



PEOPLE : FIRST
2020 ANNUAL REPORT



To our dedicated team,
thank you.



Thank you for your
tireless efforts during
an unprecedented
global crisis.



Thank you for putting
the safety of others
above all else.



Thank you for keeping
shelves stocked and
business moving
forward.

A worker wearing a black cap, glasses, and a white face mask is holding a large cardboard box. The worker is wearing an orange safety vest and white gloves. The box is brown and has the Jamieson logo printed on it. The logo consists of a leaf icon above the word "Jamieson" in a bold, sans-serif font, followed by "NATURAL SOURCES" and "Since 1922" in a smaller font. A barcode is visible on the bottom left of the box. The background is a dark grey with green geometric shapes.

Jamieson[™]
NATURAL SOURCES
Since 1922





Each one of you has a hand
in our ongoing success.

As we look to the future,
your individual efforts
will continue to make us
stronger, together.



2020 has reinforced our purpose.

For millions of people around the world, health and wellness is no longer a growing trend – it’s their #1 priority. And it’s driving global demand for products across the VMS industry.

As consumers continually flock to our trusted Jamieson brand, we have seen strong growth across all our segments.

This year has not only put new confidence in our near 100-year history and our global position, but in our ability to pull through any hardship as a team.

ACHIEVEMENTS THROUGH ADVERSITY

- 

Created and implemented our Confidence and Compliance Plan for safety assurance
- 

Generated highest annual revenue in the company’s history
- 

Increased our distribution and sales domestically and internationally across new and existing channels
- 

Generated highest brand equity and household penetration of the Jamieson brand in history
- 

Innovated and released products in line with new consumer trends
- 

Transitioned to east and west coast third-party distribution centres to increase capacity in our Windsor and Scarborough locations
- 

Introduced a teamwork bonus for our frontline team members in manufacturing and distribution
- 

Disclosed our first Corporate Responsibility Commitment document, outlining our ESG efforts to date
- 

Established legal entities and distribution warehouses in the Netherlands, UK and Australia



We are so proud of how the Jamieson family has come together during these challenging times.

Dear fellow shareholders:

2020 was the most successful year in Jamieson's history despite a global pandemic that created immense challenges. I am incredibly proud of everyone at Jamieson for meeting these challenges head-on, ensuring we maintained our momentum while prioritizing health and safety above all. The Company's enduring vision of improving the world's health and wellness has remained steadfast for nearly a century. The strength of our organization and exceptionally talented team, coupled with our powerful, resilient brands, ensure an even brighter future over the next hundred years.

The 17% increase in total revenue during 2020 reflected solid execution across our strategic initiatives against the backdrop of consumers' increasing emphasis on health and wellness which resulted in a 19% increase in our Jamieson Brands revenue. Importantly, we experienced a significant broadening of demand across almost all categories as 2020 unfolded, supporting our view of the permanence of consumers' health habits reshaped by the pandemic. We also saw a sharp acceleration on a global scale with international revenue increasing 50% in the Jamieson Brands segment, accounting for 16% of total branded revenue for the year. Our Adjusted EBITDA margins approached 22% in 2020, down fractionally from the prior year, despite absorbing significant costs to ensure the health and safety of our team members and mitigating supply disruptions caused by the pandemic.

Powerful brands remain at the core of our strategy, solidifying our competitive position and enabling strong, sustainable growth. Consumers consistently identify with Jamieson's long-standing reputation for premium quality and innovative products, helping us to continue gaining share domestically, strengthening our position as the #1 consumer health brand in Canada. This also provides us with a tremendous opportunity for expanding globally, where we've taken a thoughtful, measured approach toward leveraging our capabilities as well as working with key partners who help to amplify the power of our brand. China likely represents our largest international opportunity for organic growth over the near term based on the reputation of the Jamieson brand, underlying demographics and economic scale versus the rest of the world. The rapid international growth we experienced in 2020 was a result of significant progress in key markets including China, Europe and the Middle East. While our success internationally over the past few years has been impressive, we are truly in the early innings of leveraging the power of our platform. Consumers' heightened interest in health and wellness is global in scope and shows no signs of slowing.

I've been honoured to have led this Company for the past seven years and am very proud of our performance, delivering significant growth in sales, profits and shareholder value. My recently announced decision to retire was two years in the making and came after careful planning and consideration, working in close partnership with the Board to ensure we had the right leader in place at the right time. Mike Pilato is absolutely the right person for the job and on June 1, 2021, he will succeed me as President and CEO of the Company. His vision and leadership have been instrumental in our success, driving strategy and operations in his role as President of Jamieson Canada. The fundamentals of Jamieson Wellness have never been stronger, and Mike has the respect and support of our entire team along with my complete confidence in his ability to execute our winning strategy and drive shareholder value for the foreseeable future.

On behalf of the entire management team, I thank you for your continued support and partnership as we look towards the upcoming year.

All the best,

MARK HORNICK
President & CEO, Jamieson Wellness Inc.



Even in the
midst of
uncertainty,
we have
continued
to grow and
thrive as
a team.

Dear fellow shareholders:

The impressive results at Jamieson Wellness in 2020 reflect the Company's strong position competitively, financially and organizationally. Despite incredible disruption and uncertainty, we were able to maintain a safe and healthy working environment for our employees and deliver significant broad-based growth across products, channels and geographies.

In 2020, the Company also made significant progress in its ESG strategy with the publication of our first Corporate Responsibility Commitment. Environmental sustainability initiatives, commitments to furthering diversity, equity and inclusion within the organization and externally, as well as improvements to governance practices were all disclosed. This is just the beginning, and I look forward to continuing to work with the Board and the entire organization to embed these values into the Company through the creation of a long-term ESG strategy.

The execution of our strategy by our senior leadership team has been a critical factor in the Company's success over the past several years. Accordingly, with the recently announced retirement of Mark Hornick, I want to assure you that the Board has been working closely with him for the past two years to ensure a seamless transition. We are incredibly thankful to Mark for his leadership, vision and strategic direction over the past seven years as President and CEO, guiding the Company through an unprecedented period of growth. But his ability to develop the next generation of leaders will continue to positively shape the future of Jamieson, including the hiring of Mike Pilato three years ago. On June 1, 2021, Mike will become President and CEO of Jamieson Wellness and we are confident his extensive background and impressive track record will enable us to maintain our strong momentum, continuing to drive significant value for all stakeholders.

Our strong results in 2020 coupled with our solid financial position and favourable outlook allowed us to increase our quarterly dividend rate for the third consecutive year. Our business is well positioned for growth in 2021 and beyond, both domestically and internationally.

I would like to thank all our team members for their hard work and dedication during such an uncertain time. My thanks also go out to our Board of Directors and management team for their leadership, and for delivering another outstanding year. We remain committed to driving shareholder value while working to achieve our mission of becoming the world's most successful and trusted health and wellness company.

Sincerely,

A handwritten signature in white ink that reads "David Williams".

DAVID WILLIAMS
Chairman of the Board, Jamieson Wellness Inc.



Our year
was dedicated
to delivering
health and
wellness
products when
consumers
needed
them most.

Dear fellow shareholders:

It is with great pride that I reflect on 2020 and all that we have accomplished. We worked together to prioritize the health and safety of our frontline team members and met a growing global consumer demand for our high-quality, trusted products. While 2020 came with many unpredictable hurdles, the Jamieson Wellness team rose to the challenge and has come out of this historic time stronger, together.

In 2020 we saw existing consumers increase their consumption of our products, and many new consumers enter the category choosing Jamieson, as they looked for a brand they could trust in a time of uncertainty. As a result, we have a new, elevated consumer base that we look forward to growing from in the years ahead. Our solid brands are backed by our highly capable team and are ready to continue meeting the demands of this health and wellness megatrend.

I am honoured to take on the leadership of this exceptional team in 2021. I thank Mark for the strong position he has led our company to and wish him all the best in his upcoming retirement. I also thank Mark and the Board of Directors for their support as we approach Jamieson's 100th year. We have very clear priorities, both short and long-term, that will take our company to the next level of success. We will continue to prioritize health and safety while we innovate and increase distribution to meet consumer needs along their life-long health and wellness journey. We are focused on continuing our historic track record of robust domestic growth, accelerating our international business in the 45+ markets we have penetrated, and continuing to expand our expertise into new high potential geographies.

I want to thank the amazing Jamieson Wellness team, almost 1,000 strong, for their unwavering passion and dedication through 2020. Without them we would not be in the position we are in today, to continue this legacy of growth as Jamieson turns 100. I would also like to thank our shareholders for your support and confidence in our team as we continue to improve the world's health and wellness long into the future.

Sincerely,

MIKE PILATO
Incoming President & CEO, Jamieson Wellness Inc.

This annual report contains "forward-looking information" within the meaning of applicable securities laws, which forward-looking information represents management's expectations as at the date hereof and is subject to change after such date. For a detailed discussion of forward-looking information, which applies in all respects to the forward-looking information contained herein, please refer to the section entitled "Forward-Looking Information" in Jamieson Wellness' annual information form dated March 30, 2021.

Whatever it takes.

As we navigate these challenging times, health and safety have been at the forefront of every decision.

CONFIDENCE & COMPLIANCE PLAN

In honour of our commitment to health and safety, we implemented our Confidence and Compliance Plan, which involves significant investments in physical distancing measures, PPE, contact tracing and employee support. It has given considerable protection to our employees in manufacturing, distribution and other critical on-site functions since early January, 2020.

We have remained firm on our safety measures throughout the expansion of our manufacturing capacity and production lines across multiple facilities. We are extremely proud of how quickly and efficiently our team has accomplished this in such a demanding environment.



Safety training started on January 26, 2020



Reduced capacity through shift gaps



Physical distancing measures and guidelines



Increased sanitation equipment and cleaning schedules



Protective equipment



Safeguarding our communities.

58K surgical masks donated to Windsor region frontline healthcare workers

27K surgical masks donated to hospitals in the Scarborough health network

Additionally, we donated thousands of bottles of vitamins and nutritional supplements to healthcare staff and their families in Windsor, Scarborough, Toronto and Wuhan, China.

United in our approach.

From the onset of the pandemic, our team took immediate action to maintain operations with minimal risk to our communities, consumers and each other. Their devoted efforts have ensured a steady flow of production.

FROM OUR OPERATIONS TEAM...

From the supply chain to HR and sales, the Jamieson family has collaborated at all levels to keep our business running smoothly and meet the rising demand. By acting early, we succeeded in securing adequate sources of supply to carry us through the pandemic.



...TO OUR THIRD-PARTY AND RETAIL PARTNERS

Our vendors have been critical in our effort to maintain lead times and maximize the output of products in the highest demand.

We are infinitely grateful that there have been no significant closures across our food, drug, mass and e-commerce channels. Thanks to the collaboration of our retail partners and sales team, our products have remained widely available online and in stores.

Rising needs. Climbing numbers.

Jamieson Wellness has a long history of organic revenue growth. And this year, we exceeded it beyond expectation. We experienced increases in both domestic and international sales, with strong gains in multiple geographies, including China, Europe and the Middle East.

Our success is the result of new investments in marketing and e-commerce initiatives, sustained consumer confidence in the Jamieson brand, and an increasingly heightened demand for health and wellness products.

AN INTENSIFIED MARKET DEMAND

In response to COVID-19, consumers are developing healthier habits – with a particular focus on foundational health and immunity-related supplements.

This movement has led existing consumers to increase their product use and new consumers to begin exploring the category. Newcomers are consistently showing preference for products from a trusted company, like Jamieson Wellness. They want to know they are getting the highest quality products available.



+17.0% Increased Revenue
\$403.7 million

+15.9% Increased Adjusted EBITDA
\$88.0 million

+25.8% Increased Adjusted Net Income
\$47.9 million

+21.1% Adjusted Earnings Per Diluted Share
\$1.16

Setting our sights on sustainability.

In pursuit of broader ESG efforts, we have released our first ever Corporate Responsibility Commitment. It highlights our most recent environmental efforts, charitable donations to frontline healthcare workers during the pandemic, and our enhanced diversity policy – which will help us ensure fair representation of leadership and Board roles by BIPOC and female leaders by 2025.

This document helps hold us accountable for leading with safety and remaining transparent in our communications throughout the pandemic.



THE FUNDAMENTAL PILLARS OF OUR CORPORATE RESPONSIBILITY COMMITMENT

- 1 **PRODUCT QUALITY & SAFETY**
Set ourselves apart by providing consumers with the purest, safest and most effective natural health solutions available.
- 2 **ENVIRONMENTAL IMPACT**
Embrace business practices that help preserve and enhance our natural environment.
- 3 **ETHICAL OPERATIONS**
Operate under the guiding principle that honesty and integrity are essential in all our relationships, without compromise.
- 4 **CULTURAL VALUES**
Promote the physical, mental and social well-being of employees through practices focused on diversity, equality, inclusion, and mentorship.
- 5 **LOCAL & GLOBAL COMMUNITIES**
Make a difference worldwide by donating to local charities, partnering with international non-profits, and supporting important causes.
- 6 **PARTNER POLICIES**
Initiate requirements that encourage vendors, suppliers and partners to join us in upholding our company values.
- 7 **CORPORATE GOVERNANCE**
Continue to enact sound, ethical policies and procedures that guide company operations and facilitate long-term business success.

In keeping with our commitment to safety and environmental sustainability, this is the first year we will not proactively print and distribute our annual report.



Healthy living: the new normal.

GROWING FROM AN ELEVATED BASE

As we transition out of the pandemic, we fully expect to retain and grow this exciting new base of consumers. From nearly a century of experience in the marketplace, we know that year-long consumer habits do not simply go away. And neither will the sharpened focus on health and wellness. It was a growing megatrend before the pandemic. Concerns around COVID-19 have simply accelerated it, reinforcing good health as a necessity in our daily lives.

INCREASING OUR CAPACITY

We are confident in our ability to support the growing demand. We have already accelerated our investment plans to increase production capacity and expand our international presence. Focusing on our supply chain globally, we will continue to secure higher inventory levels with our suppliers.

STRONGER TOGETHER

As our business forges ahead, safety and well-being will remain our priority. We are honoured to be supported by people with such relentless dedication to our vision of improving the world's health and wellness. Their commitment will continue to make us stronger, together.





**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

For the three and twelve months ended December 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and twelve months ended December 31, 2020

The following management's discussion and analysis of financial condition and results of operations ("MD&A") of Jamieson Wellness Inc. (together with its subsidiaries), referred to herein as "Jamieson", the "Company", "we", "us" or "our", is dated as of February 24, 2021. It should be read in conjunction with our audited consolidated annual financial statements and our accompanying notes for the year ended December 31, 2020.

Our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These audited consolidated annual financial statements include the accounts of our Company and other entities that we control and are reported in Canadian dollars. All references in this MD&A to "Q4 2020" are to our fiscal quarter ended December 31, 2020 and to "Q4 2019" are to our fiscal quarter ended December 31, 2019. All references in this MD&A to "YTD 2020" are to our year ended December 31, 2020 and to "YTD 2019" are to our year ended December 31, 2019.

See "*Forward-Looking Information*" and "*Risk Factors*" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors, including those referred to under the heading "*Risk Factors*" and elsewhere in this MD&A.

Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS measures. Management uses these non-IFRS financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "gross profit", "gross profit margin", "operating margin" "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted Net Income" and "Adjusted Diluted Earnings per Share" to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS measures in order to prepare annual operating budgets and to determine components of management compensation.

Forward-Looking Information

Certain statements contained in this MD&A including, in particular, in the sections below entitled "*Summary of Factors Affecting our Performance*", "*Liquidity and Capital Resources*", "*Outlook*" and "*Risk Factors*", contain forward-looking information within the meaning of applicable securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividend policy, plans and objectives of our Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects", "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

In addition, our assessments of, and targets for, annual revenue, Adjusted EBITDA, Adjusted Diluted Earnings per Share and certain other measures are considered forward-looking information. See “*Outlook*” for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

The forward-looking information contained in this MD&A is based on management’s opinions, estimates and assumptions in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe to be appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the ability to pursue further strategic acquisitions; our ability to source raw materials and other inputs from our suppliers; our ability to continue to innovate product offerings that resonate with our target customer base; our ability to retain key management and personnel; our ability to continue to expand our international presence and grow our brand internationally; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes to trends in our industry or global economic factors; and changes to laws, rules, regulations and global standards are material factors made in preparing the forward-looking information and management’s expectations contained in this MD&A.

The forward-looking information contained in this MD&A represents management’s expectations as of the date of this MD&A and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except (i) as required under applicable securities laws in Canada and (ii) to provide updates in our annual MD&A for each financial year up to and including that in respect of 2021 on our growth targets disclosed in our final prospectus dated June 29, 2017 in respect of our initial public offering and secondary offering, including to provide information on our growth targets disclosed in such prospectus, actual results and a discussion of variances from our growth targets. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, and is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to those described below and referred to under the heading “*Risk Factors*” and those discussed under the “*Risk Factors*” section of our most recent annual information form.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

Overview

Founded in 1922, Jamieson is Canada’s leading branded manufacturer, distributor and marketer of high-quality natural health products. We offer consumers a comprehensive and innovative line of branded vitamins, minerals and supplements (“VMS”) products and certain over-the-counter remedies through our Jamieson and Smart Solutions by Lorna Vanderhaeghe brands as well as sports nutrition products through our Progressive, Precision and Iron Vegan brands, all of which we refer to as our “Jamieson Brands” segment. In addition to our Jamieson Brands segment, we also offer comprehensive manufacturing and product development services on a contract manufacturing basis to select blue-chip consumer health companies and retailers worldwide, which we refer to as our “Strategic Partners” segment.

VMS and sports nutrition are two large and growing segments of the consumer health industry. Jamieson is Canada’s #1 overall consumer health brand by sales and Canada’s #1 brand in VMS by sales. Our trusted reputation and success in Canada have allowed us to significantly grow the business internationally, with products being sold in over 45 countries and regions worldwide.

Our trusted reputation, strong industry relationships and certifications and commitment to meeting the highest standards of manufacturing, together with high quality production capabilities, attract opportunities for us to

manufacture products for select blue-chip consumer health companies and retailers worldwide. Combining deep consumer insights with extensive research and development capabilities, we deliver category-leading innovation and growth.

Our leading market position and brands, focus on quality and innovation and extensive selection of products, make us the preferred partner for retailers in Canada.

Summary of Factors Affecting Our Performance

We believe our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and referred to under “*Risk Factors*”.

Impact of COVID-19

Considering the outbreak of COVID-19 around the world, conditions may come into existence that influence our operations. Since becoming aware of the outbreak in early January 2020, 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. 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 temporary non-essential store closures within the supplement-only portion of the health food channel during the year while our products remained widely available within essential e-commerce and food, drug, and mass (“FDM”) 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 FDM and e-commerce channels. High demand and service interruptions to 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 our 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 our ability to continue to adapt to the changing environment may materially affect our business, results of operations or financial condition.

We have not benefited from or applied for any government financial aid or relief fund relating to the COVID-19 pandemic.

Our Brands

Our iconic brands have been built around consumer trust through focus on product quality, purity and potency. Our well-established brands include Jamieson, Smart Solutions by Lorna Vanderhaeghe, Progressive, Precision and Iron Vegan. Maintaining, enhancing and growing our brand appeal in Canada and internationally is critical to our continued success. Failure to maintain and enhance our brands in any of the targeted markets may materially and adversely affect the business, results of operations or financial condition.

Product Innovation and Planning

We believe that product innovation is integral to our success and we continue to focus on innovation as a key pillar of our growth. Our business is subject to changing consumer trends and preferences which is dependent, in part, on continued consumer interest in our new products, line extensions and reformulations. The success of new product offerings, enhancements, or reformulations depends upon a number of factors, including our ability to: (i) accurately anticipate customer needs; (ii) develop new products, line extensions or reformulations that meet these needs; (iii) successfully commercialize new products, line extensions and reformulations in a timely manner; (iv) price products competitively; (v) manufacture and deliver products in sufficient volumes and in a timely manner; (vi) differentiate product offerings from those of competitors; and (vii) maintain relationships with scientist employees and consultants and members of our panel of consumer health industry experts, which we call the Jamieson Scientific

Advisory Board, in order to benefit from their expertise and innovations. We believe our pace of innovation and speed to market with the introduction of new products provide us with a competitive advantage within the space we compete.

Customer Relationships

We have longstanding and deeply entrenched customer relationships with Canada's top retailers across the FDM, club, health food store, specialty and online retail channels. We sell products through our knowledgeable retail partners and we are dependent on retail partners across all channels to display and present our products to customers, in their brick-and-mortar stores and on their online e-commerce sites. Our partners service customers by stocking and displaying our products, and, in certain health food and other specialty stores, explaining product attributes and health benefits. Our relationships with these retail customers are important for consumer trust in the brand and the advertising and educational programs we continue to deploy. Failure to maintain these relationships with retail partners or financial difficulties experienced by these retail partners could adversely affect our business.

Sourcing and Production

We have developed a strong, global supply chain based on long-standing relationships and have had relationships with the majority of our suppliers for over ten years. We purchase our ingredients from approximately 250 high quality raw material ingredient and packaging suppliers worldwide and potential suppliers are subject to a rigorous evaluation process by our quality assurance department. We are dependent on a stable and consistent supply of materials and inputs, including ingredients and packaging products. Although materials and inputs are generally available from multiple sources, certain materials and inputs are sourced from a restricted number of suppliers. In 2020, our top ten suppliers accounted for approximately 50% of our purchases. As is customary in the consumer health industry, we do not have long-term written contracts with most suppliers and often enter into short to medium-term contracts for raw materials at fixed prices to provide time to address price increases and mitigate margin erosion.

Consumer Trends

The Canadian consumer health industry is subject to shifts in consumer trends, preferences and spending. Our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. As a result of our broad product scope and our strong innovation capabilities, we believe that we are well-positioned to respond to these shifts in consumer trends, preferences and spending.

Our revenue is also impacted by consumer spending habits, including spending on our products, which are affected by many factors that are beyond our control, including, but not limited to, prevailing economic conditions, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, and consumer perception of economic conditions.

Competition

The market for VMS and sports nutrition products is highly competitive. Our direct competition consists of publicly and privately-owned companies, which tend to be highly fragmented in terms of both geographic market coverage and product categories. In many of our product categories, we compete not only with widely advertised branded products, but also with private label products. Given our significant scale and broad product scope relative to our competition, iconic brand status, strong innovation capabilities and high-quality manufacturing, we believe that we are well-positioned to capitalize on favorable long-term trends in the VMS and sports nutrition segments. The specialized knowledge, expertise, and certifications required for production of VMS and sports nutrition products, is generally a significant barrier to entry for new competitors. Internationally, our competition varies by market and we have a strategic approach to entering international markets, which includes evaluating certain factors in each market, such as competitiveness, pricing dynamics, growth potential, regulatory environment and the propensity to be attracted to foreign brands.

Foreign Exchange

We currently benefit from a natural currency hedge by purchasing certain materials and inputs in U.S. dollars and selling our products internationally in U.S. dollars. With respect to sales in Canada, we are exposed to fluctuating U.S.-Canadian currency exchange rate where the products sold contain materials and inputs purchased with U.S. dollars. We manage our net exposure to fluctuating U.S.-Canadian currency exchange rate with foreign exchange hedging contracts. We do not have foreign exchange hedging contracts in place with respect to all currencies in which we currently do business but may, from time to time, enter into additional foreign exchange hedging contracts in respect of other foreign currencies.

Currency hedging entails a risk of illiquidity and, to the extent the applicable foreign currency depreciates or appreciates against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. There can be no assurance that our hedging strategies, if any, will be effective in the future or that we will be able to enter into foreign exchange hedging contracts on satisfactory terms.

Business Acquisitions

We leverage our relationships and network of industry participants and advisors to actively source and identify acquisition opportunities. We continue to pursue strategic acquisitions that enable us to further broaden and diversify product offerings and leverage current manufacturing and distribution facilities for new products. Any acquisitions may involve large transactions or realignment of existing investments, and present financial, managerial and operational challenges, which, if not successfully overcome, may reduce our profitability.

Implementation of Growth Strategies

We have a successful track record of growing revenues faster than the broader VMS segment and we believe we have a strong domestic and international growth strategy in place aimed at continuing to exceed broader industry growth rates. Our future success depends, in part, on management's ability to implement our growth strategy, including (i) product innovations within existing categories and growth into adjacent categories and continued growth of existing products in existing categories; (ii) further penetration into international markets and new geographies; and (iii) in support of our profitability targets, improvements in operating income, gross profit and operating expense margins. The ability to implement this growth strategy depends, among other things, on our ability to develop new products and product line extensions that appeal to consumers, maintain and expand brand loyalty and brand recognition, maintain and improve competitive position in the channels in which we compete and identify and successfully enter and market products in new geographic markets, market segments and categories.

Regulation

In Canada and in the other jurisdictions in which we operate, we are subject to the laws and regulations applicable to any business engaged in formulation, production and distribution of consumer health products. This includes natural health product regulations, laws governing advertising, consumer protection regulations, environmental laws, laws governing the operation of warehouse facilities and labour and employment laws. We hold all required Health Canada site licenses, Canadian Food Inspection Agency certifications and import licenses for all of our manufacturing and distribution centres. Our products sold outside of Canada are subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods and we continuously monitor changes in these laws, regulations, treaties and agreements.

There is currently no uniform regulation applicable to natural health products worldwide and there has been an increasing movement in certain foreign markets to increase the regulation of natural health products. The adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements may result in compliance costs or lead us to discontinue product sales and may have an adverse effect on the marketing of our products, resulting in loss of sales. We believe that Canadian regulations are amongst the most stringent worldwide and, as we currently operate in compliance with these high standards, increased regulation in foreign jurisdictions makes us uniquely positioned to grow sales in such jurisdictions.

How We Assess the Performance of our Business

The key performance indicators below are used by management in evaluating the performance of our Company and assessing our business. We refer to certain key performance indicators used by management and typically used by our competitors in the Canadian consumer health industry, certain of which are not recognized under IFRS. See “*Non-IFRS Financial Measures*”.

Revenue

The majority of our revenue is derived from the sale of Jamieson branded products to distributors, retail and wholesale customers, as well as providing contract manufacturing services and the sale of product through our Strategic Partners segment.

Revenue is recognized for the sale of Jamieson branded products and the manufacturing of products to our strategic partners at the point in time when control of the asset is transferred to the customer, based on applicable shipping terms. We generally have a right to payment at the time of delivery (which is the same time that we have satisfied our performance obligations under the arrangement), as such, a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due.

A portion of our revenue is derived from contract manufacturing services provided to customers in our Strategic Partners segment under a tolling arrangement where the customer supplies us with a raw material or ingredient. Revenue is recognized net of the cost of the raw material or ingredient supplied by the customer.

Rights of return give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method as this best predicts the amount of variable consideration to which we are entitled. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. For products that are expected to be returned, a refund liability is recognized as a reduction of revenue at the time the control of the products purchased is transferred to the customers.

We may provide discounts and sales promotional incentives to our customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. We apply the most likely amount method estimating discounts provided to customers using contracted rates and estimating sales promotional incentives provided to customers based on historical spending patterns. Jamieson may also provide other consideration to customers for customer-specific programs to promote the Company’s products. Consequently, revenues are recognized net of these estimated program costs. All other estimated non-customer-specific promotional costs and consideration are expensed as selling, general and administrative (“SG&A”) expenses.

In subsequent periods, we monitor the performance of customers against agreed-upon obligations related to sales incentive programs and make any adjustments to both revenue and sales incentive accruals as required.

As required for the audited consolidated annual financial statements, we have disaggregated revenue recognized from contracts with customers. Please refer to Note 23 in our audited consolidated annual financial statements for the disclosure on disaggregated revenue.

Gross Profit

“Gross profit” is defined as revenue less cost of sales. Cost of sales includes product-related costs, labour, other operating costs such as rent, repair and maintenance, and amortization. Our cost of sales may include different costs compared to other manufacturers and distributors in the Canadian consumer health industry. Management believes that gross profit is a useful measure in assessing the Company’s underlying operating performance before SG&A expenses and share-based compensation.

Gross Profit Margin

“Gross profit margin” is defined as gross profit divided by revenue.

SG&A

Our SG&A expenses are predominantly comprised of wages, benefits, travel, marketing, accounting fees, legal fees, non-customer-specific promotional costs and other expenses related to the corporate infrastructure required to support our business. Our SG&A expenses also include regulatory, legal, accounting, insurance, termination benefits and other expenses associated with being a public company.

Earnings from Operations

“Earnings from operations” is defined as gross profit less SG&A expenses and share-based compensation.

Operating Margin

“Operating margin” is defined as earnings from operations divided by revenue.

EBITDA

“EBITDA” is defined as net income before: (i) provision for (recovery of) income taxes; (ii) interest (income) expense and other financing costs; (iii) depreciation of property, plant, and equipment; and (iv) amortization of intangible assets.

Adjusted EBITDA

“Adjusted EBITDA” is defined as EBITDA before: (i) share-based compensation; (ii) foreign exchange (gain) loss; (iii) termination benefits and related costs; (iv) international market expansion; (v) business integration; (vi) COVID-19 related costs; and (vii) other non-operating and non-recurring costs. We believe Adjusted EBITDA is a useful measure to assess the performance and cash flow of our Company as it provides more meaningful operating results by excluding the effects of interest, taxes, depreciation and amortization costs, expenses we believe are not reflective of our underlying business performance and other one-time, non-recurring or non-cash expenses.

Adjusted EBITDA Margin

“Adjusted EBITDA margin” is defined as Adjusted EBITDA divided by revenue.

Adjusted Net Income

“Adjusted Net Income” is defined as consolidated net income adjusted for the impact of: (i) share-based compensation; (ii) foreign exchange (gain) loss; (iii) termination benefits and related costs; (iv) international market expansion; (v) business integration; (vi) COVID-19 related costs; (vii) revaluation of deferred tax liability; and (viii) other non-operating and non-recurring costs net of related tax effects. We believe Adjusted Net Income is a useful measure to assess the performance of our Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performance and other one-time or non-recurring expenses.

Adjusted Diluted Earnings per Share

“Adjusted Diluted Earnings per Share” is defined as Adjusted Net Income divided by the total number of outstanding diluted shares at the end of the most recently completed quarter for the relevant period. We believe Adjusted Diluted Earnings per Share is a useful measure to assess the performance of our Company.

Selected Consolidated Financial Information

The following table provides selected historical financial information and other data of the Company which should be read in conjunction with our audited consolidated annual financial statements and related notes. A reconciliation of net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income can be found below for the respective fiscal periods.

	Three months ended December 31		Twelve months ended December 31	
	2020	2019	2020	2019
<i>(\$ in 000's, except as otherwise noted)</i>				
Revenue	120,369	103,253	403,661	344,980
Cost of sales	77,855	63,711	258,905	215,246
Gross profit	42,514	39,542	144,756	129,734
Selling, general and administrative expenses	18,624	17,637	76,259	69,942
Share-based compensation	1,156	1,573	4,925	4,343
Earnings from operations	22,734	20,332	63,572	55,449
Operating margin	18.9%	19.7%	15.7%	16.1%
Foreign exchange loss	632	227	460	404
Other expenses	19	(35)	22	3,369
Interest expense and other financing costs	1,409	1,966	6,042	9,372
Income before income taxes	20,674	18,174	57,048	42,304
Provision for income taxes	5,269	5,011	15,450	10,647
Net income	15,405	13,163	41,598	31,657
Adjusted net income	17,614	14,253	47,948	38,111
EBITDA	25,417	22,902	75,299	62,592
Adjusted EBITDA	29,383	25,641	87,985	75,909
Adjusted EBITDA margin	24.4%	24.8%	21.8%	22.0%
Weighted average number of shares				
Basic	39,866,189	38,967,875	39,539,955	38,535,274
Diluted	41,487,349	40,130,698	41,160,341	39,614,909
Earnings per share attributable to common shareholders:				
Basic, earnings per share	0.39	0.34	1.05	0.82
Diluted, earnings per share	0.37	0.33	1.01	0.80
Adjusted Diluted, earnings per share	0.42	0.36	1.16	0.96

The following table provides selected consolidated financial position data for the periods indicated.

	As at December 31, 2020	As at December 31, 2019
<i>(\$ in 000's)</i>		
Selected Consolidated Financial Position Data:		
Total assets	609,341	561,775
Total non-current liabilities	225,929	229,265

Results of Operations — three months ended December 31, 2020 and 2019

The following table provides a summary of our results for the three months ended December 31, 2020 and December 31, 2019.

	Three months ended		\$ Change	% Change
	December 31			
	2020	2019		
<i>(\$ in 000's, except as otherwise noted)</i>				
Revenue	120,369	103,253	17,116	16.6%
Cost of sales	77,855	63,711	14,144	22.2%
Gross profit	42,514	39,542	2,972	7.5%
Gross profit margin	35.3%	38.3%	-	(3.0%)
Selling, general and administrative expenses	18,624	17,637	987	5.6%
Share-based compensation	1,156	1,573	(417)	(26.5%)
Earnings from operations	22,734	20,332	2,402	11.8%
Operating margin	18.9%	19.7%	-	(0.8%)
Foreign exchange loss	632	227	405	178.4%
Other expenses	19	(35)	54	154.3%
Interest expense and other financing costs	1,409	1,966	(557)	(28.3%)
Income before income taxes	20,674	18,174	2,500	13.8%
Provision for income taxes	5,269	5,011	258	5.1%
Net income	15,405	13,163	2,242	17.0%
Adjusted net income	17,614	14,253	3,361	23.6%
EBITDA	25,417	22,902	2,515	11.0%
Adjusted EBITDA	29,383	25,641	3,742	14.6%
Adjusted EBITDA margin	24.4%	24.8%	-	(0.4%)

The following table provides a reconciliation of net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income for the three months ended December 31, 2020 and December 31, 2019.

(\$ in 000's, except as otherwise noted)	Three months ended December 31		\$ Change	% Change
	2020	2019		
Net income	15,405	13,163	2,242	17.0%
<i>Add:</i>				
Provision for income taxes	5,269	5,011	258	5.1%
Interest expense and other financing costs	1,409	1,966	(557)	(28.3%)
Depreciation of property, plant, and equipment	2,336	1,845	491	26.6%
Amortization of intangible assets	998	917	81	8.8%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	25,417	22,902	2,515	11.0%
Share-based compensation ⁽¹⁾	1,156	1,573	(417)	(26.5%)
Foreign exchange loss	632	227	405	178.4%
International market expansion ⁽²⁾	-	278	(278)	(100.0%)
Business integration ⁽³⁾	1,759	465	1,294	278.3%
COVID-19 related costs ⁽⁴⁾	402	-	402	100.0%
Other ⁽⁵⁾	17	196	(179)	(91.3%)
Adjusted EBITDA	29,383	25,641	3,742	14.6%
Provision for income taxes	(5,269)	(5,011)	(258)	(5.1%)
Interest expense and other financing costs	(1,409)	(1,966)	557	28.3%
Depreciation of property, plant, and equipment	(2,336)	(1,845)	(491)	(26.6%)
Amortization of intangible assets	(998)	(917)	(81)	(8.8%)
Share-based compensation ⁽⁶⁾	(1,012)	(1,383)	371	26.8%
Other	-	58	(58)	(100.0%)
Tax effect of normalization adjustments	(745)	(324)	(421)	(129.9%)
Adjusted net income	17,614	14,253	3,361	23.6%

- (1) The Company's share-based compensation expense pertains to our long-term incentive plan (the "LTIP") (refer to "*Share-based compensation*"), with performance-based share units ("PSUs") and time-based restricted share units ("RSUs") expenses, and associated payroll taxes included within the current period.
- (2) Costs in 2019 pertained to the initial setup expenses incurred in establishing our presence in China including regulatory, distribution and supply agreements, and a study of the Chinese market focusing on broad industry understanding and factors affecting consumer purchase preferences.
- (3) We incurred start-up costs of \$1.4 million in our transition to a third-party logistics provider to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities. Remaining expenses pertain to the integration of our operations and supply chain activities, along with a pre-existing contractual obligation, associated with the acquisition and subsequent integration of our acquired business, which terminates at the end of 2020. We incurred expenses related to supply chain optimization and other consulting fees in connection with our acquired business in Q4 2019.
- (4) We incurred additional costs related to COVID-19. These costs do not reflect the ongoing costs of operation and they have been adjusted for comparison purposes. In the current quarter, we donated vitamin supplements to various charitable organizations within Canada and provided funding for a COVID-19 related research study. In December 2020, we re-established shift premiums to essential Jamieson hourly staff who maintained production through the government mandated shutdowns of non-essential services as the province of Ontario entered another period of lockdown.
- (5) In 2019, we incurred expenses pertaining to special projects and cyber-security enhancements.
- (6) Costs pertaining to our LTIP, excluding PSUs and RSUs granted to certain employees (refer to "*Share-based compensation*").

The following table provides selected financial information for the Jamieson Brands operating segment for the three months ended December 31, 2020 and December 31, 2019.

Jamieson Brands

(\$ in 000's, except as otherwise noted)

For the three months ended December 31,	2020	2019	\$ Change	% Change
Revenue	89,733	78,803	10,930	13.9%
Gross profit	38,566	35,962	2,604	7.2%
Gross profit margin	43.0%	45.6%	-	(2.6%)
Selling, general and administrative expenses	16,906	16,035	871	5.4%
Share-based compensation	1,156	1,573	(417)	(26.5%)
Earnings from operations	20,504	18,354	2,150	11.7%
Operating margin	22.9%	23.3%	-	(0.4%)
Adjusted EBITDA	26,642	23,154	3,488	15.1%
Adjusted EBITDA margin	29.7%	29.4%	-	0.3%

The following table provides a reconciliation for the Jamieson Brands operating segment from earnings from operations to Adjusted EBITDA for the three months ended December 31, 2020 and December 31, 2019.

(\$ in 000's, except as otherwise noted)

For the three months ended December 31,	2020	2019	\$ Change	% Change
Earnings from operations	20,504	18,354	2,150	11.7%
Depreciation of property, plant, and equipment	1,857	1,358	499	36.7%
Amortization of intangible assets	998	917	81	8.8%
Share-based compensation	1,156	1,573	(417)	(26.5%)
International market expansion	-	278	(278)	(100.0%)
Business integration	1,759	465	1,294	278.3%
COVID-19 related costs	370	-	370	100.0%
Other	(2)	209	(211)	(101.0%)
Adjusted EBITDA	26,642	23,154	3,488	15.1%

The following table provides selected financial information for the Strategic Partners operating segment for the three months ended December 31, 2020 and December 31, 2019.

Strategic Partners

(\$ in 000's, except as otherwise noted)

For the three months ended December 31,	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	30,636	24,450	6,186	25.3%
Gross profit	3,948	3,580	368	10.3%
Gross profit margin	12.9%	14.6%	-	(1.7%)
Selling, general and administrative expenses	1,718	1,602	116	7.2%
Earnings from operations	2,230	1,978	252	12.7%
Operating margin	7.3%	8.1%	-	(0.8%)
Adjusted EBITDA	2,741	2,487	254	10.2%
Adjusted EBITDA margin	8.9%	10.2%	-	(1.3%)

The following table provides a reconciliation for the Strategic Partners operating segment from earnings from operations to Adjusted EBITDA for the three months ended December 31, 2020 and December 31, 2019.

(\$ in 000's, except as otherwise noted)

For the three months ended December 31,	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	2,230	1,978	252	12.7%
Depreciation of property, plant, and equipment	479	487	(8)	(1.6%)
COVID-19 related costs	32	-	32	100.0%
Other	-	22	(22)	(100.0%)
Adjusted EBITDA	<u>2,741</u>	<u>2,487</u>	<u>254</u>	<u>10.2%</u>

Revenue

Revenue increased 16.6%, or \$17.1 million, to \$120.4 million in Q4 2020. This was driven by 13.9% growth in Jamieson Brands revenue and 25.3% growth in Strategic Partners revenue compared with Q4 2019.

Revenue in the Jamieson Brands segment increased by \$10.9 million, or 13.9%, to \$89.7 million in Q4 2020 due to strong growth in domestic and international Jamieson Brands sales of \$9.1 million and \$1.8 million respectively. The VMS market experienced strong growth as COVID-19 continues to drive consumer demand on immunity and general health. Our domestic Jamieson Brands sales increased by 13.7% over Q4 2019 reflecting consistent point-of-sale growth over an expanded base, with Jamieson gaining market share over our leading competitors. Our results reflect strong growth in e-commerce and FDM channel retailers, while regional government mandated restrictions impacted replenishments of certain health food retailers who have not transitioned to web-based platforms for servicing their customers. Our international business increased by 14.8% compared to Q4 2019, which includes the expected timing of shipments to China realized in the preceding quarter. Consumer demand for immunity products continues to be high, as we realized strong growth in Eastern Europe and the Middle East in the quarter.

Revenue in the Strategic Partners segment increased 25.3%, or \$6.2 million, to \$30.6 million in Q4 2020 mainly due to timing, with order fulfillment weighted towards the latter half of this year as we managed customer requirements along with additional programs with our largest customers. The resultant increase in soft-gel volumes associated with these programs was partially offset by lower powder volumes, where a strategic partner retail customer consolidated stores while emerging from their Chapter 11 reorganization.

Gross profit

Gross profit increased by \$3.0 million to \$42.5 million in Q4 2020, including \$1.6 million primarily relating to start-up costs in our transition to a third-party logistics provider. Normalized gross profit increased by \$4.6 million to \$44.1 million in Q4 2020 mainly driven by revenue growth. Gross profit margin decreased by 300 basis points to 35.3% in Q4 2020, including 130 basis points as a result of the aforementioned third-party transition and other costs.

Normalized gross profit margin was 36.6% or 170 basis points lower than prior year including a 60 basis points reduction from segment mix and a 110 basis points reduction mainly due to higher costs to ensure continuity of supply. All in response to COVID-19, these supply costs include the implementation of physical distancing and safety measures in our production facilities, higher costs to expediate raw materials and third-party packaging costs to maximize throughput.

Gross profit in the Jamieson Brands segment increased by \$2.6 million to \$38.6 million in Q4 2020, including \$1.6 million in start-up costs primarily relating to our transition to a third-party logistics provider. Normalized gross profit increased by \$4.2 million to \$40.2 million in Q4 2020 mainly driven by revenue growth. Gross profit margin decreased by 260 basis points to 43.0% in Q4 2020, including 180 basis points as a result of third-party transition and other costs. Normalized gross profit margin was 44.8% or 80 basis points lower compared to Q4 2019 as favourable promotional and volume driven efficiencies were offset by higher supply continuity costs required to maximize throughput as noted above.

Gross profit in the Strategic Partners segment increased by \$0.4 million to \$3.9 million in Q4 2020 mainly driven by higher volumes, partially offset by an expected reduction resulting from customer mix and supply continuity costs. Gross profit margin decreased by 170 basis points to 12.9% due to the factors noted above including a reduction in volume and efficiency at our powder processing facility offset by higher soft-gel and tablet volumes.

Selling, general and administrative expenses

SG&A expenses increased by \$1.0 million to \$18.6 million in Q4 2020. Normalized for the impact of specified costs, SG&A expenses increased by \$1.4 million from \$16.7 million in Q4 2019 to \$18.1 million in Q4 2020. The normalized SG&A increase of \$1.3 million in Jamieson Brands was driven by increased headcount to support our worldwide and e-commerce expansion plans, higher variable compensation, and increased marketing investments. Normalized SG&A in the Strategic Partners segment increased by \$0.1 million compared to the same period in the prior year due to higher compensation expense.

Specified costs of \$0.6 million in the current quarter are mainly comprised of COVID-19 donations and wage premiums. Specified costs of \$1.0 million in Q4 2019 were related to initial set-up expenses for establishing our presence in China, supply chain optimization, cyber-security enhancements and other consulting fees.

Share-based compensation

Share-based compensation decreased by \$0.4 million to \$1.2 million in Q4 2020 reflecting lower payroll taxes based on the number of employee exercised options in the prior year and the number of awards issued in the current year.

Earnings from operations and operating margin

Earnings from operations increased by \$2.4 million as a result of higher revenue and gross profit. Operating margin decreased by 80 basis points to 18.9% in Q4 2020 due to factors impacting gross profit margin discussed above, partially offset by lower fixed costs as a percentage of revenues.

Earnings from operations in the Jamieson Brands segment increased by \$2.2 million due to higher revenue and gross profit. Operating margin decreased 40 basis points to 22.9% in Q4 2020 due to factors impacting gross profit margin discussed above partially offset by lower fixed costs as a percentage of revenues.

Earnings from operations in the Strategic Partners segment increased by \$0.3 million due to higher revenue and gross profit. Operating margin decreased 80 basis points primarily due to factors impacting gross profit margin discussed above.

Foreign exchange loss

Foreign exchange loss of \$0.6 million in Q4 2020 was a result of changes in the USD/CAD exchange rate on our USD denominated accounts receivable and accounts payable at the end of the quarter. We experience fluctuations in the USD/CAD exchange rates between the date of transaction and when cash is realized.

Interest expense and other financing costs

Interest expense and other financing costs decreased by \$0.6 million to \$1.4 million in Q4 2020 due to lower average borrowings and lower prevailing interest rates in the quarter. We have entered into interest rate swaps to manage our long-term interest rate exposure by fixing a portion of our floating rates from October 2020 to September 2024.

Provision for income taxes

Provision for income taxes was \$5.3 million in Q4 2020 compared to \$5.0 million in Q4 2019. Our Q4 2020 effective tax rate of 25.5% includes the impact of non-deductible share-based compensation over an increased revenue base and adjustments reflected in our latest tax returns. Our Q4 2019 effective tax rate was 27.6% which included the impact of non-deductible share-based compensation.

Depreciation

Depreciation expense increased by \$0.5 million to \$2.3 million in Q4 2020 due to increases in our capital investments to increase capacity which includes depreciation on our right-of-use lease assets pertaining to our transition to a third-party logistics provider.

Amortization

Amortization expense increased by \$0.1 million to \$1.0 million in Q4 2020 driven by investments in website development, system implementations, product patent and registrations.

EBITDA and Adjusted EBITDA

EBITDA increased by \$2.5 million to \$25.4 million in Q4 2020 primarily due to the factors discussed above.

Adjusted EBITDA increased by \$3.7 million to \$29.4 million and Adjusted EBITDA margin decreased by 40 basis points to 24.4% for the quarter mainly due to higher volumes offset by lower gross profit margins.

Adjusted EBITDA in the Jamieson Brands segment increased by \$3.5 million to \$26.6 million while Adjusted EBITDA margin increased by 30 basis points to 29.7%. The increase was primarily driven by higher volumes and lower fixed costs as a percentage of revenues.

Adjusted EBITDA in the Strategic Partners segment increased by \$0.3 million, to \$2.7 million driven by higher volumes. Adjusted EBITDA margin decreased by 130 basis points to 8.9% mainly due to the impact of gross profit margins discussed above.

Results of Operations — year ended December 31, 2020 and 2019

The following table provides a summary of our results for the year ended December 31, 2020 and December 31, 2019.

	For the year ended		\$ Change	% Change
	December 31			
	2020	2019		
<i>(\$ in 000's, except as otherwise noted)</i>				
Revenue	403,661	344,980	58,681	17.0%
Cost of sales	258,905	215,246	43,659	20.3%
Gross profit	144,756	129,734	15,022	11.6%
Gross profit margin	35.9%	37.6%	-	(1.7%)
Selling, general and administrative expenses	76,259	69,942	6,317	9.0%
Share-based compensation	4,925	4,343	582	13.4%
Earnings from operations	63,572	55,449	8,123	14.6%
Operating margin	15.7%	16.1%	-	(0.4%)
Foreign exchange loss	460	404	56	13.9%
Other expenses	22	3,369	(3,347)	(99.3%)
Interest expense and other financing costs	6,042	9,372	(3,330)	(35.5%)
Income before income taxes	57,048	42,304	14,744	34.9%
Provision for income taxes	15,450	10,647	4,803	45.1%
Net income	41,598	31,657	9,941	31.4%
Adjusted net income	47,948	38,111	9,837	25.8%
EBITDA	75,299	62,592	12,707	20.3%
Adjusted EBITDA	87,985	75,909	12,076	15.9%
Adjusted EBITDA margin	21.8%	22.0%	-	(0.2%)

The following table provides a reconciliation of net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income for the year ended December 31, 2020 and December 31, 2019.

	For the year ended		\$ Change	% Change
	December 31			
	2020	2019		
<i>(\$ in 000's, except as otherwise noted)</i>				
Net income	41,598	31,657	9,941	31.4%
<i>Add:</i>				
Provision for income taxes	15,450	10,647	4,803	45.1%
Interest expense and other financing costs	6,042	9,372	(3,330)	(35.5%)
Depreciation of property, plant, and equipment	8,260	7,263	997	13.7%
Amortization of intangible assets	3,949	3,653	296	8.1%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	75,299	62,592	12,707	20.3%
Share-based compensation ⁽¹⁾	4,925	4,343	582	13.4%
Foreign exchange loss	460	404	56	13.9%
Termination benefits and related costs ⁽²⁾	-	480	(480)	(100.0%)
International market expansion ⁽³⁾	13	1,712	(1,699)	(99.2%)
Business integration ⁽⁴⁾	2,202	1,240	962	77.6%
COVID-19 related costs ⁽⁵⁾	5,064	-	5,064	100.0%
Other ⁽⁶⁾	22	5,138	(5,116)	(99.6%)
Adjusted EBITDA	87,985	75,909	12,076	15.9%
Provision for income taxes	(15,450)	(10,647)	(4,803)	(45.1%)
Interest expense and other financing costs	(6,042)	(9,372)	3,330	35.5%
Depreciation of property, plant, and equipment	(8,260)	(7,263)	(997)	(13.7%)
Amortization of intangible assets	(3,949)	(3,653)	(296)	(8.1%)
Share-based compensation ⁽⁷⁾	(4,349)	(3,582)	(767)	(21.4%)
Revaluation of deferred tax liability ⁽⁸⁾	-	(1,032)	1,032	100.0%
Other	97	175	(78)	(44.6%)
Tax effect of normalization adjustments	(2,084)	(2,424)	340	14.0%
Adjusted net income	47,948	38,111	9,837	25.8%

- (1) The Company's share-based compensation expense pertains to our LTIP, with PSUs and time-based RSU expenses, and associated payroll taxes of \$0.4 million included within the current period.
- (2) In 2019, we incurred severance costs and salary continuance related to reorganization activities undertaken in order to gain the capabilities and structure to meet our long-term goals.
- (3) Costs in 2019 pertained to professional fees in establishing our presence in China including entering into regulatory, distribution and supply agreements, and the performance of a study of the Chinese market focusing on broad industry understanding and factors affecting consumer purchase preferences.
- (4) We incurred start-up costs of \$1.5 million in our transition to a third-party logistics provider to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities. Remaining expenses pertain to the integration of our operations and supply chain activities, along with a pre-existing contractual obligation, associated with the acquisition and subsequent integration of our acquired business, which terminates at the end of 2020. In 2019, we incurred expenses pertaining to optimizing our manufacturing and supply chain processes, and other consulting fees.
- (5) We incurred additional costs related to COVID-19. These costs do not reflect the ongoing costs of operation and they have been adjusted for comparison purposes. Costs include donations of PPE and vitamin supplements, funding for a COVID-19 related research study, as well as shift premiums paid to essential

Jamieson hourly staff who maintained production through government mandated lockdown periods during the year. We have also provided for accounts receivable and specific inventory related to an international retail strategic partner customer who voluntarily entered into bankruptcy protection based on the impact of COVID-19 stay-at-home orders. Based on an executed trade agreement, we have resumed shipment to this partner.

- (6) In 2019, costs were mainly comprised of a \$3.4 million charge in connection with our amended and restated credit agreement including the write-off of unamortized deferred financing fee pertaining to our Amended Credit Agreement (refer to “*Credit Facilities*”). Additionally, we recorded a partial reserve in connection with a receivable from a key strategic partner customer, who fell victim to a social engineering scheme. Other costs in 2019 pertained to union contract negotiations, cyber-security enhancements and other special projects.
- (7) Costs pertaining to our LTIP, excluding PSUs and RSUs granted to certain employees (refer to “*Share-based compensation*”).
- (8) In 2019, we recorded a tax benefit on the revaluation of our deferred tax liability as a result of lower expected future tax rates due to the closure of our west coast office and distribution center.

The following table provides selected financial information for the Jamieson Brands operating segment for the year ended December 31, 2020 and December 31, 2019.

Jamieson Brands

(\$ in 000's, except as otherwise noted)

For the year ended December 31,	2020	2019	\$ Change	% Change
Revenue	316,423	265,843	50,580	19.0%
Gross profit	133,861	116,827	17,034	14.6%
Gross profit margin	42.3%	43.9%	-	(1.6%)
Selling, general and administrative expenses	67,169	62,403	4,766	7.6%
Share-based compensation	4,925	4,343	582	13.4%
Earnings from operations	61,767	50,081	11,686	23.3%
Operating margin	19.5%	18.8%	-	0.7%
Adjusted EBITDA	81,519	67,436	14,083	20.9%
Adjusted EBITDA margin	25.8%	25.4%	-	0.4%

The following table provides a reconciliation for the Jamieson Brands operating segment from earnings from operations to Adjusted EBITDA for the year ended December 31, 2020 and December 31, 2019.

(\$ in 000's, except as otherwise noted)

For the year ended December 31,	2020	2019	\$ Change	% Change
Earnings from operations	61,767	50,081	11,686	23.3%
Depreciation of property, plant, and equipment	6,345	5,373	972	18.1%
Amortization of intangible assets	3,949	3,649	300	8.2%
Share-based compensation	4,925	4,343	582	13.4%
Termination benefits and related costs	-	464	(464)	(100.0%)
International market expansion	13	1,712	(1,699)	(99.2%)
Business integration	2,202	1,226	976	79.6%
COVID-19 related costs	2,318	-	2,318	100.0%
Other	-	588	(588)	(100.0%)
Adjusted EBITDA	81,519	67,436	14,083	20.9%

The following table provides selected financial information for the Strategic Partners operating segment for the year ended December 31, 2020 and December 31, 2019.

Strategic Partners

(\$ in 000's, except as otherwise noted)

For the year ended December 31,	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	87,238	79,137	8,101	10.2%
Gross profit	10,895	12,907	(2,012)	(15.6%)
Gross profit margin	12.5%	16.3%	-	(3.8%)
Selling, general and administrative expenses	9,090	7,539	1,551	20.6%
Earnings from operations	1,805	5,368	(3,563)	(66.4%)
Operating margin	2.1%	6.8%	-	(4.7%)
Adjusted EBITDA	6,466	8,473	(2,007)	(23.7%)
Adjusted EBITDA margin	7.4%	10.7%	-	(3.3%)

The following table provides a reconciliation for the Strategic Partners operating segment from earnings from operations to Adjusted EBITDA for the year ended December 31, 2020 and December 31, 2019.

(\$ in 000's, except as otherwise noted)

For the year ended December 31,	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Earnings from operations	1,805	5,368	(3,563)	(66.4%)
Depreciation of property, plant, and equipment	1,915	1,890	25	1.3%
Amortization of intangible assets	-	4	(4)	(100.0%)
Termination benefits and related costs	-	16	(16)	(100.0%)
Business integration	-	14	(14)	(100.0%)
COVID-19 related costs	2,746	-	2,746	100.0%
Other	-	1,181	(1,181)	(100.0%)
Adjusted EBITDA	<u>6,466</u>	<u>8,473</u>	<u>(2,007)</u>	<u>(23.7%)</u>

Revenue

Revenue increased 17.0%, or \$58.7 million, to \$403.7 million in YTD 2020. This was driven by 19.0% growth in Jamieson Brands revenue and 10.2% growth in Strategic Partners revenue year-over-year.

Revenue in the Jamieson Brands segment increased by \$50.6 million, or 19.0%, to \$316.4 million in YTD 2020 due to strong growth in domestic and international Jamieson Brands sales of \$33.4 million and \$17.2 million respectively. The VMS market experienced strong growth as COVID-19 continues to drive consumer demand on immunity and general health. Our domestic Jamieson Brands sales increased by 14.4% over prior year reflecting consistent point-of-sale growth throughout the year, with Jamieson's growth outpacing the market as consumers turned to trusted brands in their purchasing decision. Our results reflect strong growth in e-commerce and FDM channel retailers, while regional government mandated restrictions impacted replenishments of certain health food retailers who have not transitioned to web-based platforms for servicing their customers. We continue to expand our global reach and product portfolio, with international sales increasing 49.9% versus prior year. We realized strong growth in China, Eastern Europe, and the Middle East based on continued demand for immunity products. China continues to lead our international growth through increased sales on cross border e-commerce and shipments into domestic retail stores as we expand our distribution network.

Revenue in the Strategic Partners segment increased 10.2%, or \$8.1 million, to \$87.2 million in YTD 2020 due to incremental revenue related to the change in billing practices for a key partner along with additional programs with our largest customers leading to an increase in soft-gel production. This was partially offset by the availability of production capacity to meet accelerated demand, and lower powder volumes for a strategic partner retail customer who has consolidated stores while emerging from their Chapter 11 reorganization.

Gross profit

Gross profit increased by \$15.0 million in YTD 2020, including \$1.6 million primarily relating to start-up costs in our transition to a third-party logistics provider. Normalized gross profit increased by \$16.6 million to \$146.3 million in YTD 2020 mainly driven by revenue growth. Gross profit margin decreased by 170 basis points to 35.9% in YTD 2020, including 40 basis points as a result of the aforementioned third-party transition and other costs. Normalized gross profit margin was 36.3% or 130 basis points lower than prior year including a 170 basis points reduction mainly due to higher costs to ensure continuity of supply, partially offset by a 40 basis points addition from favourable segment mix. All in response to COVID-19, these supply costs include the implementation of physical distancing and safety measures in our production facilities, higher costs to expediate raw materials and third-party packaging costs to maximize throughput.

Gross profit in the Jamieson Brands segment increased by \$17.0 million to \$133.9 million in YTD 2020, including \$1.6 million in start-up costs primarily relating to our transition to a third-party logistics provider. Normalized gross profit increased by \$18.6 million to \$135.5 million in YTD 2020 mainly driven by revenue growth. Gross profit margin decreased by 160 basis points to 42.3% in YTD 2020, including 50 basis points as a result of third-party transition and other costs. Normalized gross profit margin was 42.8% or 110 basis points lower compared to YTD 2019 due to higher supply continuity costs as noted above, partially offset by modest operational efficiencies that normally accompany higher volumes.

Gross profit in the Strategic Partners segment decreased by \$2.0 million to \$10.9 million in YTD 2020. The decrease was primarily driven by customer mix, supply continuity costs, and the factors impacting revenue noted above. Gross profit margin decreased by 380 basis points to 12.5% in YTD 2020 due to the billing change of a key customer along with the same factors noted above.

Selling, general and administrative expenses

SG&A expenses increased by \$6.3 million, to \$76.3 million in YTD 2020. Normalized for the impact of specified costs, SG&A expenses increased by \$5.8 million from \$64.7 million in YTD 2019 to \$70.5 million in YTD 2020. The normalized SG&A increase of \$5.8 million in Jamieson Brands was mainly driven by higher variable compensation expense, increase in domestic marketing program costs, plus the investment in resources for e-commerce and international growth, partially offset by a reduction in travel, meals and entertainment costs as a result of COVID-19. Normalized SG&A in the Strategic Partners segment is consistent to the same period in the prior year.

Specified costs of \$5.7 million in the current year is mainly comprised of COVID-19 donations and wage premiums, reserves pertaining to a retail strategic partner customer's bankruptcy based on the impact of COVID-19, along with a pre-existing contractual obligation on our acquired business. Specified costs of \$5.2 million in 2019 were mainly related to initial set-up expenses for establishing our presence in China, the optimization of our manufacturing and supply chain processes, cyber-security enhancements and a partial reserve we recorded in connection with a receivable from a key strategic partner customer, who fell victim to a social engineering scheme.

Share-based compensation

Share-based compensation increased by \$0.6 million to \$4.9 million in YTD 2020 due to the alignment of our grant timing to reflect annual performance targets, the cumulative effect of our stock-based equity grants since our initial public offering on July 7, 2017, and lower payroll taxes based on the number of employee exercised options in the prior year and the number of awards issued in the current year.

Earnings from operations and operating margin

Earnings from operations increased by \$8.1 million in YTD 2020 as a result of higher revenue. Operating margin decreased by 40 basis points to 15.7% in YTD 2020 mainly due to gross profit margin impact discussed above partially offset by lower fixed costs as a percentage of revenues.

Earnings from operations in the Jamieson Brands segment increased by \$11.7 million and operating margin increased 70 basis points to 19.5% in YTD 2020 mainly due to higher volumes discussed above and lower fixed costs

as a percentage of revenues.

Earnings from operations in the Strategic Partners segment decreased by \$3.6 million to \$1.8 million and operating margin decreased by 470 basis points primarily due to factors impacting revenue and gross profit margin discussed above along with higher SG&A expenses and reserves driven by COVID-19.

Foreign exchange loss

Foreign exchange loss of \$0.5 million in YTD 2020 is due to fluctuations in USD/CAD exchange rates between the date of the transaction and when cash is realized.

Other expenses

In YTD 2019, other expenses were comprised of a \$3.4 million charge in connection with our amended and restated credit agreement including the write-off of unamortized deferred financing fee pertaining to our Amended Credit Agreement (refer to “*Credit Facilities*”).

Interest expense and other financing costs

Interest expense and other financing costs decreased by \$3.3 million to \$6.0 million in YTD 2020 due to lower interest rates as a result of our amended and restated credit agreement (refer to “*Credit Facilities*”).

Provision for income taxes

Provision for income taxes was \$15.5 million in YTD 2020 compared to \$10.6 million in YTD 2019. Our YTD 2020 effective tax rate of 27.1% includes the impact of non-deductible share-based compensation over an increased revenue base and adjustments reflected in our latest tax returns. Our YTD 2019 effective tax rate was 25.2% which included the impact of non-deductible share-based compensation and a one-time tax benefit of \$1.0 million due to a revaluation of our deferred tax liability as a result of lower expected future tax rates due to the closure of our west coast office and distribution center.

Depreciation

Depreciation expense increased by \$1.0 million to \$8.3 million in YTD 2020 due to increases in our capital investments to increase capacity which includes depreciation on our right-of-use lease assets pertaining to our transition to a third-party logistics provider.

Amortization

Amortization expense increased by \$0.3 million to \$3.9 million in YTD 2020 driven by investments in website development, system implementations, product patent and registrations.

EBITDA and Adjusted EBITDA

EBITDA increased by \$12.7 million to \$75.3 million in YTD 2020 primarily due to the factors discussed above.

Adjusted EBITDA increased by \$12.1 million to \$88.0 million and Adjusted EBITDA margin decreased by 20 basis points to 21.8% mainly due to higher volumes offset by lower gross profit margins.

Adjusted EBITDA in the Jamieson Brands segment increased by \$14.1 million to \$81.5 million and Adjusted EBITDA margin increased by 40 basis points to 25.8% in YTD 2020. The increase was primarily driven by higher volumes and lower fixed costs as a percentage of revenues.

Adjusted EBITDA in the Strategic Partners segment decreased by \$2.0 million, to \$6.5 million and Adjusted

EBITDA margin decreased by 330 basis points to 7.4% in YTD 2020. The decrease was mainly due to the impact of gross profit margins discussed above.

Summary of Consolidated Quarterly Results

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters prepared in accordance with IFRS.

(\$ in 000's, except per share amounts)	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue by segment								
Jamieson Brands	89,733	82,604	74,292	69,794	78,803	70,184	60,816	56,041
Strategic Partners	30,636	22,961	18,912	14,729	24,450	18,374	19,776	16,537
Total revenue	120,369	105,565	93,204	84,523	103,253	88,558	80,592	72,578
Earnings from operations	22,734	17,804	10,675	12,359	20,332	13,265	11,940	9,911
Net income	15,405	12,144	6,038	8,011	13,163	4,928	8,186	5,384
Adjusted net income	17,614	12,655	9,882	7,800	14,253	9,492	7,897	6,469
EBITDA	25,417	21,202	12,715	15,964	22,902	12,221	15,007	12,463
Adjusted EBITDA	29,383	22,933	18,983	16,687	25,641	19,394	16,392	14,481
Basic, earnings per share	0.39	0.31	0.15	0.20	0.34	0.13	0.21	0.14
Diluted, earnings per share	0.37	0.29	0.15	0.20	0.33	0.12	0.21	0.14
Adjusted Diluted, earnings per share	0.42	0.30	0.24	0.19	0.36	0.24	0.20	0.16

Revenue

Jamieson Brands segment revenue for the last eight quarters were impacted by factors including the following:

- accelerated demand for immunity and general health products as a result of the COVID-19 pandemic;
- the impact of innovation within our core VMS portfolio;
- shipment fluctuations in our international markets;
- the volume and timing of promotion and media;
- the volume of inventory and timing of shipments to distributors and retailers;
- seasonality;
- severity of cold and flu season; and
- foreign currency fluctuations.

Strategic Partners segment revenue for the last eight quarters were impacted by factors including the following:

- available capacity when considering demand for Jamieson Brands products;
- launch of new programs with existing or new customers, which include initial pipeline shipments;
- availability of customer supplied materials;
- innovation and geographic demand for high quality certified manufacturers;
- the impact of a change from a tolling arrangement to turnkey for certain products;
- periodic price increases to recapture cost escalation; and
- foreign currency fluctuations.

Earnings from operations

Earnings from operations for the last eight quarters were also impacted by factors including the following:

- revenue factors impacting price and volume noted above;
- return on incremental promotion and marketing programs;
- improvements in production efficiencies and higher economies of scale;

- temporary increases to production costs driven by physical distancing initiatives and safety measures established within our facilities to protect our employees as a result of the COVID-19 pandemic;
- supply continuity costs including air freight and third-party packaging costs to meet higher demand during the COVID-19 pandemic;
- additional costs incurred in our transition to a third-party logistics provider to make room for capacity expansion at our Twin Oaks and Scarborough distribution facilities;
- raw material costs in native currency;
- timing of marketing spend and variable compensation; and
- foreign currency fluctuations.

Selected Annual Information

The following selected annual information is shown for the three most recently completed financial years:

(\$ in 000's, except share and per share amounts)	For the year ended December 31		
	2020	2019	2018
Revenue	403,661	344,980	319,776
Earnings from operations	63,572	55,449	47,157
Net income	41,598	31,657	26,673
Adjusted net income	47,948	38,111	33,733
EBITDA	75,299	62,592	55,297
Adjusted EBITDA	87,985	75,909	67,628
Basic, earnings per share	1.05	0.82	0.70
Diluted, earnings per share	1.01	0.80	0.67
Adjusted Diluted, earnings per share	1.16	0.96	0.85
Selected Consolidated Financial Position Data:			
Total assets	609,341	561,775	549,021
Total non-current liabilities	225,929	229,265	205,739
Dividends declared for the year:			
Cash dividends per common share	0.47	0.38	0.34

Over the three-year period, revenue increased year-over-year driven by growth in the Jamieson Brands segment through innovations and international expansion and growth in the Strategic Partners segment through increased business with existing and new customers. In 2020, significant growth was achieved across both segments as consumer response to COVID-19 resulted in the acceleration of demand for immunity and general health supplements domestically and internationally.

Total assets have increased over the three-year period reflecting investments in working capital and property, plant, and equipment designed to improve efficiency or expand capacity. In 2020, significant investments were made to expand production capacity in response to growing demands driven by the COVID-19 pandemic.

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, capital expenditures, finance costs, and debt service. Management believes that cash generated from operations, together with amounts available under our Credit Facilities (refer to "Credit Facilities"), will be sufficient to meet the Company's future operating expenses, capital expenditures, and future debt service costs.

Our primary liquidity and capital requirements are for capital expenditures, working capital and general corporate needs. We have cash and availability under our Credit Facilities that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business (primarily through working capital and capital expenditures), repay short-term obligations and for general corporate purposes. We believe that cash from operations, together with our cash balance and our Credit Facilities will be sufficient to meet ongoing capital expenditures, working capital requirements and other cash needs.

Our ability to fund future debt service costs, operating expenses, and capital expenditures will depend on our future operating performance which will be affected by general economic, financial and other factors including factors beyond our control (refer to “*Risk Factors*”). From time to time, our management reviews acquisition opportunities and if suitable opportunities arise, may make selected acquisitions to implement our business strategy. Historically, the funding for any such acquisitions has come from cash flow from operating activities and additional debt.

Credit Facilities

As at December 31, 2020, the Company had \$127.1 million in cash and available revolving and swingline facilities.

On September 27, 2019, Jamieson Laboratories Ltd. (“JLL”), a wholly owned subsidiary of Jamieson, amended and restated its credit agreement (the “Amended 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 \$275.0 million (including a \$10.0 million swingline facility) with the option to increase the revolving facility by \$200.0 million (collectively, the “Credit Facilities”). The Credit Facilities mature on September 27, 2024 with the outstanding principal repayable in full on this date.

We concluded that the amendments to the Initial Credit Agreement (as defined below) represent a substantial modification of the terms with our lenders. Accordingly, extinguishment accounting was applied, resulting in the derecognition of the previous unamortized deferred financing fee of \$2.0 million. Financing costs of \$1.4 million were incurred as part of the issuance of the Credit Facilities which have been expensed and recorded as other expenses.

Prior to the Amended Credit Agreement, JLL was party to the credit agreement dated January 31, 2017 with a syndicate of lenders (the “Initial Credit Agreement”). The Initial Credit Agreement provided a secured term credit facility of \$195.0 million (with the option to increase the facility up to \$255.0 million) and a secured revolving credit facility of \$75.0 million (including a \$10.0 million swingline facility). Financing costs of \$4.3 million and \$1.5 million were incurred as part of the issuance of the term credit facility and revolving credit facility, respectively.

For the three and twelve months ended December 31, 2020, JLL made drawings of \$13.2 million and \$60.2 million, and debt repayments of \$24.3 million and \$76.0 million, respectively, applied against the Credit Facilities. For the three and twelve months ended December 31, 2020, the weighted average interest rate on the Credit Facilities was 3.1% (2019 - Initial Credit Agreement rate 4.4%).

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. We are in compliance with all covenants as at the date of this MD&A.

Analysis of Cash Flows — three months ended December 31, 2020 and 2019

	Three months ended		\$ Change	% Change
	December 31			
<i>(\$ in 000's, except as otherwise noted)</i>	2020	2019		
Cash, beginning of period	3,144	4,153	(1,009)	(24.3%)
Cash flows from (used in):				
Operating activities	18,744	12,996	5,748	44.2%
Investing activities	(4,220)	(3,488)	(732)	(21.0%)
Financing activities	(16,502)	(13,463)	(3,039)	(22.6%)
Cash, end of period	1,166	198	968	488.9%

Cash Flows Generated from Operating Activities

In Q4 2020, cash flows generated from operating activities totalled \$18.7 million compared to \$13.0 million for the same period in the prior year. Cash from operating activities before working capital considerations of \$22.2 million was \$4.0 million higher, primarily due to increased earnings in the current quarter. Cash invested in working capital decreased by \$1.7 million mainly driven by timing of payments and significant shipments in the quarter lowering inventory.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in Q4 2020 totalled \$4.2 million compared to \$3.5 million for the same period in the prior year. Purchases of property, plant and equipment increased by \$0.8 million reflecting our investments in additional manufacturing and packaging equipment required to expand production capacity, along with an increase in right-of-use lease assets pertaining to our transition to a third-party logistics provider. This was partially offset by a \$0.1 million decrease in expenditures on intangible assets mainly due to timing. Our intangible assets consist primarily of website development, system implementation, product patent and registrations.

Cash Flows Used in Financing Activities

Cash flows used in financing activities in Q4 2020 totalled \$16.5 million compared to \$13.5 million for the same period in the prior year. In Q4 2020, we made net repayments of \$11.0 million to our Credit Facilities, distributed \$5.0 million of dividends to common shareholders, and made payments of lease liabilities of \$0.8 million, offset by \$0.3 million we received for the exercise of stock options and our employee share purchase plan (“ESPP”). In Q4 2019, we made net repayments of \$9.3 million to our Credit Facilities, distributed \$3.9 million of dividends to common shareholders, and made payments of lease liabilities of \$0.5 million, offset by \$0.2 million we received for the exercise of stock options and our ESPP.

Analysis of Cash Flows — for the year ended December 31, 2020 and 2019

	For the year ended		\$ Change	% Change
	December 31			
<i>(\$ in 000's, except as otherwise noted)</i>	2020	2019		
Cash, beginning of period	198	12,445	(12,247)	(98.4%)
Cash flows from (used in):				
Operating activities	40,596	16,396	24,200	147.6%
Investing activities	(13,169)	(9,498)	(3,671)	(38.7%)
Financing activities	(26,459)	(19,145)	(7,314)	(38.2%)
Cash, end of period	1,166	198	968	488.9%

Cash Flows Generated from Operating Activities

In YTD 2020, cash flows generated from operating activities totalled \$40.6 million compared to \$16.4 million for the same period in the prior year. Cash from operating activities before working capital considerations of \$60.8

million was \$9.9 million higher, primarily due to increased earnings and the impact of financing fees paid on our debt renewal on prior year's earnings. Cash invested in working capital decreased by \$14.3 million mainly driven by timing of payments and accelerated deductions of trade obligations by our domestic retail partners in the prior year. This was partially offset by increases in inventories to secure raw material supply.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in YTD 2020 totalled \$13.2 million compared to \$9.5 million for the same period in the prior year. Purchases of property, plant and equipment increased by \$2.2 million reflecting our investments in additional manufacturing and packaging equipment required to expand production capacity, along with an increase in right-of-use lease assets pertaining to our transition to a third-party logistics provider. Expenditures on intangible assets increased by \$1.4 million reflecting our investments in website development, system implementation, product patent and registrations

Cash Flows Used in Financing Activities

Cash flows used in financing activities in YTD 2020 totalled \$26.5 million compared to \$19.1 million for the same period in the prior year. In YTD 2020, we made net repayments of \$15.7 million to our Credit Facilities, distributed \$18.6 million of dividends to common shareholders, and made payments of lease liabilities of \$2.4 million, offset by \$10.3 million we received for the exercise of stock options and our ESPP. In YTD 2019, we made net repayments of \$4.1 million to our Credit Facilities, distributed \$14.7 million of dividends to common shareholders, and made payments of lease liabilities of \$1.9 million, offset by \$1.6 million we received for the exercise of stock options and our ESPP.

Contractual Obligations

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at December 31, 2020.

<i>(\$ in 000's)</i>	2021	2022-2025	Thereafter	Total
Operating leases ⁽¹⁾	\$ 4,005	\$ 14,883	\$ 15,839	\$ 34,727
Trade and other payable	73,084	-	-	73,084
Revolving credit facility ⁽²⁾	-	149,058	-	149,058
Total contractual obligations	\$ 77,089	\$ 163,941	\$ 15,839	\$ 256,869

- (1) We have entered into several operating leases for vehicles, production equipment, computer and communications equipment, office equipment, and office and warehouse space. In 2020, the Company has entered into leases with a third-party logistics provider to make room for capacity expansion. As of December 31, 2020, our total minimum lease payments payable in future years are \$34.7 million.
- (2) On September 27, 2019, JLL amended and restated the Initial Credit Agreement to provide a secured revolving facility of \$275.0 million (including a \$10.0 million swingline facility) with the option to increase the revolving facility up to \$475.0 million. The Credit Facilities mature on September 27, 2024 with the outstanding principal repayable in full on this date.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Related Party Transactions

Balances and transactions between us and our subsidiaries, have been eliminated on consolidation.

Share-based compensation

The LTIP is an equity-based compensation plan providing for the issuance of securities under which grants will be made. Under the LTIP, the board of directors of the Company, at its discretion, may grant share options, restricted shares, RSUs, PSUs, stock appreciation rights and deferred share units. The awards are settled in common shares of the Company (“Common Shares”) with a cash settlement alternative available to the Company. We also maintain the ESPP for all eligible employees for the purchase of Common Shares.

Our share-based compensation expense, for the three and twelve months ended December 31, 2020 is \$1.2 million and \$4.9 million, respectively, (2019 - \$1.6 million and \$4.3 million).

Financial Instruments

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to transactions in U.S. dollars pertaining to inventory purchases and our international sales. These agreements mature at various dates and qualify for hedge accounting as cash flow hedges of future foreign currency transactions. The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the consolidated statements of operations and comprehensive income. As of December 31, 2020, \$156.1 million of anticipated foreign currency denominated purchases have been hedged with underlying foreign exchange forward contracts settling at various dates in the 2 years following the end of the current quarter.

We also use interest rate swaps to manage our long-term interest rate exposure with respect to interest on our Credit Facilities which is based on fluctuating CDOR. We have entered into an interest rate swap with a term of October 1, 2020 to September 27, 2024 with a notional principal of \$140.0 million and an annual amortization of \$10.0 million on the first business day of each year. The interest rate swap is a derivative measured at fair value and meets hedge accounting requirements.

Outstanding Share Capital and Redeemable Preferred Shares

	Common Shares	
	#	\$
As at January 1, 2020	38,989,942	243,224
Exercise of stock options	867,301	12,122
Employee stock purchase plan	15,669	449
As at December 31, 2020	39,872,912	255,795
	Common Shares	
	#	\$
As at January 1, 2019	38,207,114	239,404
Exercise of stock options	758,333	3,357
Employee stock purchase plan	24,495	463
As at December 31, 2019	38,989,942	243,224

As at December 31, 2020, the authorized share capital of the Company consisted of:

- 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; and
- Unlimited number of Preference Shares, issuable in series.

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Significant judgments made by management in applying our accounting policies and key sources of estimation of uncertainty were the same as those applied and described in Note 3 in the accompanying notes of our Company's audited consolidated annual financial statements for the year ended December 31, 2020. Items subject to significant estimate uncertainty and critical judgements which have the most impact on the amounts recognized in the audited consolidated annual financial statements are included both below and in the annual audited financial statement notes.

Our significant accounting judgments, estimates and assumptions are affected as a result of the various ongoing economic and social impacts of the COVID-19 global pandemic. There continues to be significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our employees, suppliers, and customers. It is not possible to predict the impact COVID-19 will have on our financial position and our results of operations in the future. We are monitoring the future impact of the pandemic on all aspects of our business. At each quarter end, management analyzes the impact of the COVID-19 pandemic on our estimates and judgements related to valuation of inventory, receivables and allowance for doubtful accounts below.

Estimating variable consideration for returns, trade merchandise allowances and sales promotional incentives

We use historical customer return data to determine the expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages we estimated.

We provide for estimated payments to customers based on various trade programs and sales promotional incentives. We estimate the most likely amount payable to each customer for each trade and incentive program separately using (i) the projected level of sales volume for the relevant period; (ii) customer rates for allowances, discounts, and rebates; (iii) historical spending patterns; and (iv) sales lead time. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations.

We update our expected return, trade merchandise allowances and sales promotional incentives on a quarterly basis and the refund liability and trade and promotional accruals are adjusted accordingly. To the extent that payments differ from estimates of the related liability, accounts payable and accrued liabilities, net income, and comprehensive income will be affected in future periods.

Valuation of inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by us turn quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or "best before" dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net income, and comprehensive income will be affected in future periods.

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. We have 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.

Receivables and allowance for expected credit losses

We are exposed to credit risk with respect to amounts receivable from customers. Our allowance is determined by historical experiences, and considers factors including, the aging of the balances, the customer's credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers.

COVID-19 has increased the measurement uncertainty with respect to the determination of the allowance for doubtful accounts. The impact of the COVID-19 pandemic to customers' business is considered when making credit assessments. Deposits are requested on accounts as required. We maintain provisions for potential credit losses, which are assessed on a regular basis.

Long-lived assets valuation

We perform impairment testing annually for goodwill and indefinite-life intangible assets and when circumstances indicate long-lived assets may be impaired. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing. We assess impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less costs of disposal.

The determination of the recoverable amount involves significant estimates and assumptions. Fair value less costs to sell is determined using market multiples. Value in use is determined using future cash inflows and outflows, discount rates, growth rates and asset lives. These estimates and assumptions could affect our future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Measurement of fair values

A number of our accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of our financial and non-financial assets and liabilities.

Tangible and intangible assets acquired through business combinations are initially recorded at their fair values based on assumptions of management. These assumptions include estimating the cost of tangible assets and future expected cash flows arising from intangible assets identified. Financial instruments acquired are determined based on the amortized costs at the acquisition date that approximate their carrying values.

To the extent that these estimates differ from those realized, the measured asset or liability, net income, and/or comprehensive income will be affected in future periods. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 12, 15, 16 and 20.

Taxes

The calculation of current and deferred income taxes requires us to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities that are subject to accounting estimates

inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statements of financial position, a charge or credit to income tax expense in the consolidated statements of operations and comprehensive income and may result in cash payments or receipts.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in our income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

Useful lives of property, plant and equipment and intangible assets with finite useful lives

We employ significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, including assets arising from business combinations, considering industry trends such as technological advancements, past experience, expected use and review of asset lives.

Components of an item of property, plant and equipment may have different useful lives. We make estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. We review these decisions at least once each year or when circumstances change. We will change depreciation methods, depreciation rates or asset useful lives if they are different from previous estimates.

Significant Accounting Policies

Our audited consolidated annual financial statements were prepared using the same accounting policies as described in Note 2 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2020.

Recently adopted accounting standards

No recent accounting standard changes have been identified as applicable for the three and twelve month period ended December 31, 2020 and onwards.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”), along with other members of management, have designed, or caused to be designed under their supervision, disclosure controls and procedures (“DC&P”) to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s DC&P as at December 31, 2020 and have concluded that the Company’s DC&P was effective as at December 31, 2020.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have designed, or caused to be designed under their supervision, internal control over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission to design the Company’s ICFR. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the

effectiveness of the Company's ICFR as at December 31, 2020 and have concluded that the Company's ICFR was effective as at December 31, 2020.

There have been no changes in the Company's ICFR during the three-month period ended December 31, 2020 which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Limitations of an Internal Control System

We believe that any DC&P or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of control is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future conditions.

Outlook

In fiscal 2021, we expect revenue to grow between 4.3% and 8.6% and range from \$421.0 to \$438.0 million. We anticipate Adjusted EBITDA to range from \$95.0 to 100.0 million and Adjusted Diluted Earnings per Share to range from \$1.24 to \$1.32.

Revenue in the Jamieson Brands segment is expected to increase between 4.0% and 8.0% compared to fiscal 2020, driven by growth in the following categories:

- In fiscal 2021, we expect domestic branded revenues to grow between 2.0% and 5.0% including the impact of both pricing and volume expectations while lapping surge COVID-19 demand realized earlier in the pandemic. Our guidance reflects a higher base resulting from the impact of COVID-19 and consumers continued focus on health and wellness. We plan to expand our market position focusing on innovation and consumer education while increasing investments in digital commerce.
- We expect international growth between 15.0% and 25.0% including headwinds resulting from a strengthening Canadian dollar impacting our US denominated international sales. Our guidance reflects strong growth in China while sustaining a higher base in our remaining international markets. We plan to increase our marketing investments in China to build brand equity and accelerate our long-term growth opportunities in China.

Revenue in the Strategic Partners segment is expected to increase between 5.0% to 10.0%, reflecting the higher demand of our customers' branded products.

We expect to incur certain costs affecting gross margins, including the costs associated with continuing COVID-19 safety measures in our operating facilities and higher depreciation resulting from our capacity expansion and transition to a third-party logistics platform. We expect to incur approximately \$1.5 million in start-up costs in the first quarter of 2021 associate with the completing of our transition to a third-party logistics provider to make room to maximize our capacity within our existing operating footprint. We also expect to incur non-capital costs to begin IT system enhancements to improve operating efficiencies and better service our customers as we continue to grow. Both our third-party logistics transition costs and IT enhancement costs have been adjusted in our expected Adjusted EBITDA range for fiscal 2021. These transition costs will impact Net Income while our expected Adjusted Net Income and Adjusted Diluted Earnings per Share for fiscal 2021 will also reflect the adding back of these expenses on a tax-effected basis.

The foregoing financial outlook is based on the following assumptions for fiscal 2021, amongst others:

- an average annual exchange rate between the U.S. and Canadian dollar of U.S.\$1.00 = \$1.30;
- normalized SG&A expenses will increase by approximately 9.0% to 13.0% as we continue to expand in our e-commerce capability and support growth in international markets, including a \$3.0 to \$4.0 million investment in marketing primarily to support international markets and our long-term growth opportunities in China;

- depreciation expense will be approximately \$10.5 million reflecting the acceleration of capital additions and our third-party logistics platform;
- stock-based compensation costs of approximately \$5.0 million;
- interest expense of approximately \$5.5 to \$6.0 million based on our estimated borrowing and prevailing rates;
- income tax rates of approximately 27.0% based on non-deductible stock-based compensation; and
- a fully diluted share count of between 41.5 and 42.0 million shares.

Our revenue growth and cost increases will not be linear throughout fiscal 2021, with the following factors impacting growth in the first quarter:

- We expect domestic Jamieson Brands segment to grow between 1.0% and 3.0% in the first quarter of 2021 compared to the first quarter of 2020, reflecting inventory replenishment in retail and initial implementation of pricing, offsetting the surge in demand in the first quarter of 2020 as a result of COVID-19.
- Growth in our international markets for the first quarter is expected to be between 50.0% and 60.0% due to the production timing of non-immunity products as we prioritized larger production runs of immunity products exiting fiscal 2020.
- We expect Strategic Partners revenues in the first quarter of 2021 to increase by between 30.0% and 40.0%, reflecting production line availability and the timing of our customer programs in the first quarter of 2020.
- We expect gross margins for both the Branded and Strategic Partners segment in the first quarter of 2021 to be approximately 100 bps lower compared to the first quarter of 2020 resulting from costs associated with COVID-19 safety measures implemented in the second quarter of 2020, combined with an upfront signing bonus on the renewal of our collective bargaining agreement with our hourly employees.
- SG&A expenses will increase by approximately 10.0% to 11.0% as we increase our resources and marketing efforts in our international markets.

While efforts have been taken to slow the infection rates of COVID-19 globally through mandated shutdowns, restrictions and the rollout of vaccines, there exists the continued risk that a resurgence of COVID-19 infections (or its variants as reported by the World Health Organization) may impact our estimates for fiscal 2021. Any prolonged retail or manufacturing closures could impact our ability to service our customers and consumers. An outbreak within our operating facilities could result in absenteeism or a plant closure for an extended duration. Our suppliers may experience a business disruption which could impact their ability to supply raw materials or components required to manufacture our products. Limitations on transportation or border closures may result in shipment delays from our suppliers or to our customers. Our guidance above reflects the current situation and may be impacted by the depth and duration of any potential measures resulting from the pandemic.

The description of our 2021 financial outlook in this MD&A is based on management's current views and strategies, our assumptions and expectations concerning our growth opportunities and our assessment of the opportunities for our business and the consumer health industry as a whole and the VMS and sports nutrition segments of the consumer health industry in particular, and has been calculated using accounting policies that are generally consistent with our current accounting policies. The description of our 2021 outlook is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See "*Forward-Looking Information*" and "*Risk Factors*" for a reference to the risks and uncertainties that impact our business and that could cause actual results to vary.

Current Share and Option Information

As of the date hereof, an aggregate of 39,876,799 Common Shares are issued and outstanding. As of the date hereof, the Company had 2,546,553 options, 256,894 PSUs and 9,000 RSUs outstanding.

Additional Information

Additional information relating to our Company, including our most recent annual report and annual information form are available on SEDAR at www.sedar.com.

Risk Factors

We are exposed to a variety of financial risks in the normal course of operations including credit risk, market risk and liquidity risk, each of which is discussed below. Management oversees the management of these risks. Our financial instruments and policies for managing these risks are detailed below. Please see also the discussion of risks associated with COVID-19 discussed above under the heading “Summary of Factors Affecting Our Performance” and “Outlook”.

Credit risk

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

We are also exposed to counterparty credit risk inherent in our financing activities, trade receivable insurance, foreign currency derivatives and interest rate derivatives. We have assessed these risks as minimal.

Market Risk

Market risk is comprised of foreign exchange risk, interest rate risk and commodity price 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. Our exposure to the risk of changes in foreign exchange rates relates primarily from transactions in U.S. dollars such as a portion of trade accounts payable, trade accounts receivable and cash. We use foreign exchange forward contracts to manage foreign exchange transaction exposure.

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. Our accounts receivable and accounts payable are non-interest bearing. Our exposure to the risk of changes in market interest rates arises from long-term debt obligations with floating interest rates. We manage our interest rate risk by entering into interest rate swaps, in which we agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Commodity Price Risk

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

Liquidity Risk

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

We manage our liquidity risk through continuous monitoring of our forecast and actual cash flows and through the management of our capital structure. We continually revise our available liquid resources as compared to the timing of the payment of liabilities to manage our liquidity risk.



Consolidated Financial Statements
For the years ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Jamieson Wellness Inc.**

Opinion

We have audited the consolidated financial statements of Jamieson Wellness Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, the consolidated statements of operations and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

INDEPENDENT AUDITOR’S REPORT (continued)

Sales promotional incentives

Key audit matter	How our audit addressed the key audit matter
<p>As described in the Summary of Significant Accounting Policies in Note 2 to the consolidated financial statements, the Group provides certain customers with discounts and sales promotional incentives, which results in variable consideration and the Group having to estimate expected levels of promotions that are typically settled in a period after the sale being recorded. The estimated costs of these discounts and customer-specific sales promotional incentives are recorded as a reduction to revenue at the time a product is sold to the customer.</p> <p>The Group’s sales promotional incentives are complex, and there are a significant number of customers and products affected. The measurement of sales promotional incentives involves the use of judgement related to estimating future promotional spending based on historical performance of promotions and adjustments for current trends, among other inputs. The timing difference between sales of goods by the Group and the settlement of customer-specific sales promotional incentives further increases the risk associated with the measurement of revenues. Changes in these estimates can have a significant impact on the amount of revenue recognized.</p>	<ul style="list-style-type: none"> • We considered the appropriateness of the Group’s revenue recognition accounting policies, specifically the recognition and classification criteria for discounts and sales promotional incentives, by reviewing the Group’s contractual and non-contractual arrangements with its customers. • Among other audit procedures, we tested the sales promotional incentives accrued at the end of the year by comparing program details with agreements or other correspondence between the Group and its customers, where applicable, taking customary trade practices into consideration. • We examined correspondence between the Group and its customers, and historical end-consumer spending patterns on similar promotions, to evaluate the reasonableness of the estimated end-consumer purchases forecasted by management during the promotional period. • We also analyzed retrospective reviews prepared by management on its ability to estimate customer-specific sales promotional incentives, which compared actual spending to amounts accrued at period end and analyzed trending of customer-specific sales promotional incentives as a percentage of revenue, to evaluate the accuracy and completeness of amounts accrued by management at year end. • Additionally, we performed inquiry procedures directly with sales representatives to evaluate the completeness of incentive programs.

Other information

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

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Paula J. Smith.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 24, 2021

Jamieson Wellness Inc.
Consolidated Statements of Financial Position
In thousands of Canadian dollars as at December 31,

	Notes	2020	2019
Assets			
Current assets			
Cash		1,166	198
Accounts receivable	4	97,951	89,394
Inventories	5	102,645	81,948
Prepaid expenses and other current assets		2,389	1,893
		204,151	173,433
Non-current assets			
Property, plant and equipment	6	83,796	64,906
Goodwill	7	122,975	122,975
Intangible assets	8	196,158	198,189
Deferred income tax	13	2,261	2,272
Total assets		609,341	561,775
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	73,084	67,795
Income taxes payable	13	6,580	2,365
Derivatives	20	8,231	1,292
Current portion of other long-term liabilities	14	3,115	1,890
		91,010	73,342
Long-term liabilities			
Long-term debt	11	149,058	164,769
Post-retirement benefits	12	3,538	3,923
Deferred income tax	13	51,479	51,107
Other long-term liabilities	14	21,854	9,466
Total liabilities		316,939	302,607
Shareholders' equity			
Share capital	15	255,795	243,224
Contributed surplus		12,986	10,727
Retained earnings		29,023	6,061
Accumulated other comprehensive loss		(5,402)	(844)
Total shareholders' equity		292,402	259,168
Total liabilities and shareholders' equity		609,341	561,775
Commitments and contingencies	21		

(see the accompanying notes to the consolidated financial statements)

Approved on behalf of the Board:

Steve Spooner
Director

David Williams
Director

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

In thousands of Canadian dollars, except share and per share amounts, for the years ended December 31,

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Revenue	22, 23	403,661	344,980
Cost of sales	5	258,905	215,246
Selling, general and administrative expenses		76,259	69,942
Share-based compensation	16	4,925	4,343
Earnings from operations		63,572	55,449
Foreign exchange loss		460	404
Other expenses	18	22	3,369
Interest expense and other financing costs	19	6,042	9,372
Income before income taxes		57,048	42,304
Provision for income taxes	13	15,450	10,647
Net income		41,598	31,657
<i>Other comprehensive income (loss)</i>			
Actuarial gain (loss) not to be reclassified subsequently to net income	12	785	(671)
Income tax	13	(198)	179
Net of tax		587	(492)
Unrealized loss on amounts to be reclassified net of realized gains on amounts reclassified to net income	20	(6,939)	(4,416)
Income tax	13	1,756	1,136
Net of tax		(5,183)	(3,280)
Total other comprehensive loss		(4,596)	(3,772)
Comprehensive income		37,002	27,885
Income per share attributable to common shareholders	24		
Basic, income per share		1.05	0.82
Diluted, income per share		1.01	0.80
Weighted average number of shares	24		
Basic		39,539,955	38,535,274
Diluted		41,160,341	39,614,909

(see the accompanying notes to the consolidated financial statements)

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

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total Shareholders' equity
As at January 1, 2019		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 year		-	-	31,657	-	31,657
Exercise of stock options and ESPP	15	3,820	(2,195)	-	-	1,625
Common share dividend (\$0.38 per share)		-	-	(14,687)	-	(14,687)
Other comprehensive loss		-	-	-	(3,772)	(3,772)
Currency translation adjustment		-	-	-	(23)	(23)
Share-based compensation	16	-	3,885	-	-	3,885
As at December 31, 2019		243,224	10,727	6,061	(844)	259,168
Net income for the year		-	-	41,598	-	41,598
Exercise of stock options and ESPP	15	12,571	(2,315)	-	-	10,256
Common share dividend (\$0.47 per share)		-	-	(18,636)	-	(18,636)
Other comprehensive loss		-	-	-	(4,596)	(4,596)
Currency translation adjustment		-	-	-	38	38
Share-based compensation	16	-	4,574	-	-	4,574
As at December 31, 2020		255,795	12,986	29,023	(5,402)	292,402

(see the accompanying notes to the consolidated financial statements)

Jamieson Wellness Inc.
Consolidated Statements of Cash Flows
In thousands of Canadian dollars, for the years ended December 31,

Cash provided by (used in)	Notes	2020	2019
Operating activities			
Net income		41,598	31,657
Items not affecting cash			
Depreciation of property, plant and equipment	6	8,260	7,263
Amortization of intangible assets	8	3,949	3,653
Amortization and derecognition of deferred financing fees	18, 19	-	3,026
Deferred income taxes		1,941	1,108
Share-based compensation	16	4,574	3,885
Others		478	303
Net change in non-cash working capital		<u>(20,204)</u>	<u>(34,499)</u>
		40,596	16,396
Investing activities			
Additions to property, plant and equipment, net	6	(11,251)	(9,027)
Acquisition of intangible assets	8	<u>(1,918)</u>	<u>(471)</u>
		(13,169)	(9,498)
Financing activities			
Proceeds from credit facilities	11	60,292	47,224
Repayment of credit facilities	11	(76,003)	(51,393)
Payment of lease liabilities	14	(2,368)	(1,914)
Dividends to Common Shareholders		(18,636)	(14,687)
Exercise of stock options and ESPP	15	<u>10,256</u>	<u>1,625</u>
		(26,459)	(19,145)
Increase (decrease) in cash		968	(12,247)
Cash - Beginning of the year		<u>198</u>	<u>12,445</u>
Cash - End of the year		<u>1,166</u>	<u>198</u>
Supplemental disclosure			
Amount of income taxes paid		9,296	11,628
Amount of interest paid		4,503	8,251

(see the accompanying notes to the consolidated financial statements)

Jamieson Wellness Inc.

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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 consolidated financial statements of Jamieson and its subsidiaries for the year ended December 31, 2020 were authorized for issue by the Board of Directors of the Company on February 24, 2021. 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.

On January 1, 2019, Sonoma Nutraceuticals Inc. was amalgamated into Body Plus Nutritional Products Inc.

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

2. Summary of significant accounting policies

2.1 Basis of preparation and statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain derivative financial instruments and liabilities associated with the post-retirement benefit plan that have been measured at fair value. The consolidated 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.

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2.2 Basis of consolidation

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

2.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its consolidated financial statements:

2.3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition-related costs are expensed as incurred and included in the consolidated statements of operations and comprehensive income.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is subsequently re-measured to fair value at each reporting period end, with the changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

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Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in net income.

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

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2.3.2 Current versus non-current classification

The Company presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.3.3 Fair value measurement

The Company measures financial instruments, such as derivatives, at fair value at each consolidated statements of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

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- Accounting policy disclosures (Note 2.3.3)
- Disclosures for valuation methods, significant estimates and assumptions (Notes 3 and 7)
- Quantitative disclosures of fair value measurement hierarchy (Note 20)
- Financial instruments (including those carried at amortized cost) (Notes 11 and 20)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of instruments that are quoted in active markets is determined using the quoted prices. The Company uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.4 Revenue recognition

The majority of the Company's revenue is derived from the sale of Jamieson branded products to distributors, retail and wholesale customers, referred to as the Company's "Jamieson Brands" segment, as well as providing contract manufacturing services and the sale of products to strategic partners, referred to as the Company's "Strategic Partners" segment.

Revenue is recognized for the sale of Jamieson branded products and the manufacturing of products to its strategic partners at the point in time when control of the asset is transferred to the customer based on shipping

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terms. The Company generally has a right to payment at the time of delivery (which is the same time that the Company has satisfied its performance obligations under the arrangement), as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due.

A portion of the Company's revenues derived from contract manufacturing services provided to customers in its Strategic Partners segment is under a tolling arrangement where the customer supplies the Company with a raw material or ingredient. Revenue is recognized net of the cost of the raw material or ingredient supplied by the customer.

Rights of return give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method as this best predicts the amount of variable consideration to which the Company is entitled. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. For products that are expected to be returned, a refund liability is recognized as a reduction of revenue at the time the control of the products purchased is transferred to the customers.

Jamieson may provide discounts and sales promotional incentives to its customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. Jamieson applies the most likely amount method estimating discounts provided to customers using contracted rates and estimating sales promotional incentives provided to customers based on historical spending patterns. Jamieson may also provide other consideration to customers for customer-specific programs to promote the Company's products. Consequently, revenues are recognized net of these estimated program costs. All other estimated non-customer-specific promotional costs and consideration are expensed as selling, general and administrative expenses.

In subsequent periods, the Company monitors the performance of customers against agreed-upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required.

2.3.5 Foreign currencies

The Company's consolidated financial statements are presented in Canadian dollars. For each entity, the Company determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency (refer to Note 1.2).

Transactions and balances

Transactions in foreign currencies are initially recorded by the entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

- Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.
- Revenue and expense items are translated using the average exchange rate during the year.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

On consolidation, the assets and liabilities of foreign operations are translated into the reporting currency at the reporting currency spot rate of exchange in effect at the reporting date and their statement of operations are

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translated using the average exchange rate during the year. Exchange differences arising on translation for consolidation are recognized in other comprehensive income (“OCI”). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

2.3.6 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of operations and comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income taxes are not recognized where:

- The deferred income tax liability arises from the initial recognition of goodwill;
- The deferred income tax asset or liability arises on the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss; and
- For temporary differences relating to investments in subsidiaries to the extent that the Company can control the timing of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred income tax assets are recognized for unused loss carry forwards and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. At each reporting period, previously unrecognized deferred income tax assets are reassessed to determine whether it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred income taxes relating to items recognized directly in OCI or equity are also recognized directly in OCI or equity, respectively.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances arise. The adjustment is either treated as an adjustment to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognized in net income.

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Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

2.3.7 Property, plant and equipment

Property, plant and equipment, with the exception of land, is recorded at cost less accumulated depreciation and any net accumulated impairment losses. Land is carried at cost and not depreciated. Construction-in-process assets are capitalized during construction and depreciation commences when the asset is available for use. Repair and maintenance costs are recognized in profit or loss as incurred unless the recognition criteria are satisfied and it substantially changes the useful life of an asset.

Depreciation is calculated on a straight-line basis, after taking into account residual values, over the following expected useful lives of the assets:

Land	Not depreciated
Buildings	20-30 years
Machinery and equipment	3-20 years
Furniture and fixtures	4-5 years
Computer equipment and software	3 years
Tools and dies	1 year

When parts of an item of property and equipment have different useful lives, those components are accounted for as components of property and equipment. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of operations and comprehensive income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed periodically.

2.3.8 Intangible assets

Intangible assets are established as a result of business combinations and measured on initial recognition at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses.

Upon recognition of an intangible asset, the Company determines if the asset has a definite or indefinite life. In making this determination, the Company considers the expected use, expiry of agreements, the nature of the asset, and whether the value of the asset decreases over time.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period, as appropriate, and are

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treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the consolidated statements of operations and comprehensive income on a straight-line basis over their estimated useful lives as follows:

Customer relationships	25-30 years
Registrations, licenses, and other	3-10 years

The Company expects its trade names to generate economic benefit in perpetuity, and accordingly, has assigned the trade names as indefinite-life intangible assets.

Indefinite-life intangibles including trade names are tested for impairment annually at December 31 and otherwise as required if events occur that indicate that the net carrying value may not be recoverable.

2.3.9 Financial instruments — initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification and measurement

All financial assets and liabilities are recognized initially at fair value plus, in the case of financial instruments not at fair value through profit or loss (“FVTPL”), transaction costs.

Debt financial instruments are subsequently measured at FVTPL, fair value through other comprehensive income (“FVOCI”), or amortized cost using the effective interest rate method. The Company determines the classification of its financial assets based on the Company’s business model for managing the financial assets and whether the instruments’ contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. The Company’s derivatives not designated as a hedging instrument in a qualifying hedge relationship are subsequently measured at FVTPL. Equity instruments within the scope of IFRS 9, “Financial Instruments” (“IFRS 9”), if any, are subsequently measured at FVTPL or elected irrevocably to be classified at FVOCI at initial recognition.

Financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL. Financial liabilities are subsequently measured as FVTPL when the financial liability is: (i) contingent consideration of an acquirer in a business combination; (ii) held for trading; or (iii) it is designated as FVTPL if eligible. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

For financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the Company’s own credit risk of that liability is recognized in OCI unless the recognition of the effects of changes in the liability’s credit risk in OCI would create or enlarge an accounting mismatch in the consolidated statements of operations and comprehensive income. The remaining amount of change in the fair value of liability is recognized in the consolidated statements of operations and comprehensive income. Changes in fair value of a financial liability attributable to the Company’s own credit risk that are recognized in OCI are not subsequently reclassified to the consolidated statements of operations and comprehensive income; instead, they are transferred to retained earnings, upon derecognition of the financial liability.

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The Company has made the following financial instrument classifications:

Financial Instrument	IFRS 9 Measurement
Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Derivatives not designated as hedging instruments	FVTPL
Derivatives designated as hedging instruments	Fair value (hedge accounting)

Impairment

IFRS 9 requires a forward-looking Expected Credit Loss (“ECL”) model. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

For accounts receivable, Jamieson applies the simplified approach and has determined the allowance based on lifetime ECLs at each reporting date. The Company has established a provision that is based on the Company’s historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. There was no transitional adjustment as a result of adopting the new impairment requirements.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of operations and comprehensive income.

2.3.10 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments (primarily forward contracts and swaps) to manage exposure to fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is executed and are subsequently remeasured at fair value each reporting period end.

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and its strategy for undertaking the hedge. The documentation identifies the specific asset, liability, or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

The Company also formally assesses, both at inception and at each reporting date thereafter, whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. If a hedge relationship becomes ineffective, it no longer qualifies for hedge accounting and any subsequent change in the fair value of the hedging instrument is recognized in net income.

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The Company uses hedge accounting for highly probable forecasted transactions (cash flow hedges). When hedge accounting is appropriate, the hedging relationship is designated as a cash flow hedge. In a cash flow hedge, the change in fair value of the hedging instrument is recorded, to the extent it is effective, in other comprehensive income. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset, the Company removes that amount from the cash flow hedge reserve and includes it directly in the initial cost of the inventory.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recognized in the consolidated statements of operations and comprehensive income.

2.3.11 Inventories

Inventories are valued at the lower of cost and net realizable value. Raw material costs are accounted for using purchase cost on a first-in, first-out basis. Finished goods and work in progress costs are accounted for using cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. A provision for obsolescence is calculated based on historical experience and expiration.

2.3.12 Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets are summarized in the following notes:

- Accounting policy disclosures (Note 2.3.12)
- Disclosures for significant assumptions (Note 3)
- Property, plant and equipment (Note 6)
- Goodwill and intangible assets (Notes 7 and 8)

The Company performs impairment testing annually for goodwill and indefinite-life intangible assets and, when circumstances indicate that there may be impairment, for other long-lived assets. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, a market multiple approach is used. These calculations are corroborated by other available fair value indicators.

The determination of the recoverable amount involves significant estimates and assumptions, including those with respect to valuation multiples, future cash inflows and outflows, discount rates, and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values were to change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Where the carrying amount of an asset or CGU (or group of CGUs) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses, if any, of continuing operations are recognized in the consolidated statements of operations and comprehensive income in those expense categories consistent with the function of the impaired asset.

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A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or group of assets does not exceed their recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the consolidated statements of operations and comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3.13 Cash

Cash in the consolidated statements of financial position is comprised of cash balances that are subject to an insignificant risk of changes in value.

2.3.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the subsequent increase in the provision due to the passage of time is recognized as a finance cost.

2.3.15 Post-retirement benefits

The Company's post-retirement benefit plan (refer to Note 12) is unfunded and available to all Canadian hourly union personnel. The plan provides prescription and vision benefits to eligible employees upon attainment of age 65 with at least 15 years of service.

Post-retirement benefit costs for the plan are actuarially determined using the projected unit credit method prorated on service and management's best estimate of the appropriate discount rate, health care costs, inflation, mortality and other decrements. The accrued benefit obligation is based on the present value of future benefits based on the last actuarial valuation completed as of December 31, 2020.

Current and past years' service costs, interest income or expenses and gains and losses on curtailments are recognized in the consolidated statements of operations and comprehensive income as they occur and at the date of a plan amendment or curtailment.

Re-measurements, comprising actuarial gains and losses, are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to OCI in the period in which they occur. Re-measurements are not reclassified to net income in subsequent periods.

2.3.16 Share-based compensation

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 "LTIP"), the Board of Directors of the Company, 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 with a cash settlement alternative available to the Company.

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Share-based compensation costs are accounted for on a fair value basis, as measured at the grant date, which is generally the date at which both the Company and employee have a mutual understanding of the terms of the award.

The compensation expense is based on the estimated number of awards that will eventually vest and adjustments for forfeitures are made as they occur.

Upon exercise of options and settlement of RSUs and PSUs the amount recognized in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital.

Options are granted with an exercise price equal to or greater than their fair value, as determined by the closing price on the TSX immediately preceding the grant date of the shares into which they may be converted. Options granted to directors of the Company fully vest on the one-year anniversary from the grant date. Options granted to persons other than directors of the Company vest at a rate of 25% or 33% per year on each anniversary date from the beginning of the vesting period. Options expire no later than the 10th anniversary of the beginning of the vesting period or upon termination of employment.

The fair value of the share options is estimated using the Black-Scholes option-pricing model. Several assumptions are used in the underlying calculation of fair values of the Company's share options using the Black-Scholes option-pricing model, including the market value at grant date, expected life of the option, stock-price volatility, forfeiture rates, and risk-free interest rates.

PSUs and RSUs granted represent the right to receive one Common Share for each PSU or RSU. PSUs vest on the third anniversary of the grant date if the weighted average price of the Common Shares on the TSX for the 90 day period immediately preceding the third anniversary of the grant date, measured over the three year term of the PSUs, increases 6% or more annually (using a compound annual growth rate) over the weighted average price of the Common Shares on the TSX for the 90 day period immediately preceding the grant date.

The Company has determined that the above specified performance condition represents a market condition. Accordingly, the Company recognizes the compensation cost over the vesting period, irrespective of whether the market condition is satisfied, provided that service conditions are satisfied.

The fair value of PSUs is estimated at grant date using the Monte Carlo simulation. Several inputs and assumptions are used in the underlying calculation of fair values of the Company's PSUs, including the market value of a Common Share at grant date, expected dividend and stock-price volatility.

The RSUs vest at a rate of 1/3 per year on each anniversary date from the beginning of the vesting period.

The fair value of RSUs is measured at grant date based on the market value of a Common Share at grant date.

Employee share purchase plan

The Company maintains an employee share purchase plan ("ESPP") for all eligible employees. Employees can contribute any amount of their eligible earnings subject to an annual cap of 10% of aggregate base salary and commissions to the ESPP. Share purchases occur 14 days following the end of the Company's fiscal quarter (the "Purchase Date"), or the first business day thereafter if any Purchase Date is not a business day. Eligible employees are able to purchase Common Shares at 90 percent of the volume weighted average closing price on the TSX on the five trading days immediately preceding the Purchase Date.

Employees pay for their share purchases through payroll deductions at a rate equal to any whole percentage from 1 percent to 10 percent.

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Contributions to the ESPP are recorded as share capital at each Purchase Date.

A maximum of 10% of the issued Common Shares outstanding are reserved for issuance under the LTIP, the ESPP and the Company's legacy option plan combined.

2.3.17 Leases

The Company assesses at contract inception whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has applied judgment to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognized.

The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets during the lease term for all leases.

Right-of-use assets

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

The Company's right-of-use assets are included in property, plant, and equipment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

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

The Company's lease liabilities are included in other long-term liabilities.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases

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of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are expensed on a straight-line basis over the lease term.

3. 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, and 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 affected in future periods.

The Company's significant accounting judgments, estimates and assumptions are affected as a result of the various ongoing economic and social impacts of the COVID-19 global pandemic. There continues to be significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our employees, suppliers, and customers. It is not possible to predict the impact COVID-19 will have on the Company, its financial position, and the results of operations in the future. The Company is monitoring the future impact of the pandemic on all aspects of its business. Each quarter end, the Company analyzes the impact of the COVID-19 pandemic on its estimates and judgements related to valuation of inventory, receivables and allowance for doubtful accounts below.

Judgments

The Company has identified the following judgments, apart from estimates, that management made in the process of applying the Company's accounting policies, and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimating variable consideration for returns, trade merchandise allowances and sales promotional incentives

The Company uses historical customer return data to determine the expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company.

The Company provides for estimated payments to customers based on various trade programs and sales promotional incentives. The Company estimates the most likely amount payable to each customer for each trade and incentive program separately using (i) the projected level of sales volume for the relevant period; (ii) customer rates for allowances, discounts, and rebates; (iii) historical spending patterns; and (iv) sales lead time. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations.

The Company updates its expected return, trade merchandise allowances and sales promotional incentives on a quarterly basis and the refund liability and trade and promotional accruals are adjusted accordingly. To the extent that payments differ from estimates of the related liability, accounts payable and accrued liabilities, net income, and comprehensive income will be affected in future periods.

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Valuation of inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by the Company turn quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or “best before” dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net income, and comprehensive income will be affected in future periods.

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.

Receivables and allowance for expected credit losses

The Company is exposed to credit risk with respect to amounts receivable from customers. The Company’s allowance is determined by historical experiences, and considers factors including, the aging of the balances, the customer’s credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers.

COVID-19 has increased the measurement uncertainty with respect to the determination of the allowance for doubtful accounts. 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.

Long-lived assets valuation

The Company performs impairment testing annually for goodwill and indefinite-life intangible assets and when circumstances indicate long-lived assets may be impaired. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing. The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less costs of disposal.

The determination of the recoverable amount involves significant estimates and assumptions. Fair value less costs to sell is determined using market multiples. Value in use is determined using future cash inflows and outflows, discount rates, growth rates and asset lives. These estimates and assumptions could affect the Company’s future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Measurement of fair values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of the Company’s financial and non-financial assets and liabilities.

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Tangible and intangible assets acquired through business combinations are initially recorded at their fair values based on assumptions of management. These assumptions include estimating the cost of tangible assets and future expected cash flows arising from intangible assets identified. Financial instruments acquired are determined based on the amortized costs at the acquisition date that approximate their carrying values.

To the extent that these estimates differ from those realized, the measured asset or liability, net income, and/or comprehensive income will be affected in future periods. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 12, 15, 16 and 20.

Taxes

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities that are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statements of financial position, a charge or credit to income tax expense in the consolidated statements of operations and comprehensive income and may result in cash payments or receipts.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

Useful lives of property, plant and equipment and intangible assets with finite useful lives

The Company employs significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, including assets arising from business combinations, considering industry trends such as technological advancements, past experience, expected use and review of asset lives.

Components of an item of property, plant and equipment may have different useful lives. The Company makes estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. The Company reviews these decisions at least once each year or when circumstances change. The Company will change depreciation methods, depreciation rates or asset useful lives if they are different from previous estimates.

4. Accounts Receivable

As at December 31,	2020	2019
	\$	\$
Trade	96,647	86,251
Other miscellaneous receivables	1,407	4,314
Allowance for expected credit losses	(103)	(1,171)
	97,951	89,394

The Company maintains an allowance for expected credit losses that represents its estimate of uncollectible amounts based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment.

For the year ended December 31, 2020, the Company has written off \$1,796 (2019 - \$nil) of receivables from a strategic partner customer whose retail business was impacted by COVID-19.

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The aging of receivables is as follows:

As at December 31,	2020	2019
	\$	\$
Current	81,097	74,233
Aged 1-30 days past due	14,406	12,842
Aged 31-60 days past due	913	1,749
Aged > 60 days past due	1,638	1,741
Allowance for expected credit losses	(103)	(1,171)
	97,951	89,394

5. Inventories

As at December 31,	2020	2019
	\$	\$
Raw material and packaging	52,565	31,544
Bulk product and work in process	18,269	12,202
Packaged finished goods	34,605	41,165
Inventory provision	(2,794)	(2,963)
	102,645	81,948
Inventories expensed during the year	240,156	199,594

An inventory provision is estimated by management based on historical sales, inventory aging and expiry, point of sales information and expected future sales. Provisions and subsequent changes to the provision are recorded in cost of sales in the consolidated statements of operations and comprehensive income.

For the year ended December 31, 2020, inventory write-downs of \$1,801 were expensed through cost of sales (2019 - \$1,797).

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6. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Right-of-use Assets (Note 14)	Other	Total
	\$	\$	\$	\$	\$	\$
Cost						
At January 1, 2019	2,497	23,803	39,901	-	6,256	72,457
Impact of new accounting standards adopted January 1, 2019	-	-	-	7,434	-	7,434
Additions	-	623	4,987	5,491	3,411	14,512
Disposals	-	(6)	(47)	-	(40)	(93)
At December 31, 2019	2,497	24,420	44,841	12,925	9,627	94,310
Additions	-	1,333	8,959	15,939	959	27,190
Disposals	-	(5)	(132)	(30)	(6)	(173)
At December 31, 2020	2,497	25,748	53,668	28,834	10,580	121,327
Accumulated Depreciation						
At January 1, 2019	-	5,596	14,014	-	2,613	22,223
Depreciation for the year	-	815	3,229	2,006	1,213	7,263
Disposals	-	(1)	(42)	-	(39)	(82)
At December 31, 2019	-	6,410	17,201	2,006	3,787	29,404
Depreciation for the year	-	869	3,913	2,588	890	8,260
Disposals	-	(2)	(101)	(24)	(6)	(133)
At December 31, 2020	-	7,277	21,013	4,570	4,671	37,531
Net book value						
At December 31, 2020	2,497	18,471	32,655	24,264	5,909	83,796
At December 31, 2019	2,497	18,010	27,640	10,919	5,840	64,906

Other is comprised of furniture and fixtures, computer equipment, and leasehold improvements.

7. Goodwill

Goodwill acquired through business combinations is allocated to the Jamieson Brands operating segment for the purpose of impairment testing, which is expected to benefit from the synergies of the business combination in which the goodwill arose.

The estimated recoverable amount was determined by the Company as the fair value less costs of disposal of the Jamieson Brands operating segment by using the capitalized adjusted EBITDA approach, based on a multiple range of 13.5x - 15.5x (2019 - 11.5x) whereby the Company referenced comparable companies in determining adjusted EBITDA multiples. Comparable companies were determined by reference to size and operation in similar industries.

The impairment analysis is not sensitive to reasonable possible changes to the multiple.

There have been no impairment losses recognized against goodwill for the years ended December 31, 2020 and 2019.

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8. Intangible assets

	Customer relationships \$	Trademarks \$	Registrations, licenses, and other \$	Total \$
Cost				
At January 1, 2019	101,585	115,124	874	217,583
Additions	-	-	471	471
At December 31, 2019	101,585	115,124	1,345	218,054
Additions	-	33	1,885	1,918
At December 31, 2020	101,585	115,157	3,230	219,972
Accumulated amortization				
At January 1, 2019	16,091	-	121	16,212
Amortization charge for the year	3,441	-	212	3,653
At December 31, 2019	19,532	-	333	19,865
Amortization charge for the year	3,419	-	530	3,949
At December 31, 2020	22,951	-	863	23,814
Net book value				
At December 31, 2020	78,634	115,157	2,367	196,158
At December 31, 2019	82,053	115,124	1,012	198,189

The remaining amortization period of customer relationships is 21-23 years. Amortization is recorded in cost of sales on the consolidated statements of operations and comprehensive income.

The carrying amount of indefinite-life intangible assets is comprised of trademarks, of which \$68,000 is allocated to the domestic and international sales CGU and \$47,157 is allocated to the specialty brands sales CGU (comprised of previous acquisitions of Body Plus Nutritional Products Inc., Sonoma Nutraceuticals Inc., and Lorna Vanderhaeghe Health Solutions Inc.). The estimated recoverable amount was determined by the Company as the fair value less costs of disposal of the CGU by using the capitalized adjusted EBITDA approach, based on a multiple range of 13.5x - 15.5x (2019 - 11.5x), whereby the Company referenced comparable companies in determining adjusted EBITDA multiples. Comparable companies were determined by reference to size and operation in similar industries.

Other indefinite-life intangible assets are comprised of patents, registrations, definite-life trademarks, and business development costs.

No impairment losses were recognized against intangible assets during the years ended December 31, 2020 and 2019.

9. Accounts payable and accrued liabilities

As at December 31,	2020 \$	2019 \$
Trade payables and accrued liabilities	38,618	33,126
Trade and promotional accruals	19,916	22,917
Refund liabilities	3,950	4,458
Salaries, commissions and bonuses	10,350	6,929
Termination benefits	104	270
Accrued interest - current	146	95
	73,084	67,795

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10. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Share-based compensation

The Company offers its employees a share-based compensation plan. Please refer to Note 16 for details of the share-based compensation awards.

Compensation of key management personnel of the Company

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or its subsidiaries, directly or indirectly, including any non-executive director of the Company.

Remuneration of key management personnel including C-suite executives of the Company is comprised of the following expenses:

For the years ended December 31,	2020	2019
	\$	\$
Short-term employee benefits	5,187	4,604
Share-based compensation	2,947	3,179
Total remuneration	8,134	7,783

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

11. Long-term debt

On September 27, 2019, JLL amended and restated its credit agreement (the “Amended 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 up to \$475,000 (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 (as defined below) 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 in Note 18.

Prior to the Amended Credit Agreement, JLL was party to the credit agreement dated January 31, 2017 (the “Initial Credit Agreement”) 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 year ended December 31, 2020, JLL made drawings of \$60,292 (2019 - \$13,897) and debt repayments of \$76,003 (2019 - \$35,064) applied against the Credit Facilities.

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For the year ended December 31, 2019, JLL made debt repayments of \$4,875 applied against the initial term credit facility.

For the year ended December 31, 2019, JLL made drawings of \$33,327 and debt repayments of \$11,454 applied against the initial revolving credit facility.

For the year ended December 31, 2020, the weighted average interest rate on the Credit Facilities was 3.1% (2019 - 4.4%).

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 to fix the interest rate on a portion of its outstanding Credit Facilities. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap are recognized in other comprehensive income.

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 its 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 of December 31, 2020 and 2019.

12. Post-retirement benefits

The Company maintains an unfunded post-retirement benefit plan that provides health and vision care coverage to retirees at age 65 with 15 or more years of service. The Company uses actuarial reports prepared by independent actuaries to measure its accrued obligation for funding and accounting purposes.

Changes in the present value of the post-retirement benefit plan are as follows:

As at December 31,	2020	2019
	\$	\$
Balance, beginning of the year	3,923	2,923
Benefits paid	(28)	(20)
Actuarial loss/(gain)	(785)	671
Interest costs	127	117
Current service costs	301	232
Balance, end of the year	3,538	3,923

The following significant economic assumptions were employed to determine the accrued benefit obligation:

As at December 31,	2020	2019
	%	%
Benefit obligations		
Discount rate - expense for the year	3.25	4.00
Discount rate - year-end obligation	2.75	3.25
Drug trend rate	4.50	4.50 - 5.00

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Impact of an increase/decrease in the health care trend of 1%:

As at December 31,	Accrued benefit obligation		Service cost		Interest cost	
	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease
2020	1,064	(775)	104	(72)	29	(21)
2019	1,060	(787)	100	(71)	35	(26)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the post-retirement benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the post-retirement benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The same method has been applied for the sensitivity analysis as used to calculate the recognized post-retirement liability.

The following payments are expected contributions to the post-retirement benefit plan in future years:

As at December 31,	2020	2019
	\$	\$
Within one year	21	28
Between 2 and 5 years	136	165
Between 5 and 10 years	354	477
Total expected payments	511	670

13. Income taxes

The major components of income tax expense for the years ended December 31 are as follows:

Years ended December 31,	2020	2019
	\$	\$
Current income tax expense	13,508	9,540
Deferred income tax expense	1,942	1,107
Provision for income taxes	15,450	10,647

Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory income tax rates as a result of the following:

As at December 31,	2020	2019
	\$	\$
Income tax expense at combined statutory rate of 25.2% (2019 - 25.4%)	14,380	10,745
Non-deductible expenses	91	113
Share-based compensation	1,074	985
Other and deductible temporary differences not benefited	(95)	(1,196)
	15,450	10,647

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Income tax recognized in other comprehensive income

As at December 31,	2020	2019
	\$	\$
Derivative instruments	1,756	1,136
Post-retirement benefit plan	(198)	179
	1,558	1,315

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities arise on the timing differences between accounting and tax treatment of goodwill and intangible assets, property plant and equipment, post-retirement employee benefit obligations, deferred financing fees, and non-capital losses carried forward.

Deferred income tax assets and liabilities are comprised of the following:

As at December 31,	2020	2019
	\$	\$
Non-capital losses carried forward	1,923	900
Deferred financing fees	1,179	1,645
Post retirement	896	995
Property, plant and equipment	(9,270)	(7,572)
Goodwill and intangible assets	(46,316)	(47,181)
Other	2,370	2,378
Total deferred income tax liabilities	(49,218)	(48,835)
Classified in the consolidated financial statements as:		
Deferred income tax assets	2,261	2,272
Deferred income tax liabilities	(51,479)	(51,107)
Net deferred income tax liabilities	(49,218)	(48,835)

The Company has Canadian and foreign based non-capital loss carry forwards as at December 31, 2020 of \$7,382 (2019 - \$3,414) on a pre-tax basis. The Canadian non-capital loss expires in 2038-2040. The foreign non-capital loss expires from 2023 to indefinitely.

14. Leases

The Company has lease contracts for various items of property, plant, vehicles and other equipment used in its operations. Leases of property and plant generally have lease terms between 3 and 10 years, while motor vehicles and other equipment generally have lease terms between 2 and 5 years.

The Company also has certain leases with lease terms of 12 months or less. The Company applied the 'short-term lease' recognition exemptions for these leases. Expense relating to short-term leases for the year ended December 31, 2020 is \$nil (2019 - \$587).

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognized and the movements during the period:

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	Right-of-use assets				Lease liabilities
	Property and Plant	Vehicles	Other Equipment	Total	
	\$	\$	\$	\$	\$
As at January 1, 2019	7,157	262	15	7,434	7,799
Additions	4,673	24	794	5,491	5,471
Depreciation Expense	(1,812)	(118)	(76)	(2,006)	-
Interest Expense	-	-	-	-	435
Prepaid Adjustment	-	-	-	-	(25)
Payments	-	-	-	-	(2,324)
As at December 31, 2019	10,018	168	733	10,919	11,356
Additions	15,939	-	-	15,939	15,939
Disposals	(6)	-	-	(6)	(7)
Depreciation Expense	(2,300)	(113)	(175)	(2,588)	-
Interest Expense	-	-	-	-	686
Prepaid Adjustment	-	-	-	-	42
Payments	-	-	-	-	(3,047)
As at December 31, 2020	23,651	55	558	24,264	24,969

The following table shows the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at December 31, 2020:

As at December 31,	2020	2019
	\$	\$
Within one year	4,005	2,354
After one year but not more than five years	12,210	5,881
More than five years	13,571	5,711
	29,786	13,946

The future cash outflows relating to leases that have not yet commenced are disclosed in Note 21.

15. Share capital and redeemable preferred shares

	Common Shares	
	#	\$
As at January 1, 2020	38,989,942	243,224
Exercise of stock options	867,301	12,122
Employee stock purchase plan	15,669	449
As at December 31, 2020	39,872,912	255,795
	Common Shares	
	#	\$
As at January 1, 2019	38,207,114	239,404
Exercise of stock options	758,333	3,357
Employee stock purchase plan	24,495	463
As at December 31, 2019	38,989,942	243,224

As at December 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.

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16. Share-based compensation

Outstanding options held to purchase Common Shares have the following expiry dates and exercise prices:

Range of Exercise Prices	2020 Outstanding Options			2020 Exercisable Options	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
\$0.00-\$10.00	276,574	4.86	3.67	276,574	3.67
\$10.01-\$20.00	720,518	6.38	16.02	593,018	16.08
\$20.01-\$30.00	1,549,461	5.63	23.43	405,361	22.79

The following is a summary of the Company's share option plan activity for the years ended December 31:

	2020		2019	
	Number of Shares	Weighted Average Exercise Price/Share	Number of Shares	Weighted Average Exercise Price/Share
Outstanding, beginning of year	2,919,776	15.79	2,958,875	11.10
Granted	515,862	25.75	756,230	20.00
Exercised	(858,301)	11.40	(749,333)	6.74
Forfeited	(30,784)	22.75	(45,996)	15.43
Outstanding, end of year	2,546,553	19.19	2,919,776	15.79
Exercisable, end of year	1,274,953	15.52	1,605,565	11.85

The following is a summary of the Company's PSU and RSU activity for the year ended December 31:

	2020		2019	
	PSUs	RSUs	PSUs	RSUs
Outstanding beginning of year	187,903	18,000	95,706	27,000
Granted	68,991	-	92,197	-
Exercised	-	(9,000)	-	(9,000)
Outstanding end of year	256,894	9,000	187,903	18,000
Exercisable, end of year	-	-	-	-

The inputs used in measuring the fair value of equity-based compensation granted during the years ended December 31 are shown in the table below.

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	2020		2019	
Type of compensation	Options	PSUs	Options	PSUs
Weighted average share price at the measurement date	\$ 25.75	\$ 25.75	\$ 20.00	\$ 24.67
Weighted average fair value at the grant date	\$ 5.25	\$ 20.00	\$ 4.03	\$ 16.25
Expected volatility (i)	27.0%	22%-32%	27%-33%	25%-30%
Risk-free interest rate (ii)	1.6%	2.0%	1.4%-2.0%	1.7%
Expected life (in years) (iii)	4.0-5.5	3.0	4.0-5.5	3.0
Expected dividend yield	1.6%	1.6%	1.6%-2.1%	1.9%
Pricing Model	Black-Scholes	Monte Carlo	Black-Scholes	Monte Carlo

(i) Estimated by considering comparable industry share price volatility. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

(ii) Based on Government of Canada Bonds.

(iii) Based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur.

The Company's share-based compensation expense for the year ended December 31, 2020 is \$4,925 (2019 - \$4,343), of which \$4,574 (2019 - \$3,885) is classified as contributed surplus in the Company's consolidated financial statements and \$351 (2019 - \$458) is related to employment taxes paid on exercise of options.

17. Employee benefits expense

The Company recognized employee benefit expenses included in cost of sales and selling, general and administrative expenses on the consolidated statements of operations and other comprehensive income as follows:

For the year ended December 31,	2020	2019
	\$	\$
Salaries, wages and bonus	67,310	63,117
Other employee benefits	13,602	12,721
Post-retirement benefits (Note 12)	428	349
	81,340	76,187

Additionally, the Company recognized termination benefits for the year ended December 31, 2020 of \$350 (2019 - \$480) related to reorganization. The costs related to both years are mainly comprised of severance costs and salary continuances.

18. Other expenses

As at December 31,	2020	2019
	\$	\$
Derecognition of deferred financing fees (Note 11)	-	1,949
Credit facility financing costs (Note 11)	-	1,442
Other	22	(22)
	22	3,369

19. Interest expense and other financing costs

As at December 31,	2020	2019
	\$	\$
Interest on debt and borrowings	5,356	7,860
Interest on lease liabilities (Note 14)	686	435
Amortization of deferred financing fees (Note 11)	-	1,077
	6,042	9,372

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20. Financial instruments and risk management activities

Financial instruments

The Company's financial assets and liabilities have been classified in Note 2.

Fair value measurement

Foreign exchange forward contracts measured at FVOCI are designated as hedging instruments in cash flow hedges for forecast purchases and sales in U.S. dollars and have been classified as Level 2 in the fair value hierarchy. Interest rate swaps measured at FVOCI are designated as hedging instruments in cash flow hedges and have been classified as Level 2 in the fair value hierarchy. Derivatives not designated in a formal hedging relationship are classified as FVTPL and classified as Level 2 in the fair value hierarchy. Net gains and losses on financial instruments held for trading consist of realized and unrealized gains and losses on derivatives that were de-designated or were otherwise not in a formal hedging relationship.

The Company is holding the following foreign exchange forward contracts:

	Maturity						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Beyond 12 months	
As at December 31, 2020							
Notional Amount (\$USD)	5,000	10,000	15,000	12,000	15,000	60,000	117,000
Average forward rate (USD/CAD)	1.35	1.35	1.35	1.34	1.35	1.32	-
As at December 31, 2019							
Notional Amount (\$USD)	4,000	8,000	12,000	12,000	12,000	-	48,000
Average forward rate (USD/CAD)	1.33	1.33	1.34	1.32	1.32	-	-

The fair values and notional amounts of derivative financial instruments shown below are as at December 31:

	2020				2019			
	Notional Amount \$CAD	Notional Amount \$USD	Fair Value Asset \$	Fair Value Liability \$	Notional Amount \$CAD	Notional Amount \$USD	Fair Value Asset \$	Fair Value Liability \$
Foreign currency forward contract designated as hedging instruments (forecast purchases)	-	117,000	-	(6,811)	-	48,000	-	(1,292)
Interest rate swaps designated as hedging instruments	140,000	-	-	(1,420)	-	-	-	-
	140,000	117,000	-	(8,231)	-	48,000	-	(1,292)

The terms of the foreign currency forward contracts and interest rate swaps match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the consolidated statements of operations and comprehensive income.

Potential sources of hedge ineffectiveness are:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments;
- The counterparty's credit risk differently impacting the fair value movements of the hedging instruments and hedged items; and
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

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 December 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.

There were no transfers between levels during 2020 and 2019.

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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 U.S. 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 December 31, 2020, \$156,124 (2019 - \$63,619) of anticipated foreign currency denominated sales and purchases have been hedged with underlying foreign exchange forward contracts settling at various dates in the 2 years proceeding the consolidated statements of financial position date.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rate, with all other variables held constant, of the Company's net income before income taxes (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Company's pre-tax OCI (due to changes in the fair value of foreign exchange forward contracts designated as cash flow hedges).

As at December 31,	Change in U.S.\$ FX rate %	Effect on income (loss) before tax \$	Effect on pre-tax OCI \$
2020	5	881	5,850
2019	5	650	2,400

The Company's exposure to foreign currency changes for all other currencies is not material.

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 with floating interest rates.

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The Company manages its interest rate risk by entering 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 income taxes:

As at December 31,	Increase/decrease in basis points	Effect on income (loss) before tax
	+/-	\$
2020	100	318
2019	100	1,779

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 commitments.

The Company manages its liquidity risk through continuous monitoring of its forecast and actual cash flows and also 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 consolidated statements of financial position date were as follows:

As at December 31,	2020	2019
	\$	\$
Amounts payable in more than 12 months	178,377	180,284
Amounts payable in less than 12 months	77,089	70,149
	255,466	250,433

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 2020, 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 temporary non-essential store closures within the supplement only portion of the health food channel during the year while our products remained widely available within essential food, drug, mass and e-commerce channels.

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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 to 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 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 inception of the Company's operations.

The Company is subject to capital requirements under the credit facility agreement, as described in Note 11. As at December 31, 2020, the Company was in compliance with all financial covenants.

21. Commitments and contingencies

Lease commitments

The Company has lease contracts that have not yet commenced as at December 31, 2020. The future lease payments for these non-cancellable lease contracts are as follows:

As at December 31,	2020	2019
	\$	\$
After one year but not more than five years	2,673	1,882
More than five years	2,268	3,059
	4,941	4,941

Future lease payments exclude operating costs, taxes, and utilities. Prior year has been adjusted accordingly.

General contingencies

In addition, various claims and potential claims arising in the normal course of operation are pending against JLL. It is the opinion of management that these claims or potential claims are without merit and the amount of potential liability, if any, is not determinable. Management believes the final determination of these claims or potential claims will not materially affect the financial position or results of the Company.

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22. Segment information

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

- The Jamieson Brands segment's principal activity is the manufacturing, distribution and marketing of branded natural health products including vitamins, minerals and supplements; and
- The Strategic Partners segment's 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.

	For the year ended December 31, 2020		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	316,423	87,238	403,661
Earnings from operations	61,767	1,805	63,572
Foreign exchange loss			460
Other expenses			22
Interest expense and other financing costs			6,042
Provision for income taxes			15,450
Net income			41,598

	For the year ended December 31, 2019		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	265,843	79,137	344,980
Earnings from operations	50,081	5,368	55,449
Foreign exchange loss			404
Other expenses			3,369
Interest expense and other financing costs			9,372
Provision for income taxes			10,647
Net income			31,657

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

Geographic information

For the years ended December 31, 2020 and 2019, no customer outside of Canada represented a significant portion of total sales.

Information about major customers

The following table provides the proportion of revenue attributed to each significant customer:

For the years ended December 31,	2020	2019
Customer 1	14.3%	9.7%
Customer 2	12.4%	8.7%
Customer 3	7.5%	13.9%
	34.2%	32.3%

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The revenue concentration noted mirrors the consolidated nature of the retail grocery landscape in Canada. Revenue from significant customers primarily affect the Jamieson Brands segment. It is management's opinion that the loss of any customer, significant or otherwise, would not impact the Company's viability. No other sales were made to any one customer that represented more than 10% of total sales.

23. 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:

For the years ended December 31,	2020	2019
	<u>\$</u>	<u>\$</u>
Domestic sales	264,915	231,478
International sales	51,508	34,365
Total revenue from contracts with customers	316,423	265,843

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

24. Income per share

Basic income per share amounts are calculated by dividing the net income attributable to common shareholders of the Company less dividends declared and paid to preferred shareholders by the weighted average number of shares outstanding during the year.

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 year, 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 ("EPS"):

Year ended December 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	41,598	39,539,955	1.05	31,657	38,535,274	0.82
<i>Diluted</i>						
Continuing operations	41,598	41,160,341	1.01	31,657	39,614,909	0.80



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