



Unaudited Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2020 and 2019

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Jamieson Wellness Inc.
Unaudited Condensed Consolidated Interim Statements of Financial Position
In thousands of Canadian dollars as at

	<u>Notes</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Assets			
Current assets			
Cash		5,227	198
Accounts receivable	3	80,788	89,394
Inventories	4	97,710	81,948
Derivatives	9	3,086	-
Prepaid expenses and other current assets		2,709	1,893
		189,520	173,433
Non-current assets			
Property, plant and equipment		66,938	64,906
Goodwill		122,975	122,975
Intangible assets		197,742	198,189
Deferred income tax		2,290	2,272
Total assets		579,465	561,775
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		67,325	67,795
Income taxes payable		1,082	2,365
Derivatives	9	-	1,292
Current portion of other long-term liabilities		1,959	1,890
		70,366	73,342
Long-term liabilities			
Long-term debt	5	172,956	164,769
Post-retirement benefits		4,023	3,923
Deferred income tax		52,732	51,107
Other long-term liabilities		10,928	9,466
Total liabilities		311,005	302,607
Shareholders' equity			
Share capital	6	245,239	243,224
Contributed surplus		11,045	10,727
Retained earnings		9,755	6,061
Accumulated other comprehensive income (loss)		2,421	(844)
Total shareholders' equity		268,460	259,168
Total liabilities and shareholders' equity		579,465	561,775

(see the accompanying notes to the unaudited condensed consolidated interim financial statements)

Approved on behalf of the Board:

Steve Spooner
Director

David Williams
Director

Jamieson Wellness Inc.**Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Income**

In thousands of Canadian dollars, except share and per share amounts

	Notes	Three months ended March 31,	
		2020	2019
Revenue	10, 11	84,523	72,578
Cost of sales		53,267	45,378
Selling, general and administrative expenses		17,632	16,489
Share-based compensation	7	1,265	800
Earnings from operations		12,359	9,911
Foreign exchange (gain) loss		(749)	26
Other income		-	(3)
Interest expense and other financing costs	8	1,928	2,422
Income before income taxes		11,180	7,466
Provision for income taxes		3,169	2,082
Net income		8,011	5,384
Unrealized gain (loss) on amounts to be reclassified net of realized gains on amounts reclassified to net income	9	4,378	(1,642)
Income tax		(1,160)	435
Total other comprehensive income (loss)		3,218	(1,207)
Comprehensive income		11,229	4,177
Income per share attributable to common shareholders:	12		
Basic, income per share		0.20	0.14
Diluted, income per share		0.20	0.14
Weighted average number of shares:	12		
Basic		39,099,112	38,305,895
Diluted		40,028,774	39,659,791

Jamieson Wellness Inc.
Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
In thousands of Canadian dollars

	<u>Notes</u>	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive (loss) income</u>	<u>Total shareholders' equity</u>
As at December 31, 2019		243,224	10,727	6,061	(844)	259,168
Net income for the period		-	-	8,011	-	8,011
Issuance of treasury shares	6	2,015	(825)	-	-	1,190
Common share dividend (\$0.11 per share)		-	-	(4,317)	-	(4,317)
Other comprehensive gain		-	-	-	3,218	3,218
Currency translation adjustment		-	-	-	47	47
Share-based compensation	7	-	1,143	-	-	1,143
As at March 31, 2020		245,239	11,045	9,755	2,421	268,460
		<u>Share capital</u>	<u>Contributed surplus</u>	<u>Deficit</u>	<u>Accumulated other comprehensive income</u>	<u>Total shareholders' equity</u>
As at December 31, 2018		239,404	9,037	(10,670)	2,951	240,722
Impact of new accounting standards adopted January 1, 2019		-	-	(239)	-	(239)
Net income for the period		-	-	5,384	-	5,384
Issuance of treasury shares	6	1,667	(559)	-	-	1,108
Common share dividend (\$0.09 per share)		-	-	(3,448)	-	(3,448)
Other comprehensive loss		-	-	-	(1,207)	(1,207)
Share-based compensation	7	-	670	-	-	670
As at March 31, 2019		241,071	9,148	(8,973)	1,744	242,990

(see the accompanying notes to the unaudited condensed consolidated interim financial statements)

Jamieson Wellness Inc.
Unaudited Condensed Consolidated Interim Statements of Cash Flows
In thousands of Canadian dollars,

Cash provided by (used in)	Notes	Three months ended March 31,	
		2020	2019
Operating activities			
Net income		8,011	5,384
Items not affecting cash			
Depreciation of property, plant, and equipment and right-of-use assets		1,920	1,660
Amortization of intangible assets		936	915
Amortization of deferred financing fees		-	363
Deferred income taxes		447	(18)
Share-based compensation	7	1,143	670
Others		147	79
Net change in non-cash working capital		(9,727)	(18,995)
		2,877	(9,942)
Investing activities			
Additions to property, plant and equipment, net		(1,922)	(1,785)
Acquisition of intangible assets		(489)	(185)
		(2,411)	(1,970)
Financing activities			
Proceeds from credit facilities	5	20,635	14,456
Repayment to credit facilities	5	(12,448)	(8,855)
Payment of lease liabilities		(497)	(480)
Exercise of stock options and ESPP	6	1,190	1,108
Dividends to Common Shareholders		(4,317)	(3,448)
		4,563	2,781
Increase (decrease) in cash		5,029	(9,131)
Cash - Beginning of the period		198	12,445
Cash - End of the period		5,227	3,314
Supplemental disclosure			
Amount of income taxes paid		4,065	7,024
Amount of interest paid		1,177	1,868

(see the accompanying notes to the unaudited condensed consolidated interim financial statements)

Jamieson Wellness Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2020 and 2019

1. Company overview

1.1 Description of the business and consolidated financial statements

Jamieson Wellness Inc. (“Jamieson” or the “Company”) was incorporated on January 24, 2014 as Jamieson Intermediate Holdings Ltd. On January 31, 2014, the Company’s wholly owned subsidiary, Intrepid Acquisition Corporation (“Intrepid”) acquired 100% of the shares of Jamieson Laboratories Ltd. On the same day, Intrepid and Jamieson Laboratories Ltd. amalgamated with the resulting company (“JLL”) carrying on operations under the name Jamieson Laboratories Ltd. The Company’s common shares (“Common Shares”) are listed on the Toronto Stock Exchange under the stock symbol “JWEL”.

The unaudited condensed consolidated interim financial statements of Jamieson and its subsidiaries for the three months ended March 31, 2020 (the “Interim Financial Statements”) were authorized for issue by the Board of Directors of the Company on May 12, 2020. Jamieson is a company continued under the *Business Corporations Act* (Ontario) and resident in Canada. Jamieson’s registered office is located at 66 Wellington Street West, Suite 5300, TD Bank Tower, Toronto, ON, M5K 1E6.

The Company has manufacturing facilities located in Windsor, Ontario and in Toronto, Ontario and is principally engaged in the manufacturing, development, distribution, sales and marketing of branded and customer branded health products for humans including vitamins, herbal and mineral nutritional supplements.

1.2 Subsidiaries

The table below provides a summary of the Company’s subsidiaries. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of common shares, which are held directly or indirectly by the Company.

As at Entity	March 31, 2020 %	December 31, 2019 %	Principal Place of Operations
Jamieson Laboratories Ltd.	100	100	Canada
International Nutrient Technologies Limited	100	100	Canada
Body Plus Nutritional Products Inc.	100	100	Canada
Jamieson Health Products (Shanghai) Co., Ltd.	100	100	China
Jamieson Health Products Australia Pty Ltd.	100	100	Australia
Jamieson Health Products UK Ltd.	100	100	United Kingdom
Jamieson Health Products USA Ltd.	100	100	United States of America

2. Summary of significant accounting policies

2.1 Basis of preparation and statement of compliance

The Interim Financial Statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019 (the “Annual Financial Statements”). The Interim Financial Statements have been prepared using the same accounting policies as disclosed in the Annual Financial Statements. The Interim Financial Statements are presented in Canadian dollars and all values are rounded to the nearest thousand (\$000), except share and per share amounts and when otherwise indicated.

Jamieson Wellness Inc.
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3. Accounts receivable

As at	March 31, 2020	December 31, 2019
	<u>\$</u>	<u>\$</u>
Trade	78,633	86,251
Other miscellaneous receivables	3,326	4,314
Allowance for expected credit losses	<u>(1,171)</u>	<u>(1,171)</u>
	<u>80,788</u>	<u>89,394</u>

4. Inventories

As at	March 31, 2020	December 31, 2019
	<u>\$</u>	<u>\$</u>
Raw material and packaging	41,319	31,544
Bulk product and work in process	17,403	12,202
Packaged finished goods	42,697	41,165
Inventory provision	<u>(3,709)</u>	<u>(2,963)</u>
	<u>97,710</u>	<u>81,948</u>

An inventory provision is estimated by management based on historical sales, inventory aging and expiry, and expected future sales and is included in cost of sales. Subsequent changes to the provision are recorded in cost of sales in the unaudited condensed consolidated interim statements of operations and comprehensive income.

5. Long-term debt

On September 27, 2019, JLL amended and restated its credit agreement (the “Initial Credit Agreement”) to add Jamieson Health Products USA Ltd. (collectively with JLL the “Borrowers”) as a co-borrower and to provide a secured revolving facility of \$275,000 (including a \$10,000 swingline facility) with the option to increase the revolving facility by \$200,000 (collectively, the “Credit Facilities”). The Credit Facilities mature on September 27, 2024 with the outstanding principal repayable in full on this date.

The Company concluded that the amendments to the Initial Credit Agreement represent a substantial modification of the terms with its lenders. Accordingly, extinguishment accounting was applied, resulting in the derecognition of the previous unamortized deferred financing fee of \$1,949. Financing costs of \$1,442 were incurred as part of the issuance of the Credit Facilities which have been expensed and recorded as other expenses.

Prior to amendment, JLL entered into the Initial Credit Agreement on January 31, 2017 with a syndicate of lenders. The Initial Credit Agreement provided a secured term credit facility of \$195,000 (with the option to increase the facility up to \$255,000) and a secured revolving credit facility of \$75,000 (including a \$10,000 swingline facility). Financing costs of \$4,265 and \$1,536 were incurred as part of the issuance of the term credit facility and revolving credit facility, respectively.

For the three months ended March 31, 2020, JLL made drawings of \$20,635 and debt repayments of \$12,448 applied against the Credit Facilities.

For the three months ended March 31, 2019, JLL made debt repayments of \$2,438 applied against the initial term credit facility.

Jamieson Wellness Inc.
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For the three months ended March 31, 2019, JLL made drawings of \$14,456 and debt repayments of \$6,417 applied against the initial revolving credit facility.

For the three months ended March 31, 2020, the weighted average interest rate on the Credit Facilities was 4.1% (2019 - 4.6%).

The Credit Facilities are secured by security agreements and first charges over the assets including property, plant and equipment and intellectual property of the Borrowers and certain other subsidiaries of JLL, subject to permitted liens.

Under the terms of the Credit Facilities, the Borrowers are subject to restrictive covenants and must maintain an interest coverage ratio of not less than 3.00:1.00 and a leverage ratio not greater than 4.00:1.00.

The Borrowers are in compliance with all covenants as at the date of these consolidated financial statements.

6. Share capital and redeemable preferred shares

	Common Shares	
	#	\$
As at December 31, 2019	38,989,942	243,224
Exercise of stock options	274,188	1,890
Employee stock purchase plan	5,274	125
As at March 31, 2020	39,269,404	245,239

	Common Shares	
	#	\$
As at December 31, 2018	38,207,114	239,404
Exercise of stock options	102,263	1,536
Employee stock purchase plan	6,820	131
As at March 31, 2019	38,316,197	241,071

As at March 31, 2020 and 2019, the authorized share capital consisted of:

- a) Unlimited number of Common Shares with no par value. The holders of Common Shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.
- b) Unlimited number of Preference Shares, issuable in series.

7. Share-based compensation

Senior employees and directors plan

The Company has an equity-based compensation plan providing for the issuance of securities under which the grants will be made by the Company. Under the long-term incentive plan, the Board of Directors, at its discretion may grant share options, restricted shares, restricted share units in the form of time-based restricted share units ("RSUs") or performance-based share units ("PSUs"), stock appreciation rights and deferred share units. The awards are settled in Common Shares of the Company and have no cash settlement alternatives.

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A summary of the status of the Company's outstanding share-based awards and changes during the three-month period ended March 31, 2020 and year ended December 31, 2019 is presented below:

	March 31, 2020			December 31, 2019		
	Options (number of shares)	PSUs (number of shares)	RSU's (number of shares)	Options (number of shares)	PSUs (number of shares)	RSU's (number of shares)
Outstanding awards, beginning of period	2,919,776	187,903	18,000	2,958,875	95,706	27,000
Granted	515,862	68,991	-	756,230	92,197	-
Exercised	(274,188)	-	-	(749,333)	-	(9,000)
Forfeited	-	-	-	(45,996)	-	-
Outstanding awards, end of period	3,161,450	256,894	18,000	2,919,776	187,903	18,000
Awards exercisable, end of period	1,401,138	-	-	1,605,565	-	-

The Company's share-based compensation expense for the three-months ended March 31, 2020 is \$1,265 (2019 - \$800).

8. Interest expense and other financing costs

	Three months ended March 31,	
	2020	2019
	\$	\$
Interest on debt and borrowings	1,793	1,980
Interest on lease liabilities	135	79
Amortization of deferred financing fees (Note 5)	-	363
	1,928	2,422

9. Financial instruments and risk management activities

Financial instruments

Fair value measurement

All derivative instruments have been classified as Level 2 in the fair value hierarchy.

The fair values and notional amounts of derivative financial instruments shown below are as at:

	March 31, 2020			December 31, 2019		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset	Liability		Asset	Liability
	\$USD	\$	\$	\$USD	\$	\$
Foreign currency forward contract designated as hedging instruments	39,000	3,086	-	48,000	-	(1,292)

The carrying values of financial assets and liabilities measured at amortized cost (excluding long-term debt) approximate their fair values due to their short-term nature.

Jamieson Wellness Inc.

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The carrying value of long-term debt as at March 31, 2020 and December 31, 2019 approximates their fair value. The fair value of the Company's long-term debt was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. The fair value of long-term debt is considered a Level 2 fair value measurement.

For the three-month period ended March 31, 2020 there were no transfers between levels.

Financial instrument risk management objectives and policies

The Company is exposed to credit risk, market risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's financial instruments and policies for managing these risks are detailed below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The Company is exposed to credit risk from its customers (primarily related to trade accounts receivable) in the normal course of business. The Company has adopted a policy of only dealing with creditworthy counterparties. To mitigate this risk, the Company carries out regular credit evaluations and purchases credit insurance for international customers, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company is also exposed to counterparty credit risk inherent in its financing activities, trade receivable insurance and foreign currency derivatives. The Company has assessed these risks as minimal.

Market risk

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily from transactions in US dollars such as a portion of trade accounts payable, trade accounts receivable and cash.

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposure. As of March 31, 2020, \$51,736 (December 31, 2019 - \$63,619) of anticipated foreign currency denominated purchases have been hedged with underlying foreign exchange forward contracts settling at various dates in the year proceeding the unaudited condensed consolidated interim statement of financial position date.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's accounts receivable and accounts payable are non-interest bearing. The Company's exposure to the risk of changes in market interest rates arises from long-term debt obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Jamieson Wellness Inc.
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With all other variables held constant, the sensitivity to a reasonably possible change in interest rates on floating rate borrowings of the Company would have the following impact to net income before taxes:

	Increase/ decrease in basis points +/-	Effect on profit before tax \$
Three months ended March 31, 2020	100	440
Three months ended March 31, 2019	100	436

Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net income, as the Company's debt is carried at amortized cost and the carrying value does not change as interest rates change.

Commodity price risk

The Company is exposed to price risk related to purchases of certain commodities used as raw materials. The Company may use fixed price contracts with suppliers to mitigate commodity price risk. Concentration in any one raw material is not significant to the Company.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, various long-term debt agreements, obligations under its post-retirement benefits plan and lease liabilities.

The Company manages its liquidity risk through continuous monitoring of its forecast and actual cash flows and through the management of its capital structure. The Company continually revises its available liquid resources as compared to the timing of the payment of liabilities to manage its liquidity risk.

The contractual undiscounted principal cash flows payable in respect of financial liabilities as at the date of these Interim Financial Statements, were as follows:

As at	March 31, 2020	December 31, 2019
	\$	\$
Amounts payable in more than 12 months	190,304	180,284
Amounts payable in less than 12 months	69,823	70,149
	260,127	250,433

Impact of COVID-19

Considering the recent outbreak of COVID-19 around the world, conditions may come into existence in the future that could influence the Company's operations. Since becoming aware of the outbreak in early January, the Company has secured additional, alternate sources of raw materials to ensure continuity of supply and implemented safety measures across the organization to ensure that our employees and business partners are protected.

The duration and impact of the COVID-19 outbreak is unknown and the potential impact that COVID-19 will have on the Company's business or financial results cannot be reasonably estimated at this time.

Jamieson Wellness Inc.
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Capital

The Company's objective is to maintain a cost-effective capital structure that supports its long-term growth strategy, supports the business and maximizes shareholder value. The Company typically uses leverage in its capital structure to reduce the cost of capital. The Company's goal is to maintain its primary credit ratios and leverage at levels that are designed to provide continued access to investment-grade credit pricing and terms.

The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily cash, less long-term debt and bank indebtedness ("net cash (debt)") to earnings before interest, income taxes, depreciation, amortization, restructuring and other related costs, and interest coverage. Additionally, the Company maintains a cash flow reserve to service obligations as they come due.

In addition to senior debt, credit facilities, and equity, the Company uses leases as additional sources of financing.

There have been no material changes to the Company's risk management activities since the inception of the Company's operations.

10. Segment information

The Company has two reportable operating segments with all material operations carried out in Canada:

- The Jamieson Brands segment ("Jamieson Brands") principal activity is the manufacturing, distribution and marketing of branded natural health products including vitamins, minerals and supplements; and
- The Strategic Partners segment ("Strategic Partners") principal activity is providing contract manufacturing services to consumer health companies and retailers worldwide.

The Company's chief operating decision maker evaluates segment performance on the basis of earnings from operations, as reported to internal management, on a periodic basis.

Inter-segment revenues and expenses are eliminated upon consolidation and relate mainly to sales from the Strategic Partners segment to the Jamieson Brands segment. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	For the three month period ended March 31, 2020		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	69,794	14,729	84,523
Earnings from operations	11,954	405	12,359
Foreign exchange gain			(749)
Interest expense and other financing costs			1,928
Provision for income taxes			3,169
Net income			8,011

Jamieson Wellness Inc.
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	For the three month period ended March 31, 2019		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	56,041	16,537	72,578
Earnings from operations	7,996	1,915	9,911
Foreign exchange loss			26
Other income			(3)
Interest expense and other financing costs			2,422
Provision for income taxes			2,082
Net income			5,384

Share-based compensation is allocated to the Jamieson Brands operating segment.

11. Revenue from contracts with customers

The following table sets forth the disaggregation of the Company's revenue from contracts with customers in the Jamieson Brands operating segment:

	Three months ended March 31,	
	2020	2019
	\$	\$
Domestic sales	62,136	50,980
International sales	7,658	5,061
Total revenue from contracts with customers	69,794	56,041

Domestic sales include revenues generated from our previous acquisitions of Body Plus Nutritional Products Inc. and Lorna Vanderhaeghe Health Solutions Inc.

12. Income per share

Basic income per share amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted income per share amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period, adjusted for the effects of potentially dilutive preferred shares, share options, PSUs, and RSUs.

The following table sets forth the calculation of basic and diluted income per share:

Three months ended March 31,	2020			2019		
	Net income available to common shareholders	Weighted average number of shares	EPS \$	Net income available to common shareholders	Weighted average number of shares	EPS \$
<i>Basic</i>						
Continuing operations	8,011	39,099,112	0.20	5,384	38,305,895	0.14
<i>Diluted</i>						
Continuing operations	8,011	40,028,774	0.20	5,384	39,659,791	0.14