

4 May 2021



HempFlax International Ltd (“HempFlax” or “the Group”)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND UPDATE ON CURRENT TRADING

Profitable growth in a carbon negative industry

Financial highlights for the year ended 31 December 2020:

- 10th year of top-line growth, with full year revenues up 43% to €14.5m (FY19: €10.1m)
- EBITDA increased 63% to €1.8m (FY19: €1.1m), the Group’s second year of profit
- EBITDA margin increased to 12.7% (FY19: 11.1%)
- Profit before tax up 616% to €659,000 (FY19: €92,000)

Divisional performance during the period:

- Revenue growth across every channel (CBD, Hemp-Based Plastic Replacement, Construction, Animal Care, Horticulture and Genetics & Cultivation)
- 1,089% increase in sales of the Group’s construction materials, arising from the acquisition of Thermo Natur in May 2020
- 12% increase in sales of HempFlax hemp fibre as rising shipping costs increased demand for local fibre sourcing
 - Sales further bolstered by demand for hemp fibres as an alternative to glass fibre in automotive production, such as in the Porsche Cayman GT4
- 42% increase in sales of CBD as consumers prioritise personal wellness throughout the COVID-19 pandemic
 - Sales further bolstered by increased sales of Jacob Hooy CBD¹ through Holland & Barrett stores
- 14% increase in animal bedding as 3.2 million households in the UK acquired a pet since the start of the pandemic²

Key developments during the period:

- Adapted quickly and decisively to remain fully operational throughout the COVID-19 pandemic
- Acquisition of the assets, licencing, brand and certifications of Thermo-Natur, a German manufacturer of natural fibre insulation
- Reaccreditation of the Group’s fibres as part of the International Sustainability and Carbon Certification ([ISCC](#)) PLUS from DEKRA
- Launch of [CanCheck.org](#), a free-to-use online CBD search tool that enables consumers to trace CBD products from the shelf to seed, with every link along the supply chain verified by blockchain

Developments since period end:

¹ HempFlax is the white label supplier of CBD to Jacob Hooy, which is stocked by Holland and Barrett

² <https://www.pfma.org.uk/news/pfma-releases-latest-pet-population-data>

- Q1 2021 sales were up 27% on the previous year as demand for the Group’s products continued to rise
- Work has begun on the roof and the roof structure of the Group’s headquarters in Oude Pekela to incorporate solar panels, making HempFlax entirely self-sufficient in terms of energy requirements

Mark Reinders, HempFlax’s CEO, commented:

“The growing of hemp reduces the amount of CO² in the atmosphere. For too long, doing the right thing by the planet has eaten into company profits. Hemp, grown and processed by HempFlax, bucks this trend: 2020 marks the fourth year that HempFlax has profitably grown, and trading since the start of the year indicates this success will continue throughout 2021. We have spent 25 years making hemp a profitable endeavour. Through consistent investment and intense learning, HempFlax has achieved a vertically integrated supply chain able to produce natural products that hold their own against unsustainable alternatives in a range of industries from construction, to automobiles, to animal care.

“This has been achieved against the unfortunate backdrop of regulatory uncertainty - notably in the CBD sector, but also present across the whole industrial hemp industry - which threatens to stifle innovation and competitiveness. UK and EU lawmakers urgently need to permit maximum THC levels of 0.3% in the field, thus facilitating the breeding of more varieties and aligning the European regulatory framework with other international jurisdictions, notably the US. Direct government funding is also needed to incentivise the development of carbon-negative hemp supply chains across the region.”

Thermo Natur acquisition

During the period, HempFlax launched its building supplies division, HempFlax Building Solutions GmbH, following the acquisition of the assets, licencing, brand and certifications of Thermo Natur GmbH & Co. KG (“Thermo Natur”), a manufacturer of natural fibre insulation materials. The products of HempFlax Building Solutions GmbH offer consumers an excellent alternative to existing mineral-based insulation materials³.

Research and development

HempFlax is a member of the European Industrial Hemp Association (EIHA), Europe’s foremost coalition of industrial hemp companies. EIHA’s Novel Food Consortium, of which HempFlax is a founding member, has submitted UK and EU novel food applications, with the UK application recently receiving confirmation that it has passed key FSA administrative checks, allowing members’ CBD products to remain on UK shelves. As part of this, EIHA will undertake €3.5 million of THC and CBD toxicology testing.

HempFlax remains committed to improving the understanding of the hemp plant and the products that can be derived from it. The Group is a proud member of the Innovation Hub Oost Groningen (IHOG), a research initiative exploring new commercial uses for natural raw materials. Together with the other corporate members - AVEBE and Nedmag - research is being carried out into innovations based on the raw materials of the three partners.

During the period, HempFlax’s natural hemp fibres were, for the fourth year running, awarded the International Sustainability and Carbon Certification (ISCC) PLUS certificate. The scheme ensures:

- Compliance with high ecological and social sustainability requirements;
- Greenhouse gas emissions savings; and
- Traceability throughout the supply chain.

³ While building insulation reduces energy use and the resultant carbon dioxide emissions, the manufacturing process of synthetic and mineral insulation is energy intensive, emitting between 100 kg CO₂ per cubic meter and 1000 kg CO₂ per cubic meter for some products, over 20 times that required to manufacture hemp insulation (40 kg CO₂ per m³). Overall, the production of hemp insulation is carbon negative, meaning more carbon is taken out of the atmosphere than is emitted in the supply chain.

HempFlax is the only company globally with ISCC-certified hemp fibres, thus providing a truly sustainable alternative to synthetic, mineral and wood fibres.

In 2021, the Group will modernise its headquarters in Oude Pekela, Holland. As part of this refurbishment, the roof and roof structure of the facility will be renewed so that it can accommodate solar panels, making the Group completely self-sufficient in terms of energy. In addition, further improvements will be made in modernising the Group's German operations.

Cancheck.org

In a move that drives unprecedented levels of transparency and accountability, the Cannabinoid Association of the Netherlands (CAN), a consortium of Dutch cannabidiol (CBD) producers, launched [CanCheck.org](https://www.cancheck.org), a free-to-use online CBD search tool that enables Dutch consumers to trace CBD products from the shelf to seed, with every link along the supply chain verified by blockchain. HempFlax, a founding member of CAN, was the first company to have CAN-certified products on shelves in August 2020. As the white label supplier to Jacob Hooy, one of the UK's best-selling CBD brands, HempFlax's CBD oil and capsules represent a significant portion of the UK CBD market and can be found at Holland & Barrett, in-store and online.

- ENDS -

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About HempFlax

HempFlax is Europe's largest independent grower and processor of industrial hemp. The company has operations across Europe, with over 2,100 hectares of hemp expected to be harvested in 2021. Processing the whole hemp plant enables HempFlax to maximise revenues across its six business lines:

- Nutraceuticals (CBD)
- Hemp based plastic replacement
- Construction
- Animal Care
- Horticulture
- Genetics and Cultivation

By leveraging a 25-year history from seed to shelf, HempFlax intends to be the market leader in the fast-growing hemp industry. For further information, please visit <https://www.hempflax.com/>

About Hemp

Water usage	Hemp requires a fraction of the water other crops need to grow
Carbon Sequestration	Hemp absorbs and stores CO2 from the atmosphere; Industrial hemp grown on land the size of a rugby field absorbs around 8.5 metric tonnes of CO2, more than any other crop.
Soil Enrichment	Hemp is an extremely effective phytoremediative plant; it is able to remove toxins and even radioactive materials from the ground, stabilising and enriching the soil. Hemp was grown on the Chernobyl nuclear site.
No Pesticides or Chemicals	Hemp does not need any pesticides, herbicides or chemicals to grow. It is naturally organic and releases nutrients into the soil. Further, its very low THC content acts as a natural deterrent to pests and diseases.
Applications	Hemp is a waste-free crop; it is exceptionally versatile, and the entire plant can be used over 10,000 applications including CBD oil, paper, clothing and of course insulation