



Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 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>June 30, 2020</u> | <u>December 31, 2019</u> |
|---|--------------|----------------------|--------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | 6,796 | 198 |
| Accounts receivable | 3 | 74,945 | 89,394 |
| Inventories | 4 | 104,287 | 81,948 |
| Derivatives | 9 | 2,022 | - |
| Prepaid expenses and other current assets | | 2,279 | 1,893 |
| | | 190,329 | 173,433 |
| Non-current assets | | | |
| Property, plant and equipment | | 68,540 | 64,906 |
| Goodwill | | 122,975 | 122,975 |
| Intangible assets | | 197,752 | 198,189 |
| Deferred income tax | | 2,262 | 2,272 |
| Total assets | | 581,858 | 561,775 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 71,924 | 67,795 |
| Income taxes payable | | 1,156 | 2,365 |
| Derivatives | 9 | 1,026 | 1,292 |
| Current portion of other long-term liabilities | | 1,914 | 1,890 |
| | | 76,020 | 73,342 |
| Long-term liabilities | | | |
| Long-term debt | 5 | 163,754 | 164,769 |
| Post-retirement benefits | | 4,123 | 3,923 |
| Deferred income tax | | 51,906 | 51,107 |
| Other long-term liabilities | | 10,381 | 9,466 |
| Total liabilities | | 306,184 | 302,607 |
| Shareholders' equity | | | |
| Share capital | 6 | 252,076 | 243,224 |
| Contributed surplus | | 11,348 | 10,727 |
| Retained earnings | | 11,432 | 6,061 |
| Accumulated other comprehensive income (loss) | | 818 | (844) |
| Total shareholders' equity | | 275,674 | 259,168 |
| Total liabilities and shareholders' equity | | 581,858 | 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 June 30, | | Six months ended June 30, | |
|--|--------|-----------------------------|----------------|---------------------------|----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Revenue | 10, 11 | 93,204 | 80,592 | 177,727 | 153,170 |
| Cost of sales | | 60,263 | 51,013 | 113,530 | 96,391 |
| Selling, general and administrative expenses | | 20,993 | 16,949 | 38,625 | 33,438 |
| Share-based compensation | 7 | 1,273 | 690 | 2,538 | 1,490 |
| Earnings from operations | | 10,675 | 11,940 | 23,034 | 21,851 |
| Foreign exchange loss (gain) | | 848 | (195) | 99 | (169) |
| Other expenses | | - | 6 | - | 3 |
| Interest expense and other financing costs | 8 | 1,390 | 2,463 | 3,318 | 4,885 |
| Income before income taxes | | 8,437 | 9,666 | 19,617 | 17,132 |
| Provision for income taxes | | 2,399 | 1,480 | 5,568 | 3,562 |
| Net income | | 6,038 | 8,186 | 14,049 | 13,570 |
| Unrealized gain (loss) on amounts to be reclassified net of realized gains on amounts reclassified to net income | 9 | (2,090) | (2,167) | 2,288 | (3,809) |
| Income tax | | 554 | 575 | (606) | 1,010 |
| Total other comprehensive income (loss) | | (1,536) | (1,592) | 1,682 | (2,799) |
| Comprehensive income | | 4,502 | 6,594 | 15,731 | 10,771 |
| Income per share attributable to common shareholders: | 12 | | | | |
| Basic, income per share | | 0.15 | 0.21 | 0.36 | 0.35 |
| Diluted, income per share | | 0.15 | 0.21 | 0.34 | 0.34 |
| Weighted average number of shares: | 12 | | | | |
| Basic | | 39,447,020 | 38,321,699 | 39,273,066 | 38,313,840 |
| Diluted | | 41,178,625 | 39,741,550 | 41,003,141 | 39,732,220 |

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

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

| | Notes | Share capital | Contributed surplus | Retained earnings | Accumulated other comprehensive (loss) income | Total shareholders' equity |
|--|-------|----------------|---------------------|-------------------|---|----------------------------|
| As at December 31, 2019 | | 243,224 | 10,727 | 6,061 | (844) | 259,168 |
| Net income for the period | | - | - | 14,049 | - | 14,049 |
| Issuance of treasury shares | 6 | 8,852 | (1,665) | - | - | 7,187 |
| Common share dividend (\$0.22 per share) | | - | - | (8,678) | - | (8,678) |
| Other comprehensive gain | | - | - | - | 1,682 | 1,682 |
| Currency translation adjustment | | - | - | - | (20) | (20) |
| Share-based compensation | 7 | - | 2,286 | - | - | 2,286 |
| As at June 30, 2020 | | 252,076 | 11,348 | 11,432 | 818 | 275,674 |
| | | Share capital | Contributed surplus | Deficit | Accumulated other comprehensive income | Total shareholders' equity |
| 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 | | - | - | 13,570 | - | 13,570 |
| Issuance of treasury shares | 6 | 1,778 | (559) | - | - | 1,219 |
| Common share dividend (\$0.18 per share) | | - | - | (6,898) | - | (6,898) |
| Other comprehensive loss | | - | - | - | (2,799) | (2,799) |
| Currency translation adjustment | | - | - | - | (11) | (11) |
| Share-based compensation | 7 | - | 1,360 | - | - | 1,360 |
| As at June 30, 2019 | | 241,182 | 9,838 | (4,237) | 141 | 246,924 |

(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,

| | Notes | Three months ended June 30, | | Six months ended June 30, | |
|--|-------|-----------------------------|----------------|---------------------------|----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Cash provided by (used in) | | | | | |
| Operating activities | | | | | |
| Net income | | 6,038 | 8,186 | 14,049 | 13,570 |
| Items not affecting cash | | | | | |
| Depreciation of property, plant, and equipment and right-of-use assets | | 1,932 | 1,981 | 3,853 | 3,641 |
| Amortization of intangible assets | | 956 | 897 | 1,892 | 1,812 |
| Amortization of deferred financing fees | | - | 363 | - | 726 |
| Deferred income taxes | | (244) | (218) | 203 | (236) |
| Share-based compensation | 7 | 1,143 | 690 | 2,286 | 1,360 |
| Others | | 37 | 73 | 183 | 152 |
| Net change in non-cash working capital | | 4,560 | (5,371) | (5,167) | (24,366) |
| | | 14,422 | 6,601 | 17,299 | (3,341) |
| Investing activities | | | | | |
| Additions to property, plant and equipment, net | | (3,774) | (2,319) | (5,695) | (4,104) |
| Acquisition of intangible assets | | (966) | (43) | (1,455) | (228) |
| | | (4,740) | (2,362) | (7,150) | (4,332) |
| Financing activities | | | | | |
| Proceeds from credit facilities | 5 | 10,429 | 8,998 | 31,064 | 23,454 |
| Repayment to credit facilities | 5 | (19,634) | (7,474) | (32,082) | (16,329) |
| Payment of lease liabilities | | (544) | (470) | (1,042) | (950) |
| Exercise of stock options and ESPP | 6 | 5,997 | 111 | 7,187 | 1,219 |
| Dividends to Common Shareholders | | (4,361) | (3,450) | (8,678) | (6,898) |
| | | (8,113) | (2,285) | (3,551) | 496 |
| Increase (decrease) in cash | | 1,569 | 1,954 | 6,598 | (7,177) |
| Cash - Beginning of the period | | 5,227 | 3,314 | 198 | 12,445 |
| Cash - End of the period | | 6,796 | 5,268 | 6,796 | 5,268 |
| Supplemental disclosure | | | | | |
| Amount of income taxes paid | | 2,559 | 2,160 | 6,624 | 9,184 |
| Amount of interest paid | | 1,172 | 2,027 | 2,349 | 3,895 |

(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 and six months ended June 30, 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 and six months ended June 30, 2020 (the “Interim Financial Statements”) were authorized for issue by the Board of Directors of the Company on August 11, 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 | June 30, 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.
Notes to the Unaudited Condensed Consolidated Interim Financial
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2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Currently, the Company has seen non-essential retail closures within the supplement only space impacting the availability of its products. The Company has analyzed the following impact of the COVID-19 pandemic on its estimates and judgments.

Receivables and allowance for doubtful accounts

The Company is exposed to credit risk with respect to amounts receivable from customers. The impact of the COVID-19 pandemic to customers' business is considered when making credit assessments. Deposits are requested on accounts as required. The Company also maintains provisions for potential credit losses, which are assessed on a regular basis.

Management estimates uncollectable accounts receivable after considering historical experience, current event and the characteristics of existing accounts. Provisions for losses on receivables are expensed to maintain the allowance at a level considered adequate to cover expected losses. The potential future economic impact of COVID-19 may impact the collectability of customer receivables.

Valuation of inventory

Consumer responses to COVID-19 have resulted in the acceleration of demand for both immunity and general health supplements, thus reducing the risk of inventory obsolescence. The Company has customer specific materials on hand to support certain strategic partner customers, that requires management to estimate future demand at the customers' retail locations when establishing appropriate provisions for inventory. These estimates are based on the assumption that such customers will continue to carry on business, and management also considers the current economic conditions of the customer, product life of inventory and the potential alternative use. To the extent that actual losses on inventory differ from those estimated, inventory, net income, and comprehensive income will be affected in future periods.

3. Accounts receivable

| As at | June 30, 2020 | December 31, 2019 |
|--------------------------------------|----------------------|-------------------|
| | \$ | \$ |
| Trade | 73,410 | 86,251 |
| Other miscellaneous receivables | 4,531 | 4,314 |
| Allowance for expected credit losses | (2,996) | (1,171) |
| | 74,945 | 89,394 |

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
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4. Inventories

| As at | June 30, 2020 | December 31, 2019 |
|----------------------------------|-----------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| Raw material and packaging | 45,634 | 31,544 |
| Bulk product and work in process | 19,821 | 12,202 |
| Packaged finished goods | 41,925 | 41,165 |
| Inventory provision | (3,093) | (2,963) |
| | <u>104,287</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 and six months ended June 30, 2020, JLL made drawings of \$10,429 and \$31,064, and debt repayments of \$19,634 and \$32,082, respectively, applied against the Credit Facilities.

For the three and six months ended June 30, 2019, JLL made debt repayments of \$2,437 and \$4,875, respectively, applied against the initial term credit facility.

For the three and six months ended June 30, 2019, JLL made drawings of \$8,998 and \$23,454, and debt repayments of \$5,037 and \$11,454, respectively, applied against the initial revolving credit facility.

For the three and six months ended June 30, 2020, the weighted average interest rate on the Credit Facilities was 3.5% (2019 - 4.5%).

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

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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 | 656,455 | 8,620 |
| Employee stock purchase plan | 9,417 | 232 |
| As at June 30, 2020 | 39,655,814 | 252,076 |

| | Common Shares | |
|------------------------------|---------------|---------|
| | # | \$ |
| As at December 31, 2018 | 38,207,114 | 239,404 |
| Exercise of stock options | 102,263 | 1,536 |
| Employee stock purchase plan | 13,408 | 242 |
| As at June 30, 2019 | 38,322,785 | 241,182 |

As at June 30, 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 six month period ended June 30, 2020 and year ended December 31, 2019 is presented below:

| | June 30, 2020 | | | December 31, 2019 | | |
|--|----------------------------------|-------------------------------|-------------------------------|----------------------------------|-------------------------------|-------------------------------|
| | Options (number of shares) | PSUs (number of shares) | RSUs (number of shares) | Options (number of shares) | PSUs (number of shares) | RSUs (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 | (656,455) | - | - | (749,333) | - | (9,000) |
| Forfeited | (28,207) | - | - | (45,996) | - | - |
| Outstanding awards, end of period | 2,750,976 | 256,894 | 18,000 | 2,919,776 | 187,903 | 18,000 |
| Awards exercisable, end of period | 1,030,279 | - | - | 1,605,565 | - | - |

The Company's share-based compensation expense for the three and six months ended June 30, 2020 is \$1,273 and \$2,538, respectively (2019 - \$690 and \$1,490).

8. Interest expense and other financing costs

| | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|-------|---------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Interest on debt and borrowings | 1,250 | 2,006 | 3,043 | 3,986 |
| Interest on lease liabilities | 140 | 94 | 275 | 173 |
| Amortization of deferred financing fees (Note 5) | - | 363 | - | 726 |
| | 1,390 | 2,463 | 3,318 | 4,885 |

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:

| | June 30, 2020 | | | | December 31, 2019 | | | |
|--|--------------------|--------------------|------------|-----------|--------------------|--------------------|------------|-----------|
| | Notional Amount | Notional Amount | Fair Value | | Notional Amount | Notional Amount | Fair Value | |
| | | | Asset | Liability | | | Asset | Liability |
| | \$CAD | \$USD | \$ | \$ | \$CAD | \$USD | \$ | \$ |
| Foreign currency forward contract designated as hedging instruments (forecast purchases) | - | 66,000 | 1,465 | - | - | 48,000 | - | (1,292) |
| Foreign currency forward contract designated as hedging instruments (forecast sales) | - | 15,074 | 557 | - | - | - | - | - |
| Interest rate swaps designated as hedging instruments | 140,000 | - | - | (1,026) | - | - | - | - |
| | 140,000 | 81,074 | 2,022 | (1,026) | - | 48,000 | - | (1,292) |

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On June 5, 2020, the Company entered into an interest rate swap with an effective date of October 1, 2020 to September 27, 2024 with a notional principal of \$140,000 and an annual amortization of \$10,000 on the first business day of each year. The interest rate swap is a derivative measured at fair value and meets hedge accounting requirements.

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.

The carrying value of long-term debt as at June 30, 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 and six month periods ended June 30, 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. For the three months ended June 30, 2020, the Company recorded reserves in connection with accounts receivable from a strategic partner customer whose retail business was impacted by COVID-19. The Company will continue to assess its credit risk and adjust the reserve if necessary. Refer to Note 2.2 for the Company's disclosure of judgments and estimates.

The Company is also exposed to counterparty credit risk inherent in its financing activities, trade receivable insurance, foreign currency derivatives and interest rate 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 June 30, 2020, \$88,170 (December 31, 2019 - \$63,619) of anticipated foreign currency denominated purchases and \$21,036 of anticipated foreign currency denominated sales have been hedged with underlying foreign exchange forward contracts settling at various dates in the 18 months proceeding the unaudited condensed consolidated interim statement of financial position date.

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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. To further reduce the long-term interest rate exposure and gain predictability over future cash flows, the Company entered into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

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 June 30, 2020 | 100 | 439 |
| Six months ended June 30, 2020 | 100 | 879 |
| Three months ended June 30, 2019 | 100 | 448 |
| Six months ended June 30, 2019 | 100 | 884 |

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.

As at June 30, 2020, the Company had \$118,042 in cash and available revolving and swingline facilities.

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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 | June 30, 2020 | December 31, 2019 |
|--|-----------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| Amounts payable in more than 12 months | 180,349 | 180,284 |
| Amounts payable in less than 12 months | 74,346 | 70,149 |
| | <u>254,695</u> | <u>250,433</u> |

Impact of COVID-19

Considering the outbreak of COVID-19 around the world, conditions may come into existence that 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 employees and business partners are protected. Consumer response to COVID-19 has resulted in the acceleration of demand for both immunity and general health supplements. Higher demand includes the impact of non-essential store closures within the supplement only portion of the health food channel while our products remain widely available within essential food, drug, mass and e-commerce channels.

Revenue and the distribution of our products may be impacted by an escalation of COVID-19 infections should it lead to the closure of essential food, drug, mass and e-commerce channels. High demand and service interruptions on transportation may affect the delivery of raw materials and ingredients as well as international and domestic shipments of finished goods. Manufacturing closures have the potential to impact the Company's ability to produce finished goods and affect the availability of purchased finished goods. The duration and impact of the COVID-19 outbreak is unknown and the Company's ability to continue to adapt to the changing environment may materially affect the business, results of operations or financial condition.

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 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.

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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 at an arm’s length basis in a manner similar to transactions with third parties.

| | For the three month period ended June 30, 2020 | | |
|--|---|---------------------------|---------------|
| | Jamieson Brands | Strategic Partners | Total |
| | \$ | \$ | \$ |
| Revenue | 74,292 | 18,912 | 93,204 |
| Earnings (loss) from operations | 12,373 | (1,698) | 10,675 |
| Foreign exchange loss | | | 848 |
| Interest expense and other financing costs | | | 1,390 |
| Provision for income taxes | | | 2,399 |
| Net income | | | 6,038 |

| | For the three month period ended June 30, 2019 | | |
|--|---|---------------------------|--------------|
| | Jamieson Brands | Strategic Partners | Total |
| | \$ | \$ | \$ |
| Revenue | 60,816 | 19,776 | 80,592 |
| Earnings from operations | 10,459 | 1,481 | 11,940 |
| Foreign exchange gain | | | (195) |
| Other expenses | | | 6 |
| Interest expense and other financing costs | | | 2,463 |
| Provision for income taxes | | | 1,480 |
| Net income | | | 8,186 |

| | For the six month period ended June 30, 2020 | | |
|--|---|---------------------------|----------------|
| | Jamieson Brands | Strategic Partners | Total |
| | \$ | \$ | \$ |
| Revenue | 144,086 | 33,641 | 177,727 |
| Earnings (loss) from operations | 24,327 | (1,293) | 23,034 |
| Foreign exchange loss | | | 99 |
| Interest expense and other financing costs | | | 3,318 |
| Provision for income taxes | | | 5,568 |
| Net income | | | 14,049 |

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| | For the six month period ended June 30, 2019 | | |
|--|--|--------------------|---------|
| | Jamieson Brands | Strategic Partners | Total |
| | \$ | \$ | \$ |
| Revenue | 116,857 | 36,313 | 153,170 |
| Earnings from operations | 18,455 | 3,396 | 21,851 |
| Foreign exchange gain | | | (169) |
| Other expenses | | | 3 |
| Interest expense and other financing costs | | | 4,885 |
| Provision for income taxes | | | 3,562 |
| Net loss | | | 13,570 |

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 June 30, | | Six months ended June 30, | |
|---|-----------------------------|--------|---------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Domestic sales | 59,044 | 51,792 | 121,180 | 102,772 |
| International sales | 15,248 | 9,024 | 22,906 | 14,085 |
| Total revenue from contracts with customers | 74,292 | 60,816 | 144,086 | 116,857 |

Domestic sales include revenues generated from 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:

| | 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 \$ |
| Three months ended June 30, | | | | | | |
| <i>Basic</i> | | | | | | |
| Continuing operations | 6,038 | 39,447,020 | 0.15 | 8,186 | 38,321,699 | 0.21 |
| <i>Diluted</i> | | | | | | |
| Continuing operations | 6,038 | 41,178,625 | 0.15 | 8,186 | 39,741,550 | 0.21 |
| Six months ended June 30, | | | | | | |
| <i>Basic</i> | | | | | | |
| Continuing operations | 14,049 | 39,273,066 | 0.36 | 13,570 | 38,313,840 | 0.35 |
| <i>Diluted</i> | | | | | | |
| Continuing operations | 14,049 | 41,003,141 | 0.34 | 13,570 | 39,732,220 | 0.34 |