BIOTOSCANA INVESTMENTS S.A.
Société Anonyme
(formerly: Biotoscana Investments & Cy S.C.A.)
70 Route d´Esch, L-1470, Luxembourg

R.C.S. Luxembourg B 162.861

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

MANAGEMENT REPORT

In the accordance with the terms of legal and bylaws dispositions, the management of Biotoscana Investments S.A. ("Company", "GBT" or "Grupo Biotoscana") submits to its shareholders the Management Report an our interim condensed consolidated statement of financial position as at June 30, 2020, and the interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows and notes to the interim condensed consolidated financial statements, as well as the independent auditors review report, regarding the six month period ended June 30, 2020. All the below information is provided to the best of our knowledge at the time of signing this letter as well as based on information received from our subsidiaries, auditors and advisors as well as external sources.

MESSAGE FROM MANAGEMENT

Started in third quarter 2018, reported numbers are presented applying IAS 29 – "Financial Reporting in Hyperinflationary Economies" for our Argentinean operations. This standard requires that the entity or components financial information whose functional currency is that of an economy considered hyperinflationary be restated using a general price index that reflects changes in general purchasing power (Note 2.1.1 of the interim condensed consolidated financial statements).

We achieved for the second quarter 2020 (2Q20), Net revenues amounting to BRL 194,4 million compared to BRL 204,3 million in 2Q19. There was a decrease in the quarter substantially due to impact of COVID 19.

Gross profit reached BRL 78,4 million, Gross margin reached 40,3%, and Adjusted[1] EBIDTA margin 13%for the quarter.

Our OPEX (without impairment of goodwill but including the expenses related to the change of control), represent approximately 36% of our net revenues for the quarter.

We are working on the proper launch and promotion across the region of our pipeline. We have evolved with the main products in our pipeline in several countries, like CRESEMBA®, that it is already approved in Peru, Mexico, Colombia, Argentina, Brazil and Chile.

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[1] In this document, we present certain Non-GAAP measures, including EBITDA, EBITDA Adjusted, Operating Profit, Net Financial Position/Indebtedness and Financial Indebtedness.

We define "EBITDA" as operating profit before financial expenses and income taxes ("EBIT") plus amortization and depreciation. "EBITDA Adjusted" refers to EBITDA as adjusted to remove accounting effects and costs associated with some non-recurring income and expenses considered by our management to be non-recurring and exceptional in nature.

It uses similar indicators for its net financial indebtedness, the components of which are described in the relative section of the notes.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist shareholders, investors, security analysts and other interested parties in evaluating us. We believe that EBTIDA Adjusted is a relevant measure for assessing our performance because it is adjusted for changes which we believe, are not indicative of our underlying operating performance and thus aid in an understanding of EBITDA.

EBITDA and EBITDA Adjusted and similar measures are used by distinct companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Reader should exercise caution in comparing EBITDA and EBITDA Adjusted as reported by us to EBITDA and EBITDA Adjusted of other companies. The information presented by each of EBITDA and EBITDA Adjusted is unaudited and has not been prepared in accordance with IFRS or any other accounting standards. None of EBITDA or EBITDA Adjusted is a measurement of performance under IFRS and you should not consider EBITDA and EBITDA Adjusted as an alternative to net income or operating profit determined in accordance with IFRS as the case may be, or to cash flows from operations, investing activities EBITDA and EBITDA Adjusted have limitations as analytical tools and you should not consider them in isolation. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in or cash requirements for our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA and EBITDA Adjusted do not reflect any cash requirements that would be required for such replacements, and the fact that other companies in our industry may calculate EBITDA and EBITDA Adjusted differently than we do, which limits their usefulness as comparative measures.

Grupo Biotoscana continues to build and deliver pipeline with important progress, bringing innovative products into the region.

Last year, GBT participated at several congresses to discuss the latest outbreaks in several therapy lines, like SBOC, ESMO, ECCMID, among others. GBT also organized several events throughout the region, allowing physicians and healthcare specialists to get the most update information. We are waiting to the evolution of the pandemic to continue participating at several congresses. In this Q only virtual activity has been performed since due to the Pandemic most of the International and National Congresses have been canceled or postponed.

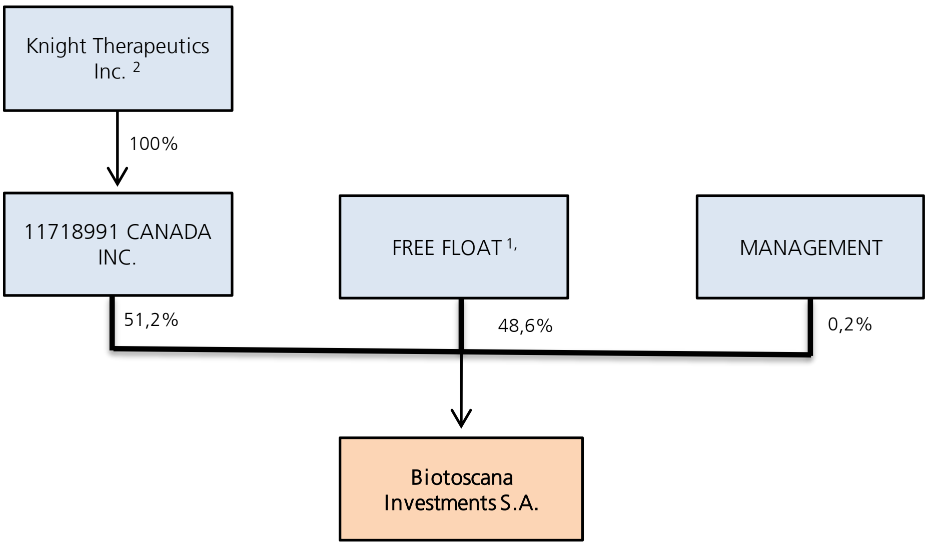
For R&D, GBT continues to work on the development of branded generic products, where there is a high unmet medical need. Biotoscana has invested into the remodeling of the R&D lab in Argentina, with new equipment and personnel.

CHANGE OF CONTROL

On November 29, 2019, Knight Therapeutics Inc. ("Knight" or "the Buyer") announced that it has completed the acquisition of a 51,21% interest (Sale of Control) in the Company from a controlling shareholder group. The purchase price of the Sale of Control was BRL 596 million (Purchase Price), being BRL 10,96 per share or BDR.

Considering the completion of this first step, Knight became the controlling shareholder and appointed its representatives to the board of directors of the Company. In addition, as a consequence of the closing of the Sale of Control, the Buyer is conducting a tender offer of the remaining shares and BDRs, according to section 12 of the Bylaws of Biotoscana Investments S.A. According to the Buyer's information, the tender offer will be launched with similar terms and conditions of the Sale of Control.

As of June 30, 2020, the ownership structure is the following:



References:

[1] Free float (excluding shares/BDRs held in treasury) refers to the outstanding shares that are traded in the Brazil Stock Exchange (BOVESPA). Please note that within the Free Float there is no investor that holds a ownership in excess of 10%.

[2] Controlling shareholder of the Company. Knight is listed in the Toronto Stock Exchange under the ticker symbol "GUD".

The current Board of Directors of the Company was designated in the General Shareholder´s Meeting held on November 22nd, 2019 with effects as of November 29th, 2019 and is integrated as follows:

- Samira Sakhia
- Robert Lande
- Nicolas Sujoy
- Gaelle Lamotte

GOODWILL IMPAIRMENT TEST

The Group performed its annual impairment test of goodwill each December or an earliest date when circumstances indicate the carrying value may be impaired. The Group's impairment test for these intangible assets with indefinite lives is based on value-in-use calculations. For this assessment, the Group has identified three CGUs: United Medical Ltda., Latin American Pharma Company ETVE S.L.U. and Laboratorio DOSA S.A.

Although the last impairment test of goodwill was performed in December 2019, the Group considered that Covid-19 pandemic situation is an event that triggers the need for impairment analysis, since it has implied adverse changes in the environments where the Group subsidiaries operates, including the macroeconomics variables, that affected the Group projections for 2020 and the related discount rates. Consequently, the Group has decided to execute an impairment test during the current semester of all goodwill recorded as mentioned below:

United Medical Ltda. (UM)

The recoverable amount of UM's cash generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the expected changes in demand and margins for pharmaceutical products on UM's portfolio, also considering the expected impact of the non-renewal of certain license agreed with a third party and the impacts of COVID-19 pandemic that affected timing of future launches of new products. The discount rate applied to cash flow projections is 11,9% (December 31, 2019: 10,7%) nominal in USD and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2019: 1,9%) that relates to the long-term inflation rate in United States. As a result of this impairment test performed during the first quarter, management did not identify a need for goodwill impairment.

Latin America Pharma Company ETVE S.L.U. (LAPC) and Laboratorio DOSA S.A (DOSA).

The recoverable amount of LAPC and DOSA's cash generating units, has been determined based on a value in use calculation using cash flow projections from financial updated by Group and covering an eight-year period. The projected cash flows have been updated to reflect the changes in demand for pharmaceutical products on LAPC and DOSA's portfolio due to the economic conditions expected in Argentina as described in December 2019 financial statements and the COVID-19 pandemic that affected timing of future launches of new products. The discount rate applied to cash flow projections is 17,15% (2019: 16,29%) nominal in USD and cash flows beyond the eight-year period are extrapolated using a 2% growth rate (2019: 1,9%) that relates to the long-term inflation rate in United states. As a result of this impairment test performed during the first quarter, management did not identify a need for LAPC's goodwill impairment but it determined that the future discounted cash flows for DOSA's CGU are below the carrying amount of goodwill, after sustain the recoverability of PP&E, so, it was determined the need for an impairment adjustment of that portion of the goodwill in the amount of BRL 6,322 millions and it was recording in the current period income statement. No additional impairment adjustments were detected as a consequence of the reassessment of that analysis as of June 30, 2020.

The most significant portion of LAPC and DOSA's operations are mainly concentrated in Argentina, country that have faced some relevant changes in the past few months. Please see Note 6 of the December 31, 2019 for further details of the Argentine environment conditions that continue present as of the date of issuance of these financial statements.

The calculation of value in use for the three units is most sensitive to the following assumptions that were considered by management in the impairment test execution:

Volumes
Pricing
Gross margins
Discount rate
Growth rate used to extrapolate cash flows beyond the forecast period

Volumes and prices: Volumes and prices for UM were estimated with a CAGR of 0,02% that results less than expected local inflation and GDP growth. Each product net revenues evolution is in line with historical trends and with its life cycle, and also considering due dates of licenses. For LAPC and DOSA, it was considered that new launches will be in the range of 2 to 4 products per year, in line with historical evidence throughout the years, but it was considered delay in timing of that launches since quarantine measures affected commercial activities that require presential contacts with the community. Price increases have been sensitized for certain specific products to include lower inflation pass through.

A decrease in volumes and prices would lead to a decline in gross margin values and in the projected cash-flows. A decrease in net sales with respect to budget by 16,9%, and 8,7% would result in impairment in UM, and LAPC, respectively.

Gross margin: It has been projected by GBT in line with historical trends, except for certain licensed products in UM where decrease in gross margin was considered based on potential renegotiation's outcome.

An increase in COGS would lead to a decline in gross margin values and in the projected cash-flows. An increase in COGS with respect to budget by 5,9% and 6,2% would result in impairment in UM and LAPC, respectively.

Discount rates: They represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its CGUs and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. CGUs-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the post-tax discount rate to 16,24% and 18,15% (i.e., + 4,74% and + 1%) would result in an impairment in UM and LAPC, respectively.

Growth rate: Long-term growth rates used has been conservative considering a 2% that reflects the current USD inflation and 0% in real terms, implying a conservative position that assumes a non-growing scenario in quantities sold and only with price increases due to inflation.

COMPANY OVERVIEW

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

On July 21, 2017 the Company was authorized to list and trade its Brazilian Depositary Receipts (BDRs) on the Sao Paulo Stock Exchange. The Company has also been admitted to list and trade its common shares on the Euro MTF market, the unregulated exchange market operated by the Luxembourg Stock Exchange.

PORTFOLIO & INNOVATION

Our product development pipeline is divided into two business models: (1) partnership product development, which is focused on building relationships to license and commercialize innovative products that are new to Latin America, and (2) internal product development, which is focused on studying, designing, formulating and manufacturing branded generic (BGx) products, which are the bioequivalent of innovative products without patent protection.

GBT´s commercial stage portfolio includes:

- (i) Launches (1 to 5-year-old products) are products launched recently and can be divided into key launches from innovative licensed products and launches from BGx line;
- (ii) Peak year products, which are approximately 5 years after launch, that already reached peak sales. It´s a mix of licensed and BGx products;
- (iii) Mature products from 10 years or over after launch, and usually already lost exclusivity and may start do decline over the years. It´s also a mix of licensed and BGx.

Proprietary BGx are developed and manufactured in Argentina through four proprietary plants.

Six main products from the base portfolio (all stages) represented approximately 52% of total net revenues in 2Q20, and 49% for the 1H2020. They are comprised of AMBISOME®, ABRAXANE®, SALOFALK®, VIDAZA®, Azacitidine generic and LADEVINA®.

Key launches are the main licensed products launched in the past five years. Usually, these products are still in the ramp up phase to reach peak market share.

Launch products include LENVIMA®, ABRAXANE®, HALAVEN®, CRESEMBA® in Brazil and ABRAXANE®/ABRAXUS® and CRESEMBA in Mexico. ABRAXANE® and LENVIMA® are already part of our top 10 products.

GBT is working on the promotion and ramp up of these products and additional indications and/or registration in new countries for several of them.

RISK FACTORS

Our business could be adversely affected if any of the main risks described below occurs:

Risks related to our business and our industry:

- If we are unsuccessful in obtaining and maintaining our licensing agreements, strategic alliances and other collaborations related to our products portfolio,

- The manufacture of our generic products is highly complex, and an interruption at our plants or in our supply chain, or an adverse opinion in a regulatory audit, could adversely affect our business financial condition or results operations.
- We operate in a competitive market, characterized by the frequent introduction of new products. Many of our competitors, particularly large pharmaceutical companies, have substantially greater financial, technical and human resources than we do.
- Our research and development product expenditures may not result in commercially successful products.
- If the reputation of one or more of our leading brands erodes significantly, it could have a material impact on our business, financial condition and results of operations.
- Product liabilities claims could hurt our business.
- Our acquisition strategy is subject to significant risk and may not be successful due, for example, failing to accurately identify suitable companies, products or brands; failing to obtain the necessary regulatory approvals; experiencing difficulties in the integration process.
- Our business is regulated by numerous governmental authorities, which subjects us to elevated compliance risks and costs, and future government regulations may place additional burdens on our business.
- We may be involved in environmental actions that could adversely affect our reputation, business, financial condition or results operations
- Refer to Covid-19 section for risk related to covid-19.

<u>Risk related to the countries in which we operate</u>:

- Increase in taxes we pay in the countries where we do business.
- Economic conditions in those countries in which we operate and expect to operate
- Governments have a high degree of influence in the economies in which we operate. Changes in governmental policy or regulations impact factors such as: healthcare laws and policies; labor laws; currency fluctuations; inflation; exchange and capital control policies; interest rates, developments in trade negotiations through the World Trade Organization or other international organizations; environmental regulations; tax laws; import/export restrictions; price controls or price fixing regulations; and other political, social and economic developments.
- Currency exchange rate fluctuations relative to the USD dollar, Euro, Brazilian Real and the currencies in the countries in which we operate.
- Refer to Covid-19 section for risk related to it.

Please see Note 11.1 of the Consolidated financial statements for financial risks for more information (including liquidity risk).

FINANCIAL AND OPERATING PERFORMANCE

The following table summarize and shows the Group´s financial performance (in millions of BRL). As explained before, figures for 2Q20 and 1H20 are presented applying IAS 29 for our Argentinian operations, and are then translated into BRL using the exchange rate at closing date:

	2Q 2020	2Q 2019	1H 2020	1H 2019
Net revenues	194,4	204,3	340,6	353,0
Cost of sales	(116,0)	(111,2)	(201,0)	(185,7)
Gross profit	**78,4**	**93,1**	**139,6**	**167,3**
Selling and marketing expenses	(42,8)	(34,9)	(81,2)	(65,7)
General and administrative expenses	(20,1)	(23,6)	(38,8)	(45,6)
R&D, medical, regulatory and business development exp.	(5,6)	(9,4)	(13,1)	(17,7)

Reorganization, integration and acquisition expenses	(1,1)	(5,0)	(2,0)	(7,1)
Impairment of goodwill	(0,1)	-	(6,3)	-
Other operating income (loss), net	(1,2)	1,1	(1,1)	8,8
Operating income (loss)	**7,6**	**21,3**	**(2,9)**	**40,0**
(+) D&A	14,7	8,1	25,5	15,3
(+) Stock Grants	0,0	0,3	0,0	0,6
(+) Impairment of goodwill	0,1	0,0	6,3	0,0
(+) One-time adjustment	2,0	4,2	8,0	(1,5)
Adjusted EBITDA	**24,4**	**33,9**	**36,9**	**54,4**
Adjusted EBITDA margin	*13%*	*17%*	*11%*	*15%*
EBITDA	*22,3*	*29,4*	22,6	55,3
EBITDA margin	*11%*	*14%*	*7%*	*16%*

For the 2Q20, Net Revenues came to BRL 194,4 million from BRL 204,3 million in 2Q19, mainly due to impact of COVID 19. This situation mainly generates delay in sales. As for the first semester sales totaled BRL 340,6 million from BRL 353 million in 1H19 also mainly due to the impact of COVID 19.

Cost of sales came to BRL 114,9 million from BRL 111,2 million in 2Q19, mainly due to a registration of an impairment provision for inventories due to a slower turnover of certain products (BRL 5,5 million), based on sales projections. Please see section Covid-19 for more information. As for the first semester Gross Profit totaled BRL 140,8 million from BRL 167,3 million in 1H19 also mainly due to the impact of COVID 19 and the obsolescence provision.

Selling and marketing expenses reaching BRL 42,8 million in 2Q20 from BRL 34,9 million in 2Q19. This is mainly due to an increase in debtors impairment provision and an increase in Intangibles assets amortization partially compensated with lower expenses in Advertising and Promotion (due to Covid 19). As for the first semester Selling and marketing expenses totaled BRL 81,2 million from BRL 65,7 million in 1H19, same situation than in the 2Q.

General and administrative expenses totaled BRL 21,1 million in 2Q20 from BRL 23,6 million in 2Q19.

R&D, medical, regulatory and business development expenses came to BRL 5,8 million in 2Q20 from BRL 9,4 million in 2Q19.

Reorganization, integration and acquisition expenses amounted to BRL 1,1 million in 2Q20, mainly related with corporate restructuring costs, and change of control costs.

Moreover, there is the impairment of goodwill, that was previously explained, that amounted for BRL 6,3 million in 1H20.

Other operating income (loss), net for 2Q20 mainly refer to the Net Worth Tax paid in Argentina. There is also a non-recurring other operating income in the amount of BRL 7,8 million in 1H19, related with a non-compete in Argentina. Approximately 6 years ago, Argentina sold a portfolio to another pharma company and there was a non-compete for 5 years and a part of the payment for the sale was linked with this non-compete. In 1Q19 we reached the 5 years and the amount received was recognized in Opex, under "other operating income". The amount in non-recurring and therefore is not part of the total recurring operating expenses.

INDEBTEDNESS

As of June 30, 2020, our outstanding consolidated indebtedness with financial institutions in the aggregate amounted to BRL 244,9 million.

During November 2017 Laboratorio LKM S.A. contracted Argentinian pesos denominated debt for a total of ARS 531 million, in two separate contracts with Citibank.

The first one, disbursed on November 2, 2017, for ARS 266 million, was an off-shore ARS-linked loan with Citibank N.A. (New York) at a fixed rate of 18,40% p.a. (21,66% all-in after including withholding tax). Total tenor of 3 years; quarterly payments with amortization starting on month 15; and certain penalties in case of an early prepayment. The residual amounts of this loan as at December 31, 2019 is BRL 9.266 thousand.

The second one, disbursed on November 3, 2017, was fully pre-paid on November 2018.

On December 2017, United Medical Ltda. contracted Reais denominated debt for BRL 150 million with Itaú Unibanco Brasil. This loan was disbursed on December 8, 2017 and its key conditions are as follow:

The loan was a CCB (Brazilian Bank Credit Note). Total tenor of 5 years, with semi-annual payments and a one-year grace period for amortization. The applicable interest rate was the Interbank Market references interest rate (known in Brazil as CDI) +1.65% (with a step-up clause whereby the interest rate increases 25bps for every 0.25x increase in the “Net Debt” / “EBITDA” ratio after 2,0x).

On October 2, 2018, an amendment to this loan was signed between United Medical and Itaú. The purpose of the amendment was to add one extra year of grace period and extend the final maturity of the loan by one year. Interest charges remain the same.

Due to the acquisition of the Group by Knight mentioned before and considering the “Change of Control” clause, the Company is in non-compliance of the “change of control” clause and it should obtain the approval of the transaction from Itaú Unibanco Brasil. Taking into account as of June 30, 2020, the above-mentioned approval has not been obtained, total amount of the financial debt was classified as current considering the Company does not have the unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

As of the date of issuance of the financial statements, the waiver of Itaú Unibanco Brasil has not been obtained. In case that the waiver is not finally obtained, the Group has the financial support commitment of Knight to repay the Itau Unibanco Brasil loan on demand.

On December 2018, United Medical Ltda. contracted Reais denominated debt for BRL 38,9 million with Banco Santander. This loan was disbursed on December 28, 2018 and was a CCB (Brazilian Bank Credit Note) based on Law 4.131. Total tenor of 3 years, with semi-annual payments and a one-year grace period for amortization. The applicable interest rate was CDI +2.00% all in (1.87% interest and 0,13% Stand by).

On March 2020, United Medical Ltda. contracted Reais denominated debt for BRL 40.000 with Banco Santander. This loan was disbursed on March 5, 2020 and was a CCB (Brazilian Bank Credit Note) based on Law 4.131. Total tenor of 1 year and applicable interest rate was CDI +1,39% (all in). This loan agreement has been guaranteed by Knight and does not include any financial convenant.

On January 2, 2020, the Company obtained a loan from Knight for USD 8,000,000 (BRL 41,52 million). The disbursed loan accrues compensatory interests over the full outstanding amount at an annual interest rate of Libor plus a margin of 0,75% per annum, payable at maturity. The principal and accrued interest of the loan will be repaid in full on demand after 12 months of effective date of the loan agreement (January 2, 2020). This loan was used to finance working capital.

In addition, on May 15th, the Company obtained another loan from Knight for USD 3,000,000 (BRL 17.5 million). The disbursed loan accrues compensatory interests over the full outstanding amount at an annual interest rate of Libor plus a margin of 0,75% per annum, payable at maturity. The principal and accrued interest of the loan will be repaid in full on demand after 12 months of effective date of the loan agreement (May 15th, 2020). This loan was used to finance working capital.

BUYBACK OF SHARES

On April 25, the General Meeting Shareholders approved the buyback program to acquire up to 5% of the free float, up to 2.773.631 BDRs, out of 50.429.659 outstanding BDRs/shares. The program´s objective is to create value for shareholders by properly managing the Company´s capital structure.

The Company recognized its own equities instruments (Treasury shares) deducted from equity and no gain or loss are recognized in profit or loss related to those instruments.

Number of BDRs held in treasury as of June 30, 2020	490.236
Number of BDRs acquired	1.346.300. BDRs have been acquired at an average price of BRL 10,49 with prices ranging from BRL 14,30 to BRL 9,16 (total consideration paid amounted BRL 14.117)
Number of BDRs delivered to employees to fulfill the second vesting of the Stock Grant	856.064
Total amount presented as Treasury shares, deducted from equity	BRL 4.676

Treasury shares have been acquired by two subsidiaries of the Group (United Medical Ltda and Wisteny Trading S.A.)

HUMAN RESOURCES

As June 30, 2020, we had approximately 654 employees, 351 employees in Argentina, 79 employees are located in Colombia, 95 employees are located in Brazil and the remaining, 129 employees are located in the rest of Latin America.

COVID 19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic.

With the recent and rapid development of the outbreak, certain countries where the Group has significant operations, have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures.

In this context, the Group worked and is currently working on different contingency plans for continuous supply and, at this stage, it does not foresee any relevant inventory shortage.

In addition, based on the analysis performed by Group management, the outbreak is having and will have a negative impact on the activities of the Group, including its revenues and profitability and it will also generate certain delays in collections of receivables and the need for impairment of different assets. Moreover, this situation leads Group management to impairing inventories due to a slower turnover of certain products, based on sales projections and assessing impairment indicators for its goodwill. In accordance with Group´s policies, an impairment test of goodwill for the three CGUs was carried out. Please refer to paragraph Goodwill impairment test, for further information.

As the outbreak continues to progress and evolve, it is uncertain at this point of time to predict the extent of additional impacts on the Group's financial and operating results that cannot be reasonable estimated, but additional impacts could be material.

SUBSEQUENT EVENTS

No events and/or transactions that could significantly affect the Company's equity and financial position have taken place subsequent to year-end.

As disclosed in Change of control section, Knight became the controlling shareholder of the Company and, as a consequence of the closing of the Sale of Control, Knight is conducting a tender offer of the remaining shares and BDRs.

On July 8, CVM approved the tender offer for the acquisition of BDRs representing shares of the Company, aiming at (i) fulfilling the Offeror's statutory obligation to conduct a public offer for the acquisition of the outstanding BDRs following the transfer of control; and (ii) the voluntary discontinuity of the BDRs program of the Company, in compliance with applicable regulation.

BDR holders are invited to tender their BDRs at the auction that will take place on August 14, 2020.

ENVIRONMENTAL MANAGEMENT

Our operations are subject to regulation under various federal, state, local and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air, soil and water, the management and disposal of hazardous substances and waste and the cleanup of contaminated sites. We continuously verify that our operations comply with environmental regulations. Our facilities utilize products and materials that are considered hazardous waste, which transportation, storage, treatment and final disposal is regulated by several governmental authorities.

We believe we are in compliance with all applicable environmental regulations in the countries in which we operate.

RELATIONSHIP WITH AUDITORS

Ernst & Young Société Anonyme, a member firm of Ernst & Young Global Limited, independent auditors, conducted a limited review of our interim condensed consolidated statement of financial position as at June 30, 2020, and the interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, for the six-month period then ended prepared in accordance with IAS 34 Interim Financial Reporting.

The Company's policy in regard to contracting external audit services assures that there is no conflict of interest, loss of independence or objectiveness of the services eventually provided by independent auditors and not related to external audit services.

Our external auditors declared to the Board of Directors of the Company that the non audit services provided do not influence the independence and objectiveness which are necessary for the provision of external audit services, as they correspond to verifying the adherence to the fiscal regulation and to commenting and suggesting improvements to the existing controls for the financial risk management process. Our external auditors confirmed to us that the professional independence rules of the IFAC code of ethics have been respected.

Luxembourg, August 10, 2020

Building a better
working world

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Report on the review of interim condensed consolidated financial statements

To the Board of Directors and Shareholders of
BIOTOSCANA INVESTMENTS S.A.
70 Route d'Esch
L-1470, Luxembourg

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Biotoscana Investments S.A. as at June 30, 2020 which comprise the interim condensed consolidated statement of financial position as at June 30, 2020 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, 12 August 2020

BIOTOSCANA INVESTMENTS S.A.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month and three-month periods ended June 30, 2020 and 2019
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

	Notes	From January 1 to June 30, 2020 (unaudited)	From January 1 to June 30, 2019 (unaudited)	From April 1 to June 30, 2020 (unaudited)	From April 1 to June 30, 2019 (unaudited)
Net revenues	3-14	340.624	353.019	194.393	204.314
Cost of sales	15.1	(200.984)	(185.670)	(116.031)	(111.169)
Gross profit		139.640	167.349	78.362	93.145
Selling and marketing expenses	15.2	(81.214)	(65.718)	(42.759)	(34.876)
General and administrative expenses	15.2	(38.826)	(45.623)	(20.082)	(23.576)
R&D, medical, regulatory and business development expenses	15.2	(13.090)	(17.694)	(5.592)	(9.424)
Reorganization, integration and acquisition expenses	15.2	(1.983)	(7.115)	(1.097)	(5.016)
Impairment of goodwill	4	(6.322)	-	(91)	-
Other operating income (loss), net	15.3	(1.084)	8.806	(1.168)	1.059
Operating income (loss)		(2.879)	40.005	7.573	21.312
Interest and other financial expense, net	15.4	(8.754)	(15.092)	(4.583)	(8.159)
Foreign exchange expense, net	15.5	(39.645)	(766)	(7.546)	(442)
Gain (loss) on net monetary position for exposure to inflation in Argentina	15.6	(3.219)	1.906	(2.206)	359
Financial expenses		(51.618)	(13.952)	(14.335)	(8.242)
Income (loss) before income tax		(54.497)	26.053	(6.762)	13.070
Income tax expenses	17	(5.282)	(10.161)	(593)	(5.177)
Net income (loss)		(59.779)	15.892	(7.355)	7.893
Attributable to					
Equity holders of the parent		(59.779)	15.892	(7.355)	7.893
Earnings per share					
Basic, income for the period attributable to ordinary equity holders of the parent		(0,56)	0,15	(0,07)	0,07
Diluted, income for the period attributable to ordinary equity holders of the parent		(0,56)	0,15	(0,07)	0,07

BIOTOSCANA INVESTMENTS S.A.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month and three-month periods ended June 30, 2020 and 2019
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

	From January 1 to June 30, 2020 (unaudited)	From January 1 to June 30, 2019 (unaudited)	From April 1 to June 30, 2020 (unaudited)	From April 1 to June 30, 2019 (unaudited)
Net income (loss)	(59.779)	15.892	(7.355)	7.893
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods				
Net income on cash flow hedges	70	(313)	-	(313)
Exchange difference on translation of foreign operations	157.584	17.511	34.226	19.280
Total other comprehensive income (loss) to be reclassified to income or loss in subsequent periods	157.654	17.198	34.226	18.967
Total comprehensive income	97.875	33.090	26.871	26.860
Attributable to				
Equity holders of the parent	97.875	33.090	26.871	26.860

BIOTOSCANA INVESTMENTS S.A.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020 and December 31, 2019
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

ASSETS	Notes	June 30, 2020 (unaudited)	December 31, 2019
NON-CURRENT ASSETS			
Intangible assets	4	630.327	561.072
Property, plant and equipment	5	67.627	50.409
Right-of-use assets	6	22.519	20.816
Investment properties		6.081	5.130
Trade receivables and other account receivables	8	9.257	13.745
Other assets		13.424	14.683
Deferred tax assets		26.123	19.098
Total non-current assets		775.358	684.953
CURRENT ASSETS			
Inventories	7	277.596	213.874
Trade receivables and other account receivables	8	279.878	289.496
Other assets		7.007	6.564
Cash and short-term deposits	12	56.788	47.974
Total current assets		621.269	557.908
Assets held for sale		4.844	4.087
TOTAL ASSETS		1.401.471	1.246.948
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	16.1	217	217
Share premium	16.1	748.624	748.624
Treasury shares	16.2	(4.676)	(4.676)
Other capital reserves		12.911	12.911
Retained earnings		205.041	264.820
Transactions with equity holders		(333.180)	(333.180)
Other equity ítems		209.502	51.848
Total equity		838.439	740.564
NON-CURRENT LIABILITIES			
Provisions and contingences	13	179	181
Financial debt	9.1	21.885	29.312
Payroll and social security liabilities		456	306
Taxes payable	9.3	992	347
Other liabilities	9.4	35	-
Deferred tax liability		59.814	61.763
Total non-current liabilities		83.361	91.909
CURRENT LIABILITIES			
Provisions and contingences	13	3.727	4.121
Financial debt	9.1	241.870	160.972
Trade payable	9.2	193.233	201.750
Contract liabilities		3.500	2.804
Refund liabilities		310	328
Payroll and social security liabilities		15.104	20.040
Taxes payable	9.3	7.715	11.060
Other liabilities	9.4	14.212	13.400
Total current liabilities		479.671	414.475
Total liabilities		563.032	506.384
TOTAL EQUITY AND LIABILITIES		1.401.471	1.246.948

BIOTOSCANA INVESTMENTS S.A.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended June 30, 2020 and 2019
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

	Attributable to the equity holders of the parent								
	Issued capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Transactions with equity holders	Effect of cash flow hedges	Exchange differences on translation of foreign operations	Total
As at January 1, 2020	217	748.624	(4.676)	12.911	264.820	(333.180)	(70)	51.918	740.564
Net loss for the period	-	-	-	-	(59.779)	-	-	-	(59.779)
Other comprehensive income for the period	-	-	-	-	-	-	70	157.584	157.654
At June 30, 2020 (unaudited)	217	748.624	(4.676)	12.911	205.041	(333.180)	-	209.502	838.439

	Attributable to the equity holders of the parent								
	Issued capital	Share premium	Treasury shares	Other capital reserves	Retained earnings	Transactions with equity holders	Effect of cash flow hedges	Exchange differences on translation of foreign operations	Total
As at January 1, 2019	217	748.624	(6.316)	12.246	263.218	(333.180)	-	44.427	729.236
Share-based payments (Note 15)	-	-	-	2.206	-	-	-	-	2.206
Stock grant vesting	-	-	149	(149)	-	-	-	-	-
Net income for the period	-	-	-	-	15.892	-	-	-	15.892
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(313)	17.511	17.198
At June 30, 2019 (unaudited)	217	748.624	(6.167)	14.303	279.110	(333.180)	(313)	61.938	764.532

BIOTOSCANA INVESTMENTS S.A.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month periods ended June 30, 2020 and 2019
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

	Notes	From January 1 to June 30, 2020 (unaudited)	From January 1 to June 30, 2019 (unaudited)
Cash flow from operating activities			
Income before income tax		(54.497)	26.053
Adjustments to reconcile profit before income tax to net cash flows:			
PP&E depreciation and intangible amortization	4 and 5	25.461	15.333
Depreciation of right of use	2.2	5.251	3.581
PP&E and intangible disposals	4 and 5	1.761	339
Impairment of goodwill	4	6.322	-
Share-based payments		-	2.206
Inventory allowance for impairment in value	7	16.994	2.322
Allowance for debtors´ impairment	8	8.854	392
Movements in provisions		(954)	(3.303)
Interest and other financial expenses		6.870	13.274
Interest expenses of right of use		1.138	1.323
Foreign exchange expenses		29.302	152
Gain on net monetary position for exposure to inflation in Argentina	15.6	3.219	(1.906)
Changes in assets and liabilities			
Inventories		(45.889)	(271)
Trade receivables and other account receivables		28.511	3.490
Other assets		467	(469)
Trade payable and other liabilities		(51.064)	(48.434)
Income tax payments		(3.880)	(12.081)
Net cash flow (used) from operating activities		(22.134)	2.001
Cash flows from investing activities			
Payments related to acquisition of intangible assets		(26.327)	(17.548)
Payments related to acquisition of property, plant and equipment	5	(6.797)	(9.143)
Advance payments of PP&E		(3.444)	(3.615)
Net cash flow used in investing activities		(36.568)	(30.306)
Cash flows from financing activities			
Proceeds from financial debt and borrowings		100.365	4.552
Payment of financial debt and borrowings		(29.762)	(10.135)
Interest and other financial expense payments		(5.890)	(13.306)
Payments related to leases liabilities		(5.232)	(4.503)
Net cash from (used) in financing activities		59.481	(23.392)
Effect on cash and cash equivalent for exposure to Inflation in Argentina		(314)	(482)
Effect of foreign exchange results		8.349	4.032
Net increase (decrease) of cash and cash equivalents		8.814	(48.147)
Cash and cash equivalents at the beginning of the period		47.974	100.609
Cash and cash equivalents at the end of the period		56.788	52.462

BIOTOSCANA INVESTMENTS S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

1. CORPORATE INFORMATION

Biotoscana Investments S.A. is a Luxembourg Company incorporated on July 26, 2011 as a "société en commandite par actions" for an unlimited duration and is subject to general company law. The former name was Advent Cartagena & CY S.C.A. and an Extraordinary General Meeting held on August 17, 2011, decided to change the Company's corporate name into Biotoscana Investments & CY S.C.A.

On March 14, 2017, the Board of Directors resolved the Company's transformation from a partnership limited by shares (Société en Comandite par Actions) into a corporation (Société Anonyme). Consequently, the Company's name was changed from Biotoscana Investments & CY S.C.A. to Biotoscana Investments S.A.

The interim condensed consolidated financial statements of Biotoscana Investments S.A. and its subsidiaries (collectively, the Group or the Company) for the six-month and three-month periods ended June 30, 2020 were authorized for issue in accordance with a resolution of the Directors on August 10, 2020. Biotoscana Investments (the parent) is a company domiciled in Luxembourg. The registered office is located at 70 Route d´Esch, L- 1470, Luxembourg.

The main activity of the Group companies is the sale of pharmaceutical products for humans through manufactured medicines and also through the purchase, sale, distribution, importation, exportation, trade in general of pharmaceutical, para-pharmaceutical, and chemical products under several license agreements with different global pharmaceutical companies (third parties).

On July 21, 2017 the Company was authorized to list and trade its Brazilian Depositary Receipts (BDRs) on the Sao Paulo Stock Exchange. The Company has also been admitted to list and trade its common shares on the Euro MTF market, the unregulated exchange market operated by the Luxembourg Stock Exchange.

On November 29, 2019, Knight Therapeutics Inc. (Knight) announced that it has completed the acquisition of a 51,21% interest (Sale of Control) in the Company from a controlling shareholder group. The purchase price of the Sale of Control was BRL 596 million (Purchase Price), being BRL 10,96 per share or BDR.

Considering the completion of this first step, Knight became the controlling shareholder and appointed its representatives to the board of directors of the Company. In addition, as a consequence of the closing of the Sale of Control, Knight is conducting a tender offer of the remaining shares and BDRs, according to section 12 of the Bylaws of the Biotoscana Investments S.A. According to Knight´s information, the tender offer was launched with similar terms and conditions of the Sale of Control.

The relationship of subsidiaries, included in the consolidation perimeter, and the information related thereto is as follows:

		Interest (2)		
Corporate name	**Domicile**	**Direct interest**	**Indirect interest**	**Activity**
Biotoscana Ecuador S.A.	Manuel Córdova Galarza S/N, KM 7,5, Quito, Ecuador	0,00%	100%	Pharmaceutical
Biotoscana Farma de Perú S.A.C.	Av. República de Panamá 3591, Floor 13, San Isidro, Lima, Perú	0,00%	100%	Pharmaceutical
Biotoscana Farma S.A.	Pte. Arturo Illia 668, Haedo, Buenos Aires, Argentina	0,00%	100%	Pharmaceutical
Biotoscana Farma S.A.	Cra. 106 No. 15-25 Lote 135A Manzana 23, Bogotá, Colombia	0,00%	100%	Pharmaceutical
Colveh1 S.A.S.	Av. 82 12-18, Floor 6, Bogotá, Colombia	0,00%	100%	Other scientific and technical activities

BIOTOSCANA INVESTMENTS S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

		Interest (2)		
Corporate name	**Domicile**	**Direct interest**	**Indirect interest**	**Activity**
Colveh2 S.A.S.	Av. 82 12-18, Floor 6, Bogotá, Colombia	0,00%	100%	Other scientific and technical activities
Colveh3 S.A.S.	Av. 82 12-18, Floor 6, Bogotá, Colombia	0,00%	100%	Other scientific and technical activities
Colveh4 S.A.S.	Av. 82 12-18, Floor 6, Bogotá, Colombia	0,00%	100%	Other scientific and technical activities
Biotoscana Uruguay S.A. (formerly Cufré S.A.)	Saldanha da Gama 3622, Office 311, Montevideo, Uruguay	0,00%	100%	Pharmaceutical
Grupo Biotoscana Costa Rica S.R.L.	San Rafael de Escazú, Office 103, San José, Costa Rica	0,00%	100%	Pharmaceutical
Grupo Biotoscana de Especialidad S.A. de C.V.	Jaime Nuno 1915, Guadalupe Inn, Distrito Federal, México	0,00%	100%	Pharmaceutical
Grupo Biotoscana Panamá S.A.	Street 56 y 57 Este, Obarrio, Sortis Business Tower, Office 10 H, Panamá	0,00%	100%	Pharmaceutical
Grupo Biotoscana S.L.U.	Cl Pradillo 5 Bajo Ext, Madrid, España	100%	0,00%	Pharmaceutical
Wisteny Trading S.A. (formerly Grupo Biotoscana S.A.)	Luis Bonavita 1294, Office 2004, WTC, Montevideo, Uruguay	0,00%	100%	Pharmaceutical
Laboratorio Biotoscana Farma Ltda.	Av. Los Militares 5001, Floor 12, Comuna de las Condes, Santiago de Chile, Chile	0,00%	100%	Pharmaceutical
Laboratorio DOSA S.A. (1)	Girardot 1369, Buenos Aires, Argentina	0,00%	100%	Pharmaceutical
Laboratorio LKM S.A.	Montevideo 589, Floor 4, Buenos Aires, Argentina	0,00%	100%	Pharmaceutical
Latin American Pharma Company ETVE S.L.U.	Travessera de Grácia 11, Floor 5, Barcelona, España	0,00%	100%	Pharmaceutical
LKM Bolivia S.A.	Arce 2132, La Paz, Bolivia	0,00%	100%	Pharmaceutical
LKM Chile S.A.	Av. Los Militares 5001, Floor 12, Comuna de los Condes, Santiago de Chile, Chile	0,00%	100%	Pharmaceutical
LKM Ecuador S.A.	Diego de Almagro 30-134, Quito, Ecuador	0,00%	100%	Pharmaceutical
LKM Paraguay S.A.	Mainumby 2062, Fernando de la Mora, Paraguay	0,00%	100%	Pharmaceutical
LKM Perú S.A.	Los Zorzales 130, Lima, Perú	0,00%	100%	Pharmaceutical
GBT - Grupo Biotoscana S.A. (formerly Perbal S.R.L)	Luis Bonavita 1294, Office 2004, WTC, Montevideo, Uruguay	0,00%	100%	Pharmaceutical
United Medical Distribution Ltda.	Al Dos Maracatins 1435, Office 104, São Paolo, Brazil	0,00%	100%	Pharmaceutical
United Medical Ltda.	Avenida dos Imarés 401, Bairro Moema, São Paolo, Brazil	0,00%	100%	Pharmaceutical

(1) Merged into Laboratorio LKM S.A. with effective date January 1, 2020.
(2) No changes in subsidiaries and in consolidation perimeter compared to the year-end December 31, 2019 and six-month period ended June 30, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

The interim condensed consolidated financial statements for the six-month and three-month period ended June 30, 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read jointly with the Group's annual consolidated financial statements as at December 31, 2019, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standard Board (IASB). These standards have no differences to the ones adopted by the IASB.

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which each entity operates. Biotoscana Investments S.A. functional currency is US dollar (USD). The Group's presentation currency is Brazilian Reais (BRL) and all BRL figures are stated in thousands.

Monetary assets and liabilities are translated into each entity's functional currency at the applicable exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions performed by the companies of the Group and from the translation of monetary assets and liabilities into each entity's functional currency are recognized in profit or loss.

The results and financial position of each group entity (except for the subsidiaries in Argentina the economy of which was considered hyperinflationary from July 1, 2018) are translated into the presentation currency as follows:

i. Assets and liabilities for each statement of financial position presented are translated at the applicable closing rate at the respective reporting date.

ii. Income and expenses for each statement of profit or loss and statement of other comprehensive income are translated either at the rates prevailing at the dates of the transactions or at monthly average exchange rates (in case this average is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in "Exchange differences on translation of foreign operations" in other comprehensive income and taken to a separate component of equity.

2.1.1 IAS 29 Financial Reporting in Hyperinflationary Economies

With the effect from July 1, 2018, the Argentine economy is considered to be hyperinflationary in accordance with the criteria in IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). This standard requires that the entity or components financial information whose functional currency is that of an economy considered hyperinflationary be restated using a general price index that reflects changes in general purchasing power.

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 profit or loss.

Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit) are restated by applying the relevant index. After the IAS 29 restatement of non-monetary assets, it is necessary to consider whether the restated amount of the asset might exceed its recoverable amount. Additionally, the application of IAS 29 results in the creation of temporary differences because while 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 using the following procedure:

i. All amounts in the financial statements (excluding the comparatives) are translated using the exchange rate at the current reporting date.

ii. The statement of profit or loss figures has been presented by restating each line under IAS 29 until the end of the period and translating the corresponding amount to BRL at the effective rate at period end.

iii. The comparative amounts in the consolidated financial statements are those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or exchange rates). This results in differences between the closing equity of the previous year and the opening equity of the current year and these changes are presented, including retranslation under IAS 21, as “Exchange differences on translation of foreign operations” in other comprehensive income.

2.2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

Amendments to IAS 1 and IAS 8: Definition of Materiality

The amendments provide a new definition of materiality that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Company comprises a single operating segment, which primarily focuses on innovative products and high-quality branded specialty generics to meet significant unmet patient needs.

This segment is supported by several key functions managed in a centralized way: a R&D organization, a manufacturing organization, a supply organization, a partnering and commercialization organization, a business development organization, M&A and treasury, tax and financial functions. The heads of those functions reported directly to the Chief Executive Officer (which is the Chief Operating Decision Maker).

Segment information is consistent with the financial information regularly reviewed by the Chief Executive Officer and the Board of Directors for purposes of evaluating performance, allocating resources and planning and forecasting future periods.

Geographic information

The following table summarizes total revenues from external customers based on the customer’s locations. The Company has no revenues attributable to Luxembourg, that is its domicile.

	From January 1 to June 30, 2020 (unaudited)	From January 1 to June 30,2019 (unaudited)	From April 1 to June 30, 2020 (unaudited)	From April 1 to June 30, 2019 (unaudited)
Argentina	94.675	82.808	52.219	47.991
Bolivia	5.105	3.984	2.674	2.464
Brazil	144.868	187.859	93.115	114.612
Chile	21.575	19.059	10.549	8.929
Colombia	68.236	56.278	35.118	30.016
Costa Rica	218	175	144	104
Ecuador	5.665	7.595	3.461	3.463
Guatemala	65	547	-	370
Mexico	14.743	7.561	7.274	4.362
Panama	1.134	-	700	-
Paraguay	663	1.362	330	739
Peru	9.603	10.597	3.081	5.179
Uruguay	4.031	4.127	2.842	1.404
Gross revenues of products	370.581	381.952	211.507	219.633
Sales´ commissions	904	1.118	904	1.118
Rebates	(17.268)	(10.233)	(8.926)	(6.056)
Direct taxes	(13.593)	(19.818)	(9.092)	(10.381)
Net revenues	340.624	353.019	194.393	204.314

BIOTOSCANA INVESTMENTS S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

In addition, the net book value of property, plant and equipment in Argentina, Brazil and Colombia is BRL 58.726, BRL 6.237 and BRL 409 as of June 30, 2020 and BRL 43.294, BRL 5.063 and BRL 1.354 as of June 30, 2019. All other individual locations accounted for less than ten percent of the total balances, and no PP&E are held on Luxembourg.

In addition, the following table summarizes the additions of property, plant and equipment in each country. No property, plant and equipment are held on Luxembourg.

	From January 1 to June 30, 2020 (unaudited)	**From January 1 to June 30, 2019 (unaudited)**
Argentina	12.092	6.323
Bolivia	3	-
Brazil	16	2.260
Chile	-	28
Ecuador	-	76
Mexico	14	26
Paraguay	-	9
Peru	3	380
Uruguay	5	41
Additions of PP&E	12.133	9.143

Revenues by therapeutic line

In the periods set out below, revenues by therapeutic line are as follows:

	From January 1 to June 30, 2020 (unaudited)	**From January 1 to June 30, 2019 (unaudited)**	**From April 1 to June 30, 2020 (unaudited)**	**From April 1 to June 30, 2019 (unaudited)**
Infectious Diseases	119.194	127.429	67.220	81.649
Oncology & Onco-Hematology	177.545	171.827	105.861	96.568
Specialty Treatments and I&I	41.473	49.774	20.397	26.958
Orphan and Rare Diseases	32.369	32.922	18.029	14.458
Gross revenues	370.581	381.952	211.507	219.633
Sales´commissions	904	1.118	904	1.118
Rebates	(17.268)	(10.233)	(8.926)	(6.056)
Direct taxes	(13.593)	(19.818)	(9.092)	(10.381)
Net revenues	340.624	353.019	194.393	204.314

Revenue and credit concentration

There are no customers that concentrate 10% or more of the Company’s gross revenues.

BIOTOSCANA INVESTMENTS S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

4. INTANGIBLE ASSETS

	Goodwill	Clients' portfolio	R&D, trademarks and licenses	IT applications	Total
Cost					
Balance as of January 1, 2019	441.709	43.493	146.675	3.786	635.663
Additions	-	-	15.284	1.297	16.581
Disposals	-	-	(1.031)	(846)	(1.877)
Translation exchange differences	800	-	4.938	103	5.841
Balance as of December 31, 2019	442.509	43.493	165.866	4.340	656.208
Additions	-	-	16.393	382	16.775
Transfer	-	-	(39)	(274)	(313)
Translation exchange differences	42.262	-	54.366	1.223	97.851
Balance as of June 30, 2020	484.771	43.493	236.586	5.671	770.521
Amortization					
Balance as of January 1, 2019	-	(28.478)	(36.591)	(1.132)	(66.201)
Amortization charge for the year	-	(6.213)	(13.246)	(1.130)	(20.589)
Impairment charge for the year	(7.682)	-	-	-	(7.682)
Disposals	-	-	2	805	807
Translation exchange differences	-	-	(1.486)	15	(1.471)
Balance as of December 31, 2019	(7.682)	(34.691)	(51.321)	(1.442)	(95.136)
Amortization charge for the period	-	(3.107)	(15.656)	(291)	(19.054)
Impairment charge for the period	(6.322)	-	-	-	(6.322)
Transfers	-	-	55	84	139
Translation exchange differences	(2.772)	-	(16.711)	(338)	(19.821)
Balance as of June 30, 2020	(16.776)	(37.798)	(83.633)	(1.987)	(140.194)
Net book value					
As of June 30, 2020	467.995	5.695	152.953	3.684	630.327
As of December 31, 2019	434.827	8.802	114.545	2.898	561.072

During the six-month periods ended June 30, 2020 and 2019, the Group acquired assets with a cost of 16.775 and 12.447, respectively.

Goodwill impairment test

The Group performed its annual impairment test of goodwill each December or an earliest date when circumstances indicate the carrying value may be impaired. The Group's impairment test for these intangible assets with indefinite lives is based on value-in-use calculations. For this assessment, the Group has identified three CGUs: United Medical Ltda., Latin American Pharma Company ETVE S.L.U. and Laboratorio DOSA S.A. The breakdown of the Group's goodwill by CGUs as of December 31, 2019 is as follows:

United Medical Ltda.	305.008
Latin American Pharma Company ETVE S.L.U.	86.734
Laboratorio DOSA S.A.	43.085
Total as of December 31, 2019	434.827

Although the last impairment test of goodwill was performed in December 2019, the Group considered that COVID-19 pandemic situation mentioned in Note 19 is an impairment indicator since it has implied adverse changes in the environments where the Group subsidiaries operates, including the macroeconomics variables, that affected the Group projections for 2020 and the related discount rates. Consequently, the Group has decided to execute an impairment test during the current semester of all goodwill recorded as mentioned below.

United Medical Ltda. (UM)

The recoverable amount of UM's cash generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the expected changes in demand and margins for pharmaceutical products on UM's portfolio, also considering the expected impact of the non-renewal of certain license agreed with a third party and the impacts of COVID-19 pandemic that affected timing of future launches of new products. The discount rate applied to cash flow projections is 11,5% (December 31, 2019: 10,7%) nominal in USD and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2019: 1,9%) that relates to the long-term inflation rate in United States. As a result of this impairment test performed during the first quarter, management did not identify a need for goodwill impairment. In addition, it did not observe any changes in the significant assumptions used in the analysis of impairment in the first quarter and, also, it did not observe any relevant changes in the performance of the business during the period ended on June 30, 2020 that could change the assessment.

Latin America Pharma Company ETVE S.L.U. (LAPC) and Laboratorio DOSA S.A (DOSA).

The recoverable amount of LAPC and DOSA's cash generating has been determined based on a value in use calculation using cash flow projections from financial updated by Group and covering an eight-year period. The projected cash flows have been updated to reflect the changes in demand for pharmaceutical products on LAPC and DOSA's portfolio due to the economic conditions expected in Argentina as described in December 2019 financial statements and the COVID-19 pandemic that affected timing of future launches of new products. The discount rate applied to cash flow projections is 17,15% (2019: 16,29%) nominal in USD and cash flows beyond the eight-year period are extrapolated using a 2% growth rate (2019: 1,9%) that relates to the long-term inflation rate in United states. As a result of this impairment test performed during the first quarter, management did not identify a need for LAPC's goodwill impairment but it determined that the future discounted cash flows for DOSA's CGU are below the carrying amount of goodwill, after sustain the recoverability of PP&E, so, it was determined the need for an impairment adjustment of that portion of the goodwill in the amount of BRL 6.322 and it was recorded in the current period income statement. No additional impairment adjustments were detected as a consequence of the reassessment of that analysis as of June 30, 2020.

The most significant portion of LAPC and DOSA's operations are mainly concentrated in Argentina, country that have faced some relevant changes in the past few months. Please see Note 6 of the December 31, 2019 for further details of the Argentine environment conditions that continue present as of the date of issuance of these financial statements.

The calculation of value in use for the three units is most sensitive to the following assumptions that were considered by management in the impairment test execution:

- Volumes
- Pricing
- Gross margins
- Discount rate
- Growth rate used to extrapolate cash flows beyond the forecast period

Volumes and prices: Volumes and prices for UM were estimated with a CAGR of 0,02% that results less than expected local inflation and GDP growth. Each product net revenues evolution is in line with historical trends considering the effect of COVID-19 pandemic and its recovery throughout the horizon of projection as well its life cycle, and due dates of licenses. For LAPC and DOSA, it was considered that new launches will be in the range of 2 to 4 products per year, in line with historical evidence throughout the years, but it was considered a delay in timing of 2020 launches since quarantine measures affected commercial activities that require presential contacts with the community. Price increases have been sensitized for certain specific products to include lower inflation pass through.

A decrease in volumes and prices would lead to a decline in gross margin values and in the projected cash-flows. A decrease in net sales with respect to budget over 16,9%, and 8,7% would result in impairment in UM, and LAPC, respectively.

BIOTOSCANA INVESTMENTS S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

Gross margin: It has been projected by GBT in line with historical trends, except for certain licensed products in UM where decrease in gross margin was considered based on potential renegotiation's outcome.

An increase in COGS would lead to a decline in gross margin values and in the projected cash-flows. An increase in COGS with respect to budget over 5,9% and 6,2% would result in impairment in UM and LAPC, respectively.

Discount rates: They represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its CGUs and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. CGUs-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the post-tax discount rate over 16,24% and 18,15% (i.e., +4,74% and +1%) would result in an impairment in UM and LAPC, respectively.

Growth rate: Long-term growth rates used has been conservative considering a 2% that reflects the current USD inflation and 0% in real terms, implying a conservative position that assumes a non-growing scenario in quantities sold and only with price increases due to inflation.

5. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Work in progress	Machinery and equipment	Information processing equipment	Office equipment	Vehicles	Total
Cost								
Balance as of January 1, 2019	2.055	22.068	5.990	36.496	11.561	8.592	2.516	89.278
Additions	-	2.867	452	8.883	1.312	896	335	14.745
Disposals	-	(1.052)	-	(55)	(47)	(33)	(514)	(1.701)
Transfers (1)	(127)	489	(484)	47	(191)	48	(184)	(402)
Translation exchange differences	17	3.018	(3.097)	269	212	4	(17)	406
Balance as of December 31, 2019	1.945	27.390	2.861	45.640	12.847	9.507	2.136	102.326
Additions	-	352	421	11.152	117	83	8	12.133
Disposals	-	(1.468)	(36)	(1.375)	(77)	(212)	(223)	(3.391)
Transfers	-	-	-	-	340	-	-	340
Translation exchange differences	71	7.678	824	12.772	3.188	3.016	571	28.120
Balance as of June 30, 2020	2.016	33.952	4.070	68.189	16.415	12.394	2.492	139.528
Depreciation								
Balance as of January 1, 2019	-	(12.381)	-	(14.152)	(9.295)	(5.305)	(1.061)	(42.194)
Depreciation charge for the year	-	(3.540)	-	(4.318)	(1.424)	(731)	(413)	(10.426)
Disposals	-	12	-	14	45	33	250	354
Transfers (1)	-	-	-	-	109	-	13	122
Translation exchange differences	-	(481)	-	731	(117)	47	47	227
Balance as of December 31, 2019	-	(16.390)	-	(17.725)	(10.682)	(5.956)	(1.164)	(51.917)
Depreciation charge for the period	-	(2.456)	-	(2.625)	(668)	(454)	(204)	(6.407)
Disposals	-	1.452	-	-	12	9	93	1.566
Transfers	-	-	-	-	(102)	-	-	(102)
Translation exchange differences	-	(4.919)	-	(5.293)	(2.663)	(1.847)	(319)	(15.041)
Balance as of June 30, 2020	-	(22.313)	-	(25.643)	(14.103)	(8.248)	(1.594)	(71.901)
Net book value								
As of June 30, 2020	2.016	11.639	4.070	42.546	2.312	4.146	898	67.627
As of December 31, 2019	1.945	11.000	2.861	27.915	2.165	3.551	972	50.409

(1) Corresponds to a transfer to lease assets recognized until 2018 under finance leases in Property, plant and equipment.

During the six-month periods ended June 30, 2020 and 2019, the Group acquired assets with a cost of BRL 12.133 and BRL 9.143, respectively.

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

6. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use asset	Lease liabilities
As at January 1, 2020	20.816	18.258
Additions	2.732	2.732
Cancellations	(954)	(1.009)
Depreciation expense	(5.251)	-
Interest expense	-	1.138
Payments	-	(5.232)
Translation exchange differences	5.176	2.957
As at June 30, 2020	22.519	18.844
Current	-	4.730
Non-current	22.519	14.114

	Right-of-use asset	Lease liabilities
As at January 1, 2019	25.820	25.820
Additions	2.234	2.234
Depreciation expense	(8.243)	-
Interest expense	-	2.357
Payments	-	(10.640)
Translation exchange differences	1.005	(1.513)
As at December 31, 2019	20.816	18.258
Current	-	4.535
Non-current	20.816	13.723

Set out below, are the amounts recognized in the statement of profit or loss as at June 30, 2020 and 2019:

	June 30,2020 (unaudited)	June 30,2019 (unaudited)
Depreciation expense of right-of-use assets	(5.251)	(3.581)
Interest expense on lease liabilities	(1.138)	(1.323)
Other leases and rentals	(58)	(62)
	(6.447)	(4.966)

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

7. INVENTORIES

The break-down of inventories as of June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020 (unaudited)	December 31, 2019
Raw materials	33.636	26.416
Products in transit	35.550	9.518
Finished products	187.791	166.258
Work in progress	53.475	19.044
Other inventories	9.239	11.226
Allowance for impairment in value	(42.095)	(18.588)
Total	277.596	213.874

The movement of the inventory allowance for impairment in value is shown below:

	June 30, 2020 (unaudited)	December 31, 2019
Balance at the beginning of the year	(18.588)	(11.220)
Charges for impairment in value	(16.994)	(6.340)
Uses of allowance	(6.513)	(1.028)
Balance at period/year end	(42.095)	(18.588)

As of June 30, 2020, and December 31, 2019 there are neither restrictions to the ownership of inventories nor limitation to their free disposal.

The Group has agreed several insurance policies to cover the risks stocks are exposed, based on the Management’s desired level of coverage.

The provision for impairment in value recorded have been due to the obsolescence, the net realization value, products near to the expiration date and slow movement of some products.

8. FINANCIAL ASSETS AND OTHER ACCOUNT RECEIVABLES

Trade receivables and other account receivables essentially correspond to trade accounts receivable derived from the Group’s normal activity and other accounts receivables detailed as follows:

	June 30, 2020 (unaudited)		
	Non-current	Current	Total
Trade receivables	7.089	301.621	308.710
Allowance for debtors’ impairment	-	(48.970)	(48.970)
Sundry debtors	-	8.574	8.574
Subtotal	7.089	261.225	268.314
Other tax receivables	751	9.430	10.181
Income tax receivables	1.417	9.223	10.640
Total	9.257	279.878	289.135

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

	December 31, 2019		
	Non-current	Current	Total
Trade receivables	12.928	291.956	304.884
Allowance for debtors' impairment	-	(33.968)	(33.968)
Sundry debtors	-	8.262	8.262
Subtotal	12.928	266.250	279.178
Other tax receivables	817	7.406	8.223
Income tax receivables	-	15.840	15.840
Total	13.745	289.496	303.241

The movement of the allowance for debtors' impairment is as follows:

	June 30, 2020 (unaudited)	December 31, 2019
Balance at the beginning of the year	(33.968)	(31.020)
Increases for debtors´ impairment	(8.854)	(7.487)
Movements of allowance for debtors´ impairments and other decreases	(6.148)	4.539
Balance at period/year end	(48.970)	(33.968)

The fair values of items receivable do not differ from their book values; they essentially are balances receivable in less than one year.

9. FINANCIAL DEBT AND OTHER LIABILITIES

9.1 Financial debt

	Currency	Interest rate	Maturity	June 30, 2020 (unaudited)	December 31, 2019
Non-current					
Santander	BRL	2,00% (+100% CDI)	13/12/2021	7.771	15.589
Total debt with financial institutions - Non-current				7.771	15.589
Creditors for leases (Note 6)				14.114	13.723
Total financial debt - Non-current				21.885	29.312
Current					
Citibank	ARS	18,40%	02/11/2020	5.330	9.266
Itaú Unibanco	BRL	1,65% (+100% CDI)	See Note below	115.050	131.635
Santander	BRL	2,00% (+100% CDI)	19/06/2020 and 13/12/2020	15.568	15.533
Santander	BRL	1,39% (+100% CDI)	04/03/2021	40.564	-
Knight	USD	Libor + 0,75bp	02/01/2021	60.628	-
Others				-	3
Total debt with financial institutions – Current				237.140	156.437
Creditors for leases (Note 6)				4.730	4.535
Total financial debt – Current				241.870	160.972

Loan agreement existing as of the beginning of the period

During November 2017, Laboratorio LKM S.A. contracted Argentinian pesos denominated debt for a total of ARS 531 million, in two separate contracts with Citibank.

The first one, disbursed on November 2, 2017, for ARS 266 million, was an off-shore ARS-linked loan with Citibank N.A. (New York) at a fixed rate of 18,40% p.a. (21,66% all-in after including withholding tax). Total tenor of 3 years; quarterly payments with amortization starting on month 15; and certain penalties in case of an early prepayment. The second one, disbursed on November 3, 2017, was fully pre-paid on November 2018.

On December 2017, United Medical Ltda. contracted Reais denominated debt for BRL 150 million with Itaú Unibanco Brasil. This loan was disbursed on December 8, 2017 and its key conditions are as follow: the loan was a CCB (Brazilian Bank Credit Note). Total tenor of 5 years, with semi-annual payments and a one-year grace period for amortization. The applicable interest rate was the Interbank Market references interest rate (known in Brazil as CDI) +1.65% (with a step-up clause whereby the interest rate increases 25bps for every 0.25x increase in the “Net Debt” / “EBITDA” ratio after 2,0x).

On October 2, 2018, an amendment to this loan was signed between United Medical and Itaú. The purpose of the amendment was to add one extra year of grace period and extend the final maturity of the loan by one year interest charges remain the same.

Due to the acquisition of the Group by Knight mentioned in Note 1, as from November 2019, the Company has breached the “change of control” clause agreed with the bank and it should obtain the approval of the transaction from Itaú Unibanco Brazil. Taking into account that as of June 30, 2020, the abovementioned approval has not been obtained, total amount of the financial debt was classified as current considering the Company does not have the unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

As of the date of issuance of the financial statements, the waiver of Itaú Unibanco Brasil has not been obtained yet. In case that the waver is not finally obtained, the Group has the financial support commitment of its main shareholder to repay the Itaú Unibanco Brasil loan on demand.

On December 2018, United Medical Ltda. contracted Reais denominated debt for BRL 38.855 with Banco Santander. This loan was disbursed on December 28, 2018 and was a CCB (Brazilian Bank Credit Note) based on Law 4.131. Total tenor of 3 years, with semi-annual payments and a one-year grace period for amortization. The applicable interest rate was CDI +2.00% all in (1.87% interest and 0,13% Stand by).

A summary of terms and conditions of main financial debt and borrowings existing as at December 31, 2019 and their mains covenants is disclosed in Note 10 of the consolidated financial statements as of December 31, 2019.

According to the terms and conditions of debt contracts, the financial covenants agreed must be measured at the end of each fiscal year. As of December 31, 2019, except for the change of control clause of Banco Itaú previously mentioned, the Group was in compliance with said financial covenants.

New loan agreements signed during the current period

On March 2020, United Medical Ltda. contracted Reais denominated debt for BRL 40.000 with Banco Santander. This loan was disbursed on March 5, 2020 and was a CCB (Brazilian Bank Credit Note) based on Law 4.131. Total tenor of 1 year and applicable interest rate was CDI +1,39% (all in). This loan agreement has been guaranteed by Knight and does not include any financial convenant.

On January 2, 2020, the Company obtained a loan from Knight for USD 8,000,000 (BRL 41.520). The disbursed loan accrues compensatory interests over the full outstanding amount at an annual interest rate of

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

Libor plus a margin of 0,75% per annum, payable at maturity. The principal and accrued interest of the loan will be repaid in full into 12 months of effective date of the loan agreement (January 2, 2020). This loan was used to finance working capital. This loan agreement does not include any financial covenant.

On May 7, 2020, the Company obtained a loan from Knight for USD 3,000,000 (BRL 16.380). The disbursed loan accrues compensatory interests over the full outstanding amount at an annual interest rate of Libor plus a margin of 0,75% per annum, payable at maturity. The principal and accrued interest of the loan will be repaid in full into 12 months of effective date of the loan agreement (May 7, 2021). This loan was used to finance working capital. This loan agreement does not include any financial covenant.

9.2 Trade payables

The break-down of trade payables as of June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020 (unaudited)	December 31, 2019
Suppliers in local currency	25.137	19.833
Suppliers in foreign currency	168.096	181.917
Total	193.233	201.750

9.3 Taxes payables

The break-down of taxes payables as of June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020 (unaudited)		
	Non-current	Current	Total
Income tax payable	-	1.757	1.757
VAT payable	-	3.408	3.408
Other taxes payable	992	2.550	3.542
Total	992	7.715	8.707

	December 31, 2019		
	Non-current	Current	Total
Income tax payable	-	2.328	2.328
VAT payable	-	7.766	7.766
Other taxes payable	347	966	1.313
Total	347	11.060	11.407

9.4 Other liabilities

The break-down of other liabilities as of June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020 (unaudited)		
	Non-current	Current	Total
Liabilities due to licences acquisition	-	154	154
Sundry creditors	35	14.058	14.093
Total	35	14.212	14.247

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

	December 31, 2019		
	Non-current	**Current**	**Total**
Liabilities due to licences acquisition	-	1.104	1.104
Deferred income	-	143	143
Sundry creditors	-	12.153	12.153
Total	-	13.400	13.400

10. FAIR VALUE

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, other receivables and payables approximate their carrying amounts largely due to the short-term maturities of these instruments. Non-current financial assets and liabilities are measured at amortized cost using applicable interest rates that approximates to their fair value.

The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

As of June 30, 2020, and December 31, 2019, the Company does not maintain in its consolidated statement of financial position assets and liabilities measured at fair value.

11. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

11.1 Financial risk factors

The Group's activities are exposed to different financial risks: market risks (exchange rate, interest rate, etc.), credit risk and liquidity risk. The Group's risk management strategy is focused on managing the uncertainty of financial markets and attempting to minimize the possible adverse effects on financial profitability.

The Group's risk management strategy and their results are monitored by Senior Management. Risks are identified, analyzed and managed on a regular basis.

a) Market risk

i. Exchange rate risk

The Group is exposed to foreign exchange risk from various currency exposures arising from its underlying operations and financial debt profile.

The operational exposure is derived from the mismatch between the Group's imports, mainly denominated in USD, and its sales in local currency. Also, there is an exposure due to certain intra-group transactions denominated in currencies other than the functional currency of the respective subsidiary.

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

The Group does not allow trading speculative foreign exchange derivatives but it celebrates, from time to time, non-deliverable forwards (NDFs) to partially cover certain foreign exchange exposure. No transactions of this nature were celebrated during the current period.

The Group manages its financial debt profile to naturally hedge its foreign exchange risk, since the current financial debt is denominated in the Group´s main two sales currencies: Brazilian Reais and Argentinian Pesos.

ii. Price risk

The management team continuously assesses changes in the environment to resume pricing negotiations with client and suppliers and partially mitigates this risk by virtue of the clauses agreed to and established in the sundry agreements existing with certain suppliers.

iii. Cash flow interest rate and fair value risk

The Group is exposed to interest rate risk arising from almost all its long-term loans that accrue interest at a set at a variable interest rate that floats with the CDI (Certificados de Depositos Interfinancieros rate for 252 working days´ year) or libor depending on each loan.

The applicable CDI is the average of the CDI rate applicable during each interest period. Thus, the accrued interests with those banks at year-end are not exposed to any changes related to variation of the respective floating rates.

The loan with Citibank New York is set at a fixed rate, thus not being exposed to interest rate risk.

iv. Credit risk

The Group is exposed to two types of credit risk:

Credit sales to clients: 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.

Counterparty credit risk: to mitigate counterparty credit risk with financial institutions, the Group operates only with banks which have strong international credit ratings and the Corporate Treasury Team approves all new account openings, ISDAs and investments.

v. Liquidity risk

The Group manages its liquidity risk by periodically forecasting projected cash flows both at subsidiary and group level. If any issues are identified, the Corporate Treasury Team works with the local teams to provide liquidity support. The Group negotiates lines of credit with several global and regional banks to diversify its options and ensure better financing rates.

12. CASH AND SHORT-TERM DEPOSITS

The balance of the “Cash and short-term deposits” item is immediately available.

	June 30, 2020 (unaudited)	December 31, 2019
Cash at banks and on hand	40.019	31.408
Short-term deposits	16.769	16.566
Total	56.788	47.974

BIOTOSCANA INVESTMENTS S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

13. PROVISIONS AND CONTINGENCIES

The table below shows the provisions of the consolidated balance sheet at the closing of June 30, 2020 and December 31, 2019, accumulated in the normal course of business, as well as the main movements recorded during the periods:

	June 30, 2020 (unaudited)			
	Opening balance	**Increase**	**Decrease**	**Final balance**
Other provisions	181	45	(47)	179
Long-term provisions	181	45	(47)	179
Litigation provisions	2.228	532	(754)	2.006
Other provisions	1.893	816	(988)	1.721
Short-term provisions	4.121	1.348	(1.742)	3.727
Total	4.302	1.393	(1.789)	3.906

	December 31, 2019			
	Opening balance	**Increase**	**Decrease**	**Final balance**
Other provisions	146	58	(23)	181
Long-term provisions	146	58	(23)	181
Litigation provisions	3.170	1.157	(2.099)	2.228
Other provisions	6.241	3.785	(8.133)	1.893
Short-term provisions	9.411	4.942	(10.232)	4.121
Total	9.557	5.000	(10.255)	4.302

14. NET REVENUES

	From January 1 to June 30, 2020 (unaudited)	**From January 1 to June 30, 2019 (unaudited)**	**From April 1 to June 30, 2020 (unaudited)**	**From April 1 to June 30, 2019 (unaudited)**
Gross revenues of products	370.581	381.952	211.507	219.633
Sale`s commissions	904	1.118	904	1.118
Rebates	(17.268)	(10.233)	(8.926)	(6.056)
Direct taxes	(13.593)	(19.818)	(9.092)	(10.381)
Net revenues	340.624	353.019	194.393	204.314

BIOTOSCANA INVESTMENTS S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020
(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

15. COST OF SALES AND OPERATING EXPENSES

15.1 Cost of sales

	From January 1 to June 30, 2020 (unaudited)	From January 1 to June 30, 2019 (unaudited)	From April 1 to June 30, 2020 (unaudited)	From April 1 to June 30, 2019 (unaudited)
Stock at the beginning of the year	213.874	182.490	261.551	189.242
Purchases	238.945	177.021	118.178	104.103
Production expenses	25.761	16.848	13.898	8.513
Stock at end of the period	(277.596)	(190.689)	(277.596)	(190.689)
Total	200.984	185.670	116.031	111.169

15.2 Operating expenses

A summary of other operating expenses for the six-month and three-month periods ended June 30, 2020 and 2019 is as follows:

	From January 1 to June 30, 2020 (unaudited)					
	Production expenses	**Selling and marketing expenses**	**General and administrative expenses**	**R&D, medical, regulatory and business development expenses**	**Reorganization, integration and acquisition expenses**	**Total**
Salaries and payroll taxes	(15.630)	(31.629)	(14.452)	(6.115)	(1.692)	(69.518)
Taxes	(225)	(3.936)	(454)	(32)	(83)	(4.730)
Intangible assets amortization	-	(18.764)	(290)	-	-	(19.054)
Property, plant and equipment depreciation	(2.029)	(164)	(3.977)	(237)	-	(6.407)
Right of use assets depreciation	(47)	(830)	(4.274)	(100)	-	(5.251)
Fees for services	(328)	(1.331)	(7.860)	(3.457)	(130)	(13.106)
Leases and rentals	(85)	(532)	(284)	(152)	(2)	(1.055)
Debtors impairment provision	-	(8.854)	-	-	-	(8.854)
Transportation and freights	(911)	(6.759)	(11)	(2)	-	(7.683)
Advertising and promotion	-	(7.316)	-	-	-	(7.316)
Others	(6.506)	(1.099)	(7.224)	(2.995)	(76)	(17.900)
Total 2020	(25.761)	(81.214)	(38.826)	(13.090)	(1.983)	(160.874)

BIOTOSCANA INVESTMENTS S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

	From January 1 to June 30, 2019 (unaudited)					
	Production expenses	**Selling and marketing expenses**	**General and administrative expenses**	**R&D, medical, regulatory and business development expenses**	**Reorganization, integration and acquisition expenses**	**Total**
Salaries and payroll taxes	(10.725)	(28.940)	(22.328)	(10.714)	(6.790)	(79.497)
Taxes	(167)	(3.417)	(428)	(12)	(44)	(4.068)
Intangible assets amortization	-	(9.531)	(561)	-	-	(10.092)
Property, plant and equipment depreciation	(1.483)	(131)	(3.552)	(75)	-	(5.241)
Right of use assets depreciation	-	(558)	(2.959)	(64)	-	(3.581)
Fees for services	(77)	(2.822)	(7.610)	(4.072)	(178)	(14.759)
Leases and rentals	-	-	(62)	-	-	(62)
Debtors impairment provision	-	(153)	(239)	-	-	(392)
Transportation and freights	(62)	(6.909)	-	(1)	-	(6.972)
Advertising and promotion	-	(11.512)	-	-	-	(11.512)
Others	(4.334)	(1.745)	(7.884)	(2.756)	(103)	(16.822)
Total 2019	(16.848)	(65.718)	(45.623)	(17.694)	(7.115)	(152.998)

	From April 1 to June 30, 2020 (unaudited)					
	Production expenses	**Selling and marketing expenses**	**General and administrative expenses**	**R&D, medical, regulatory and business development expenses**	**Reorganization, integration and acquisition expenses**	**Total**
Salaries and payroll taxes	(8.566)	(17.217)	(6.729)	(1.456)	(858)	(34.826)
Taxes	(150)	(2.089)	(200)	(19)	(83)	(2.541)
Intangible assets amortization	-	(10.874)	(157)	-	-	(11.031)
Property, plant and equipment depreciation	(893)	(79)	(2.482)	(233)	-	(3.687)
Right of use assets depreciation	(22)	(434)	(2.199)	(61)	-	(2.716)
Fees for services	(116)	(627)	(4.339)	(1.684)	(86)	(6.852)
Leases and rentals	-	(295)	(114)	(106)	(2)	(517)
Debtors imparmient provision	-	(4.719)	-	-	-	(4.719)
Transportation and freights	(500)	(3.604)	(6)	-	-	(4.110)
Advertising and promotion	-	(2.371)	-	-	-	(2.371)
Others	(3.651)	(450)	(3.856)	(2.033)	(68)	(10.058)
Total 2020	(13.898)	(42.759)	(20.082)	(5.592)	(1.097)	(83.428)

BIOTOSCANA INVESTMENTS S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

	From April 1 to June 30, 2019 (unaudited)					
	Production expenses	**Selling and marketing expenses**	**General and administrative expenses**	**R&D, medical, regulatory and business development expenses**	**Reorganization, integration and acquisition expenses**	**Total**
Salaries and payroll taxes	(5.196)	(14.455)	(11.011)	(5.806)	(4.862)	(41.330)
Taxes	(89)	(1.958)	(225)	(10)	(44)	(2.326)
Intangible assets amortization	-	(4.888)	(356)	-	-	(5.244)
Property, plant and equipment depreciation	(804)	(68)	(1.943)	(42)	-	(2.857)
Right of use assets depreciation	-	(276)	(1.456)	(32)	-	(1.764)
Fees for services	(69)	(1.409)	(4.009)	(1.923)	(70)	(7.480)
Leases and rentals	-	-	(26)	-	-	(26)
Debtors impairment provision	-	(259)	(239)	-	-	(498)
Transportation and freights	-	(3.874)	-	-	-	(3.874)
Advertising and promotion	-	(6.844)	-	-	-	(6.844)
Others	(2.355)	(845)	(4.311)	(1.611)	(40)	(9.162)
Total 2019	(8.513)	(34.876)	(23.576)	(9.424)	(5.016)	(81.405)

15.3 Other operating income (loss), net

	From January 1 to June 30, 2020 (unaudited)	**From January 1 to June 30, 2019 (unaudited)**	**From April 1 to June 30, 2020 (unaudited)**	**From April 1 to June 30, 2019 (unaudited)**
Revenues related to non-compete Argentina	-	8.599	-	791
Others	(1.084)	207	(1.168)	268
Total	(1.084)	8.806	(1.168)	1.059

15.4 Interest and other financial expense, net

	From January 1 to June 30, 2020 (unaudited)	**From January 1 to June 30, 2019 (unaudited)**	**From April 1 to June 30, 2020 (unaudited)**	**From April 1 to June 30, 2019 (unaudited)**
Interest Citibank	(711)	(1.915)	(291)	(817)
Interest Itaú Unibanco	(3.717)	(6.184)	(1.660)	(3.119)
Interest Santander	(1.267)	(1.589)	(675)	(817)
Interest leases liabilities	(1.138)	(1.323)	(540)	(683)
Taxes on financial transactions	(541)	(1.246)	(286)	(862)
Non-deliverable forwards	(468)	(1.534)	(293)	(1.203)
Others	(912)	(1.301)	(838)	(658)
Total	(8.754)	(15.092)	(4.583)	(8.159)

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

15.5 Foreign exchange expense, net

	From January 1 to June 30, 2020 (unaudited)	From January 1 to June 30, 2019 (unaudited)	From April 1 to June 30, 2020 (unaudited)	From April 1 to June 30, 2019 (unaudited)
Related to trade receivables and accounts payable	(40.098)	194	(6.921)	(146)
Related to other assets and liabilities	453	(960)	(625)	(296)
Total	(39.645)	(766)	(7.546)	(442)

15.6 Gain (loss) on net monetary position for exposure to inflation in Argentina

	From January 1 to June 30, 2020 (unaudited)	From January 1 to June 30, 2019 (unaudited)	From April 1 to June 30, 2020 (unaudited)	From April 1 to June 30, 2019 (unaudited)
Trade receivables and other account receivables	(13.550)	(20.106)	(5.598)	(9.058)
Other assets	(1.297)	(2.844)	(591)	(2.638)
Cash and short-term deposits	(314)	(482)	(341)	(43)
Provisions	455	797	184	369
Financial debt and borrowings	3.999	13.152	1.464	6.504
Trade payable and other payables	6.153	9.093	2.140	7.889
Payroll and social security liabilities	1.335	2.296	536	(2.664)
Total	(3.219)	1.906	(2.206)	359

16. EQUITY

16.1 Issued capital and share premium

The Company was incorporated on July 26, 2011 with a subscribed and fully paid up capital of USD 50.000 represented by 1 management share and 49.999 ordinary shares of USD 1,00 each. The Company´s issued capital is nominated in USD. After different modifications to share capital occurred until the date of these financial statements, the subscribed and fully paid up capital amounted to USD 106.622,31 (BRL 217) represented by 106.622.306 shares of a nominal value of USD 0,01 per share and the related share premium amounted to 748.624. Note 15 to the December 31, 2019 financial statements describe all the modifications made to share capital.

16.2 Buyback of shares

The General Meeting of Shareholders dated April 25, 2018, approved a Buyback of Shares Program of BDRs and authorize the Board of Directors to implement it under the following conditions:

Maximum number of BDRs to be acquired	up to 1.522.208 BDRs
Minimum and maximum consideration in case of acquisition for value	minimum amount of BRL 2 up to maximum amount of BRL 30

BDRs acquired within the scope of the Buyback Program will be held in treasury, cancelled or allocated to any other plan approved by the Company's Shareholders General Meeting.

Company's objective with the Buyback Program is to create value for shareholders by properly managing the Company's capital structure.

(Amounts stated in thousands of Brazilian Reais - BRL - except for share data and as otherwise indicated. See Note 2.1)

Following IAS 32, the Company recognized its own equities instruments (Treasury shares) deducted from equity and no gain or loss are recognized in profit or loss related to those instruments. See below the date as at June 30, 2020.

Number of BDRs held in treasury as of June 30, 2020	490.236
Number of BDRs acquired	1.346.300. BDRs have been acquired at an average price of BRL 10,49 with prices ranging from BRL 14,30 to BRL 9,16 (total consideration paid amounted BRL 14.117)
Number of BDRs delivered to employees to fulfill the second vesting of the Stock Grant	856.064
Total amount presented as Treasury shares, deducted from equity	BRL 4.676

Treasury shares have been acquired by two subsidiaries of the Group (United Medical Ltda and Wisteny Trading S.A.).

17. INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	From January 1 to June 30, 2020 (unaudited)	From January 1 to June 30, 2019 (unaudited)	From April 1 to June 30, 2020 (unaudited)	From April 1 to June 30, 2019 (unaudited)
Current income tax charge	(11.806)	(8.741)	(5.363)	(5.666)
Deferred income tax charge/income	6.524	(1.420)	4.770	489
Income tax expense recognized in statement of profit or loss	(5.282)	(10.161)	(593)	(5.177)

18. RELATED PARTIES

Note 1 provides information about Group's structure, including details of the subsidiaries and the holding company. On January 2020 and May 2020, the Company signed two loan agreements with Knight (it is new majority shareholder). Please refer to Note 9 for further information.

No related party transactions were made during the period, except for taking loans from Knight in the amount of USD 11 million (see Note 9) that have accrued interest of about BRL 593 during the current period. Terms and conditions of these loans are equivalent to those that prevail in arm's length transactions.

In addition, Senior Management receives remuneration as determined by the Board of Directors. In the six-month periods ended June 30, 2020 and 2019, total compensation to our Board of Directors and Senior Management amounted to BRL 3.997 and BRL 6.661 respectively.

19. COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic.

With the recent and rapid development of the outbreak, certain countries where the Group has significant operations, have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures.

In this context, the Group worked and is currently working on different contingency plans for continuous supply and, at this stage, it does not foresee any relevant inventory shortage.

In addition, based on the analysis performed by Group management, the outbreak is having and will have a negative impact on the activities of the Group, including its revenues and profitability and it may also generate certain delays in collections of receivables and the need for impairment of different assets. Due to this context and after Group management analysis of the impact of this situation, the Group recorded during first semester of the current fiscal year (a) an additional accrual for inventories obsolescence based on the expected slow turnover due to re-forecasted sales and (b) an impairment of goodwill related to DOSA’s CGU (see Notes 7 and 4, respectively). No additional matters were observed or recorded during the second quarter.

As the outbreak continues to progress and evolve, it is uncertain at this point of time to predict the extent of additional impacts on the Group’s financial and operating results that cannot be reasonable estimated, but additional impacts could be material.

20. EVENTS AFTER THE REPORTED PERIOD

As disclosed in Note 1, Knight became the controlling shareholder of the Company and, as a consequence of the closing of the Sale of Control, Knight is conducting a tender offer of the remaining shares and BDRs.

On July 8, CVM approved the tender offer for the acquisition of BDRs representing shares of the Company, aiming at (i) fulfilling the Offeror’s statutory obligation to conduct a public offer for the acquisition of the outstanding BDRs following the transfer of control; and (ii) the voluntary discontinuity of the BDRs program of the Company, in compliance with applicable regulation.

BDR holders are invited to tender their BDRs at the auction that will take place on August 14, 2020.