



Surna Reports Q2 2020 Results and Recent Sales Contracts
Announces \$3.1 million in New Sales Contracts in July

Boulder, Colorado, August 11, 2020 – Surna Inc. (OTCQB: SRNA) announced today operating and financial results for the three and six months ended June 30, 2020, as well as recent new sales contracts.

Financial Highlights

- Our Q2 2020 revenue was \$1,682,000, which represents a 60% decrease compared to Q2 2019 revenue of \$4,210,000.
- For Q2 2020, our operating loss and net loss was \$606,000 and \$614,000, respectively. This compares to a Q2 2019 operating income and net income of \$136,000 and \$140,000, respectively.
- Our Q2 2020 adjusted net loss was \$478,000, compared to a Q2 2019 adjusted net income of \$394,000.
- Our Q2 2020 gross profit margin was 16.3% compared to 34.4% for Q2 2019, a decrease of 18.1 percentage points.
- As of June 30, 2020, our cash was \$235,000, compared to cash of \$922,000 as of December 31, 2019. Our working capital deficit was \$1,599,000 as of June 30, 2020, compared to a working capital deficit of \$1,437,00 as of December 31, 2019.
- During the month of July 2020, we entered into several new sales contracts totaling approximately \$3.1 million, including our largest-ever single contract for \$2.8 million, most of which we expect to be realized as revenue in 2020.

Extended Downsizing of Operations and New Sales Contracts

As we noted in our 2019 Annual Report on Form 10-K, filed in March of this year, recent events in the national and global economies have had an adverse impact on our operations and financial condition, including constraints on capital availability for us and our customers and prospects who have commenced, or are contemplating, new and expanded cannabis cultivation facilities. Most recently, the response to this coronavirus pandemic by federal, state and local governments in the U.S. has resulted in significant market and business disruptions across many industries and affecting businesses of all sizes. This pandemic has also further tightened capital access for most businesses. The full extent to which COVID-19 will impact our business and financial results will depend on future developments, which are uncertain and cannot be predicted at this time.

In late March we implemented a downsizing of our operations, including workforce reductions, reductions of salaried employee compensation, and a reduction of hours worked to preserve cash resources, cut costs and focus our operations on customer-centric sales and project management activities. In April we were able to secure a potentially forgivable loan in the amount of \$554,000, which allowed us to reinstate our employee base. In June we took further measures to reduce our operational expenses by furloughing several employees and reducing salaries for all employees with an eye towards meeting our customers' requirements and continuing our operations while husbanding our

resources. The duration and likelihood of success of this downsizing effort, workforce reduction and cost-cutting measures are uncertain.

The general economic conditions, government mandates about permitted work and working environments, and working capital constraints, all of which effect both our customers and us and our downsizing may have an adverse effect on our ability to effectively market our services, generate new customer orders, and contract implementation. If our customers or prospects are unable to continue operations or obtain project financing and we are unable to increase revenues or otherwise generate cash flows from operations, we will not be able to successfully execute on our various strategies and initiatives to grow our business. If these actions do not meet our expectations, or additional near-term capital is not available, we may not be able to continue our operations.

Recent Sales Contracts

During the month of July 2020, we entered into several new sales contracts totaling approximately \$3.1 million, including our largest-ever single contract for \$2.8 million, most of which we expect to be realized as revenue in 2020.

Tony McDonald, CEO, commented: “Despite a difficult second quarter, Surna has continued to market, sell, engineer manufacture and ship to deliver on our project commitments. And while we, and indeed the entire world economy, are weathering unpredictable and unprecedented times, we are very encouraged by the new sales contracts we have booked since the beginning of the third quarter. The \$3.1 million in new sales contracts, coming in just the first month of the quarter, already marks the third quarter of 2020 as among the strongest in our Company’s recent history.”

About Surna Inc.

Surna Inc. (www.surna.com) designs, engineers and sells cultivation technologies for controlled environment agriculture including: (i) liquid-based process cooling systems and other climate control systems, (ii) air handling equipment and systems, (iii) a full-service engineering package for designing and engineering commercial scale thermodynamic systems specific to cannabis cultivation facilities, and (iv) automation and control devices, systems and technologies used for environmental, lighting and climate control. Our customers include commercial, state- and provincial-regulated cannabis growers in the U.S. and Canada as well as other international locations, including those growers building new facilities and those expanding or retrofitting existing facilities. Currently, our revenue stream is derived primarily from supplying our products, services and technologies to commercial indoor and hybrid sealed greenhouse facilities ranging from several thousand to more than 100,000 square feet.

Headquartered in Boulder, Colorado, we leverage our experience in this space to bring value-added climate control solutions to our customers that help improve their overall crop quality and yield, optimize energy and water efficiency, and satisfy the evolving state and local codes, permitting and regulatory requirements. Although our customers do, we neither produce nor sell cannabis.

Forward Looking Statements

This press release may contain statements of a forward-looking nature relating to future events. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. These statements reflect our current beliefs, and a number of important factors could cause actual results to differ materially from those expressed in this press release, including the factors set forth in “Risk Factors” set forth in our annual and quarterly reports filed with the Securities and Exchange Commission (“SEC”), and subsequent filings with the SEC. Please refer to our SEC filings for a more detailed discussion of the risks and uncertainties associated with our business, including but not limited to the risks and uncertainties associated with our business prospects and the prospects of our existing and prospective customers; the inherent uncertainty of product development; regulatory, legislative and judicial developments, especially those related to changes in, and the enforcement of, cannabis laws; increasing competitive pressures in our industry; and relationships with our customers and suppliers. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. The reference to Surna’s website has been provided as a convenience, and the information contained on such website is not incorporated by reference into this press release.

Non-GAAP Financial Measures

To supplement our financial results on U.S. generally accepted accounting principles (“GAAP”) basis, we use non-GAAP measures including net bookings and backlog, as well as other significant non-cash expenses such as stock-based compensation and depreciation expenses. We believe these non-GAAP measures are helpful in understanding our past performance and are intended to aid in evaluating our potential future results. The presentation of these non-GAAP measures should be considered in addition to our GAAP results and are not intended to be considered in isolation or as a substitute for financial information prepared or presented in accordance with GAAP. We believe these non-GAAP financial measures reflect an additional way to view aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business.

Statement about Cannabis Markets

The use, possession, cultivation, and distribution of marijuana is prohibited by U.S. federal law for medical and recreational purposes. Although certain states have legalized medical and recreational cannabis, companies and individuals involved in the sector are still at risk of being prosecuted by federal authorities. Further, the landscape in the cannabis industry changes rapidly. This means that at any time the city, county, or state where cannabis is permitted can change the current laws and/or the federal government can supersede those laws and take prosecutorial action. Given the uncertain legal nature of the cannabis industry, it is imperative that investors understand that investments in the cannabis industry should be considered very high risk. A change in the current laws or enforcement policy can negatively affect the status and operation of our business, require additional fees, stricter operational guidelines and unanticipated shut-downs.

Surna Marketing

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Surna Inc.
Consolidated Balance Sheets

| | June 30, | December 31, |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| | (Unaudited) | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 235,438 | \$ 922,177 |
| Accounts receivable (net of allowance for doubtful accounts of \$154,823 and \$151,673, respectively) | 83,321 | 138,357 |
| Inventory, net | 804,600 | 1,231,243 |
| Prepaid expenses and other | 196,680 | 269,491 |
| Total Current Assets | 1,320,039 | 2,561,268 |
| Noncurrent Assets | | |
| Property and equipment, net | 208,232 | 257,923 |
| Goodwill | 631,064 | 631,064 |
| Intangible assets, net | 7,516 | 11,930 |
| Deposits | - | 51,000 |
| Operating lease right-of-use asset | 440,138 | 534,133 |
| Total Noncurrent Assets | 1,286,950 | 1,486,050 |
| TOTAL ASSETS | \$ 2,606,989 | \$ 4,047,318 |
| LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 1,753,786 | \$ 1,832,959 |
| Deferred revenue | 867,989 | 1,444,472 |
| Accrued equity compensation | 69,900 | 503,466 |
| Current portion of operating lease liability | 227,008 | 217,843 |
| Total Current Liabilities | 2,918,683 | 3,998,740 |
| NONCURRENT LIABILITIES | | |
| Note payable and accrued interest | 555,047 | - |
| Other liabilities | 20,241 | - |
| Operating lease liability, net of current portion | 288,682 | 404,209 |
| Total Noncurrent Liabilities | 863,970 | 404,209 |
| TOTAL LIABILITIES | 3,782,653 | 4,402,949 |
| Commitments and Contingencies (Note 7) | - | - |
| SHAREHOLDERS' (DEFICIT) EQUITY | | |
| Preferred stock, \$0.00001 par value; 150,000,000 shares authorized; 42,030,331 shares issued and outstanding | 420 | 420 |
| Common stock, \$0.00001 par value; 350,000,000 shares authorized; 236,526,638 and 228,216,638 shares issued and outstanding, respectively | 2,366 | 2,283 |
| Additional paid in capital | 26,058,307 | 25,326,593 |
| Accumulated deficit | (27,236,757) | (25,684,927) |
| Total Shareholders' (Deficit) Equity | (1,175,664) | (355,631) |
| TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY | \$ 2,606,989 | \$ 4,047,318 |

Surna Inc.
Consolidated Statements of Operations
(Unaudited)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|--------------|--------------------------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue, net | \$ 1,682,424 | \$ 4,210,393 | \$ 3,492,349 | \$ 5,981,623 |
| Cost of revenue | 1,407,599 | 2,762,601 | 2,761,000 | 4,043,758 |
| Gross profit | 274,825 | 1,447,792 | 731,349 | 1,937,865 |
| Operating expenses: | | | | |
| Advertising and marketing expenses | 95,053 | 167,287 | 243,974 | 291,913 |
| Product development costs | 74,848 | 111,581 | 219,796 | 228,514 |
| Selling, general and administrative expenses | 710,536 | 1,032,605 | 1,819,529 | 2,203,191 |
| Total operating expenses | 880,437 | 1,311,473 | 2,283,299 | 2,723,618 |
| Operating income (loss) | (605,612) | 136,319 | (1,551,950) | (785,753) |
| Other (expense) income: | | | | |
| Other (expense) income, net | 1,077 | 3,296 | 15,397 | 25,173 |
| Interest expense | (8,982) | - | (15,277) | - |
| Total other (expense) income | (7,905) | 3,296 | 120 | 25,173 |
| Income (loss) before provision for income taxes | (613,517) | 139,615 | (1,551,830) | (760,580) |
| Income taxes | - | - | - | - |
| Net income (loss) | \$ (613,517) | \$ 139,615 | \$ (1,551,830) | \$ (760,580) |
| Income (loss) per common share – basic and dilutive | \$ (0.00) | \$ 0.00 | \$ (0.01) | \$ (0.00) |
| Weighted average number of common shares outstanding, basic and dilutive | 236,526,638 | 227,635,539 | 233,794,550 | 227,250,142 |

Surna Inc.
Consolidated Statements of Cash Flows
(Unaudited)

| | For the Six Months Ended June 30, | |
|---|--|---------------------|
| | 2020 | 2019 |
| Cash Flows From Operating Activities: | | |
| Net loss | \$ (1,551,830) | \$ (760,580) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and intangible asset amortization expense | 60,987 | 97,503 |
| Compensation paid in equity | 731,797 | 563,010 |
| Provision for doubtful accounts | 3,150 | 10,384 |
| Provision for excess and obsolete inventory | 191,446 | (181,986) |
| Loss on disposal of assets | 4,124 | 58,024 |
| Lease deposit | 51,000 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 51,886 | (191,309) |
| Inventory | 235,197 | 507,037 |
| Prepaid expenses and other | 72,811 | (779,794) |
| Accounts payable and accrued liabilities | (90,178) | 394,782 |
| Deferred revenue | (576,483) | 1,964,068 |
| Accrued interest | 1,047 | - |
| Deferred Social Security Taxes | 20,241 | - |
| Lease liability, net | (12,368) | (8,846) |
| Accrued equity compensation | (433,566) | - |
| Net cash provided by (used in) operating activities | <u>(1,240,739)</u> | <u>1,672,293</u> |
| Cash Flows From Investing Activities | | |
| Net cash used in investing activities | - | - |
| Cash Flows From Financing Activities | | |
| Proceeds from issuance of note payable | 554,000 | - |
| Net cash provided by financing activities | <u>554,000</u> | <u>-</u> |
| Net increase (decrease) in cash | (686,739) | 1,672,293 |
| Cash, beginning of period | 922,177 | 253,387 |
| Cash, end of period | <u>\$ 235,438</u> | <u>\$ 1,925,680</u> |
| Non-cash investing and financing activities: | | |
| Interest paid | \$ - | \$ - |
| Income taxes paid | <u>\$ -</u> | <u>\$ -</u> |