



NICOCCINO™

INTERIM REPORT 1 JULY – 30 SEPTEMBER 2015 NICOCCINO HOLDING AB (publ)

Nicoccino Holding Development

THIRD QUARTER SUMMARY 1 JULY – 30 SEPTEMBER 2015

- Net sales for the third quarter amounted to 123 TSEK (17).
- Net income amounted to -7,3 MSEK (-5,1) or -0,53 SEK per share (-0,46).
- Cash flow from operating activities amounted to -5,3 MSEK (-4,5) or -0,38 SEK per share (-0,4).
- Nicoccino Holding's liquid assets were valued at 44,6 MSEK (20,3) by the end of the quarter.
- Based on a statement from the Czech authorities, the Company can now sell Nicoccino™ as a consumer product in the Czech Republic. This announcement generates clarity around the classification of Nicoccino™ in the EU, paving the way for sales in other EU countries.
- Nicoccino is partnering with WHSmith *Travel* to launch Nicoccino™ in major UK airports and railway stations. Initially the Company's unique nicotine product will be available to travellers in 150 selected stores across the UK. The sales activities will start during the fourth quarter.
- During the third quarter the Company carried out organizational changes by appointing a new Chairman of the Board, Jonas Nordquist along with a new CEO, Johan Cram – both of whom have a Swedish Match background. A new CFO, Anders Stensson, also joined the Company in September.





EVENTS AFTER THE END OF THE REPORTING PERIOD

- Building on its recent listing with WHSmith *Travel*, Nicoccino is once again partnering with WHSmith to launch Nicoccino™ in 250 of their prime-site *High Street* outlets throughout Great Britain. Sales started in the middle of the fourth quarter.

Comments from CEO

Sales and distribution

The sales within the period has not been satisfactory. There are essentially three channels that Nicoccino has been active in; pharmacy, casino and e-commerce.

The sales in pharmacy have been lower than expected with a repurchase rate of approx. 8 %. Casino sales have not shown any greater numbers due to the low amount of distribution points. Online sales has a relatively large number of consumers but the repurchase rate from sampling activities has been low.

The main reason for the weak sales is the limited awareness level and visibility that Nicoccino™ has towards consumers. Our challenge is to reach out to consumers in an unproven market to get them to understand the benefits of a new type of product and a new behaviour.

Several of our previous marketing activities have not had the desired outcome. On the positive side we have learned a lot from our experiences that we can apply to upcoming activities.

In November, Nicoccino™ was test-launched in some of WHSmith's stores in the UK (total 400 outlets). It is too early to draw any conclusions from the test and the planned marketing activities have not started as yet.

Production and product development

The agreement with our American producer was terminated (at their request) with the possibility for re-negotiation in May. We will therefore transfer the production to our German manufacturer with whom we have cooperated since 2014. We are also in discussion with other producers to ensure efficient production going forward.

It is difficult to achieve full cost efficiency due to the low production volumes, which leads to a high consumer price.

We will continue to focus on developing a product portfolio that consists of several tastes and strengths. The products strength seems to be one of the deciding factors for how Nicoccino™ is received.





Regulatory

The EU directive that will be transposed into the law of the EU member states by May 2016 mainly affects e-cigarettes. Within the new Tobacco Product Directive e-cigarettes will be defined as a consumer product (though with significant limitations).

Our strategy is to get Nicoccino™ approved as a consumer product following EU GPSD (General Products Safety Directive). The first positive statement came from the Czech authorities that now places Nicoccino™ within this category. We are now focusing on an additional 3-5 EU countries where we believe the chances for GPSD authorization are good. With this in mind, we will not proceed with developing a licensed OTC product.

In the US, the FDA (Food and Drug Administration) is working on an update of the regulatory framework for nicotine containing products. We are monitoring this development and will evaluate what category will provide Nicoccino™ with marketing advantages in this market.

Asia is slightly behind the EU and US in regards to updating their regulatory framework for nicotine containing products. In some markets, such as Malaysia, South Korea and Japan, the authorities have initiated the work. There is an ongoing discussion in Australia and New Zealand on how to simplify the access of smokers to lower risk, alternative nicotine containing products, such as Nicoccino™.

Future opportunities

For the test launch of WHSmith we have combined our strengths for the best possible outcome. It should, however, be clear that considerable resources are required to break into the UK market.



In addition, we have been probing the international scene with the purpose to locate suitable partners with a global reach. Several potential partners have been identified and we will follow up on these over the coming year.

Johan Cram,
CEO, Nicoccino Holding AB

NICOCCINO™



About Nicoccino and our product

ABOUT THE COMPANY

Nicoccino produces and markets an innovative and patented, tobacco-free nicotine consumer product.

The product has the same name as the company - Nicoccino™ – and is manufactured through partners. Nicoccino is currently sold in the UK, Germany, Czech Republic, Poland and through our online platform (purenicoccino.com)

Nicoccino has its head quarter located in Täby outside of Stockholm and a sales office in London. The company's shares have been listed on Nasdaq Stockholm First North since June 2014 and can be found under the abbreviation NICO.

Remium Nordic AB is Nicoccino Holding's Certified Adviser.

For further information, please visit: www.nicoccino.se

ABOUT THE PRODUCT

Nicoccino's patented, innovative and discrete nicotine strip instantly provides the user with nicotine without the detrimental side effects of smoking.

Nicoccino™ is a consumer product, the purpose of which is to offer smokers an attractive alternative for when they can't, or don't want to smoke.



Once the strip is placed under the lip and onto the gum, it delivers a quick and potent nicotine effect. Within a couple of minutes the nicotine has been expended and the product has been dissolved without leaving any residue in your mouth.

Nicoccino™ is formulated in Sweden and is the result of over ten years of research and development.

The product itself is a wafer thin and alginate based film about the size of half a stamp. Each Nicoccino film contains 1 mg of nicotine. The product contains medically classified nicotine and alginate, extracted from brown seaweed, as well as natural flavourings and aromas. All additional substances are medically approved.

NICOCCINO™

Lahällsvägen 48, 183 30 Täby, Sweden
Email: info@nicoccino.co.uk
Ora. no: 556958-3353