The Management's Discussion and Analysis of Financial Condition and Results of Operations for Charlotte's Web Holdings, Inc. is also included in the Form 10-Q for the quarter ended September 30, 2026 filed on SEDAR+ on November 12, 2026 in its entirety.

This document (this "MD&A") contains information under the heading "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" which has been excerpted from Charlotte's Web Holdings, Inc.'s (the "Company" or "our") Quarterly Report on Form 10-Q for the quarter ended September 30, 2026 (the "Third Quarter Report") filed concurrently with this MD&A on the date hereof on our profile on SEDAR+ at www.sedarplus.ca and on EDGAR at www.sec.gov . This MD&A should be read in conjunction with our Third Quarter Report including Item 1 containing the Company's unaudited condensed consolidated financial statements and the related notes thereto as well as Item 1 "Business" and Item 1A "Risk Factors". This MD&A incorporates by reference herein the section entitled "Disclosure Regarding Forward-Looking Statements" and Item 1A "Risk Factors" from our Third Quarter Report. Defined terms used herein but otherwise not defined have the meaning ascribed to them in the Annual Report on Form 10-K for the year ended December 31, 2025 and in Part II, Item 1A—Risk Factors" of this Form 10-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") contains statements that are, or may be considered to be, "forward-looking statements" under Canadian securities laws and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be subject to the "safe harbor" created by those sections and other applicable laws. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions. All statements other than statements of historical fact included in this Form 10-Q regarding the prospects of Charlotte's Web Holdings, Inc., ("Charlotte's Web", the "Company" or "we"), the industry or its prospects, plans, financial position or business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking words such as "plans," "expects" or "does not expect," "is expected," "look forward to," "budget," "scheduled," "estimates," "forecasts," "will continue," "intends," "the intent of," "have the potential," "anticipates," "does not anticipate," "believes," "should," "should not," or variations of such words and phrases that indicate that certain actions, events or results "may," "could," "would," "might," or "will," "be taken," "occur," or "be achieved," or the negative of these terms or variations of them or similar terms. Furthermore, forward-looking statements may be included in various filings that the Company makes with the SEC, on SEDAR +, or in press releases or oral statements made by or with the approval of one of the Company's authorized executive officers. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it cannot assure you that these expectations will prove to be correct. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. All capitalized and undefined terms used in this section shall have the same meanings hereafter defined in this Quarterly Report on Form 10-Q.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, the unaudited condensed consolidated financial statements and the accompanying notes in this Form 10-Q and the sections entitled "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2025. Except for historical information, the discussion in this section contains forward-looking statements that involve risks and uncertainties, as discussed in the "Cautionary Note Regarding Forward Looking Statements." Future results could differ materially from those discussed below for many reasons, including the risks described in Item 1A—"Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2025 and in Part II, Item 1A —"Risk Factors" of this Form 10-Q.

Management's Discussion & Analysis of Charlotte's Web Holdings, Inc.

For purposes of this discussion, "Charlotte's Web," "CW," "we," "our", "us", or the "Company" refers to Charlotte's Web Holdings, Inc. and its subsidiaries: Charlotte's Web, Inc. and Abacus Products, Inc., and its wholly-owned subsidiaries: Abacus Health Products, Inc., Abacus Wellness, Inc. and CBD Pharmaceuticals Ltd. The results herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Amounts are presented in thousands of United States dollars, unless otherwise indicated.

BUSINESS OVERVIEW

Charlotte's Web Holdings, Inc., is headquartered in Louisville, Colorado, which conducts the majority of its business in the United States. The Company is a market leader in innovative hemp extract wellness products under a family of brands which includes Charlotte's Web™, CBD Medic™, and CBD Clinic™. Charlotte's Web premium quality products start with proprietary hemp genetics that are 100% North American farm grown and are then manufactured into hemp extracts containing naturally occurring phytocannabinoids including cannabidiol ("CBD"), cannabichromene ("CBC"), cannabigerol ("CBG"), terpenes, flavonoids and other cannabinoids and beneficial hemp compounds. The Company is headquartered in a cGMP compliant facility in Louisville, Colorado, where the Company conducts its production of tinctures, distribution, and quality control activities, as well as research and development ("R&D"). Charlotte's Web product categories include full-spectrum hemp extract oil tinctures (liquid products), gummies, capsules, CBD topical creams and lotions, broad-spectrum botanical CBD, functional mushrooms, and pet products. Charlotte's Web products are distributed to retailers and healthcare practitioners, and online through the Company's website at www.CharlottesWeb.com. The information provided on the website is not part of this MD&A.

The Company's business consists of the farming, manufacturing, marketing, and sales of hemp-derived CBD and botanical-based wellness products. As of September 30, 2026, the Company operated in a single operating and reportable segment, with hemp-derived CBD wellness products, making up the majority of the revenue of the Company. The executive officers reviewed overall operating results in order to assess financial performance and to make resource allocation decisions, rather than assessing any lower-level unit of operations in isolation.

The Company's primary products are made from proprietary strains of whole-plant hemp extracts containing a full spectrum of phytocannabinoids, terpenes, flavonoids and other hemp compounds. The Company believes the presence of these various compounds work synergistically to heighten the effects of the products, making them superior to single-compound isolates.

Hemp extracts are produced from cannabis and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a THC concentration of not more than 0.3% on a dry weight basis. The Company is engaged in research involving a broad variety of compounds derived from hemp. Where research provides evidence that a greater than 0.3% THC level may have a potential therapeutic use, the Company may consider pursuing development of that use in jurisdictions where it is legal to do so in accordance with applicable regulations and if consistent with the Company's strategic vision. The Company does not currently have any plans to expand into high THC products in the near future.

The Company grows its proprietary hemp domestically in the United States on farms leased in northeastern Colorado and sources hemp through contract farming operations in Arizona, Colorado, Kentucky, New Mexico and Canada. The hemp grown in Canada is utilized exclusively in the Canadian markets or for research purposes and not in the Company's products sold within the United States.

Recent Developments

With an increased commitment to innovation, Charlotte's Web's mission is to "Unearth the Science of Nature to Revolutionize Wellness," and is evolving its wellness offerings both to strengthen the Company's core leadership in CBD, and extend beyond CBD to include a broader range of botanical-based wellness solutions, including minor cannabinoids. The Company's strategic transformation includes product diversification beyond CBD into functional mushroom, minor cannabinoid, and hemp-derived THC categories. Additionally, the Company has upgraded its eCommerce platform to improve conversion and consumer engagement metrics, and expanded omnichannel distribution across diverse platforms..

The Company launched Brightside™ precision low-dose hemp THC gummies. These products feature proprietary TiME INFUSION® rapid-onset technology, delivering effects in 5-15 minutes versus 1-2 hours for traditional edibles. The product line expanded throughout the year to include Rest & Relax, Focus & Flow, Relieve & Ease, and Brightside Knockout, a THC+CBN formulation for comprehensive sleep support. The Company further expanded its sleep category leadership with the Quiet Sleep functional mushroom gummy, building on the success of CBN Stay Asleep Gummies.

The Company also entered the cognitive wellness segment with CBG Focus & Attention Gummies, offering a plant-based alternative in the growing nootropics category. This diversified botanical wellness portfolio spans hemp-derived THC, minor cannabinoids, and functional mushrooms.

Charlotte's Web achieved significant milestones in vertical integration and cost optimization during 2025. The Company completed full internalization of Brightside™ gummy production, providing multi-million-unit manufacturing capacity with improved quality control and supply chain resilience.

Consistent with prior periods, states continue to adopt new regulations that will impact the Company's ability to sell certain products as currently formulated or packaged in these states. Many of these states have also implemented new THC/CBD limits, age verification, testing, labeling and packaging requirements. The Company continues to assess the business and financial impacts of the new regulations, including steps that can be taken to address the new product formulation, and labeling requirements, as well as costs and potential revenue impacts and anticipated timing for such impacts to the Company in these states.

In February, 2025, the Company announced that the U.S. Food and Drug Administration ("FDA") has completed its review of the Phase 1 data and Investigational New Drug ("IND") application submitted by DeFloria. The FDA has concluded that DeFloria may proceed with its planned FDA Phase 2 clinical trial for its botanical pharmaceutical candidate, AJA001 Oral Solution, a treatment for symptoms of autism spectrum disorder ("ASD"). DeFloria is a collaboration including the Company and AJNA to develop AJA001 as a treatment for

irritability associated with ASD. AJA001 employs the Company's proprietary full-spectrum cannabidiol hemp extract derived from one of its patented cultivars.

In December 2025, the Company announced that it is planning to participate as a CBD provider supporting the treatment of senior patients under the potential landmark pilot program by the Center for Medicare and Medicaid Innovation ("CMMI"). The Substance Access Beneficiary Engagement Incentive ("BEI") permits participating Accountable Care Organizations ("ACOs") to offer eligible hemp-derived products to Medicare beneficiaries, with participating ACOs funding up to $500 per beneficiary annually rather than through Medicare reimbursement. The Company has been engaging with participating ACOs regarding participation and implementation requirements in preparation for 2027. Adoption of the program to date has been limited.

The current product eligibility requirements established by the Centers for Medicare & Medicaid Services ("CMS") accommodate certain of the Company's full-spectrum products. However, CMS has indicated that its requirements will be adjusted to align with applicable federal law. The timing and extent of future participation by ACOs remain uncertain and may be affected by changes in the federal regulatory framework applicable to hemp-derived products.

On May 28, 2026, the Company completed a transaction with BAT pursuant to which its C$75.3 million (US$54.7 million) convertible debenture, together with C$14.2 million (US$10.3 million) of accrued interest, was converted in full into 95,281,277 common shares at a conversion price of C$0.94 per share. Concurrently, BAT acquired an additional 14,662,765 common shares in a private placement at C$0.94 per share for gross proceeds of US$10.0 million (C$13.8 million). The Company intends to use the net proceeds from the private placement to support its participation in the anticipated CMMI Medicare pilot program and other medical channel initiatives.

On September 2, 2026, the Continuing Appropriations and Extensions Act, 2027 (Public Law 119-103) was signed into law, delaying until December 11, 2026 the effective date of certain federal hemp restrictions enacted under Section 781 of Public Law 119-37. Beginning November 12, 2026, certain restrictions will apply to products containing cannabinoids that are not capable of being naturally produced by the cannabis plant, with the remaining restrictions scheduled to become effective December 11, 2026. Among other provisions, the restrictions scheduled to become effective December 11, 2026 establish a limit of 0.4 milligrams of total THC and similar cannabinoids per container for certain finished hemp-derived cannabinoid products.

Based on the Company's current assessment, if these provisions become effective as scheduled, certain of the Company's full-spectrum products would no longer meet the federal definition of hemp, while its broad-spectrum and isolate products are not currently expected to be similarly affected. The Company is evaluating potential product reformulations and other actions to mitigate the potential impact of these restrictions. The extent of the impact will depend on a number of factors, including the final implementation and enforcement of the law, the Company's ability to reformulate affected products, consumer acceptance of alternative products, and any further legislative or regulatory developments.

Several legislative proposals have been introduced that could modify the federal regulatory framework applicable to hemp-derived products, including the Lawful Hemp Protection Act. The Company continues to engage with policymakers and industry organizations regarding potential regulatory approaches to hemp-derived products. However, there can be no assurance that any pending legislation will be enacted or that the scheduled restrictions will be further modified or delayed.

Selected Financial Information

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Total revenues	$ 9,393	$ 11,503	$ 31,407	$ 36,571
Cost of goods sold	4,990	7,026	16,643	19,874
Gross profit	4,403	4,477	14,764	16,697
Selling, general, and administrative expenses	8,097	9,731	27,140	31,371
Operating loss	(3,694)	(5,254)	(12,376)	(14,674)
Change in fair value of financial instruments	100	(1,200)	(3,211)	(2,869)
Loss from extinguishment of debt	—	—	(4,216)	—
Other income (expense), net	159	600	(839)	(813)
Net loss before income taxes	$ (3,435)	$ (5,854)	$ (20,642)	$ (18,356)
Total assets			$ 72,436	$ 81,599
Total liabilities			$ 19,359	$ 72,352

For The Three Months Ended September 30, 2026 and 2025

Revenue

The majority of the Company's revenue is derived from sales of branded products to consumers via the Company's DTC eCommerce website, and distributors. Service revenue is attributable to the Company and DeFloria entering into Services Agreement pursuant to which the Company is compensated for the provision of certain services to DeFloria

	Three Months Ended September 30,		% Change
	2026	2025	
Product revenue	9,318	11,428	(18.5)%
Service revenue	75	75	— %
Total revenue	$ 9,393	$ 11,503	(18.3)%

Total revenue for the three months ended September 30, 2026, was $9,393, a decrease of 18.3% compared to the three months ended September 30, 2025. The decrease in revenue is driven in part by the California hemp restrictions that took effect in July 2026. Revenue in California has begun to recover since the Company reintroduced broad-spectrum products in the state during the latter part of the quarter. Additionally, the decrease reflects the Company's decisions to reduce lower-margin retail distribution and ongoing online promotional discounting.

Cost of Goods Sold

Cost of goods sold includes the cost of inventory sold, changes in inventory provisions, and other production costs expensed. Other production costs include direct and indirect production costs including direct labor, processing, testing, packaging, quality assurance, security, shipping, depreciation of production equipment, indirect labor, including production management, and other related expenses. The primary factors that can impact cost of goods sold on a period-to-period basis include the volume of products sold, mix of product sold, third-party quality costs, transportation, overhead allocations and changes in inventory provisions.

The components of cost of goods sold are as follows:

	Three Months Ended September 30,		% Change
	2026	2025	
Inventory expensed to cost of goods sold	2,343	3,934	(40.4)%
Inventory provision, net	1,365	28	4775.0 %
Other production costs	241	2,026	(88.1)%
Service costs	75	75	— %
Depreciation and amortization	966	963	0.3 %
Cost of goods sold	$ 4,990	$ 7,026	(29.0)%

Cost of goods sold decreased 29.0% for the three months ended September 30, 2026 compared to the three months ended September 30, 2025. The decrease was primarily driven by a $1.6 million or 40.4% reduction in inventory expensed to cost of goods sold, reflecting lower sales volume, operational savings through production insourcing, and improved product and channel mix following the shift of the majority of the retail business to a distributor model in the third quarter of 2025. Additionally, the reduction in cost of goods sold is attributable to a $1.8 million or 88.1% decrease in other production costs driven by supply chain efficiencies and volume related variable costs. These decreases were partially offset by a $1.4 million increase in the inventory provision related to annihilation of aged and obsolete inventory projected in the fourth quarter of 2026.

Depreciation and amortization expense for the three months ended September 30, 2026 and September 30, 2025 was $1,070 and $1,689, respectively, of which $966 and $963, respectively, was expensed to cost of goods sold. The remaining depreciation and amortization expenses of $104 and $726, respectively, was expensed to Selling, general, and administrative expenses.

Gross Profit

The primary factors that can impact gross profit margins include the volume of products sold, revenue mix between DTC eCommerce and B2B distributors, product sales mix, promotional and sales discount rate, manufacturing spend, transportation costs, and changes in inventory provisions.

Gross profit for the three months ended September 30, 2026 and September 30, 2025 is as follows:

	Three Months Ended September 30,		% Change
	2026	2025	
Gross profit	$ 4,403	$ 4,477	(1.7)%
Gross margin	46.9%	38.9%	8.0 %

Gross profit was $4.4 million or 46.9% of revenue for the three months ended September 30, 2026, compared to $4.5 million, or 38.9% of revenue for the three months ended September 30, 2025. Gross margin improved to 46.9% from 38.9%, reflecting improved product and channel mix, insourcing savings, and reduced promotional discounts. The margin improvement was achieved notwithstanding a $1.4 million addition to the inventory reserve.

Selling, General, and Administrative Expenses

Total Selling, general, and administrative expenses are as follows:

	Three Months Ended September 30,		% Change
	2026	2025	
Selling, general, and administrative expenses	$ 8,097	$ 9,731	(16.8)%

Total Selling, general, and administrative expenses for the three months ended September 30, 2026 and September 30, 2025 were $8,097 and $9,731, respectively. The 16.8% decrease was primarily attributable to a reduction in initial debt amortization cost as a result of the debt conversion in the second quarter of 2026, as well as lower investment in paid media costs.

Depreciation and amortization expensed to Selling, general, and administrative expenses for the three months ended September 30, 2026 and September 30, 2025 were $104 and $726, respectively. The decrease was due to the write-off of the remaining initial debt amortization costs as a result of the debt conversion.

Total research and development costs expensed to Selling, general, and administrative expense for the three months ended September 30, 2026 and September 30, 2025 were $456 and $475, respectively. Research and development expenses primarily include personnel costs related to our R&D science division as well as R&D related projects advancing hemp cannabinoid science through research programs that provide a better understanding of the possible therapeutic uses of cannabinoids.

Total Change in Fair Value of Financial Instruments

Total change in fair value of financial instruments is as follows:

	Three Months Ended September 30,		% Change
	2026	2025	
Change in fair value of financial instruments	$ 100	$ (1,200)	108.3 %

Total change in fair value of financial instruments for the three months ended September 30, 2026 and September 30, 2025 was a gain of $100 and a net loss of $1,200, respectively. For the three months ended September 30, 2026, the change in fair value was due to a gain on the Company's investment in DeFloria. For the three months ended September 30, 2025, the change in fair value was primarily due to the revaluation of the Company's debt conversion option and debt interest rate conversion feature, resulting in a net loss of $900.

For the Nine Months Ended September 30, 2026 and 2025

Revenue

The majority of the Company’s revenue is derived from sales of branded products to consumers via the Company’s DTC eCommerce website, and distributors. Service revenue is attributable to the Company and DeFloria entering into the Services Agreement pursuant to which the Company is compensated for the provision of certain services to DeFloria.

	Nine Months Ended September 30,		% Change
	2026	2025	
Product revenue	$ 31,182	$ 36,346	(14.2)%
Service revenue	225	225	— %
Total revenue	$ 31,407	$ 36,571	(14.1)%

Total revenue for the nine months ended September 30, 2026 was $31,407, a decrease of 14.1% compared to the nine months ended September 30, 2025.

Total product revenue for the nine months ended September 30, 2026 was $31,182, representing a 14.2% decrease compared to the nine months ended September 30, 2025. The decrease reflects the Company’s decisions to reduce lower-margin retail distribution and ongoing online promotional discounting, in addition to the California hemp restrictions that took effect in July 2026.

Service revenue for the nine months ended September 30, 2026 and September 30, 2025 was $225, respectively, and was related to the DeFloria Master Services Agreement in which the Company is compensated for certain services to DeFloria.

Cost of Goods Sold

Cost of goods sold includes the cost of inventory sold, changes in inventory provisions, and other production costs expensed. Other production costs include direct and indirect production costs including direct labor, processing, testing, packaging, quality assurance, security, shipping, depreciation of production equipment, indirect labor, including production management, and other related expenses. The primary factors that can impact cost of goods sold on a period-to-period basis include the volume of products sold, mix of product sold, third-party quality costs, transportation, overhead allocations and changes in inventory provisions.

The components of cost of goods sold are as follows:

	Nine Months Ended September 30,		% Change
	2026	2025	
Inventory expensed to cost of goods sold	8,261	11,689	(29.3)%
Inventory provision, net	1,365	24	5587.5 %
Other production costs	3,904	5,363	(27.2)%
Service costs	225	225	— %
Depreciation and amortization	2,888	2,573	12.2 %
Cost of goods sold	$ 16,643	$ 19,874	(16.3)%

Cost of goods sold decreased 16.3% for the nine months ended September 30, 2026, compared to the nine months ended September 30, 2025. The decrease was primarily driven by a $3.4 million or 29.3% reduction in inventory expensed to cost of goods sold, reflecting lower sales volume, operational savings through production insourcing, and improved product and channel mix following the shift of the majority of the retail business to a distributor model in the third quarter of 2025. Together with a $1.5 million or 27.2% decrease in other production costs driven by supply chain efficiencies and volume related variable costs. These decreases were partially offset by a $1.4 million increase in the inventory provision related to annihilation of aged and obsolete inventory projected for the fourth quarter of 2026.

Depreciation and amortization expense for the nine months ended September 30, 2026 and September 30, 2025 was $4,242 and $4,650, respectively, of which $2,888 and $2,573, respectively, was expensed to cost of goods sold. The remaining depreciation and amortization expenses of $1,354 and $2,077, respectively, was expensed to Selling, general, and administrative expenses.

Gross Profit

The primary factors that can impact gross profit margins include the volume of products sold, the mix of revenue between DTC eCommerce and B2B distributors, product sales mix, promotional and sales discount rate, manufacturing spend, transportation costs, and changes in inventory provisions.

Gross profit for the nine months ended September 30, 2026 and September 30, 2025 is as follows:

	Nine Months Ended September 30,		% Change
	2026	2025	
Gross profit	$ 14,764	$ 16,697	(11.6)%
Gross margin	47.0%	45.7%	1.3 %

Gross profit decreased 11.6% year-over-year for the nine months ended September 30, 2026. Gross margin improved to 47.0% from 45.7%, reflecting improved product and channel mix, insourcing savings, and reduced promotional discounts. The margin improvement was achieved notwithstanding a $1.4 million addition to the inventory reserve.

Selling, General, and Administrative Expenses

Total Selling, general, and administrative expenses are as follows:

	Nine Months Ended September 30,		% Change
	2026	2025	
Selling, general, and administrative expenses	$ 27,140	$ 31,371	(13.5)%

Total selling, general, and administrative expenses for the nine months ended September 30, 2026 and September 30, 2025 were $27,140 and $31,371, respectively. The 13.5% decrease was primarily attributable to cost cutting measures undertaken by the Company between the comparable periods. These measures included adjusting the size of the workforce to properly align with revenue.

Depreciation and amortization expensed to Selling, general, and administrative expenses for the nine months ended September 30, 2026 and September 30, 2025 were $1,354 and $2,077, respectively. The decrease was due to the write-off of the remaining initial debt amortization costs as a result of the debt conversion.

Total research and development costs expensed to Selling, general, and administrative expense for the nine months ended September 30, 2026 and September 30, 2025 were $1,271 and $1,500, respectively. Research and development expenses primarily include personnel costs related to the Company's R&D science division as well as R&D related projects advancing hemp cannabinoid science through research programs that provide a better understanding of the therapeutic uses of cannabinoids.

Total Change in Fair Value of Financial Instruments

Total change in fair value of financial instruments is as follows:

	Nine Months Ended September 30,		% Change
	2026	2025	
Change in fair value of financial instruments	$ (3,211)	$ (2,869)	11.9 %

Total change in fair value of financial instruments for the nine months ended September 30, 2026 and September 30, 2025 was a loss of $3,211 and $2,869, respectively. For the nine months ended September 30, 2026, the change in fair value of financial instruments was primarily due to the revaluation of the Company's debt conversion option and debt interest rate conversion feature, which resulted in a net loss of $2,811, as well as a $400 loss on the Company’s investment in DeFloria. For the nine months ended September 30, 2025, the change in fair value of financial instruments was primarily due to $1,500 loss on the Company’s investment in DeFloria and a $839 loss related to the change in fair value of the Company’s debt conversion option.

Loss from extinguishment of debt

Total losses from extinguishment of debt are as follows:

	Nine Months Ended September 30,		% Change
	2026	2025	
Loss from extinguishment of debt	$ (4,216)	$ —	100 %

Total loss from extinguishment of debt for the nine months ended September 30, 2026 and September 30, 2025 was $4,216 and $0, respectively. The $4,216 loss from extinguishment of debt for the nine months ended September 30, 2026 was due to the conversion of the Company's C$75.3 million Convertible Debenture and accrued interest held by BAT into common shares on May 28, 2026.

Liquidity and Capital Resources

The Company's objective when managing its liquidity and capital resources is to provide sufficient short and long-term liquidity to fund net operating losses and capital expenditures while executing strategic growth plans. In the near to mid-term, it is focused on reducing negative cash flows from operations.

As of September 30, 2026 and December 31, 2025, the Company had total current liabilities of $7,542 and $8,659, respectively, and cash and cash equivalents of $11,364 and $8,035, respectively, to meet its current obligations.

The Company expects a continued cost containment strategy in overall selling, general, and administrative expenses in the remainder of 2026 as a result of several actions taken over the prior two years. This includes improvements in operating efficiency throughout the business, reductions in media cost, more efficient technology, and a data-driven reorganization of its revenue and partnering strategies.

Management believes that the Company's existing cash and cash equivalents, and short-term investments will provide sufficient liquidity to fund operations and planned capital expenditures for the next 12 months. The Company's ability to fund its operations for the longer term will depend on the future operating performance, particularly revenue growth and expense management, which can be affected by general economic conditions, industry regulatory changes, and other factors beyond the Company's control.

In addition to cash provided by operations, the Company may fund long-term liquidity requirements through various sources of capital. The Company regularly considers fundraising opportunities and may decide, from time to time, to raise capital through borrowings or issuances of additional equity and/or debt securities. The Company's ability to raise funds through the issuance of additional equity and/or debt securities is dependent on a number of factors, including the current state of the capital markets, investor sentiment, and intended use of proceeds.

On May 28, 2026, the Company completed a transaction with BAT that included the conversion of BAT's C$75.3 million convertible debenture and accrued interest into common shares at C$0.94 per share and an additional $10 million equity investment by BAT through a private placement. The transaction eliminated the outstanding convertible debenture and resulted in $10 million of additional equity proceeds to the Company. In connection with the transaction, the Company issued 109,944,042 common shares to BAT, after which BAT held approximately 40.6% of the Company's issued and outstanding common shares on a non-diluted basis.

Cash Flows

Cash Flow from Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2026 and September 30, 2025 were as follows:

	Nine Months Ended September 30,	
	2026	**2025**
Net cash used in operating activities	$ (6,272)	$ (12,246)

For the nine months ended September 30, 2026, the decrease in cash used in operations is primarily due to operating cost saving measures implemented during the period.

Cash Flow from Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2026 and September 30, 2025 were as follows:

	Nine Months Ended September 30,	
	2026	**2025**
Net cash used in investing activities	$ (52)	$ (528)

For the nine months ended September 30, 2026, the Company has spent minimal amounts on capital expenditures as the project to in-source topical and gummy production was completed.

Cash Flow from Financing Activities

Net cash provided by (used) in financing activities for the nine months ended September 30, 2026 and September 30, 2025 were as follows:

	Nine Months Ended September 30,	
	2026	2025
Net cash provided by (used in) financing activities	$ 9,653	$ (34)

For the nine months ended September 30, 2026, the change was primarily due to the $10 million proceeds from the issuance of common shares related to the conversion of the Company's convertible debenture and accrued interest into common shares on May 28, 2026. For the nine months ended September 30, 2025, the change was primarily due to the vesting of restricted stock units.

Off-Balance Sheet Arrangements

As of September 30, 2026 and December 31, 2025, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition, including, and without limitation, such considerations as liquidity and capital resources.

Related party transactions

Effective November 2020, the Company issued a secured promissory note, where $1,000 was loaned to one of the Stanley Brothers. The note receivable was secured by equity instruments with certain of the Stanley Brothers, bore interest at 3.25% per annum, and required the unpaid principal and unpaid interest balances to be paid on or before the maturity date of November 13, 2021, which date was subsequently extended. Effective November 13, 2024, the Company entered into a third amendment of the promissory note to extend the maturity date until November 13, 2029. According to the terms of the agreement, no additional interest will accrue through the payment date. The note has been fully reserved for as of December 31, 2025.

On March 2, 2021, the Company entered into the SBH Purchase Option with Stanley Brothers USA as discussed above (Note 3 "Fair Value Measurement"). The SBH Purchase Option was purchased for total consideration of $8,000. Certain members of the Stanley Brothers, who are or were employees of the Company at the time, are the majority shareholders of Stanley Brothers USA. The Company was not obligated to exercise the SBH Purchase Option and as such the unexercised option expired as of February 26, 2026.

On April 6, 2023, the Company jointly formed an entity, DeFloria, with AJNA BioSciences and BAT. AJNA is a botanical drug development company and is partially owned and was co-founded by a member of the Stanley Brothers. BAT holds an equity interest in the entity in the form of approximately 2,000,000 preferred units following its $10 million investment and has the right to participate in future equity issuances to maintain its pro rata equity position. The Company and AJNA each hold 4,000,000 of the entity's voting common units (Note 3). Effective May 1, 2023, the Company entered into an 8% interest bearing note receivable with DeFloria for the sale of lab equipment in the amount of $170. The principal and interest of the note receivable will be paid in 36 monthly installments. As of September 30, 2026, and December 31, 2025, the remaining note receivable of $0 and $19, respectively is presented in other assets in the condensed consolidated balance sheets.

On April 6, 2023, the Company and DeFloria entered into a supply agreement in which the Company shall supply raw material that will be used in the development of the new drug. The price charged by the Company is at cost of goods sold level. For the nine months ended September 30, 2026 and September 30, 2025, the Company recognized $68 and $641 in revenue and cost of goods sold, respectively, related to the supply agreement with DeFloria. Similarly, on February 12, 2024, the Company and DeFloria entered into a separate master services agreement pursuant to which the Company will be compensated for the provision of certain services to DeFloria. For the three and nine months ended September 30, 2026, the Company recognized $75 and $225 in revenue and cost of goods sold, respectively, related to the service agreement with DeFloria. Additionally, the Company has an accounts receivable balance due from DeFloria of $1,764 and $1,471 as of September 30, 2026 and December 31, 2025, respectively.

On July 15, 2025, the Company entered into a promissory note, as lender, where the Company loaned $750 to DeFloria. The funds were distributed monthly between July and November 2025. On August 14, 2026, the Company entered into an amended and restated convertible promissory note with DeFloria with an aggregate principal amount of $1,583, which superseded the July 15, 2025 promissory note and incorporated $750 of outstanding principal and $83 of accrued interest under the prior note. The note bears non-compounding interest at the Bank of England Base Rate plus 8%, capped at 14%, and had an initial interest rate of 11.25%. The note is convertible upon certain financings at the lesser of 80% of the applicable financing price or a price based on a $146 million valuation cap. The note is subject to specified maturity and acceleration provisions and may not be prepaid without majority holder consent. As of December 31, 2025 prior to the amendment and restatement of the promissory note, the outstanding balance, including accrued interest, was $784. As of September 30, 2026, following the amendment and restatement of the convertible promissory note, the outstanding balance is $1,303.

On June 4, 2026, the Company entered into a consulting agreement with Jared Stanley, former executive of the Company, and former member of the Board of Directors. In consideration for Mr. Stanley's services, he will receive a bi-weekly fee of $6.

Recently Adopted Accounting Principles

There are no new accounting pronouncements adopted by the FASB that had or may have a material impact on the accompanying unaudited interim condensed consolidated financial statements.

Critical Accounting Policies and Estimates

Listed below are the accounting policies and estimates we believe are critical to the Company's financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. Please also refer to Note 2 of our notes to the condensed consolidated financial statements for a discussion on recently adopted and issued accounting pronouncements.

Investment in Unconsolidated Entities

The Company has a variable interest in the investment in DeFloria; however, the Company is not the primary beneficiary of DeFloria as it lacks the power to direct DeFloria's key activities. The Company concluded that the investment in DeFloria should not be consolidated. In accordance with ASC 825-10, equity method investments are eligible for the fair value option as they represent recognized financial assets. As the Company was not required to consolidate the investment and does not meet any of the other scope exceptions, the Company had the ability to adopt the fair value option for the investment at inception. The investment was remeasured at fair value after each reporting date, with changes recognized in the condensed consolidated statements of operations, as changes in fair value of financial instruments for the period.

The use of assumptions for the fair value determination of the investment in DeFloria included a high degree of subjectivity and judgment using unobservable inputs (level 3 on the fair value hierarchy), which results in estimation uncertainty. To determine the value of the investment, the Company utilizes an Option Pricing Model (OPM). The OPM considers the various terms of the stockholder agreements, including the level of seniority among the securities, dividend policy, conversion ratios, and cash allocations upon liquidation of the entity. The OPM is appropriate when the range of potential future outcomes is difficult to predict with any certainty.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. Cost includes all expenses for direct raw materials inputs, as well as costs directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Cost is determined by use of the weighted average method. To determine if a provision for inventories is required, the Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions, including forecasted demand compared to quantities on hand, as well as other factors such as potential excess or aged inventories based on product shelf life, and other factors that affect inventory obsolescence. The Company's inventories of harvested hemp are recorded at cost to grow and harvest. Raw materials costs as well as production costs are included in the carrying value of the Company's finished goods inventory. The Company's inventory production process for cannabinoid products includes cultivating of botanical raw material. Because of the duration of the cultivation process, a portion of the inventory will not be sold within one year. Consistent with the practice in other industries that cultivate botanical raw materials, all inventory is classified as a current asset.

Impairment of Long-Lived Assets

The Company reviews intangible assets with indefinite useful lives for impairment at least annually and reviews all intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Long-lived assets, such as property and equipment and intangible assets subject to depreciation and amortization, as well as indefinite lived intangibles and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable or that the useful life is shorter than the Company had originally estimated. Recoverability of these assets is measured by comparison of the carrying amount of each asset or asset group to the future undiscounted cash flows the asset or asset group is expected to generate over their remaining lives. If the asset or asset group is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset or asset group. If the useful life is shorter than originally estimated, the Company amortizes the remaining carrying value over the new shorter useful life. Impairment losses are recorded in selling, general, and administrative expense in the condensed consolidated statements of operations. There were no impairment losses recognized for the three and nine months ended September 30, 2026 and 2025, respectively.

Convertible Debenture

The Company determined that the Convertible Debenture is a freestanding financial instrument, which includes embedded derivatives. The embedded derivatives have been bifurcated from the Convertible Debenture and accounted for separately in accordance with the provisions of ASC 815, *Derivatives and Hedging*. The Company reviewed the terms of the Convertible Debenture and identified two material embedded features which required bifurcation and separate accounting pursuant to the provisions of ASC 815: 1) the interest rate conversion feature based on changes in federal regulations, and 2) the debt conversion option to common shares. The debt interest rate conversion feature is classified as a derivative asset and measured at fair value using a probability weighted income approach. The debt conversion option is classified as a derivative liability and measured at fair value using a Black-Scholes option pricing model. The Company allocated proceeds first to the derivatives measured at fair value and the residual amount was allocated to the Convertible Debenture. Debt issuance costs are allocated to the Convertible Debenture. The debt issuance costs are presented as a direct reduction from the face value of the debenture and amortized over the stated term of the Convertible Debenture.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets or liabilities are computed based on the temporary difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal income tax rate in effect for the year in which the differences are expected to reverse. Deferred income tax expense or benefit is based on the changes in the deferred income tax assets or liabilities from period to period. A valuation allowance is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized.

Significant judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against net deferred tax assets. The Company assesses the likelihood that deferred tax assets will be recovered as deductions from future taxable income. The evaluation of the need for a valuation allowance is performed on a jurisdiction-by-jurisdiction basis and includes a review of all available positive and negative evidence. Factors reviewed include projections of pre-tax book income for the foreseeable future, determination of cumulative pre-tax book income or loss, earnings history, and forecasting reliability. It is the Company's policy to offset indefinite lived deferred tax assets with indefinite lived deferred tax liabilities. The Company provided a full valuation allowance on deferred tax assets because it is more likely than not that deferred tax assets will not be realized.

The Company accounts for uncertainties in income taxes under ASC Topic 740, which prescribes a recognition threshold and measurement methodology to recognize and measure an income tax position taken, or expected to be taken, in a tax return. With respect to any tax positions that do not meet the recognition threshold, a corresponding liability, including interest and penalties, is recorded in the condensed consolidated financial statements. The Company may be subject to examination by tax authorities where the Company conducts operations. The earliest income tax year that may be subject to examination is 2023. The Company has recorded an uncertain tax position as of September 30, 2026 and December 31, 2025. The Company's policy is to recognize interest and penalties on taxes, if any, within the condensed consolidated statement of operations as income tax expense.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customer ("ASC 606"). The Company elected to early adopt ASC 606 as of January 1, 2018, as permitted by the standard. The Company performs the following five steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company applies the five-step model to arrangements that meet the definition of a contract under the standard, including when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of revenue accounting, the Company evaluates the goods or services promised within each contract related performance obligation and assesses whether each promised good or service is distinct. The Company recognizes as revenue, the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The Company recognizes revenue from customers when control of the goods or services is transferred to the customer, generally when products are shipped, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. Freight revenue is included in revenue on the condensed consolidated statements of operations, and is generally exempt from state sales taxes. Sales tax collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue in the condensed consolidated statements of operations. Contracts are written to include standard discounts and allowances. Contracts are not written to include advertising allowances, tiered discounts or any other performance obligation. Since the Company's contracts involve the delivery of various tangible products, the arrangements are considered to contain only a single performance obligation, as such there is no allocation of the transaction price. The Company also offers eCommerce discounts and promotions through its online rewards program. The Charlotte's Web Loyalty Program offers customers rewards points for every dollar spent through the Company website to earn store credit for future purchases. The Company defers recognition of revenue for unredeemed awards until the following occurs: (1) rewards are redeemed by the consumer, (2) points or certificates expire, or (3) an estimate of the expected unused portion of points or certificates is applied, which is based on historical redemption patterns.

Any product that does not meet the customer's expectations can be returned within the first 30 days of delivery in exchange for another product or for a full refund. Generally, any product sold through a distributor or retailer must be returned to the original purchase location for any return or exchange. The Company accounts for customer returns utilizing the "expected value method." Expected amounts are excluded from revenue and recorded as a "refund liability" that represents the Company's obligation to return the customer’s consideration. Estimates are based on actual historical and current specific data.