Knight

Annual Report 2021

Table of Contents

Message to our Shareholders

While 2021 was a challenging year for us, our employees, and many people across the globe due to the continued global pandemic it was a record-setting year for Knight. Knight achieved record revenues of $243 million, an increase of 22% over 2020 and record adjusted EBITDA of $38 million, an increase of 126% over 2020. Further, we continued to execute on our strategy of building on our pan-American ex US footprint focusing - our people, building on process, expanding on our products, and achieving record **PERFORMANCE**.

One of our organization's strengths is our exceptionally talented **PEOPLE**. During 2021, we strengthened our management team with the addition of five executives namely a Global VP Commercial and Global VP of Human Resources based in Montreal, Canada as well as Global VP of Scientific Affairs and Global VP of Legal and Compliance based in Sao Paulo, Brazil, and a Global VP Manufacturing and Operations based in Buenos Aires, Argentina in 2022. We also continued to strengthen the structure and talent of our teams in each of our countries throughout 2021. During 2022, we will continue to improve on our structure to have the optimal team as we add more products to our portfolio.

As part of our integration activities the Knight team has been focused on implementing and improving our operating **PROCESSES**, including through systems implementation to enhance and monitor performance and execution. To date, we have completed the implementation of a global Customer Relations Management, a global pharmacovigilance and medical information systems, and Human Resource Information System as well as implemented ERP for 14 legal entities in 6 countries. In addition, Knight's integration efforts during 2021 included additional changes to the structure and teams as well as advancing on implementation of a training system, initiating the implementation of a quality assurance system and continuing to implement ERP in the rest of Latin America.

We continue to advance our **PORTFOLIO** and execute business development initiatives in Canada and Latin American markets. During 2021, we acquired exclusive rights to manufacture, market and sell Exelon® in Canada and LATAM, entered into exclusive supply and distribution agreement with Incyte for tafasitamab and pemigatinib for Latin America, and launched Ibsrela™ in Canada. On regulatory front we obtained regulatory approval for an additional indication for NERLYNX®, obtained INVIMA approval in Colombia for Halaven® (eribulin) injection and Lenvima® (lenvatinib) as well as obtained approval for Rembre®(dasatinib), Knight's own branded generic product. We aim to continue advancing our product pipeline through developing, acquiring and in-licensing of innovative and branded generics products as we continue to execute on our strategy of building a leading pan-American (ex US) specialty pharmaceutical company.

Looking ahead

Thanks to the commitment and hard work of our employees, we achieved our 2021 goals and have entered 2022 well positioned for further success. Throughout 2022, as the pandemic restrictions loosen, our teams will strive to build on 2021's momentum and continue to execute on our pipeline and launches, to drive strong performance and ensure physicians and patients continue to receive the quality medications throughout our territories. At the same time, we will concentrate our efforts on completion of the ERP implementation in the rest of Latin America as well as other systems, to optimize and standardize the processes across all our territories.

Finally, we will remain focused on our mission to acquire, in-license, develop and commercialize medicines and high-quality treatments to improve the health of patients in Latin America and Canada.

(signed) Jonathan Ross Goodman

Jonathan Ross Goodman B.A., LL.B, MBA

Executive Chairman of the Board of Directors

(signed) Samira Sakhia

Samira Sakhia MBA

President, Chief Executive Officer and Director

Management's Discussion and Analysis for the year ended December 31, 2021

(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 year ended December 31, 2021. This document should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2021. Knight's audited annual consolidated financial statements as at December 31, 2021 have been prepared in accordance with International Financial Reporting Standards. 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 March 23, 2022. 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.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

TABLE OF CONTENTS

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

GLOSSARY OF ABBREVIATIONS

Abbreviation	Calendar
Q4-21	Fourth Quarter of 2021
Q3-21	Third quarter of 2021
Q2-21	Second quarter of 2021
Q1-21	First quarter of 2021
Q4-20	Fourth quarter of 2020
Q3-20	Third quarter of 2020
Q2-20	Second quarter of 2020
Q1-20	First quarter of 2020

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

Abbreviation	Financial
Annual Financial Statements	Audited annual consolidated financial statements
ARS	Argentine Peso
BOB	Bolivian Boliviano
BRL	Brazilian Real
C$ or $ or CAD	Canadian Dollar
CDI	Certificados de Depositos Interfinancieros (Brazil interbank lending rate)
CHF	Swiss Franc
CLP	Chilean Peso
COP	Colombian Peso
DC&P	Disclosure Controls and Procedures
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
MXN	Mexican Peso

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Abbreviation	Financial
PEN	Peruvian Sol
PYG	Paraguayan Guarani
ROU	Right-of-use
US$/USD	U.S. Dollar
UYU	Uruguayan Peso

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

Abbreviation	Other
ART	Antiretroviral Therapy
ASPP	Automatic share purchase plan
BGx	Branded Generic Pharmaceutical Product
CEO	Chief executive officer
CRA	Canada Revenue Agency
DSU	Deferred share units
ECL	Expected credit loss
ERP	Enterprise Resource Planning
HCC	Unresectable hepatocellular carcinoma
HCV	Human hepatitis virus infection
HIV	Human immunodeficiency virus infection
HMO	Health Maintenance Organization
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
NON	Notice of Non-Compliance
pERC	Pan-Canadian Oncology Drug Review Expert Review Committee
PMPRB	Patented Medicine Prices Review Board
PRV	Priority Review Voucher
PSU	Performance share units
QRA	Quebec Revenue Agency
RR-DTC	Radioiodine refractory differentiated thyroid cancer
RSU	Restricted share units
WAFV	Weighted average fair value

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

OVERVIEW

Section 1 – About Knight Therapeutics Inc.

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

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

Section 2 – 2021 Highlights

Financial Results

- Revenues were $243,478, an increase of $43,959 or 22% over prior year.
- Gross margin of $115,412 or 47% compared to $81,690 or 41% in prior year.
- Adjusted EBITDA[1] was $38,005, an increase of $21,168 or 126% over prior year.
- Net gain on financial assets measured at fair value through profit or loss of $18,944.
- Net income was $15,675, compared to net income of $31,760 in prior year.
- Cash inflow from operations was $44,618, compared to a cash outflow from operations of $12,205 in prior year.

Corporate Developments

- Purchased 12,321,864 common shares through Knight's NCIB at an average price of $5.23 for an aggregate cash consideration of $64,415.
- Performed leadership change with Samira Sakhia assuming role of CEO and Jonathan Goodman assuming role of Executive Chairman effective September 1, 2021.
- Promoted Amal Khouri to Chief Business Officer.
- Hired Jeff Martens as Global VP Commercial, Monica Percario as Global VP Scientific Affairs, Daniela Marino as Global VP Legal and Compliance and Susan Emblem as Global VP Human Resources.
- Shareholders re-elected James C. Gale, Jonathan Ross Goodman, Samira Sakhia, Robert N. Lande, Michael J. Tremblay, Nicolás Sujoy and Janice Murray on the Board of Directors.

Products

- Acquired, in May 2021, the exclusive rights to manufacture, market and sell Exelon® in Canada and LATAM for an upfront and milestone payment of $217,331 [US$180,000].
- Entered into exclusive supply and distribution agreement with Incyte for tafasitamab and pemigatinib for Latin America.
- Launched Ibsrela™ in Canada for the treatment of IBS-C.
- Obtained regulatory approval for NERLYNX® to treat subset of HER2-positive metastatic breast cancer patients in Canada.
- Obtained regulatory approval for Rembre® to treat chronic myeloid leukemia in Colombia.
- Obtained regulatory approval for Halaven® to treat locally advanced or metastatic breast cancer in Colombia.
- Obtained regulatory approval for Lenvima® to treat RR-DTC and u-HCC in Colombia.

[1] Adjusted EBITDA is a non-GAAP measure, refer to section "Non-GAAP measures" and "Reconciliation to adjusted EBITDA" for additional details

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Strategic Investments

- Disposed of 315,600 common shares of Medexus for total proceeds of $2,624 realizing a gain of $1,639.
- Received distributions of $30,931 from strategic fund investments, including $10,906 (US$8,774) final distribution from the liquidation of NEMO II fund, and realized a gain of $16,644.

Subsequent to year-end

- Launched Lenvima® and Rembre® in Colombia in February 2022.
- Launched Halaven® in Colombia in March 2022.
- Hired Leopoldo Bosano as VP Manufacturing and Operations in March 2022.
- Purchased an additional 933,715 common shares through NCIB for an aggregate cash consideration of $4,997.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Section 3 – GBT Integration Update

Prior to the acquisition of Knight, GBT was operating as four stand-alone companies: (i) Grupo Biotoscana, a regional specialty pharmaceutical focused on in-licensing headquartered in Colombia; (ii) United Medical, a Brazilian specialty pharmaceutical company focused on in-licensing; (iii) Laboratorio LKM, a regional specialty pharmaceutical company, based in Argentina focused on specialty branded generics; and (iv) Laboratorio DOSA, an Argentinian branded generic manufacturer focused on severe pulmonary pathologies ("GBT Companies"). The integration of GBT is complex due to its operations in ten different countries and has been further complicated due to COVID-19 restrictions. The Company advanced substantially on the integration of Knight and the GBT in 2021.

Knight's integration efforts included changes to the Company's structure & teams, implementation of processes as well as multiple global systems. The Company made organizational and restructuring changes including at the level of GBT's management team and the total cost related to such restructuring activities, including severance, was $1,708 in 2021 (2020: $3,871).

As part of the GBT integration, Knight completed the implementation of a global customer relationship management system, pharmacovigilance system and human resources system, advanced in implementation of a training system, initiated the implementation of a quality assurance system and a global ERP system with the intent to simplify and standardize the supply chain and finance functions. The ERP was implemented in 14 entities which covered entities in Canada, Uruguay, Paraguay, Mexico, Spain & Luxembourg and the company expects to complete the implementation of the ERP in the rest of Latin America excluding Argentina during the second half of 2022.

Furthermore, Knight expanded its management team with the addition of five additional executives namely a Global VP of Commercialization and a Global VP of Human Resources based in Montreal, Canada, a Global VP of Scientific Affairs and a Global VP of Legal and Compliance based in Sao Paulo, Brazil and a Global VP Manufacturing and Operations based in Buenos Aires, Argentina. The Company expects that the integration of GBT will be substantially completed during 2022.

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. After applying for the effects of translation, the statement of income is converted using the closing foreign exchange rate of the month. The Company restated the revenues and operating expenses of each of the following months in the year ended December 31 using the following general price indexes:

	January	February	March	April	May	June	July	August	September	October	November	December
2021	1.45	1.40	1.34	1.28	1.24	1.20	1.17	1.14	1.10	1.06	1.04	1.00
2020	1.33	1.31	1.26	1.24	1.23	1.20	1.18	1.14	1.11	1.07	1.04	1.00

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

If the Company did not apply IAS 29, the effect on the Company's operating loss would be as follows:

	Q4-21				YTD-21			
	Reported under IFRS	Excluding impact of IAS 29[1]	Variance $[2]	Variance %[2]	Reported under IFRS	Excluding impact of IAS 29	Variance $[2]	Variance %[2]
Revenues	58,273	56,358	1,915	3%	243,478	239,238	4,240	2%
Cost of goods sold	30,078	27,724	(2,354)	8%	128,066	120,409	(7,657)	6%
Gross margin	**28,195**	**28,634**	(439)	2%	**115,412**	**118,829**	(3,417)	3%
Gross margin (%)	**48%**	**51%**			**47%**	**50%**		
Expenses								
Selling and marketing	10,430	10,050	(380)	4%	37,217	36,395	(822)	2%
General and administrative	11,863	11,656	(207)	2%	37,159	35,591	(1,568)	4%
Research and development	3,496	3,087	(409)	13%	12,692	12,080	(612)	5%
Amortization of intangible assets	17,040	16,355	(685)	4%	41,176	38,824	(2,352)	6%
Operating loss	**(14,634)**	**(12,514)**	(2,120)	17%	**(12,832)**	**(4,061)**	(8,771)	216%

[1] *Financial results excluding the impact of hyperinflation is a non-GAAP measure. Refer to section "Non-GAAP measures" for additional details.*
[2] *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*
[3] *Percentage change is presented in absolute values*

	Q4-20				YTD-20			
	Reported under IFRS	Excluding impact of IAS 29[1]	Variance $[2]	Variance %[3]	Reported under IFRS	Excluding impact of IAS 29	Variance $[2]	Variance %[3]
Revenues	55,191	56,676	(1,485)	3%	199,519	202,536	(3,017)	1%
Cost of goods sold	35,131	33,769	(1,362)	4%	117,829	112,561	(5,268)	5%
Gross margin	**20,060**	**22,907**	(2,847)	12%	**81,690**	**89,975**	(8,285)	9%
Gross margin (%)	**36%**	**40%**			**41%**	**44%**		
Expenses								
Selling and marketing	8,657	9,287	630	7%	35,585	36,309	724	2%
General and administrative	11,421	11,558	137	1%	38,845	38,214	(631)	2%
Research and development	3,690	3,784	94	2%	11,725	11,957	232	2%
Amortization of intangible assets	7,989	7,622	(367)	5%	25,535	25,029	(506)	2%
Impairment of intangible assets	656	656	—	0%	656	656	—	0%
Operating loss	**(12,353)**	**(10,000)**	(2,353)	24%	**(30,656)**	**(22,190)**	(8,466)	38%

[1] *Financial results excluding the impact of hyperinflation is a non-GAAP measure. Refer to section "Non-GAAP measures" for additional details.*
[2] *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*
[3] *Percentage change is presented in absolute values*

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Impact of LATAM Foreign Exchange volatility

The Company records its transactions and balances in the respective functional currencies of its subsidiaries. Generally, for the LATAM subsidiaries, the functional currency is the local currency in the country where the entity operates. In order to convert a foreign-denominated transaction to the functional currency, the exchange rate prevailing at the date of the transaction is used. Furthermore, upon consolidation, for all subsidiaries with a functional currency other than CAD, the respective statements of income are translated using the average exchange rates for the period. The table below summarizes the average foreign exchange rates used for the conversion of selected LATAM currencies:

Rates	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
BRL	4.44	4.15	4.30	4.32	4.14	4.08	3.88	3.31
ARS	79.7	77.2	76.46	69.9	61.3	54.9	48.7	45.8
COP	3,080	3,058	3,012	2,812	2,809	2,801	2,778	2,632
CLP	656	614	583	572	584	587	594	599

The below table summarizes the variances quarter over quarter for selected LATAM currencies:

Variance (%)[1]	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
BRL	-7%	3%	0%	-4%	-1%	-5%	-17%	-6%
ARS	-3%	-1%	-9%	-14%	-12%	-13%	-6%	-1%
COP	-1%	-2%	-7%	0%	0%	-1%	-6%	-3%
CLP	-7%	-5%	-2%	2%	1%	1%	1%	-3%

[1] *Negative percentage represents a depreciation of the currency while a positive variance represents an appreciation of the currency*

Impact

The depreciation of LATAM currencies during 2021 has negatively impacted the Company's results in two ways:

i. Transactional impact: certain product purchases and operating expenses are denominated in foreign currencies (mainly USD, EURO and CHF); and,
ii. Translational impact: translation of local LATAM functional currency operating results to reporting currency in CAD.

Constant Currency

Financial results at constant currency[2] allow results to be viewed without the impact of fluctuations in foreign currency exchange rates thereby facilitating the comparison of results period over period. The presentation of financial results at constant currency is considered to be a non-GAAP measure and does not have any standardized meaning under GAAP. As a result, the information presented may not be comparable to similar measures presented by other companies.

Financial results at constant currency[2] are obtained by translating the prior period results from the functional currencies to CAD using the conversion rates in effect during the current period. Furthermore, with respect to Argentina, the Company excludes the impact of hyperinflation and translates the results at the average exchange rate in effect for each of the periods.

[2] *Financial results at constant currency are non-GAAP measure, refer to section "Non-GAAP measures" for additional details*

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

	Q4-21	Q4-20	Variance		YTD-21	YTD-20	Variance	
			Excluding impact of IAS 29[1]					
		Constant Currency[2]	**$[3]**	**%[4]**		*Constant Currency[2]*	**$[3]**	**%[4]**
Revenues	**56,358**	53,407	2,951	6%	**239,238**	190,406	48,832	26%
Cost of goods sold	**27,724**	31,702	3,978	13%	**120,409**	103,865	(16,544)	16%
Gross margin	**28,634**	21,705	6,929	32%	**118,829**	86,541	32,288	37%
Gross margin (%)	***51%***	*41%*			***50%***	*45%*		
Expenses								
Selling and marketing	**10,050**	8,895	(1,155)	13%	**36,395**	34,594	(1,801)	5%
General and administrative	**11,656**	11,180	(476)	4%	**35,591**	36,727	1,136	3%
Research and development	**3,087**	3,713	626	17%	**12,080**	11,709	(371)	3%
Amortization of intangible assets	**16,355**	7,312	(9,043)	124%	**38,824**	23,234	(15,590)	67%
Impairment of intangible assets	**—**	656	656	100%	**—**	656	656	100%
Operating loss	**(12,514)**	(10,051)	(2,463)	25%	**(4,061)**	(20,379)	16,318	80%
EBITDA[5]	**4,101**	(1,193)	5,294	444%	**35,865**	5,122	30,743	600%
Adjusted EBITDA[5]	**5,696**	1,354	4,342	321%	**38,005**	13,836	24,169	175%

[1] *Financial results excluding the impact of hyperinflation is a non-GAAP measure, refer to section "Non-GAAP measures" for additional details.*
[2] *Financial results at constant currency are non-GAAP measure, refer to section "Non-GAAP measures" for additional details*
[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] *Financial results at constant currency, EBITDA and adjusted EBITDA are non-GAAP measures, refer to section "Non-GAAP measures" and "Reconciliation to adjusted EBITDA" for additional details*

The financial results under IFRS reconcile to the financial results at constant currency as follows:

	Q4-20				YTD-20			
	Reported under IFRS	*IAS 29 Adjustment*	*Constant Currency Adjustment*	*Constant Currency[1]*	*Reported under IFRS*	*IAS 29 Adjustment*	*Constant Currency Adjustment*	*Constant Currency[1]*
Revenues	55,191	1,485	(3,269)	53,407	199,519	3,017	(12,130)	190,406
Cost of goods sold	35,131	(1,362)	(2,067)	31,702	117,829	(5,268)	(8,696)	103,865
Gross margin	20,060	2,847	(1,202)	21,705	81,690	8,285	(3,434)	86,541
Expenses								
Selling and marketing	8,657	630	(392)	8,895	35,585	724	(1,715)	34,594
General and administrative	11,421	137	(378)	11,180	38,845	(631)	(1,487)	36,727
Research and development	3,690	94	(71)	3,713	11,725	232	(248)	11,709
Amortization of intangible assets	7,989	(367)	(310)	7,312	25,535	(506)	(1,795)	23,234
Impairment of intangible assets	656	—	—	656	656	—	—	656
Operating loss	(12,353)	2,353	(51)	(10,051)	(30,656)	8,466	1,811	(20,379)
EBITDA[2]	(832)	—	(361)	(1,193)	7,761	—	(2,639)	5,122
Adjusted EBITDA[2]	1,771	—	(417)	1,354	16,837	—	(3,001)	13,836

[1] *Financial results at constant currency are non-GAAP measure, refer to section "Non-GAAP measures" for additional details*
[2] *Financial results at constant currency, EBITDA and adjusted EBITDA are non-GAAP measures, refer to section "Non-GAAP measures" and "Reconciliation to adjusted EBITDA" for additional details*

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Consolidated Statement of (Loss) Income

			Change				Change	
	Q4-21	Q4-20	**$[1]**	**%[2]**	**YTD-21**	YTD-20	**$[1]**	**%[2]**
Revenues	**58,273**	55,191	3,082	6%	**243,478**	199,519	43,959	22%
Cost of goods sold	**30,078**	35,131	5,053	14%	**128,066**	117,829	(10,237)	9%
Gross margin	**28,195**	20,060	8,135	41%	**115,412**	81,690	33,722	41%
Gross margin (%)	**48%**	36%			47%	41%		
Expenses								
Selling and marketing	**10,430**	8,657	(1,773)	20%	**37,217**	35,585	(1,632)	5%
General and administrative	**11,863**	11,421	(442)	4%	**37,159**	38,845	1,686	4%
Research and development	**3,496**	3,690	194	5%	**12,692**	11,725	(967)	8%
Amortization of intangible assets	**17,040**	7,989	(9,051)	113%	**41,176**	25,535	(15,641)	61%
Impairment of intangible assets	**—**	656	656	100%	**—**	656	656	100%
Operating loss	**(14,634)**	(12,353)	(2,281)	18%	**(12,832)**	(30,656)	17,824	58%
Interest income on financial instruments measured at amortized cost	**(725)**	(1,635)	(910)	56%	**(2,446)**	(9,112)	(6,666)	73%
Other interest income	**(1,471)**	(1,172)	299	26%	**(4,936)**	(5,210)	(274)	5%
Interest expense	**1,331**	328	(1,003)	306%	**3,618**	3,398	(220)	6%
Other income	**(321)**	(36)	285	792%	**(128)**	(169)	(41)	24%
Net gain on financial assets measured at fair value through profit or loss	**(2,300)**	(25,418)	(23,118)	91%	**(18,944)**	(48,060)	(29,116)	61%
Net gain on mandatory tender offer liability	**—**	—	—	0%	**—**	(12,072)	(12,072)	100%
Realized gain on sale of asset held for sale	**—**	—	—	0%	**—**	(2,948)	(2,948)	100%
Realized gain on automatic share purchase plan	**—**	—	—	0%	**—**	(4,168)	(4,168)	100%
Foreign exchange loss	**3,485**	4,490	1,005	22%	**3,737**	14,156	10,419	74%
(Gain) Loss on hyperinflation	**(209)**	239	448	187%	**(423)**	1,444	1,867	129%
(Loss) income before income taxes	**(14,424)**	10,851	(25,275)	233%	**6,690**	32,085	(25,395)	79%
Income tax								
Current	**(2,642)**	951	3,593	378%	**(1,349)**	2,337	3,686	158%
Deferred	**(3,481)**	1,667	5,148	309%	**(7,636)**	(2,012)	5,624	280%
Income tax (recovery) expense	**(6,123)**	2,618	8,741	334%	**(8,985)**	325	9,310	2865%
Net (loss) income for the period	**(8,301)**	8,233	(16,534)	201%	**15,675**	31,760	(16,085)	51%
Attributable to shareholders of the Company								
Basic net (loss) earnings per share	**(0.07)**	0.06	(0.13)	217%	**0.13**	0.32	(0.19)	59%
Diluted net (loss) earnings per share	**(0.07)**	0.06	(0.13)	217%	**0.13**	0.32	(0.19)	59%
Adjusted EBITDA[3]	**5,696**	1,771	3,925	222%	**38,005**	16,837	21,168	126%

[1] A positive variance represents a positive impact to net income (loss) and a negative variance represents a negative impact to net income (loss)
[2] Percentage change is presented in absolute values
[3] Adjusted EBITDA is a non-GAAP measure, refer to section "Non-GAAP measures" and "Reconciliation to adjusted EBITDA" for additional details

Management's Discussion and Analysis for the year ended December 31, 2021

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

Revenues

Q4-21 vs Q4-20

For the quarter ended December 31, 2021 revenues increased by $3,082 or 6% compared to the same prior year period. On a constant currency basis, revenues increased by $2,951 or 6%. The growth in revenues on a constant currency basis is explained as following:

- An increase in revenues of $7,095 driven by the acquisition of Exelon®.
- An increase in revenues of $1,612 or 13%, from $12,559 to $14,171, driven by the growth of our recently launched products, including Cresemba®, Lenvima®, Halaven®, Nerlynx®, Trelstar® and certain BGx products.
- The increase in revenues in Q4-21 vs. Q4-20 was offset by the buying pattern on certain of our infectious disease's products. It is estimated that approximately $3,200 to $4,200 of products purchased in Q3-21 was not utilized in that same quarter.

YTD-21 vs YTD-20

For the year ended December 31, 2021 revenues increased by $43,959 or 22% compared to the same prior year period. On a constant currency basis, revenues increased by $48,832 or 26%. The growth in revenues on a constant currency basis is explained as following:

- An estimated increase in revenues of approximately $13,500 to $16,300 driven by the increased demand of certain of our infectious diseases products to treat invasive fungal infections associated with COVID-19.
- An increase in revenues of $21,187 driven by the acquisition of Exelon®.
- An increase in revenues of $15,135 or 45%, from $33,897 to $49,032 driven by the growth of our recently launched products, including, Cresemba®, Lenvima®, Halaven®, Nerlynx®, Trelstar® and certain BGx products.

Revenues by therapeutic area

The Company generated net revenues as follows by therapeutic area:

	Q4-21 *Excluding impact of IAS 29*[3]	**Q4-20** *Excluding impact of IAS 29*[3]	**Q4-20** *Constant Currency*[4]	**Change**	
Therapeutic Area	**$**	**$**	**$**	**$**[1]	**%**[2]
Oncology/Hematology	**23,534**	26,630	**25,111**	(1,577)	6%
Infectious Diseases	**20,211**	22,825	**22,651**	(2,440)	11%
Other Specialty	**12,613**	7,221	**5,645**	6,968	123%
Total	**56,358**	56,676	**53,407**	2,951	6%

[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*

[3] *Revenues excluding the impact of IAS 29 is a non-GAAP measure, refer to section "Non-GAAP measures" for additional details.*

[4] *Revenues at constant currency is a non-GAAP measure, refer to section "Non-GAAP measures" for additional details*

The decrease in revenues in Oncology/Hematology is driven by the buying patterns of certain products in Q4-20. The decrease in revenues in the infectious disease therapeutic area was negatively impacted due to the buying pattern on certain of our infectious disease's products in Q3-21. It is estimated that approximately $3,200 to $4,200 of products purchased in Q3-21 was not utilized in that same quarter and resulted in lower sales in Q4-21. The increase in revenues in the Other Specialty therapeutic area is driven by the acquisition of Exelon®.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Therapeutic Area	YTD-2021 *Excluding impact of IAS 29*[3] $	YTD-2020 *Excluding impact of IAS 29*[3] $	YTD-2020 *Constant Currency*[4] $	Change $[1]	Change %[2]
Oncology/Hematology	**89,079**	94,859	**88,953**	126	0%
Infectious Diseases	**101,650**	78,761	**73,207**	28,443	39%
Other Specialty	**48,509**	28,916	**28,246**	20,263	72%
Total	**239,238**	202,536	**190,406**	48,832	26%

[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*
[3] *Revenues excluding the impact of IAS 29 is a non-GAAP measure, refer to section "Non-GAAP measures" for additional details.*
[4] *Revenue at constant currency is a non-GAAP measure, refer to section "Non-GAAP measures" for additional details*

The revenues generated by the Oncology/Hematology therapeutic area is relatively flat compared to the prior year due to $5,920 or 49% of the growth from our new product launches, including Lenvima®, Halaven®, Nerlynx® and Trelstar® offset by the expiration of the distribution agreement for Abraxus® in Mexico. The increase in revenues in the infectious disease therapeutic area is driven by the increased demand of certain of our infectious disease products to treat invasive fungal infections associated with COVID-19 and growth of our recent product launches. The increase in revenues in the Other Specialty therapeutic area is driven by the acquisition of Exelon®.

Gross margin

Q4-21 vs Q4-20

- For the quarter ended December 31, 2021 gross margin increased from 36% to 48% explained by a change in product mix, the acquisition of Exelon® and related revenues recorded as a net profit transfer, lower inventory provision recorded in Q4-21 compared to Q4-20 offset by the re-negotiation of certain license agreements and the depreciation of the LATAM currencies.
- The gross margin would have been 51% versus 48% (Q4-20: 40% versus 36%) excluding the impact of IAS 29. Refer to "Impact of Hyperinflation" above for further details.

YTD-21 vs YTD-20

- For the year ended December 31, 2021 gross margin increased from 41% to 47% explained by a change in product mix, the acquisition of Exelon® and related net profit transfer, lower inventory provision recorded in YTD-21 compared to YTD-20 partially offset by the re-negotiation of certain license agreements and the depreciation of the LATAM currencies.
- The gross margin would have been 50% versus 47% (YTD-20: 44% versus 41%) excluding the impact of IAS 29. Refer to "Impact of Hyperinflation" above for further details.

Selling and marketing

Q4-21 vs Q4-20

- On a constant currency basis, S&M increased by $1,155 or 13% driven by an increase in certain variable costs such as logistics fees and annual incentive compensation as well as an increase in selling and marketing activities related to key promoted products and Exelon®.

YTD-21 vs YTD-20

- On a constant currency basis, S&M increased by $1,801 or 5%. Excluding the non-recurring costs and the allowance for ECL, S&M increased by $5,738 or 19%, from $30,052 to $35,790, due to an increase in certain variable costs such as logistics fees and annual incentive compensation as well as an increase in selling and marketing activities related to key promoted products and Exelon®.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

General and administrative	***Q4-21 vs Q4-20*** • No significant variance. ***YTD-21 vs YTD-20*** • On a constant currency basis, G&A decreased by $1,136 or 3%. Excluding the non-recurring costs and acquisition costs including the Unified Tender Offer, G&A increased by $2,953 or 10%, from $30,914 to $33,867, driven by $1,210 related to the extension of the expiry date of certain stock options and an increase in cost related to annual incentive compensation.
Research and development expenses	• No significant variance
Amortization of intangible assets	***Q4-21 vs Q4-20*** • For the quarter ended December 31, 2021, amortization of intangible assets increased by $9,051, or 113%, mainly explained by the amortization of $5,731 related to Exelon® and the accelerated amortization of $5,435 related to the Gilead Amendment (Refer to section 8 for further details), partially offset by the depreciation of LATAM currencies. ***YTD-21 vs YTD-20*** • For the year ended December 31, 2021, amortization of intangible assets increased by $15,641, or 61%, mainly explained by the amortization of $13,686 related to Exelon®, the accelerated amortization of $5,435 related to the Gilead Amendment (Refer to section 8 for further details) partially offset by the depreciation of LATAM currencies.
Interest income	***YTD-21 vs YTD-20 and Q4-21 vs Q4-20*** • 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 income for Q4-21 was $2,196 and YTD-21 $7,382, a decrease of 22% or $611 and 48% or $6,940 respectively, compared to the same period in prior year due to a lower average cash and marketable securities balances and loan balance.
Interest Expense	***Q4-21 vs Q4-20*** • Interest expense for the three-month period ended December 31, 2021 increased by $1,003 or by 306%, respectively, compared to the same period in prior year due to higher interest rates. Refer to Section 7 for further information on the bank loans. ***YTD-21 vs YTD-20*** • Interest expense for the year ended December 31, 2021 increased by $220 or by 6%, respectively, compared to the same period in prior year due to a decrease in the average loan balance outstanding largely offset by higher interest rates. Refer to Section 7 for further information on the bank loans.
Net gain or loss on financial assets measured at fair value through profit or loss	• As a result of the revaluation of financial assets measured at FVTPL. • Due to unrealized gains or losses on revaluation of the strategic fund investments. • Refer to Section 10 for further information.
Realized gain on sale of asset held for sale	• As a result of the disposal of the shares of Medison in Q1-20 the Company recorded a gain of $2,948, representing the difference between the book value and the selling price of $77,000.
Realized gain on automatic share purchase plan	• The gain in YTD-20 relates to the gain on the ASPP liability as the Company completed its NCIB purchases while in a blackout period at a lower price than expected. • Refer to Section 14 for further details.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Foreign exchange loss	• The foreign exchange loss in Q4-21 and YTD-21 is mainly driven by the unrealized losses on revaluation of our financial assets including our cash balances due to the appreciation of the CAD vs. the USD and EURO. • The foreign exchange loss in Q4-20 and YTD-20 is mainly driven by the depreciation of the LATAM currencies throughout the year.
Gain on hyperinflation	• Relates to gain 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 expense	• The income tax recovery for Q4-21 and YTD-21 is driven by the recognition of certain deferred tax assets due tax losses generated, timing differences related to certain intercompany transactions, reduction of deferred tax liability recorded on the definite-life intangible assets acquired as part of the GBT Transaction offset by the current tax expense in connection with the results of our operations. • The income tax expense for Q4-20 is mainly due to current tax expense in connection with the results of the operations and an increase in deferred tax expense from temporary difference movements. • The income tax expense for YTD-20 is mainly due to current income tax expense offset by reduction of deferred tax liability recorded on the definite-life intangible assets acquired as part of the GBT Transaction.

Non-GAAP measures

The Company discloses non-GAAP 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. Non-GAAP 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-GAAP measures:

Revenues and Financial results excluding the impact of hyperinflation under IAS 29: Revenues and financial results under IFRS are adjusted to remove the impact of hyperinflation under IAS 29. Impact of hyperinflation under IAS 29 is calculated by applying an appropriate general price index to express the effects of inflation. After applying the effects of translation, the statement of income is converted using the closing foreign exchange rate of the month.

Revenues and Financial results at constant currency: Revenues/financial results at constant currency are obtained by translating the prior period revenues/financial results from the functional currencies to CAD using the conversion rates in effect during the current period. Furthermore, with respect to Argentina, the Company excludes the impact of hyperinflation and translates the revenues/results at the average exchange rate in effect for each of the periods.

Revenues/financial results at constant currency allow revenues/financial results to be viewed without the impact of fluctuations in foreign currency exchange rates thereby facilitating the comparison of results period over period. The presentation of revenues/financial results under constant currency is considered to be a non-GAAP measure and does not have any standardized meaning under GAAP. As a result, the information presented may not be comparable to similar measures presented by other companies.

EBITDA: Operating income or loss adjusted to exclude amortization and impairment of intangible assets, depreciation, purchase price 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 results attributable to the non-controlling interests.

Adjusted EBITDA: EBITDA adjusted for acquisition costs and non-recurring expenses.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Reconciliation to adjusted EBITDA

Explanation of adjustments

Acquisition costs	Acquisition and transaction costs relate to costs incurred on legal, consulting and advisory fees for the acquisition of GBT and the acquisition of products. • During the year ended December 31, 2021 the Company incurred expenses of $432 related to acquisition of Exelon® (Q4-21: Nil). • During the year ended December 31, 2020 the Company incurred expenses of $3,693 (Q4-20: Nil), related to legal and consulting fees due to the acquisition of GBT.
Other non-recurring expenses	Other non-recurring expenses relate to expenses incurred by the Company that are not due to, and are not expected to occur in, the ordinary course of business. For the year ended December 31, 2021, the Company incurred non-recurring costs of $1,708 (Q4-21: $1,595) related to restructuring activities including severance to certain employees as part of restructuring and integration of GBT. For the three-month period and year ended December 31, 2020, the Company incurred non-recurring costs of $2,603 and $5,383 respectively, explained as follows: • $3,871 (Q4-20: $2,603) related to restructuring activities including severance to certain employees as part of restructuring and integration of GBT. • $874 (Q4-20: Nil) related to inventory destroyed due to a temperature excursion during transportation. • $638 (Q4-20: Nil) related to a bad debt against accounts receivable.

For the year ended December 31, 2021, the Company calculated EBITDA and adjusted EBITDA as follows:

			Change				Change	
	Q4-21	Q4-20	**$[1]**	**%[2]**	**YTD-21**	YTD-20	**$[1]**	**%[2]**
Operating income (loss)	**(14,634)**	(12,353)	(2,281)	18%	**(12,832)**	(30,656)	17,824	58%
Adjustments to operating income (loss):								
Amortization of intangible assets	**17,040**	7,989	9,051	113%	**41,176**	25,535	15,641	61%
Impairment of intangible assets	**—**	656	(656)	100%	**—**	656	(656)	100%
Depreciation of property, plant and equipment and ROU assets	**1,961**	1,624	337	21%	**6,739**	6,540	199	3%
Lease costs (IFRS 16 adjustment)	**(874)**	(734)	(140)	19%	**(3,016)**	(3,139)	123	4%
Impact of PPA accounting	**—**	—	—	0%	—	865	(865)	100%
Impact of IAS 29	**608**	1,986	(1,378)	69%	**3,798**	7,960	(4,162)	52%
EBITDA	**4,101**	(832)	4,933	593%	**35,865**	7,761	28,104	362%
Acquisition and transaction costs	**—**	—	—	0%	**432**	3,693	(3,261)	88%
Other non-recurring expenses	1,595	2,603	(1,008)	39%	**1,708**	5,383	(3,675)	68%
Adjusted EBITDA[3]	**5,696**	1,771	3,925	222%	**38,005**	16,837	21,168	126%

[1] A positive variance represents a positive impact to EBITDA and adjusted EBITDA and a negative variance represents a negative impact to EBITDA and adjusted EBITDA

[2] Percentage change is presented in absolute values

[3] EBITDA and adjusted EBITDA are non-GAAP measures, refer to section "Non-GAAP measures" for additional details

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Adjusted EBITDA Q4-21 vs Q4-20

For the quarter ended December 31, 2021 adjusted EBITDA increased by $3,925 or 222% and on a constant currency basis by $4,342 or 321% compared to Q4-20. The growth in adjusted EBITDA is driven by an increase in gross margin of $6,929 on a constant currency basis offset by an increase in operating expenses adjusted for non-recurring expenses.

Adjusted EBITDA YTD-21 vs YTD-20

For the year ended December 31, 2021 adjusted EBITDA increased by $21,168 or 126% and on a constant currency basis by $24,169 or 175% , compared to the same prior year period. The growth in adjusted EBITDA is driven by an increase in gross margin of $32,288 on a constant currency basis due to the increase in revenues offset by an increase in operating expenses adjusted for acquisition and transaction costs as well as non-recurring expenses.

FINANCIAL CONDITION

Section 5 – Consolidated Balance Sheets

Impact of LATAM Foreign Exchange volatility

The following table represents the quarter end closing rates used by Knight to convert the assets and liabilities on the balance sheet at the end of each reporting period. The depreciation of the LATAM currencies resulted in a loss on translation of the Company's subsidiaries which is reflected in the statement of comprehensive income. Such loss was offset by the gain from the restatement of equity components of the Company's subsidiaries in Argentina as a result of hyperinflation accounting under IAS 29.

Rates	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20
BRL	4.40	4.25	4.03	4.52	4.08
ARS	80.88	77.65	77.18	73.05	66.02
COP	3,195	3,012	3,040	2,950	2,710
CLP	671	638	589	576	561

The below table summarizes the variances quarter over quarter for selected LATAM currencies:

Variance (%)[1]	Q4-21	Q3-21	Q2-21	Q1-21
BRL	-4%	-5%	11%	-11%
ARS	-4%	-1%	-6%	-11%
COP	-6%	1%	-3%	-9%
CLP	-5%	-8%	-2%	-3%

[1]Negative percentage represents a depreciation of the currency while a positive variance represents an appreciation of the currency

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Balance Sheets

			Change	
	12-31-21	12-31-20	**$**	**%[1]**
ASSETS				
Current				
Cash and cash equivalents	**85,963**	229,592	(143,629)	63%
Marketable securities	**63,539**	147,316	(83,777)	57%
Trade receivables	**55,388**	62,515	(7,127)	11%
Other receivables	**5,056**	12,413	(7,357)	59%
Inventories	**72,397**	56,505	15,892	28%
Prepaids and deposits	**2,165**	2,214	(49)	2%
Other current financial assets	**13,491**	34,431	(20,940)	61%
Income taxes receivable	**6,970**	7,115	(145)	2%
Total current assets	**304,969**	552,101	(247,132)	45%
Marketable securities	**—**	15,317	(15,317)	100%
Prepaids and deposits	**3,046**	4,208	(1,162)	28%
Right-of-use assets	**4,671**	4,035	636	16%
Property, plant and equipment	**25,265**	22,127	3,138	14%
Investment properties	**1,457**	1,539	(82)	5%
Intangible assets	**350,299**	156,547	193,752	124%
Goodwill	**75,403**	77,725	(2,322)	3%
Other financial assets	**178,952**	159,524	19,428	12%
Deferred income tax assets	**2,048**	2,432	(384)	16%
Other long-term receivables	**43,431**	41,582	1,849	4%
	684,572	485,036	199,536	41%
Assets held for sale	**2,350**	2,539	(189)	7%
Total assets	**991,891**	1,039,676	(47,785)	5%

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

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

			Change	
	12-31-21	12-31-20	**$**	**%[1]**
LIABILITIES AND EQUITY				
Current				
Accounts payable and accrued liabilities	**65,309**	44,512	20,797	47%
Lease liabilities	**1,614**	1,875	(261)	14%
Other liabilities	**1,989**	1,291	698	54%
Bank loans	**26,662**	51,770	(25,108)	48%
Income taxes payable	**7,073**	13,559	(6,486)	48%
Other balances payable	**2,655**	1,053	1,602	152%
Total current liabilities	**105,302**	114,060	(8,758)	8%
Accounts payable and accrued liabilities	**281**	316	(35)	11%
Lease liabilities	**3,417**	2,543	874	34%
Bank loan	**9,265**	—	9,265	100%
Other balances payable	**19,235**	14,900	4,335	29%
Deferred income tax liabilities	**12,373**	21,616	(9,243)	43%
Total liabilities	**149,873**	153,435	(3,562)	2%
Shareholders' Equity				
Share capital	**628,854**	694,351	(65,497)	9%
Warrants	**117**	117	—	0%
Contributed surplus	**21,776**	18,731	3,045	16%
Accumulated other comprehensive loss	**(376)**	(1,503)	1,127	75%
Retained earnings	**191,647**	174,545	17,102	10%
Total shareholders' equity	**842,018**	886,241	(44,223)	5%
Total liabilities and shareholders' equity	**991,891**	1,039,676	(47,785)	5%

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

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

	12-31-21 vs 12-31-20
Cash and cash equivalents and marketable securities (current and long term)	• Refer to Section 7 – Liquidity and Capital Resources for further information.
Trade receivables	• Trade receivables decreased by $7,127, or 11% mainly due to depreciation of $5,350 related to currencies in select LATAM countries and improved collections of net receivables.
Other receivables (current)	• Other receivables decreased by $7,357, or 59% mainly due to collection of interest on the maturity of marketable securities, distribution from funds and taxes. • Refer to note 10 in the Annual Financial Statements for further details.
Inventories	• Inventories increased by $15,892, or 28% mainly due to net inventory purchases driven by the demand of certain of our infectious diseases products.
Other financial assets (current and long term)	Other financial assets decreased by $1,512, or 1%, explained by the following: **Loans and other receivable:** No significant increase. **Equity investments and Derivatives:** decrease of $2,918 or 30% driven by the disposal of equity investments during the period and the revaluation of equity investments and derivatives. Refer to note 16 in the Annual Financial Statements for further information. **Funds:** increase of $1,653 due to favourable mark-to-market adjustments of $19,329, capital calls of $16,429, offset by distributions received and receivable of $31,320 and foreign exchange losses of $2,785. Refer to Section 10 for further information on Knight's strategic investments.
Income tax receivable	• No significant variance.
Intangible assets	• Increase mainly due to $217,331 related to the acquisition of Exelon® partially offset by the depreciation of the LATAM currencies during the period and amortization of intangible assets.
Goodwill	• Decrease due to the depreciation of the LATAM currencies during the period.
Deferred income tax asset	• No significant variance.
Other receivables (long-term)	• Increase due to a Canadian tax receivable in respect of a federal notice of reassessment for a previous taxation year against which the Company will file a notice of objection.
Accounts payable and accrued liabilities (current and long term)	• Increase in accounts payable and accrued liabilities balance by $20,762, or 46%, mainly driven by the following: o Increase of $11,741 related to purchase of inventory driven by increased demand of certain of our infectious diseases products. o Increase of $4,147 related to the annual incentive bonus plan o The remainder of the increase is related to the timing of accruals, payments and purchases.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

	12-31-21 vs 12-31-20
Bank loans (current and long term)	• Decrease of $15,843 or 31% mainly due to loan repayments of $20,599 and a decrease due to foreign exchange revaluation of $4,674, partially offset by proceeds from bank loans of $9,423. • For further details on the bank loans held by Knight, refer to Section 7.
Income tax payable	• Decrease is mainly explained by the settlement of certain prior year income tax liabilities.
Other balances payable (current and long term)	• Increase of $5,937 or 37% mainly due to expected payments for sale and regulatory milestones on certain in-licensed products. • For further details on in-licensed products, refer to Section 8.
Deferred income tax liability	• Decrease is mainly explained by the accelerated amortization on intangible assets driven by the Gilead Amendment, deferred tax liability recorded on the definite-life intangible assets acquired as part of the GBT Transaction and the change in temporary difference related to inventories.
Share capital	• Decrease due to the purchase of Knight's common shares though the NCIB. • Refer to note 21 (iii) in the Annual Financial Statements for further information.
Contributed surplus	• Increase related to share-based compensation expense. • Refer to the statement of changes in equity and note 21 (ii) in the Annual Financial Statements for further information.
Accumulated other comprehensive loss	• Refer to the statement of changes in shareholders' equity in the Annual Financial Statements for further information.
Retained earnings	• Increase due to net income generated and common shares purchased through the NCIB. • Refer to the consolidated statement of changes in equity in the Annual Financial Statements for further information.

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 International S.A. A PRV is a transferrable asset that entitles the holder to a priority review for a drug of its choice.

The Company's PRV was granted on March 19, 2014 upon the FDA approval of Impavido® and was disposed of to a third party in November 2014 for gross proceeds of US$125,000. The notices of reassessment provide that Knight is liable to pay an aggregate of $23,340 and $18,242 to the CRA and QRA respectively in additional taxes and interest. Knight has made a deposit for the full amount to the CRA in July 2018 and to the QRA in February 2019. In addition, interest income on the deposit is payable to Knight by the CRA and QRA if the Company wins the process. The amount, as at December 31, 2021 is estimated at $2,091 and has not been recorded by the Company.

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

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Based on the Company's view of the likely outcome of the appeals process, Knight expects to recover the total of $41,582 deposited with the taxation authorities and has not recorded any tax provision related to the disposal of the PRV in its financial statements. However, there can be no assurance regarding the outcome or when a resolution may be reached.

Although Knight believes its tax provisions are adequate, the final determination of tax audits and any related disputes could be materially different from historical income tax provisions and 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	
	Q4-21	Q4-20	**$**	**%**[1]	**2021**	2020	**$**	**%**[1]
Net cash from operating activities	**4,681**	4,297	384	9%	**44,618**	(12,205)	56,823	466%
Net cash from investing activities	**9,469**	8,200	1,269	15%	**(105,279)**	101,353	(206,632)	204%
Net cash from financing activities	**(22,886)**	4,625	(27,511)	595%	**(78,310)**	(29,233)	(49,077)	168%
Increase in cash and cash equivalents during the period	**(8,736)**	17,122	(25,858)	151%	**(138,971)**	59,915	(198,886)	332%
Net foreign exchange difference	**2,209**	(5,622)	7,831	139%	**(4,658)**	(4,592)	(66)	1%
Cash and cash equivalents beginning of the period	**92,490**	218,091	(125,601)	58%	**229,592**	174,268	55,324	32%
Cash and cash equivalents, end of the period	**85,963**	229,592	(143,629)	63%	**85,963**	229,592	(143,629)	63%
Marketable securities, end of the period	**63,539**	162,633	(99,094)	61%	**63,539**	162,633	(99,094)	61%
Cash and cash equivalents, and marketable securities, end of the period	**149,502**	392,225	(242,723)	62%	**149,502**	392,225	(242,723)	62%
Cash and cash equivalents, net of bank loans	**50,036**	177,822	(127,786)	72%	**50,036**	177,822	(127,786)	72%

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

Management's Discussion and Analysis for the year ended December 31, 2021

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

	Q4-21	YTD-21
Net cash from operating activities	Primarily relates to cash generated through revenues 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, other income, deferred other income, and net changes in non-cash balances relating to operations. For the three-month period ended December 31, 2021, cash inflow from operations was $4,681 driven by the operating income adjusted for non-cash items such as depreciation and amortization offset by an increase in working capital of $6,098. The increase in working capital is mainly due to: • decrease in accounts payable net of increase in inventory by $14,123 due to settlement of payables related to the purchase of certain infectious diseases products; • payment of certain tax liabilities of $5,720; • interest payment on bank loans of $1,313; • offset by changes in cash inflows of $15,717 generated by lower accounts receivable and prepaids as a result of collections. Furthermore, the net cash from operating activities included an inflow of $1,953 related to net interest received mainly driven by the timing of maturity of marketable securities.	For the year ended December 31, 2021, cash inflow from operations was $44,618 driven by the operating income adjusted for non-cash items such as depreciation and amortization offset by an increase in working capital of $2,009. The increase in working capital is mainly due to: • increase in inventory net of increase in accounts payable of $5,733 due to purchases of certain infectious diseases products; • payment of certain tax liabilities of $6,855; • interest payment on bank loans of $2,636; • offset by changes in cash inflows of $8,593 generated by lower accounts receivable as a result of controls implemented on collection of receivables. Furthermore, the net cash from operating activities included an inflow of $9,727 related to net interest received mainly driven by the timing of maturity of marketable securities. For further details refer to consolidated statement of cash flows and note 28 in the Annual Financial Statements.
Net cash from investing activities	For the three-month period ended December 31, 2021, cash flows were mainly driven by: • distributions from life sciences funds of $17,519 offset by investment in funds of $5,466; • acquisition of intangibles and property and equipment of $2,867. • net proceeds on marketable securities of $93; • proceeds from loan receivables of $190	For the year ended December 31, 2021, cash flows were mainly driven by: • net proceeds on marketable securities of $99,094; • net proceeds from disposals of equity investments of $2,624; • proceeds from loan receivables of $2,684; • acquisition of intangibles and property and equipment of $224,183, and • distributions from life sciences funds of $30,931 offset by investment in funds of $16,429;
Net cash from financing activities	Cash flows from financing activities were mainly due to the repurchase of common shares through the NCIB, principal repayments on bank loans, principal repayments on lease liabilities, proceeds from bank loans and proceeds from the participation of employees and directors in the Company's share purchase plan.	

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

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

As at December 31, 2021

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

[1] Overdraft balances
[2] Fixed rate renewed monthly
[3] Fixed rate renewed daily

As at December 31, 2020

	Currency of debt	Interest rate	Effective interest rate	Maturity	Current $	Non-current $	Total $
Banks							
Itaú Unibanco Brasil	BRL	1.65% + CDI	4.44%	Dec 8, 2023	24,167	—	24,167
Banco Santander	BRL	2.00% + CDI	4.73%	Dec 13, 2021	3,815	—	3,815
Banco Santander	BRL	1.39% + CDI	3.82%	Mar 4, 2021	10,111	—	10,111
Bancolombia	COP	2.10% + IBR	3.90%	Oct 12, 2026	13,677	—	13,677
Total Bank Loans					51,770	—	51,770

For more details about the Company's indebtedness, refer to note 18 in the Annual Financial Statements.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

PRODUCT ACQUISITION STRATEGY

Section 8 – Products

The Company's focus is to market and sell innovative products and engage in the development, manufacturing and marketing of specialty pharmaceutical branded generic products in Latin America and Canada, as well as select international markets.

Knight expects to expand its product portfolio within existing therapeutic fields in Canada and LATAM, and intends to leverage its expertise in specialty sales and marketing, branded generic development, 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. In addition, Knight's wholly owned subsidiary, Knight Therapeutics International S.A., develops innovative pharmaceuticals including those used to treat neglected tropical diseases and rare pediatric diseases.

The Company's priority is to leverage its existing infrastructure in LATAM and Canada by pursuing multiple avenues of growth that will further strengthen its platform and position Knight as a key player in the pan-American (ex-US) pharmaceutical market. The Company is pursuing a three-pronged strategy to build its product portfolio.

1. Acquisition of products, portfolios and companies

Knight is pursuing the acquisition of innovative products including portfolios that have been launched and marketed primarily by large pharmaceutical companies for a number of years. The acquisition of legacy products from global pharmaceutical is accretive to Knight's profitability and represents an opportunity to build a portfolio of owned assets with valuable and well-established brands. The acquisition of Exelon®, completed during 2021, is an example of the execution of this strategy. The Company is also pursuing bolt-on corporate acquisitions in certain key markets that would further optimize its footprint, capabilities, and portfolio.

2. In-licensing of innovative products

The Company is pursuing the in-licensing of innovative late-stage products in its key therapeutic areas that include oncology/hematology, infectious diseases, immunology, gastrointestinal and central nervous system. In addition, the Company remains open to considering the in-licensing of products in other specialty areas where Company believes that there may be an attractive market opportunity. The in-licensing strategy represents future growth opportunities as the Company launches innovative and unique treatments across its markets.

3. Development of branded generic products

The Company's development efforts have been concentrated on developing branded generics for Argentina and other LATAM markets. The Company is focusing its near-term efforts on expanding the geographic reach of currently developed branded generics. In addition, the Company is working on optimizing its development efforts and capabilities to allow it to access larger opportunities for LATAM as well as in-licensing branded generics for certain LATAM territories.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Prescription Pharmaceutical Products

The following summarizes certain products from Knight's product portfolio.

PRODUCT	INDICATION[1,2]	TERRITORY						PARTNER
		Canada	Brazil	Argentina	Colombia	Mexico	Others	
Oncology/Hematology								
Nerlynx®	Extended adjuvant breast cancer and Metastatic breast cancer	Marketed						Puma
Tafasitamab	Relapsed or refractory diffuse large B-cell lymphoma (DLBCL)		Pre-registration	Pre-registration	Pre-registration	Pre-registration	Pre-registration	Incyte
Pemigatinib	Metastatic cholangiocarcinoma		Pre-registration	Pre-registration	Pre-registration	Pre-registration	Pre-registration	Incyte
Trelstar®	Advanced prostate cancer	Marketed						Debiopharm
Vidaza®	Myelodysplastic syndrome		Marketed					Celgene (BMS)
Abraxane®	Metastatic pancreatic		Marketed					Celgene (BMS)
Halaven ®	Metastatic breast cancer and Soft tissue sarcoma		Marketed	Marketed	Marketed		Marketed	Eisai
Lenvima®	Differentiated thyroid cancer and Unresectable hepatocellular carcinoma		Marketed	Marketed	Marketed		Marketed	Eisai
Lenvima®	Advanced renal cell cancer		Marketed	Marketed			Marketed	Eisai
BGx								
Ladevina®	Multiple myeloma; Myelodysplastic syndrome			Marketed	Marketed		Marketed	Own
Ladevina®	Mantle Cell Lymphoma; Follicular lymphoma			Marketed			Marketed	Own
Zyvalix®	Metastatic prostate cancer			Marketed	Marketed		Marketed	Own
Karfib®	Relapsed or refractory multiple myeloma			Marketed			Approved	Own
Leprid®	Palliative treatment of advanced prostate cancer			Marketed				Own
Rembre®	Chronic myeloid leukemia			Marketed	Marketed			Own

[1] The indication for all products in "pre-registration" is the anticipated indication upon regulatory approval.
[2] Refer to the "Products" section below for further details on the indication.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

PRODUCT	INDICATION[1,2]	TERRITORY						PARTNER
		Canada	Brazil	Argentina	Colombia	Mexico	Others	
Infectious Diseases								
Ambisome®	Invasive fungal infection		Marketed					Gilead
Cresemba®	Invasive fungal infection		Marketed	Marketed	Marketed	Marketed	Marketed	Basilea
Impavido®	Leishmaniasis						Marketed	Own
Other Specialty								
Exelon®	Symptomatic treatment of mild to moderately severe dementia in people with Alzheimer's and Parkinson´s disease	Marketed	Marketed	Marketed	Marketed	Marketed	Marketed	Own
Ibsrela™	IBS-C	Marketed						Ardelyx
Salofalk®	Ulcerative colitis				Marketed		Marketed	Dr. Falk
Ursofalk®	Primary biliary cirrhosis			Marketed	Marketed		Marketed	Dr. Falk
Imvexxy™	Moderate-to-severe dyspareunia	Approved						TXMD
Bijuva™	Moderate-to-severe vasomotor symptoms due to menopause	Approved						TXMD
BGx								
Fibridoner®	Idiopathic pulmonary fibrosis			Marketed			Marketed	Own
Toliscrin® DPI	Pseudomonas aeruginosa lung infection in patients with cystic fibrosis			Marketed			Marketed	Own
Toliscrin® 1-2	Severe acute or resistant chronic infections due to colistin sensitive strains of gram-negative pathogenic bacilli			Marketed			Marketed	Own
Tobradosa Haler®	Chronic lung infections due to Pseudomonas aeruginosa			Marketed			Marketed	Own

[1] The indication for all products in "pre-registration" is the anticipated indication upon regulatory approval.
[2] Refer to the "Products" section below for further details on the indication.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Oncology/Hematology

Tafasitamab and Pemigatinib

On September 22, 2021, Knight entered into a definitive agreement with Incyte for the exclusive rights to distribute tafasitamab (sold as Monjuvi® in the United States and Minjuvi® in Europe) and pemigatinib (Pemazyre®) for Latin America. Under the terms of the agreement Knight will be responsible for seeking the necessary regulatory approvals and distributing both products in Latin America.

Tafasitamab in combination with lenalidomide is approved in the United States and Europe for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma ("DLBCL") who are not eligible for autologous stem cell transplant (ASCT). DLBCL is the most common type of non-Hodgkin lymphoma, and there are approximately 12,000 - 16,000 new cases of DLBCL each year in Latin America[1,2].

Pemigatinib is approved in the United States, Europe and Japan for the treatment of adult patients with locally advanced or metastatic cholangiocarcinoma with a fibroblast growth factor receptor 2 ("FGFR2") fusion or rearrangement that have progressed after at least one prior line of systemic therapy. Cholangiocarcinoma is the most common cancer of the bile duct. FGFR2 fusions or rearrangements have been observed in 10-16%[3] of patients with intrahepatic cholangiocarcinoma, whereas the incidence in patients with extrahepatic cholangiocarcinoma is rare. There are approximately 4,000 - 6,000 new cases of intrahepatic cholangiocarcinoma each year in Latin America[1,4]. Knight expects to submit tafasitamab in key LATAM countries in 2022 and pemigatinib in 2023.

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 women with early stage hormone receptor positive and HER2-overexpressed/amplified breast cancer following adjuvant trastuzumab-based therapy. On July 6, 2021 Health Canada has approved Nerlynx® (neratinib) in combination with capecitabine for the treatment of adult patients with metastatic HER2-overexpressed/amplified breast cancer, who have received two or more prior anti-HER2-based regimens in the metastatic setting. In December 2019 pERC published their final report recommending that Nerlynx® should not be reimbursed through the public drug plans. Knight launched NERLYNX® at the end of 2019 and the Company is focused on ensuring access to patients. Nerlynx® is now covered by several private insurance companies in Canada. According to IQVIA data, Nerlynx® sales in Canada were $370 and $1,561 for the three-month period and year ended December 31, 2021 which represents a growth of 34% and 264% compared to the same periods in prior year.

Trelstar®

On January 8, 2020, Knight announced that the Company entered into an agreement with Debiopharm for the Canadian commercial rights of Trelstar®(tripotorelin), for the treatment of advanced prostate cancer and the management and relief of chronic pain associated with endometriosis. 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. According to IQVIA data, Trelstar® sales in Canada were $874 and $2,862 for the three-month period and year ended December 31, 2021 which represents a growth of 20% and 32% compared to the same respective periods in prior year.

[1] *Globocan 2020.*

[2] *Li S et al. Pathology. 2018 Jan;50(1):74-87.*

[3] *Jain A et al. JCO Precision Oncology 2018 :2, 1-12.*

[4] *Lafaro KJ et al. Gastroenterol Res Pract. 2015;2015:860861.*

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Vidaza®

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. Knight holds the rights to commercialize the product in Brazil through a distribution agreement with BMS which was renewed in 2021.

Abraxane®

Abraxane® (paclitaxel protein-bound particles for injectable suspension) is indicated for the first-line treatment of patients with metastatic pancreatic adenocarcinoma, in combination with gemcitabine. Knight holds the rights to commercialize the product in Brazil through a distribution agreement which was renewed in 2021. The Company previously held the rights to commercialize the product in Mexico, which terminated on August 17, 2020.

Halaven®

Halaven® (eribulin mesylate) injection is a synthetic derivative of halicondrin 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[1] 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 Knight holds the rights to commercialize the product in Latin America except Mexico. Eisai holds the rights to commercialize the product in Mexico. The Company received regulatory approval for Halaven® in Colombia and launched the product in March 2022.

Lenvima®

Lenvima® (lenvatinib) is indicated for the following three indications (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, and in certain Latam countries for (3) the treatment of adult patients with advanced renal cell carcinoma following one prior anti-angiogenic therapy, in combination with everolimus[2]. Lenvima® is licensed from Eisai and Knight holds the rights to commercialize the product in Latin America except Mexico. Eisai holds the rights to commercialize the product in Mexico. The Company received regulatory approval for Lenvima® in Colombia and launched the product in February 2022[3]. Lenvima® was launched in Brazil in April 2018 and Chile in June 2020. According to IQVIA, Lenvima® sales in Brazil were BRL 8,762 [$1,979] and BRL 29,004 [$6,777] for the three-month period and year ended December 31, 2021 which represents a growth of 47% and 9% compared to the same respective periods in prior year.

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], (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[2], 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 Knight's

[1] *In Colombia after at least two chemotherapeutic regimen for advanced disease*

[2] *Indication does not apply in Colombia.*

[3] *Lenvima® 4mg launched in Colombia in November 2021.*

proprietary branded generic portfolio and is commercialized in Argentina, Chile, Colombia, Peru, Ecuador, Bolivia, Paraguay, Uruguay and Central America.

Zyvalix®

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

Karfib®

Karfib® (Carfilzomib) is indicated as a single agent for the treatment of patients with relapsed or refractory multiple myeloma who have received one or more previous lines of therapy. Karfib® in combination with dexamethasone or with lenalidomide plus dexamethasone is indicated for the treatment of patients with relapsed or refractory multiple myeloma who have received one to three previous lines of therapy. Karfib® is part of Knight's proprietary branded generic portfolio. The Company launched Karfib® in Argentina during 2020.

Leprid®

Leprid® is indicated for palliative treatment of advanced prostate cancer. Leprid® is part of Knight's proprietary branded generic portfolio and is currently marketed in Argentina.

Rembre®

Rembre® is indicated for treatment of chronic myeloid leukemia with positive Philadelphia chromosome (Ph+). Rembre® is part of Knight's proprietary branded generic portfolio and is marketed in Argentina. In 2021, the Company received regulatory approval for Rembre® in Colombia and launched the product in February 2022.

Infectious Diseases

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, (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 Knight's Brazilian affiliate's portfolio for over twenty years. Knight is responsible for all commercial activities in Brazil as well as Bolivia, Paraguay and Peru. On October 26, 2020, the Company announced that they signed a new exclusive agreement with Gilead for the commercialization of AmBisome® in Brazil. The new agreement is effective starting January 1, 2021.

Cresemba®

Cresemba® (isavuconazonium sulfate) is an azole antifungal agent indicated for use in adults for the treatment of invasive aspergillosis and invasive mucormycosis. Cresemba® is licensed from Basilea and Knight holds the rights to commercialize the product in Latin America. Cresemba® is commercialized in Argentina, Colombia, Mexico, Chile, Peru. Cresemba® was launched in Mexico in June 2019 and in Brazil in April 2020. According to IQVIA, Cresemba® sales in Brazil were BRL 1,084 [$245] and BRL 2,708 [$635] for the three-month period and year ended December 31, 2021 which represents a growth of 342% and 557% compared to the same respective periods in prior year. According to IQVIA, Cresemba® sales in Mexico were MXN 18,890 [$1,148 CAD] and MXN 103,694 [$6,461 CAD] for the three-month period and year ended December 31, 2021 which represents a growth of 1% and 108% compared to the same respective periods in prior year.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

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, Nepal and Israel. Impavido® was launched in the U.S in March 2016 by Knight's commercialization partner, Profounda.

Other Specialty Therapeutic Areas

Exelon®

On May 26, 2021, the Company entered into an agreement with Novartis to acquire the exclusive rights to manufacture, market and sell Exelon®, in Canada and Latin America as well as an exclusive license to use the intellectual property and the Exelon trademark, from Novartis within those territories. Exelon® is a prescription product that was first approved in 1997 and is currently registered and sold in approximately 90 countries. Exelon® is indicated for the symptomatic treatment of mild to moderately severe dementia in people with Alzheimer's disease and Parkinson's disease.

Knight has entered into a transition service agreement with Novartis until transfer of marketing authorization, on a country-by-country basis during which Knight will receive a net profit transfer. Knight will begin distributing Exelon® upon transfer of marketing authorization, on a country-by-country basis and is currently working on the submission for the transfers of the marketing authorization throughout all its territories. The Company has submitted the transfer of marketing authorizations for Brazil, Colombia, Mexico and Chile. Furthermore, Knight has received the regulatory notification that the marketing authorization for Exelon® in Brazil will transfer to its affiliate in June 2022 and expects the marketing authorizations for other territories to start transferring in the second half of 2022.

Ibsrela®

On March 16, 2018, Knight entered into an exclusive licensing agreement with Ardelyx to commercialize Ibsrela® (tenapanor) in Canada. Ibsrela® is a first-in-class small molecule treatment for IBS-C. 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 launched Ibsrela® in March 2021 and has obtained reimbursement with most private insurers across Canada. According to IQVIA data, Ibsrela® sales in Canada were $83 and $189 for the three-month period and year ended December 31, 2021.

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 Knight holds the rights to commercialize the product in Colombia, Argentina, Chile and Peru.

Ursofalk™

Ursofalk™ is indicated for the treatment of the primary biliary cirrhosis. Ursofalk™ is licensed from Dr. Falk Pharma and Knight holds the rights to commercialize the product in Colombia, Argentina, Peru and Chile.

Imvexxy™ and Bijuva™

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

menopause. Both Imvexxy™ and Bijuva™ were approved by Health Canada during Q3-20. The Company expects to launch both products in 2023.

Fibridoner®

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

Toliscrin®

Toliscrin® (Colistimethate sodium) for injection is indicated for the treatment of severe acute or resistant chronic infections due to colistin sensitive strains of gram-negative pathogenic bacilli. It is particularly indicated when the infection is caused by sensitive strains of Pseudomonas aeruginosa.

The inhaled colistimethate sodium is used in the treatment of airway colonisation or infection due to Pseudomonas aeruginosa that is resistant to tobramycin. Toliscrin® is part of Knight's proprietary branded generic portfolio.

Tobradosa Haler®

Tobradosa Haler® is indicated for the treatment of chronic lung infections due to Pseudomonas aeruginosa in adults and children from 6 years of age with cystic fibrosis. Tobradosa Haler ® is part of Knight's proprietary branded generic portfolio.

Gilead Transition and Termination Agreement

The Company has entered into a transition and termination agreement with Gilead for a portfolio of HIV and HCV products ("Gilead Amendment"). The portfolio is currently distributed by Knight in one or more of the following countries: Colombia, Peru, Ecuador, Bolivia and Paraguay. As part of the Gilead Amendment, effective July 1, 2022, Knight will distribute the products under a mutually agreed amended commercial and financial terms, until the earlier of April 30, 2023 and the completion of the regulatory, logistical and commercial transition on a per country and product basis. The Gilead Amendment does not impact any products distributed by the Company on behalf of Gilead in Brazil.

Branded Generics Pipeline

The Company has a pipeline of undisclosed molecules which could potentially be launched as branded generic products in the future. The BGx pipeline includes internally developed and in-licensed products in the following stages:

1. **Development**: Formulation or clinical development on-going
2. **Regulatory Review**: Molecule has been submitted by the Company to a health authority agency for approval
3. **Pending Launch**: Molecule has obtained regulatory approval, but launch is pending additional local technical requirements

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

The Company believes that the BGx pipeline will drive future growth but there is no certainty that any of these molecules will be launched due to inherent development, regulatory, legal and commercial risks in launching a BGx product.

Country	Therapeutic Area	Number of molecules	Stage of development	Expected launch year
Argentina	Oncology/Hematology	2	Development	2024-2025
Argentina	Immunology	1	Development	2024
Argentina	Oncology/Hematology	1	Regulatory Review	2024
Argentina	Immunology	1	Regulatory Review	2024
Argentina	Oncology/Hematology	2	Pending Launch	2023
Colombia	Oncology/Hematology	2	Development	2024-2025
Colombia	Oncology/Hematology	1	Regulatory Review	2024
Chile	Oncology/Hematology	3	Development	2024-2025
Brazil	Oncology/Hematology	1	Development	2024-2025

Section 9 – Strategic Lending

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

	Nominal loan balance as at December 31, 2021	
Entity	**In Source Currency**	**In CAD[1]**
Moksha8	US$11,993	$15,205
Synergy	US$5,500	$6,973
60P[2]	US$6,310	$8,000
Other strategic loan	US$2,771	$3,513
Total		**$33,691**

[1] *Converted at the Bank of Canada closing exchange rates on December 31, 2021*
[2] *Excludes 60P Convertible Debenture received as consideration for loans issued to 60P*

As at December 31, 2021, the nominal loan balance outstanding was $33,691 [US$26,574 (December 31, 2020: $36,338 [US$28,541]). The following table summarizes the movement in loans and other receivables during the year ended December 31, 2021.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net (loss) gain on FA[1] $	Foreign exchange[2] $	Carrying value end of year $	Current other financial assets $	Non-current other financial assets $
2021								
Amortized Cost	8,847	35	(2,543)	—	(67)	6,272	2,548	3,724
FVTPL	24,261	2,242	(141)	521	(87)	26,796	7,572	19,224
Total	**33,108**	**2,277**	**(2,684)**	**521**	**(154)**	**33,068**	**10,120**	**22,948**
2020								
Amortized Cost	2,181	7,364	(68)	—	(630)	8,847	5,106	3,741
FVTPL	28,390	4,305	(7,734)	(654)	(46)	24,261	6,129	18,132
Total	**30,571**	**11,669**	**(7,802)**	**(654)**	**(676)**	**33,108**	**11,235**	**21,873**

[1] Net changes related to change in the fair value of loan receivables and recognition of day 1 gains
[2] During the year ended December 31, 2021, recorded a loss of $61 in the statement of income (loss) in "Foreign exchange loss" (2020: loss of $274) and a loss of $93 in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations" (2020: loss of $402)

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 $17,785 remains committed as at December 31, 2021. To date, the investments in venture capital funds have led to the Canadian in-license of Iluvien® from Alimera and a portfolio of products from Advaxis. Knight does not expect to invest in additional venture capital funds.

	Fund Commitments	
Entity	**In Source Currency**	**In CAD[1]**
Teralys Capital	C$30,000	$30,000
Domain Associates LLC	US$25,000	$29,063
Forbion Capital Partners	EUR19,500	$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 December 31, 2021 closing rates total fund commitment would be $133,584)
[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, the Company has invested $147,191 in strategic funds and received distributions of $118,873 on which a gain of $61,635 has been realized. Furthermore, as at December 31, 2021, the fund investments were recorded at their

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

fair value of $151,389 including a unrealized gains of $61,436. The following table summarizes the movement in fund investments during the year ended December 31:

	Carrying value as at January 1 $	Additions[1] $	Distributions[2,3] $	Net gain on FA $	Foreign exchange [4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2021	**149,736**	**16,429**	**(31,320)**	**19,329**	**(2,785)**	**151,389**	**—**	**151,389**
2020	114,061	15,766	(27,893)	46,733	1,069	149,736	16,508	133,228

[1] Investments in equity or debt funds including US$3,375 and EUR 2,781 (2020: including US$4,203 and EUR 1,766)
[2] Distributions received from funds including US$12,297 and EUR 1,214 (2020: including US$4,338 and EUR 7,804)
[3] Includes distribution receivable of $389 (2020: $1,221)
[4] During the year ended December 31, 2021, recorded a loss of $3,252 in the statement of income (loss) in "Foreign exchange loss (gain)" (2020: gain of $2,877) and a gain of $467 in the statement of other comprehensive income (loss) in "Unrealized income (loss) on translation of foreign operations" (2020: loss of $1,808)

Sectoral Asset Management

In 2021 NEMO II managed by Sectoral Asset Management ("Sectoral") was liquidated following the sale of the shares of Atea Pharmaceuticals Inc. ("Atea"). Knight has recorded a cumulative net gain of $9,580 in connection with Sectoral's investment in Atea. The final distribution from Nemo II of $10,906 (US$8,774) was received in Q4-21.

Domain Associates LLC

On May 26, 2021 Singular Genomics Systems, Inc. ("SGS"), an investment held within Domain Associated LLC ("Domain"), announced the closing of its initial public offering at a public offering price of USD 22 per share. The Company recorded an unrealized gain of $10,962 [USD 9,100] during the year ended December 31, 2021 and a life to date unrealized gain of $13,772 [USD 11,215] in connection with SGS. As at March 21, 2022, SGS's share price closed at USD 6.34. Should the share price of SGS remain at this level, the Company would record an unrealized loss of approximately $7,050 [USD 5,599].

Other investments

Medexus

During the three-month period ended March 31, 2021, Knight sold 315,600 common shares of Medexus for total proceeds of $2,624 realizing a gain of $1,639. The common shares were acquired by Knight at an average cost of $3.12 per share.

MTO liability and Foreign Currency Contracts

On December 20, 2019, Knight Therapeutics Inc. submitted to B3, the authorization request to carry-out a Unified Tender Offer for the acquisition of the remaining 48.8% of GBT. As a result, Knight had a contractual obligation to the minority shareholders of GBT. On July 15, 2020, the Company launched the Unified Tender Offer to acquire the remaining 48.8% of GBT and completed the process on September 3, 2020 when the MTO liability was settled.

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

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Along with the launch of the Unified Tender Offer, the Company settled the USD Contract and BRL Contract ("FX Contracts") and the Company converted $163,797 to BRL 510,873. Prior to the settlement of the FX Contracts, a derivative liability of $36,425 was recorded.

As a result of the settlement of the MTO liability and FX Contracts, the Company recorded the following net gain for the year ended December 31, 2020, in the consolidated statement of income as "Net gain on mandatory tender offer liability".

December 31,	2020
	$
Change in fair value of MTO liability	(7,199)
Foreign exchange revaluation of MTO liability	(47,686)
Change in fair value of FX Contracts	37,521
Foreign exchange revaluation BRL cash[1]	5,292
Net gain on mandatory tender offer liability	**(12,072)**

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

As a result of the tender offer process, the Company paid an aggregate purchase price of $170,855 [BRL 537,523] and obtained 99.9% ownership of GBT. Remaining 0.1% was acquired in February 2022.

For additional details regarding the movement in equities or derivatives held by Knight throughout the year, refer to note 16 "Other Financial Assets" of the Annual 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, Australia, Sub-Saharan Africa, and other countries excluding the U.S., Western Europe, Japan and China. Knight believes Latin America and the other countries where it wants to grow internationally provide potentially significant growth and value opportunities.

RISK MANAGEMENT

Section 12

12.1 Currency Risk

The Company has significant exposure to foreign currencies of emerging markets in Latin America. Knight 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 CLP). Such currencies have been historically volatile and could create significant fluctuations on the Company's result when translated to CAD. Furthermore, Knight 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 Knight to foreign exchange risks which could result in significant fluctuations of the Company's gross margin or net income.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Currency risks in net financial assets

Knight holds a significant portion of its net financial assets in USD, EUR, BRL, CLP and ARS which results in financial risk due to fluctuations in the value of the currencies relative to the Canadian dollar.
The Company has subsidiaries throughout LATAM whose functional currencies differ from the CAD. Knight does not believe that the foreign exchange impact in the consolidated statement of income represents its full currency exposure. The below analysis excludes intercompany balances but includes balances that get revaluated to CAD through other comprehensive income. Assuming all other variables remain constant, a 5% change, would result in a change in the consolidated statement of income or statement of other comprehensive income as follows:

For the year ended December 31,	**2021**	2020
	$	$
Foreign Exchange Risk (5% change)		
USD	**8,619**	8,650
EUR	**1,751**	1,967
BRL	**734**	351
ARS	**64**	192
CLP	**202**	186
COP	**206**	50

12.2 Equity Price Risk

Equity price risk arises from changes in market prices of the equity and fund investments and derivatives. The carrying value of investments subject to equity price risk are $159,375 as at December 31, 2021 (December 31, 2020: $160,847). 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. For example, through its strategic fund investment, Knight has recorded gains on investment in SGS based on the closing share price as at December 31, 2021, refer to Section 10 for further information. However, as at March 21, 2022, SGS's share price closed at USD 6.34. Should the share price of SGS remain at this level the Company would record an unrealized loss of approximately $7,050 [USD 5,599]. 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 8 of the Annual 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 $1,495 over a one-year period.

The Company is exposed to interest rate risks arising from its bank loans. Details regarding maturity dates and effective interest rates are described in Section 7. The loans have a variable interest rate that fluctuates with the CDI rates. The applicable CDI is the average of the CDI rates applicable during each interest period and therefore the accrued interest at year end with the loans are not exposed to any changes related to variation of the respective floating rates. Assuming that all other variables remain constant, a 1% increase on the interest rate would have resulted in an increase of interest expense of $363 over a one-year period. During 2021, the CDI rate in Brazil increased multiple times from 1.90% to 9.15% in December 2021. As a result, the effective annual interest rate on the Itaú Unibanco loan is expected to be higher in 2022. Regarding

Bancolombia, the loan has a variable interest rate that fluctuates with the IBR rate. During 2021, the IBR rate in Colombia increased multiple times from 1.70% to 4.20% in December 2021.

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 December 31, 2021, 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 31 of the Annual Financial Statements.

12.5 Credit Risk

The Company considers its maximum credit risk to be $243,678 (December 31, 2020: $254,485) which is the total of the following assets: trade receivable, other 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:

- two Canadian financial institutions
- three 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 unprecedented nature of the COVID-19 pandemic has, and continues to, adversely impact the global economy. The COVID-19 pandemic and the reactions of governments, private sector participants and the public in an effort to contain the spread of the COVID-19 virus and/or address its impacts have had significant direct and indirect effects on businesses and commerce. This includes, but is not limited to, disruption to supply chains, employee base, transactional activity and production suspensions.

As with much of the pharmaceutical industry, the Company's revenues from launch products and resulting prescription growth has been adversely affected by COVID-19. Knight suspended in-person promotional and medical activities in all countries since March 2020. The Knight field team continues to use digital means to interact with healthcare providers. These interactions tend to be less frequent and in the case of complex infectious disease and oncology product launches, potentially less impactful. Beginning in Q3-2021, the Knight field teams across certain countries, have resumed partial and limited field activities including in-person medical visits to physicians and increased volume of such activities is expected in the future. 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 global economy has, with certain setbacks, begun reopening, and wider distribution of vaccines will likely encourage greater economic activity. However, COVID-19 cases continue to rise in many locations around the world where vaccination rates remain low and new, more contagious variant strains of COVID-19 have emerged, resulting in continued restrictions. Even as vaccines roll out, the Company continues to see significant variability of vaccination levels throughout its territories. To date, the Company has been able to continue its operations with limited disruptions in supply and manufacturing. Although, uncertainties related to the continued magnitude and duration of the COVID-19 pandemic, the extent to which it will impact our estimated future financial results, worldwide macroeconomic conditions including interest rates, employment rates, consumer spending, health insurance coverage, how widely utilized the vaccines will be, whether they will be effective in preventing the spread of COVID-19 (including its variant strains), the speed of the reopening and anticipated recovery and governmental and business reactions to the pandemic, including any possible re-initiation of shutdowns or renewed restrictions, have increased the complexity of developing these estimates. We are closely monitoring the impact of the COVID-19 pandemic, including the emergence of variant strains of the virus, on our business, however, it is difficult to predict the future impact COVID-19 may have on our business, results of operations, financial position and cash flows. It is possible that the estimates used in the preparation of the Annual Financial Statements can change in the near term and may have a material impact. Potential impacts may include, but are not limited to, impairment of intangible assets, goodwill, property plant and equipment, and financial assets, write-downs on inventory and a change in the expected credit loss on accounts receivable. The Company has sufficient liquidity to meet all operating requirements for the foreseeable future.

During 2021, there was an increase in demand for certain of our infectious disease products used to treat invasive fungal infections associated with COVID-19 (refer to Section 4 discussion on revenues for additional details). The related demand may be volatile in the future depending on vaccination and infection rates in the countries where Knight operates.

While the majority of the Company's employees continue to work remotely, including with the use of digital sales channels, certain territories have begun to hold limited in person meetings with protective safety measures. The Company has developed return to field or office protocols on a country-by-country basis to ensure compliance with local regulations, ensuring safety of employees, patients and healthcare professionals.

12.7 Emerging Market Risk

The Company is exposed to additional risks related to investing and operating in international locations including emerging markets. Operating in such markets carries substantial inherent financial, legal and political risks. If Knight cannot integrate its acquisition successfully, these changes could have a material adverse effect on the business, financial condition, results of operations and cash flows. In addition, operating in international jurisdictions are subject to risks inherent in conducting business abroad, including possible nationalization or expropriation, price and currency exchange controls, fluctuations in the relative values of currencies, political instability and restrictive governmental actions.

12.8 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.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

ADDITIONAL INFORMATION

Section 13 – Selected Annual Financial Information

This selected information is derived from our Annual Financial Statements.

	2021	2020	2019
Revenues	**243,478**	199,519	47,461
Net income	**15,675**	31,760	18,033
Adjusted EBITDA[1]	**38,005**	16,837	2,827
Basic earnings per share	**0.13**	0.32	0.10
Diluted earnings per share	**0.13**	0.32	0.10
Total assets	**991,891**	1,039,676	1,305,303
Total non-current liabilities	**44,571**	39,375	39,393

[1]Refer to definition in section 4

The Company has not paid dividends on its common shares and does not anticipate declaring any dividends in the near future.

Section 14 – Selected Quarterly Financial Information

	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20
Revenues	**58,273**	**73,340**	**65,796**	46,069	55,191	45,239	53,250	45,839
Net (loss) income	**(8,301)**	**(8,586)**	**29,004**	3,558	8,233	17,492	15,512	(9,477)
Adjusted EBITDA	**5,696**	**17,334**	**9,396**	5,580	1,771	4,216	7,653	3,197
EPS								
Basic	**(0.07)**	**(0.07)**	**0.23**	0.03	0.06	0.14	0.13	(0.01)
Diluted	**(0.07)**	**(0.07)**	**0.23**	0.03	0.06	0.14	0.13	(0.01)
Cash, cash equivalents and marketable securities	**149,502**	**156,029**	**166,121**	382,381	392,225	392,352	566,837	592,578
Total assets	**991,891**	**1,037,614**	**1,043,647**	1,000,795	1,039,676	1,013,963	1,224,748	1,267,135
Total non-current liabilities	**44,571**	**32,464**	**36,434**	35,375	39,375	32,710	33,754	34,304

Section 15 – Outstanding Share Data

The table below summarizes the share data:

As at	March 23, 2022	December 31, 2021
Common Shares	117,025,979	117,783,189
Stock Options	5,151,533	5,166,130
RSUs	111,751	111,751
PSUs	215,487	215,487
DSUs	29,205	29,205
Warrants	174,228	174,228

[1] Excludes 176,505 shares purchased under NCIB but not yet canceled as of March 21, 2022

On July 10, 2020, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch for a NCIB ("2020 NCIB"). Under the terms of the 2020 NCIB, Knight may purchase for cancellation up to 10,856,710 common

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

shares of the Company which represented 10% of its public float as at July 6, 2020. The 2020 NCIB commenced on July 14, 2020 and ended on July 13, 2021.

On July 12, 2021, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch a NCIB ("2021 NCIB"). Under the terms of the 2021 NCIB, Knight may purchase for cancellation up to 10,267,956 common shares of the Company which represented 10% of its public float as at December 31, 2021. The 2021 NCIB commenced on July 14, 2021 and will end on the earlier of July 13, 2022 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.

Launch Date	Status	Total Shares Approved for Buy-Back	Shares Purchased	Average Purchase Price ($)	Total Cash Consideration ($)
July 11, 2019	Completed	12,053,693	12,053,693	7.14	86,094
July 14, 2020	Completed	10,856,710	6,193,169	5.33	32,991
July 14, 2021	Active	10,267,956	8,006,682	5.24	41,943

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.

For the year ended December 31, 2021, the Company purchased 12,321,864 (2020: 5,748,716) common shares at an average price of $5.23 (2020: $6.40) for an aggregate cash consideration of $64,415 (2020: 36,787). Subsequent to 2021 and up to March 21, 2022, the Company purchased an additional 933,715 common shares at an average purchase price of $5.35 for an aggregate cash consideration of $4,997.

Section 16 – 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.

On December 23, 2020, the Company announced that it filed a short form base shelf prospectus which enables Knight to offer for sale and issue up to $360,000 in common shares, subscription receipts and debt securities from time to time during the 25-month period during which the shelf prospectus remains valid. Following the GBT Transaction, Knight has access to more growth opportunities, including acquisitions of products as well as bolt on acquisitions of specialty pharmaceutical companies for its pan-American (ex US) footprint. The shelf prospectus provides Knight the financing flexibility without any incumbent obligation to use the instrument as it pursues larger opportunities.

As at December 31, 2021, Knight had deployed and invested or committed to deploy and invest over $900,000 for the purposes disclosed in the prospectuses, as described above. Knight anticipates that it has sufficient funds available to achieve its business objectives and milestones as listed in the prospectuses.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Section 17 – 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 18 – Product Pricing Regulation on Certain Drug Products

Canada

All patented drug products sold in Canada that form part of Knight's portfolio of products are subject to pricing regulation by the PMPRB, a federal agency tasked with ensuring that prices of patented medicines are not excessive. For new patented products, the maximum non-excessive list price ("MLP") in Canada will be set by the lower of the list price and the median international price ("MIP") for the same drug sold in a specified set of developed comparator countries. Otherwise, the MLP will be set by the lower of the list price and the top of the domestic prices of existing comparable drugs sold in Canada. For existing patented products, prices cannot be increased annually by more than a factor based on Statistics Canada's Consumer Price Index. The PMPRB monitors compliance through a review of the average transaction price of each patented drug product as reported by pharmaceutical companies like Knight on a semi-annual basis. The PMPRB may from time to time deem certain of Knight's existing or future patented products to be excessively priced based on the application of its empowering legislation and regulations, including those related to price increases, the comparative assessment of new products and reductions in the highest price in international reference countries. Such determinations by the PMPRB may have a material adverse effect on Knight's financial condition and results of operations or cash flows.
The Canadian federal government has made a commitment to reduce the cost of prescription drug pending in Canada. On December 2, 2017, Health Canada published the following proposed key changes:

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

On August 21, 2019, the federal government published the final regulations governing the PMPRB. The new regulations include eleven countries as comparators and was expected to come into force on July 1, 2020. On November 21, 2019, the PMPRB published a draft set of new guidelines for the implementation of the final regulations. The PMPRB began seeking views of stakeholders and interested members of the public and extended their consultation period in connection with the guidelines through February 14, 2020. The PMPRB published final Guidelines on October 23, 2020. The implementation of the amended PMPRB regulations was delayed due to COVID-19 and are now expected to come into force on July 1, 2022.

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

LATAM

In certain countries in LATAM, the price of pharmaceuticals is subject to extensive government regulations, which may include the imposition of price controls, reference pricing and maximum price caps, mandated price reductions to battle

hyper-inflation and limitations on price increases. Price negotiations with government agencies, HMOs and other buyers may take considerable time after the Company has received its marketing authorization for a product. In certain countries where our products are not reimbursed by HMOs, patients may seek access to such medicines through a judicial action. Delays in pricing and reimbursement approvals may have a negative impact on the Company's cash flows and profitability. In addition, in certain countries Knight may be forced to reduce its pricing, offer discounts, forgive certain balances outstanding in order to comply with cost-containment measures. As pricing regulations evolve throughout the various countries, Knight may have a material adverse impact on its cash flows and profitability.

Section 19 – 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 20 – 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, 2021 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 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 loan commitments. The commitments of the Company as at December 31, 2021 are as follows:

[i] Fund commitments

As at December 31, 2021, under the terms of Company's agreements with life sciences venture capital funds, $17,785 (December 31, 2020: $31,500), including $1,913 [US$1,509] and $3,113 [EUR 2,163] (December 31, 2020: $5,952 [US$4,675] and $7,102 [EUR 4,500]), 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 $322,318 including $46,224 [US$36,460], $137,299 [CHF 98,800] and $792 [EUR 550] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $1,061 [EUR 738], 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 $288,980 [BRL 787,865, USD 65,961 and CHF 18,793], which will be purchased over the next 8 years.

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

	$
2021	40,708
2022	48,812
2023	57,849
2024	61,030
2025	49,480
2026 and beyond	31,101
Total	**288,980**

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] Loan commitments

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $6,339 [US$5,000] should the borrower meet certain pre-defined profitability targets.

Section 22 – Related Party Transaction

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $24 (2020: $19) to the Company for the year ended December 31, 2021.

Section 23 – Segment Reporting

The Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices. This reflects the revised management structure and the way that the chief operating decision-maker evaluates the business.

Geographic Information

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

	Three months ended December 31,		Year ended December 31,	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Revenues				
Brazil	**18,133**	26,869	**97,204**	78,708
Colombia	**10,057**	9,602	**43,521**	34,817
Argentina	**14,707**	8,161	**42,962**	37,847
Rest of LATAM	**11,483**	8,435	**40,946**	33,863
Canada	**2,387**	1,711	**7,700**	4,995
Other[1]	**1,506**	413	**11,145**	9,289
Total	**58,273**	55,191	**243,478**	199,519

[1] *Includes Europe, US and other countries*

As at December 31, 2021 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:

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

As at December 31, 2021	Net book value of property, plant and equipment	Intangibles, net	Goodwill	Assets held for sale	Right-of-use assets	Other long-term receivables
	$	$	$	$	$	$
Canada	40	20,155	—	—	232	43,431
Brazil	1,264	30,318	21,446	—	725	—
Argentina	23,411	10,931	13,886	—	2,611	—
Colombia	100	10,889	9,975	1,826	22	—
Uruguay	136	181,244	834	524	179	—
Luxembourg	—	45,286	—	—	—	—
Rest of LATAM	314	51,476	29,262	—	902	—
Total	**25,265**	**350,299**	**75,403**	**2,350**	**4,671**	**43,431**

As at December 31, 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 December 31, 2020	Net book value of property, plant and equipment	Intangibles, net	Goodwill	Assets held for sale	Right-of-use assets	Other long-term receivables
	$	$	$	$	$	$
Canada	106	27,392	—	—	511	41,582
Brazil	1,519	34,986	23,105	—	1,022	—
Argentina	19,966	10,129	11,270	—	1,712	—
Colombia	360	23,509	11,759	2,012	11	—
Uruguay	176	1,481	885	—	261	—
Luxembourg	—	—	—	—	—	—
Rest of LATAM	—	59,050	30,706	—	518	—
Other	—	—	—	527	—	—
Total	**22,127**	**156,547**	**77,725**	**2,539**	**4,035**	**41,582**

Section 24 – 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 2021 Annual Financial Statements.

Recent Accounting Pronouncements

The International Accounting Standards Board has issued various pronouncements or IFRS interpretations to accounting and financial reporting standards committee that will be effective for future accounting periods. The Company closely monitors new accounting standards as well as amendments to existing standards and assesses what impact, if any, they will have on the consolidated financial statements. None of the standards issued to date are expected to have a material effect on the consolidated financial statements.

Management's Discussion and Analysis for the year ended December 31, 2021
(In thousands of Canadian dollars, except for share and per share amounts)

Section 25 – 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.

Section 26 – Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate Internal Control Over Financial Reporting (ICFR). The Company has designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

There were no changes in our ICFR during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

For the year ended December 31, 2021, management has evaluated the design and operating effectiveness of its ICFR as defined in NI 52-109. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the COSO. This evaluation was performed internally by the Company. Based on this evaluation, management concluded that the ICFR were appropriately designed and no material weaknesses or significant deficiencies were noted, as at December 31, 2021.

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.

Audited Annual Consolidated Financial Statements

Knight Therapeutics Inc.
December 31, 2021

Independent auditor's report

To the Shareholders of
Knight Therapeutics Inc.

Opinion

We have audited the consolidated financial statements of **Knight Therapeutics Inc.** and its subsidiaries [the "Group"], which comprise the consolidated balance sheets as at December 31, 2021 and 2020, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments in funds held at fair value	
As at December 31, 2021, the carrying value of investments in funds amounted to $151.4 million. As described in notes 2 and 3 of the consolidated financial statements, the Company invests in life sciences venture capital funds which are classified as financial assets measured at fair value through profit and loss ["FVPL"] and categorized within Level 3 of the fair value hierarchy given that fair value is measured using unobservable inputs. The Company uses the net asset value ["NAV"] provided by the funds to record its investments at fair value and uses judgment in determining whether the NAV represents fair value and whether any further adjustments to the NAV are to be recorded. Given the significance of the investment in funds and the level of net unrealized gains that are recorded in the consolidated statement of income, as well as the subjectivity with fair value measurement, we have determined the valuation of investments in funds to be a key audit matter.	Our audit procedures included, among others, the following: • Obtained external confirmation of NAV from the fund managers and reconciled confirmations to the NAV used by the Company at year-end; • Assessed the reasonableness of management's assessment of the NAV representing fair value by inspecting information provided by the fund managers, including details regarding the underlying investments and changes in investments quarter over quarter, and corroborating the information to external sources when available; • Assessed the reasonableness of any adjustments made by the Company to the NAV reported by the fund managers, as described above, based on public information relating to the invested companies of that fund when available, or to information obtained from the fund managers as described above; • Tested the capital calls and distributions of the funds made during the year by vouching cash disbursements or receipts; • Assessed the historical accuracy of the NAV estimates made in the prior years through a comparison of the prior year estimate to audited financial statements of the funds issued after the issuance of the audited consolidated financial statements of the Company; and • Evaluated management's disclosure in the notes to the consolidated financial statements of significant judgments in relation to this matter.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Georgia Tournas.

Ernst & Young LLP[1]

Montréal, Canada
March 23, 2022

[1] CPA auditor, CA, public accountancy permit no. A123806

CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

As at December 31,	*Notes*	**2021**	2020
ASSETS			
Current			
Cash and cash equivalents	*7*	**85,963**	229,592
Marketable securities	*8*	**63,539**	147,316
Trade receivables	*9*	**55,388**	62,515
Other receivables	*10*	**5,056**	12,413
Inventories	*11*	**72,397**	56,505
Prepaids and deposits		**2,165**	2,214
Other current financial assets	*16, 17*	**13,491**	34,431
Income taxes receivable		**6,970**	7,115
Total current assets		**304,969**	552,101
Marketable securities	*8*	**—**	15,317
Prepaids and deposits		**3,046**	4,208
Right-of-use assets	*12*	**4,671**	4,035
Property, plant and equipment	*13*	**25,265**	22,127
Investment properties		**1,457**	1,539
Intangible assets	*14*	**350,299**	156,547
Goodwill	*15*	**75,403**	77,725
Other financial assets	*16, 17*	**178,952**	159,524
Deferred income tax assets	*24*	**2,048**	2,432
Other long-term receivables	*19*	**43,431**	41,582
		684,572	485,036
Assets held for sale		**2,350**	2,539
Total assets		**991,891**	1,039,676

CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

As at December 31,	*Notes*	**2021**	2020
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	*20*	**65,309**	44,512
Lease liabilities	*12*	**1,614**	1,875
Other liabilities		**1,989**	1,291
Bank loans	*18*	**26,662**	51,770
Income taxes payable		**7,073**	13,559
Other balances payable		**2,655**	1,053
Total current liabilities		**105,302**	114,060
Accounts payable and accrued liabilities	*20*	**281**	316
Lease liabilities	*12*	**3,417**	2,543
Bank loan	*18*	**9,265**	—
Other balances payable		**19,235**	14,900
Deferred income tax liabilities	*24*	**12,373**	21,616
Total liabilities		**149,873**	153,435
Shareholders' equity			
Share capital	*21 [i]*	**628,854**	694,351
Warrants	*21 [iv]*	**117**	117
Contributed surplus		**21,776**	18,731
Accumulated other comprehensive loss	*22*	**(376)**	(1,503)
Retained earnings		**191,647**	174,545
Total shareholders' equity		**842,018**	886,241
Total liabilities and shareholders' equity		**991,891**	1,039,676

Commitments *[note 31]*

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME

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

	Notes	**2021**	2020
Revenues		**243,478**	199,519
Cost of goods sold		**128,066**	117,829
Gross margin		**115,412**	81,690
Expenses			
Selling and marketing		**37,217**	35,585
General and administrative		**37,159**	38,845
Research and development		**12,692**	11,725
Amortization of intangible assets	*14*	**41,176**	25,535
Impairment of intangible assets	*14*	—	656
Operating loss		**(12,832)**	(30,656)
Interest income on financial instruments measured at amortized cost		**(2,446)**	(9,112)
Other interest income		**(4,936)**	(5,210)
Interest expense		**3,618**	3,398
Other income		**(128)**	(169)
Net gain on financial instruments measured at fair value through profit or loss	*16*	**(18,944)**	(48,060)
Net gain on mandatory tender offer liability	*16 [iii]*	—	(12,072)
Realized gain on sale of asset held for sale		—	(2,948)
Realized gain on automatic share purchase plan	*21 [iii]*	—	(4,168)
Foreign exchange loss		**3,737**	14,156
(Gain) loss on hyperinflation		**(423)**	1,444
Income before income taxes		**6,690**	32,085
Income tax			
Current	*24*	**(1,349)**	2,337
Deferred	*24*	**(7,636)**	(2,012)
Income tax (recovery) expense		**(8,985)**	325
Net income for the year		**15,675**	31,760
Attributable to:			
Shareholders of the Company		**15,675**	42,067
Non-controlling interests		—	(10,307)
Attributable to shareholders of the Company			
Basic net earnings per share	*25*	**0.13**	0.32
Diluted net earnings per share	*25*	**0.13**	0.32
Weighted average number of common shares outstanding			
Basic	*25*	**124,480,259**	131,783,255
Diluted	*25*	**124,521,641**	131,985,025

See accompanying note

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of Canadian dollars]

	2021	2020
Net income for the year	**15,675**	31,760
Other comprehensive income (loss), net of taxes		
Items that may be reclassified subsequently to net income or loss:		
Unrealized income (loss) on translation of foreign operations	**850**	(22,427)
Items permanently in other comprehensive income or loss:		
Net gain (loss) on equity investments at fair value through other comprehensive income net of tax of $137 (2020: $90)	**277**	(65)
Other comprehensive income (loss) for the year	**1,127**	(22,492)
Total comprehensive income for the year	**16,802**	9,268
Attributable to:		
Shareholders of the Company	**16,802**	28,920
Non-controlling interests	—	(19,652)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[In thousands of Canadian dollars]

		Equity attributable to shareholders of the Company							
	Notes	**Share capital**	**Warrants**	**Contributed surplus**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at January 1, 2020		**723,832**	**785**	**16,463**	**17,405**	**52,246**	**810,731**	**104,375**	**915,106**
Net income		—	—	—	—	42,067	42,067	**(10,307)**	31,760
Other comprehensive loss		—	—	—	(13,147)	—	(13,147)	**(9,345)**	(22,492)
Comprehensive (loss) income		—	—	—	(13,147)	42,067	28,920	**(19,652)**	9,268
Share-based compensation expense	*21 [ii]*	—	—	1,950	—	—	1,950	—	1,950
Issuance under share option plan		945	—	(350)	—	—	595	—	595
Issuance under share purchase plan	*21 [ii]*	275	—	—	—	—	275	—	275
Shares purchased under Normal Course Issuer Bid	*21 [iii]*	(30,701)	—	—	—	(10,252)	(40,953)	—	(40,953)
Acquisition of shares through mandatory tender offer		—	—	—	(5,761)	90,484	84,723	**(84,723)**	—
Expired and surrendered warrants	*21 [iv]*	—	(668)	668	—	—	—	—	—
Balance as at December 31, 2020		694,351	117	18,731	(1,503)	174,545	**886,241**	—	886,241
Balance as at January 1, 2021		**694,351**	**117**	**18,731**	**(1,503)**	**174,545**	**886,241**	—	**886,241**
Net income		—	—	—	—	15,675	15,675	—	**15,675**
Other comprehensive income		—	—	—	1,127	—	1,127	—	**1,127**
Comprehensive income		—	—	—	1,127	15,675	16,802	—	**16,802**
Share-based compensation expense	*21 [ii]*	—	—	3,045	—	—	3,045	—	**3,045**
Issuance under share purchase plan	*21 [ii]*	345	—	—	—	—	345	—	**345**
Shares purchased under Normal Course Issuer Bid	*21 [iii]*	(65,842)	—	—	—	1,427	(64,415)	—	**(64,415)**
Balance as at December 31, 2021		**628,854**	**117**	**21,776**	**(376)**	**191,647**	**842,018**	—	**842,018**

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

[In thousands of Canadian dollars]

	Notes	**2021**	2020
OPERATING ACTIVITIES			
Net income for the year		**15,675**	31,760
Adjustments reconciling net income to operating cash flows:			
Deferred income tax recovery		**(7,636)**	(2,012)
Share-based compensation expense	*21 [ii]*	**3,045**	1,950
Depreciation and amortization		**47,915**	32,075
Loss on disposal and impairment of intangible assets		**496**	656
Net gain on financial instruments	*16*	**(18,944)**	(48,060)
Net gain on mandatory tender offer liability	*16 [iii]*	**—**	(12,072)
Realized gain on sale of asset held for sale		**—**	(2,948)
Realized gain on automatic share purchase plan	*21 [iii]*	**—**	(4,168)
Interest expense		**3,618**	3,398
Unrealized foreign exchange loss		**2,881**	9,429
(Gain) loss on hyperinflation		**(423)**	1,444
Other adjustments			(81)
		46,627	11,371
Changes in non-cash working capital and other items	*28*	**(2,009)**	(23,576)
Cash inflow (outflow) from operating activities		**44,618**	(12,205)
INVESTING ACTIVITIES			
Acquisition of shares through mandatory tender offer		**—**	(170,855)
Purchase of marketable securities		**(47,892)**	(37,778)
Purchase of intangible assets		**(220,351)**	(15,289)
Purchase of property and equipment		**(3,832)**	(5,378)
Exercise of warrants		**—**	—
Issuance of loans receivables		**—**	(7,364)
Purchase of equity investments and derivatives		**—**	(397)
Investment in funds	*16 [iv]*	**(16,429)**	(15,766)
Proceeds on sale of asset held for sale		**—**	77,000
Proceeds on maturity of marketable securities		**146,986**	237,263
Proceeds from repayments of loans receivable	*16 [i]*	**2,684**	7,802
Proceeds from disposal of equity investments	*16 [ii]*	**2,624**	2,987
Proceeds from distribution of funds	*16 [iv]*	**30,931**	29,128
Cash (outflow) inflow from investing activities		**(105,279)**	101,353
FINANCING ACTIVITIES			
Proceeds from exercise of stock options		**—**	595
Proceeds from contributions to share purchase plan	*21*	**297**	231
Proceeds from bank loans		**9,423**	24,581
Repurchase of common shares through Normal Course Issuer Bid	*21 [iii]*	**(64,415)**	(36,787)
Principal repayment of lease liabilities	*12*	**(3,016)**	(3,139)
Principal repayments on bank loans		**(20,599)**	(14,714)
Cash outflow from financing activities		**(78,310)**	(29,233)
(Decrease) increase in cash and cash equivalents during the year		**(138,971)**	59,916
Cash and cash equivalents, beginning of the year		**229,592**	174,268
Net foreign exchange difference		**(4,658)**	(4,592)
Cash and cash equivalents, end of the year		**85,963**	229,592
Supplemental cash flow information:			
Interest received		**9,727**	16,012
Interest paid		**(2,636)**	(1,969)
Net income taxes paid		**(8,569)**	(6,644)

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
60P	60^{o} Pharmaceuticals LLC
Crescita	Crescita Therapeutics Inc.
GBT	Biotoscana Investments Inc.
Knight or the Company	Knight Therapeutics Inc.
Medexus	Medexus Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Moksha8	Moksha8, Inc.
Synergy	Synergy CHC Corp.
NEMO II	New Emerging Medical Opportunities Fund II Ltd.

Abbreviation	Currency
ARS	Argentine Peso
BOB	Bolivian Boliviano
BRL	Brazilian Real
C$ or $ or CAD	Canadian Dollar
CHF	Swiss Franc
CLP	Chilean Peso
COP	Colombian Peso
EUR	Euro
MXN	Mexican Peso
PEN	Peruvian Sol
PYG	Paraguayan Guarani
US$/USD	U.S. Dollar

Abbreviation	Other
Annual Financial Statements	Audited annual consolidated financial statements
AOCI	Accumulated other comprehensive income
ASPP	Automatic share purchase plan
BDR	Brazilian Depository Receipts
CDI	Certificados de Depósitos Interfinanceiros (Brazil interbank lending rate)
CEO	Chief Executive Officer
CGU	Cash generating unit
CRA	Canada Revenue Agency
DBRS	Dominion Bond Rating Service
DSU	Deferred share units
ECL	Expected credit loss
FA	Financial Assets
FDA	Food and Drug Administration (United States)
FV	Fair value
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
G&A	General and administrative
IBR	Incremental borrowing rate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Abbreviation	Other (continued)
IFRS	International Financial Reporting Standards
IP	Intellectual property
IPO	Initial Public Offering
ITC	Investment tax credit
LATAM	Latin America
NAV	Net asset value
NCIB	Normal Course Issuer Bid
NDA	New Drug Application
PRV	Priority Review Voucher
PSU	Performance share units
R&D	Research and development expenses
RE	Retained earnings
S&M	Selling and marketing
S&P	Standard and Poor's
Selic	Monetary policy interest rate used by the Central Bank of Brazil
SR&ED	Scientific research and experimental development
RSU	Restricted share units
VA	Valuation allowance
WAFV	Weighted average fair value

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. NATURE OF OPERATIONS

Description of business

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These consolidated financial statements of the Company for the year ended December 31, 2021, have been prepared in accordance with IFRS. The policies set out below have been consistently applied to all the periods presented.

These consolidated financial statements were approved by the Company's Board of Directors on March 23, 2022.

Impact of the COVID-19 Pandemic

The unprecedented nature of the COVID-19 pandemic has, and continues to, adversely impact the global economy. The COVID-19 pandemic and the reactions of governments, private sector participants and the public in an effort to contain the spread of the COVID-19 virus and/or address its impacts have had significant direct and indirect effects on businesses and commerce. This includes, but is not limited to, disruption to supply chains, employee base, transactional activity and production suspensions.

The global economy has, with certain setbacks, begun reopening, and wider distribution of vaccines will likely encourage greater economic activity. However, COVID-19 cases continue to rise in many locations around the world where vaccination rates remain low and new, more contagious variant strains of COVID-19 have emerged, resulting in continued restrictions. Even as vaccines roll out, the Company continues to see significant variability of vaccination levels throughout its territories. To date, the Company has been able to continue its operations with limited disruptions in supply and manufacturing. Although, uncertainties related to the continued magnitude and duration of the COVID-19 pandemic, the extent to which it will impact our estimated future financial results, worldwide macroeconomic conditions including interest rates, employment rates, consumer spending, health insurance coverage, how widely utilized the vaccines will be, whether they will be effective in preventing the spread of COVID-19 (including its variant strains), the speed of the reopening and anticipated recovery and governmental and business reactions to the pandemic, including any possible re-initiation of shutdowns or renewed restrictions, have increased the complexity of developing these estimates, including the allowance for inventory obsolescence, expected credit losses and the carrying values of financial assets, property plant and equipment, goodwill, intangible assets and deferred tax assets. Actual results may differ significantly from our estimates as a result of COVID-19. Management is not able to predict the impact that the COVID-19 pandemic will have in the future due to numerous uncertainties, including the severity of the disease and its variants, the duration of the pandemic, actions that may be taken by governmental authorities, the impact to the commercial operations and supply chain. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these unaudited interim consolidated financial statements.

As at December 31, 2021, the Company assessed the possible impacts of COVID-19 on its financial results. The Company has evaluated its other financial assets, property, plant and equipment, intangible assets, and goodwill for impairment and no changes from the carrying amount were required in the reporting period related to COVID-19.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Basis of consolidation

The consolidated financial statements of the Company include the accounts of Knight Therapeutics Inc. and all its subsidiaries. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases.

The changes in the Company's ownership interest in a subsidiary that does not result in a change of control are accounted for as equity transactions with no effect on net income or on other comprehensive income.

These Consolidated Financial Statements include the accounts of the Company and its subsidiaries as follows:

Name	Jurisdiction of incorporation	2021 %
11718991 Canada Inc.	Canada	100%
Knight Therapeutics International S.A.[1]	Uruguay (Free Trade Zone)	100%
Knight Therapeutics (USA) Inc.	Delaware, USA	100%
Biotoscana Investments S.A.[2,3]	Luxembourg	99.9%

[1]Former Knight Therapeutics (Barbados) Inc.
[2]Biotoscana Investments S.A. directly and indirectly owns 23 companies, 6 of which are holding companies, 3 are non-operating companies and the remaining 14 are operating as LKM, United Medical and Biotoscana in 10 countries in LATAM.
[3]In February 2022, the Company acquired the remaining interest of 0.1% of Biotoscana Investments S.A.

All significant inter-company transactions, balances, revenues and expenses are eliminated upon consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

2.3 Summary of significant accounting policies

Financial Reporting in Hyperinflationary Economies

In July 2018, the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.) issued a release mentioning that, effective July 1, 2018, entities reporting under IFRS are required to apply the inflation adjustment since the applicable conditions for such application have been satisfied.

IAS 29, Financial Reporting in Hyperinflationary Economies, has been applied to these consolidated financial statements as the Company's Argentine subsidiaries ("Argentine Subsidiaries") use 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, and shall be stated in terms of the measuring unit current at the end of the reporting period. To measure the impact of inflation on its financial position and results, the Company has elected to use the Retail Price Index (Indice de Precios al Consumidor or "IPC"). As at December 31, 2021 the IPC was 7,729 (2020: 5,124) which represented an increase of 51% compared to December 31, 2020.

All balance sheet items of Argentine subsidiaries should be segregated into monetary and non-monetary items. Monetary items are units of currency held, and assets and liabilities to be received or paid, in fixed or determinable number of units of currency. These monetary items are not restated because they are already expressed in terms of the current monetary unit. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, and an entity with an excess of monetary liabilities over monetary assets gains purchasing power, to the extent the assets and liabilities are not linked to a price level. The gain or loss on the net monetary position is included in the consolidated statement of income as "Gain (loss) on hyperinflation".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit) are restated by applying the relevant index. After the IAS 29 restatement of non-monetary assets, it is necessary to consider whether the restated amount of the asset might exceed its recoverable amount. Additionally, the application of IAS 29 results in the creation of temporary differences because the book value of non-monetary assets is adjusted for inflation but not equivalent adjustment is made for tax purpose; the effect of such a temporary difference is a deferred tax liability that need to be recognized in profit or loss.

The results and financial position of subsidiaries in Argentina, whose functional currency is the currency of a hyperinflationary economy, are first restated in accordance with IAS 29 and are then translated into the presentation currency.

Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The purchase consideration is allocated to the identifiable assets acquired and liabilities assumed on the basis of the fair value at the date of acquisition. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. The results of businesses acquired during the reporting period are consolidated into the consolidated financial statements from the date at which control commences.

Goodwill (the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed) is initially measured at cost. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation, measured at the respective functional currency, and translated at the spot exchange rate at the reporting date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A CGU is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The Company performs goodwill impairment tests on an annual basis, or more frequently if indicators of impairment are identified. An impairment loss is recognized in the event that the carrying value of the CGU or group of CGUs to which goodwill is assigned exceeds its recoverable amount. The recoverable amount of a CGU or group of CGUs is measured as the higher of value in use and fair value less costs of disposal. Goodwill impairment losses are not reversed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign currency translation

[a] Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements of the Company are presented in CAD, which is the parent Company's functional and presentation currency.

The results and financial position of subsidiaries in Argentina, whose functional currency is the currency of a hyperinflationary economy, are first restated in accordance with IAS 29 and are then translated into the presentation currency using the exchange rate at the current reporting date.

[b] Transactions and balances

Foreign currency transactions are initially recorded by the Company and its subsidiaries using the exchange rates prevailing at the date of the transaction (to convert to their respective functional currencies). At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the period-end exchange rates. Non-monetary assets and liabilities are translated at the historical exchange rates. Exchange gains and losses arising from the translation of foreign currency items are recognized in the consolidated statement of income.

[c] Foreign operations

For subsidiaries that have a functional currency different from the parent Company, on consolidation, the assets and liabilities of foreign operations are translated into CAD at the exchange rate prevailing at the reporting date and their statements of income are translated using the average exchange rates for the period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents are comprised of current balances with banks and similar institutions and highly liquid investments with original maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

Marketable securities

Marketable securities consist of securities that are liquid and subject to an insignificant risk of change in value. Marketable securities are initially measured at fair value. Fair values for marketable securities are obtained using techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. Marketable securities will be subsequently measured at their amortized cost, based on the accretion schedules determined at initiation. Marketable securities are classified as current if they mature within the year or if it is expected to be realized within a year.

Inventories

Inventories include raw material, packaging components, work-in-progress and finished goods, which are valued at the lower of cost (average cost) and net realizable value. With regards to inventories of a subsidiary whose functional currency is that of an economy considered hyperinflationary, the cost is adjusted and translated into the reporting currency following the criteria mentioned in the "Financial Reporting in Hyperinflationary Economies" policy. Manufactured inventory cost includes the cost of raw materials, direct labour, an allocation of overhead and the cost to acquire finished goods. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and applicable selling expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale normally expected to be completed within one year from the date of the classification.

Financial Instruments

Initial classification

The classification of the Company's financial instruments is as following:

Classification	Financial instruments	Description
Financial assets measured at amortized cost	Cash	Cash balances with banks.
	Cash equivalents	Highly liquid investments that are readily convertible into a known amount of cash.
	Marketable securities	Liquid investments that are readily convertible into a known amount of cash.
	Trade and interest receivables	Amounts receivable from customers and third parties.
	Loans and other receivables	Loans receivable, debentures and long-term and short-term receivables.
Financial assets measured at FVTPL	Derivatives	Warrants, stock options and other.
	Investments in funds	Life sciences venture capital equity funds and debt funds.
	Investments in equities	Equities of publicly-traded and private entities acquired with the purpose of sale.
	Loans and other receivables	Loans receivable, debentures, hybrid instruments and long-term receivables.
Financial assets measured at FVOCI (with no recycling)	Investments in equities	Equities of publicly-traded and private entities acquired for strategic purposes.

Classification	Financial instruments	Description
Financial liabilities measured at amortized cost	Accounts payable and accrued liabilities	Amounts payable to suppliers and third parties.
	Bank Loans	Debt with financial institutions
	Other balances payable	Obligations to pay out certain future contractually pre-defined amounts upon meeting specific criteria recorded when the likelihood of attainment is deemed probable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Criteria for classification of financial assets

The Company analyzes each loan receivable and equity investment on an individual basis. The analysis and classification is driven by the following criteria:

Classification	Criteria
Loans and other receivables and investments in funds	
Amortized cost	• Held within a business model whose objective is to hold assets in order to collect contractual cash flows and; • Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
FVOCI (with recycling)	• Held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets and; • Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
FVTPL	• All loans receivable and investments in funds not measured at amortized cost or at FVOCI must be measured at FVTPL.
Investments in equity instruments	
FVTPL	• Investment acquired with the purpose of sale or; • Evidence of historical short-term profit making on similar instruments.
FVOCI (with no recycling)	• Investment made primarily for non-financial benefits such as strategic alliances and strategic investments.

Measurement

After classification as amortized cost, FVTPL or FVOCI, the Company uses the following policy for initial measurement and subsequent measurement at each reporting period:

Classification	Initial measurement	Subsequent measurement	Changes in fair value
Financial assets			
Amortized Cost	Fair value on the trade date less expected credit loss	Amortized cost using the effective interest method.	Reported in consolidated statement of income when realized or impaired. Interest accretion on loans is recorded in "Interest income on financial instruments measured at amortized cost" on the consolidated statement of income.
FVTPL	Fair value on the trade date	Re-measured at subsequent reporting dates to fair value using quoted market prices, if available. Re-measured using the Black-Scholes option pricing valuation model or other techniques if quoted market prices are not available.	Reported in "Net loss (gain) on financial instruments measured at FVTPL" on the consolidated statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Classification	Initial measurement	Subsequent measurement	Changes in fair value
Financial assets			
FVOCI (with no recycling)	Fair value on the trade date	Re-measured at subsequent reporting dates to fair value using quoted market prices, if available. Re-measured using the Black-Scholes option pricing valuation model or other techniques if quoted market prices are not available.	Reported in consolidated statement of comprehensive income. There is no recycling of amounts from the statement of comprehensive income to the statement of income upon the disposal of the financial asset.
Financial liabilities			
Amortized Cost	Fair value	Amortized cost using the effective interest method.	The interest accretion is recorded in "Interest expense" on the consolidated statement of income.
FVTPL	Fair value	Re-measured at subsequent reporting dates to fair value.	Reported in "Net loss (gain) on financial instruments measured at FVTPL" on the consolidated statement of income.

Day 1 Gain on Initial Measurement

Upon acquisition of a financial instrument, the Company measures the fair value and compares this to the acquisition price. The difference is recognised as a gain or loss only if fair value is based on a quoted price in an active market or based on a valuation technique that uses only data from observable markets. Otherwise, the difference is deferred and recognised as follows:

- in the income statement on a straight-line basis over the term for financial assets classified as FVTPL;
- in the income statement through the application of the effective interest method for assets classified as amortized cost; or,
- in the statement of comprehensive income for financial assets classified as FVOCI when there is a change in a factor that market participants would consider when pricing the asset.

Impairment of financial assets

The Company recognizes a loss allowance for ECLs on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime ECL except for the following which are measured at a 12-month ECL:

- Investments in marketable securities determined to have low credit risk at the reporting date with a credit risk rating equivalent to investment grade; and
- Other financial assets for which credit risk has not increased significantly since initial recognition.

The Company applies the simplified approach on trade receivables, which allows for the use of a lifetime ECL provision considering the probability of default over the expected life of the financial asset. The 12-month ECL only considers default events that are possible within the year following the reporting date.

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due, taking into consideration the location of the customer and their risk factor. The provision matrix is initially based

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

on the Company's historical observed default rates and is subsequently evaluated and updated based on new and forward-looking information.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and is related to an event occurring after the impairment was recognized. Financial assets measured at FVTPL and FVOCI (with no recycling) are not subject to impairment testing.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) or financial liability is derecognized when:

- the rights/obligations to receive/disburse cash flows from the asset/liability have expired/discharged; or
- the Company has transferred its rights/obligations to receive/disburse cash flows from the asset/liability.

Fair value hierarchy

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.	Investments in equities[1]
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.	Cash equivalents Marketable securities Investments in equities[2]
Level 3	Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.	Investments in equities[3] Investments in funds Loans and other receivables Derivatives Bank loans

[1] *Publicly-traded equities in active markets*
[2] *Publicly-traded equities in inactive markets*
[3] *Privately-held equities*

Derivative financial instruments and hedge accounting

The Company may use derivative financial instruments to hedge its market risk exposure. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Derivatives are initially recorded at fair value and are subsequently remeasured at fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income. The amount recognized in other comprehensive income is removed and included in the statement of income under the same line item as the hedged item in the same period that the hedged cash flows affect net income. When a hedged forecasted transaction

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

subsequently results in the recognition of a non-financial asset or liability, the gain or loss on the derivative is removed from accumulated other comprehensive income and included in the initial cost or carrying amount of the asset or liability.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Right-of-use assets

The Company recognizes right-of-use assets at the inception of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the inception date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and/or accumulated impairment losses, if any. With regards to property, plant and equipment of a subsidiary whose functional currency is that of an economy considered hyperinflationary, the cost is adjusted and translated into the reporting currency following the criteria mentioned in the "Financial Reporting in Hyperinflationary Economies" policy. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to consolidated net income during the financial period in which they are incurred.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates each separately. Depreciation of the significant components is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Property, Plant and Equipment	Method	Term
Buildings	Straight-line	20 years
Machinery and equipment	Straight-line	5-10 years
Computer equipment	Straight-line	3-5 years
Office equipment	Straight-line	10 years
Other	Straight-line	5 years
Leasehold improvement	Straight-line	Lesser of useful life and life of the lease

On disposal of property, plant and equipment, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is included in the consolidated statement of income.

The Company periodically reviews the useful lives and the carrying values of its property, plant and equipment and as a result the useful life of property, plant and equipment may be adjusted accordingly.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects assumptions that market participants would use when pricing investment property under the market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the period in which they arise.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Intangible assets

Intangible assets acquired are recorded at cost. With regards to intangible assets of a subsidiary whose functional currency is that of an economy considered hyperinflationary, the cost is adjusted and translated into the reporting currency following the criteria mentioned in the "Financial Reporting in Hyperinflationary Economies" policy. Intangible assets consist of license rights, intellectual property (pharmaceutical product rights, process know-how covered by certain patented and non-patented information, trademarks) and software related costs. In addition, in many cases the product licence agreements include contractual payments upon achieving specific regulatory or sales related milestones. These milestone payments are part of the total consideration to be paid for the license rights. Therefore, at the time when the Company enters in such agreements, the likelihood of attainment of these payments is analysed and a probability approach is used to determine the fair value of any future payment which are capitalized. The Company reassesses the probabilities used at each reporting period and any changes will impact the intangible assets and other balances payable accounts.

Intangible assets with finite lives are amortized on a straight-line basis over the lesser of the term of the agreement, the life of the patent or the expected useful life of the product once they are available for commercialization. The amortization terms range from 3 to 10 years. The Company periodically reviews the useful lives and the carrying values of its intangible assets. As a result, the useful life of intangible assets may be adjusted accordingly.

The Company assesses at each reporting period whether there is an indication of impairment of any intangible asset. Intangible assets that are not available for use are tested for impairment at least annually. An impairment loss is recognized when the carrying amount of an intangible asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the intangible asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are charged to the consolidated statement of income in the period concerned. Impairment losses are only reversed if there has been a change in estimates used to determine the recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortization, had no impairments been recognized. A reversal is recognized in the consolidated statement of income.

Accruals and provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects a portion or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as an asset when the reimbursement is virtually certain. The expense relating to the provision is presented in the statement of income net of any reimbursement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Non-current provisions are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized in the statement of income in "interest expense".

Lease liabilities

At the inception date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

The Company uses the IBR to calculate the fair value of lease payments at the lease inception date if the interest rate implicit in the lease is not readily determinable. After the inception date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Other balances payable

As part of acquisitions of intangible assets, the Company may assume obligations to pay out certain future contractually pre-defined amounts upon meeting specific timelines or achieving specific regulatory or sales related milestones. These obligations are recorded when the likelihood of attainment is deemed probable and are measured at amortized cost. The long-term portion of other balances payable are discounted to current values using appropriate rates of interest.

Share-based compensation plans

[a] Stock Options

The Company measures the cost of share-based compensation by reference to the fair value at the date on which they are granted. The Company uses the Black-Scholes option pricing model to determine the fair value of the options.
The cost of share-based compensation plans is recognized, together with a corresponding increase in contributed surplus over the period in which the service conditions are fulfilled. The cumulative expense is recognized at each reporting date until the vesting date and reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense recognized for the period is recorded under S&M, G&A, and R&D expenses on the consolidated statement of income. No expense is recognized for awards that do not ultimately vest. Any consideration paid by employees on exercise of share options or purchase of shares is credited to share capital. The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of diluted earnings per share.

[b] Restricted share units

RSUs are expected to be settled by the issuance of the Company's shares, although they can be settled in cash at the Company's option. RSUs vest at the end of the three-year period from the date of the grant. The fair value of each grant of RSUs is the fair value of the Company's share price on the date of the grant. The number of RSUs expected to vest are estimated on the grant date and subsequently revised on each reporting date. The resulting compensation expense, adjusted for forfeitures, is charged to income over the period the participants unconditionally become entitled to the award, with a corresponding increase to contributed surplus, on a straight-line basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[c] Performance share units

PSUs are expected to be settled by the issuance of the Company's shares, although they can be settled in cash at the Company's option. PSUs vest at the end of the three-year period from the date of the grant upon the achievement of certain non-market vesting conditions. The fair value of each grant of PSUs is the fair value of the Company's share price on the date of the grant. The number of PSUs expected to vest are estimated on the grant date and subsequently revised on each reporting date. The resulting compensation expense, adjusted for expectations related to non-market performance conditions and forfeitures, is charged to income over the period the participants unconditionally become entitled to the award, with a corresponding increase in contributed surplus, on a straight-line basis.

[d] Deferred share units

DSUs are awarded to Directors of the Company and vest when they cease to be a member of the Board of Directors. DSUs are expected to be settled by the issuance of the Company's shares and are recognized as general and administrative expenses on the date of grant using the Company's share price as the fair value.

[e] Share purchase plan

The Company offers a share purchase plan to its employees and directors. Under this plan, the Company contributes, in the form of shares, a percentage of the employees' or directors' contribution that have been purchased and held for two years by the individual. The Company's contributions to the plan are recognized as compensation costs in S&M, G&A, and R&D expenses.

Equity instrument share issue costs

Issue costs incurred by the Company to issue equity instruments are recorded as a reduction of the equity instrument issued.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by third parties. The share of net assets of these subsidiaries that are attributable to the non-controlling interests is presented as a component of equity, while their share of net income or loss and comprehensive income or loss is recognized directly in equity.

Revenue Recognition

Revenue related to the sale of goods is recognized at the point in time when the Company has satisfied its performance obligations and control is transferred to the customer which is on shipment or delivery of the product. The Company generally has a right to receive payment in accordance with agreed payment terms at the time of delivery, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due. Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The normal credit term varies depending on the country in which the revenue is generated; credit terms will typically range between 30 and 45 days from the invoice date in all countries outside of LATAM, while they can typically range from 60 to 120 days from the invoice date in LATAM. In certain circumstances, returns or exchange of products are allowed under the Company's general terms and conditions or the Company may provide discounts or allowances, which gives rise to variable consideration. The variable consideration is estimated using the expected value method as this best predicts the amount of variable consideration to which the Company is entitled. Amounts are recognized as a reduction of revenue at the time the control of the products purchased is transferred to the customer. In certain situations, such as initial product launches for which the Company has limited comparable information or where the market or client acceptance has not been clearly established, the Company may determine that it has not met the requirements for recognition of revenue, such as the ability to reasonably determine provisions for product returns, as a result revenue will be constrained.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

In certain cases, revenue from the sale of goods is recognized even when the corresponding goods have not been delivered to the extent that the transaction corresponds to a sale with a deferred delivery method (usually known as bill-and-hold arrangement). For bill-and-hold arrangements, revenue is recognized when the customer has obtained control of the goods and the customer has requested the arrangement, the goods are separately identified as belonging to the customer, the goods are ready for physical transfer to the customer and the Company does not have the ability to use the goods or direct it to another customer.

Performance obligations under bill-and-hold arrangement involve the transfer of ownership of the products sold and the custodian and transportation services until the customer request of physical delivery. At the time of invoicing, the related revenue is measured at the fair value of the consideration received or receivable, net of returns, allowances and discounts, after excluding from the sales price the portion related to custodian and transportation services. That portion of the sale's price is subsequently accrued during the time elapsed from invoicing to final physical delivery, jointly with the related costs.

Research and development

Research and development expenditures are charged to the consolidated statement of income in the period in which they are incurred. Development expenditures are charged to net income in the period of expenditure, unless a development project meets the criteria under IFRS for deferral and amortization.

Interest income/expense

Interest income or expense is recognized on a time-proportion basis. For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate method, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. For financial assets recorded at FVTPL, interest income is recorded using the contractual interest rate in "Other interest income" on the statement of income.

Borrowing costs

Borrowing costs are expensed in the period in which they occur, except when they are attributable to eligible assets for their capitalization under IAS 23 rules.

Other income

Other income is recognized when it is earned and includes income earned for advisory and other services, gains from early loan repayments including prepayment fees and income from strategic lending deals. Prepayment fees and other fees earned on the prepayment of loans receivable are recognized in other income when received.

Government assistance

Amounts received or receivable resulting from government assistance programs such as investment tax credits for research and development, are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the amount relates to an expense item, it is recognized as income on a systematic basis as a reduction to the costs that it is intended to compensate. When the grant relates to an asset, it reduces the carrying amount of the asset and is then recognized as income over the useful life of the depreciable asset by way of a reduced depreciation charge.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income taxes

Income tax expense is comprised of current and deferred tax. Tax expenses are recognized in the consolidated statement of income except to the extent they relate to items recognized directly in equity or other comprehensive income, in which case the related tax is recognized in equity or other comprehensive income, respectively.

[a] Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax returns and assessments with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

[b] Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets (liabilities) are recognized for all deductible (taxable) temporary differences, except to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except:

- where the deferred tax asset (liability) relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable income or loss; and
- in respect of taxable temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Commodity tax

Expenses and assets are recognized net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- when receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Earnings per share

Earnings per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated giving effect to the exercise of all dilutive instruments and assumes that any proceeds that could be obtained upon the exercise of options would be used to purchase common shares at the average market price during the period.

3. USE OF JUDGMENTS AND ESTIMATES

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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of 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.

Information about significant judgments and estimates used in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to:

Goodwill, intangible assets and business combinations

Intangible assets and goodwill arise out of business combinations for which the Company has applied the acquisition method of accounting. The acquisition method involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair value. As part of this allocation process, the Company must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital ("WACC").

The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill. In the event that actual fair values of the net assets including definite life intangibles are different from estimates, the amounts allocated to goodwill could differ from what is currently reported. This would then have a pervasive impact on the carrying value of goodwill. Differences in estimated fair values would also have an impact on the amortization of definite life intangibles. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges in the future.

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates and it's complemented by a case by case analysis to identify special circumstances related to individual customers and/or transactions, considering any relevant forward-looking information.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Inventory Provision

The Company adjusts the carrying value of inventory to consider any cost that cannot be recovered due to obsolescence or other factors. In order to perform this analysis, the Company considers estimates of future demand for each product, the expiration dates and the respective short-dated periods in the various countries defined for each product to determine appropriate inventory provision.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

In the event of a sudden significant decrease or increase in demand for the Company's products, the Company may increase or decrease its inventory provision, which would directly impact the cost of goods sold and have an impact on the profitability of the Company.

Fair value measurement of financial assets

When the fair values of financial assets recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, it is measured using other valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as credit risk, discount rates, volatility and illiquidity. Changes in assumptions about these factors could affect the reported fair value of financial assets.

Investments in Funds

The Company records investments in funds at its NAV and judgment is used to determine if the NAV provided by the fund approximates fair value. The Company inspects all details provided from the fund managers related to the underlying investments and determines if the changes from one period to another are reasonable. The Company corroborates the changes with external sources to the extent possible. If it is determined that the NAV represents fair value, the investment in fund is adjusted to reflect the NAV and unrealized gains or losses are recorded in the statement of income. Upon the sale of the funds' underlying assets, the Company does not record any potential milestone gains in its NAV, which are related to contingent events such as clinical, regulatory or commercial successes, until they are realized.

Loans receivable

As consideration for loans issued, the Company may receive additional assets such as product rights, shares and warrants on issuance of the loan. The Company uses the relative fair value approach to allocate the nominal amount of the loan issued to the multiple financial instruments identified and any residual value to non-financial instruments. This involves assessing the fair value of the loan receivable by comparing the interest rate to third parties' loans with a similar maturity term and credit rating as the counterparty. The fair value of each strategic loan is determined using the discounted future cash flow of the principal and interest payments and the discount rate used is the fair value interest rate ("FV Interest Rate") of the loan. The Company estimates the FV Interest Rate through the following steps which involves use of significant judgement and estimates:

Assignment of credit rating: There is no reliable third-party credit rating on any of the strategic partners from which the Company has a loan outstanding balance. Therefore, the Company judgmentally assigns a credit rating to each loan based on quantitative and qualitative factors which include but are not limited to review of borrower's business plan, cash flow forecasts and financial standing.

Interest rate of comparable financial instruments: The Company reviews the interest rates of publicly-traded debt instruments with similar maturity term and credit rating as the loan being analysed. Based on the review the Company assigns a FV Interest Rate to each of its loan receivable. The Company may judgmentally exclude certain outliers in this analysis.

Equities classified as "Level 3" in the fair value hierarchy

When determining fair value of equities classified as "Level 3" of the fair value hierarchy judgment is involved in assessing the fair value of the financial asset. The fair value is determined through acceptable valuation techniques such as the income or market approach which involve use of judgment and estimates such as sales, gross margin, and expense projections, discount rates and long-term growth rates.

Equities classified as "Level 2" in the fair value hierarchy

When determining fair value of equities classified as "Level 2" of the fair value hierarchy judgment is involved in assessing the fair value of the financial asset. The Company will determine if observable market data is representative

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

of the fair value. If it is not, the Company will consider other acceptable valuation techniques such as the income or market approach which involve use of judgment and estimates such as sales, gross margin, and expense projections, discount rates and long-term growth rates.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU or group of CGUs being tested. Discount rates are based on the Company's cost of capital, adjusted for asset-specific risks. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Future events could cause the assumptions used in the impairment review to change with a consequential adverse effect on the results of the Company.

Determination of CGUs and Groups of CGUs

The determination of the Company's CGUs, group of CGUs and their associated assets involves judgement and is based on the identification of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, considering various factors including how management monitors the operations of the Company (such as by product line, business, individual location, district or regional area) or how management makes decisions about continuing or disposing of the entity's assets and operations. The Company has determined that the lowest aggregation of assets that generate largely independent cash inflows include products, licenses, and intellectual properties. For purposes of the Company's goodwill impairment testing, the Company has grouped certain CGUs to test at the lowest level at which management monitors goodwill for internal management purposes, which is the cash flows generated by Biotoscana Investments S.A. The Company has used significant judgement in determining the groups of CGUs.

Other balances payable

Other balances payable are recorded when the likelihood of payment based on a certain criteria is deemed probable. The Company exercises significant judgement in determining the probability related to meeting specific timelines or specific regulatory or sales related milestones. This assessment involves, but is not limited to, a regulatory assessment of the product and sales projections which are estimated based on forecast results and business initiatives.

Uncertain tax positions

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

From time to time, the Company is subject to tax audits. While the Company believes that its filing positions are appropriate and supportable, periodically, certain matters are challenged by tax authorities. Knight received a notice of reassessment from the CRA and the QRA in July 2018 and January 2019 respectively related to the disposition of its PRV in 2014. The notices of reassessment provide that Knight is liable to pay an aggregate of $41,582 in additional taxes and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

interest. Knight made a deposit of $23,340 in 2018 and $18,242 in February 2019, and expects to recover the deposits and therefore has not recorded any tax provision in its financial statements. However, there can be no assurance regarding the outcome or when a resolution may be reached. Although the Company 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.

Valuation of deferred tax assets

The Company follows the liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As a result, a projection of taxable income is required for those years, as well as an assumption of the ultimate recovery or settlement period for temporary differences. The projection of future taxable income is based on Management's best estimates and may vary from actual taxable income. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The international tax rules and regulations in the jurisdictions that the Company operates are subject to interpretation and require judgement on the part of the Company that may be challenged by taxation authorities. The Company believes that it has adequately provided for deferred tax obligations that may result from current facts and circumstances. Temporary differences and income tax rates could change due to fiscal budget changes and/or changes in income tax laws.

Functional currency

The functional currency of foreign subsidiaries is reviewed on an ongoing basis to assess if changes in the underlying transactions, events and conditions have resulted in a change. When assessing the functional currency of a foreign subsidiary, management's judgment is applied to determine amongst other things the primary economic environment in which an entity operates, the currency in which funds the activities and the degree of autonomy of the foreign subsidiary from the reporting entity in its operations and financially. Judgment is also applied in determining whether the inter-company loans denominated in foreign currencies form part of the Company's net investment in the foreign subsidiary.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

The International Accounting Standards Board has issued various amendments to accounting and financial reporting standards effective in 2021. None of the amendments issued had a material effect on the consolidated financial statements.

5. RECENT ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board has issued various pronouncements or IFRS interpretations to accounting and financial reporting standards committee that will be effective for future accounting periods. The Company closely monitors new accounting standards as well as amendments to existing standards and assesses what impact, if any, they will have on the consolidated financial statements. None of the standards issued to date are expected to have a material effect on the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

6. BUSINESS COMBINATION

Mandatory Tender Offer

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

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

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

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

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

Upon close of the tender offer process, 99.6% of the public shareholders tendered their BDRs through the Alternative Offer Price. The Company paid an aggregate purchase price of $170,855 [BRL 537,523] and obtained 99.9% ownership of GBT. As a result of the completion of the tender offer process, the Company derecognized its mandatory tender offer liability and the non-controlling interest which had been recorded since the GBT Transaction.

On October 23, 2020, the BDR program of GBT was cancelled by the Brazilian Securities and Exchange Commission.

7. CASH AND CASH EQUIVALENTS

As at December 31,	**2021**	2020
	$	$
Cash in bank	**76,929**	227,011
Cash equivalents	**9,034**	2,581
Total	**85,963**	229,592

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

8. MARKETABLE SECURITIES

As at December 31	2021 $	2020 $
Current		
GICs earning interest at rates ranging from 0.65% to 3.37% and maturing from January 2022 to June 2022 (December 31, 2020: 1.25% to 3.30%, January 2021 to June 2021)	**63,539**	118,711
Term deposits of US$22,467 earning interest at 1.60% to 3.04% and matured from February 2021 to April 2021	—	28,605
Total current	**63,539**	147,316
Non-current		
GICs earning interest at rates ranging from 3.09% to 3.37% and maturing from January 2022 to March 2022	—	15,317
Total non-current	—	15,317
Total	**63,539**	162,633

9. TRADE RECEIVABLES

The Company maintains an allowance for ECL that represents its estimate of uncollectible amounts based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. During the year ended December 31, 2021, the Company has recorded a recovery in ECL of $157 (2020: additional ECL $3,534), respectively, in the consolidated statement of income in "Selling and marketing".

The aging analysis of trade receivables, net of the ECL of $3,377 (2020: $3,534), at each reporting date was as follows:

As at December 31,	2021 $	2020 $
Not yet due	**44,792**	45,950
0-90 days overdue	**9,053**	10,212
Over 90 days	**1,543**	6,353
Total	**55,388**	62,515

10. OTHER RECEIVABLES

As at December 31,	2021 $	2020 $
Interest receivable	**1,545**	4,270
Other receivables	**2,288**	4,695
Sales and other taxes receivable	**1,223**	3,448
Total	**5,056**	12,413

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

11. INVENTORIES

As at December 31,	2021	2020
	$	$
Raw materials	**11,168**	9,877
Work in progress	**2,409**	6,182
Finished goods	**58,820**	40,446
Total	**72,397**	56,505

During the year ended December 31, 2021, total inventory of $123,927 (2020: $115,101) was recognized as cost of goods sold, including an inventory write-down of $1,173 (2020: $10,046) in the statement of income in "Cost of goods sold".

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

[i] Right-of-use assets

The Company's leases are primarily for administrative facilities, manufacturing plants and vehicles. The following presents the right-of-use assets for the Company:

	$
Balance as at January 1, 2020	**6,409**
Additions	1,474
Disposals and write offs	(699)
Depreciation	(2,653)
Foreign exchange and hyperinflation adjustments	(496)
Balance as at December 31, 2020	**4,035**
Additions	2,555
Disposals and write offs	(34)
Depreciation	(2,340)
Foreign exchange and hyperinflation adjustments	455
Balance as at December 31, 2021	**4,671**

[ii] Lease liabilities

The following table presents the change in the carrying value of the lease liability during the year.

	$
Balance as at January 1, 2020	**6,600**
Additions	1,474
Cancellations	(712)
Payments during the year	(3,139)
Interest expense during the year	597
Foreign exchange	(402)
Balance as at December 31, 2020	**4,418**
Additions	2,859
Cancellations	(48)
Payments during the year	(3,016)
Interest expense during the year	955
Foreign exchange	(137)
Balance as at December 31, 2021	**5,031**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As at December 31,	**2021**	2020
	$	$
Current	**1,614**	1,875
Non-current	**3,417**	2,543
Total	**5,031**	4,418

The maturity of contractual undiscounted lease liability payments are as follows:

	$
Due within 1 year	1,821
Due between 1 and 3 years	2,029
Due between 3 and 5 years	1,000
Due after 5 years	810
Total	**5,660**

13. PROPERTY, PLANT AND EQUIPMENT

Cost	**Land**	**Building**	**Machinery and Equipment**	**Computer and Office Equipment**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Balance as at January 1, 2020	**955**	**6,378**	**12,781**	**2,228**	**1,253**	**23,595**
Additions	—	476	5,200	528	346	**6,550**
Disposals and write-offs	—	(84)	(332)	(12)	(97)	**(525)**
Foreign exchange and hyperinflation adjustments	(69)	(474)	(2,031)	(205)	(147)	**(2,926)**
Balance as at December 31, 2020	**886**	**6,296**	**15,618**	**2,539**	**1,355**	**26,694**
Additions	—	516	1,977	931	192	**3,616**
Disposals and write-offs	—	(192)	(138)	(399)	(147)	**(876)**
Foreign exchange and hyperinflation adjustments	201	1,071	4,511	901	215	**6,899**
Balance as at December 31, 2021	**1,087**	**7,691**	**21,968**	**3,972**	**1,615**	**36,333**
Depreciation						
Balance as at January 1, 2020	**—**	**320**	**298**	**321**	**17**	**956**
Depreciation charge	—	1,207	2,034	560	86	**3,887**
Foreign exchange and hyperinflation adjustments	—	(147)	(74)	(45)	(10)	**(276)**
Balance as at December 31, 2020	**—**	**1,380**	**2,258**	**836**	**93**	**4,567**
Depreciation charge	—	814	2,858	657	70	**4,399**
Disposals and write-offs	—	(43)	(48)	(300)	(20)	**(411)**
Foreign exchange and hyperinflation adjustments	—	596	1,373	504	40	**2,513**
Balance as at December 31, 2021	**—**	**2,747**	**6,441**	**1,697**	**183**	**11,068**
Net book value as at December 31, 2020	886	4,916	13,360	1,703	1,262	22,127
Net book value as at December 31, 2021	**1,087**	**4,944**	**15,527**	**2,275**	**1,432**	**25,265**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

14. INTANGIBLE ASSETS

	Licenses $	IP & Other $	Software $	Total $
Balance as at January 1, 2020	**143,331**	**40,759**	**953**	**185,043**
Additions	26,266	—	102	**26,368**
Disposals and write-offs	(192)	—	(87)	**(279)**
Foreign exchange and hyperinflation adjustments	(15,627)	(2,031)	(111)	**(17,769)**
Balance as at December 31, 2020	**153,778**	**38,728**	**857**	**193,363**
Additions	14,285	217,338	1,836	**233,459**
Disposals and write-offs	(3,678)	(2)	(89)	**(3,769)**
Foreign exchange and hyperinflation adjustments	2,461	881	(32)	**3,310**
Balance as at December 31, 2021	**166,846**	**256,945**	**2,572**	**426,363**
Amortization and Impairment				
Balance as at January 1, 2020	**5,962**	**5,689**	**20**	**11,671**
Amortization charge	19,322	6,072	141	**25,535**
Impairment	656	—	—	**656**
Disposals and write-offs	—	—	(28)	**(28)**
Foreign exchange and hyperinflation adjustments	(660)	(293)	(65)	**(1,018)**
Balance as at December 31, 2020	**25,280**	**11,468**	**68**	**36,816**
Amortization charge	20,512	20,379	285	**41,176**
Disposals and write-offs	(474)	—	(81)	**(555)**
Foreign exchange and hyperinflation adjustments	(1,011)	(338)	(24)	**(1,373)**
Balance as at December 31, 2021	**44,307**	**31,509**	**248**	**76,064**
Net book value as at December 31, 2020	128,498	27,260	789	156,547
Net book value as at December 31, 2021	**122,539**	**225,436**	**2,324**	**350,299**

The Company classifies its intangible assets as Licenses, Intellectual property and Software. Licenses include pharmaceutical products in-licensed by Knight from third parties for different territories. It includes the fair value of the license agreements acquired through the GBT Transaction as well as contractual payments such as upfront, sales or regulatory milestones made to partners. IP & Other includes product rights owned by the Company such as know-how (acquired or developed) as well as any exclusive rights, such as commercial & manufacturing, typically acquired through an asset purchase agreement. The fair value of the branded generic assets acquired through the GBT Transaction is included in Intellectual Properties. Software typically includes costs capitalized for the implementation or development of certain software used by the Company.

During the year ended December 31, 2021, the Company recorded additions to IP & Other of $217,338 (2020: Nil), related mainly to the acquisition of Exelon® and recorded additions of $14,285 (2020: $26,266) related mainly to upfront payments and certain milestones paid and payable under product license agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

15. GOODWILL

Goodwill is recognized on the acquisition date when total consideration exceeds the net identifiable assets acquired.

	$
Balance as at January 1, 2020	88,262
Foreign exchange and hyperinflation adjustments	(10,537)
Balance as at December 31, 2020	**77,725**
Foreign exchange and hyperinflation adjustments	(2,322)
Balance as at December 31, 2021	**75,403**

Impairment

For purposes of the Company's goodwill impairment testing, the Company has grouped certain CGUs to test at the lowest level at which management monitors goodwill for internal management purposes, which is the GBT level.

The Company performed its annual impairment test of goodwill at December 31, 2021. The recoverable amount was determined based on VIU and considered the cash flows of the group of CGUs based on the current commercialization plans. In assessing the VIU, estimated future cash flows are discounted to their present value using a discount rate that reflects market assessments of the time value of money and the risks specific to the CGUs. The same recoverable amount used in the 2020 annual impairment test was used in 2021. Accordingly, pre-tax discount rate and perpetual growth rate are the same in 2021 and 2020. The VIU calculations were performed using pre-tax discounts rates between 9.03% and 18.75%, depending on the country where the cash flows originate. The Company determined the terminal value as an estimate of the present value of the future cash flows in the terminal period, applying a terminal growth rate of 3%. Based on the Company's assessment, the recoverable amount is higher than the carrying value and therefore no impairment loss was recorded during the year ended December 31, 2021.

16. OTHER FINANCIAL ASSETS

As at December 31,	**2021**	2020
	$	$
Loans and other receivables *[i]*		
Measured at amortized cost	**6,272**	8,847
Measured at FVTPL	**26,796**	24,261
Equity Investments *[ii]*		
Measured at FVTPL	**1,824**	5,154
Measured at FVOCI	**4,876**	4,464
Derivatives *[iii]*		
Measured at FVTPL	**1,286**	1,493
Fund Investments *[iv]*		
Measured at FVTPL	**151,389**	149,736
Total	**192,443**	193,955

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended December 31, 2021	Unrealized (gain) loss on FA measured at FVTPL $	Realized (gain) loss on FA measured at FVTPL $	Total $
Loans and other receivables *[i][1]*	(521)	—	**(521)**
Equity Investments *[ii]*	2,564	(1,860)	**704**
Derivatives *[iii]*	202	—	**202**
Fund Investments *[iv]*	6,984	(26,313)	**(19,329)**
Total	**9,229**	**(28,173)**	**(18,944)**

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

For the year ended December 31, 2020	Unrealized (gain) loss on financial assets measured at FVTPL $	Realized (gain) loss on financial assets measured at FVTPL $	Total $
Loans and other receivables [i][1]	700	(46)	**654**
Equity Investments [ii]	(2,492)	674	**(1,818)**
Derivatives [iii][2]	1,193	36,165	**37,358**
Fund Investments [iv]	(30,089)	(16,644)	**(46,733)**
Total	(30,688)	20,149	**(10,539)**

[1]Realized (gain) loss on financial assets measured at FVTPL includes recognition of deferred day 1 gains and change in FMV related to early repayment.
[2]Includes a loss of $37,521 related to loss on forward contracts and non-deliverable forward contracts entered into for the acquisition of 51.2% of GBT which is recorded in the consolidated statement of income as "Net gain (loss) on mandatory tender offer liability". Refer to note 16 [iii] for additional details.

[i] Loans and other receivables

As at December 31, 2021, the nominal loan balance outstanding was $33,691 [US$26,574] (December 31, 2020: $36,338 [US$28,541]). The following table summarizes the movement in loans and other receivables during the year ended December 31.

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net gain (loss) on FA[1] $	Foreign exchange[2] $	Carrying value end of year $	Current other financial assets $	Non-current other financial assets $
2021								
Amortized Cost	8,847	35	(2,543)	—	(67)	6,272	2,548	3,724
FVTPL	24,261	2,242	(141)	521	(87)	26,796	7,572	19,224
Total	**33,108**	**2,277**	**(2,684)**	**521**	**(154)**	**33,068**	**10,120**	**22,948**
2020								
Amortized Cost	2,181	7,364	(68)	—	(630)	8,847	5,106	3,741
FVTPL	28,390	4,305	(7,734)	(654)	(46)	24,261	6,129	18,132
Total	**30,571**	**11,669**	**(7,802)**	**(654)**	**(676)**	**33,108**	**11,235**	**21,873**

[1] Net changes related to change in the fair value of loan receivables and recognition of day 1 gains
[2] During the year ended December 31, 2021, the Company recorded a loss of $61 in the statement of income (loss) in "Foreign exchange loss" (2020: loss of $274) and a loss of $93 in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations" (2020: loss of $402)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Triumvira

On February 20, 2019, the Company entered into a secured loan agreement with Triumvira for $6,585 [US$5,000] for the development of its novelty T cell therapies ("Triumvira Loan Agreement"). The loan was recorded at a relative fair value of $6,264 [US$5,000] upon initial measurement and subsequently accounted for at FVTPL. In addition, Knight received warrants to purchase 3.5% of Triumvira's fully diluted common shares and 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 $3,457 [US$2,500] which bears interest at 12.5% per annum and matured on May 8, 2021. In 2021, $2,494 [US$2,000] of additional loan was repaid and the maturity date of both loans was extended to June 30, 2022. The loan was recorded at its nominal value which represents fair value and subsequently accounted for at amortized cost.

Moksha8

On October 17, 2018 the Company entered into a strategic relationship with Moksha8, a specialty pharmaceutical company operating in Brazil and Mexico, through the issuance of a $2,599 [US$2,000] promissory note bearing an annual interest of 15%. The promissory note was recorded using the amortized cost method and was repaid in February 2019.

On February 15, 2019, the Company entered into a financing agreement with Moksha8 for up to $159,150 [US$125,000] ("Financing Agreement"), of which $13,134 [US$10,000] was initially issued. The loan disbursed was recorded at a relative fair value of $13,449 [US$10,213] upon initial measurement and subsequently accounted for at FVTPL. The loan bears interest at 15% per annum and matures five years from the issuance date. Furthermore, Knight received warrants representing 5% of the fully diluted shares of Moksha8.

On September 30, 2019, the Company loaned an additional $1,987 [US$1,500] to Moksha8 at an interest rate of 15% per annum. The loan was recorded at its nominal value which represents fair value and is subsequently accounted for at amortized cost. As at December 31, 2021, the total nominal loan balance outstanding was $15,205 [US$11,993] (2020: $15,267 [US$11,993]).

Under the terms of the Financing Agreement, Knight has a remaining loan commitment of $6,339 [US$5,000] which may be disbursed should Moksha8 meet pre-defined profitability targets. In addition, the Company may issue an additional $127,320 [US$100,000] at Knight's sole discretion for corporate development and the acquisition of product licenses.

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 year ended December 31.

	Carrying value as at January 1 $	Additions[1] $	Disposals[2] $	Net gain (loss) on FA[3] $	Foreign exchange $	Carrying value end of year $	Current other financial assets $	Non-current other financial assets $
2021								
FVTPL	5,154	—	(2,624)	(704)	(2)	1,824	1,824	—
FVOCI	4,464	—	—	426	(14)	4,876	1,258	3,618
Total	**9,618**	**—**	**(2,624)**	**(278)**	**(16)**	**6,700**	**3,082**	**3,618**
2020								
FVTPL	3,712	782	(1,162)	1,818	4	5,154	5,154	—
FVOCI	6,473	—	(1,825)	(132)	(52)	4,464	1,355	3,109
Total	**10,185**	**782**	**(2,987)**	**1,686**	**(48)**	**9,618**	**6,509**	**3,109**

[1] Equities purchased or received as consideration with the strategic lending transactions
[2] Cash received upon disposal of equities during the year
[3] Net changes due to revaluation to fair market value recorded in the statement of income (loss) (FVTPL) or statement of comprehensive income (loss) (FVOCI)

Equity investments measured at FVTPL

Medexus

During the year ended December 31, 2021, Knight sold 315,600 common shares of Medexus for total proceeds of $2,624 realizing a gain of $1,639. The common shares were acquired by Knight at an average cost of $3.12 per share.

Equity investments measured at FVOCI

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

As at December 31,	2021		2020	
	Number of common shares owned	FV $	Number of common shares owned	FV $
Crescita	**1,935,489**	**1,258**	1,935,489	1,355
Synergy[1]	**17,645,812**	**—**	17,645,812	—
Medimetriks[2]	**2,315,007**	**3,618**	2,315,007	3,109
Total		**4,876**		4,464

[1] Valued using the quoted market price (closing share price on the OTCXD) less the day 1 gain on initial measurement that the Company deferred. FV before considering the deferred day 1 gain is $25 [US$19] (December 31, 2020: $899 [US$706])]
[2] Valued using the income approach valuation method less the day 1 gain on initial measurement that the Company deferred. FV, net of the day 1 gain, in original currency is US$2,855 (December 31, 2020: US$2,442)

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 year ended December 31, 2021.

	Carrying value as at January 1	Additions[1]	Disposals[2]	Net (loss) on FA[3]	Foreign exchange[4]	Carrying value end of year	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
2021	**1,493**	—	—	**(202)**	**(5)**	**1,286**	**289**	**997**
2020	4,334	—	34,689	(37,358)	(172)	1,493	179	1,314

[1] Derivatives recognized during the year

[2] Derivatives derecognized or disposed of during the year

[3] In 2020, includes a loss of $37,448 recorded on foreign exchange contracts related to the mandatory tender offer liability

Moksha8

In conjunction with the Moksha8 Financing Agreement, Knight received 23,744 warrants at an exercise price of US$0.01 each representing 5% of the fully diluted shares of Moksha8. The warrants were initially recorded at a relative fair value of $497 [US$372] valued using the Black-Scholes model. As at December 31, 2021 the warrants were recorded at a fair value of $392 [US$309] (2020: $473 [US$372]).

Triumvira

In conjunction with the Triumvira Loan Agreement, Knight received warrants to purchase 3.5% of Triumvira's fully diluted common shares. The warrants were initially recorded at their relative fair value of $321, valued using the Black-Scholes model. As at December 31, the warrants were recorded at a fair value of $109 (2020: $259).

Medimetriks

During the year ended December 31, 2017, pursuant to its loan agreement with Medimetriks, the Company recorded $496 [US$395] as a derivative for the right to obtain a cash payment subject to a future event. The cash payment fluctuates with the value of the common shares of Medimetriks which was determined using an income approach valuation technique. As at December 31, 2021, the derivative was recorded at a fair value of $538 [US$424] (2020: $457 [US$359]).

MTO liability and Foreign Currency Contracts

On December 20, 2019, Knight Therapeutics Inc. submitted to B3, the authorization request to carry-out a Unified Tender Offer for the acquisition of the remaining 48.8% of GBT. As a result, Knight had a contractual obligation to the minority shareholders of GBT. On July 15, 2020, the Company launched the Unified Tender Offer to acquire the remaining 48.8% of GBT and completed the process on September 3, 2020 when the MTO liability was settled.

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

Along with the launch of the Unified Tender Offer, the Company settled the USD Contract and BRL Contract ("FX Contracts") and the Company converted $163,797 to BRL 510,873. Prior to the settlement of the FX Contracts, a derivative liability of $36,425 was recorded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As a result of the settlement of the MTO liability and FX Contracts, the Company recorded the following net gain for the year ended December 31, 2020, in the consolidated statement of income as "Net gain on mandatory tender offer liability".

December 31,	2020
	$
Change in fair value of MTO liability	(7,199)
Foreign exchange revaluation of MTO liability	(47,686)
Change in fair value of FX Contracts	37,521
Foreign exchange revaluation BRL cash[1]	5,292
Net gain on mandatory tender offer liability	**(12,072)**

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

As a result of the tender offer process, the Company paid an aggregate purchase price of $170,855 [BRL 537,523] and obtained 99.9% ownership of GBT.

[iv] Fund investments

The following table summarizes the movement in fund investments recorded at FVTPL during the year ended December 31.

	Carrying value as at January 1 $	Additions[1] $	Distributions[2,3] $	Net gain on FA $	Foreign exchange[4] $	Carrying value end of year $	Current other financial assets $	Non-current other financial assets $
2021	**149,736**	**16,429**	**(31,320)**	**19,329**	**(2,785)**	**151,389**	**—**	**151,389**
2020	114,061	15,766	(27,893)	46,733	1,069	149,736	16,508	133,228

[1] Investments in equity or debt funds including US$3,375 and EUR 2,781 (2020: including US$4,203 and EUR 1,766)
[2] Distributions received from funds including US$12,297 and EUR 1,214 (2020: including US$4,338 and EUR 7,804)
[3] Includes distribution receivable of $389 (2020: $1,221)
[4] During the year ended December 31, 2021, recorded a loss of $3,252 in the statement of income in "Foreign exchange loss" (2020: gain of $2,877) and a gain of $467 in the statement of other comprehensive income in "Unrealized income (loss) on translation of foreign operations" (2020: loss of $1,808)

17. MEASUREMENT OF FINANCIAL ASSETS

[i] Fair value hierarchy

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As at December 31,	2020 $	Level 1 $	Level 2 $	Level 3 $
Recurring fair value measurements				
Loans measured at FVTPL	24,261	—	—	24,261
Equity investments measured at FVTPL	5,154	5,154	—	—
Equity investments measured at FVOCI	4,464	1,355	—	3,109
Derivatives	1,493	—	—	1,493
Fund investments measured at FVTPL	149,736	—	—	149,736
Total	185,108	6,509	—	178,599

There were no transfers between levels of the fair value hierarchy for the years ended December 31, 2021 or 2020.

[ii] Day 1 Gains

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

As at December 31,	2021		2020	
	US$	$	US$	$
Equity investments measured at FVOCI				
Medimetriks	**730**	**925**	730	929
Synergy	**3,764**	**4,772**	3,764	4,792
Total	**4,494**	**5,697**	4,494	5,721

18. BANK LOANS

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

As at December 31, 2021

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

[1] Overdraft balances
[2] Fixed rate renewed monthly
[3] Fixed rate renewed daily

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As at December 31, 2020	Currency of debt	Interest rate	Effective interest rate	Maturity	Current $	Non-current $	Total $
Banks							
Itaú Unibanco Brasil (i)	BRL	1.65% + CDI	4.44%	Dec 8, 2023	24,167	—	24,167
Banco Santander (i)	BRL	2.00% + CDI	4.73%	Dec 13, 2021	3,815	—	3,815
Banco Santander (ii)	BRL	1.39% + CDI	3.82%	Mar 4, 2021	10,111	—	10,111
Bancolombia	COP	2.10% + IBR	3.90%	Oct 12, 2026	13,677	—	13,677
Total Bank Loans					51,770	—	51,770

The maturity of the bank loan payment are as follows:

	$
Due within 1 year	26,662
Due between 1 and 2 years	2,316
Due between 2 and 5 years	6,949
Due after 5 years	—
Total	**35,927**

Itaú Unibanco Brasil

(i) The loan was issued to a subsidiary of Knight in December 2017 and is guaranteed by a First Demand Corporate Guarantee from Knight as well as a pledge of its receivables. The principal repayment of BRL 16,667 and interest are due on a semi-annual basis. The Company has the right to prepay the loan in exchange for a prepayment fee. The loan includes customary representations, warranties, and affirmative and restrictive covenants, including covenants to attain and maintain certain financial metrics. One such covenant is the requirement to obtain consent prior to a change of control. Upon the acquisition of GBT by the Company, a change in control waiver was requested from Itaú Unibanco Brasil. As at December 31, 2021 the waiver was not yet obtained and as a result the Itaú loan is presented as a current liability. The Company is in compliance with the other loan covenants.

(i) On 28 December 2021, a subsidiary of Knight, entered into a one-year loan from Itaú Unibanco Brasil of $5,601 BRL 25,000, maturing on December 28, 2022. The Company has the right to prepay the loan in exchange for a prepayment fee.

Banco Santander

(ii) The loan was issued to a subsidiary of Knight in December 2018 and is guaranteed by a First Demand Corporate Guarantee from Knight. The principal repayment of BRL 7,771 and interest are due on a semi-annual basis. The loan and accrued interest were fully repaid in 2020.

(iii) In March 2020, Banco Santander loaned an additional $10,928 [BRL 40,132] to a subsidiary of Knight. The loan is guaranteed by a USD 10,000 deposit made by Knight to Banco Santander. The loan and accrued interest were fully repaid in 2020.

Bancolombia

In October 2021, a subsidiary of Knight, amended its existing one-year loan with Bancolombia maturing on December 14, 2021. As a result of the amendment, the loan of $11,713 [COL 37,000,000] is repayable on a semi-annual basis

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

starting April 2022 and matures on October 12, 2026. The loan includes financial covenant to maintain certain financial metrics. The subsidiary of Knight is in compliance with the covenant.

19. OTHER LONG-TERM 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 International S.A. A PRV is a transferrable asset that entitles the holder to a priority review for a drug of its choice.

The Company's PRV was granted on March 19, 2014 upon the FDA approval of Impavido® and was disposed of to a third party in November 2014 for gross proceeds of US$125,000. The notices of reassessment provide that Knight is liable to pay an aggregate of $23,340 and $18,242 to the CRA and QRA respectively in additional taxes and interest. Knight has made a deposit for the full amount to the CRA in July 2018 and to the QRA in February 2019. In addition, interest income on the deposit is payable to Knight by the CRA and QRA if the Company wins the process. The amount, as at December 31, 2021 is estimated at $2,091 and has not been recorded by the Company.

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

Based on the Company's view of the likely outcome of the appeals process, Knight expects to recover the total of $41,582 deposited with the taxation authorities and has not recorded any tax provision related to the disposal of the PRV in its financial statements. However, there can be no assurance regarding the outcome or when a resolution may be reached.

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

20. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31,	**2021**	2020
	$	$
Trade and other payables	44,468	30,076
Accrued liabilities	18,479	12,259
Commodity tax payable	2,643	2,493
Total	**65,590**	44,828
Current	**65,309**	44,512
Non-current	**281**	316

21. SHAREHOLDERS' EQUITY

[i] Share capital

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Notes	Number of common shares	$
Balance as at January 1, 2020		**135,637,302**	**723,832**
Issuance under share purchase plan	**[ii]**	45,755	275
Repayment of share purchase loans		105,000	945
Shares purchased under NCIB	**[iii]**	(5,748,716)	(30,701)
Balance as at December 31, 2020		**130,039,341**	**694,351**
Issuance under share purchase plan	**[ii]**	65,712	345
Shares purchased under NCIB	**[iii]**	(12,321,864)	(65,842)
Balance as at December 31, 2021		**117,783,189**	**628,854**

[ii] Stock-based compensation plans

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

Share Option Plan

The Company had an equity-settled Share Option Plan ("the Option Plan") in place for employees, directors, officers and consultants of the Company. The Option Plan was approved by the Board of Directors and the shareholders on May 9, 2017 and re-approved by the shareholders on June 25, 2020. The aggregate maximum number of stock options outstanding under the Option Plan at any given time shall not exceed 10% of the outstanding shares of the Company as of the grant date. Effective May 13, 2021, the Company's Omnibus Equity Incentive Plan replaced the Share Option Plan for the future awards of Stock Options to directors, employees, officers and consultants of Knight.

Omnibus Equity Incentive Plan

On May 13, 2021 the Company adopted an Omnibus Plan upon approval by the shareholders. The Omnibus Plan permits the grant of stock options to employees, directors, officers and consultants of the Company, restricted share units ("RSUs") and performance share units ("PSUs") to employees, officers and consultants and deferred share units ("DSUs") to non-employee members of the Board of Directors of Knight. Under the Omnibus Plan, each holder of a RSU, PSU, and DSU has the right to receive upon vesting one common share of Knight or the equivalent amount in cash at the election of the Company.

The maximum number of common shares available for issuance pursuant to the Omnibus Plan and the Option Plan shall not exceed 10% of the then issued and outstanding common shares on a rolling basis.

Stock options

Stock options issued under the Share Option Plan and the Omnibus Plan must be exercised within a period of time fixed by the Board of Directors that may not exceed ten-years from the grant date. 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 Omnibus 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 weighted average fair value of the options granted during the year, estimated by using the Black-Scholes option pricing model, was $1.62 (2020: $2.68). The fair value of the options was estimated on the date of grant based on the following weighted average assumptions:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Year ended December,	**2021**	**2020**
Weighted average risk-free interest rate	**1.25%**	**0.41%**
Dividend yield	**Nil**	**Nil**
Weighted average volatility factor *[i]*	**26%**	**39%**
Forfeiture rate	**2%**	**2%**
Weighted average expected life	**6.4 years**	**6.3 years**

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

	Year ended December 31,			
	2021		2020	
	Number of share options #	**Weighted average exercise price $**	Number of share options #	Weighted average exercise price $
Balance beginning of the year	**5,298,806**	**7.50**	4,892,872	7.63
Granted	204,625	5.59	937,778	7.00
Exercised	—	—	(105,000)	5.67
Expired/forfeited	(337,301)	7.92	(426,844)	8.25
Balance at end of the year	**5,166,130**	**7.40**	5,298,806	7.50
Options exercisable at the end of the year	**3,970,949**	**7.49**	3,587,717	7.47

The following table summarizes information about outstanding stock options granted by the Company as at December 31, 2021:

	Options outstanding			**Options exercisable**		
Range of exercise $	**Number of share options #**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number of share options #**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**
5.20 to 5.71	1,516,845	2.97	5.62	1,312,220	2.44	5.62
5.72 to 8.02	2,264,473	4.00	7.41	1,337,675	3.33	7.52
8.03 to 9.18	617,776	0.89	8.63	599,638	0.80	8.64
9.19 to 10.25	767,036	4.58	9.92	721,416	4.67	9.91
	5,166,130	**3.47**	**7.40**	**3,970,949**	**2.90**	**7.49**

The following table summarizes information about outstanding stock options granted by the Company as at December 31, 2020:

	Options outstanding			**Options exercisable**		
Range of exercise $	**Number of share options #**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number of share options #**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**
5.20 to 5.71	1,312,220	0.43	5.62	1,312,220	0.43	5.62
5.72 to 8.02	2,487,308	5.00	7.41	986,172	3.63	7.61
8.03 to 9.18	698,990	2.13	8.59	651,683	1.94	8.62
9.19 to 10.25	800,288	5.61	9.92	637,642	5.74	9.89
	5,298,806	3.58	7.50	3,587,717	2.53	7.47

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

In May 2021, upon shareholders' approval, the Company extended the expiry date of certain stock options held by its executive officers, directors and employees granted during the year ended December 31, 2014 and expiring in 2021 by an additional 3 years. The incremental fair value of $1,210 was expensed in 2021 in general and administrative expense with a corresponding credit to contributed surplus. The fair value of the modified stock options was determined using the Black-Scholes model with the following assumptions:

Share price on the date of grant extension	5.65
Weighted average exercise price	5.63
Weighted average risk-free interest rate	0.53%
Dividend yield	Nil
Weighted average volatility factor *[i]*	25.66%
Weighted average expected life	3.1 years

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

Deferred share units

The Company may grant DSUs to any non-employee director of Knight under the Omnibus Plan. The number of DSUs granted at any particular time pursuant to the Omnibus Plan is calculated by dividing the value of the grant over the market price of a share of Knight on the award date. The DSUs vest when the holder ceases to be a director of Knight for any reason. During the year ended December 31, 2021, the Company granted 29,205 DSUs to non-employee board members. As at December 31, 2021, the number of outstanding DSUs was 29,205 (nil as at December 31, 2020).

Restricted share units and performance share units

The RSUs expire and are settled by no later than December 31st of the third calendar year commencing after the date of award.

The Company may grant PSUs to any employee under the Omnibus Plan. The vesting of the PSUs is subject to the achieving future performance targets. No awards vest when the minimum performance thresholds are not achieved. The PSUs expire and are settled by no later than December 31st of the third calendar year commencing after the date of award.

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

	Year ended December 31, 2021			
	RSUs		PSUs	
	Number of units #	WAFV $	Number of units #	WAFV $
Balance beginning of the year	—	—	—	—
Granted	122,100	5.59	225,836	5.63
Forfeited/cancelled	(10,349)	5.65	(10,349)	5.65
Balance at end of the year	**111,751**	**5.58**	**215,487**	**5.63**
Weighted average remaining contractual life of the share units outstanding at end of year	**2.38**		**2.38**	

The Company recorded an expense of $3,056 (2020: $1,950) for year ended December 31, 2021 with corresponding credits to contributed surplus net of forfeitures related to the share-based compensation under the Share Option Plan and the Omnibus Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 year ended December 31, 2021, the Company issued 65,712 shares (2020: 45,755 shares) under the Purchase Plan for a total of $345 (2020: $275).

[iii] NCIB

For the year ended December 31, 2021, the Company purchased 12,321,864 (2020: 5,748,716) common shares at an average price of $5.23 (2020: $6.40) for an aggregate cash consideration of $64,415 (2020: 36,787). Subsequent to 2021 up to March 21, 2022, the Company purchased an additional 933,715 common shares at an average purchase price of $5.35 for an aggregate cash consideration of $4,997.

[iv] Warrants

Origin

On June 24, 2015, Knight acquired the assets related to Neuragen® pursuant to a default by Origin under its secured loan agreement with Knight. The Company issued 185,000 warrants on June 30, 2015 to several Origin stakeholders which are exercisable, in some instances subject to the achievement of certain prescribed financial benchmarks, at an exercise price of $10.00 per share expiring on June 30, 2025. The Company determined the value of the warrants issued based on the likelihood of certain financial benchmarks being achieved. Warrants that are unlikely to achieve their prescribed financial benchmark were assigned a value of zero. The remaining warrants were assigned a value of $4.14 per warrant ($161 in aggregate) using the Black-Scholes option pricing model. During 2020, one of the warrant holders surrendered their warrants, and as a result the Company derecognised the warrants and recorded an offset of $45 to contributed surplus.

22. ACCUMULATED OTHER COMPREHENSIVE LOSS

As at December 31,	**2021**	2020
	$	$
Net losses on equities at FVOCI net of tax of $681 (2020: $818)	(8,236)	(8,513)
Unrealized gain on translation of foreign operations	7,860	7,010
Total	**(376)**	(1,503)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

23. EMPLOYEE BENEFIT EXPENSES

For the year ended December 31,	**2021**	**2020**
	$	**$**
Salaries	43,241	43,691
Bonuses	5,099	952
Share-based incentive plans	3,120	1,991
Total	**51,460**	46,634

The compensation earned by key management personnel, including directors, in aggregate was as follows:

For the year ended December 31,	**2021**	**2020**
	$	**$**
Salaries	1,938	1,282
Bonuses	1,337	—
Board fees	504	144
Share-based incentive plans	2,569	1,672
Total	**6,348**	3,098

24. INCOME TAX

The income tax provision differs from the amount computed by applying the combined Canadian federal and provincial tax rates to earnings before taxes. The reasons for the difference and the related tax effects are as follows:

	2021	2020
	$	$
Earnings before income taxes	**6,690**	32,085
Applicable tax rate	**26.5%**	26.5%
Income taxes at applicable statutory rate	**1,773**	8,503
Increase (decrease) resulting from:		
Rate differential between jurisdictions	**(2,187)**	(2,428)
Effect of non-deductible expenses (non-taxable income) and others	**(8,580)**	(15,840)
Variation in tax rate	**(1,052)**	191
Hyperinflation impact	**3,486**	3,281
Non-recognition (recognition) of tax benefits related to tax losses and other temporary differences	**(1,346)**	6,198
Non-recognition of capital loss over capital gain	—	1,106
Adjustments recognized in the current year in relation to income tax expense of prior years	**(1,099)**	—
Impact on foreign exchange	**28**	(858)
Others	**(8)**	172
Total income tax expense	**(8,985)**	325
Average effective tax rate	**(134.3)%**	1.0%

The Company's applicable statutory tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The details of income tax expense are as follows:

	2021	2020
	$	$
Current income tax		
Current year	**2,938**	2,633
Adjustments recognized in the current year in relation to current income tax expense of prior years	**(4,287)**	(296)
	(1,349)	2,337
Deferred tax		
Relating to the origination and reversal of temporary differences	**(9,697)**	(2,252)
Variation in tax rate	**(1,032)**	240
Adjustments recognized in the current year in relation to deferred income tax expense of prior years	**3,093**	—
	(7,636)	(2,012)
Income tax expense reported in statement of income	**(8,985)**	325

The details of movement in temporary differences during the year were as follows:

	Balance December 31, 2020	**Recognized in statement of income**	**Recognized in statement of comprehensive income**	**Recognized in shareholders' equity**	**Other**	**Exchange rate variation**	**Balance December 31, 2021**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Property and equipment	**(2,979)**	**(1,408)**	**—**	**—**	**(734)**	**2**	**(5,119)**
Right-of-use assets	**(272)**	**108**	**—**	**—**	**(112)**	**46**	**(230)**
Intangible assets	**(29,198)**	**5,108**	**—**	**—**	**(43)**	**1,783**	**(22,350)**
Trade receivables	**3,020**	**(385)**	**—**	**318**	**514**	**(632)**	**2,835**
Inventory	**1,506**	**2,056**	**—**	**—**	**62**	**(134)**	**3,490**
Provisions and contingencies	**306**	**1,238**	**—**	**—**	**103**	**(140)**	**1,507**
Stock option & others accrued salaries	**46**	**112**	**—**	**—**	**—**	**(5)**	**153**
Investment in subsidiaries	**(41)**	**(29)**	**—**	**—**	**—**	**12**	**(58)**
Loans and Financial assets	**(2,170)**	**(941)**	**(137)**	**—**	**—**	**—**	**(3,248)**
Financing fees	**—**	**87**	**—**	**—**	**—**	**—**	**87**
Tax losses, ITC and SR&ED expenditures	**43,689**	**7,332**	**—**	**—**	**227**	**(884)**	**50,364**
Tax losses, ITC and SR&ED expenditures - VA	**(35,880)**	**(3,120)**	**—**	**—**	**—**	**521**	**(38,479)**
Capital losses	**1,481**	**(1,069)**	**—**	**—**	**—**	**—**	**412**
Capital losses – VA	**(702)**	**290**	**—**	**—**	**—**	**—**	**(412)**
Other	**2,010**	**(1,743)**	**—**	**—**	**517**	**(61)**	**723**
Net deferred tax assets	**(19,184)**	**7,636**	**(137)**	**318**	**534**	**508**	**(10,325)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Balance December 31, 2019 $	Recognized in statement of income $	Recognized in statement of comprehensive income $	Recognized in shareholders' equity $	Exchange rate variation $	Balance December 31, 2020 $
Property and equipment	(3,136)	(10)	—	(30)	197	(2,979)
Right-of-use assets	(341)	33	—	—	36	(272)
Intangible assets	(36,993)	3,253	—	1	4,541	(29,198)
Trade receivables	3,454	(64)	—	(243)	(127)	3,020
Inventory	1,551	594	—	145	(784)	1,506
Provisions and contingencies	586	(228)	—	(37)	(15)	306
Stock option & others accrued salaries	232	(152)	—	(4)	(30)	46
Investment in subsidiaries	(59)	10	—	—	8	(41)
Loans and Financial assets	307	(2,601)	124	—	—	(2,170)
Financing fees	896	(896)	—	—	—	—
Tax losses, ITC and SR&ED expenditures	41,454	5,578	—	—	(3,343)	43,689
Tax losses, ITC and SR&ED expenditures - VA	(32,896)	(4,703)	—	—	1,719	(35,880)
Capital losses	—	1,481	—	—	—	1,481
Capital losses – VA	—	(702)	—	—	—	(702)
Other	1,076	419	—	163	352	2,010
Net deferred tax assets	(23,869)	2,012	124	(5)	2,554	(19,184)

The presentation in the consolidated balance sheet is as follows:

	2021 $	2020 $
Deferred tax asset	**2,048**	2,432
Deferred tax liability	**(12,373)**	(21,616)
Net deferred tax liability	**(10,325)**	(19,184)

The Company has non-capital losses carried forward and for which deferred tax assets have not been recognized amounted to $115,327 as at December 31, 2021 (2020: $106,993). Of these amounts, approximately $56,110 as at December 31, 2021 has no expiration date (2020: $60,725). Non-capital losses can be carried forward over 20 years in Canada and indefinitely for Brazil and can only be used against future taxable income. The Company also has scientific research & experimental development expenses of $21,794 as at December 31, 2021 (2020: $21,884) which have no expiration date and deferred tax assets have not been recognized. In addition, the Company has $1,659 of unused investment tax credits (2020: $1,673), which can be carried forward for 20 years in Canada. Deferred tax assets have not been recognised in respect of these amounts as they may not be used to offset taxable profits elsewhere in the Company, some of them have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

The unrecognized deferred tax assets relate to the following temporary differences and unused tax losses:

	2021 $	2020 $
Tax losses	**31,897**	29,553
Investment tax credit	**1,219**	1,230
Scientific research and experimental development expenses	**5,775**	5,799
Unrecognized deferred tax assets	**38,891**	36,582

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Net deferred tax assets of $8,277 were recognized as at December 31, 2021 (2020: $6,468) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income, projections for future taxable income and prudent tax planning strategies, management believes it is probable the Company will realize the benefits of these deductible differences and operating tax losses carried forward. Refer to Note 3 for more information on how the Company determines the extent to which deferred income tax assets are recognized.

The non-capital losses incurred in various jurisdictions expire as follows:

	Unrecognized	**Recognized**
Expiry Date	**$**	**$**
2022-2026	**2,617**	**7,424**
2027-2031	**17,835**	**166**
2032-2036	**29,495**	**—**
2037-2041	**9,270**	**23,887**
No expiry date	**56,110**	**10,045**
	115,327	**41,522**

25. 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 year.

As at December 31,	**2021**	2020
	$	$
Net income attributable to shareholders of the Company	**15,675**	42,067
Weighted average shares outstanding	**124,480,259**	131,783,255
Basic net income per share	**$0.13**	$0.32

Diluted

Diluted earnings per share have been calculated after adjusting the weighted average number of shares used in the basic calculation to assume the conversion of all potentially dilutive shares. A potentially dilutive share for the Company consists of share options where the exercise price is below the average market price of the Company's shares during the year and the DSUs, PSUs and RSUs issued under Omnibus plan. Diluted earnings per share is determined using the treasury stock method to evaluate the dilutive effect of stock options and DSUs, PSUs and RSUs. PSUs are included in the dilutive calculation only when the performance target associated with the PSU is met.

As at December 31,	**2021**	2020
	$	$
Net income attributable to shareholders of the Company	15,675	42,067
Weighted average shares outstanding	124,480,259	131,783,255
Adjustment for share options, RSUs and DSUs	41,382	201,770
Weighted average shares outstanding	**124,521,641**	131,985,025
Diluted net earnings per share	**$0.13**	$0.32

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

26. SEGMENT REPORTING

The Company had one reportable segment, namely the development, acquisition, in-licensing, out-licensing, marketing and distribution of innovative pharmaceutical products, consumer health products and medical devices. This reflects the revised management structure and the way that the chief operating decision-maker evaluates the business.

Geographic Information

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

Year ended December 31,	2021	2020
	$	$
Revenues		
Brazil	97,204	78,708
Colombia	43,521	34,817
Argentina	42,962	37,847
Rest of LATAM	40,946	33,863
Canada	7,700	4,995
Other[1]	11,145	9,289
Total	**243,478**	**199,519**

[1] Includes Europe, US and other countries.

As at December 31, 2021 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 December 31, 2021	Property, plant and equipment, net	Intangibles, net	Goodwill	Assets held for sale	Right-of-use assets	Other long-term receivables
	$	$	$	$	$	$
Canada	40	20,155	—	—	232	43,431
Brazil	1,264	30,318	21,446	—	725	—
Argentina	23,411	10,931	13,886	—	2,611	—
Colombia	100	10,889	9,975	1,826	22	—
Uruguay	136	181,244	834	524	179	—
Luxembourg	—	45,286	—	—	—	—
Rest of LATAM	314	51,476	29,262	—	902	—
Total	**25,265**	**350,299**	**75,403**	**2,350**	**4,671**	**43,431**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As at December 31, 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 December 31, 2020	Property, plant and equipment, net	Intangibles, net	Goodwill	Assets held for sale	Right-of-use assets	Other long-term receivables
	$	$	$	$	$	$
Canada	106	27,392	—	—	511	41,582
Brazil	1,519	34,986	23,105	—	1,022	—
Argentina	19,966	10,129	11,270	—	1,712	—
Colombia	360	23,509	11,759	2,012	11	—
Uruguay	176	1,481	885	—	261	—
Luxembourg	—	—	—	—	—	—
Rest of LATAM	—	59,050	30,706	—	518	—
Other	—	—	—	527	—	—
Total	**22,127**	**156,547**	**77,725**	**2,539**	**4,035**	**41,582**

27. FINANCIAL RISK

Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its shareholders and to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Managed capital includes cash and cash equivalents, marketable securities, other financial assets, debt and equity (excluding AOCI). To maintain or adjust the capital structure, the Company may attempt to issue new common shares, repurchase the Company's own stock, and acquire or dispose of assets. The issuance and repurchase of common shares requires approval of the Board of Directors.

The Company's investment policy regulates 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, 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.

Market risk

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. Knight 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 CLP). Such currencies have been historically volatile and could create significant fluctuations on the Company's result when translated to CAD. Furthermore, Knight 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 Knight to foreign exchange risks which could result in significant fluctuations of the Company's gross margin or net income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Currency risks in net financial assets

The Company maintains cash and cash equivalents, marketable securities, trade and other receivables, other financial assets, other balances payable and accounts payable and accrued liabilities in many currencies. The Company is primarily exposed to the USD, EUR, BRL and ARS and is therefore exposed to foreign exchange risk on these balances. The following table presents the significant net currency exposure on the foreign-denominated balances. The table includes the net financial assets whose revaluation effect goes though the consolidated statement of income, and therefore includes intercompany balances and excludes foreign currency balances that get revaluated to CAD through other comprehensive income.

2021	USD	EUR	BRL	ARS
Cash and cash equivalents	32,252	493	—	—
Trade and other receivables	2,568	129	125,993	247,844
Other financial assets	66,535[1]	24,931	—	—
Accounts payable and accrued liabilities	(3,921)	(1,761)	(77,703)	—
Other financial liabilities	(1,048)		—	—
Net exposure	**96,386**	**23,792**	**48,290**	**247,844**

[1] *Includes intercompany loans in foreign currency between Company's subsidiaries*

2020	USD	EUR	BRL	ARS
Cash and cash equivalents	41,181	615	—	—
Marketable securities	10,000	—	—	—
Trade and other receivables	3,519	159	28,902	147,588
Other financial assets	40,046	25,869	—	—
Other balances payable	(380)	—	—	—
Accounts payable and accrued liabilities	(5,832)	(1,426)	(17,786)	—
Other financial liabilities	(15,789)	—	—	—
Net exposure	**72,745**	**25,217**	**11,116**	**147,588**

The Company is also exposed to foreign exchange risk on the CLP, COP BOB, CHF, MXN, PEN, PYG and UYU. The total net exposure, in CAD, for these currencies is $945 (2020: $1,137).

Equity price risk

The carrying values of the investments subject to equity price risk are:

For the year ended December 31,	2021	2020
	$	$
Equity investments	**6,700**	9,618
Investments in funds	**151,389**	149,736
Derivatives	**1,286**	1,493
Total	**159,375**	160,847

The Company monitors its equity investments for impairment on a periodic basis and at least at 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 manages the equity price risk through the use

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

of strict investment policies approved by the Board of Directors. The Company's Board of Directors regularly reviews and approves equity investment decisions.

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 8 of the Annual Financial Statements. 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 $1,495 over a one-year period.

In connection with debt held in Knight, the Company is exposed to interest rate risks arising from its bank loans. Details regarding maturity dates and effective interest rates are described in note 18 of the Annual Financial Statement. The Itaú loans have a variable interest rate that fluctuates with the CDI rates. The applicable CDI is the average of the CDI rates applicable during each interest period and therefore the accrued interest at year end with the loans are not exposed to any changes related to variation of the respective floating rates. Assuming that all other variables remain constant, a 1% increase in the interest rate would have resulted in an increase of interest expense of $363 over a one-year period. During 2021, the CDI rate in Brazil increased multiple times from 1.90% to 9.15% in December 2021. As a result, the effective annual interest rate on the Itaú Unibanco loans are expected to be higher during Q1-22. Regarding Bancolombia, the loan has a variable interest rate that fluctuates with the IBR rate. During 2021, the IBR rate in Colombia increased multiple times from 1.70% to 4.20% in December 2021.

Credit risk

The Company considers its maximum credit risk to be $243,678 (2020: $254,485) which is the total of the following assets: trade receivables, interest receivable, other receivables, 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:

- two Canadian financial institutions
- three 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 those 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.

The table below represents the Company's maximum exposure to credit risk without taking into consideration any security obtained to mitigate the risk. The maximum exposure to credit risk is determined by the carrying value of the asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended December 31,	**2021**	2020
	$	$
Trade receivables	**55,388**	62,676
Interest receivable	**1,545**	4,270
Other receivables	**2,288**	4,695
Loans receivable	**33,068**	33,108
Investments in funds	**151,389**	149,736
Total	**243,678**	254,485

Management determines credit risk related to trade and accounts receivable based on customers who account for more than 5% of accounts receivable. As at December 31, 2021 and 2020, no customers represented more than 10% of the trade and accounts receivable balance. For the year ended December 31, 2021, one customer represented more than 12% (2020: none) of revenues.

Liquidity risk

The Company generates sufficient cash from operating and investing 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.

Sensitivity Analysis

Based on the aforementioned net currency exposure, and exposure to changes in equity prices, and assuming that all other variables remain constant, a 5% change, would have resulted in a change in the consolidated statement of income as follows:

For the year ended December 31,	**2021**	2020
	$	$
Foreign Exchange Risk (5% change)		
USD	**6,812**	4,631
EUR	**1,712**	1,968
BRL	**549**	136
ARS	**153**	112

The Company is also exposed to currency risk on the CLP, COP, 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 consolidated statement of income of $47 (2020: $55).

For the year ended December 31,	**2021**	2020
	$	$
Equity Price Risk (5% change)[1, 2]		
Equity investments	**335**	481
Investments in funds	**7,569**	7,487
Derivatives	**64**	75

[1] The adverse change above does not reflect what could be considered the best or worst case scenarios. Results could be worse due both to the nature of equity markets and the concentrations existing in the Company's equity investment portfolio, in particular where there is less liquidity available as in the case of the small capitalization companies included in the equity investment securities

[2] Change in the statement of comprehensive income of $244 (2020: $122) included in amount

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

28. STATEMENT OF CASH FLOWS

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

For the year ended December 31,	**2021**	2020
	$	**$**
Changes in non-cash working capital:		
Decrease (increase) in		
Trade and other receivables	**8,593**	20,106
Prepaids and deposits	**3,565**	(337)
Inventories	**(17,188)**	9,709
Income taxes receivable	**(16)**	(1,741)
Increase (decrease) in		
Accounts payable and accrued liabilities	**11,455**	(46,856)
Other liabilities	**1,073**	771
Income tax payable	**(6,855)**	(216)
Other:		
Other Financial Assets	**—**	(3,043)
Interest payment on bank loans	**(2,636)**	(1,969)
	(2,009)	(23,576)

29. PRODUCT PRICING REGULATION ON CERTAIN DRUG PRODUCTS

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

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

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

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

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 PMPRB published final Guidelines on October 23, 2020. The implementation of the amended PMPRB regulations was delayed due to COVID-19 and will come into force on July 1, 2022.

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.

30. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's CEO, provided administrative services of approximately $24 (2020: $19) to the Company for the year ended December 31, 2021.

31. COMMITMENTS

In the normal course of business, the Company secures development, sales, marketing and distribution rights to innovative drug products requiring royalties or product payments considered normal operating commitments and as such not included herein. The Company has entered into various agreements which include contractual commitments extending beyond the current year. These commitments are classified into three major categories: Fund commitments, milestones and purchase commitments, and loan commitments. The commitments of the Company as at December 31, 2021 are as follows:

[i] Fund commitments

As at December 31, 2021, under the terms of Company's agreements with life sciences venture capital funds, $17,785 (December 31, 2020: $31,500), including $1,913 [US$1,509] and $3,113 [EUR 2,163] (December 31, 2020: $5,952 [US$4,675] and $7,102 [EUR 4,500]), 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 $322,318 including $46,224 [US$36,460], $137,299 [CHF 98,800] and $792 [EUR 550] upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $1,061 [EUR 738], 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 $288,980 [BRL 787,865, USD 65,961 and CHF 18,793], which will be purchased over the next 8 years.

	$
2021	40,708
2022	48,812
2023	57,849
2024	61,030
2025	49,480
2026 and beyond	31,101
Total	**288,980**

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] Loan commitments

Subject to the Moksha8 Financing Agreement, Knight has committed to loan up to an additional $6,339 [US$5,000] should the borrower meet certain pre-defined profitability targets.

32. RECLASSIFICATION OF COMPARATIVE FIGURES

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

Environmental, Social and Governance Matters

In addition to the importance of the financial performance, increasing focus of the stakeholders is being placed on environmental, social and governance (ESG) matters. ESG matters consider, among others, the Corporation 's efforts and impacts on climate change and human rights, ethics and compliance with law, and the role of the Corporation 's board of directors in supervising these issues. Knight actively manages a broad range of such ESG matters, taking into consideration their expected impact on the sustainability of Knight's business over time, and the potential impact of Knight's business on society and the environment.

As a pharmaceutical company having 3 manufacturing plants in Argentina, we ensure to comply with all national, provincial and municipal environmental regulations, and apply good environmental practices, including waste management, spill and water control, maintenance of effluent plant and others, as well as ensure health and safety of our employees.

As part of our social initiatives, during 2021, we launched values & behaviours to build strong fundamentals of diversity & inclusion, integrity and accountability across all our employees and territories. We recognize importance of gender and non-gender diversity such as visible minorities, indigenous, and persons with a disability and/or LGBTQ+. As part of the recognition of our efforts to ensure broad diversity among our executive team as well, Knight was placed on the Globe and Mail's third-annual Women Lead Here benchmark of executive gender diversity.

Knight continued contributing to communities during the challenging period of the global pandemic. We have taken steps to support hospitals, clinics, and health care professionals, in Canada and Latin America, with donations of certain products, masks and other items. For example, in Brazil, Knight provided Cresemba® worth $718,000 CAD, to local health institutions to help fight invasive fungal infections associated with COVID-19. We also included Nerlynx® and Probuphine® as part of our compassionate care program for patients in Canada as well as maintained the compassion care program for some of our products in Latin America.

As we move forward, we are focused on bringing of our environmental and social initiatives together into an integrated ESG strategy.

Management Team

Samira Sakhia

President, Chief Executive Officer and Director

Ms. Sakhia joined Knight as President in August 2016, was named President & Chief Operating Officer in June 2020 and assumed the role of President & Chief Executive Officer on September 1, 2021. Additionally, Ms. Sakhia served as CFO from October 2017 to March 2020. Prior to Knight, Ms. Sakhia served as the CFO at Paladin Labs Inc. ("Paladin") from 2001 to 2015. At Paladin, Ms. Sakhia was responsible for the finance, operations, human resources and investor relations functions. During her employment with Paladin, Ms. Sakhia was instrumental in executing in-licensing and acquisition transactions of Canadian and international pharmaceutical products and businesses. Ms. Sakhia led several M&A and strategic lending transactions as well as equity rounds on the TSX and completed the sale of Paladin to Endo International for $3.2 billion. Ms. Sakhia serves on the board of the Montreal Society for the Prevention of Cruelty to Animals, the International Advisory Board of McGill's Desautels Faculty of Management, and is a member at large of the Board of Governors of McGill University and an independent Board member at the McGill University Health Center. Ms. Sakhia holds an MBA, a Bachelor of Commerce and a Graduate Diploma in Accountancy from McGill University.

Arvind Utchanah

Chief Financial Officer

Mr. Utchanah joined Knight as Director of Finance in June 2016 and was promoted to Vice-President of Finance in August 2019 and Chief Financial Officer in March 2020. At Knight, Mr. Utchanah is responsible for managing the finance and treasury functions as well as supply chain operations and IT. Mr. Utchanah played a key role in the acquisition of Grupo Biotoscana in 2019. Prior to joining Knight, Mr. Utchanah held a number of senior finance roles with increasing responsibilities with Paladin Labs Inc., most recently as Director of Finance, Accounting and Financial Planning & Analysis where he was instrumental in the integration with Endo Health Solutions Inc. Mr. Utchanah's move to Paladin. in 2012 after having spent 5 years with the global public accounting firm, Ernst & Young LLP, within the assurance services group. Mr. Utchanah is a Chartered Professional Accountant; he holds a Bachelor of Commerce degree from McGill University and a Graduate Diploma in Public Accountancy from Concordia University.

Amal Khouri

Chief Business Officer

Ms. Khouri joined Knight as Vice-President of Business Development in August 2014 and was promoted to Chief Business Officer in March 2021. At Knight, Ms. Khouri leads the corporate and business development teams as well as corporate strategy. Ms. Khouri was a key player in the acquisition of Grupo Biotsocana in 2019 and led the mandatory tender offer process that successfully completed in 2020. Prior to Knight, Ms. Khouri worked at Novartis Pharma for over 7 years, where she held multiple positions within the global business development and licensing team in Basel, Switzerland. Ms. Khouri worked on several transactions including product divestments, strategic projects as well as in-licensing opportunities. Before joining Novartis, Ms. Khouri worked in business development at Paladin Labs Inc. in roles with increasing responsibilities. In addition, Ms. Khouri serves on the board of Antibe Therapeutics. Ms. Khouri holds a B.Sc. in Biochemistry from McGill University and an M.B.A. from the University of Ottawa.

Jeff Martens

Global Vice-President, Commercial

Mr. Martens joined Knight as Vice President, Commercial in October 2020. Prior to joining Knight, Mr. Martens was president and owner of Compass Healthcare Strategies which supported commercial efforts of health science companies in Canada and Latin America. Mr. Martens held a number of executive roles at Novartis including VP of Neuroscience Canada, VP of Immunology & Dermatology Canada, Business Unit Head of Ophthalmology Australia/NZ and Head of Marketing Oncology Canada. During Mr. Martens' 7 years as an executive at Novartis, he had extensive experience in new product launches, and commercializing products in highly competitive specialty markets. Mr. Martens has over 20 years in the pharmaceutical space with a broad level of experience in multiple roles in addition to his executive level experience, including market access, marketing management, sales and sales management. Mr. Martens has an Honours, Bachelor of Science, specialized in Biophysics with a minor in Neuroscience from University of Guelph.

Management Team

Susan Emblem

Global Vice-President, Human Resources

Ms. Emblem joined Knight in October 2020 and was named Global Vice President Human Resources in August 2021. At Knight, Ms. Emblem is responsible for leading all HR integration and HR strategy across the business. Prior to joining Knight, Ms. Emblem worked at Paladin Labs for 20 years, where she held a number of leadership roles including as Vice President, Human Resources & Corporate Communications. Ms. Emblem was also Marketing Director, where she launched several key brands across several therapeutic areas for the business. Prior to her time at Paladin, Ms. Emblem was Marketing Manager for MSN Australia and she also held brand management roles at Unilever Australia. Ms. Emblem currently serves as Vice Chair of the Board of Governors for Marianopolis College. Ms. Emblem has a Bachelor of Commerce with concentrations in International Business and Entrepreneurship from McGill University.

Monica Percario

Global Vice-President, Scientific Affairs

Monica has nearly 30 years of experience in the pharmaceutical industry. Prior to joining Knight, Mrs. Percario was at Sanofi in Brazil where she had been working since 2008, most recently as Head of Regulatory - LatAm and Center of Expertise LatAm. At Sanofi, she also participated in the integration of Aventis with Medley and developed a strong expertise in the generics market as well as mature products. Further, she implemented a regional regulatory function with teams in several countries in Latin America, including Brazil, Colombia, Peru, Mexico, Chile, Argentina and several other countries, resulting in agility and efficiency across multiple dossiers. Prior to Sanofi, Monica worked in various regulatory roles at Farmasa (now a part of Hypera Pharma). During her time at Farmasa, she created the pharmacovigilance department and participated in clinical research studies in the development of biological products.

Daniela Marino

Global Vice-President, Legal and Compliance

Ms. Marino has over 20 years of experience in the legal field, in legal practice and the pharmaceutical industry. Prior to joining Knight, Ms. Marino was at Bausch Health in Brazil where she has been working since 2013, most recently as Head of Legal and Compliance – Latin America. At Bausch, she has been responsible for all activities carried out by the legal and compliance department in Latin America, including (i) support for a diversified range of business units including, pharmaceutical, surgical, vision care and consumer goods; (ii) support to both local and corporate business teams for the assessment of legal implications related to complex business matters; (iii) coordination of all activities related to the legal department, on both consulting and litigation areas, including Corporate Law, Labour, Tax, Criminal, Regulatory, Antitrust and Intellectual Property matters; and (iv) management of all activities related to the compliance area. Prior to Bausch, Ms. Marino spent many years at Ulhôa Canto, Rezende e Guerra Advogados, a specialty law firm in São Paulo where she advised clients on mergers and acquisitions, corporate reorganizations and deal negotiations. Ms. Marino holds a Bachelor of Law from University of the State of São Paulo, as well as an MBA from Fundação Dom Cabral.

Leopoldo Bosano

Vice-President, Manufacturing and Operations

Mr. Bosano has nearly 30 years of experience in operations management including over 25 years in the pharmaceutical industry. Prior to joining Knight, Mr. Bosano was at Givaudan Argentina where he had been working since 2014, most recently as Head of Operations - LatAm. At Givaudan, he was responsible for production, quality control and quality assurance, supply chain, engineering and maintenance across seven sites located in Argentina, Chile, Brazil, Colombia and Mexico. Prior to Givaudan, Mr. Bosano worked at HLB Pharma Group where he was Industrial Operations Director. In addition, he worked as General Manager and VP at UV-Vis Metrolab S.A. in Argentina. Prior to these roles, Mr. Bosano was at Bristol Myers Squibb for many years in Argentina as well as in Panama, where he held several roles including, planning, supply chain, procurement, technical operations, plant management and GM for supply to Middle and Far East and Latin American markets. Mr. Bosano holds a Bachelor of Chemical Engineering from Universidad Tecnológica Nacional as well as graduate degree in Marketing and Finance from Universidad Católica de la Plata.

Board of Directors

Jonathan Ross Goodman

Executive Chairman of the Board of Directors

Mr. Goodman founded Knight in February 2014 and was Knight's CEO until September 1, 2021. Mr. Goodman was co-founder of Paladin and was President and Chief Executive Officer until its acquisition by Endo Health Solutions Inc. in 2014 for $3.2 billion. Under Mr. Goodman's leadership, Paladin grew to be a leading Canadian specialty pharmaceutical company with sales of over $150 million in Canada. Prior to co-founding Paladin in 1995, Mr. Goodman was a consultant with Bain & Company and also worked in brand management for Procter & Gamble. Mr. Goodman holds a B.A. with Great Distinction from McGill University and the London School of Economics with 1st Class Honours. Additionally, Mr. Goodman holds an LL.B. and an M.B.A. from McGill University.

James C. Gale*

Lead Director

Mr. Gale is the founding partner of Signet Healthcare Partners. He is currently the Chairman of the Board of Bionpharma, Inc., and also serves on the board of directors of Ascendia Pharmaceuticals, Hyloris SA, Lee's Pharmaceutical Holdings Ltd, Juno Pharmaceuticals Inc, Pharma Nobis LLC, RK Pharma Inc., Leon Nanodrugs GmbH, Pharmaceuticals International Inc. and Chr. Olesen Synthesis A/S. Prior to Signet, Mr. Gale worked for Gruntal & Co., LLC as head of principal investment activities and investment banking. Prior to joining Gruntal, he worked in Home Insurance Co., Gruntal's parent. Earlier in his career, Mr. Gale was a senior investment banker at E.F. Hutton & Co. Mr. Gale holds an M.B.A. from the University of Chicago. Mr. Gale was a member of the Board of Directors of Paladin Labs Inc. from 2008 to 2014.

Samira Sakhia

President, Chief Executive Officer and Director

Refer to Management Team section.

** Member of the Audit Committee*
† Member of the Compensation, Corporate Governance and Nominating Committee

Robert N. Lande*†

Director

Mr. Lande is the President of FXCM Group LLC, an online brokerage firm offering trading in foreign exchange, equity indices and commodities. Formerly, he was Chief Financial Officer of FXCM and prior to that was a managing partner and Chief Operating Officer of Riveredge Capital Partners LLC, an investment management firm. Prior to Riveredge, Mr. Lande worked for over 16 years within the BCE/Bell Canada group where his last position was Chief Financial Officer of Telecom Américas Ltd., a joint venture between Bell Canada International, AT&T (then SBC Communications) and America Movil. Mr. Lande was on the board of directors of Paladin Labs Inc. from 1995 to 2014. Mr. Lande is a chartered financial analyst and holds an M.B.A. from the John Molson School of Business and a B.A. in Economics from McGill University.

Michael J. Tremblay†

Director

Mr. Tremblay has over 40 years of experience in the pharmaceutical industry. In 2018, he retired from Astellas Pharma Canada, Inc. where he served as President of Canadian operations. He joined the company in June 2000 and held various positions within the organization's commercial area before being appointed as President in 2010. Prior to joining Astellas, Mr. Tremblay held positions at Janssen Canada Inc., Searle Canada Inc., Baxter-Travenol Canada and Smith, Kline and French Canada. Mr. Tremblay has sat on a number of Boards, including Community & Home Assistance to Seniors and Innovative Medicines Canada, the organization representing the leading research-based pharmaceutical companies in Canada. Mr. Tremblay began serving on the Board of IMC in 2011, was elected Chair of the Board in 2015 and held that position until November 2017. Mr. Tremblay holds a B.Sc. in Biology and Chemistry from the University of Windsor.

** Member of the Audit Committee*
† Member of the Compensation, Corporate Governance and Nominating Committee

Board of Directors

Nicolas Sujoy†

Director

Mr. Sujoy has more than 20 years of private equity experience in Latin America. He was a member of Biotoscana Investments S.A.'s board of directors. He is a founding partner of the Private Equity firm Clara Capital. Formerly, Mr. Sujoy worked for Advent International where he was a director and country manager, participating in transactions in the pharma, banking and business services sectors, and serving on the Board of Directors of several companies. With Advent, where he worked for 7 years, Nicolás led or co-led investments in Nuevo Banco Comercial and Pronto in Uruguay, and in Laboratorios LKM and Fada Pharma in Argentina, among others. He also participated in the acquisition of Biotoscana Farma in Colombia, and the assembly of the regional pharmaceutical company GBT. Prior to joining Advent, he was an investment manager at HSBC Private Equity Latin America, where he participated in transactions in telecommunications and energy sectors, among others. Mr. Sujoy has been member of the board of Biotoscana Investments S.A. since May 2017. Mr. Sujoy holds a degree in economics from the Torcuato di Tella University in Argentina.

Janice Murray*†

Director

Ms. Murray has a wealth of pharmaceutical experience as well as leadership in general management, strategy, finance and sales & marketing. She served as Chief Financial Officer of Novartis Pharmaceuticals Canada Inc., for several years before becoming Vice-President of the Ophthalmics Business Franchise. Ms. Murray then became Chief Financial Officer of the Latin America & Canada Region where she was responsible for 10 reporting units and $2 billion in sales. Before her retirement in 2019, she became President of Novartis Canada where she led multiple therapeutic areas, launched several innovative medicines and served on the Innovative Medicines Canada Industry Board. Prior to Novartis Canada, Ms. Murray held several roles at Canadian National Railways, including Vice-President Network Strategy Development, Vice-President of Sales and Market Development and Chief of Internal Audit where she led several strategic projects during key acquisitions and privatization. She completed her CPA, CA designation while working at KPMG LLP where she became an Audit Manager. Ms. Murray holds a Bachelor of Commerce from University of Ottawa and a Graduate Diploma in Accounting from McGill University. Ms. Murray serves on the boards of Boondoc Technologies, the VOBOC Foundation, and the Teresa Dellar Palliative Care Residence Foundation. Ms. Murray holds a CPA designation from the Ordre des comptables professionnels agréés du Québec, as well as ICD.D designation from the Institute of Corporate Directors' program at the University of Toronto - Rotman School of Management.

** Member of the Audit Committee*
† Member of the Compensation, Corporate Governance and Nominating Committee

Corporate Information

Knight Therapeutics Inc.
3400 De Maisonneuve Blvd. W., Suite 1055
Montreal, Quebec
H3Z 3B8

T: 514-484-4GUD (4483)
F: 514-481-4116

Email: info@knighttx.com
www.gud-knight.com

Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: GUD

Shares Outstanding
117,783,189 Common Shares
(as at December 31, 2021)

Fiscal Year 2021 Trading Summary
High: $5.86
Low: $4.88
Close: $5.30
Average Daily Volume: 328,832

Transfer Agent
Computershare
1-800-564-6253

Auditors
Ernst & Young LLP

This annual report is also available at www.gud-knight.com

Ce document est également disponible en français.

Knight Therapeutics Inc.
3400 De Maisonneuve Blvd. West, Suite 1055
Montreal, Quebec H3Z 3B8
T: (514) 484-4483
F: (514) 481-4116
Email: info@knighttx.com
www.gud-knight.com