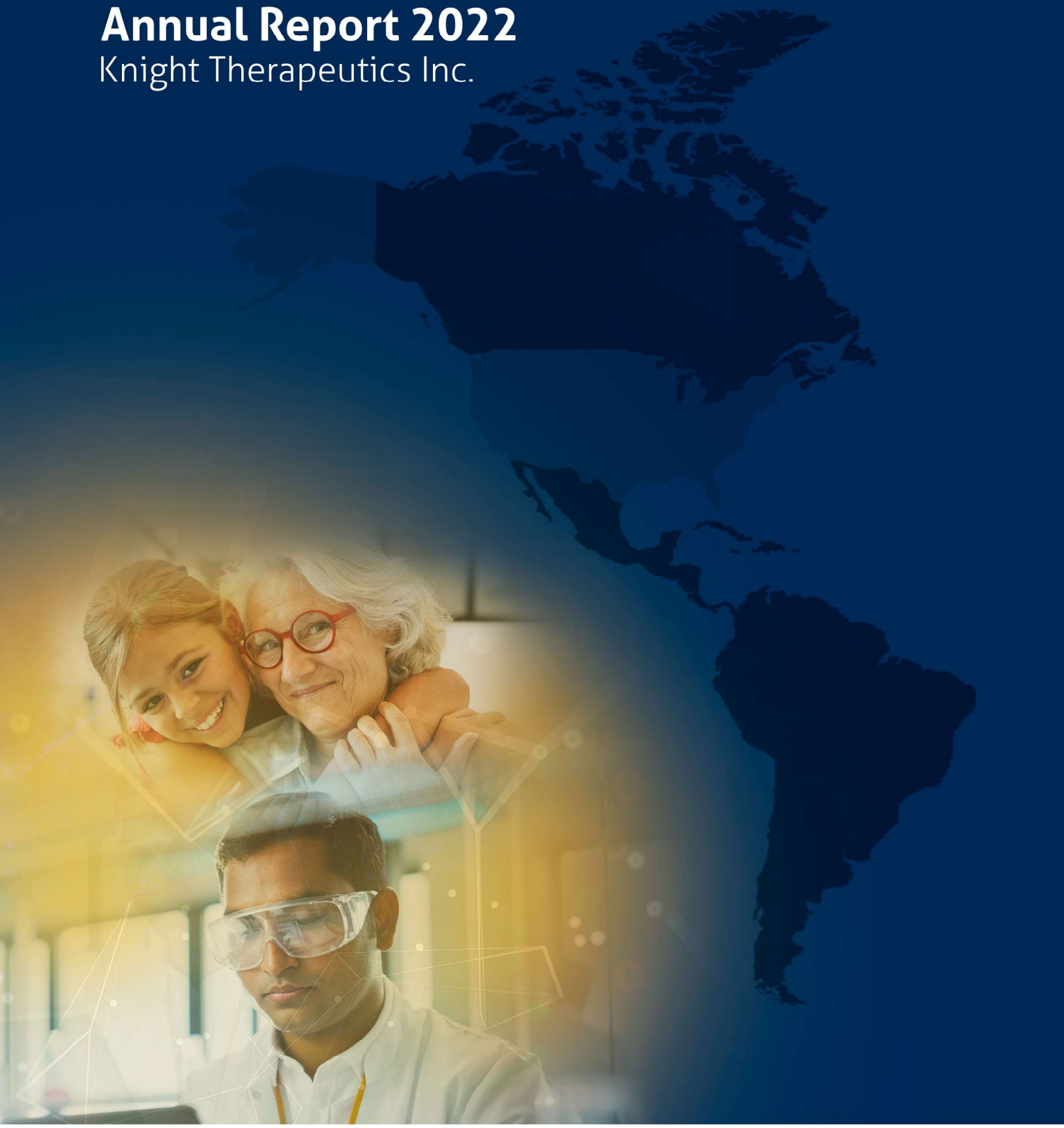
Annual Report 2022

Knight Therapeutics Inc.



Knight

Table of Contents

Message to our Shareholders

In 2022, we continued to execute on our strategy of building our pan-American ex US **PLATFORM** focusing on our **PEOPLE** and expanding our **PRODUCTS** while delivering record **PERFORMANCE**. We achieved another record-setting year with revenues of over $290 million adjusted EBITDA of $54 million, an increase of 21% and 42%, respectively, over the previous year.

While delivering record performance, we continue to advance our **PORTFOLIO** and execute on business development across Canada and Latin American markets. In 2022, we launched Lenvima®, Halaven® and Rembre® in Colombia and completed the transfer of the commercial activities to Knight for Exelon® and Akynzeo® in our key markets. Further, we continued to advance our pipeline with the regulatory approval of Palbocil® in Argentina and the regulatory submissions of tafasitamab in Brazil, Colombia and Argentina as well as two branded generic products in Chile and Colombia. In addition to the in-licensing of Akynzeo®, we have expanded our pipeline portfolio in our key Latin America markets with fostamatinib and three branded generic products.

One of our organization's strengths is our exceptionally talented **PEOPLE**. In 2022, we strengthened our management team with the addition of a Global VP Manufacturing and Operations based in Buenos Aires, Argentina. Furthermore, we continued the optimization of our **PLATFORM** as we finalized our team structure below the leadership levels. In addition to building a great team, we have executed on the **PROCESS** front with the completion of our integration activities including the implementation of a global ERP system in over 10 countries and over 20 legal entities.

Looking ahead

Our team has been successfully executing on our pan-American ex US strategy and has built a profitable business with a unique **PLATFORM** and a strong foundation from which to continue growing over the long term. It is the unique **PLATFORM** with unique **PRODUCTS** and talented **PEOPLE** ensured that we delivered record revenues and adjusted EBITDA in 2022. Looking ahead, while we will face headwinds with the entrance of new competitors on certain of our branded generic products as well as incur investments related to promoted products, Knight is expected to continue to generate strong cash flows from operations and with over $150 million of cash and $175 million of financial assets, we remain well positioned to execute on our mission to acquire, in-license, develop and commercialize pharmaceutical products 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, 2022

(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, 2022. This document should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2022. Knight's audited annual consolidated financial statements as at December 31, 2022 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 28, 2023. 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, 2022
(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, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

GLOSSARY OF ABBREVIATIONS

Abbreviation	Calendar
Q4-22	Fourth quarter of 2022
Q3-22	Third quarter of 2022
Q2-22	Second quarter of 2022
Q1-22	First quarter of 2022
Q4-21	Fourth quarter of 2021
Q3-21	Third quarter of 2021
Q2-21	Second quarter of 2021
Q1-21	First quarter of 2021

Abbreviation	Company
60P	60^{o} Pharmaceuticals LLC
Advaxis	Advaxis Pharmaceuticals Inc.
Alimera	Alimera Sciences Inc.
ANSIVA	Brazilian Health Regulatory Agency
Antibe	Antibe Therapeutics Inc.
Ardelyx	Ardelyx, Inc.
Basilea	Basilea Pharmaceuticals Ltd.
Bloom Burton	Bloom Burton Healthcare Lending Trust[2]
BMS	Bristol-Myers Squibb
GBT	Biotoscana Investments S.A.
Helsinn	Helsinn Healthcare SA
IFC	International Finance Corporation
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.
Novartis	Novartis AG, Novartis Pharma AG or their affiliates
Profound	Profound Medical Inc.
Puma	Puma Biotechnology, Inc.
REPL	Replimune Group, Inc.
Rigel	Rigel Pharmaceuticals, Inc.
Sectoral	Sectoral Asset Management Inc.
SGS	Singular Genomics Systems, 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

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

Abbreviation	Financial (continued)
EPS	Earnings per share to common shareholders
EUR	Euro
FMV	Fair market value
FVTPL	Fair value through profit or loss
IBR	Indicador Bancario de Referencia (Central Bank of Colombia interbank lending rate)
ICFR	Internal control over financial reporting
IFRS	International Financial Reporting Standards
MXN	Mexican Peso
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
ESPP	Employee Share Purchase Plan
G&A	General and administrative
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
S&M	Selling and marketing
WAFV	Weighted average fair value

Management's Discussion and Analysis for the year ended December 31, 2022
(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 – 2022 Highlights

Financial Results

- Revenues were $293,563, an increase of $50,085 or 21% over prior year.
- Gross margin of $138,061 or 47% of revenues compared to $115,412 or 47% of revenues in prior year.
- Adjusted EBITDA[1] was $54,032, an increase of $16,027 or 42% over prior year.
- Net loss on financial assets measured at fair value through profit or loss of $20,677.
- Net loss was $29,892, compared to net income of $15,675 in prior year.
- Cash inflow from operations was $40,481, compared to a cash inflow from operations of $44,618 in prior year.

Corporate Developments

- Entered into a five-year secured loan of $52,416 loan denominated in select LATAM currencies with IFC.
- Executed a settlement agreement with former controlling shareholders of GBT and received $6,030 (US$4,600).
- Launched a NCIB in July 2022 to purchase up to 7,988,986 common shares of the Company over the next 12 months.
- Purchased 5,649,189 common shares through Knight's NCIB at an average price of $5.34 for an aggregate cash consideration of $30,069.
- Shareholders re-elected Jonathan Ross Goodman, Samira Sakhia, James C. Gale, Robert N. Lande, Michael J. Tremblay, Nicolás Sujoy and Janice Murray on the Board of Directors.
- Hired Leopoldo Bosano as VP Manufacturing and Operations.

Products

- Launched Lenvima®, Halaven® and Rembre® in Colombia in Q1-22.
- Entered into exclusive license and supply agreements with Rigel Pharmaceuticals to commercialize fostamatinib in LATAM in May 2022.
- Entered into an exclusive license, distribution and supply agreement with Helsinn for AKYNZEO® oral/IV (netupitant/palonosetron/fosnetupitant/palonosetron) in Canada, Brazil and select LATAM countries and ALOXI® oral/IV (palonosetron) in Canada in May 2022.
- Relaunched AKYNZEO® in Canada, Brazil and Argentina, and ALOXI® oral/IV in Canada in second half of 2022.
- Transferred marketing authorization of Exelon® (rivastigmine) and assumed commercial activities in Brazil, Colombia, Argentina, Mexico, Chile, Peru, Ecuador, Canada and re-launched Exelon® in Brazil and certain other LATAM countries.

[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, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

- Submitted tafasitamab in combination with lenalidomide for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL) who are not eligible for autologous stem cell transplantation (ASCT) to ANVISA for regulatory approval in Brazil and Colombia in Q4-22 and Argentina in Q1-23.
- In-licensed three branded generics products for key territories in LATAM.
- Obtained regulatory approval for Palbocil® (palbociclib) in Argentina in Q4-22.
- Submitted two branded generic products (palbociclib and pomalidomide) for regulatory approval in Chile and Colombia in Q4-2022.

Subsequent to year-end

- Purchased an additional 2,092,705 common shares through NCIB for an aggregate cash consideration of $10,199.

Management's Discussion and Analysis for the year ended December 31, 2022
(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"). Knight's integration efforts included changes to the Company's structure & teams, implementation of processes as well as multiple global systems. In 2022, we substantially completed the integration of GBT including the implementation of a global ERP (excluding Argentina).

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 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. 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
2022	1.88	1.79	1.68	1.58	1.51	1.43	1.33	1.25	1.17	1.10	1.05	1.00
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

Management's Discussion and Analysis for the year ended December 31, 2022
(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) income would be as follows:

	Q4-22				YTD-22			
	Reported under IFRS	Excluding impact of IAS 29[1]	Variance $[2]	Variance %[3]	Reported under IFRS	Excluding impact of IAS 29[1]	Variance $[2]	Variance %[3]
Revenues	81,655	83,806	(2,151)	3%	293,563	291,770	1,793	1%
Cost of goods sold	44,767	41,875	(2,892)	7%	155,502	141,411	(14,091)	10%
Gross margin	**36,888**	**41,931**	(5,043)	12%	**138,061**	**150,359**	(12,298)	8%
Gross margin (%)	**45%**	**50%**			**47%**	**52%**		
Expenses								
Selling and marketing	14,402	15,073	671	4%	48,474	48,083	(391)	1%
General and administrative	10,336	10,083	(253)	3%	40,150	37,451	(2,699)	7%
Research and development	4,140	4,043	(97)	2%	14,755	13,733	(1,022)	7%
Amortization of intangible assets	17,156	16,724	(432)	3%	51,742	49,561	(2,181)	4%
Impairment of non-current assets	21,904	250	(21,654)	n/a[4]	23,984	2,330	(21,654)	n/a[4]
Operating loss	**(31,050)**	**(4,242)**	(26,808)	n/a[4]	**(41,044)**	**(799)**	(40,245)	n/a[4]

[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.*
[4] *Percentage change is not relevant.*

	Q4-21				YTD-21			
	Reported under IFRS	Excluding impact of IAS 29[1]	Variance $[2]	Variance %[3]	Reported under IFRS	Excluding impact of IAS 29[1]	Variance $[2]	Variance %[3]
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	12,291	11,911	(380)	4%	39,078	38,256	(822)	2%
General and administrative	10,002	9,795	(207)	2%	35,298	33,730	(1,568)	5%
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.*

Management's Discussion and Analysis for the year ended December 31, 2022
(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	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21
BRL	3.87	4.02	3.85	4.12	4.44	4.15	4.30	4.32
ARS	118.9	103.6	92.3	84.1	79.7	77.2	76.46	69.9
COP	3,550	3,363	3,074	3,093	3,080	3,058	3,012	2,812
CLP	674	712	660	639	656	614	583	572

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

Variance (%)[1]	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21
BRL	4%	-4%	7%	7%	-7%	3%	0%	-4%
ARS	-15%	-12%	-10%	-6%	-3%	-1%	-9%	-14%
COP	-6%	-9%	1%	0%	-1%	-2%	-7%	0%
CLP	5%	-8%	-3%	3%	-7%	-5%	-2%	2%

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

Impact

Exchange rate fluctuations of LATAM currencies impact 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 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, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

	Q4-22	Q4-21	Variance		YTD-22	YTD-21	Variance	
		Excluding impact of IAS 29[1]						
		Constant Currency[2]	**$[3]**	**%[4]**		*Constant Currency[2]*	**$[3]**	**%[4]**
Revenues	**83,806**	58,370	25,436	44%	**291,770**	243,731	48,039	20%
Cost of goods sold	**41,875**	28,678	(13,197)	46%	**141,411**	123,037	(18,374)	15%
Gross margin	**41,931**	29,692	12,239	41%	**150,359**	120,694	29,665	25%
Gross margin (%)	***50%***	*51%*			***52%***	*50%*		
Expenses								
Selling and marketing	**15,073**	12,223	(2,850)	23%	**48,083**	38,715	(9,368)	24%
General and administrative	**10,083**	10,289	206	2%	**37,451**	34,458	(2,993)	9%
Research and development	**4,043**	3,193	(850)	27%	**13,733**	12,264	(1,469)	12%
Amortization of intangible assets	**16,724**	16,804	80	0%	**49,561**	39,428	(10,133)	26%
Impairment of non-current assets	**250**	—	(250)	100%	**2,330**	—	(2,330)	100%
Operating (loss) income	**(4,242)**	(12,817)	8,575	67%	**(799)**	(4,171)	3,372	81%
EBITDA[5]	**13,330**	4,258	9,072	213%	**53,541**	36,376	17,165	47%
Adjusted EBITDA[5]	**13,821**	5,884	7,937	135%	**54,032**	38,551	15,481	40%

[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:

	Q4-21				YTD-21			
	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	58,273	(1,915)	2,012	58,370	243,478	(4,240)	4,493	243,731
Cost of goods sold	30,078	(2,354)	954	28,678	128,066	(7,657)	2,628	123,037
Gross margin	28,195	439	1,058	29,692	115,412	3,417	1,865	120,694
Expenses								
Selling and marketing	12,291	(380)	312	12,223	39,078	(822)	459	38,715
General and administrative	10,002	(207)	494	10,289	35,298	(1,568)	728	34,458
Research and development	3,496	(409)	106	3,193	12,692	(612)	184	12,264
Amortization of intangible assets	17,040	(685)	449	16,804	41,176	(2,352)	604	39,428
Operating loss	(14,634)	2,120	(303)	(12,817)	(12,832)	8,771	(110)	(4,171)

[1] *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, 2022

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

Consolidated Statement of (Loss) Income

			Change				Change	
	Q4-22	Q4-21	**$[1]**	**%[2]**	**YTD-22**	YTD-21	**$[1]**	**%[2]**
Revenues	**81,655**	58,273	23,382	40%	**293,563**	243,478	50,085	21%
Cost of goods sold	**44,767**	30,078	(14,689)	49%	**155,502**	128,066	(27,436)	21%
Gross margin	**36,888**	28,195	8,693	31%	**138,061**	115,412	22,649	20%
Gross margin (%)	***45%***	*48%*			***47%***	*47%*		
Expenses								
Selling and marketing	**14,402**	12,291	(2,111)	17%	**48,474**	39,078	(9,396)	24%
General and administrative	**10,336**	10,002	(334)	3%	**40,150**	35,298	(4,852)	14%
Research and development	**4,140**	3,496	(644)	18%	**14,755**	12,692	(2,063)	16%
Amortization of intangible assets	**17,156**	17,040	(116)	1%	**51,742**	41,176	(10,566)	26%
Impairment of non-current assets	**21,904**	—	(21,904)	100%	**23,984**	—	(23,984)	100%
Operating (loss) income	**(31,050)**	(14,634)	(16,416)	112%	**(41,044)**	(12,832)	(28,212)	220%
Interest income on financial instruments measured at amortized cost	**(1,922)**	(725)	1,197	165%	**(4,072)**	(2,446)	1,626	66%
Other interest income	**(2,341)**	(1,471)	870	59%	**(6,560)**	(4,936)	1,624	33%
Interest expense	**2,293**	1,331	(962)	72%	**6,600**	3,618	(2,982)	82%
Other (income) expense	**1,964**	(321)	(2,285)	712%	**(4,025)**	(128)	3,897	3,045%
Net loss (gain) on financial assets measured at fair value through profit or loss	**(8,824)**	(2,300)	6,524	284%	**20,677**	(18,944)	(39,621)	209%
Foreign exchange (gain) loss	**1,663**	3,485	1,822	52%	**(7,442)**	3,737	11,179	299%
Gain on hyperinflation	**(748)**	(209)	539	258%	**(2,262)**	(423)	1,839	435%
Income (loss) before income taxes	**(23,135)**	(14,424)	(8,711)	60%	**(43,960)**	6,690	50,650	757%
Income tax								
Current	**882**	(2,642)	(3,524)	133%	**3,057**	(1,349)	(4,406)	327%
Deferred	**(8,829)**	(3,481)	5,348	154%	**(17,125)**	(7,636)	9,489	124%
Income tax recovery	**(7,947)**	(6,123)	1,824	30%	**(14,068)**	(8,985)	5,083	57%
Net (loss) income for the period	**(15,188)**	(8,301)	(6,887)	83%	**(29,892)**	15,675	(45,567)	291%
Basic and diluted net (loss) earnings per share	(0.13)	(0.07)	(0.07)	99%	**(0.26)**	0.13	(0.39)	307%
EBITDA[3]	**13,330**	4,101	9,229	225%	**53,541**	35,865	17,676	49%
Adjusted EBITDA[3]	**13,821**	5,696	8,125	143%	**54,032**	38,005	16,027	42%

[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] EBITDA and 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, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

Revenues

Q4-22 vs Q4-21

	Q4-22	Q4-21	Q4-21	Change	
	Excluding impact of IAS 29[3]	*Excluding impact of IAS 29*[3]	*Constant Currency*[4]	*Excluding impact of IAS 29*[3]	
Therapeutic Area	**$**	**$**	**$**	**$**[1]	**%**[2]
Oncology/Hematology	**29,343**	23,534	**23,876**	5,809	25%
Infectious Diseases	**32,744**	20,211	**21,393**	12,533	62%
Other Specialty	**21,719**	12,613	**13,101**	9,106	72%
Total	**83,806**	56,358	**58,370**	27,448	49%

[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*

For the quarter ended December 31, 2022, excluding the impact of hyperinflation, revenues increased by $27,448 or 49% compared to the same period in prior year. The increase in revenues excluding the impact of hyperinflation is explained by the following:

- **Oncology/Hematology:** The increase in revenues of $5,809 is driven by growth in our key promoted brands, including new launches of Lenvima® and Halaven® in Colombia in Q1-22, the growth of key promoted products including Lenvima® and Trelstar® and the assumption of commercial activities of Akynzeo® in Brazil and Canada. This increase is offset by a reduction in revenues of our branded generics products due to their lifecycle including the market entrance of new competitors.

  Infectious Diseases: The infectious disease portfolio grew by approximately $15,900, excluding the impact of the planned transition and termination of the Gilead Amendment. This growth is due to an increase in patient treatments as our markets reduce COVID-19 restrictions, growth of our key promoted products and a one-time sales contract with the Ministry of Health in Brazil for Ambisome® ("MOH Contract"). Knight recorded $7,500 in revenues, which represents 40% of the expected deliveries under the MOH contract in Q4-22 and the balance of the contract is expected to be delivered in the first six months of 2023.

  Other Specialty: The increase in revenues is mainly due to incremental revenue of $5,092 due to the change in accounting treatment of Exelon® from net profit transfer from Novartis to revenues with related cost of sales upon the transition of commercial activities to Knight as well as the timing of purchases of products by certain customers.

All the pharmaceutical products sold by Knight are categorized as either innovative or BGx products. The description of each portfolio are as follows:

Innovative Portfolio: The portfolio consists of the pharmaceutical products with innovative molecules and includes both in-licensed products such as Lenvima®, Cresemba®, Halaven®, Trelstar®, Akynzeo®, Ambisome® as well as products owned (or partially owned) by Knight such as Exelon® and Impavido®. The categories of the portfolio are as follows:

- Innovation – Promoted portfolio: consists of products on which the Company invest in commercial activities such as sales force promotion and medical activities are required.
- Innovative – Mature: consists of products that require lower level of promotional activities and/or products that have reached their peak market capture potential.
- Innovative – Discontinued: consists of products that the company has stopped commercializing or is in the process of discontinuing sales.

Management's Discussion and Analysis for the year ended December 31, 2022

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

BGx Portfolio: The portfolio consists of branded generic products which are pharmaceutically equivalent to an innovative molecule. The branded generics are a given a brand name to differentiate the product from ordinary generics or other branded generics. The Company's branded generic portfolio currently primarily consists of products manufactured at our facilities in Argentina for commercialization in Argentina and the rest of Latin America (excluding Brazil and Mexico). The categories of portfolio is as follows:

- BGx New Launches: consists of branded generic pharmaceutical products in the first three years of launch.
- BGx Mature: consists of products which have been launched for more than three years.
- BGx – Discontinued: consists of products that the company has stopped commercializing or is in the process of discontinuing sales.

During the quarter ended December 31, 2022, excluding the impact of IAS 29 the Company generated $68,404 or 82% of total revenues from its innovative portfolio and $15,402 or 18% of total revenues from its BGx portfolio.

	Q4-22 *Excluding impact of IAS 29[3]*	**Q4-21** *Excluding impact of IAS 29[3]*	**Change** *Excluding impact of IAS 29[3]*	
Product portfolio	**$**	**$**	**$[1]**	**%[2]**
Innovative – Promoted	**54,270**	26,127	28,143	108%
Innovative – Mature	**13,399**	9,199	4,200	46%
Innovative – Discontinued	**735**	3,547	(2,812)	79%
Total Innovative	**68,404**	38,873	29,531	76%
BGx - New Launches	**2,999**	2,730	269	10%
BGx – Mature	**11,661**	12,814	(1,153)	9%
BGx – Discontinued	**742**	1,941	(1,199)	62%
Total BGx	**15,402**	17,485	(2,083)	12%
Total	**83,806**	56,358	27,448	49%

[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] *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*

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

	Change *Excluding impact of IAS 29*[3]		
Product portfolio	**$**[1]	**%**[2]	
Innovative – Promoted	28,143	108%	• Incremental revenues of $5,092 related to the change in accounting treatment from net profit transfer to recognition of revenues and cost of sales of Exelon® • Incremental revenues of $7,500 related to the Ambisome ® MOH Contract • Incremental revenues from launches of Lenvima® and Halaven® Colombia in Colombia in Q1-22 • Continued growth of key promoted products including Lenvima®, Cresemba® and Trelstar®
Innovative - Mature	4,200	46%	• Due to growth of Impavido® in certain markets and timing of sales of certain products
Innovative - Discontinued	(2,812)	79%	• Due to planned transition and termination agreement of the Gilead Amendment effective July 1, 2022
Total Innovative	**29,531**	**76%**	
BGx - New Launches	269	10%	• Due to the launch of Rembre® in Colombia and Dolufevir® in Argentina
BGx - Mature	(1,153)	9%	• Due to lifecycle of products including entrance of new competition
BGx - Discontinued	(1,199)	62%	• Discontinuation of the products at the end of their lifecycle
Total BGx	**(2,083)**	**12%**	
Total	**27,448**	**49%**	

[1] *Percentage change is presented in absolute values*
[2] *Revenues excluding the impact of IAS 29 is a non-GAAP measure, refer to section "Non-GAAP measures" for additional details.*

YTD-22 vs YTD-21

	YTD-22 *Excluding impact of IAS 29*[3]	YTD-21 *Excluding impact of IAS 29*[3]	YTD-21 *Constant Currency*[4]	Change *Excluding impact of IAS 29*[3]	
Therapeutic Area	**$**	**$**	**$**	**$**[1]	**%**[2]
Oncology/Hematology	**105,464**	89,079	**89,505**	16,385	18%
Infectious Diseases	**116,530**	101,650	**106,640**	14,880	15%
Other Specialty	**69,776**	48,509	**47,586**	21,267	44%
Total	**291,770**	239,238	**243,731**	52,532	22%

[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*

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

For the twelve-month period ended December 31, 2022, excluding the impact of hyperinflation, revenues increased by $52,532 or 22% compared to the same period in prior year. The growth in revenues excluding the impact of hyperinflation is explained by the following:

- **Oncology/Hematology:** The increase in revenues of $15,960 is driven by growth in our key promoted brands, including the launches of Lenvima® and Halaven® in Colombia in Q1-22, the continued growth of key promoted products including Lenvima®, Halaven® and Trelstar® and the assumption of commercial activities of Akynzeo® in Brazil and Canada. This increase is offset by a reduction in revenues of our branded generics products due to their lifecycle including the market entrance of new competitors.
  Infectious Diseases: The infectious disease portfolio grew by approximately $29,080 due to increase in patient treatments as our markets reduce COVID-19 restrictions, growth of our key promoted products and a one-time sales contract with the Ministry of Health in Brazil for Ambisome® ("MOH Contract"). An incremental revenue of $7,500 representing 40% of the expected deliveries under the MOH contract was recorded in Q4-22 and the balance of the contract is expected to be delivered in the first six months of 2023. The growth is offset by an estimated $14,200 due to lower demand for certain of our infectious diseases products to treat invasive fungal infections associated with COVID-19 as well as the planned transition and termination agreement of the Gilead Amendment effective July 1, 2022.

- **Other Specialty:** The revenues increase is mainly driven by the timing of the acquisition of Exelon® as well as a change in the accounting treatment of Exelon®. The full year effect of the Exelon® transaction executed on May 26, 2021, represents an incremental revenue of $15,282. The change in accounting treatment from net profit transfer from Novartis to recognition of revenues with related cost of sales upon transition of commercial activities to Knight led to an increase of $6,427 in revenues.

During the year ended December 31, 2022, excluding the impact of IAS 29, the Company generated revenues of $228,003 or 78% of total revenues from its innovative portfolio and $63,767 or 22% of total revenues from its BGx portfolio.

	YTD-22 *Excluding impact of IAS 29[3]*	**YTD-21** *Excluding impact of IAS 29[3]*	**Change** *Excluding impact of IAS 29[3]*	
Product portfolio	**$**	**$**	**$[1]**	**%[2]**
Innovative - Promoted	**170,391**	120,127	50,264	42%
Innovative - Mature	**49,209**	41,998	7,211	17%
Innovative - Discontinued	**8,403**	13,389	(4,986)	37%
Total Innovative	**228,003**	175,514	52,489	30%
BGx - New Launches	**12,091**	7,115	4,976	70%
BGx - Mature	**47,744**	49,772	(2,028)	4%
BGx - Discontinued	**3,932**	6,837	(2,905)	42%
Total BGx	**63,767**	63,724	43	0%
Total	**291,770**	239,238	52,532	22%

[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 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.*

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

	Change *Excluding impact of IAS 29*[3]		
Product portfolio	**$**[1]	**%**[2]	
Innovative - Promoted	50,264	42%	• Incremental revenues of $15,282 related to the full year effect of acquisition of Exelon® and $6,427 related to the change in accounting treatment from net profit transfer to recognition of revenues and cost of sales • Incremental revenues of $7,500 related to the Ambisome® MOH Contract • Incremental revenues from launches of Lenvima® and Halaven® Colombia in Colombia in Q1-21 • Continued growth of key promoted products including Lenvima®, Cresemba® and Trelstar®
Innovative - Mature	7,211	17%	• Due to growth of Impavido® in certain markets and timing of sales of certain products
Innovative - Discontinued	(4,986)	37%	• Due to planned transition and termination agreement of the Gilead Amendment effective July 1, 2022
Total Innovative	**52,489**	**30%**	
BGx - New Launches	4,976	70%	• Due to launch of Rembre® in Colombia in Q1-22 and continued growth of Dolufevir® in Argentina
BGx - Mature	(2,028)	4%	• Due to lifecycle of products including entrance of new competition
BGx - Discontinued	(2,905)	42%	• Discontinuation of the products at the end of their lifecycle
Total BGx	**43**	**0%**	
Total	**52,532**	**22%**	

[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 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 measure*
[4] *s" for additional details.*

Gross margin

Q4-22 vs Q4-21

- Under IFRS, for the quarter ended December 31, 2022, gross margin, as a percentage of revenues, decreased from 48% in Q4-21 to 45% in Q4-22. The decrease in the gross margin, as a percentage of revenues, is explained by the impact of hyperinflation. Excluding the impact of IAS 29, gross margin, as a percentage of revenues, was 50% in Q4-22 and 51% in Q4-21.

YTD-22 vs YTD-21

- For the year ended December 31, 2022, there was no significant difference in gross margin, as a percentage of revenues, compared to the same prior year period. Excluding the impact of IAS 29, gross margin, as a percentage of revenues, was 52% for year ended December 31, 2022 compared to 50% in prior year. The increase in the gross margin is explained by the change in product mix including the full year effect of the acquisition of Exelon®.

Management's Discussion and Analysis for the year ended December 31, 2022

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

Selling and marketing	***Q4-22 vs Q4-21*** • For the quarter ended December 31, 2022, S&M increased by $2,111 or 17%. Excluding the impact of IAS 29, the increase is $3,162 or 27% driven by an increase in compensation expenses including severance cost of $1,116 due to certain restructuring activities, an increase in selling and marketing activities related to key promoted products including spend on Exelon® and Akynzeo® as well as certain variable costs such as logistics fees due to higher sales. ***YTD-22 vs YTD-21*** • For the twelve-month period ended December 31, 2022, S&M increased by $9,396 or 24%. Excluding the impact of IAS 29, the increase is $9,827 or 26% mainly driven by an increase in compensation expenses including severances of $1,146, an increase in selling and marketing activities related to key promoted products including the spend on Exelon® and Akynzeo as well as certain variable costs such as logistics fees due to higher sales.
General and administrative	***Q4-22 vs Q4-21*** • No significant variance ***YTD-22 vs YTD-21*** • For the twelve-month period ended December 31, 2022, G&A increased by $4,852 or 14%. Excluding the impact of IAS 29, the increase is $3,721 or 11%, mainly driven by an increase in compensation expense certain consulting and professional fees offset by the lower costs related to the long-term incentive plan.
Research and development expenses	***Q4-22 vs Q4-21*** • No significant variance ***YTD-22 vs YTD-21*** • For the twelve-month period ended December 31, 2022, R&D increased by $2,063 or 16%. Excluding the impact of IAS 29, the increase is $1,653 or 14%, mainly driven by an increase in compensation expenses and medical initiatives.
Amortization of intangible assets	***YTD-22 vs YTD-21*** • For the year ended December 31, 2022, amortization of intangible assets increased by $10,566 or 26%, mainly explained by the amortization of $9,491 related to the full year effect of the acquisition of Exelon®.
Impairment of non-current assets	***YTD-22 vs YTD-21 and Q4-22 vs Q4-21*** • Under hyperinflation accounting, non-monetary assets including property plant and equipment, right-of-use assets and intangible assets are adjusted by the inflation index and converted back to CAD at the closing rate of the reporting period (Refer to Note 2.3 accounting policy for Financial Reporting in Hyperinflationary Economies in Audited Annual Consolidated Financial Statements). During a period where the inflation index is higher than devaluation of the Argentine peso relative to the CAD, the value of the non-monetary assets increases when converted to CAD. • During 2022, the increase in the value of non-monetary assets in Argentina due to hyperinflation accounting, resulted in an impairment of $21,654 (2021: Nil) of these assets which was recorded in the consolidated statement of (loss) income in "Impairment of non-current assets". The loss represents a write-down of certain right-of-use assets, property, plant and equipment in Argentina, and intangible assets related to branded generics intellectual property to its recoverable amount. • In addition, during 2022, the Company recorded an additional impairment loss of $2,330 representing the write-down of the upfront and certain milestones payments made under certain product license agreements as a result of changes in commercial expectations. • Refer to note 14 in the Annual Financial Statements for further details.
Interest income	***YTD-22 vs YTD-21 and Q4-22 vs Q4-21*** • 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.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

	• Interest income for Q4-22 was $4,263 and YTD-22 $10,632, an increase of 94% or $2,067 and 44% or $3,250, respectively, compared to the same period in prior year due to higher interest rates on cash and marketable securities as well as interest earned on loans.
Interest Expense	***Q4-22 vs Q4-21 and YTD-22 vs YTD-21*** • The interest expense for Q4-22 and YTD-22 includes the interest expense on bank loans of $1,363 and $5,089 and interest expense of lease liabilities and other of $1,511 and $930 respectively. • Interest expense on banks loans for the Q4-22 and YTD-22 increased by $407 or 43% and by $2,364 or 87% respectively, compared to the same periods in prior year, due to the increase of the CDI and IBR rates throughout 2022, partially offset by lower average loan balance due to partial repayment of Itaú Unibanco Brasil and Bancolombia bank loans. Refer to Section 7 for further information on the bank loans. • The Company entered into a loan with IFC for an amount of $52,416 [USD 38,500] denominated in BRL, COP, CLP and MXN with interest rates ranging between 7.86% and 15.83% as at December 31, 2022. The interest expense on bank loans is expected to increase in 2023 due to the IFC loan as well as any future increases in variable interest rates (refer to Section 13 for further information). Refer to Section 7 for further information on the bank loans.
Other income (expense)	***Q4-22 vs Q4-21*** • Other expense for the three-month period ended December 31, 2022 increased by $2,285 or by 712% compared to the same period in prior year mainly due to the increase in a provision related to certain import tax claims. ***YTD-22 vs YTD-21*** • Other income for the year ended December 31, 2022 increased by $3,897 or 3045%. The Company recorded a gain of $6,030 (US$4,600) upon execution of a settlement agreement and general release with the former shareholders of GBT. The settlement gain was partially offset by the increase in a provision related to certain import tax claims.
Net gain or loss on financial assets measured at fair value through profit or loss	***Q4-22 vs Q4-21*** • Net gain on financial assets measured at fair value through profit and loss for Q4-22 was $8,824, mainly driven by unrealized gain on revaluation of our strategic fund investments resulting from positive mark-to-market adjustments as a result of the increase in the share prices of one of the publicly-traded equities held by one of the funds. ***YTD-22 vs YTD-21*** • Net loss on financial assets measured at fair value through profit and loss for YTD-22 was $20,677, mainly driven by negative mark-to-market adjustments as a result of the decline in the share prices of the publicly-traded equities held by our strategic fund investments due to general market conditions. • Refer to Section 10 for further information.

Foreign exchange gain	***Q4-22 vs Q4-21*** • The foreign exchange loss in the three months ended Q4-22 and Q4-21 is mainly driven by the unrealized losses on revaluation of our financial assets including our cash balances as well as unrealized loss on intercompany balances due to the appreciation of the CAD vs. the USD. ***YTD-22 vs YTD-21*** • The foreign exchange gains in YTD-22 is mainly driven by the unrealized gains on revaluation of our financial assets including our cash balances as well as intercompany balances due to the appreciation of the USD and EURO vs. the CAD, partially offset by the depreciation of the select LATAM currencies throughout the year. • 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.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

Gain (loss) 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 Q4-22 and YTD-22 is driven by the recognition of certain deferred tax assets due to timing differences related to our financial assets, impairment of certain non-current assets and certain intercompany transactions. • 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.

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 allocation accounting adjustments, and the impact of IAS 29 (accounting under hyperinflation) but to include costs related to leases.

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

Reconciliation to adjusted EBITDA

For the three-month period and year ended December 31, 2022, the Company calculated EBITDA and adjusted EBITDA as follows:

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

			Change				Change	
	Q4-22	Q4-21	**$[1]**	**%[2]**	**YTD-22**	YTD-21	**$[1]**	**%[2]**
Operating loss	**(31,050)**	(14,634)	(16,416)	112%	**(41,044)**	(12,832)	(28,212)	220%
Adjustments to operating loss:								
Amortization of intangible assets	**17,156**	17,040	116	1%	**51,742**	41,176	10,566	26%
Impairment of non-current assets	**21,904**	—	21,904	100%	**23,984**	—	23,984	100%
Depreciation of property, plant and equipment and ROU assets	**3,037**	1,961	1,076	55%	**10,879**	6,739	4,140	61%
Lease costs (IFRS 16 adjustment)	**(836)**	(874)	38	4%	**(2,750)**	(3,016)	266	9%
Impact of IAS 29	**3,119**	608	2,511	413%	**10,730**	3,798	6,932	183%
EBITDA	**13,330**	4,101	9,229	225%	**53,541**	35,865	17,676	49%
Acquisition and transaction costs	**—**	—	—	0%	**—**	432	(432)	100%
Other non-recurring expenses	**491**	1,595	(1,104)	69%	**491**	1,708	(1,217)	71%
Adjusted EBITDA	**13,821**	5,696	8,125	143%	**54,032**	38,005	16,027	42%

[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

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).
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, 2022, the Company incurred non-recurring costs of $491 (Q4-22: $491) related to restructuring activities including severance to certain employees as part of restructuring and integration of GBT. 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.

Adjusted EBITDA Q4-22 vs Q4-21

For the three-month period ended December 31, 2022 adjusted EBITDA increased by $8,125 or 143%. The growth in adjusted EBITDA is driven by an increase in gross margin of $8,693 offset by an increase in operating expenses. Refer to above explanations for further details.

Adjusted EBITDA YTD-22 vs YTD-21

For the year ended December 31, 2022 adjusted EBITDA increased by $16,027 or 42%. The growth in adjusted EBITDA is driven by an increase in gross margin of $22,649 offset by an increase in operating expenses. Refer to above explanations for further details.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

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.

Rates	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21
BRL	3.90	3.94	4.05	3.80	4.40
ARS	130.53	107.12	97.07	88.72	80.88
COP	3,584	3,322	3,205	3,012	3,195
CLP	629	703	718	631	671

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

Variance (%)[1]	Q4-22	Q3-22	Q2-22	Q1-22
BRL	1%	3%	-7%	14%
ARS	-22%	-10%	-9%	-10%
COP	-8%	-4%	-6%	6%
CLP	10%	2%	-14%	6%

[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, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

Balance Sheets

			Change	
	12-31-22	12-31-21	**$**	**%[1]**
ASSETS				
Current				
Cash and cash equivalents	**71,679**	85,963	(14,284)	17%
Marketable securities	**85,826**	63,539	22,287	35%
Trade receivables	**94,890**	55,388	39,502	71%
Other receivables	**12,930**	5,056	7,874	156%
Inventories	**92,489**	72,397	20,092	28%
Prepaids and deposits	**1,704**	2,165	(461)	21%
Other current financial assets	**33,716**	13,491	20,225	150%
Income taxes receivable	**2,385**	6,970	(4,585)	66%
Total current assets	**395,619**	304,969	90,650	30%
Marketable securities	**15,169**	—	15,169	0%
Prepaids and deposits	**4,355**	3,046	1,309	43%
Right-of-use assets	**5,827**	4,671	1,156	25%
Property, plant and equipment	**16,806**	25,265	(8,459)	33%
Investment properties	**—**	1,457	(1,457)	100%
Intangible assets	**338,780**	350,299	(11,519)	3%
Goodwill	**82,274**	75,403	6,871	9%
Other financial assets	**142,847**	178,952	(36,105)	20%
Deferred income tax assets	**9,310**	2,048	7,262	355%
Other long-term receivables	**43,849**	43,431	418	1%
	659,217	684,572	(25,355)	4%
Assets held for sale	**—**	2,350	(2,350)	100%
Total assets	**1,054,836**	991,891	62,945	6%

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

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

			Change	
	12-31-22	12-31-21	**$**	**%[1]**
LIABILITIES AND EQUITY				
Current				
Accounts payable and accrued liabilities	**106,061**	65,309	40,752	62%
Lease liabilities	**2,578**	1,614	964	60%
Other liabilities	**5,793**	1,989	3,804	191%
Bank loans	**17,674**	26,662	(8,988)	34%
Income taxes payable	**2,274**	7,073	(4,799)	68%
Other balances payable	**6,941**	2,655	4,286	161%
Total current liabilities	**141,321**	105,302	36,019	34%
Accounts payable and accrued liabilities	**2,669**	281	2,388	850%
Lease liabilities	**5,050**	3,417	1,633	48%
Bank loans	**52,398**	9,265	43,133	466%
Other balances payable	**23,176**	19,235	3,941	20%
Deferred income tax liabilities	**4,365**	12,373	(8,008)	65%
Total liabilities	**228,979**	149,873	79,106	53%
Shareholders' Equity				
Share capital	**599,055**	628,854	(29,799)	5%
Warrants	**117**	117	—	0%
Contributed surplus	**23,664**	21,776	1,888	9%
Accumulated other comprehensive income (loss)	**41,266**	(376)	41,642	11,075%
Retained earnings	**161,755**	191,647	(29,892)	16%
Total shareholders' equity	**825,857**	842,018	(16,161)	2%
Total liabilities and shareholders' equity	**1,054,836**	991,891	62,945	6%

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

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

	12-31-22 vs 12-31-21
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 increased by $39,502 or 71%, mainly due to growth in revenues including the assumption of commercial activities of Exelon® and Akynzeo®, sale of Ambisome® under the MOH Contract, and the growth of our key promoted products.
Other receivables (current)	• Other receivables increased by $7,874, or 156% mainly due to a receivable of $2,393 from sale of the Medimetriks investments, an increase in interest receivable of $2,965 and an increase in sales and other taxes receivable of $1,592. • Refer to note 9 in the Annual Financial Statements for further details.
Inventories	• Inventories increased by $20,092, or 28% due to inventory purchases of $10,704 upon transfer of commercial activities of Exelon® and Akynzeo® as well as an increase in inventory levels across key promoted products including Ambisome® in anticipation of the 2023 deliveries of the MOH Contract.
Other financial assets (current and long term)	Other financial assets decreased by $15,880, or 8.25%, explained mainly by the following: **Loans and other receivable:** increase of $5,023 mainly attributable to net loans issued of $2,723 and foreign exchange gains of $1,734. Refer to Section 9 for further information on Knight's strategic lending portfolio. **Equity investments and Derivatives:** decrease of $1,918 or 24% driven mainly by the disposal of Medimetriks equity investments during the period and the revaluation of equity investments and derivatives. Refer to note 15 in the Annual Financial Statements for further information. **Funds:** decrease of $18,985 due to negative mark-to-market adjustments of $23,325 driven mostly by the decline in the share prices of the publicly-traded equities held by our strategic fund investments due to general market conditions, distributions received and receivable of $6,478, offset by capital calls of $6,307 and foreign exchange gains of $4,511. Refer to Section 10 for further information on Knight's strategic investments.
Income tax receivable	• Decrease is mainly due collection of tax refunds.
Property, plant and equipment	• Property plant and equipment decreased by $8,459 or 33% mainly due to the impairment of certain property, plant and equipment in Argentina related to branded generics intellectual property. For further details, refer to Impairment of non-current assets variance explanations in the Section 4 above and note 14 of Annual Financial Statements.
Intangible assets	• Intangible assets decreased by $11,519 or 3% mainly due to amortization and impairment charge during the period, offset by upfront payments and certain milestones primarily related to in-licensing of AKYNZEO® and ALOXI® from Helsinn, fostamatinib from Rigel and the appreciation of the USD vs. the CAD.
Goodwill	• Increase due to the appreciation of certain LATAM currencies during the period.
Deferred income tax asset	Increase is mainly explained by additional deferred tax assets recognized on tax losses generated in certain jurisdictions and certain temporary differences related to financial assets and change in temporary differences related to intercompany transactions.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

	12-31-22 vs 12-31-21
Other receivables (long-term)	• No significant variance.
Accounts payable and accrued liabilities (current and long term)	• Increase in accounts payable and accrued liabilities balance by $43,140, or 64%, driven by: i. increase of $25,772 related to purchase of Exelon® & AKYNZEO® inventory driven by the transfer of the commercial activities to Knight and purchases of Ambisome® in anticipation of the MOH Contract deliveries of 2023; ii. higher payables due to inventory purchases of our key promoted products and, timing of accruals, payments to and purchases from certain suppliers.
Bank loans (current and long term)	• Increase in bank loans by $34,145 or 95% mainly due to a five-year loan from IFC denominated in select LATAM currencies of $51,478 and accrued interest, partially offset by loan repayments of $17,542. • 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 and lower current tax accruals in certain jurisdictions.
Other balances payable (current and long term)	• Increase in other payables by $8,227 due to certain milestones mainly related to in-licensing of AKYNZEO® and ALOXI® from Helsinn, fostamatinib from Rigel and appreciation of the USD vs the CAD.
Deferred income tax liability	• Decrease is mainly explained by the recognition of deferred income tax recovery on certain definite-life intangible assets acquired by the Company and the change in temporary difference related to inventories.
Share capital	• Decrease due to the purchase of Knight's common shares though the NCIB, partially offset by share issuance under ESPP. • Refer to note 22 (ii) and (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 22 (ii) in the Annual Financial Statements for further information.
Accumulated other comprehensive loss	• Refer to the consolidated statement of changes in equity in the Annual Financial Statements for further information.
Retained earnings	• Decrease due to net loss generated. • 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

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

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, 2022 is estimated at $2,833 and has not been recorded by the Company.

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

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

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

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	
	Q4-22	Q4-21	**$**	**%[1]**	**2022**	2021	**$**	**%[1]**
Net cash from operating activities	**4,752**	4,681	71	2%	**40,481**	44,618	(4,137)	9%
Net cash used in investing activities	**(65,024)**	9,469	(74,493)	787%	**(63,079)**	(105,279)	42,200	40%
Net cash from (used in) financing activities	**29,858**	(22,886)	52,744	230%	**1,762**	(78,310)	80,072	102%
Increase in cash and cash equivalents during the period	**(30,414)**	(8,736)	(21,678)	248%	**(20,836)**	(138,971)	118,135	85%
Net foreign exchange difference	**271**	2,209	(1,938)	88%	**6,552**	(4,658)	11,210	241%
Cash and cash equivalents beginning of the period	**101,822**	92,490	9,332	10%	**85,963**	229,592	(143,629)	63%
Cash and cash equivalents, end of the period	**71,679**	85,963	(14,284)	17%	**71,679**	85,963	(14,284)	17%
Marketable securities[2], end of the period	**100,995**	63,539	37,456	59%	**100,995**	63,539	37,456	59%
Cash and cash equivalents, and marketable securities[2], end of the period	**172,674**	149,502	23,172	15%	**172,674**	149,502	23,172	15%
Cash and cash equivalents, net of bank loans	**1,607**	50,036	(48,429)	97%	**1,607**	50,036	(48,429)	97%

[1] Percentage change is presented in absolute values
[2] Including marketable securities pledged as restricted cash collateral under the IFC loan. Refer to note 18 of Annual Financial Statements for further details.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

	Q4-22	YTD-22
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, unrealized foreign exchange gains or losses, hyperinflation gains, other income, deferred other income, and net changes in non-cash balances relating to operations.	
	For the three-month period ended December 31, 2022, cash inflow from operations was $4,752. The net loss for the quarter plus adjustments of non-cash items such as depreciation, amortization and impairment is $6,280 which is offset by an increase in working capital of $1,528. The increase in the working capital is mainly due to the transition of commercial activities to Knight related to Exelon® and Akynzeo®. The working capital levels are expected to normalize during the first half of 2023.	For the year ended December 31, 2022, cash inflow from operations was $40,481. The net loss for the year plus adjustments of non-cash items such as non-cash items such as depreciation, amortization and impairment is $50,470 which is offset by an increase in working capital of $9,989. The increase in the working capital is mainly due to the transition of commercial activities to Knight related to Exelon® and Akynzeo®. The working capital levels are expected to normalize during the first half of 2023.
	Furthermore, the net cash from operating activities included an inflow of $2,287 related to net interest received mainly driven by the timing of maturity of marketable securities.	Furthermore, the net cash from operating activities included an inflow of $7,608 related to net interest received mainly driven by the timing of maturity of marketable securities as well as an inflow of $6,030 from the settlement with former shareholders of GBT. Refer to note 21 of Annual Financial Statements for further details on the settlement with the former GBT shareholders. Refer to note 29 of Annual Financial Statements for further details on the changes in the working capital.
Net cash from investing activities	For the three-month period ended December 31, 2022, cash flows were mainly driven by: • net purchase of marketable securities of $57,418 driven by higher interest rates on GICs including the requirement under IFC loan for restricted cash collateral of 35% of loan balance outstanding; • distributions from life sciences funds of $577, offset by investment in funds of $531; • acquisition of intangibles and property and equipment of $6,653 mainly due to certain sales milestones payment; • proceeds from disposal of investments in Medimetriks of $1,742.	For the year ended December 31, 2022, cash flows were mainly driven by: • net purchase of marketable securities of $36,825 driven by higher interest rates and requirement under IFC loan to have restricted cash collateral of 35% of loan balance outstanding; • acquisition of intangibles and property and equipment of $25,816 mainly due to upfront payments and certain milestones related to in-licensing of AKYNZEO® and ALOXI® from Helsinn as well as fostamatinib from Rigel, and • distributions from life sciences funds of $3,985, offset by investment in funds of $3,831; • issuance of additional strategic loan of $2,741 to Synergy, and

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

	• proceeds from disposal of investments in Medimetriks of $1,742.
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.

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

As at December 31, 2022

	Currency of debt	Interest rate	Effective interest rate	Maturity	Current $	Non-current $	Total $
Banks							
Itaú Unibanco Brasil	BRL	1.65% + CDI	13.36%	Dec 8, 2023	**8,487**	**—**	**8,487**
Bancolombia	COP	2.28% + IBR	8.07%	Oct 12, 2026	**2,299**	**6,194**	**8,493**
Banco ICBC Argentina[1]	ARS	77%[2]	77%[2]	N/A	**344**	**—**	**344**
Banco Itaú Argentina[1]	ARS	76%[3]	76%[3]	N/A	**1,270**	**—**	**1,270**
IFC	BRL	1.6% + CDI	15.83%	Oct 15, 2027	**3,121**	**23,309**	**26,430**
IFC	CLP	7.71%	7.86%	Oct 15, 2027	**1,202**	**9,198**	**10,400**
IFC	COP	1.6% + IBR	13.29%	Oct 15, 2027	**735**	**10,613**	**11,348**
IFC	MXN	1.6% + TIIE	13.07%	Oct 15, 2027	**216**	**3,084**	**3,300**
Total Bank Loans					**17,674**	**52,398**	**70,072**

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

As at December 31, 2021

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

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

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

The security and repayment terms of the bank loans are as follow:

As at December 31, 2022

	Currency of debt	Maturity	Repayment terms	Security/guarantee
Banks				
Itaú Unibanco Brasil	BRL	Dec 8, 2023	Semi-annual	• First Demand Corporate Guarantee of Knight Therapeutics Europe S.A. • Select trade accounts receivables
Bancolombia	COP	Oct 12, 2026	Semi-annual	• None
IFC	BRL	Oct 15, 2027	Semi-annual[1]	• Shares of certain Knight's subsidiaries • Restricted cash collateral of 35% of the principal balance outstanding.
IFC	CLP	Oct 15, 2027	Semi-annual[1]	
IFC	COP	Oct 15, 2027	Semi-annual[1]	
IFC	MXN	Oct 15, 2027	Monthly[1]	

[1] *Commencing October 15, 2023*

As at December 31, 2021

	Currency of debt	Maturity	Repayment terms	Security/guarantee
Banks				
Itaú Unibanco Brasil	BRL	Dec 8, 2023	Semi-annual	• First Demand Corporate Guarantee of Knight Therapeutics Europe S.A. • Select trade accounts receivables
Itaú Unibanco Brasil	BRL	Dec 28, 2022	Semi-annual	• None
Bancolombia	COP	Oct 12, 2026	Semi-annual	• None

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

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.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

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 companies 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 platform including, 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. The in-licensing of AKYNZEO® and ALOXI®, completed during 2022, is an example of the execution of this strategy.

3. Development & In-licensing of branded generic products

The Company's branded generic development efforts include the internal development of branded generics for Argentina and other LATAM markets (excluding Brazil and Mexico) and the in-licensing of branded generics for LATAM markets including Brazil and Mexico. The Company continues to maintain a targeted internal development effort to develop and manufacture branded generics products for launch in Argentina and eventually in certain markets in Latin America. In addition to internal development, the growth of the branded generic portfolio is supplemented through in-licensing of additional molecules. This strategy complements the in-house development efforts by providing access to the two largest pharmaceutical markets of Latin America, namely Brazil and Mexico. In addition, it allows access to branded generics products that cannot be developed or manufactured in-house by the Company.

Management's Discussion and Analysis for the year ended December 31, 2022
(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[3]						PARTNER
		Canada	Brazil	Argentina	Colombia	Mexico	Others	
Oncology/Hematology								
Tafasitamab	Relapsed or refractory diffuse large B-cell lymphoma (DLBCL)		Submitted	Submitted	Submitted	Pre-registration	Pre-registration	Incyte
Pemigatinib	Metastatic cholangiocarcinoma		Pre-registration	Pre-registration	Submitted	Pre-registration	Pre-registration	Incyte
Akynzeo®	Prevention of chemotherapy-induced acute and delayed nausea and vomiting	Q4-22	Q3-22	Q3-22				Helsinn
Aloxi®	Prevention of acute nausea and vomiting associated with moderately and highly emetogenic cancer chemotherapy	Q4-22						Helsinn
Fostamatinib	Treatment of chronic immune thrombocytopenia		Pre-registration	Pre-registration	Pre-registration	Pre-registration		Rigel
Nerlynx®	Extended adjuvant breast cancer and metastatic breast cancer	Q4-19						Puma
Trelstar®	Advanced prostate cancer	Q2-20						Debiopharm
Vidaza®	Myelodysplastic syndrome		Pre-2019					Celgene (BMS)
Abraxane®	Metastatic pancreatic cancer		Pre-2019					Celgene (BMS)
Halaven ®	Metastatic breast cancer and soft tissue sarcoma		Pre-2019	Q4-19	Q2-22		Marketed	Eisai
Lenvima®	Differentiated thyroid cancer and unresectable hepatocellular carcinoma		Pre-2019		Q1-22		Marketed	Eisai
Lenvima®	Advanced renal cell cancer		Pre-2019				Marketed	Eisai
BGx								
Ladevina®	Multiple myeloma; myelodysplastic syndrome			Pre-2019	Q3-19		Marketed	Own
Ladevina®	Mantle Cell Lymphoma; follicular lymphoma			Pre-2019			Marketed	Own
Zyvalix®	Metastatic prostate cancer			Pre-2019	Q2-18		Marketed	Own
Karfib®	Relapsed or refractory multiple myeloma			Q4-19	Submitted		Marketed	Own
Leprid®	Palliative treatment of advanced prostate cancer			Pre-2019				Own
Rembre®	Chronic myeloid leukemia			Pre-2019	Q1-22		Marketed	Own
Palbocil®	Breast cancer			Q1-23	Submitted		Submitted	Own

[1] Products in "pre-registration" have not yet been submitted for regulatory review and products in "submitted" are currently under regulatory review. The indication for all products classified as "pre-registration" or "submitted" is the anticipated indication upon regulatory approval.

[2] Refer to the "Products" section below for further details on the indication.

[3] The products with an associated date are currently marketed by Knight in the respective territory. The information provided represents the date when the product was launched by Knight or when it was acquired or in-licensed by Knight if such products had existing sales.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

PRODUCT	INDICATION[1,2]	TERRITORY[3]						PARTNER
		Canada	Brazil	Argentina	Colombia	Mexico	Others	
Infectious Diseases								
Ambisome®	Invasive fungal infection		1997					Gilead
Cresemba®	Invasive fungal infection		Q2-20	Q3-19	Q3-19	Q2-19	Marketed	Basilea
Impavido®	Leishmaniasis						Marketed	Own
BGx								
Dolufevir®	HIV infection			Q2-21				Own
Other Specialty								
Exelon®	Symptomatic treatment of mild to moderately severe dementia in people with Alzheimer's and Parkinson's disease	Q2-21	Q2-21	Q2-21	Q2-21	Q2-21	Marketed	Own
Ibsrela®	IBS-C	Q1-21						Ardelyx
Salofalk®	Ulcerative colitis			Pre-2019	Pre-2019		Marketed	Dr. Falk
Ursofalk®	Primary biliary cirrhosis			Pre-2019	Pre-2019		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			Pre-2019			Marketed	Own
Toliscrin® DPI	Pseudomonas aeruginosa lung infection in patients with cystic fibrosis			Pre-2019			Marketed	Own
Toliscrin® 1-2	Severe acute or resistant chronic infections due to colistin sensitive strains of gram-negative pathogenic bacilli			Pre-2019			Marketed	Own
Tobradosa Haler®	Chronic lung infections due to Pseudomonas aeruginosa			Pre-2019			Marketed	Own

[1] *Products in "pre-registration" have not yet been submitted for regulatory review and products in "submitted" are currently under regulatory review. The indication for all products classified as "pre-registration" or "submitted" is the anticipated indication upon regulatory approval.*
[2] *Refer to the "Products" section below for further details on the indication.*
[3] *Products with dates represent products currently marketed by Knight. The information provided represents the date at which the product was launched by Knight or date at which product with existing sales was acquired or in-licensed by Knight.*

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

Oncology/Hematology

INNOVATIVE

Tafasitamab and Pemigatinib

On September 22, 2021, Knight entered into a supply and distribution agreement with Incyte for the exclusive rights to distribute tafasitamab (sold as Monjuvi® in the United States and as Minjuvi® in Europe and Canada) and pemigatinib (Pemazyre®) in 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, Europe, Canada and other countries for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma ("DLBCL") who are not eligible for autologous stem cell transplantation (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[3,4].

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%[5] of patients with intrahepatic cholangiocarcinoma, whereas the incidence in patients with extrahepatic c holangiocarcinoma is rare. There are approximately 4,000 - 6,000 new cases of intrahepatic cholangiocarcinoma each year in Latin America[3,6]. Pemigatinib is also approved in the U.S. for the treatment of adults with relapsed or refractory myeloid/lymphoid neoplasms (MLNs) with FGFR1 rearrangement.

Knight submitted a marketing authorization application for tafasitamab in combination with lenalidomide for the treatment of adult patients with DLBCL who are not eligible for ASCT to ANVISA in Brazil in October 2022, INVIMA in Colombia in December 2022, and ANMAT in Argentina in January 2023. Knight expects to submit further marketing authorization applications for tafasitamab in a key LATAM country in the first half of 2023. The Company submitted a marketing authorization application for pemigatinib to INVIMA in Colombia in December 2022.

Akynzeo® and Aloxi®

On May 12, 2022, Knight announced that it entered into an agreement with Helsinn for the exclusive rights to commercialize AKYNZEO® oral/IV (netupitant/palonosetron/fosnetupitant/palonosetron) in Canada, Brazil, Argentina, Uruguay and Paraguay, and ALOXI® oral/IV (palonosetron) in Canada.

AKYNZEO® is the first and only 5-HT3 and NK1 receptor antagonist fixed combination approved for the prevention of chemotherapy-induced acute and delayed nausea and vomiting. AKYNZEO® oral is approved and marketed in Canada, Brazil and Argentina. According to IQVIA, sales of AKYNZEO® in Canada and Brazil were approximately $7 million in 2021. ALOXI® is a second generation 5-HT3 receptor antagonist with high receptor binding affinity and a duration of action up to 5 days after chemotherapy administration[7,8]. ALOXI® oral is approved in Canada for use in adults for the prevention of acute nausea and vomiting associated with moderately and highly emetogenic cancer chemotherapy. ALOXI® injection is approved in Canada for use in adults and pediatric patients aged 2 to 17 years for the prevention of acute and delayed nausea and vomiting associated with emetogenic cancer chemotherapy.

---

[3] *Globocan 2020.*

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

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

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

[7] *Rojas C, Slusher BS. Eur J Pharmacol 2012;684(1-3):1-7; 6.*

[8] *Navari RM and Aapro M. N Engl J Med 2016;374:1356-67.*

Knight assumed commercial activities and re-launched AKYNZEO® in Brazil, Argentina and Canada, and ALOXI® in Canada in 2022.

Fostamatinib

On May 24, 2022, Knight announced that it entered into an agreement with Rigel for the exclusive rights to commercialize fostamatinib, an oral spleen tyrosine kinase (SYK) inhibitor, in Latin America. Fostamatinib is commercially available in the United States under the brand name TAVALISSE® and in Europe under the brand name TAVLESSE® for the treatment of chronic immune thrombocytopenia. On June 8, 2022, Rigel announced topline efficacy and safety data from the Phase 3 clinical trial of fostamatinib in patients with warm autoimmune hemolytic anemia (wAIHA). The trial did not demonstrate statistical significance in the primary efficacy endpoint of durable hemoglobin response in the overall study population. The safety profile was consistent with prior clinical experience, and no new safety issues were discovered. Rigel conducted an in-depth analysis of these data to better understand differences in patient characteristics and outcomes and submitted these findings to the FDA. In October 2022, Rigel announced that they received guidance from the FDA's review of these findings. Based on the result of the trial and the guidance from the FDA, Rigel did not file a supplemental New Drug Application (sNDA) for this indication. On November 1, 2022, Rigel announced the top-line results from its Phase 3 clinical trial of fostamatinib in high-risk hospitalized COVID-19 patients. While the trial approached but did not meet statistical significance (p=0.0603) in the primary efficacy endpoint of the number of days on oxygen through Day 29, all prespecified secondary endpoints in the study numerically favored fostamatinib over placebo, including mortality, time to sustained recovery, change in ordinal scale assessment, and number of days in the ICU. Knight expects to submit Fostamatinib in key LATAM countries over the next twelve months.

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 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 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 $732 and $1,967 for the three-month period and year ended December 31, 2022, which represents a growth of 98% and 26% compared to the same periods in prior year.

Trelstar®

On January 8, 2020, Knight announced that it had 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 and began commercializing Trelstar® in Canada. According to IQVIA data, Trelstar® sales in Canada were $1,475 and $4,699 for the three-month period and year ended December 31, 2022, which represents a growth of 69% and 64% compared to the same periods in prior year.

Vidaza®

Vidaza® (azacitidine) 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.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

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 with BMS which was renewed in 2021.

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[9] 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.

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[10]. 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.

BRANDED GENERIC

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[10], (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[10], 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.

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.

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.

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

[10] *Indication not included in Colombia.*

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

Leprid®

Leprid® (leuprolide acetate) is indicated for palliative treatment of advanced prostate cancer. Leprid® is currently marketed in Argentina.

Rembre®

Rembre® (dasatinib) is indicated for treatment of chronic myeloid leukemia with positive Philadelphia chromosome (Ph+). Rembre® is marketed in Argentina and received regulatory approval ® in Colombia and launched the product in February 2022.

Palbocil®

Palbocil® (palbociclib) is indicated for the treatment of patients with hormone receptor (HR)positive, human epidermal growth factor receptor 2 (HER2)-negative locally advanced or metastatic breast cancer in combination with: an aromatase inhibitor as initial endocrine-based therapy in post-menopausal women; or fulvestrant in patients with disease progression after prior endocrine therapy. Palbocil® was approved in Argentina in 2022 and launched in March 2023. In addition, Knight filed for regulatory approval for palbociclis's will be commercialized under the brand Bapocil in Colombia and Chile in Q4-2022.

Infectious Diseases

INNOVATIVE

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.

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.

Impavido®

On February 27, 2014, Knight acquired the worldwide rights to Impavido® (miltefosine) 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.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

BRANDED GENERIC

Dolufevir®

Dolufevir® (dolutegravir) in combination with other antivirals is indicated for the treatment of HIV-infected adults, adolescents and children ≥ 6 years of age and weighing at least 20 kg.

Other Specialty Therapeutic Areas

INNOVATIVE

Exelon®

On May 26, 2021, the Company entered into an agreement with Novartis to acquire the exclusive rights to manufacture, market and sell Exelon® (rivastigmine), 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. As at March 28, 2023, the marketing authorizations of Exelon® for Brazil, Colombia, Argentina, Mexico, Chile, Peru and Canada were transferred to Knight. In addition, Knight has assumed the commercial activities of Exelon® in Colombia in Q2-22, Brazil, Argentina & Chile in Q3-22 and Mexico, Peru, Ecuador & Canada in Q4-22.

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 $189 and $617 for the three-month period and year ended December 31, 2022, which represents a growth of 128% and 227% compared to the same periods in prior year.

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™ (estradiol vaginal inserts) and Bijuva™ (estradiol and progesterone) in Canada and Israel. Imvexxy™ is approved 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™, approved by the Health Canada in September 2020, 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. The Company expects to launch Imvexxy™ in the second half of 2023.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

BRANDED GENERIC

Fibridoner®

Fibridoner® (pirfenidone) is indicated for the treatment of mild to moderate idiopathic pulmonary fibrosis in adults.

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 colonization or infection due to Pseudomonas aeruginosa that is resistant to tobramycin.

Tobradosa Haler®

Tobradosa Haler® (tobramycin) 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

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 distributes 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

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. If launched, the Company expects that the Branded Generics Pipeline will generate approximately $50,000 in combined revenues in its peak year.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

Country	Therapeutic Area	Number of molecules	Stage of development	Expected launch year
Argentina	Oncology/Hematology	2	Development	2025
Argentina	Other Specialty	1	Development	2024
Brazil	Oncology/Hematology	1	Development	2025
Brazil	Other Specialty	2	Development	2025
Colombia	Oncology/Hematology	1	Development	2027
Colombia	Oncology/Hematology	2	Regulatory Review	2023-2027
Colombia	Other Specialty	1	Development	2027
Colombia	Other Specialty	1	Regulatory Review	2024
Chile	Oncology/Hematology	2	Development	2024
Chile	Oncology/Hematology	1	Regulatory Review	2024
Chile	Other Specialty	1	Development	2027
Mexico	Oncology/Hematology	1	Development	2027
Mexico	Other Specialty	1	Development	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, 2022

Entity	Maturity date	Interest rate	In Source Currency	In CAD[1]
Moksha8	February 15, 2024	15%	US$11,993	$16,243
Synergy	June 30, 2023	15.5%	US$7,500	$10,158
60P[2]	December 31, 2023	15%	US$6,310	$8,546
Other strategic loans	April 15, 2025	10%	US$2,771	$3,753
Total			**US$28,574**	**$38,700**

[1] *Converted at the Bank of Canada closing exchange rates on December 31, 2022*
[2] *Excludes 60P Convertible Debenture received as consideration for loans issued to 60P*

As at December 31, 2022, the nominal loan balance outstanding was $38,700 [US$28,574] (December 31, 2021: $33,691 [US$26,574]). The following table summarizes the movement in loans and other receivables during the year ended December 31.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net loss on FA $	Foreign exchange[1] $	Carrying value end of year $	Current other financial assets $	Non-current other financial assets $
2022								
Amortized Cost	6,272	3,130[2]	(407)	—	192	9,187	5,430	3,757
FVTPL	26,796	—	—	567	1,541	28,904	24,148	4,756
Total	**33,068**	**3,130**	**(407)**	**567**	**1,733**	**38,091**	**29,578**	**8,513**
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**

[1] During the year ended December 31, 2022, the Company recorded a gain of $1,541 in the statement of income (loss) in "Foreign exchange loss" (2021: loss of $61) and a gain of $192 in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations" (2021: loss of $93)
[2] Includes a reclassification of $1,348 to "Other Receivables"

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 $137,871 of which $11,787 remains committed as at December 31, 2022. To date, the investments in venture capital funds have led to the Canadian in-license of a portfolio of products from Advaxis. Knight does not expect to invest in additional venture capital funds.

Entity	Expected exit Date	Fund Commitments In Source Currency	In CAD[1]
Teralys Capital	Oct-29	C$30,000	$ 30,000
Domain Associates LLC	Dec-27	US$25,000	$ 29,063
Forbion Capital Partners	Oct-25	EUR19,500	$ 27,550
Sectoral Asset Management	Jul-25	US$13,000	$ 13,919
Sanderling Ventures LLC	Dec-27	US$10,000	$ 11,625
HarbourVest Partners LLC	Apr-30	C$10,000	$ 10,000
TVM Capital GmbH	Mar-25	US$1,600	$ 1,996
Bloom Burton Healthcare Lending Trust[2]	N/A	C$1,500	$ 1,500
Genesys Capital Management (Fund III) Inc.	Aug-31	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, 2022 closing rates total fund commitment would be $137,871).
[2] Represents an investment in a debt fund.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

As at December 31,	2022	2021
Inception to Date:		
Capital calls	156,339	147,191
Distributions Received	(124,273)	(118,873)
Realized Gain	68,451	61,635
Unrealized Gain	31,887	61,436
TVPI[1]	**1,65x**	**1,84x**
Contingent Gains[2]	11,504	15,777
TVPI[1] considering Contingent Gains[2]	**1,73x**	**1,94x**

[1] TVPI represents total value to paid-in ratio which is calculated as distributions received from the strategic funds and the residual value not yet realized relative to the contributed paid-in capital.
[2] Knight does not record certain Contingent Gains on the related to the investments in the strategic funds until it is probable that such gains will be realized. Contingent gains on the investments in the strategic funds include milestones payments to the strategic funds based upon achieving certain events such as clinical success of a trial, regulatory approval of a drug or certain sales-based event.

The following table summarizes the movement in fund investments during the year ended December 31, 2022:

	Carrying value as at January 1	Additions[1]	Distributions[2,3]	Net (loss) gain on FA	Foreign exchange[4]	Carrying value end of period	Current other financial assets	Non-current other financial assets
	$	$	$	$	$	$	$	$
2022	**151,389**	**6,307**	**(6,478)**	**(23,325)**	**4,511**	**132,404**	**—**	**132,404**
2021	149,736	16,429	(31,320)	19,329	(2,785)	151,389	—	151,389

[1] Investments in equity or debt funds including US$870 and EUR 1,552 (2021: including US$3,375 and EUR 2,781)
[2] Distributions received or receivable from funds including EUR 2,221 (2021: including US$12,297 and EUR 1,214)
[3] Includes distribution receivable of $404 (2021: $389)
[4] During the year ended December 31, 2022, recorded a loss of $1,245 in the statement of income in "Foreign exchange loss" (2021: loss of $3,252) and a gain of $5,756 in the statement of other comprehensive income in "Unrealized income (loss) on translation of foreign operations" (2021: gain of $467)

Domain Associates LLC

On May 26, 2021 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. During the three-months period and year ended December 31, 2022, the Company recorded an unrealized loss of $714 [USD 549], and $13,919 (USD 10,697), respectively, and a life to date unrealized gain of $2,118 [USD 1,564] in connection with SGS.

Forbion Capital Partners

On July 24, 2018 REPL, an investment held within Forbion Capital Partners ("Forbion"), announced the closing of its initial public offering at a public offering price of USD 15 per share. During the three-months period and year ended December 31, 2022, the Company recorded an unrealized gain of $6,415 [USD 5,073] and $67 (USD 52), respectively, and a life to date unrealized gain of $16,477 [USD 12,166] in connection with REPL.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

RISK MANAGEMENT

Section 11

11.1 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 results 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.

Currency risks in net financial assets

Knight holds a significant portion of its net financial assets or liabilities in USD, EUR, BRL, CLP, MXN, COP 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% depreciation of CAD, would result in a change in the consolidated statement of (loss) income or statement of other comprehensive income as follows:

	$
Foreign Exchange Risk (5% change)	
USD	**8,404**
EUR	**1,740**
BRL	**(1,640)**
ARS	**32**
CLP	**(333)**
COP	**102**
MXN	**(237)**

11.2 Equity Price Risk

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

For the year ended December 31,	**2022**	2021
	$	$
Equity investments	**3,957**	6,700
Investments in funds	**132,404**	151,389
Derivatives	**2,111**	1,286
Total	**138,472**	159,375

The Company monitors its equity investments for impairment on a periodic basis and at least every reporting period. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general

market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company's Board of Directors regularly reviews and approves equity investment decisions.

11.3 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 7 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 $1,727 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. The Itaú and IFC loans have a variable interest rate that fluctuates with the CDI, IBR and TIIE rates. The applicable CDI, IBR and TIIE are the average 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 $701 over a one-year period.

11.4 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, 2022, 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 18 and 32 of the Annual Financial Statements.

11.5 Credit Risk

The Company considers its maximum credit risk to be $275,534 (December 31, 2021: $243,678) 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:

- one Canadian financial institution
- one Canadian credit union

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.

11.6 External Environment and Inflation Risk

The current global macroeconomic environment is characterized by elevated levels of inflation due to several external factors including global supply chain constrains, the global COVID-19 pandemic, ongoing conflict in Ukraine and volatile global financial and economic conditions. Despite deceleration of inflation in the most recent months in response to aggressive monetary tightening policies implemented by central banks around the world, during 2022 Knight experienced and continues to experience increased inflationary pressures, across all our geographies, on operating expenses including but not limited to compensation costs, raw material and product costs driven by rising costs of our partners and suppliers in both developed and developing markets. Such increase in costs cannot be matched to the same extent by increase in our product prices due to local regulations and competitive pressure for certain of our products. There is no assurance that continued inflation pressures will not have similar impacts on Knight's future operations.

11.7 COVID-19 Risk

The unprecedented nature of the global COVID-19 pandemic has had, and continues to have, an adverse impact on the global economy as discussed above. We continue to monitor the ongoing impact of the COVID-19 on our business in areas including but not limited to manufacturing and supply chain operations, regulatory approval process as well as the impact on the pharmaceutical industry, the local and global economy.

As with much of the pharmaceutical industry, the Company's revenues from newly launched products and resulting prescription growth has been adversely affected by COVID-19 in the past two years. However, during the year ended December 31, 2022 we saw an increase in patient treatments as our markets significantly reduced COVID-19 restrictions. Despite resent positive developments, the long-term effects, market dynamics, the scope or duration of the financial and other challenges arising from the COVID-19 pandemic remain unpredictable and it is possible that we will continue to see variable demand in future periods. Further, Knight's revenues and growth may be negatively impacted as governments implement new or additional pricing regulations as a measure to balance budgets and recover COVID-19 pandemic spending while private payers may face budget constraints and continue to increase hurdle rate for drug reimbursement.

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

11.8 Impact of Ukraine Conflict

We do not have any business operations in Ukraine or Russia. As the situation is changing rapidly, it is not possible to predict how the Ukraine conflict will affect global supply chains, commodity prices, the overall economic environment, or financial markets as the conflict has lasted longer than previously anticipated and could last for an extended period of time.

While the Ukraine conflict has not resulted in disruption of our supply of raw materials, we are actively monitoring for any potential impacts arising from it. The continued risk surrounding the Ukraine conflict and any escalations may have a material adverse impact on our business, financial condition and results of operations.

11.9 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. In addition to its exposure to operating in emerging markets, Knight is further exposed to the global inflationary environment. Refer to section 11.6 for further details.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

11.10 Risk Factors

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

ADDITIONAL INFORMATION

Section 12 – Selected Quarterly Financial Information

	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21
Revenues	**81,655**	72,281	75,820	63,807	58,273	73,340	65,796	46,069
Net income (loss)	**(15,188)**	1,591	2,516	(18,811)	(8,301)	(8,586)	29,004	3,558
Adjusted EBITDA	**13,821**	9,009	17,890	13,312	5,696	17,334	9,396	5,580
EPS								
Basic	**(0.13)**	0.01	0.02	(0.16)	(0.07)	(0.07)	0.23	0.03
Diluted	**(0.13)**	0.01	0.02	(0.16)	(0.07)	(0.07)	0.23	0.03
Cash, cash equivalents and marketable securities	**172,674**	145,142	136,235	156,396	149,502	156,029	166,121	382,381
Total assets	**1,054,836**	1,035,343	1,001,134	995,422	991,891	1,037,614	1,043,647	1,000,795
Total non-current liabilities	**87,658**	41,295	45,411	44,526	44,571	32,464	36,434	35,375

Section 13 – Outstanding Share Data

The table below summarizes the share data:

As at	March 28, 2023	December 31, 2022
Common Shares	110,134,802[2]	112,205,939[1]
Stock Options	4,415,076	4,873,546
RSUs	212,358	220,287
PSUs	454,126	462,984
DSUs	84,172	84,172
Warrants	174,228	174,228

[1] Excludes 489,500 shares purchased under NCIB but not yet canceled as of December 31, 2022. The treasury shares were cancelled subsequent to quarter end
[2] Excludes 1,273,205 shares purchased under NCIB but not yet canceled as of March 28, 2023

On July 12, 2022, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch a NCIB ("2022 NCIB"). Under the terms of the 2022 NCIB, Knight may purchase for cancellation up to 7,988,986 common shares of the Company which represented 10% of its public float as at June 30, 2022. The 2022 NCIB commenced on July 14, 2022 and will end on the earlier of July 13, 2023 or when the Company completes its maximum purchases under the NCIB. Furthermore, Knight entered into an agreement with a broker to facilitate purchases of its common shares under the NCIB. Under Knight's automatic share purchase plan, the broker may purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. 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.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

During the year ended December 31, 2022, the Company purchased 5,649,189 (2021: 12,321,864) common shares at an average price of $5.34 (2021: $5.23) for aggregate cash consideration of $30,069 (2021: $64,415), of which $117 remains to be settled as at December 31, 2022. Subsequent to December 31, 2022, the Company purchased an additional 2,092,705 common shares at an average purchase price of $4.87 for an aggregate cash consideration of $10,199.

The historical purchases of shares through Knight's NCIB program since inception are as follows:

Launch Date	Status[1]	Total Shares Approved for Buy-Back	Shares Purchased[1]	Average Purchase Price ($)	Total Cash Consideration ($)[1]
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	Completed	10,267,956	10,267,956	5.25	53,869
July 14, 2022	Active	7,988,986	4,546,905	5.16	23,463
Total		**41,167,345**	**33,061,723**	**5.94**	**196,417**

[1] *Each NCIB is carried over a maximum period of one year from launch date. The shares purchased and total cash consideration is over that one-year period.*

Section 14 – Use of Proceeds from Financing

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

As at December 31, 2022, 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.

Section 15 – 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 16 – Product Pricing Regulation on Certain Drug Products

For details on pricing regulations in the various markets where Knight operates, refer to Knight Therapeutics Inc., Annual Information Form filed on SEDAR at www.sedar.com.

In August, 2019, the Canadian federal government announced amendments to the Patented Medicines Regulations. On July 1, 2022 the federal government's (Health Canada) amendments to the Patented Medicines Regulations came into effect amending a change in the basket of comparator countries from seven to eleven with the exclusion of US and Switzerland.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

The rest of the PMPRB expected pricing regulation changes are considered as "Interim Guidelines" until they come into force. On December 16, 2022, PMPRB announced that the Interim Guidelines will not be implemented on January 1, 2023 and remain as such until further notice.

These pending changes, or any other future changes to the guidelines, methodology or policies of PMPRB or other relevant regulatory bodies 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. If PMPRB determines a ceiling price for a patented product that is lower than the Company's expectation, or if the PMPRB deems a patented product to be excessively priced, this could lead to a reduction of the product's price and a fine may be levied against the Company. Such determinations by the PMPRB may have a material adverse effect on Knight's financial condition and results of operations or cash flows.

Section 17 – 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 18 – 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. 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 19 – 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 are as follows:

[i] Fund commitments

As at December 31, 2022, under the terms of Company's agreements with life sciences venture capital funds, $11,787 (December 31, 2021: $17,785), including $865 [US$639] and $1,078 [EUR 745] (December 31, 2021: $1,913 [US$1,509] and $3,113 [EUR 2,163]), may be called over the life of the funds (based on the closing foreign exchange rates).

As at March 28, 2023, $11,772 remains to be called by life science venture capital funds.

[ii] Milestones and purchase commitments

Under certain agreements, Knight may have to pay additional consideration should the Company achieve certain sales volumes or if certain milestones are met, such as regulatory approval in Canada or LATAM. The Company may have to pay up to $359,567 including $74,776 [US$55,210], $144,851 [CHF 98,800] and $1,436 [EUR 993] (December 31, 2021: up to $322,318, including $46,224 [US$36,460], $137,299 [CHF 98,800] and $792 [EUR 550]) upon achieving certain sales volumes,

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

regulatory or other milestones related to specific products.

As at March 28, 2023, the Company may have to pay up to $359,567 upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, as at December 31, 2022, Knight has a commitment to purchase up to $11,710 [EUR 738, CHF 5,412, USD 2,000] (December 31, 2021: $11,118 [EUR 738, CHF 5,412 and USD 2,000]), of inventory for pharmaceutical products during the five-year period after their respective commercial launch. For products that are currently launched, the Company has committed to inventory purchases of $212,744 [BRL 427,800, USD 64,182 and CHF 11,059] (December 31, 2021: $278,793 [BRL 787,865, USD 63,961 and CHF 13,286]), which will be purchased over the next 8 years.

	$
2022	2,438
2023	54,548
2024	55,359
2025	52,846
2026	12,770
2027 and beyond	34,783
Total	**212,744**

As at March 28, 2023, Knight has a commitment to purchase up to $12,233 of inventory for pharmaceutical products during the five-year period after their respective commercial launch and has a commitment to purchase $201,934 for products that are currently launched.

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.

Section 20 – Related Party Transaction

Pharmascience Inc., a company related to the Company's Executive Chairman of the Board of Directors, provided administrative services of approximately $34 (2021: $24) to the Company for the year ended December 31, 2022.

Section 21 – 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.

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

Geographic Information

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

	Three months ended December 31,		Year ended December 31,	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Revenues				
Brazil	42,020	18,133	134,727	97,204
Colombia	11,513	10,057	46,125	43,521
Argentina	8,937	14,707	48,146	42,962
Rest of LATAM	11,234	11,483	40,171	40,946
Canada	4,008	2,387	11,346	7,700
Other[1]	3,943	1,506	13,048	11,145
Total	81,655	58,273	293,563	243,478

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

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

As at	**December 31, 2022**	December 31, 2021
	$	$
Canada	63,217	63,858
Brazil	56,581	53,753
Argentina	34,562	50,839
Colombia	15,723	22,812
Uruguay	201,889	182,917
Luxembourg	44,909	45,286
Rest of LATAM	70,655	81,954
Total	**487,536**	**501,419**

Management's Discussion and Analysis for the year ended December 31, 2022
(In thousands of Canadian dollars, except for share and per share amounts)

Section 22 – Significant Accounting Estimates and Assumptions

The preparation of the Company's interim condensed 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 2022 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.

Section 23 – 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 24 – Internal Control Over Financial Reporting (ICFR)

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, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

For the year ended December 31, 2022, 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, 2022.

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, 2022

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, 2022 and 2021, the consolidated statements of (loss) 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, 2022 and 2021, 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, 2022, the carrying value of investments in funds amounted to $132.4 million. As described in notes 2 and 3 of the consolidated financial statements, the Group 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 Group 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 (losses) gains that are recorded in the consolidated statement of (loss) 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 Group 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 Group 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 Group; and • Evaluated management’s disclosure in the notes to the consolidated financial statements of significant judgments in relation to this matter.

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of goodwill, and non-current assets of the Knight Therapeutics Europe S.A. operations

As at December 31, 2022, the carrying value of goodwill, and other non-current assets which include intangible assets, property plant and equipment and right-of use assets, amounted to $82.3 million, and $361.4 million, respectively. For goodwill, management assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of these assets. For intangible assets with finite lives and property plant and equipment, any time an indicator of impairment exists, management assesses whether there has been an impairment loss in the carrying value of these assets. In the year ended December 31, 2022, impairment charges were recorded for intangible assets, property plant and equipment, and right-of-use assets in the amounts of $10.3 million and $12.7 million, and $0.9 million, respectively, as further described in Note 14. When performing impairment tests, the Group estimates the recoverable amount for each cash generating unit ("CGU") or group of CGUs to which goodwill and other non-current assets have been allocated using the value-in-use method, whereby the net cash flows are determined based on budgets approved by the board of directors. The Group discloses significant judgments, estimates and assumptions and the result of their analysis in respect of impairment in Notes 2.3, 3, 14 and 15 to the consolidated financial statements.

We have determined that auditing management's impairment tests is a key audit matter given the complexity, degree of judgment, and subjectivity used in evaluating management's estimates and assumptions in determining the recoverable amount of the relevant CGU or group of CGUs. Significant assumptions included the useful lives of finite-lived intangible assets and property plant, and equipment, revenue growth rates, profit margin, operating expenses, perpetual growth rate and discount rates, which are affected by expectations about future market and economic conditions including macroeconomic factors.

Our audit procedures included, among others, the following:

- Obtained and evaluated management's impairment models and assessed the reasonableness of key assumptions used in the calculations, comprising useful lives of finite-lived intangible assets and property plant, and equipment, revenue growth rates, profit margin, operating expenses, perpetual growth rate and discount rates.
- We obtained an understanding of and evaluated management's basis for determining the assumptions, and compared them to economic growth forecasts, comparable companies, as well as internal evidence available;
- Assessed the historical accuracy of the Group's estimates with respect to cash flow projections in previous periods by comparing to current results;
- Evaluated the Group's discount rates and valuation methodologies with the assistance of our valuation specialists;
- Performed sensitivity analysis on significant assumptions to assess the sensitivity of the estimate to change, and the impact on the results of the impairment assessments;
- 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 28, 2023

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

CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

As at	*Notes*	**2022**	2021
ASSETS			
Current			
Cash and cash equivalents	*6*	**71,679**	85,963
Marketable securities	*7*	**85,826**	63,539
Trade receivables	*8*	**94,890**	55,388
Other receivables	*9*	**12,930**	5,056
Inventories	*10*	**92,489**	72,397
Prepaids and deposits		**1,704**	2,165
Other current financial assets	*16, 17*	**33,716**	13,491
Income taxes receivable		**2,385**	6,970
Total current assets		**395,619**	304,969
Marketable securities	*7*	**15,169**	—
Prepaids and deposits		**4,355**	3,046
Right-of-use assets	*11*	**5,827**	4,671
Property, plant and equipment	*12*	**16,806**	25,265
Investment properties		**—**	1,457
Intangible assets	*13*	**338,780**	350,299
Goodwill	*15*	**82,274**	75,403
Other financial assets	*16, 17*	**142,847**	178,952
Deferred income tax assets	*25*	**9,310**	2,048
Other long-term receivables	*19*	**43,849**	43,431
		659,217	684,572
Assets held for sale		**—**	2,350
Total assets		**1,054,836**	991,891

CONSOLIDATED BALANCE SHEETS (continued)

[In thousands of Canadian dollars]

As at	Notes	2022	2021
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	*20*	**106,061**	65,309
Lease liabilities	*11*	**2,578**	1,614
Other liabilities		**5,793**	1,989
Bank loans	*18*	**17,674**	26,662
Income taxes payable		**2,274**	7,073
Other balances payable		**6,941**	2,655
Total current liabilities		**141,321**	105,302
Accounts payable and accrued liabilities	*20*	**2,669**	281
Lease liabilities	*11*	**5,050**	3,417
Bank loans	*18*	**52,398**	9,265
Other balances payable		**23,176**	19,235
Deferred income tax liabilities	*25*	**4,365**	12,373
Total liabilities		**228,979**	149,873
Shareholders' equity			
Share capital	*22 [i]*	**599,055**	628,854
Warrants		**117**	117
Contributed surplus		**23,664**	21,776
Accumulated other comprehensive income (loss)	*23*	**41,266**	(376)
Retained earnings		**161,755**	191,647
Total shareholders' equity		**825,857**	842,018
Total liabilities and shareholders' equity		**1,054,836**	991,891

Commitments *[note 32]*

See accompanying notes

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

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

	Notes	**2022**	2021
Revenues	*27*	**293,563**	243,478
Cost of goods sold		**155,502**	128,066
Gross margin		**138,061**	115,412
Expenses			
Selling and marketing		**48,474**	39,078
General and administrative		**40,150**	35,298
Research and development		**14,755**	12,692
Amortization of intangible assets	*13*	**51,742**	41,176
Impairment of non-current assets	*14*	**23,984**	—
Operating loss		**(41,044)**	(12,832)
Interest income on financial instruments measured at amortized cost		**(4,072)**	(2,446)
Other interest income		**(6,560)**	(4,936)
Interest expense		**6,600**	3,618
Other income	*21*	**(4,025)**	(128)
Net loss (gain) on financial instruments measured at fair value through profit or loss	*16*	**20,677**	(18,944)
Foreign exchange (gain) loss		**(7,442)**	3,737
Gain on hyperinflation		**(2,262)**	(423)
(Loss) income before income taxes		**(43,960)**	6,690
Income tax			
Current	*25*	**3,057**	(1,349)
Deferred	*25*	**(17,125)**	(7,636)
Income tax recovery		**(14,068)**	(8,985)
Net (loss) income for the year		**(29,892)**	15,675
Basic and diluted net (loss) earnings per share	*26*	**(0.26)**	0.13
Weighted average number of common shares outstanding			
Basic	*26*	**114,890,252**	124,480,259
Diluted	*26*	**114,890,252**	124,521,641

See accompanying note

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of Canadian dollars]

	2022	2021
Net (loss) income for the year	**(29,892)**	15,675
Other comprehensive income, net of taxes		
Items that may be reclassified subsequently to net income or loss:		
Unrealized income on translation of foreign operations	**41,531**	850
Items permanently in other comprehensive income or loss:		
Net gain on equity investments at fair value through other comprehensive income net of tax of $25 (2021: $137)	**111**	277
Other comprehensive income for the year	**41,642**	1,127
Total comprehensive income for the year	**11,750**	16,802

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[In thousands of Canadian dollars]

	Notes	**Share capital**	**Warrants**	**Contributed surplus**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total equity**
Balance as at January 1, 2021		**694,351**	**117**	**18,731**	**(1,503)**	**174,545**	**886,241**
Net income		—	—	—	—	15,675	**15,675**
Other comprehensive income		—	—	—	1,127	—	**1,127**
Comprehensive income		—	—	—	1,127	15,675	**16,802**
Share-based compensation expense	*22 [ii]*	—	—	3,045	—	—	**3,045**
Issuance under share purchase plan	*22 [ii]*	345	—	—	—	—	**345**
Shares purchased under Normal Course Issuer Bid	*22 [iii]*	(65,842)	—	—	—	1,427	**(64,415)**
Balance as at December 31, 2021		**628,854**	**117**	**21,776**	**(376)**	**191,647**	**842,018**
Balance as at January 1, 2022		**628,854**	**117**	**21,776**	**(376)**	**191,647**	**842,018**
Net loss		—	—	—	—	(29,892)	**(29,892)**
Other comprehensive income		—	—	—	41,642	—	**41,642**
Comprehensive income		—	—	—	41,642	(29,892)	**11,750**
Share-based compensation expense	*22 [ii]*	—	—	1,888	—	—	**1,888**
Issuance under share purchase plan	*22 [ii]*	387	—	—	—	—	**387**
Shares purchased under Normal Course Issuer Bid	*22 [iii]*	(30,186)	—	—	—	—	**(30,186)**
Balance as at December 31, 2022		**599,055**	**117**	**23,664**	**41,266**	**161,755**	**825,857**

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

[In thousands of Canadian dollars]

	Notes	**2022**	2021
OPERATING ACTIVITIES			
Net (loss) income for the year		**(29,892)**	15,675
Adjustments reconciling net (loss) income to operating cash flows:			
Deferred income tax recovery		**(17,125)**	(7,636)
Share-based compensation expense		**1,888**	3,045
Depreciation and amortization		**62,621**	47,915
Impairment non-current assets and loss on disposal	*14*	**23,984**	496
Net loss (gain) on financial instruments	*16*	**20,677**	(18,944)
Interest expense		**2,082**	982
Interest income		**(3,024)**	—
Unrealized foreign exchange (gain) loss		**(8,479)**	2,881
Gain on hyperinflation		**(2,262)**	(423)
		50,470	43,991
Changes in non-cash working capital and other items	*29*	**(9,989)**	627
Cash inflow from operating activities		**40,481**	44,618
INVESTING ACTIVITIES			
Purchase of marketable securities		**(181,642)**	(47,892)
Purchase of intangible assets		**(22,931)**	(220,351)
Purchase of property and equipment		**(2,885)**	(3,832)
Issuance of loans receivables		**(2,741)**	—
Investment in funds	*16 [iv]*	**(3,831)**	(16,429)
Proceeds on maturity of marketable securities		**144,817**	146,986
Proceeds from repayments of loans receivable	*16 [i]*	**407**	2,684
Proceeds from disposal of equity investments and derivatives	*16 [ii], [iii]*	**1,742**	2,624
Proceeds from distribution of funds	*16 [iv]*	**3,985**	30,931
Cash outflow from investing activities		**(63,079)**	(105,279)
FINANCING ACTIVITIES			
Proceeds from contributions to share purchase plan	*22*	**340**	297
Proceeds from bank loans		**51,783**	9,423
Repurchase of common shares through Normal Course Issuer Bid	*22 [iii]*	**(30,069)**	(64,415)
Principal repayment of lease liabilities	*11*	**(2,750)**	(3,016)
Principal repayments on bank loans		**(17,542)**	(20,599)
Cash inflow (outflow) from financing activities		**1,762**	(78,310)
(Decrease) in cash and cash equivalents during the year		**(20,836)**	(138,971)
Cash and cash equivalents, beginning of the year		**85,963**	229,592
Net foreign exchange difference		**6,552**	(4,658)
Cash and cash equivalents, end of the year		**71,679**	85,963
Supplemental cash flow information:			
Interest received		**7,608**	9,727
Interest paid		**(4,519)**	(2,636)
Net income taxes paid		**(5,673)**	(8,569)

See accompanying notes

GLOSSARY OF ABBREVIATIONS

Abbreviation	Company
Crescita	Crescita Therapeutics Inc.
GBT	Knight Therapeutics Europe S.A. (former Biotoscana Investments Inc.)
Knight or the Company	Knight Therapeutics Inc.
Medimetriks	Medimetriks Pharmaceuticals Inc.
Moksha8	Moksha8, Inc.
Synergy	Synergy CHC Corp.

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

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

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, 2022, 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 28, 2023.

External Environment and Inflation Risk

The current global macroeconomic environment is characterized by elevated levels of inflation due to several external factors including global supply chain constrains, the global COVID-19 pandemic, ongoing conflict in Ukraine and volatile global financial and economic conditions. Despite deceleration of inflation in the most recent months in response to aggressive monetary tightening policies implemented by central banks around the world, during 2022 Knight experienced and continues to experience increased inflationary pressures, across all our geographies, on operating expenses including but not limited to compensation costs, raw material and product costs driven by rising costs of our partners and suppliers in both developed and developing markets. Such increase in costs cannot be matched to the same extent by increase in our product prices due to local regulations and competitive pressure for certain of our products. There is no assurance that continued inflation pressures will not have similar impacts on Knight's future operations.

Impact of the COVID-19 Pandemic

The unprecedented nature of the global COVID-19 pandemic has had, and continues to have, an adverse impact on the global economy as discussed above. We continue to monitor the ongoing impact of the COVID-19 on our business in areas including but not limited to manufacturing and supply chain operations, regulatory approval process as well as the impact on the pharmaceutical industry, the local and global economy.

As with much of the pharmaceutical industry, the Company's revenues from newly launched products and resulting prescription growth has been adversely affected by COVID-19 in the past two years. However, during the year ended December 31, 2022 we saw an increase in patient treatments as our markets significantly reduced COVID-19 restrictions. Despite recent positive developments, the long-term effects, market dynamics, the scope or duration of the financial and other challenges arising from the COVID-19 pandemic remain unpredictable and it is possible that we will continue to see variable demand in future periods. Further, Knight's revenues and growth may be negatively impacted as governments implement new or additional pricing regulations as a measure to balance budgets and recover COVID-19 pandemic spending while private payers may face budget constraints and continue to increase hurdle rate for drug reimbursement.

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

The Company has evaluated the possible effects of the COVID-19 pandemic, as well as the impact of higher interest rates and inflation on various aspects of its operations, including its supply chain, customers, distributors, discounts and rebates, employees, products and product pipeline, and consumer demand, as of December 31, 2022 and believes the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Company's current estimates are reasonable. Although, since it is difficult to predict the broad macroeconomic effects that the COVID-19 pandemic will ultimately have on industries or individual companies, it is possible that the estimates used in the preparation of these consolidated financial statements can change in the near term and may have a material impact. Such potential impacts may include, but are not limited to, impairment of intangible assets, goodwill, property plant and equipment, and financial assets, write-downs on inventory and a change in the expected credit loss on accounts receivable. The Company has sufficient liquidity to meet all operating requirements for the foreseeable future.

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

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 December 31, 2022 as follows:

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

[1]As of May 2, 2022, Biotoscana Investments S.A. changed its legal name to Knight Therapeutics Europe S.A., which 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.

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, 2022 the IPC was 15,055 (2021: 7,729) which represented an increase of 95% compared to December 31, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 (loss) income as "Gain on hyperinflation".

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 and may result in an impairment charge. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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 (loss) 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 and as non-current if they mature or expected to be realized in more than 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 (loss) 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 (loss) 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 (loss) 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 (loss) 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 (loss) 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 subsequently results in the recognition of a non-financial asset or liability, the gain or loss on the derivative is removed

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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	5-8 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 (loss) income.

The Company periodically reviews the useful lives and the carrying values of its property, plant and equipment.

The Company assesses at each reporting period whether there is an indication of impairment of any property, plant and equipment. Property, plant and equipment that are not available for use are tested for impairment at least annually. An impairment loss is recognized when the carrying amount of property, plant and equipment 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 property, plant and equipment. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are charged to the consolidated statement of (loss) 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation, had no impairments been recognized. A reversal is recognized in the consolidated statement of (loss) income.

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 (loss) income in the period in which they arise.

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, development, 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 records the impact of any changes to the intangible assets and other balances payable accounts accordingly.

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 (loss) 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 (loss) income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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 (loss) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[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.

[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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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 (loss) 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 capitalization 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.

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.

Income taxes

Income tax expense is comprised of current and deferred tax. Tax expenses are recognized in the consolidated statement of (loss) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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, intellectual properties, and manufacturing facilities in case of branded generics products. 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 Knight Therapeutics Europe S.A. The Company has used significant judgement in determining CGUs and the groups of CGUs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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.

(i) 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.

(ii) 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:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

(iii) 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.

(iv) 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 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.

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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 2022. 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

6. CASH AND CASH EQUIVALENTS

As at December 31,	**2022**	2021
	$	$
Cash in bank	**71,377**	76,929
Cash equivalents	**302**	9,034
Total	**71,679**	85,963

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

7. MARKETABLE SECURITIES

As at December 31,	2022 $	2021 $
Current		
GICs earning interest at rates ranging from 4.20% to 5.72% and maturing from January to November 2023 (December 31, 2021: 0.65% to 3.37%, January 2022 to June 2022)	**85,826**	63,539
Total current	**85,826**	63,539
Non-current		
GICs earning interest at rates ranging from 5.55% to 5.68% and maturing from May 2024 to November 2025	**15,169**	—
Total non-current	**15,169**	—
Total	**100,995**	65,539

Current marketable securities of $3,792 and non-current marketable securities of $15,169 (2021: Nil) are pledged as restricted cash collateral under the IFC Loan. Refer to Note 18 for further details.

8. 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, 2022, the Company has recorded an additional ECL of $693 (2021: recovery in ECL of $157), respectively, in the statement of (loss) income in "Selling and marketing".

The aging analysis of trade receivables, net of the ECL of $4,070 (2021: $3,377), at each reporting date was as follows:

As at December 31,	2022 $	2021 $
Not yet due	**86,829**	44,792
0-90 days overdue	**6,965**	9,053
Over 90 days overdue	**1,096**	1,543
Total	**94,890**	55,388

9. OTHER RECEIVABLES

As at December 31,	2022 $	2021 $
Interest receivable	**4,510**	1,545
Other receivables[1]	**5,605**	2,288
Sales and other taxes receivable	**2,815**	1,223
Total	**12,930**	5,056

[1] Includes distribution receivable from strategic funds investments of $404 (2021: $389) and receivable from the disposal of Medimetriks investments of $2,394 (US$1,768).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

10. INVENTORIES

As at December 31,	2022	2021
	$	$
Raw materials	**10,789**	11,168
Work in progress	**2,478**	2,409
Finished goods	**79,222**	58,820
Total	**92,489**	72,397

During the year ended December 31, 2022, total inventory of $152,188 (2021: $123,927) was recognized as cost of goods sold, including an inventory write-down of $2,164 (2021: $1,173) in the statement of (loss) income in "Cost of goods sold".

11. 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, 2021	**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**
Additions	**5,542**
Disposals and write offs	**(485)**
Impairment (Note 14)	**(936)**
Depreciation	**(3,936)**
Foreign exchange and hyperinflation adjustments	**971**
Balance as at December 31, 2022	**5,827**

[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, 2021	**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**
Additions	**4,588**
Cancellations	**(16)**
Payments during the year	**(2,750)**
Interest expense during the year	**919**
Other adjustment	**(31)**
Foreign exchange	**(113)**
Balance as at December 31, 2022	**7,628**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As at December 31,	**2022**	2021
	$	$
Current	**2,578**	1,614
Non-current	**5,050**	3,417
Total	**7,628**	5,031

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

	$
Due within 1 year	2,711
Due between 1 and 3 years	4,498
Due between 3 and 5 years	1,259
Due after 5 years	527
Total	**8,995**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

12. PROPERTY, PLANT AND EQUIPMENT

Cost	Land $	Building $	Machinery and Equipment $	Computer and Office Equipment $	Other $	Total $
Balance as at January 1, 2021	**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**
Additions	**233**	**1,903**[1]	**1,014**	**642**	**1,307**	**5,099**
Transfers	**—**	**1,985**	**—**	**—**	**(1,985)**	**—**
Foreign exchange and hyperinflation adjustments	**231**	**2,983**	**4,266**	**1,265**	**51**	**8,796**
Balance as at December 31, 2022	**1,551**	**14,562**	**27,248**	**5,879**	**988**	**50,228**
Depreciation						
Balance as at January 1, 2021	**—**	**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**
Depreciation charge	**—**	**2,231**	**3,687**	**894**	**129**	**6,941**
Impairment (Note 14)	**—**	**2,743**	**8,534**	**1,065**	**357**	**12,699**
Foreign exchange and hyperinflation adjustments	**—**	**934**	**966**	**785**	**29**	**2,714**
Balance as at December 31, 2022	—	**8,655**	**19,628**	**4,441**	**698**	**33,422**
Net book value as at December 31, 2021	1,087	4,944	15,527	2,275	1,432	25,265
Net book value as at December 31, 2022	**1,551**	**5,907**	**7,620**	**1,438**	**290**	**16,806**

[1] Includes $1,558 reclassified from asset held for sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

13. INTANGIBLE ASSETS

	Licenses $	IP & Other $	Software $	Total $
Balance as at January 1, 2021	**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**
Additions	**24,639**	**—**	**1,534**	**26,173**
Disposals and write-offs	**(663)**	**—**	**—**	**(663)**
Foreign exchange and hyperinflation adjustments	**14,549**	**15,511**	**248**	**30,308**
Balance as at December 31, 2022	**205,371**	**272,456**	**4,354**	**482,181**
Amortization and Impairment				
Balance as at January 1, 2021	**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**
Amortization charge	**21,012**	**30,081**	**649**	**51,742**
Impairment (Note 14)	**2,330**	**8,019**	**—**	**10,349**
Foreign exchange and hyperinflation adjustments	**4,112**	**1,038**	**96**	**5,246**
Balance as at December 31, 2022	**71,761**	**70,647**	**993**	**143,401**
Net book value as at December 31, 2021	122,539	225,436	2,324	350,299
Net book value as at December 31, 2022	**133,610**	**201,809**	**3,361**	**338,780**

The Company classifies its intangible assets as Licenses, Intellectual property & Other 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 or any capitalized development cost. 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, 2022, the Company recorded additions to Licenses of $24,639 (2021: $14,285) related mainly to upfront payments and certain milestones paid and payable under its product license agreements. During the year ended December 31, 2021, the Company recorded additions to IP & Other of $217,338, related mainly to the acquisition of Exelon®.

14. IMPAIRMENT OF NON-CURRENT ASSETS

Impairment of non-current assets in Argentina

Under hyperinflation accounting, non-monetary assets including property plant and equipment, right-of-use assets and intangible assets are adjusted by the inflation index and converted back to Canadian Dollar at the closing rate of the reporting period (see accounting policy for financial reporting in hyperinflationary economies in Note 2.3). During a period where the inflation index is higher than devaluation of the Argentine peso relative to the Canadian Dollar, the value of the non-monetary assets increases when converted to Canadian Dollar. During 2022, the increase in the value

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

of the non-monetary assets in Argentina due to hyperinflation accounting, has led to an impairment loss of $21,654 (2021: Nil) recorded in the consolidated statement of (loss) income in "Impairment of non-current assets". The loss represents write-down of certain right-of-use assets, property, plant and equipment in Argentina, and intangible assets related to branded generics intellectual property to its recoverable amount. The recoverable amount was determined based on value in use ("VIU") at the cash generating unit level. The CGUs consisted of the assets related to branded generics products produced by the three manufacturing facilities located in Argentina. Each manufacturing facility was considered as a CGU. The VIU calculations considers the forecasted cash flows of the cash generating units based on the commercialization plans for the products. The VIU calculations were performed using pre-tax discounts rates between 9.8% and 19.6%, depending on the country where the cash inflows originate.

Impairment of certain licenses

During the year ended December 31, 2022, the Company recorded an impairment loss of $2,330 (2021: Nil) in the consolidated statement of (loss) income in "Impairment of non-current assets". The loss represents write-down of the upfront and certain milestones payments made under certain product license agreements resulting from a change in commercial expectations.

15. GOODWILL

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

	$
Balance as at January 1, 2021	**77,725**
Foreign exchange and hyperinflation adjustments	(2,322)
Balance as at December 31, 2021	**75,403**
Foreign exchange and hyperinflation adjustments	6,871
Balance as at December 31, 2022	**82,274**

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 cash flows generated by Knight Therapeutics Europe S.A.

The Company performed its annual impairment test of goodwill as at December 31, 2022. 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 current market assessments of the time value of money and the risks specific to the CGUs. The VIU calculations were performed using pre-tax discounts rates between 9.8% and 19.6%, depending on the country where the cash flows originate. The discount rates used represent the Company's current WACC. The Company determined the terminal value as an estimate of the present value of the future cash flows in the terminal period. The future cash flows were based on the final cash flows in the five-year budget period which was approved by the board of directors. For such purposes, the Company applied a terminal-growth rate of 3.7%. 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, 2022. No reasonable change in assumptions would change the outcome of the impairment test.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

16. OTHER FINANCIAL ASSETS

As at December 31,	2022	2021
	$	$
Loans and other receivables *[i]*		
Measured at amortized cost	**9,187**	6,272
Measured at FVTPL	**28,904**	26,796
Equity Investments *[ii]*		
Measured at FVTPL	**2,680**	1,824
Measured at FVOCI	**1,277**	4,876
Derivatives *[iii]*		
Measured at FVTPL	**2,111**	1,286
Fund Investments *[iv]*		
Measured at FVTPL	**132,404**	151,389
Total	**176,563**	192,443

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

For the year ended December 31, 2022	Unrealized (gain) loss on FA measured at FVTPL $	Realized (gain) loss on FA measured at FVTPL $	Total $
Loans and other receivables *[i]*	**(567)**	**—**	**(567)**
Equity Investments *[ii]*	**(856)**	**—**	**(856)**
Derivatives *[iii]*	**(1,337)**	**112**	**(1,225)**
Fund Investments *[iv]*	**28,903**	**(5,578)**	**23,325**
Total	**26,143**	**(5,466)**	**20,677**

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]*	(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)**

[i] Loans and other receivables

As at December 31, 2022, the nominal loan balance outstanding was $38,701 [US$28,574] (December 31, 2021: $33,691 [US$26,574]). The following table summarizes the movement in loans and other receivables during the year ended December 31.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Carrying value as at January 1 $	Additions $	Loan repayments $	Net gain on FA $	Foreign exchange[1] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2022								
Amortized Cost	**6,272**	**3,130[2]**	**(407)**	**—**	**192**	**9,187**	**5,430**	**3,757**
FVTPL	**26,796**	**—**	**—**	**567**	**1,541**	**28,904**	**24,148**	**4,756**
Total	**33,068**	**3,130**	**(407)**	**567**	**1,733**	**38,091**	**29,578**	**8,513**
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**

[1] During the year ended December 31, 2022, the Company recorded a gain of $1,541 in the statement of (loss) income in "Foreign exchange loss" (2021: loss of $61) and a gain of $192 in the statement of other comprehensive (loss) income in "Unrealized gain (loss) on translation of foreign operations" (2021: loss of $93)

[2] Includes a reclassification of $1,348 to "Other Receivables"

Synergy

On July 7, 2022 the Company issued an additional loan to Synergy of $2,741 [US$2,000]. As at December 31, 2022, the total Synergy loan balance outstanding was $11,438 [US$8,444] (2021: $8,205 [US$6,472]) at an interest rate of 15.5% and a maturity date of June 30, 2023.

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"), subject to certain conditions, 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, 2022, the total nominal loan balance outstanding was $16,243 [US$11,993] (2021: $15,205 [US$11,993]).

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 $	Disposals $	Net gain (loss) on FA $	Foreign exchange $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2022								
FVTPL	**1,824**	**—**	**—**	**856**	**—**	**2,680**	**2,680**	**—**
FVOCI	**4,876**	**—**	**(3,686)**	**(43)**	**130**	**1,277**	**1,277**	**—**
Total	**6,700**	—	**(3,686)**	**813**	**130**	**3,957**	**3,957**	—
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**

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,	2022		2021	
	Number of common shares owned	FV $	Number of common shares owned	FV $
Crescita	**1,935,489**	**1,277**	1,935,489	1,258
Synergy[1]	**17,645,812**	—	17,645,812	—
Medimetriks[2]	—	—	2,315,007	3,618
Total		**1,277**		4,876

[1] Valued using the quoted market price (closing share price on the OTCXD) less the day 1 gain on initial measurement that the Company deferred. FV before considering the deferred day 1 gain is $112 [US$83] (December 31, 2021: $25 [US$19])]

[2] Valued using the income approach valuation method less the day 1 gain on initial measurement that the Company deferred. FV, net of the day 1 gain, in original currency is nil, as all shares were disposed in 2022 (December 31, 2021: US$2,855)

Medimetriks

During the year ended December 31, 2022, Knight sold its common shares of Medimetriks for total proceeds of $3,686. The common shares were received as consideration for the strategic loan issued to Medimetriks in 2016 .

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.

	Carrying value as at January 1 $	Additions $	Disposals $	Net gain (loss) on FA $	Foreign exchange $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2022	**1,286**	**—**	**(445)**	**1,225**	**45**	**2,111**	**180**	**1,931**
2021	1,493	—	—	(202)	(5)	1,286	289	997

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, 2022 the warrants were recorded at a fair value of $1,736 [US$1,282] (2021: $392 [US$309]).

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, 2022, the warrants were recorded at a fair value of $175 (2021: $109).

[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 (loss) gain on FA $	Foreign exchange[4] $	Carrying value end of period $	Current other financial assets $	Non-current other financial assets $
2022	**151,389**	**6,307**	**(6,478)**	**(23,325)**	**4,511**	**132,404**	**—**	**132,404**
2021	149,736	16,429	(31,320)	19,329	(2,785)	151,389	—	151,389

[1] Investments in equity or debt funds including US$870 and EUR 1,552 (2021: including US$3,375 and EUR 2,781)

[2] Distributions received or receivable from funds including EUR 2,221 (2021: including US$12,297 and EUR 1,214)

[3] Includes distribution receivable of $404 (2021: $389)

[4] During the year ended December 31, 2022, recorded a loss of $1,245 in the statement of income in "Foreign exchange loss" (2021: loss of $3,252) and a gain of $5,756 in the statement of other comprehensive income in "Unrealized income (loss) on translation of foreign operations" (2021: gain of $467)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

17. MEASUREMENT OF FINANCIAL ASSETS

[i] Fair value hierarchy

As at December 31,	2022	Level 1	Level 2	Level 3
	$	$	$	$
Recurring fair value measurements				
Loans measured at FVTPL	**28,904**	**—**	**—**	**28,904**
Equity investments measured at FVTPL	**2,680**	**2,680**	**—**	**—**
Equity investments measured at FVOCI	**1,277**	**1,277**	**—**	**—**
Derivatives	**2,111**	**—**	**—**	**2,111**
Fund investments measured at FVTPL	**132,404**	**—**	**—**	**132,404**
Total	**167,376**	**3,957**	**—**	**163,419**

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

There were no transfers between levels of the fair value hierarchy for the years ended December 31, 2022 or 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[ii] Day 1 Gains

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

As at December 31,	2022		2021	
	US$	$	US$	$
Equity investments measured at FVOCI				
Medimetriks	—	—	730	925
Synergy	**3,764**	**5,098**	3,764	4,772
Total	**3,764**	**5,098**	4,494	5,697

18. BANK LOANS

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

As at December 31, 2022

	Currency of debt	Interest rate	Effective interest rate	Maturity	Current $	Non-current $	Total $
Banks							
Itaú Unibanco Brasil	BRL	1.65% + CDI	13.36%	Dec 8, 2023	**8,487**	**—**	**8,487**
Bancolombia	COP	2.28% + IBR	8.07%	Oct 12, 2026	**2,299**	**6,194**	**8,493**
Banco ICBC Argentina[1]	ARS	77%[2]	77%[2]	N/A	**344**	**—**	**344**
Banco Itaú Argentina[1]	ARS	76%[3]	76%[3]	N/A	**1,270**	**—**	**1,270**
IFC	BRL	1.6% + CDI	15.83%	Oct 15, 2027	**3,121**	**23,309**	**26,430**
IFC	CLP	7.71%	7.86%	Oct 15, 2027	**1,202**	**9,198**	**10,400**
IFC	COP	1.6% + IBR	13.29%	Oct 15, 2027	**735**	**10,613**	**11,348**
IFC	MXN	1.6% + TIIE	13.07%	Oct 15, 2027	**216**	**3,084**	**3,300**
Total Bank Loans					**17,674**	**52,398**	**70,072**

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

As at December 31, 2021

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The maturity of the bank loan payment are as follows:

	$
Due within 1 year	17,674
Due between 1 and 2 years	13,665
Due between 2 and 5 years	38,733
Total	**70,072**

The Company's bank loans, excluding overdrafts, had the following repayment terms of principal and interest as well as security and guarantee:

As at December 31, 2022

	Currency of debt	Maturity	Repayment terms	Security/guarantee
Banks				
Itaú Unibanco Brasil	BRL	Dec 8, 2023	Semi-annual	• First Demand Corporate Guarantee of Knight Therapeutics Europe S.A; • Select trade accounts receivables.
Bancolombia	COP	Oct 12, 2026	Semi-annual	• None.
IFC	BRL	Oct 15, 2027	Semi-annual[1]	• Shares of certain Knight's subsidiaries; • Restricted cash collateral of 35% of the principal balance outstanding.
IFC	CLP	Oct 15, 2027	Semi-annual[1]	
IFC	COP	Oct 15, 2027	Semi-annual[1]	
IFC	MXN	Oct 15, 2027	Monthly[1]	

[1] *Commencing October 15, 2023*

As at December 31, 2021

	Currency of debt	Maturity	Repayment terms	Security/guarantee
Banks				
Itaú Unibanco Brasil	BRL	Dec 8, 2023	Semi-annual	• First Demand Corporate Guarantee of Knight Therapeutics Europe S.A.; • Select trade accounts receivables.
Itaú Unibanco Brasil	BRL	Dec 28, 2022	Semi-annual	• None.
Bancolombia	COP	Oct 12, 2026	Semi-annual	• None.

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, 2022, the waiver was not yet obtained. The Company is in compliance with the other loan covenants.

(ii) On December 28, 2021, a subsidiary of Knight, entered into a one-year loan from Itaú Unibanco Brasil for $5,601 [BRL 25,000]. The loan was fully repaid in December 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 starting April 2022 and matures on October 12, 2026. The loan includes financial covenant to maintain certain financial metrics.

International Finance Corporation ("IFC")

In December 2022, Knight obtained a five-year secured loan of $52,416 [USD 38,500] denominated in select LATAM currencies as follows: 104,800 BRL, 41,274,700 COP, 6,679,260 CLP, 48,346 MXN. With the exception of the MXN portion of the loan, the rest of the LATAM currencies were settled in USD upon receipt of the funds from IFC. The loan is secured by the shares of certain Knight's subsidiaries as well as a restricted cash collateral of $18,961 [USD 14,000] or 35% of the principal balance outstanding that could be held in the form of marketable securities. The IFC Loan matures on October 15, 2027, with principal repayments commencing on October 15, 2023. The principal and interest repayments are due on a semi-annual basis, except for the Mexican Peso tranche that is due on a monthly basis. Except for the MXN portion of the loan, the repayments of interest and principal are settled in USD using the applicable market rates between the respective currencies and the USD. The Company has the right to prepay the IFC Loan in exchange for a prepayment fee. The IFC Loan include customary representations, warranties, affirmative & restrictive covenants as well as financial covenants. As at December 31, 2022, the Company is in compliance with all the covenants of the IFC loan.

19. OTHER LONG-TERM RECEIVABLES

As at December 31,	2022	2021
	$	$
Tax deposit – notices of reassessment	**41,582**	41,582
Other	**2,267**	1,849
Total	**43,849**	**43,431**

Notices of reassessment

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

The Company's PRV was granted on March 19, 2014 upon the FDA approval of Impavido® and was disposed of to a third party in November 2014 for gross proceeds of US$125,000. The notices of reassessment provide that Knight is liable to pay an aggregate of $23,340 and $18,242 to the CRA and QRA respectively in additional taxes and interest. Knight has made a deposit for the full amount to the CRA in July 2018 and to the QRA in February 2019. In addition, interest income on the deposit is payable to Knight by the CRA and QRA if the Company wins the process. The amount, as at December 31, 2022 is estimated at $2,833 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

20. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31,	2022	2021
	$	$
Trade and other payables	**81,888**	44,468
Accrued liabilities	**25,475**	18,479
Commodity tax payable	**1,367**	2,643
Total	**108,730**	65,590
Current	**106,061**	65,309
Non-current	**2,669**	281

21. OTHER INCOME

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

22. SHAREHOLDERS' EQUITY

[i] Share capital

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

	Notes	Number of common shares	$
Balance as at January 1, 2021		**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**
Issuance under share purchase plan	**[ii]**	**71,939**	**387**
Shares purchased under NCIB	**[iii]**	**(5,649,189)**	**(30,186)**
Balance as at December 31, 2022		**112,205,939**	**599,055**

[ii] Stock-based compensation plans

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

Share Option Plan

The Company had an equity-settled 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 $1.53 (2021: $1.62). The fair value of the options was estimated on the date of grant based on the following weighted average assumptions:

Year ended December,	**2022**	**2021**
Weighted average risk-free interest rate	**2.28%**	1.25%
Dividend yield	**Nil**	Nil
Weighted average volatility factor *[i]*	**24%**	26%
Forfeiture rate	**2%**	2%
Weighted average expected life	**6.2 years**	6.4 years

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

	Year ended December 31,			
	2022		2021	
	Number of share options #	**Weighted average exercise price $**	Number of share options #	Weighted average exercise price $
Balance beginning of the year	**5,166,130**	**7.40**	5,298,806	7.50
Granted	**261,783**	**5.21**	204,625	5.59
Exercised	**—**	**—**	—	—
Expired/forfeited	**(554,367)**	**8.56**	(337,301)	7.92
Balance at end of the year	**4,873,546**	**7.15**	5,166,130	7.40
Options exercisable at the end of the year	**3,963,665**	**7.33**	3,970,949	7.49

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The following table summarizes information about outstanding stock options granted by the Company as at December 31, 2022:

	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	**1,767,859**	**2.58**	**5.56**	**1,362,708**	**1.58**	**5.62**
5.72 to 8.02	**2,220,234**	**2.98**	**7.41**	**1,715,504**	**2.69**	**7.48**
8.03 to 9.18	**118,851**	**2.13**	**8.19**	**118,851**	**2.13**	**8.19**
9.19 to 10.25	**766,602**	**3.58**	**9.92**	**766,602**	**3.58**	**9.92**
	4,873,546	**2.91**	**7.15**	**3,963,665**	**2.46**	**7.33**

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

In May 2021, upon shareholders' approval, the Company extended the expiry date of stock options held by certain 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

for any reason. During the year ended December 31, 2022, the Company granted 54,967 DSUs to non-employee board members (2021: 29,205). As at December 31, 2022, the number of outstanding DSUs was 84,172 (29,205 as at December 31, 2021).

Restricted share units and performance share units

The Company may grant RSUs and PSUs to any employee under the Omnibus Plan. The RSUs vest on a time-based condition and the PSUs vest subject to the achievement of future performance targets. No PSU awards vest when the minimum performance thresholds are not achieved. Both RSUs and PSUs are settled by no later than December 31st of the third calendar year commencing after the date of award by the issuance of Knight's shares or cash at the option of the Company

The following table shows the RSUs and PSUs granted and outstanding at the beginning and end of the year ending December 31, 2022 and the weighted average fair value at grant date per unit ("WAFV"):

	Year ended December 31, 2022			
	RSUs		PSUs	
	Number of units #	WAFV $	Number of units #	WAFV $
Balance beginning of the year	111,751	5.58	215,487	5.63
Granted	139,353	5.21	279,873	5.21
Forfeited/cancelled	(30,817)	5.25	(32,396)	5.29
Balance at end of the year	**220,287**	**5.39**	**462,984**	**5.40**
Weighted average remaining contractual life of the share units outstanding at end of year	**2.10 years**		**2.11 years**	

The following table shows the RSUs and PSUs granted and outstanding at the beginning and end of the year ending December 31, 2021 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 years**		**2.38 years**	

The Company recorded an expense of $1,983 (2021: $3,056) for the year ended December 31, 2022, related to the share-based compensation for stock options, DSUs, PSUs and RSUs, with corresponding credits to contributed surplus net of forfeitures and accrued liabilities for social security contributions and employer taxes.

Share Purchase Plan

The Company has a Share Purchase Plan ("Purchase Plan") which allows employees and directors of the Company to purchase common shares at listed market prices from treasury. The Purchase Plan was re-approved by the Board of Directors and the shareholders on May 11, 2022. The plan allows for employees to contribute up to a maximum of 10% of their salary and directors to contribute up to $10 per year. Under the Purchase Plan, the Company will contribute 25% of employees' or directors' contributions in the form of common shares if the employee remains employed by the Company or director remains on the Board and has held the original shares for two years from the original purchase date. The Company's contribution in common shares is calculated using the lesser of the original common share value at the original purchase date and at the date of the Company's contribution. During the year ended

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

December 31, 2022, the Company issued 71,939 shares (2021: 65,712 shares) under the Purchase Plan for a total of $387 (2021: $345).

[iii] NCIB

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

On July 12, 2022, the Company announced that the Toronto Stock Exchange approved its notice of intention to launch a NCIB ("2022 NCIB"). Under the terms of the 2022 NCIB, Knight may purchase for cancellation up to 7,988,986 common shares of the Company which represented 10% of its public float as at June 30, 2022. The 2022 NCIB commenced on July 14, 2022 and will end on the earlier of July 13, 2023 or when the Company completes its maximum purchases under the NCIB. Furthermore, Knight entered into an agreement with a broker to facilitate purchases of its common shares under the NCIB. Under Knight's automatic share purchase plan, the broker may purchase common shares which would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods.

During the year ended December 31, 2022, the Company purchased 5,649,189 (2021: 12,321,864) common shares at an average price of $5.34 (2021: $5.23) for aggregate cash consideration of $30,069 (2021: $64,415), of which $117 remains to be settled as at December 31, 2022. Subsequent to December 31, 2022, the Company purchased an additional 2,092,705 common shares at an average purchase price of $4.87 for an aggregate cash consideration of $10,199.

23. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

As at December 31,	**2022**	2021
	$	$
Net losses on equities at FVOCI net of tax of $656 (2021: $681)	**(8,125)**	(8,236)
Unrealized gain on translation of foreign operations	**49,391**	7,860
Total	**41,266**	(376)

24. EMPLOYEE BENEFIT EXPENSES

For the year ended December 31,	**2022**	**2021**
	$	**$**
Salaries	**51,314**	43,241
Bonuses	**3,119**	5,099
Share-based incentive plans	**2,013**	3,120
Total	**56,446**	51,460

The compensation expenses of key management personnel, including directors, in aggregate were as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended December 31,	2022 $	2021 $
Salaries	**3,047**	1,938
Bonuses	**1,022**	1,337
Board fees	**652**	504
Share-based incentive plans	**1,639**	2,569
Total	**6,360**	6,348

25. 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:

	2022 $	2021 $
Earnings before income taxes	**(43,960)**	6,690
Applicable tax rate	**26.5%**	26.5%
Income taxes at applicable statutory rate	**(11,649)**	1,773
Increase (decrease) resulting from:		
Rate differential between jurisdictions	**289**	(2,187)
Effect of non-deductible expenses (non-taxable income) and others	**(9,063)**	(8,580)
Variation in tax rate	**814**	(1,052)
Hyperinflation impact	**1,443**	3,486
Non-recognition (recognition) of tax benefits related to tax losses and other temporary differences	**5,678**	(1,346)
Non-recognition of capital loss over capital gain	**—**	—
Adjustments recognized in the current year in relation to income tax expense of prior years	**(1,707)**	(1,099)
Impact on foreign exchange	**127**	28
Others	**—**	(8)
Total income tax expense	**(14,068)**	(8,985)
Average effective tax rate	**32.0%**	(134.3)%

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:

	2022	2021
	$	$
Current income tax		
Current year	**4,256**	2,938
Adjustments recognized in the current year in relation to current income tax expense of prior years	**(1,199)**	(4,287)
	3,057	(1,349)
Deferred tax		
Relating to the origination and reversal of temporary differences	**(17,429)**	(9,697)
Variation in tax rate	**814**	(1,032)
Adjustments recognized in the current year in relation to deferred income tax expense of prior years	**(510)**	3,093
	(17,125)	(7,636)
Income tax expense reported in statement of income	**(14,068)**	(8,985)

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

	Balance December 31, 2021	**Recognized in statement of income**	**Recognized in statement of comprehensive income**	**Recognized in shareholders' equity**	**Other**	**Exchange rate variation**	**Balance December 31, 2022**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Property and equipment	**(5,119)**	**4,930**	**—**	**—**	**(2,154)**	**1,072**	**(1,271)**
Right-of-use assets	**(230)**	**417**	**—**	**—**	**(146)**	**95**	**136**
Intangible assets	**(22,350)**	**7,809**	**—**	**—**	**(39)**	**(1,746)**	**(16,326)**
Trade receivables	**2,835**	**882**	**—**	**—**	**401**	**(491)**	**3,627**
Inventory	**3,490**	**5,698**	**—**	**—**	**(372)**	**308**	**9,124**
Provisions and contingencies	**1,507**	**874**	**—**	**—**	**224**	**(62)**	**2,542**
Stock option & others accrued salaries	**153**	**(107)**	**—**	**—**	**—**	**10**	**56**
Investment in subsidiaries	**(58)**	**(83)**	**—**	**—**	**—**	**14**	**(127)**
Loans and Financial assets	**(3,248)**	**966**	**(11)**	**—**	**—**	**—**	**(2,294)**
Financing fees	**87**	**(115)**	**—**	**—**	**—**	**—**	**(28)**
Tax losses, ITC and SR&ED expenditures	**50,364**	**2,334**	**—**	**—**	**1,593**	**245**	**54,536**
Tax losses, ITC and SR&ED expenditures - VA	**(38,479)**	**(6,307)**	**—**	**—**	**—**	**(448)**	**(45,234)**
Capital losses	**412**	**248**	**—**	**—**	**—**	**—**	**660**
Capital losses – VA	**(412)**	**(22)**	**—**	**—**	**—**	**—**	**(434)**
Other	**723**	**(401)**	**—**	**—**	**138**	**(483)**	**(22)**
Net deferred tax assets	**(10,325)**	**17,121**	**(11)**	**—**	**(358)**	**(1,485)**	**4,945**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	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)

The presentation in the consolidated balance sheet is as follows:

As at December 31,	**2022**	2021
	$	$
Deferred tax asset	**9,310**	2,048
Deferred tax liability	**(4,365)**	(12,373)
Net deferred tax liability	**4,945**	(10,325)

The Company has non-capital losses carried forward and for which deferred tax assets have not been recognized amounted to $145,238 as at December 31, 2022 (2021: $115,327). Of these amounts, approximately $61,239 as at December 31, 2022 has no expiration date (2021: $56,110). 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, 2022 (2021: $21,794) 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 (2021: $1,659), 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:

As at December 31,	**2022**	2021
	$	$
Tax losses	**38,674**	31,897
Investment tax credit	**1,219**	1,219
Scientific research and experimental development expenses	**5,775**	5,775
Unrecognized deferred tax assets	**45,668**	38,891

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Net deferred tax assets of $5,293 were recognized as at December 31, 2022 (2021: $8,277) 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:

Expiry Date	**Unrecognized $**	**Recognized $**
2022-2026	**23,022**	**470**
2027-2031	**23,649**	**1,563**
2032-2036	**24,700**	—
2037-2041	**12,628**	**21,459**
No expiry date	**61,239**	**6,073**
	145,238	**29,565**

26. EARNINGS PER SHARE

Basic

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

As at December 31,	**2022**	2021
	$	$
Net income	**(29,892)**	15,675
Weighted average shares outstanding	**114,890,252**	124,480,259
Basic net (loss) income per share	**($0.26)**	$0.13

Diluted

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

As at December 31,	**2022**	2021
	$	$
Net income attributable to shareholders of the Company	**(29,892)**	15,675
Weighted average shares outstanding	**114,890,252**	124,480,259
Adjustment for share options, RSUs and DSUs	**— [1]**	41,382
Weighted average shares outstanding	**114,890,252**	124,521,641
Diluted net earnings per share	**($0.26)**	$0.13

[1]Adjustments for diluted earnings per share have not been included as all of the share options, RSUs and DSUs are anti-dilutive for the year ended December 31, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

27. 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,	2022	2021
	$	$
Revenues		
Brazil	**134,727**	97,204
Argentina	**48,146**	42,962
Colombia	**46,125**	43,521
Rest of LATAM	**40,171**	40,946
Canada	**11,346**	7,700
Other[1]	**13,048**	11,145
Total	**293,563**	**243,478**

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

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

As at December 31,	2022	2021
	$	$
Canada	**63,217**	63,858
Brazil	**56,581**	53,753
Argentina	**34,562**	50,839
Colombia	**15,723**	22,812
Uruguay	**201,889**	182,917
Luxembourg	**44,909**	45,286
Rest of LATAM	**70,655**	81,954
Total	**487,536**	**501,419**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

28. 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

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.

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, accounts payable and accrued liabilities, and bank loans 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 (loss) income, and therefore includes intercompany balances and excludes foreign currency balances that get revaluated to CAD through other comprehensive income.

2022	USD	EUR	BRL	ARS	CLP	COP	MXN
Cash and cash equivalents	**25,715**	**2,133**	**—**	**—**	**—**	**—**	**—**
Marketable securities	**40,678**	**—**	**—**	**—**	**—**	**—**	**—**
Trade and other receivables	**1,903**	**560**	**231,833**	**468,468**	**4,141,720**	**55,505,619**	**—**
Other financial assets	**23,355**[1]	**26,487**	**44,985**	**—**	**—**	**—**	**—**
Accounts payable and accrued liabilities	**(3,334)**	**(6,377)**	**(137,560)**	**—**	**—**	**—**	**—**
Financial liabilities	**—**	**—**	**(105,320)**	**—**	**(6,694,939)**	**(42,378,494)**	**(48,496)**
Other financial liabilities	**(1,110)**	**(2,524)**	**—**	**—**	**—**	**—**	**—**
Net exposure	**87,133**	**20,279**	**33,938**	**468,468**	**(2,553,219)**	**13,127,125**	**(48,496)**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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*

The Company is also exposed to foreign exchange risk on the BOB, CHF, PEN, PYG and UYU. The total net exposure, in CAD, for these currencies is $3,637 (2021: $945).

Equity price risk

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

For the year ended December 31,	2022	2021
	$	$
Equity investments	**3,957**	6,700
Investments in funds	**132,404**	151,389
Derivatives	**2,111**	1,286
Total	**138,472**	159,375

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 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 7. 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 $1,727 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. The Itaú and IFC loans have a variable interest rate that fluctuates with the CDI, IBR and TIIE rates. The applicable CDI, IBR and TIIE are the average 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 $701 over a one-year period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Credit risk

The Company considers its maximum credit risk to be $275,500 (2021: $243,678) 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:

- one Canadian financial institution
- one Canadian credit union

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.

For the year ended December 31,	**2022**	2021
	$	$
Trade receivables	**94,890**	55,388
Interest receivable	**4,510**	1,545
Other receivables	**5,605**	2,288
Loans receivable	**38,091**	33,068
Investments in funds	**132,404**	151,389
Total	**275,500**	243,678

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, 2022 and 2021, no customers represented more than 10% of the trade and accounts receivable balance. For the year ended December 31, 2022, no customers represented more than 10% (2021: one) 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 (loss) income as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended December 31,	**2022**
	$
Foreign Exchange Risk (5% change)	
USD	**5,901**
EUR	**1,466**
BRL	**435**
CLP	**(203)**
COP	**183**
ARS	**179**
MXN	**(168)**

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

The Company is also exposed to currency risk on the BOB, CHF, 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 (loss) income of $182 (2021: $47).

For the year ended December 31,	**2022**	2021
	$	$
Equity Price Risk (5% change)[1, 2]		
Equity investments	**198**	335
Investments in funds	**6,620**	7,569
Derivatives	**106**	64

[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]

29. STATEMENT OF CASH FLOWS

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

For the year ended December 31,	**2022**	2021
	$	**$**
Changes in non-cash working capital:		
Decrease (increase) in		
Trade and other receivables	**(26,418)**	6,248
Prepaids and deposits	**(394)**	3,565
Other receivables	**(4,702)**	2,345
Inventories	**(11,428)**	(17,188)
Income taxes receivable	**1,162**	(16)
Increase (decrease) in		
Accounts payable and accrued liabilities	**30,601**	11,455
Other liabilities	**(317)**	1,073
Income tax payable	**1,507**	(6,855)
	(9,989)	627

30. PRODUCT PRICING REGULATION ON CERTAIN DRUG PRODUCTS

All patented drug products that form part of Knight's Canadian portfolio of products are subject to pricing regulation by the Patented Medicine Prices Review Board (PMPRB), a federal agency tasked with ensuring that prices of patented medicines are not excessive. The PMPRB does not approve prices for drug products in advance of their launch in Canada, rather, it provides guidelines from which companies set their prices at the time of their product launch. For existing patented products, prices cannot be increased annually by more than a factor based on Statistics Canada's Consumer Price Index.

Under the previous guidelines of PMPRB, for new patented products, the price in Canada is limited to either the cost of existing drugs sold in Canada or the median or highest prices for the same drug sold in list of comparator countries specified by PMPRB. On July 1, 2022 the federal government's (Health Canada) amendments to the Patented Medicines Regulations came into effect amending a change in the basket of comparator countries from seven to eleven with the exclusion of US and Switzerland. The rest of the PMPRB expected pricing regulation changes are considered as "Interim Guidelines" until they come into force. On December 16, 2022, PMPRB announced that the Interim Guidelines will not be implemented on January 1, 2023, and remain as such until further notice.

These pending changes, or any other future changes to the guidelines, methodology or policies of PMPRB or other relevant regulatory bodies 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. If PMPRB determines a ceiling price for a patented product that is lower than the Company's expectation, or if the PMPRB deems a patented product to be excessively priced, this could lead to a reduction of the product's price and a fine may be levied against the Company. Such determinations by the PMPRB may have a material adverse effect on Knight's financial condition and results of operations or cash flows.

31. RELATED PARTY TRANSACTIONS

Pharmascience Inc., a company related to the Company's Executive Chairman of the Board of Directors, provided administrative services of approximately $34 (2021: $24) to the Company for the year ended December 31, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

32. 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. The commitments of the Company as at December 31, 2022 are as follows:

[i] Fund commitments

As at December 31, 2022, under the terms of Company's agreements with life sciences venture capital funds, $11,787 (December 31, 2021: $17,785), including $865 [US$639] and $1,078 [EUR 745] (December 31, 2021: $1,913 [US$1,509] and $3,113 [EUR 2,163]), may be called over the life of the funds (based on the closing foreign exchange 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 $359,567 including $74,776 [US$55,210], $144,851 [CHF 98,800] and $1,436 [EUR 993] (December 31, 2021: up to $322,318, including $46,224 [US$36,460], $137,299 [CHF 98,800] and $792 [EUR 550]) upon achieving certain sales volumes, regulatory or other milestones related to specific products.

In addition, Knight has a commitment to purchase up to $11,710 [EUR 738, CHF 5,412, USD 2,000] (December 31, 2021: $11,118 [EUR 738, CHF 5,412 and USD 2,000]), of inventory for pharmaceutical products during the five-year period after their respective commercial launch. For products that are currently launched, the Company has committed to inventory purchases of $212,744 [BRL 427,800, USD 64,182 and CHF 11,059] (December 31, 2021: $278,793 [BRL 787,865, USD 63,961 and CHF 13,286]), which will be purchased over the next 8 years.

	$
2022	2,438
2023	54,548
2024	55,359
2025	52,846
2026	12,770
2027 and beyond	34,783
Total	**212,744**

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.

33. RECLASSIFICATION OF COMPARATIVE FIGURES

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

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 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 ("Paladin")., 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. Ms Khouri has led due diligence, deal structuring and negotiations on several transactions with a combined deal value of over $1bn. 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.

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 Inc. ("Paladin"), 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 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.

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 Labs Inc. ("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., , 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

Nicolas Sujoy †

Director

Mr. Sujoy has more than 25 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 the VOBOC Foundation, and the Teresa Dellar Palliative Care Residence Foundation. Ms. Murray holds a CPA designation from the CPA Ontario, 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
112,205,939 Common Shares
(as at December 31, 2022)

Fiscal Year 2022 Trading Summary
High: $6.2
Low: $5.03
Close: $5.18
Average Daily Volume: 162,302

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