equity or debt funds including US\$3,800 and EUR 1,507 (2019: including US\$2,240 and EUR 1,746)

² Distributions received from funds including US\$3,771 and EUR 110 (2019: including US\$0 and EUR 0)

³ Includes distribution receivable of \$280

⁴ Recorded a gain of \$782 in the statement of (loss) income in "Foreign exchange loss" (2019: loss of \$1,052) and \$3,863 in the statement of other comprehensive (loss) income in "Unrealized (loss) gain on translation of foreign operations" (2019: loss of \$2,628)

⁵ During the three-month period ended June 30, 2020, recorded a loss of \$167 in the statement of income in "Foreign exchange loss (gain)" (2019: loss of \$241) and \$2,863 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2019: loss of \$1,521)

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Other investments

Profound

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

MTO liability and Foreign Currency Contracts

On December 20, 2019, Knight Therapeutics Inc. submitted to B3, the authorization request to carry-out a Unified Tender Offer for the acquisition of the remaining 48.2% of GBT. The offer will be at similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders may choose to be paid BRL10.15 per BDR in cash on the settlement date plus interest at the Selic rate calculated from November 29, 2019. Subsequent to the period end, the Company launched the Unified Tender Offer to acquire the remaining 48.8% of GBT.

As a result of the above, Knight has 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. For the six-month period ended June 30, 2020, Knight recorded an additional \$3,174 [BRL 11,160] to the mandatory tender offer liability with an offset to interest expense. As at June 30, 2020, the MTO liability was \$145,005 [BRL580,715] (December 31, 2019: \$184,023 [BRL569,155]) and the Company recorded a foreign exchange gain of \$13,578 and \$42,192 for the three and six-month periods ended June 30, 2020 upon its revaluation to the Canadian Dollar in the statement of income in "Net gain on mandatory tender offer liability".

In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. As at June 30, 2020 the Company held foreign exchange forward contracts to sell CAD and buy USD \$122,965 at a weighted average rate of 1.33 CAD/USD ("USD Contract"). In addition, the Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 511,147 at an average rate of 4.11 BRL per USD ("BRL Contract"). As at June 30, 2020, the Company has an obligation to purchase an BRL 511,147 at an average rate of 3.12 BRL per CAD based on the USD Contract and BRL Contract. Those contracts will be exercised upon the launch of the Unified Tender Offer. As a result, a derivative liability of \$36,352 was recorded as at June 30, 2020 (December 31, 2019: derivative asset of \$1,096). Due to the currency fluctuation the Company recorded a loss of \$10,356 and \$37,448 for the three and six-month periods ended June 30, 2020 in the statement of income in "Net gain on mandatory tender offer liability".

As a result of changes in the fair value of the USD Contract and BRL Contract ("FX Contracts") and the foreign exchange revaluation of the MTO liability the Company recorded the following net gain for the three and six-month periods ended June 30, 2020, in the consolidated statement of income as "Net gain on mandatory tender offer liability".

	Three months ended June 30	Six months ended June 30
	\$	\$
Change in fair value of FX Contracts	10,356	37,448
Foreign exchange revaluation of MTO liability	(13,578)	(42,192)
Net gain on mandatory tender offer liability	(3,222)	(4,744)

Subsequent to the quarter, in connection with the launch of the United Tender Offer, the Company converted \$163,797 to BRL 510,873 and closed all FX contracts.

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

Section 11 – Rest of World Strategy

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

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

RISK MANAGEMENT

Section 12

12.1 Currency Risk

GBT Transaction

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

Currency risks in net financial assets

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

	\$
Foreign Exchange Risk (5% change)	
USD	5,440
EUR	1,745
BRL	8,687
ARS	213
COP	726
CLP	99

The Company is also exposed to currency risk on the BOB, CHF, MXN, PEN, PYG and UYU. A 5% change in the Company's net exposure to the above-mentioned currencies would have resulted in a change in the statement of loss or other comprehensive loss of \$92.

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In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. As at June 30, 2020 the company held foreign exchange forward contracts to sell CAD and buy USD \$122,965 at a weighted average rate of 1.33 CAD/USD ("USD Contract"). In addition, the Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 511,147 at an average rate of 4.11 BRL per USD ("BRL Contract"). As at June 30, 2020, the Company has an obligation to purchase an BRL 511,147 at an average rate of 3.12 BRL per CAD based on the USD Contract and BRL Contract. Those contracts will be exercised upon the launch of the Unified Tender Offer. A 5% change in the BRL/CAD exchange rate would have resulted in a change in the statement of income of \$7,798.

12.2 Equity Price Risk

Equity price risk arises from changes in market prices of the equity and fund investments and derivatives. The carrying values of investments subject to equity price risk are \$141,066 as at June 30, 2020 (December 31, 2019: \$126,280). The Company monitors its equity investments for impairment on a periodic basis and at least every reporting period. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company's Board of Directors regularly reviews and approves equity investment decisions.

12.3 Interest Rate Risk

The Company is subject to interest rate risk on the interest income generated on its cash, cash equivalents and marketable securities. Details regarding maturity dates and effective interest rates are described in note 4 of the Interim Financial Statement. Assuming that all other variables remain constant, a 1% decline on the interest rate generated on cash, cash equivalents and marketable securities would have resulted in a reduction of interest income of \$5,668 over a one-year period.

The Company is also subject to interest rate risk on the interest expense incurred on its bank loans and MTO liability. Details regarding maturity dates and effective interest rates as well as the MTO offers are described in Sections 7 and 10. Assuming that all other variables remain constant, a 1% increase on the interest rate would have resulted in an increase of interest expense of \$1,910 over a one-year period.

12.4 Liquidity Risk

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

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

12.5 Credit Risk

The Company considers its maximum credit risk to be \$237,409 (December 31, 2019: \$248,812) which is the total of the following assets; trade and accounts receivable, interest receivable, loans receivable and investment in funds.

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

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- three Canadian financial institutions & two foreign affiliates of Canadian financial institutions
- five Canadian credit unions

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

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

12.6 COVID-19 Risk

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

While it is not possible at this time to estimate the impact that COVID-19 could have on the Company, the continued spread of COVID-19 and the measures taken by the governments of countries affected could disrupt the supply chain and the manufacture or shipment of product inventories and adversely impact the Company's business, financial condition or results of operations. The COVID-19 outbreak and mitigation measures may also have an adverse impact on global economic conditions which could have an adverse effect on the Company's business and financial condition, including continued interest rate volatility. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact.

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

As at June 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.

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

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12.7 Risk Factors

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

ADDITIONAL INFORMATION

Section 13 – Selected Quarterly Financial Information

This selected information is derived from our Annual Financial Statements.

	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Q3-18
Revenues	53,250	45,839	37,271	4,030	3,204	2,956	3,888	3,220
Net income (loss)	15,512	(9,477)	(3,153)	(2,959)	18,956	5,189	221	12,930
Adjusted earnings ¹	9,972	6,435	11,651	5,562 ¹	4,564 ¹	4,629 ¹	5,607	4,296 ¹
EPS								
Basic	0.133	(0.013)	(0.049)	(0.021)	0.133	0.036	0.002	0.091
Diluted	0.133	(0.013)	(0.049)	(0.021)	0.132	0.036	0.002	0.090
Cash, cash equivalents and marketable securities	566,837	592,578	536,182	700,092	745,272	748,411	787,062	775,046
Total assets	1,224,748	1,267,135	1,305,303	1,022,261	1,074,371	1,058,191	1,051,832	1,041,506
Total non-current liabilities	33,754	34,304	39,393	5,812	6,339	5,440	4,615	3,261

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

Section 14 – Outstanding Share Data

The table below summarizes the share data:

As at	August 12, 2020	June 30, 2020
Common Shares	130,938,418	130,938,419
Stock Options	5,304,069	4,426,617
Warrants	406,126	406,126

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

Under the terms of the NCIB, Knight may 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, when the Company completed its maximum purchases under the NCIB. The Company purchased a cumulative total of 12,053,692 common shares at an average price of \$7.14 per share.

During the three and six-month periods ended June 30, 2020, the Company purchased 2,478,360 and 4,804,443 common

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shares ("Acquired Shares"), for an aggregate cash consideration of \$16,979 and \$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 of \$1,299 and \$4,168 for the three and six-month periods ended June 30, 2020, in the statement of income in "Realized gain on automatic share purchase plan".

Subsequent to the quarter end, on July 10, 2020, the Company announced that the Toronto Stock Exchange approved its notice of intention to make a NCIB, refer to Section 26 for further details.

Section 15 – Use of Proceeds from Financing

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

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

Section 16 – Payment of Dividends

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

Section 17 – Product Pricing Regulation on Certain Patented Drug Products

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

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

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- 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 are now expected to come into force on January 1, 2021. The PMPRB will move forward with the issuance of a revised set of Draft Guidelines, followed by another written consultation period. The revised Draft Guidelines were published on June 19, 2020, and the consultation period ended on August 4, 2020.

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

Section 18 – Financial Instruments

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

Section 19 – Off-balance Sheet Arrangements

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

Section 20 – Commitments

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

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[i] Fund commitments

As at June 30, 2020, under the terms of Company's agreements with life sciences venture capital funds, \$33,577 (December 31, 2019: \$44,116), including \$6,735 [US\$4,942] and \$7,236 [EUR 4,728] (December 31, 2019: \$11,452 [US\$8,817] and \$8,826 [EUR 6,052]), may be called over the life of the funds (based on the closing foreign exchange rates).

As at August 12, 2020, \$33,577 remains to be called by life science venture capital funds.

[ii] Milestones and purchase commitments

Under certain agreements, Knight may have to pay additional consideration should the Company achieve certain sales volumes or if certain milestones are met, such as regulatory approval in Canada or LATAM. The Company may have to pay up to \$330,914 including \$46,819 [US\$34,355], \$142,322 [CHF 99,000] and \$589 [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 \$2,112 [EUR 738 and US\$721], 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 \$126,112 [BRL 35,410, USD 66,226 and CHF 18,793], which will be purchased over the next 8 years.

	\$
2020	11,929
2021	8,875
2022	13,967
2023	19,370
2024	20,517
2025 and beyond	51,454
Total	126,112

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 \$3,407 [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 \$11,584 [US\$8,500] should the borrower meet certain pre-defined profitability targets over its 2020 to 2021 financial years.

Section 21 – Related Party Transactions

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately \$8 to the Company for six-month period ended June 30, 2020.

Section 22 – Segment Reporting

Prior to the close of the GBT Transaction, 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

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medical devices in Canada and select international markets. As at June 30, 2020, and considering the timing of the GBT Transaction, the operations of GBT were managed and reviewed as one component and therefore the Company presents its financial information in two separate operating segments as follows:

- **Knight Canada and rest of world excluding LATAM ("Knight"):** Principal business activity is focused on developing, acquiring, in-licensing, out-licensing, marketing and distributing innovative pharmaceutical products, consumer health products and medical devices in Canada and select international markets (excluding the LATAM region). Knight carries out business primarily in Canada with certain operating revenue streams in Europe, United States of America, Barbados, Israel and select international countries (excluding the LATAM region).
- **LATAM ("GBT"):** Principal business activity is focused on in-licensing, marketing and distributing innovative products as well as developing, manufacturing and marketing of specialty pharmaceutical branded generic products. GBT carries out its operations across ten countries in Latin America.

Information on reportable segments

Three-month period ended June 30, 2020	Knight \$	GBT \$	Consolidated \$
Revenues	4,323	48,927	53,250
Cost of goods sold	1,318	29,695	31,013
Gross Margin	3,005	19,232	22,237
Selling and marketing	1,016	8,035	9,051
General and administrative	2,661	5,510	8,171
Research and development	837	1,482	2,319
Amortization of intangible assets	387	5,417	5,804
Interest (income) expense	(2,506)	1,094	(1,412)
Other income	(157)	292	135
Net gain on financial instruments measured at FVTPL	(16,499)	—	(16,499)
Income tax expense (recovery)	189	(1,095)	(906)
Segment income (loss)	17,077	(1,503)	15,574
Total segment assets	1,016,133	208,615	1,224,748
Total segment liabilities	213,746	132,004	345,750

Reconciliation of segment income to net income

Three-month period ended June 30, 2020	Consolidated \$
Segment income	15,574
Net gain on mandatory tender offer liability	(3,222)
Realized gain on automatic share purchase plan	(1,299)
Foreign exchange (gain) loss	4,056
Loss on hyperinflation	527
Net income for the period	15,512

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Six-month period ended June 30, 2020	Knight \$	GBT \$	Consolidated \$
Revenues	7,495	91,594	99,089
Cost of goods sold	1,882	55,110	56,992
Gross Margin	5,613	36,484	42,097
Selling and marketing	2,212	16,953	19,165
General and administrative	5,180	11,409	16,589
Research and development	1,604	3,464	5,068
Amortization of intangible assets	710	11,133	11,843
Interest (income) expense	(5,140)	2,235	(2,905)
Other (income) expense	(157)	267	110
Net gain on financial instruments measured at FVTPL	(9,769)	—	(9,769)
Income tax recovery	(601)	(1,345)	(1,946)
Segment income (loss)	11,574	(7,632)	3,942

Reconciliation of segment income to net income

Six-month period ended June 30, 2020	Consolidated \$
Segment income	3,942
Net gain on mandatory tender offer liability	(4,744)
Realized gain on sale of asset held for sale	(2,948)
Realized gain on automatic share purchase plan	(4,168)
Foreign exchange (gain) loss	8,963
Loss on hyperinflation	804
Net income for the period	6,035

Geographic Information

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

	Three months ended June 30	Six months ended June 30
	\$	\$
Revenues		
Brazil	21,813	35,819
Argentina	10,684	21,189
Colombia	8,464	17,556
Rest of LATAM	7,966	17,030
Canada	1,438	2,122
Other ¹	2,885	5,373
Total	53,250	99,089

¹ Includes Europe, US and other countries.

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As at June 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 June 30, 2020	Non-current operating assets \$
Brazil	63,066
Argentina	37,834
Colombia	39,072
Rest of LATAM	106,245
Canada	66,550
Other	558
Total	313,325

For the three and six-month periods ended June 30, 2019, revenues from products sold in Canada were \$617 and \$1,176, and revenues from products sold internationally were \$2,587 and \$4,984 respectively. Furthermore, noncurrent operating assets consisting of property and equipment, intangible assets, investment in associate and other receivables held in Canada and internationally were \$136,394 and \$1,502 respectively.

Section 23 – Significant Accounting Estimates and Assumptions

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

Section 24 – Disclosure Controls and Procedures

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

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

Section 25 – Internal Control Over Financial Reporting

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

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

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

Section 26 – Subsequent Events

NCIB

On July 10, 2020, the Company announced that the Toronto Stock Exchange approved its notice of intention to make a NCIB. A copy of the notice to commence the NCIB is available without charge by contacting the Company by email at info@gudknight.com or by phone at 514-484-4483.

Under the terms of the 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, 2020 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.

MTO

On July 15, 2020, Knight announced the launch of the tender offer for the acquisition and delisting of the remaining 48.8% of GBT. When tendering their BDRs, the public shareholders may choose between the following two tender options:

- BRL10.96 per BDR plus interest at the Selic rate calculated from November 29, 2019 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.
- BRL10.15 per BDR in cash on the settlement date plus interest at the Selic rate calculated from November 29, 2019.

BDR holders will be able to tender their BDRs at an auction that will take place on August 14, 2020 and the settlement will be completed within 2 business days of the auction.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

KNIGHT THERAPEUTICS INC.

June 30, 2020

INTERIM CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

[Unaudited]

As at	<i>Notes</i>	June 30, 2020	December 31, 2019
ASSETS			
Current			
Cash, cash equivalents and restricted cash	4	359,593	174,268
Marketable securities	5	191,927	235,045
Trade receivables	6	66,779	85,845
Other receivables	7	9,107	17,622
Inventories	8	71,836	70,870
Prepays and deposits		1,937	3,306
Other current financial assets	9, 10	14,410	26,303
Income taxes receivable		3,032	8,265
Total current assets		718,621	621,524
Marketable securities	5	15,317	126,869
Trade receivables	6	1,958	4,715
Prepays and deposits		3,706	4,652
Right-of-use assets		4,821	6,409
Property, plant and equipment		22,948	22,639
Investment properties		1,518	1,740
Intangible assets		164,950	173,372
Goodwill		80,443	88,262
Other financial assets	9, 10	160,470	132,848
Deferred income tax assets		5,012	3,991
Other long-term receivables	13	42,423	41,582
		503,566	607,079
Assets held for sale		2,561	76,700
Total assets		1,224,748	1,305,303

INTERIM CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

[Unaudited]

As at	Notes	June 30, 2020	December 31, 2019
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities		66,518	94,406
Lease liabilities		1,508	1,788
Other liabilities		1,588	1,750
Other financial liabilities	9, 10	181,357	184,023
Bank loans	11	44,074	50,557
Income taxes payable		14,334	15,447
Other balances payable		2,617	2,833
Total current liabilities		311,996	350,804
Lease liabilities		3,766	4,812
Other liabilities		420	—
Bank loans	11	1,940	5,022
Other balances payable		7,245	1,699
Deferred income tax liabilities		20,383	27,860
Total liabilities		345,750	390,197
Equity			
Share capital	14 [i]	699,067	723,832
Warrants		785	785
Contributed surplus		16,882	16,463
Accumulated other comprehensive income	15	16,923	17,405
Retained earnings		58,209	52,246
Attributable to shareholders of the Company		791,866	810,731
Non-controlling interests		87,132	104,375
Total equity		878,998	915,106
Total liabilities and equity		1,224,748	1,305,303

Commitments *[note 21]*

Subsequent events *[note 23]*

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 June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Revenues		53,250	3,204	99,089	6,160
Cost of goods sold		31,013	257	56,992	942
Gross margin		22,237	2,947	42,097	5,218
Expenses					
Selling and marketing		9,051	1,348	19,165	2,195
General and administrative		8,171	3,883	16,589	7,578
Research and development		2,319	984	5,068	1,610
Amortization of intangibles		5,804	423	11,843	849
Operating loss		(3,108)	(3,691)	(10,568)	(7,014)
Interest income on financial instruments measured at amortized cost		(2,340)	(4,901)	(5,723)	(9,826)
Other interest income		(1,338)	(1,259)	(2,604)	(2,224)
Interest expense		2,266	—	5,422	—
Other expense (income)		135	(17)	110	(370)
Net gain on financial instruments measured at fair value through profit or loss	9	(16,499)	(19,755)	(9,769)	(24,532)
Net gain on mandatory tender offer liability	9 [iii]	(3,222)	—	(4,744)	—
Realized gain on sale of asset held for sale	12	—	—	(2,948)	—
Realized gain on automatic share purchase plan	14 [iv]	(1,299)	—	(4,168)	—
Share of net loss (income) of associate		—	372	—	(320)
Foreign exchange loss		4,056	1,024	8,963	2,677
Loss on hyperinflation		527	—	804	—
Income before income taxes		14,606	20,845	4,089	27,581
Income tax					
Current		1,464	638	4,465	2,169
Deferred		(2,370)	1,251	(6,411)	1,267
Income tax (recovery) expense		(906)	1,889	(1,946)	3,436
Net income for the period		15,512	18,956	6,035	24,145
Attributable to:					
Shareholders of the Company		17,449	18,956	15,740	24,145
Non-controlling interests		(1,937)	—	(9,705)	—
Attributable to shareholders of the Company					
Basic earnings per share	16	0.133	0.133	0.118	0.169
Diluted earnings per share	16	0.133	0.132	0.118	0.169
Weighted average number of common shares outstanding					
Basic	16	131,045,101	142,861,274	133,094,626	142,856,785
Diluted	16	131,369,206	143,215,379	133,403,376	143,230,442

See accompanying note

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

[In thousands of Canadian dollars]

[Unaudited]

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net income for the period	15,512	18,956	6,035	24,145
Other comprehensive (loss) income, net of taxes				
Items that may be reclassified subsequently to net income:				
Unrealized loss on translation of foreign operations	(13,511)	(4,597)	(7,701)	(8,928)
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 \$130 and \$12 (\$135 and \$249 for the three and six-month periods ended June 30, 2019)	(131)	850	(319)	2,261
Share of other comprehensive (loss) of associate net of tax of \$129 and \$215 for the three and six-month periods ended June 30, 2019	—	(407)	—	(683)
Other comprehensive loss for the period	(13,642)	(4,154)	(8,020)	(7,350)
Total comprehensive income (loss) for the period	1,870	14,802	(1,985)	16,795
Attributable to:				
Shareholders of the Company	7,538	14,802	15,258	16,795
Non-controlling interests	(5,668)	—	(17,243)	—

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[In thousands of Canadian dollars]

[Unaudited]

	Equity attributable to shareholders of the Company								
	Notes	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total	Non- controlling interest	Total equity
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		—	—	—	—	24,145	24,145	—	24,145
Other comprehensive loss for the period		—	—	—	(7,350)	—	(7,350)	—	(7,350)
Comprehensive (loss) income		—	—	—	(7,350)	24,145	16,795	—	16,795
Share-based compensation expense	14 [ii]	—	—	1,155	—	—	1,155	—	1,155
Issuance under share purchase plan	14 [iii]	138	—	—	—	—	138	—	138
Balance as at June 30, 2019		761,982	785	15,481	13,605	256,267	1,048,120	—	1,048,120
Balance as at January 1, 2020		723,832	785	16,463	17,405	52,246	810,731	104,375	915,106
Net income for the period		—	—	—	—	15,740	15,740	(9,705)	6,035
Other comprehensive loss for the period		—	—	—	(482)	—	(482)	(7,538)	(8,020)
Comprehensive (loss) income		—	—	—	(482)	15,740	15,258	(17,243)	(1,985)
Share-based compensation expense	14 [ii]	—	—	697	—	—	697	—	697
Issuance under share option plan		758	—	(278)	—	—	480	—	480
Issuance under share purchase plan	14 [iii]	133	—	—	—	—	133	—	133
Shares purchased under Normal Course Issuer Bid	14 [iv]	(25,656)	—	—	—	(9,777)	(35,433)	—	(35,433)
Balance as at June 30, 2020		699,067	785	16,882	16,923	58,209	791,866	87,132	878,998

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

[Unaudited]

		Three months ended June 30,		Six months ended June 30,	
	Notes	2020	2019	2020	2019
OPERATING ACTIVITIES					
Net income for the period		15,512	18,956	6,035	24,145
Adjustments reconciling net income to operating cash flows:					
Deferred income tax (recovery) expense		(2,370)	1,251	(6,411)	1,267
Share-based compensation expense	14 [iii]	227	698	697	1,155
Depreciation and amortization		7,614	519	15,377	1,042
Net gain on financial instruments	9	(16,499)	(19,755)	(9,769)	(24,532)
Net gain on mandatory tender offer liability		(3,222)	—	(4,744)	—
Realized gain on sale of asset held for sale		—	—	(2,948)	—
Realized gain on automatic share purchase plan		(1,299)	—	(4,168)	—
Interest expense		2,266	—	5,422	—
Foreign exchange loss		4,056	1,024	8,963	2,677
Loss on hyperinflation		527	—	804	—
Share of net income of associate		—	372	—	(320)
Other adjustments		(750)	(13)	(414)	(183)
		6,062	3,052	8,844	5,251
Changes in non-cash working capital and other items	18	3,483	(600)	(20,305)	1,896
Other long-term receivable	13	—	—	—	(18,242)
Dividends from associate		—	—	—	4,159
Interest payments on bank loans		(1,473)	—	(1,634)	—
Cash inflow (outflow) from operating activities		8,072	2,452	(13,095)	(6,936)
INVESTING ACTIVITIES					
Purchase of marketable securities		(20,000)	(84,252)	(33,415)	(183,145)
Purchase of intangible assets		(10,093)	—	(12,407)	(1,989)
Purchase of property and equipment		(1,125)	(4)	(1,501)	(4)
Exercise of warrants	9 [iii]	—	—	(386)	—
Issuance of loans receivables		(7,364)	(201)	(7,364)	(18,051)
Purchase of equity investments		—	(6)	(397)	(6)
Investment in funds	9 [iv]	(7,445)	(5,463)	(13,000)	(12,570)
Proceeds on sale of asset held for sale	12	—	—	77,000	—
Proceeds on maturity of marketable securities		118,113	150,584	194,559	271,548
Proceeds from repayments of loans receivable	9 [i]	7,751	2,044	7,769	2,701
Proceeds from disposal of equity investments	9 [ii]	—	—	2,919	—
Proceeds from distribution of funds	9 [iv]	10,019	1	12,109	677
Cash inflow from investing activities		89,856	62,703	225,886	59,161
FINANCING ACTIVITIES					
Proceeds from exercise of stock options		480	—	480	—
Proceeds from contributions to share purchase plan		40	56	113	116
Proceeds from bank loans		—	—	11,922	—
Repurchase of common shares through Normal Course Issuer Bid	14 [iv]	(17,954)	—	(31,265)	—
Principal repayment of lease liabilities		(758)	(70)	(1,585)	(137)
Principal repayments on bank loans		(6,787)	—	(7,518)	—
Cash outflow from financing activities		(24,979)	(14)	(27,853)	(21)
Increase in cash and cash equivalents during the period		72,949	65,141	184,938	52,204
Cash, cash equivalents and restricted cash, beginning of the period		286,942	231,110	174,268	244,785
Net foreign exchange difference		(298)	(1,340)	387	(2,078)
Cash, cash equivalents and restricted cash, end of the period		359,593	294,911	359,593	294,911
Supplemental cash flow information:					
Interest received		935	7,092	8,255	11,263
Interest paid		(1,473)	—	(1,634)	—
Net income taxes received (paid)		350	(209)	(3,027)	(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
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

The Company was incorporated on November 1, 2013 under the Canada Business Corporations Act. Knight is a specialty pharmaceutical company and its principal business activity is acquiring, in-licensing, developing out-licensing, 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".

The GBT Transaction

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. GBT is a specialty pharmaceutical company incorporated in Luxembourg and headquartered in Montevideo, Uruguay, operating in 10 countries in Latin America. GBT markets and sells licensed specialty innovative products and engages in development, manufacturing and marketing of specialty branded generic products. GBT's business model focuses on therapeutic areas covering infectious diseases, oncology and onco-hematology, and certain other specialty therapeutics. This transformational acquisition establishes Knight as a premiere pan-American (ex-US) specialty pharmaceutical company.

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 six months ended June 30, 2020 and 2019 were authorized for issue by the Board of Directors on August 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. 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. Potential impacts may include, but are not limited to, impairment of intangible assets, goodwill, property plant and equipment, and financial assets, write-downs on inventory and a change in the estimated credit loss on accounts receivable.

As at June 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.

The remaining 48.8% ownership of GBT is 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") on similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders may choose to be paid BRL10.15 per BDR in cash on the settlement date plus interest at the Selic rate calculated from November 29, 2019. BDR holders will be able to tender their BDRs at an auction that will take place on August 14, 2020 and the settlement will be completed within 2 business days of the auction, see Subsequent Events.

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:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	\$
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

Provisional accounting

Due to the timing of the acquisition and the complexity associated with the valuation process, the measurement of the intangible assets, property, plant and equipment 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.

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	June 30, 2020	December 31, 2019
	\$	\$
Cash in bank	249,062	163,931
Cash equivalents	91,213	5,337
Restricted cash	19,318	5,000
Total	359,593	174,268

The restricted cash balance includes \$19,250 held by a trustee related to the disposal of the shares of Medison. The cash is expected to be released to Knight upon the issuance of a tax certificate by the Israel Tax Authority.

5. MARKETABLE SECURITIES

As at	June 30, 2020	December 31, 2019
	\$	\$
Current		
GICs earning interest at rates ranging from 1.25% to 3.30% and maturing from July 2020 to March 2021 (December 31, 2019: 2.16% to 3.25%, January 2020 to December 2020)	154,288	191,978
Term deposits of US\$27,618 earning interest at rates ranging from 1.60% to 3.04% and maturing from July 2020 to April 2021 (December 31, 2019: US\$22,331; 2.57% to 3.00%, January 2020 to July 2020)	37,639	29,003
GICs of US\$7,000 earning 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	191,927	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 earning interest at rates ranging from 2.82% to 3.04% and maturing from February 2021 to April 2021	—	15,723
Total non-current	15,317	126,869
Total	207,244	361,914

6. TRADE RECEIVABLES

As at	June 30, 2020	December 31, 2019
	\$	\$
Current	66,779	85,845
Non-Current	1,958	4,715
Total	68,737	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 six-month periods ended June 30, 2020, the Company has recorded an additional ECL of \$1,288 and \$2,421, respectively, in the statement of income in "Selling and marketing".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

7. OTHER RECEIVABLES

As at	June 30, 2020	December 31, 2019
	\$	\$
Interest receivable	2,624	7,534
Other receivables ¹	2,888	6,086
Commodity taxes receivable	3,595	4,002
Total	9,107	17,622

¹ Includes a distribution receivable from a strategic fund investment of \$280 (2019: \$2,456)

8. INVENTORIES

As at	June 30, 2020	December 31, 2019
	\$	\$
Raw materials	10,802	12,081
Work in progress	4,861	2,158
Finished goods	56,173	56,631
Total	71,836	70,870

During the three and six-month periods ended June 30, 2020, the Company recorded an increase in inventory provision of \$1,638 and \$4,926, respectively, in the statement of income in "Cost of goods sold".

9. OTHER FINANCIAL INSTRUMENTS

As at	Carrying amount	
	June 30, 2020	December 31, 2019
	\$	\$
Loans and other receivables [i]		
Measured at amortized cost	9,479	2,181
Measured at FVTPL	24,335	28,390
Equity Investments [ii]		
Measured at FVTPL	3,161	3,712
Measured at FVOCI	4,167	6,473
Derivatives [iii]		
Assets measured at FVTPL	1,504	4,334
Liabilities measured at FVTPL	(36,352)	—
MTO liability [iii]		
Measured at amortized cost	(145,005)	(184,023)
Fund Investments [iv]		
Measured at FVTPL	132,234	114,061
Total	(6,477)	(24,872)
Total other financial assets	174,880	159,151
Total other financial liabilities	(181,357)	(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 six-month period ended June 30 the Company recorded the following net gains on financial instruments in the consolidated statement of income as “Net loss (gain) on financial instruments measured at fair value through profit or loss”.

2020	Three months ended June 30,			Six months ended June 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	166	—	166	583	(46)	537
Equity Investments [ii]	(1,063)	—	(1,063)	(465)	712	247
Derivatives [iii] ²	10,382	—	10,382	37,616	(260)	37,356
Fund Investments [iv]	(10,627)	(5,001)	(15,628)	(4,553)	(5,908)	(10,461)
Total	(1,142)	(5,001)	(6,143)	33,181	(5,502)	27,679

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 unrealized loss for the three and six-month periods of \$10,382 and \$37,356 includes a loss of \$10,356 and \$37,448 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 [iv] for additional details.

2019	Three months ended June 30,			Six months ended June 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	874	(602)	272	6,908	(905)	6,003
Equity Investments [ii]	(36)	2	(34)	381	2	383
Derivatives [iii]	(57)	—	(57)	(92)	—	(92)
Fund Investments [iv]	(19,936)	—	(19,936)	(30,694)	(132)	(30,826)
Total	(19,155)	(600)	(19,755)	(23,497)	(1,035)	(24,532)

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 June 30, 2020, the nominal loan balance outstanding was \$38,895 [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 six-month period ended June 30.

	Carrying value as at January 1	Additions	Loan repayments	Net loss on FA ¹	Foreign exchange ²	Carrying value end of period	Current other financial assets	Non- current other financial assets
	\$	\$	\$	\$	\$	\$	\$	\$
2020								
Amortized Cost	2,181	7,364	(35)	—	(31)	9,479	3,407	6,072
FVTPL	28,390	2,602	(7,734)	(537)	1,614	24,335	6,675	17,660
Total	30,571	9,966	(7,769)	(537)	1,583	33,814	10,082	23,732
2019								
Amortized Cost	2,964	31	(2,667)	—	(104)	224	—	224
FVTPL	24,711	20,684	(2,668)	(6,003)	(822)	35,902	8,999	26,903
Total	27,675	20,715	(5,335)	(6,003)	(926)	36,126	8,999	27,127

¹ Net changes related to change in the fair value of loan receivables and recognition of day 1 gains

² Recorded a gain of \$1,260 in the statement of income in "Foreign exchange loss" (2019: loss of \$247) and a gain of \$323 in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations" (2019: loss of \$679)

³ During the three-month period ended June 30, 2020, recorded a loss of \$930 in the statement of income in "Foreign exchange loss (gain)" (2019: loss of \$431) and a loss of \$314 in the statement of other comprehensive income in "Unrealized (loss) gain on translation of foreign operations" (2019: loss of \$257)

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 six-month period ended June 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)	(247)	8	3,161	3,161	—
FVOCI	6,473	—	(1,825)	(638)	157	4,167	987	3,180
Total	10,185	782	(2,919)	(885)	165	7,328	4,148	3,180
2019								
FVTPL	4,736	6	—	(383)	(6)	4,353	4,353	—
FVOCI	6,074	—	—	2,210	(140)	8,144	4,470	3,674
Total	10,810	6	—	1,827	(146)	12,497	8,823	3,674

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.

	June 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	3,180	2,315,007	3,031
Total		4,167		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 \$1,971 [US\$1,447])

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 six-month period ended June 30.

	Carrying value as at January 1	Additions ¹	Disposals ²	Net 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	—	(1,736)	(37,356)	(90)	(34,848)	180	1,324	(36,352)
2019	1,805	818	—	92	(81)	2,634	46	2,588	—

¹ Derivatives recognized during the period

² Derivatives derecognized or disposed of during the period

³ Includes a loss of \$37,448 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 \$64 (2019: loss of \$34) in the statement of income in "Foreign exchange loss" and a loss of \$26 (2019: loss of \$47) in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations"

⁵ During the three-month period ended June 30, 2020, recorded a loss of \$51 (2019: loss of \$23) in the statement of income in "Foreign exchange loss (gain)" and a loss of \$12 (2019: loss of \$24) 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 48.2% of GBT. The offer will be at similar terms as the GBT Transaction plus interest at the Selic rate calculated from November 29, 2019 until the settlement date. Alternatively, the public shareholders may choose to be paid BRL10.15 per BDR in cash on the settlement date plus interest at the Selic rate calculated from November 29, 2019. Subsequent to the period end, the Company launched the Unified Tender Offer to acquire the remaining 48.8% of GBT.

As a result of the above, Knight has 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. For the six-month period ended June 30, 2020, Knight recorded an additional \$3,174 [BRL 11,160] to the mandatory tender offer liability with an offset to interest expense. As at June 30, 2020, the MTO liability was \$145,005 [BRL580,715] (December 31, 2019: \$184,023 [BRL569,155]) and the Company recorded a foreign exchange gain of \$13,578 and \$42,192 for the three and six-month periods ended June 30, 2020 upon its revaluation to the Canadian Dollar in the statement of income in "Net gain on mandatory tender offer liability".

In connection with the Unified Tender Offer, the Company entered into foreign exchange contracts to mitigate its exposure to foreign currency risks. As at June 30, 2020 the Company held foreign exchange forward contracts to sell CAD and buy USD \$122,965 at a weighted average rate of 1.33 CAD/USD ("USD Contract"). In addition, the Company entered into foreign exchange non-deliverable forward contracts to sell USD and buy BRL 511,147 at an average rate of 4.11 BRL per USD ("BRL Contract"). As at June 30, 2020, the Company has an obligation to purchase an BRL 511,147 at an average rate of 3.12 BRL per CAD based on the USD Contract and BRL Contract. Those contracts will be exercised upon the launch of the Unified Tender Offer. As a result, a derivative liability of \$36,352 was recorded as at June 30, 2020 (December 31, 2019: derivative asset of \$1,096). Due to the currency fluctuation the Company recorded a loss of \$10,356 and \$37,448 for the three and six-month periods ended June 30, 2020 in the statement of income in "Net gain on mandatory tender offer liability".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As a result of changes in the fair value of the USD Contract and BRL Contract (“FX Contracts”) and the foreign exchange revaluation of the MTO liability the Company recorded the following net gain for the three and six-month periods ended June 30, 2020, in the consolidated statement of income as “Net gain on mandatory tender offer liability”.

	Three months ended June 30	Six months ended June 30
	\$	\$
Change in fair value of FX Contracts	10,356	37,448
Foreign exchange revaluation of MTO liability	(13,578)	(42,192)
Net gain on mandatory tender offer liability	(3,222)	(4,744)

Subsequent to the quarter, in connection with the launch of the United Tender Offer, the Company converted \$163,797 to BRL 510,873 and closed all FX contracts.

[iv] Fund investments

The following table summarizes the movement in fund investments recorded at FVTPL during the six-month period ended June 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	13,000	(9,933)	10,461	4,645	132,234	—	132,234
2019	87,054	12,570	(677)	30,826	(3,680)	126,093	—	126,093

¹ Investments in equity or debt funds including US\$3,800 and EUR 1,507 (2019: including US\$2,240 and EUR 1,746)

² Distributions received from funds including US\$3,771 and EUR 110 (2019: including US\$0 and EUR 0)

³ Includes distribution receivable of \$280 (2019: \$2,456)

⁴ Recorded a gain of \$782 in the statement of income in “Foreign exchange loss” (2019: loss of \$1,052) and \$3,863 in the statement of other comprehensive (loss) income in “Unrealized (loss) gain on translation of foreign operations” (2019: loss of \$2,628)

⁵ During the three-month period ended June 30, 2020, recorded a loss of \$167 in the statement of income in “Foreign exchange loss (gain)” (2019: loss of \$241) and \$2,863 in the statement of other comprehensive income in “Unrealized (loss) gain on translation of foreign operations” (2019: loss of \$1,521)

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	June 30, 2020	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Recurring fair value measurements				
Loans measured at FVTPL	24,335	—	—	24,335
Equity investments measured at FVTPL	3,161	3,161	—	—
Equity investments measured at FVOCI	4,167	987	—	3,180
Derivative assets	1,504	—	—	1,504
Derivative liabilities	(36,352)	—	(36,352)	—
Fund investments measured at FVTPL	132,234	—	—	132,234
Total	129,049	4,148	(36,352)	161,253

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

There were no transfers between levels of the fair value hierarchy for the six-month period ended June 30, 2020 or 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	June 30, 2020		December 31, 2019	
	US\$	\$	US\$	\$
Loans measured at FVTPL				
Triumvira	—	—	46	60
Equity investments measured at FVOCI				
Medimetriks	730	994	730	948
Synergy	3,764	5,130	3,764	4,889
Total	4,494	6,124	4,540	5,897

11. BANK LOANS

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

As at				June 30, 2020		December 31, 2019	
				Current	Non-Current	Current	Non-Current
Banks	Currency of debt	Interest rate	Maturity	\$	\$	\$	\$
Citibank	ARS	18.40%	November 2, 2020	1,330	—	2,991	—
Itaú Unibanco	BRL	1.65% +100% CDI	December 8, 2023	28,728	—	42,532	—
Banco Santander	BRL	2.00% +100% CDI	December 13, 2021	3,887	1,940	5,034	5,022
Banco Santander	BRL	1.39% +100% CDI	March 4, 2021	10,129	—	—	—
Total Bank Loans				44,074	1,940	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 September 9, 2015, Knight acquired a 28.3% ownership interest in Medison, a privately-owned specialty pharmaceutical company based in Israel. The consideration given for the equity interest in Medison amounted to \$83,131, which includes the fair value of 10,580,884 common shares of Knight issued to Medison and its controlling shareholder.

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 received \$57,750. The remaining \$19,250 is held by a trustee and is expected to be released to Knight upon the issuance of a tax certificate by the Israel Tax Authority. The Company 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]	20,560	133
Issuance under share option plan	[ii]	85,000	758
Shares purchased under NCIB	[iv]	(4,804,443)	(25,656)
Balance as at June 30, 2020		130,938,419	699,067

[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 initially approved in 2014 ("Legacy Plan"). The Legacy Plan was terminated and a new share option plan ("the Plan") was approved by the Board of Directors and the shareholders on May 9, 2017. All options issued under the legacy plan roll into 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 Plan was re-approved by the shareholders on June 25, 2020.

The Company recorded compensation expense of \$227 and \$697 (2019: \$698 and \$1,155) for the three and six-month periods ended June 30, 2020 with corresponding credits to contributed surplus related to the issuance of stock options

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

net of forfeitures. The Company did not grant any new options during the six-month period ended June 30, 2020. The weighted average fair value of the options granted during the six-month period in 2019, estimated by using the Black-Scholes option pricing model, was \$3.13. The fair value of the options was estimated on the date of grant based on the following weighted average assumptions:

Six months ended June 30, 2019

Weighted average risk-free interest rate	1.82%
Dividend yield	Nil
Weighted average volatility factor [i]	40%
Unvested forfeiture rate	2%
Weighted average expected life	6.04 years

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

	Six months ended June 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	—	—	699,568	7.61
Options exercised	(85,000)	5.65	—	—
Options expired/forfeited	(381,255)	8.32	(71,458)	8.26
Balance at end of the period	4,426,617	7.61	4,757,953	7.64
Options exercisable at the end of the period	3,490,227	7.46	3,368,407	7.33

[iii] 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 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 six-month period ended June 30, 2020, 20,560 shares (2019: 18,175 shares) were issued under the Purchase Plan for a total of \$133 (2019: \$138).

[iv] NCIB and ASPP

On July 8, 2019, the Company announced that the Toronto Stock Exchange approved its notice of intention for a NCIB. Under the terms of the NCIB, Knight may 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, when the Company completed its maximum purchases under the NCIB. The Company purchased a cumulative 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 NCIB. Under Knight’s ASPP, the broker was able to purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. Such purchases were made by the broker based on parameters and instructions communicated by the Company prior to any regulatory restrictions or self-imposed blackout periods. The Company was in a blackout period starting January 15, 2020 and remained in blackout until the completion of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

During the three and six-month periods ended June 30, 2020, the Company purchased 2,478,360 and 4,804,443 common shares (“Acquired Shares”), for an aggregate cash consideration of \$16,979 and \$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 of \$1,299 and \$4,168 for the three and six-month periods ended June 30, 2020, in the statement of income in “Realized gain on automatic share purchase plan”.

Subsequent to the quarter end, on July 10, 2020, the Company announced that the Toronto Stock Exchange approved its notice of intention to make a NCIB, refer to Note 23 for further details.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at	June 30, 2020	December 31, 2019
	\$	\$
Net unrealized losses on equities at FVOCI net of tax of \$1,082 (2019: \$1,070)	(8,767)	(8,448)
Share of other comprehensive income of an associate net of tax of \$789 (2019: \$608)	767	767
Unrealized gain on translation of foreign operations	20,969	28,670
Total	12,969	20,989
Non-controlling interest	3,954	(3,584)
Attributable to shareholders of the Company	16,923	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 June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net income attributable to shareholders of the Company	17,449	18,956	15,740	24,145
Weighted average shares outstanding	131,045,101	142,861,274	133,094,626	142,856,785
Basic earnings per share	\$0.133	\$0.133	\$0.118	\$0.169

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net income attributable to shareholders of the Company	17,449	18,956	15,740	24,145
Weighted average shares outstanding	131,045,101	142,861,274	133,094,626	142,856,785
Adjustment for warrants and share options	324,105	354,105	308,750	373,657
Weighted average shares outstanding	131,369,206	143,215,379	133,403,376	143,230,442
	\$0.133	\$0.132	\$0.118	\$0.169

17. SEGMENT REPORTING

Prior to the close of the GBT Transaction, 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. As at June 30, 2020, and considering the timing of the GBT Transaction, the operations of GBT were managed and reviewed as one component and therefore the Company presents its financial information in two separate operating segments as follows:

- Knight Canada and rest of world excluding LATAM (“Knight”):** Principal business activity is focused on developing, acquiring, in-licensing, out-licensing, marketing and distributing innovative pharmaceutical products in Canada and select international markets (excluding the LATAM region). Knight carries out business primarily in Canada with certain operating revenue streams in Europe, United States of America, Barbados, Israel and select international countries (excluding the LATAM region).
- LATAM (“GBT”):** Principal business activity is focused on in-licensing, marketing and distributing innovative products as well as developing, manufacturing and marketing of specialty pharmaceutical branded generic products. GBT carries out its operations across ten countries in Latin America.

Information on reportable segments

Three-month period ended June 30, 2020	Knight \$	GBT \$	Consolidated \$
Revenues	4,323	48,927	53,250
Cost of goods sold	1,318	29,695	31,013
Gross Margin	3,005	19,232	22,237
Selling and marketing	1,016	8,035	9,051
General and administrative	2,661	5,510	8,171
Research and development	837	1,482	2,319
Amortization of intangible assets	387	5,417	5,804
Interest (income) expense	(2,506)	1,094	(1,412)
Other (income) expense	(157)	292	135
Net gain on financial instruments measured at FVTPL	(16,499)	—	(16,499)
Income tax expense (recovery)	189	(1,095)	(906)
Segment income (loss)	17,077	(1,503)	15,574
Total segment assets	1,016,133	208,615	1,224,748
Total segment liabilities	213,746	132,004	345,750

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Reconciliation of segment income to net income

Three-month period ended June 30, 2020	Consolidated \$
Segment income	15,574
Net gain on mandatory tender offer liability	(3,222)
Realized gain on automatic share purchase plan	(1,299)
Foreign exchange (gain) loss	4,056
Loss on hyperinflation	527
Net income for the period	15,512

Six-month period ended June 30, 2020	Knight \$	GBT \$	Consolidated \$
Revenues	7,495	91,594	99,089
Cost of goods sold	1,882	55,110	56,992
Gross Margin	5,613	36,484	42,097
Selling and marketing	2,212	16,953	19,165
General and administrative	5,180	11,409	16,589
Research and development	1,604	3,464	5,068
Amortization of intangible assets	710	11,133	11,843
Interest (income) expense	(5,140)	2,235	(2,905)
Other (income) expense	(157)	267	110
Net gain on financial instruments measured at FVTPL	(9,769)	—	(9,769)
Income tax recovery	(601)	(1,345)	(1,946)
Segment income (loss)	11,574	(7,632)	3,942

Reconciliation of segment income to net income

Six-month period ended June 30, 2020	Consolidated \$
Segment income	3,942
Net gain on mandatory tender offer liability	(4,744)
Realized gain on sale of asset held for sale	(2,948)
Realized gain on automatic share purchase plan	(4,168)
Foreign exchange (gain) loss	8,963
Loss on hyperinflation	804
Net income for the period	6,035

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Geographic Information

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

	Three months ended June 30	Six months ended June 30
	\$	\$
Revenues		
Brazil	21,813	35,819
Argentina	10,684	21,189
Colombia	8,464	17,556
Rest of LATAM	7,966	17,030
Canada	1,438	2,122
Other ¹	2,885	5,373
Total	53,250	99,089

¹ Includes Europe, US and other countries.

As at June 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 June 30, 2020	Non-current operating assets \$
Brazil	63,066
Argentina	37,834
Colombia	39,072
Rest of LATAM	106,245
Canada	66,550
Other	558
Total	313,325

For the three and six-month periods ended June 30, 2019, revenues from products sold in Canada were \$617 and \$1,176, and revenues from products sold internationally were \$2,587 and \$4,984 respectively. Furthermore, noncurrent operating assets consisting of property and equipment, intangible assets, investment in associate and other receivables held in Canada and internationally were \$136,394 and \$1,502 respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Changes in non-cash working capital:				
Decrease (increase) in				
Trade and other receivables	16,137	349	12,344	71
Prepays and deposits	(582)	—	(435)	—
Inventories	(1,200)	2	(10,952)	302
Income taxes receivable	1,449	(44)	5,087	42
Increase (decrease) in				
Accounts payable and accrued liabilities	(11,909)	(842)	(18,202)	1,381
Other liabilities	5	—	33	—
Income tax payable	329	474	(6,751)	933
Other				
Other Financial Assets	(746)	(539)	(1,429)	(833)
	3,483	(600)	(20,305)	1,896

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 price in Canada is limited to a range with a lower bound set by the prices of existing comparable drugs sold in Canada and an upper bound set by the median prices for the same drug sold in a specified set of developed comparator countries. For existing patented products, prices cannot be increased annually by more than a factor based on Statistics Canada's Consumer Price Index. The PMPRB monitors compliance through a review of the average transaction price of each patented drug product as reported by pharmaceutical companies like Knight on a semi-annual basis. The PMPRB may from time to time deem certain of Knight's existing or future patented products to be excessively priced based on the application of its empowering legislation and regulations, including those related to price increases, the comparative assessment of new products and reductions in the highest price in international reference countries. Such determinations by the PMPRB may have a material adverse effect on Knight's financial condition and results of operations or cash flows.

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

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

On August 21, 2019, the federal government published the final regulations governing the PMPRB. The new regulations include eleven countries as comparators and was expected to come into force on July 1, 2020. On November 21, 2019,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 are now expected to come into force on January 1, 2021. The PMPRB will move forward with the issuance of a revised set of draft Guidelines, followed by another written consultation period. The revised Draft Guidelines were published on June 19, 2020, and the consultation period ended on August 4, 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 \$4 and \$8 (2019: \$4 and \$7) to the Company for the three and six-month periods ended June 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 June 30, 2020 are as follows:

[i] Fund commitments

As at June 30, 2020, under the terms of Company's agreements with life sciences venture capital funds, \$33,577 (December 31, 2019: \$44,116), including \$6,735 [US\$4,942] and \$7,236 [EUR 4,728] (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).

[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 \$330,914 including \$46,819 [US\$34,355], \$142,322 [CHF 99,000] and \$589 [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 \$2,112 [EUR 738 and US\$721], 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 \$126,112 [BRL 35,410, USD 66,226 and CHF 18,793], which will be purchased over the next 8 years.

	\$
2020	11,929
2021	8,875
2022	13,967
2023	19,370
2024	20,517
2025 and beyond	51,454
Total	126,112

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 \$3,407 [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 \$11,584 [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 and consolidated balance sheets have been reclassified to conform to the presentation adopted in the current period.

23. SUBSEQUENT EVENTS

NCIB

On July 10, 2020, the Company announced that the Toronto Stock Exchange approved its notice of intention to make a NCIB. Under the terms of the 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.

MTO

On July 15, 2020, Knight announced the launch of the tender offer for the acquisition and delisting of the remaining 48.8% of GBT. When tendering their BDRs, the public shareholders may choose between the following two tender options:

- BRL10.96 per BDR plus interest at the Selic rate calculated from November 29, 2019 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.
- BRL10.15 per BDR in cash on the settlement date plus interest at the Selic rate calculated from November 29, 2019.

BDR holders will be able to tender their BDRs at an auction that will take place on August 14, 2020 and the settlement will be completed within 2 business days of the auction.

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Toronto Stock Exchange
Trading Symbol: GUD

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