

## **Flower One Reports Q1-22 Financial Results**

LAS VEGAS--(BUSINESS WIRE)--July 22, 2022--Flower One Holdings Inc. (“Flower One” or the “Company”) (CSE: FONE) (OTCQX: FLOOF) (FSE: F11), the leading cannabis cultivator and producer in Nevada, today announced its financial and operating results for the first quarter ended March 31, 2022. All amounts are expressed in U.S. dollars unless indicated otherwise.

### **First Quarter 2022 Financial and Operating Highlights:**

- The Company reported first quarter 2022 revenue of \$8.9M;
- Cost of flower production decreased 35% year-over-year, a result of the Company’s ongoing efforts to reduce costs, without compromising flower quality;
- Completed a \$10.1M financing and implemented loan modifications to its term debt, reducing the Company’s cost of capital and interest obligations.

“Despite ongoing market pressures, our team has continued to drive our business forward making significant progress on cost savings, debt reduction and our overall turnaround plan,” said Kellen O’Keefe, Flower One’s President & CEO. “Our commitment to producing quality cannabis at scale is at the heart of everything we do as an organization and we are currently producing the best quality flower in the Company’s history, while simultaneously reducing our cost of production.”

### **First Quarter 2022 Financial Results:**

#### **Revenues**

For the three-month period ended March 31, 2022, the Company reported revenue of \$8.9M, representing approximately 10-15% of the state’s wholesale market. Nevada’s cannabis market continues to be harshly affected by the ongoing impact of the pandemic, and a thriving black market, which has resulted in price compression and decreased statewide cannabis sales. While tourism has continued to slowly rebound to pre-pandemic levels, visitor counts still remain far below expectations as a direct result of the reduction in conferences, corporate, and international travel. Nevada’s first quarter 2022 retail cannabis sales decreased by over 21%, as compared to first quarter 2021.

#### **Expenses**

Cost of sales for the first quarter of 2022 was \$5M, compared to \$5M from the same period in 2021. The decrease in gross margin is a direct result of wholesale price compression driven by topline market softening and increased supply. The Company has implemented cost saving initiatives, including reducing the cost of flower production by 35%. These cost saving initiatives have significantly minimized the decrease in gross margin.

## **Profitability Measures**

First quarter 2022 gross profit before fair value adjustments was \$3.9M, compared to \$8.9M from the same period of the prior year. The decrease in gross profit is directly attributable to the decline in topline revenue, as well as the fair value adjustments recorded on biological asset transformation.

	<b>Three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
		<i>(As Restated)</i>
Revenue	\$ 8,949,249	\$ 13,877,853
Cost of sales	5,031,423	4,969,319
Gross profit before fair value adjustments	3,917,826	8,908,534
Gross margin before impact of biological assets	44%	64%

For the quarter, the Company recorded a net loss of \$10.2M, compared to a net loss of \$15.8M for the same period of the prior year. The Company's finance costs were reduced by approximately 40%, including a 37% decrease to its interest expense year-over-year.

## **Balance Sheet**

As of March 31, 2022, the Company had cash and cash equivalents of \$4.7M, compared with \$4.9 as of March 31, 2021. Our overall liability balance has decreased by \$28.2M year-over-year.

“As a Company, we have implemented a variety of measures across the organization that reduced our overall costs, in spite of a very challenging global economic environment,” said Araxie Grant, Flower One's CFO. “Controlling our costs during these times is a testament to our team's financial discipline, and represents significant progress towards achieving positive cash flow. Our finance department's ability to provide precise and insightful data continues to improve, enabling us to make better strategic decisions and create shareholder value.”

Flower One's first quarter 2022 financial statements and management's discussion and analysis will be issued and filed on SEDAR at [www.sedar.com](http://www.sedar.com) on July 22, 2022 and will also be available on Flower One's website at [www.flowerone.com/investors/financial-reports](http://www.flowerone.com/investors/financial-reports).

### **Conference Call Details:**

Date: Tuesday, July 26, 2022  
Time: 10:00 a.m. ET  
Call: 1-877-407-0789 (Canada and US)  
1-201-689-8562 (International)  
Conference ID: 13731617  
Webcast: A live webcast will be available on Flower One's website or ViaVid.

All interested parties are invited to participate. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast.

For those unable to join the live webcast, a telephone replay will be available until 11:59 p.m. ET on Tuesday, August 2, 2022, and can be accessed by dialing 1-844-512-2921 (toll free) or 1-412-317-6671 (international) and provide pin number 13731617. Additionally, to access the archived webcast, please visit Flower One's website.

## **Restatement of 2021 Interim Financial Information**

The Company previously announced that, on the recommendation of the Audit Committee of the Company's Board of Directors and after consultation with MNP LLP, the Company's independent registered public accounting firm, that Flower One's previously issued unaudited interim financial statements for each of the first, second and third quarters of 2021 prepared in accordance with International Financial Reporting Standards as filed on SEDAR would be restated and should no longer be relied upon.

As a result, the Company has made both material and immaterial restatements to (1) cash and cash equivalents, (2) current and long term prepaids and deposits, (3) the carrying value of cannabis and oil-based cannabis inventory, and related cost of sales, (4) the valuation of biological assets and related fair value adjustments, (5) property, plant and equipment, loss on disposal of assets and related depreciation, (6) trade payables, accrued liabilities and construction payables, (7) valuation methodology for convertible debentures and warrants, and related derivative liability and fair value loss on derivatives, (8) the classification of current and non-current equipment financing and term debt balances, (9) general and administrative expenses, (10) stock based compensation expense for Restricted Share Units ("RSUs") granted in 2021, (11) loss on debt modification or extinguishment related to debt modifications, (12) related party transaction disclosures, and (13) finance expenses, including interest, accretion and transaction costs.

The Company has made restatements retrospectively to the comparative period as at and for the three-month period ended March 31, 2021. The condensed consolidated interim financial statements for the periods as at and ended between March 31, 2021 and September 30, 2021 were not adjusted and refiled at the time of discovery of the need for restatement, rather the comparative period as at and for the three month period ended March 31, 2021, has been corrected in the unaudited condensed interim consolidated financial statements as at the three-month period ended March 31, 2022. The periods as at and ending June 31, 2021 and September 30, 2021, will be corrected within the filing of the condensed consolidated interim financial statement as at and for the three month period ended June 31, 2022.

## **About Flower One Holdings Inc.**

Flower One is the largest cannabis cultivator, producer, and full-service brand fulfillment partner in the state of Nevada. By combining more than 20 years of greenhouse operational excellence with best-in-class cannabis operators, Flower One offers consistent, reliable, and scalable fulfillment to a growing number of industry-leading cannabis brands (Cookies, Kiva, Old Pal, Heavy Hitters, Lift Ticket's, The Clear, HUXTON, and Flower One's leading in-house brand, NLVO, and more). Flower One currently produces a wide range of products from flower, full-spectrum oils, and distillates to finished consumer packaged goods, including a variety of: pre-rolls, concentrates, edibles, topicals, and more for top-performing brands in cannabis. Flower One's Nevada footprint includes the Company's flagship facility, a 400,000 square-foot high-tech greenhouse and 55,000 square-foot production facility, as well as a second site with a 25,000 square-foot indoor cultivation facility and commercial kitchen. Flower One has built an industry-leading team focused on making high-quality cannabis accessible to all.

The Company's common shares are traded on the Canadian Securities Exchange under the Company's symbol "FONE", in the United States on the OTCQX Best Market under the symbol "FLOOF" and on the Frankfurt Stock Exchange under the symbol "F11". For more information, visit: <https://flowerone.com>.

## **Cautionary Note Regarding Forward-Looking Information**

Statements in this press release that are not statements of historical or current fact constitute "forward-looking information" within the meaning of Canadian securities laws and "forward-looking statements" within the meaning of United States securities laws (collectively, "forward-looking statements"). Such forward-looking statements involve known and unknown risks, uncertainties, and other unknown factors that could cause the actual results of the Company to be materially different from historical results or from any future actual results expressed or implied by such forward-looking statements. In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with the terms "believes," "belief," "expects," "intends," "anticipates," "potential," "should," "may," "will," "plans," "continue" or other similar expressions to be uncertain and forward-looking.

Forward-looking statements may include, without limitation, statements relating to the Company's position as a leader in the Nevada cannabis market and anticipated sales and record revenue; the Company's leadership as a cannabis cultivator, producer, innovator and full-service brand fulfillment partner; the production of a wide range of products for the nation's top-performing brands; the Company continuing to see the positive impacts of the cost-savings measures; the quantum of adjustments for the restated 2021 financial information; and the Company's expectation that the Q2-21 and Q3-21 Statements will be restated.

The forward-looking statements contained in this press release are expressly qualified in their entirety by this cautionary statement, the “Cautionary Statement regarding Forward-Looking Information” section contained the Company’s management’s discussion and analysis for the three and twelve months ended December 31, 2021 (the “MD&A”). All forward-looking statements in this press release are made as of the date of this press release. The forward-looking statements contained herein are also subject generally to assumptions and risks and uncertainties that are described from time to time in the Company’s public securities filings with the Canadian securities commissions, including the Company’s MD&A. Although Flower One has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in the forward-looking statements, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended.

Although the Company believes that any forward-looking information and statements herein are reasonable, in light of the use of assumptions and the significant risks and uncertainties inherent in such information and statements, there can be no assurance that any such forward-looking information and statements will prove to be accurate, and accordingly readers are advised to rely on their own evaluation of such risks and uncertainties and should not place undue reliance upon such forward-looking information and statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this press release are made as of the date of this release. Flower One disclaims and does not undertake any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

NEITHER THE CANADIAN SECURITIES EXCHANGE NOR THEIR REGULATIONS SERVICES PROVIDER HAVE REVIEWED OR ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

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