



Niccino

Q1 INTERIM REPORT

JANUARY – MARCH 2016
NICCOCCINO HOLDING AB (publ)
org.nr 556942-1604

Nicoccino Holding Development

FIRST QUARTER SUMMARY

JANUARY – MARCH 2016

- The Patents and Registration Office in Singapore is the first official agency to approve the Company's own nicotine patent which enhances and extends the protection of the product until 2033.
- A new strategy was formed with an increased focus on creating a product platform that can be used by partners who wish to establish themselves in the market of Nicotine Replacement Therapy (NRT) or want to expand their existing product portfolio. This new strategy has resulted in the prioritization of achieving a drugs classification for when entering new partnerships.
- Due to the prioritized drug classification the company will reduce its focus on sales to consumers. The consequence is that all contracts with dealers and distributors has been terminated.
- Former CFO Hans Richter has replaced Anders Stensson who left his position in March.
- Parts of the management team will, in the middle of the second quarter, leave their positions in relation to termination of the organization in the UK.

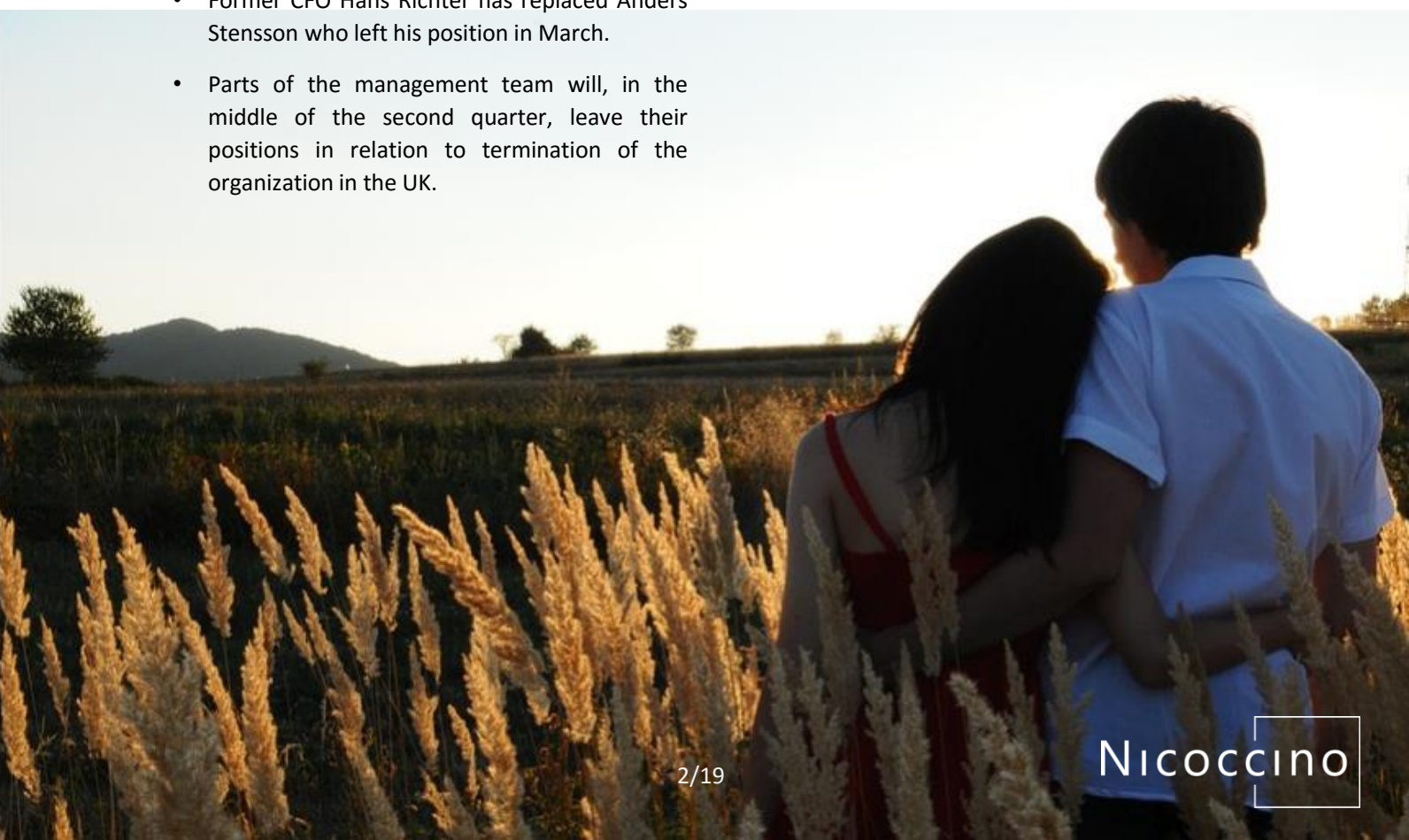
PERIOD SUMMARY

JANUARY – MARCH 2016

- Net sales amounted to 182 TSEK (125).
- Net income amounted to -9.0 MSEK (-8.8) or -0.67 SEK per share (-0.79).
- Cash flow from operating activities amounted to -9.3 MSEK (-7.8) or -0.67 SEK per share (-0.70).

EVENTS AFTER THE END OF THE REPORTING PERIOD

- Nicoccino Holding has updated its business model, strategic goals as well as the company's vision and mission in order to reflect the revised company strategy which was decided in the first quarter.



Comments from CEO

From consumer product to a Nicotine Replacement Therapy

In 2014/2015 a commercial test launch was conducted in the UK where Nicoccino™ was sold as a consumer product online and in retail. This introduction confirmed that the product works and that there is a great potential for this new type of nicotine product.

We are now shifting our strategy from selling a consumer product to focus on developing a drug classified product directed towards partners.

This has resulted in major changes for the Company during the first quarter. Our sales and marketing team in the UK were terminated and part of the management team decided to move on to new challenges. The Company will be reducing its costs significantly and therefore we don't see the need for additional funding within the coming 12 months.

Re-organization

Currently we are concluding our business arrangements in the UK and internationally, and strives to make it as cost efficient as possible. Some agreements will continue into the third quarter but in my opinion it will not lead to any additional costs for the Company.

The marketing activities for Nicoccino™ is being finalized and eventually we will also come to an end for the warehousing and distribution activities.

New focus

Classifying the product as a Nicotine Replacement Therapy (NRT) is an original objective for Nicoccino and we are now increasing the focus to undergo the process. We have advanced discussions with a few manufacturers that we consider a great fit to our new business model. Our goal is to produce the nicotine product in a new pharma graded facility and thereafter enter the clinical study.

Sales

During the first quarter sales has been satisfying and exhibit strong percentage growth in both retail and online. Sales has been volatile and is influenced by price related campaigns, foremost online.

Maintenance of the retail business is a very cost intensive activity to achieve satisfactory consumer knowledge. Nicoccino is too small to do this efficiently on its own.

Future expectations

As we are shifting from a consumer product to a licensed drug, the regulatory challenges will be reduced and the potential for selling a smoking cessation globally will increase.

In line with previous communications we have frequent meetings with international players in order to create license partnerships or to sell Nicoccino's patent rights. We see a great interest for the product and its features.

Nicoccino's possibilities for market success is dependent on how well we handle the regulatory challenges, and a drug classification drastically reduce these challenges.

Johan Cram,
CEO, Nicoccino Holding AB



About Nicoccino and our product

ABOUT THE COMPANY

Nicoccino has developed an innovative and patented nicotine product that after completion of a clinical study will be classified as a medicine for smoking cessation (Nicotine Replacement Therapy – NRT). With a clear classification, regulatory uncertainty will be reduced and new markets will open up that would otherwise not be accessible. Sales to consumers will be managed indirectly through a license model with international partners who are more financially equipped to reach out globally.

In 2014/2015 a commercial test launch was conducted in the UK where Nicoccino™ was sold as a consumer product online, and in retail. This introduction confirmed that the concept works and that there is a great potential for this new type of nicotine product.

In early 2016 a new strategy was formed with an increased focus on creating a product platform that can be used by partners who wish to establish themselves in the market of Nicotine Replacement Therapy (NRT) or want to expand their existing product portfolio. This new strategy has resulted in the prioritization of achieving a drugs classification for when entering partnerships.

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

Remium Nordic AB is the Nicoccino's certified adviser.

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

ABOUT THE PRODUCT

Nicoccino has developed a patented, innovative and discrete strip that through its unique delivery method instantly provides the user with nicotine without the detrimental side effects of smoking.

The product is designed to offer smokers an attractive alternative when they want to quit smoking. After a pharmaceutical approval, the product will be sold as a smoking cessation drug (Nicotine Replacement Therapy – NRT).

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 film dissolves without leaving any residue in your mouth.

The platform is formulated in Sweden and is the result of over ten years of research and development.

The strip itself is leaf thin and alginate based, about half the size of a stamp. Each dose contains 1 mg of medically classified nicotine, an alginate base (extracted from brown seaweed), as well as natural flavorings and aromas. All additional substances are medically approved.



Vision, Mission and Strategic Goals

VISION

To offer a unique and attractive nicotine product that is the most effective on the market.

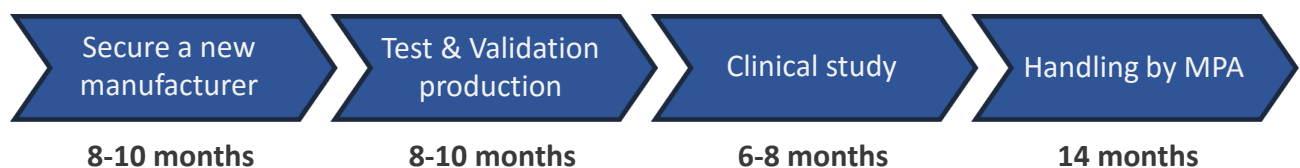
MISSION

Offer consumers a pure nicotine experience and an effective aid to quit smoking.

STRATEGIC GOALS

1. Secure a new pharmaceutical manufacturer.
2. Carry out test, validation and clinical production.
3. Completion of a clinical study.
4. Receive a pharmaceutical approval from the Medical Products Agency [MPA].

TIME LINE



Business Idea and Business Model

BUSINESS IDEA

Nicoccino will, through its patented product platform, offer an attractive Nicotine Replacement Therapy product which is the most effective on the market.

BUSINESS MODEL

The business model is based on introducing the product platform to international partners that wish to establish themselves in the market of Nicotine Replacement Therapy (NRT) alternative nicotine products or want to expand their existing product portfolio, and to launch the product themselves globally or in different regions.

The licensing model could mean that the strategy is adapted to the conditions for each respective geographical market. Partnerships can also be established at earlier stages of the clinical approval process.

The Company is also open for sales of patents or licensing of patents.

Production and logistics are outsourced to external partners.

Patent and Intellectual Property Rights

PLATFORM PATENT

Nicoccino is licensing the platform patent from Uppsala Gruppen Medical AB.

The Platform patent aims to protect the production of a strip that dissolves in the mouth when attached to a mucous membrane, releasing an active substance into the bloodstream via the membrane in the process.

The patent is exclusive and licensed to the Company during the patent's period of validity for products containing nicotine. This is a royalty free lifetime license agreement and The Company will cover any costs related to retaining the patent.

The Patent Application (PCT-application) is so far approved and protected by twelve countries (Sweden, USA, China, Russia, Japan, Australia, New Zealand, South Africa, Israel, South Korea and Canada and Mexico) until 2026.

NICOTINE PATENT

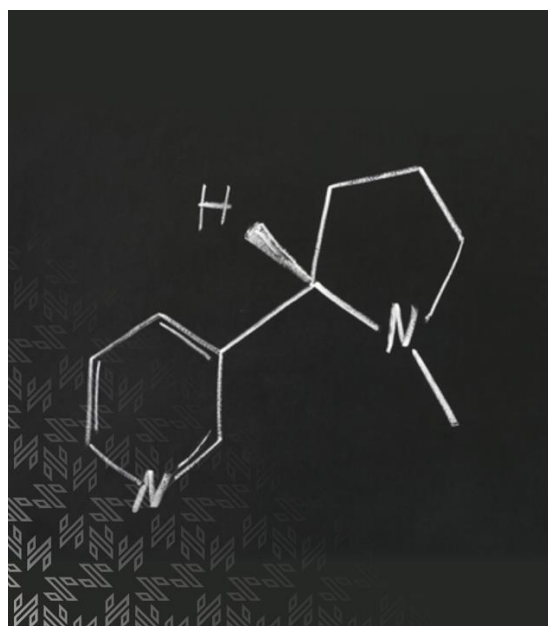
The he Nicotine patent is owned by Nicoccino.

The Nicotine patent aims to protect the capability of quickly supplying nicotine via mucous membranes in the mouth using a product that can be stored in room temperature without breaking down the nicotine.

Singapore is the first market to approve the Company's own nicotine patent (in March 2016) which enhances and extends the protection of the platform until 2033. The Patent application is filed in additionally fifteen countries as well as the EU.

TRADEMARK

Nicoccino™ is a trademark owned by Nicoccino AB, with approval in all EU member states. Logotype, symbols and graphic design was approved in October 2014. Nicoccino™ has been approved in the United States, Canada, China, Switzerland, Norway, Kazakhstan, Monaco, Russia, South Korea and Turkey. Approval for Israel is pending.



Operations first quarter

SALES AND MARKETING

- Nicoccino develops a product platform for partners who wish to establish themselves in the market of Nicotine Replacement Therapy (NRT) or want to expand their existing product portfolio. Sales to consumers will be managed indirectly through a license model with international partners who are more financially equipped to reach out globally.
- Due to the prioritized drug classification the company will reduce its focus on sales to consumers. The consequence of this is that all cooperation's and contracts with dealers and distributors has been terminated.
- Online sales of Nicoccino™. The company's consumer product, will until further notice continue via the company's e-commerce platform (purenicoccino.com). The first quarter showed a growth in sales by 18% from the previous quarter .
- The new strategy will imply that limited resources will be spent on marketing for Nicoccino™ .

MANUFACTURING AND DEVELOPMENT

- As the Company has shifted focus from a consumer to medical product, Nicoccino has sought new collaborations to secure an optimal production partner that fulfils all regulatory requirements but also has the flexibility and capacity suitable for the Company's new business model.
- This means that production with the American supplier has ended and that Nicoccino will continue with the German producer. Nicoccino has also initiated discussions with a few more suppliers that the Company has high hopes for. Nicoccino consider having potentially two producers will reduce risk and increase the chance for a swift and successful drug classification.

Sales and Net Income

Nicoccino Holding's operations commenced 2 April 2014 when Nicoccino Holding acquired Nicoccino AB, including its subsidiaries.

FIRST QUARTER

JANUARY – MARCH 2016

- Net revenue for the first quarter of 2016 decreased to 182 TSEK (125 TSEK) compared to the previous quarter of 223 TSEK.
- Cash flow from operating activities amounted to -9,3 MSEK (-7.8) or -0.67 SEK per share (-0.70).
- Earnings before interest and taxes (EBIT) amounted to -8.1 MSEK (-8.8).
- Financial expenses equaled -971 TSEK (-14) and is mainly related to currency losses on intercompany trade receivables.
- Net income for the quarter amounted to -9.0 MSEK (-8.8).

Financial Overview and Cash Flow

Nicoccino Holding's balance sheet total amounted to 143 MSEK compared to 122 MSEK at the end of the first quarter 2015. Equity amounted to 140.6 MSEK compared to 119.3 MSEK in the corresponding period previous year, which presents us with an equity/asset ratio of 98 % (97) at the end of the first quarter.

Cash flow from operating activities equaled -9.3 MSEK (-7.8) for the period.

Current cash amounted to 27.0 MSEK at the end of the first quarter, compared to 6.1 MSEK in the corresponding period previous year.

EMPLOYEES

Average amount of employees in the company was calculated to 9 (10).

Former CFO Hans Richter has replaced Anders Stensson who left his position in March.

Parts of the management team will in the middle of the second quarter leave their positions in relation to termination of the organization in the UK.

INVESTMENTS AND DEPRECIATIONS

Investments for the period amounted to 9 TSEK (21). Depreciations reached -269 TSEK (-269).

TAXES

The company has paid 0 SEK in taxes for the period, due to existing tax loss carryforwards. For further information, please find the Annual Report for 2014, note 8, page 27.

TRANSACTIONS WITH ASSOCIATES

No transactions have occurred between Nicoccino AB and associates that has substantially affected its position or income.

PARENT COMPANY

The parent company Nicoccino Holdings net income amounted to -0.9 MSEK (-0.0) for the first quarter.

The parent companies liquid assets and short term investments at the end of the period equaled 24.2 MSEK (5.4).

SHARE CAPITAL AND THE STOCK

The share capital at the end of the period amounted to 0.69 MSEK divided into 13,830,000 shares.

There are 4,513 registered share holders in Nicoccino Holding AB by March 31, 2016.

Remium Nordic AB is Certified Adviser.

SHARE OPTION PLAN

Nicoccino Holding currently has three stock option schemes in place. The first scheme contains 637,661 share options with strike price 14.51 SEK per share, to be converted into shares no later than October 15, 2016. The second scheme contains 110,000 share options each share option entitles its holder to subscribe to a new share in Nicoccino Holding at strike price 20 SEK per share no later than June 5, 2016. In addition to this, Nicoccino Holding has issued a third scheme which contains 500,000 share options where each option holder is entitled to subscribe to a new share in Nicoccino Holding at strike price 36 SEK per share. Out of the third scheme, 150,000 shares have been issued to management in the company and the remaining options are in the possession of one of the group's subsidiaries.

RISKS AND INSECURITIES

Nicoccino is through its operations exposed to risk and uncertainties. Information about the company risks and uncertainties can be found on pages 7-9 in the 2014 Annual Report, which is available on the webpage (www.nicoccino.se/en).

Accounting principles and Notes

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act and IFRS, endorsed by EU. The parent company applies the Swedish Annual Accounts Act and RFR2, Reporting For Legal Entities.

Definitions and Key Performance Indicators

Earnings per share

Net income divided with average amount of shares.

Average amount of shares

The average amount of shares in Nicoccino Holding AB are calculated based on the weighted historical amount of outstanding shares in Nicoccino Holding AB after every new share issue, multiplied with the number of days the shares been outstanding.

Equity/Asset Ratio

Equity in relation the company's assets.

Return on Equity

Earnings before taxes (EBT) in relation to equity.

Return on capital employed

Earnings before taxes in relation to employed capital

Capital Employed

Equity plus loans which are not subject to interest

Equity per share

Equity divided by number of share on the closing date.

Cash flow from operating activities per share

Cash flow from operating activities divided with average amount of shares

Cash flow per share

The cash flow at the end of the period divided with average amount of shares.

FINANCIAL CALENDER

Aug 26th, 2016 Interim report Jan - Jun 2016
Oct 28th, 2016 Interim report Jan - Sept 2016
Feb 24th, 2017 Year-end report Jan - Dec 2016

CONTACT

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This report has not been reviewed by the company auditor.

The information Nicoccino Holding AB (publ) (org.nr 556942-1604) releases is provided according to financial regulations for the stock market and/or the law for trade with financial instruments. The information is prepared to be published on 25th May 2016, 08:00 am. The report has to be communicated in Swedish and English. If differences between the versions exist, the Swedish version is pertained.

Financial summary in brief

GROUP	Jan-Mar	Jan-Mar	Full Year
<i>in thousands (unless otherwise specified)</i>	2016	2015	2015
Operating income	182	125	868
Operating expenses	-8 264	-8 926	-32 368
Earnings before interest and taxes	-8 058	-8 801	-29 981
Earnings before taxes	-9 028	-8 815	-31 237
Net income	-9 028	-8 815	-31 237
Cash flow from operating activities	-9 323	-7 805	-28 838
Liquid assets end of period	26 953	6 140	36 285
Key performance indicators			
Return on equity, %	neg	neg	neg
Return on capital employed, %	neg	neg	neg
Equity/asset ratio	98%	97%	96%
Investments in financial assets	-9	-	-39
	-	-21	-
Employees at end of period	9	10	9
Earning per share, before dilution, SEK	-0,65	-0,79	-2,41
Earning per share, after dilution, SEK	-0,65	-0,79	-2,41
Equity per share, SEK	10,16	10,74	10,74
Cash flow from operating activities per share, SEK	-0,67	-0,70	-2,22

Consolidated Statement of Comprehensive income

GROUP <i>in thousands (unless otherwise specified)</i>	Jan-Mar 2016	Jan-Mar 2015	Full Year 2015
OPERATING SALES			
Net sales	182	125	868
Other revenues	24		1 519
Total revenues	206	125	2 387
OPERATING EXPENSES			
Purchased goods	-122	-100	-625
External expenses	-4 752	-5 994	-19 036
Personnel expenses	-3 121	-2 563	-11 628
Depreciation and revaluations	-269	-269	-1 079
Total expenses	-8 264	-8 926	-32 368
Earning before interest and tax (EBIT)	-8 058	-8 801	-29 981
FINANCIAL INCOME AND EXPENSES			
Financial net	-970	-14	-1 256
Earnings before tax (EBT)	-9 028	-8 815	-31 237
Income tax	-	-	-
Net income	-9 028	-8 815	-31 237
Attributable to shareholders of the parent company	-9 028	-8 815	-31 237
Minority interest	-	-	-
Average amount of shares, before dilution	13 830	11 111	12 986
Average amount of shares, after dilution	14 728	11 859	13 779
The number of shares on closing date	13 830	11 111	13 830
Earnings per share, SEK	-0,65	-0,79	-2,41
OTHER COMPREHENSIVE INCOME			
Net income	-9 028	-8 815	-31 237
Other comprehensive income, before taxes	1 064	43	470
Total comprehensive income	-7 964	-8 772	-30 767
Attributable to shareholders	-7 964	-8 772	-30 767

Consolidated Statement of Financial Position

GROUP	Mar 31	Mar 31	Dec 31
<i>in thousands (unless otherwise specified)</i>	2016	2015	2015
ASSETS			
Non-current assets			
<i>Tangible assets</i>			
Machinery & equipment	71	62	66
Installations in properties	154	197	165
<i>Intangible Assets</i>			
Development funding	3 618	4 583	3 859
Goodwill & Intangible property rights	105 113	105 166	105 127
<i>Financial Assests</i>			
Total non-current assets	108 956	110 008	109 217
Current Assets			
Inventories	5 257	5 115	5 670
Accounts receivable	2 208	1 210	2 916
Cash and bank	26 953	6 140	36 285
Total current assets	34 418	12 465	44 871
TOTAL ASSETS	143 374	122 473	154 088
Equity and liabilities			
Total equity	140 578	119 340	148 541
<i>Liabilities</i>			
Current liabilities	2 796	3 133	5 547
Total liabilities	2 796	3 133	5 547
TOTAL EQUITY AND LIABILITIES	143 374	122 473	154 088

Consolidated Statement of Changes in Equity

Group <i>in thousands (unless otherwise specified)</i>	Share capital	Other capital contributions	Translation reserves	Retained earnings	Total shareholder's equity
Opening balance 2015-01-01	556	145 158	-174	-17 428	128 112
<i>Total changes in equity</i>					
Income for the period				-31 237	-31 237
Total comprehensive income for the period			470		470
<i>translation gain/losses</i>					
<i>Transactions with shareholders</i>					
Issue of shares	136	51 062		-2	51 196
Closing balance 2015-12-31	692	196 220	296	-48 667	148 541
Opening balance 2016-01-01	692	196 220	296	-48 667	148 541
<i>Total changes in equity</i>					
Income for the period				-9 028	-9 028
Total comprehensive income for the period			1 064		1 064
<i>translation gain/losses</i>					
<i>Transactions with shareholders</i>					
Issue of shares				1	1
Closing balance 2016-03-31	692	196 220	1 360	-57 694	140 578

Consolidated Statement of Cash Flow

GROUP <i>in thousands (unless otherwise specified)</i>	Jan-Mar 2016	Jan-Mar 2015	Full Year 2015
OPERATING ACTIVITIES			
Income after financial items	-9 028	-8 815	-31 237
Depreciation	269	269	1 079
Cash flow from operating activities before change in working capital	-8 759	-8 546	-30 158
Change in working capital	-564	741	1 320
Cash flow from operating activities	-9 323	-7 805	-28 838
INVESTMENT ACTIVITIES			
Investments in intangible fixed assets	-	-21	-
Investments in tangible fixed assets	-9	-	-39
Investments in financial assets	-	-	-
Cash flow from investing activities	-9	-21	-39
Cash flow after net investment	-9 332	-7 826	-28 877
FINANCING ACTIVITIES			
Contributed equity	-	-	51 196
Cash flow from financing activities	-	-	51 196
CASH FLOW FOR THE PERIOD	-9 332	-7 826	22 319
Liquid assets beginning of period	36 285	13 966	13 966
Exchange rate differences in liquid assets	-	2	-
Liquid assets at end of period	26 953	6 140	36 285

Parent Company Income Statement

PARENT COMPANY <i>in thousands (unless otherwise specified)</i>	Jan-Mar 2016	Jan-Mar 2015	Full Year 2015
OPERATING SALES			
Net sales			
Revenues	750	750	3 000
OPERATING EXPENSES			
External expenses	-531	-272	-1 474
Personnel expenses	-1 099	-474	-4 674
Depreciation and revaluations	-	-	-
Total expenses	-1 630	-746	-6 148
Earning before interest and tax (EBIT)	-880	4	-3 148
FINANCIAL INCOME AND EXPENSES			
Financial net	-	-	-746
Earnings before tax (EBT)	-880	4	-3 894
Income tax	-	-	-
Net income	-880	4	-3 894

Parent Company Balance Sheet

PARENT COMPANY	Mar 31	Mar 31	Dec 31
<i>in thousands (unless otherwise specified)</i>	2016	2015	2015
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Shares in related companies	163 099	118 099	163 099
Total non-current assets	163 099	118 099	163 099
Current assets			
Receivables related companies	5 507	22 441	-
Accounts receivable	183	139	94
Cash and bank	24 217	5 354	34 962
Total current assets	29 907	27 934	35 056
TOTAL ASSETS	193 006	146 033	198 155
EQUITY AND LIABILITIES			
Equity			
Restricted equity	692	556	692
Nonrestricted equity	190 884	144 601	191 764
Total equity	191 576	145 157	192 456
Liabilities			
Intercompany payables	-	-	2 652
Current liabilities	1 430	876	3 047
Total liabilities	1 430	876	5 699
TOTAL EQUITY AND LIABILITIES	193 006	146 033	198 155

The Group management and the CEO certify that the interim financial report gives a fair view of the performance of the business, position and income of Nicoccino Holding AB. It aims to describe the principal risks and uncertainties that the company and its subsidiaries face.

Stockholm, May 25th 2016

The Board of Directors and the CEO for
NICOCCINO HOLDING AB (publ)

Jonas Nordquist
Styrelsens ordförande

Johan Thorell
Styrelseledamot

Johan Cram
Verkställande direktör

Erik Nerpin
Styrelseledamot