



About non-U.S. GAAP measures

Adjusted EBITDA is a non-U.S. GAAP financial measure that does not have any standardized meaning prescribed by U.S. GAAP and may not be comparable to similar measures presented by other companies. We calculate Adjusted EBITDA as total net loss, plus (minus) income taxes (benefit), plus (minus) interest expense (income), plus depreciation and amortization, plus (minus) non-operating expense (income), plus share based compensation expense, plus goodwill and other asset impairment charges, plus (minus) unrealized loss (gains) from changes in fair value, plus charges related to the flow-through of inventory step-up on business combinations, plus other acquisition and transaction costs. Management believes that Adjusted EBITDA provides meaningful and useful financial information as this measure demonstrates the operating performance of the business.

Adjusted EBITDA margin % is a non-U.S. GAAP financial measure that does not have any standardized meaning prescribed by U.S. GAAP and may not be comparable to similar measures presented by other companies. We calculate Adjusted EBITDA margin % as Adjusted EBITDA, as described above, divided by revenue for the period.

For a reconciliation of these non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures, please see Table 4 under "Reconciliation of GAAP to non-U.S. GAAP financial results" included at the end of this release.

Table 1. Condensed Interim Consolidated Statements of Financial Position

(in thousands of United States dollars, except share amounts which are in thousands of shares)

As at:	March 31, 2023	December 31, 2022
ASSETS		
Current		
Cash	\$ 5,259	\$ 9,537
Trade and amounts receivable, net of \$3,024 allowance (\$2,988 at December 31, 2022)	6,729	6,851
Loans receivable and advances	273	271
Prepaid expenses and other current assets	1,875	978
Indemnification receivables	3,432	3,429
Inventory	10,311	10,089
Total current assets	27,879	31,155
Non-current		
Property, plant and equipment	4,968	4,810
Operating lease right of use assets	2,345	2,537
Intangible assets	17,470	18,096
Goodwill	23,372	23,372
Investments	730	730
Other assets	276	287
Total assets	\$ 77,040	\$ 80,987
LIABILITIES		
Current		
Trade payables	\$ 6,322	\$ 7,748
Contingencies	4,998	5,044
Current portion of debt	1,086	1,086



Current portion of operating lease liability	1,241	1,188
Other accrued liabilities	1,852	2,381
Total current liabilities	15,499	17,447
Non-current		
Non-current operating lease liability	1,614	1,869
Deferred tax	1,616	1,712
Contingent purchase considerations	4,699	3,547
Total liabilities	23,428	24,575
SHAREHOLDERS' EQUITY		
Share capital, no par value, unlimited authorized, 136,938 issued and outstanding (135,573 at December 31, 2022)	-	-
Additional paid-in capital	150,403	150,420
Accumulated other comprehensive loss	(2,375)	(2,732)
Deficit	(93,976)	(90,865)
Total Flora Growth Corp. shareholders' equity	54,052	56,823
Non-controlling interest in subsidiaries	(440)	(411)
Total shareholders' equity	53,612	56,412
Total liabilities and shareholders' equity	\$ 77,040	\$ 80,987



Table 2. Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(in thousands of United States dollars, except per share amounts which are in thousands of shares)	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Revenue	\$20,107	\$4,946
Cost of sales	14,630	2,276
Gross profit	5,477	2,670
Operating expenses		
Consulting and management fees	4,040	2,444
Professional fees	33	1,249
General and administrative	528	922
Promotion and communication	1,314	2,549
Travel expenses	139	242
Share based compensation	654	1,526
Research and development	16	210
Operating lease expense	366	207
Depreciation and amortization	942	454
Bad debt expense	29	1
Other expenses (income), net	493	528
Total operating expenses	8,554	10,332
Operating loss	(3,077)	(7,662)
Interest expense (income)	23	(21)
Foreign exchange (gain) loss	(12)	(11)
Unrealized loss from changes in fair value	883	-
Net loss before income taxes	(3,971)	(7,630)
Income tax recovery	(66)	-
Net loss for the period	\$(3,905)	\$(7,630)
Other comprehensive gain (loss)		
Exchange differences on foreign operations, net of income taxes of \$nil (\$nil in 2021)	\$357	\$(577)
Total comprehensive loss for the period	\$(3,548)	\$(8,207)
Net loss attributable to:		
Flora Growth Corp.	\$(3,876)	\$(7,566)



Non-controlling interests in subsidiaries	(29)	(64)
Comprehensive loss attributable to:		
Flora Growth Corp.	\$(3,519)	\$(8,143)
Non-controlling interests in subsidiaries	(29)	(64)
Basic and diluted loss per share attributable to Flora Growth Corp.	\$(0.03)	\$(0.11)
Weighted average number of common shares outstanding - basic and diluted	132,868	69,604

Table 3. Condensed Interim Statement of Cash Flows

(in thousands of United States dollars)	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Cash flows from operating activities:		
Net loss	\$ (3,905)	\$ (7,630)
Adjustments to net loss:		
Depreciation and amortization	942	454
Stock-based compensation	654	1,715
Changes in fair value of investments and liabilities	883	-
Bad debt expense	29	1
Interest expense (income)	23	(21)
Interest paid	(23)	(17)
Income tax recovery	(66)	-
	(1,463)	(5,498)
Net change in non-cash working capital:		
Trade and other receivables	91	707
Inventory	(113)	192
Prepaid expenses and other assets	(920)	58
Trade payables and accrued liabilities	(1,919)	(2,020)
Net cash used in operating activities	(4,324)	(6,561)
Cash flows from financing activities:		
Equity issue costs	-	(79)
Exercise of warrants and options	-	78
Loan borrowings	-	212
Loan repayments	(19)	(18)
Net cash (used) provided by financing activities	(19)	193
Cash flows from investing activities:		
Purchases of property, plant and equipment and intangible assets	(102)	(187)
Business and asset acquisitions, net of cash acquired	-	(15,457)
Net cash used in investing activities	(102)	(15,644)
Effect of exchange rate on changes on cash	167	(359)
Change in cash during the period	(4,278)	(22,371)
Cash and restricted cash at beginning of period	9,537	37,616
Cash and restricted cash at end of period	\$ 5,259	\$ 15,245
Supplemental disclosure of non-cash investing and financing activities		



Common shares issued for business combinations	\$	-	\$	14,917
Assets acquired for contingent consideration		303		-
Common shares issued for other agreements		95		272
Operating lease additions to right of use assets		97		-

Table 4. Reconciliation of GAAP to non-U.S. GAAP financial results

The reconciliation of the Company's Adjusted EBITDA, a non-U.S. GAAP financial measure, to net loss, the most directly comparable U.S. GAAP financial measure, for the three months ended March 31, 2023 and 2022 is presented in the table below:

(in thousands of United States dollars)	For the three months ended March 31, 2023	For the three months ended March 31, 2022
Net loss for the period	\$ (3,905)	\$ (7,630)
Income tax benefit	(66)	-
Interest expense (income)	23	(21)
Depreciation and amortization	942	454
Non-operating income (1)	(12)	(11)
Share based compensation	654	1,526
Unrealized loss from changes in fair value (2)	883	-
Charges related to the flow-through of inventory step-up on business combinations	45	1,631
Other acquisition and transaction costs (3)	-	651
Adjusted EBITDA	\$ (1,436)	\$ (3,400)
<i>Adjusted EBITDA Margin %</i>	<i>-7.1%</i>	<i>-68.7%</i>

- (1) Non-operating expense includes foreign exchange losses.
- (2) Unrealized loss from changes in fair value includes changes in the value of the Company's contingent consideration associated with its acquisition of JustCBD.
- (3) Other acquisition and transaction costs are one-time legal and due-diligence fees related to business combinations.