

March 2, 2021



Lowell Farms Inc., Formerly Known as Indus Holdings, Inc., Announces Fourth Quarter and Fiscal Year 2020 Results

Vertically-Integrated Cannabis Leader Doubles Down on Path to Scalability and Self-Sustaining Profitability With a Renewed Go-Forward Strategy

SALINAS, Calif., March 02, 2021 (GLOBE NEWSWIRE) --**Lowell Farms Inc.** (the "Company") (CSE: INDS converting to LOWL; OTCQX: INDXF to LOWLF effective March 5, 2021), a leading, vertically-integrated, California-focused cannabis company, announced revenue and operating results for the fourth quarter and fiscal year (ended December 31, 2020). All figures stated are in US Dollars.

Fourth Quarter and Fiscal Year Financial Highlights:

- Revenue generated for the three-month period ended December 31, 2020, was \$9.2 million; a decline of 15% from the fourth quarter last year. Revenue for the year ended December 31, 2020, was \$42.6 million; 15% year-over-year growth.
- Adjusted EBITDA for the three-month period ended December 31, 2020, was (\$3.7 million) compared to (\$13.2 million) in the fourth quarter last year; Adjusted EBITDA for the year-end December 31, 2020, was (\$9.8 million) compared to (\$36.0 million) in 2019. See "Use of Non-IFRS Financial Information" below.
- Operating expenses were \$5.5 million for the three-month period ended December 31, 2020, compared to \$12.0 million in the fourth quarter in the prior year. For the year ended December 31, 2020, operating expenses were \$20.6 million; a decline of 45% from 2019.
- Gross margin (before net change in fair value of biological assets) of 8% compared to negative margin of 40% in the fourth quarter last year. For the year ended December 31, 2020, gross margin (before net change in fair value of biological assets) was 11% compared to negative margin of 23% in 2019. See "Use of Non-IFRS Financial Information" below.
- Operating loss before net change in fair value of biological assets of \$4.8 million compared to operating loss of \$14.0 million in Q4 2019. For the year ended December

31, 2020, operating loss before net change in fair value of biological assets was \$16.1 million compared to an operating loss before net change in fair value of biological assets of \$45.8 million in 2019. See “Use of Non-IFRS Financial Information” below.

The declined revenue and operating results in the quarter are primarily the direct result of suppressed cultivation yields resulting from the wildfires and extreme temperatures in late summer, and the resultant plant stress that ensued.

“Despite the headwinds encountered last year, we have much to look ahead and our shift in strategy to acquire Lowell Herb Co and become Lowell Farms will position us for the future,” says Mark Ainsworth, Chief Executive Officer for Lowell Farms Inc. “Our team has shown tenacity and drive to get to where we are, and I know what we are capable of achieving when all cylinders are turned on and we are executing to the best of our capacities.

“The future is bright for Lowell Farms and I can’t wait to share more with you as we solidify our positioning within the California market.”

Operational Highlights and Ongoing Initiatives in 2021:

The Company’s focus and strategic planning of key initiatives continue to drive sustainable profitable growth, with top priorities on its cultivation facilities, improving operational efficiency, and refinement of biological assets.

Subsequent events to the fiscal third quarter December 31, 2020:

- Indus Holdings, Inc. Welcomes Bruce Gates to Board of Directors; Announces Results of Annual Shareholder Meeting
 - October 22, 2020 – Press release [here](#)
- Indus Holdings, Inc. Appoints Board Member Brian Shure as Chief Financial Officer, Steve Neil will remain at the Company in a senior capacity
 - November 9, 2020 – Press release [here](#)
- Indus Holdings, Inc. announces the acquisition of Lowell Herbs Co
 - February 25, 2021 - Press release [here](#)
- **Cultivation Quality and Efficiency:**
 - As the Company continues to evaluate its cultivation processes, refine genetics, and enhance facilities and systems, the focus has been on improving the output.
 - The Company successfully completed the electrical, mechanical, and environmental upgrades with final approval from the county in the quarter. The environmental upgrades will help mitigate implications experienced from the wildfires and extreme temperatures experienced in the summer.
 - Lowell Farms is actively exploring tissue culture clones in order to expand and refine its strain selection.
 - Portfolio of strains coming from the newly improved cultivation have consistently tested in the mid to high 20's for THC potency.
 - Continued yield improvements are expected to be seen as the environmental control system has been installed and implemented.
 - In Q4, Indus commissioned an automated flower packaging line which meant an immediate 61% reduction in flower packing headcount.
 - When fully optimized, the reduction will generate two times the productivity from 50 lbs. per shift to 100 lbs. per shift.

- **Owned Core Brands:**
 - Owned brands continue to gain market share by strategically expanding in a variety of categories in the fourth the quarter of 2020:
 - Flavor was the number four Concentrate brand in Q4 2020 and single handedly made up 6% of all concentrate units sold during Q4 2020.
 - Expanding portfolio of products:
 - The Company is working on expanding existing brands into new categories while also growing its brand portfolio to engage with new consumers and create additional revenue streams.
 - We launched 11 net new sku's.
- **Distribution Capabilities:**
 - In an effort to simplify and refocus the business on owned brands, the Company has continued to move away from the agency and distribution aspects of its business.
 - In order to process the increased flower from its renovated cultivation, Indus has submitted for a cultivation and processing license application for warehouse facilities. Plans for construction of the post-harvest processing space are underway and have been submitted and approved by the City.

Q4 and Fiscal Year Financial Results Earnings Conference Call Details:

The conference call with management at 8:30 a.m. ET on Tuesday, March 2, can be accessed using the following dial-in information:

U.S. and Canadian Toll Free:	1-877-407-0789
International:	1-201-689-8562
Conference ID:	13716552
Webcast:	http://public.viavid.com/index.php?id=143565

Please dial-in at least 10 minutes before the call to register.

The conference call will be webcast live and archived on the investor relations section of the Lowell Farms website at <https://ir.indusholdingco.com/>.

ABOUT LOWELL FARMS

Lowell Farms (CSE:LOWL; OTCQX:LOWLF) is California-based vertically-integrated cannabis company with advanced production capabilities supporting every step of the supply chain; including cultivation, extraction, manufacturing, brand sales, marketing, and distribution. Founded in 2014 as Indus Holdings, Inc, Lowell Farms grows artisan craft cannabis with a deep love and respect for the plant and prides itself on using sustainable materials – from seed to sale – to produce an extensive portfolio of award-winning original and licensed brands, including Lowell Herb Co, Cypress Cannabis, MOON, Humble Flower, and Kaizen Medicinals, for licensed retailers statewide.

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Forward-Looking Information and Statements and non-IFRS Financial Measures

This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Indus' beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Indus' control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved." The forward-looking information and forward-looking statements contained herein may include, but are not limited to, the ability of the Company to successfully achieve business objectives (including completion of renovations and increasing production capacity), and expectations for other economic, business, and/or competitive factors. There can be no assurance that such forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking information. This forward-looking information reflects Indus' current beliefs and is based on information currently available to Indus and on assumptions Indus believes are reasonable.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Indus to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; delay or failure to receive board or regulatory approvals; the actual results of future operations; operating and development costs; competition; changes in legislation or regulations affecting Indus; the timing and availability of external financing on acceptable terms; the available funds of Indus and the anticipated use of such funds; delay or inability to complete an acquisition; favorable production levels and outputs; the stability of pricing of cannabis products; the level of demand for cannabis product; the availability of third-party service providers and other inputs for Indus' operations; lack of qualified, skilled labor or loss of key individuals; and risks and delays resulting from the COVID-19 pandemic. A description of additional assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in Indus' disclosure documents, such as Indus' listing statement filed on the SEDAR website at www.sedar.com. Although Indus has attempted to identify important factors that could cause actual results to

differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking information contained in this news release is expressly qualified by this cautionary statement.

This press release includes non-IFRS financial measures, specifically adjusted EBITDA, which is not a measure of financial performance under IFRS and should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with IFRS financial measures.

The forward-looking information contained in this news release represents the expectations of Indus as of the date of this news release and, accordingly, is subject to change after such date. However, Indus expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law. Neither the Canadian Securities Exchange nor its Regulation Service Provider has reviewed, or accepts responsibility for the adequacy or accuracy of, the content of this news release.

INDUS HOLDINGS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

(in thousands)	December 31,	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,751	\$ 1,344
Accounts Receivable—net of allowance for doubtful accounts of \$1,389 and \$2,595 at December 31, 2020 and 2019, respectively	4,529	6,890
Inventory	13,613	9,376
Biological assets	11,288	1,716
Prepaid expenses and other current assets	5,023	2,729
Total current assets	60,205	22,055
Long-term investments	202	397
Property and equipment, net	49,243	42,972
Goodwill	357	357
Other intangibles, net	736	1,153
Other assets	274	2,274
Total assets	\$111,016	\$ 69,208
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,137	\$ 4,704

Accrued payroll and benefits	1,212	531
Notes payable, current portion	1,213	135
Lease obligation, current portion	2,301	2,325
Other current liabilities	8,860	4,356
Total current liabilities	15,723	12,051
Notes payable	303	371
Lease obligation	36,533	31,480
Convertible debentures	13,701	-
Other long-term liabilities	-	946
Total liabilities	66,260	44,848
STOCKHOLDERS' EQUITY		
Share capital	125,540	96,160
Accumulated deficit	(80,784)	(71,800)
Total stockholders' equity	44,756	24,360
Total liabilities and stockholders' equity	\$111,016	\$ 69,208

INDUS HOLDINGS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share amounts)	Years Ended December 31,	
	2020	2019
Net revenue	\$ 42,618	\$ 37,045
Cost of goods sold	38,085	45,641
Gross profit/(loss) before biological asset adjustments	4,533	(8,596)
Net effect of change in fair value of biological assets	(14,555)	638
Gross profit/(loss)	19,088	(9,234)
Operating expenses		
General and administrative	11,762	25,814
Sales and marketing	5,169	8,029
Depreciation and amortization	3,671	3,322
Total operating expenses	20,602	37,165
Loss from operations	(1,514)	(46,399)
Other income/(expense)		
Other income/(expense)	118	95
Loss on termination of investments, net	(4,201)	-
Unrealized gain/(loss) on change in fair value of investment	168	(2,250)
Gain/(Loss) on foreign currency	-	159
Interest expense	(3,331)	(2,152)
Total other income/(expense)	(7,246)	(4,148)
Loss before provision for income taxes	(8,760)	(50,547)

Provision for income taxes		224		205
Net loss	\$	(8,984)	\$	(50,752)
Net loss per share - basic and diluted	\$	(0.26)	\$	(1.62)
Weighted average shares outstanding - basic and diluted		33,940		31,379

INDUS HOLDINGS, INC. AND AFFILIATES
STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Year Ended December 31,	
	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (8,984)	\$ (50,752)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	3,912	3,914
Amortization of debt issuance costs	481	-
Share-based compensation expense	2,200	3,385
Provision for doubtful accounts	1,195	2,346
Allowance for inventory obsolescence	-	700
Loss on termination of investment	4,359	-
Loss on sale of assets	-	446
Unrealized (gain) loss on change in fair value of investments	(548)	1,713
Changes in operating assets and liabilities:		
Accounts receivable	966	(6,230)
Inventory	(4,237)	3,538
Biological assets	(9,572)	(1,140)
Prepaid expenses and other current assets	325	(463)
Other assets	18	(2,000)
Accounts payable and accrued expenses	2,222	5,207
Other long-term liabilities	(90)	13
Net cash used in operating activities	(7,752)	(39,323)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from asset sales	743	1,455
Net cash received from disposition of business interest	500	-
Purchases of property and equipment	(6,850)	(9,991)
Investment in corporate interests	-	(1,525)
Net cash used in investing activities	(5,607)	(10,061)
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on lease obligations	(2,951)	(1,155)

Payments on notes payable	(4,267)	(106)
Proceeds from notes payable	3,800	76
Proceeds from lease financing	671	-
Proceeds from convertible debentures, net of financing costs	15,281	-
Proceeds from subordinate voting share offering	26,930	-
Fees on subordinate voting share offering	(1,909)	-
Proceeds from brokered private placement	-	40,195
Fees on public brokered private placement	-	(1,919)
Proceeds from exercise of options	-	127
Proceeds from exercise of warrants	210	-
Issuance of subordinate voting shares	-	3,200
Net cash provided by financing activities	37,765	40,418
Change in cash, cash equivalents and restricted cash	24,407	(8,966)
Cash and cash equivalents—beginning of year	1,344	10,310
Cash, cash equivalents and restricted cash—end of period	\$ 25,751	\$ 1,344

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the period for interest	\$ 3,332	\$ 2,147
Cash paid during the period for income taxes	\$ 262	\$ 105

OTHER NONCASH INVESTING AND FINANCING ACTIVITIES

Purchase of property and equipment not yet paid for	\$ 362	\$ -
Property and equipment acquired via capital lease	\$ 7,416	\$ -
Shares Issued in exchange for asset investment	\$ 179	\$ -
Issuance of warrants	\$ 1,620	\$ 2,291
Shares issued to acquiree in connection with reverse takeover	\$ -	\$ 1,513
Issuance of supervoting shares	\$ (39)	\$ 40
Acquisition of private entities	\$ -	\$ 1,028
Shares issued in connection with convertible debenture conversion	\$ 75	\$ -
Stock options issued associated with an acquisition	\$ 116	\$ -

The table below reconciles Net Loss to Adjusted EBITDA for the periods indicated.

INDUS HOLDINGS, INC. AND AFFILIATES

ADJUSTED EBITDA

(Unaudited)

Year Ended December 31,

(in thousands)

	2020	2019
Net loss attributable to Indus Holdings, Inc. (IFRS)	\$ (8,984)	\$ (50,752)
Interest expense	3,331	2,152
Provision (benefit) for income taxes	224	205
Depreciation in cost of goods sold	241	592
Depreciation and amortization in operating expenses	3,671	3,322

Investment and currency losses	(168)	2,091
Share-based compensation	2,200	3,385
Transaction and other special charges	4,201	2,341
Net effect of change in fair value of biological assets	(14,555)	638
Adjusted EBITDA (non-IFRS)⁽¹⁾	\$ (9,840)	\$ (36,026)

(1) Non-IFRS measure



Source: Lowell Farms Inc.