



Nicoccino

Q2 INTERIM REPORT

JANUARY – JUNE 2016

NICOCCINO HOLDING AB (publ)

org.nr 556942-1604

Niccino Holding Development

SECOND QUARTER SUMMARY

APRIL – JUNE 2016

- Net sales for the second quarter amounted to 53 TSEK (397 TSEK).
- Net income amounted to -4.9 MSEK (-7.4 MSEK) or -0.35 SEK per share (-0.56 SEK).
- Cash flow from operating activities amounted to 1.2 MSEK (-7.4 MSEK) or 0.08 SEK per share (-0.56 SEK).
- Liquid assets amounted to 28.1 MSEK (50.0 MSEK) by the end of the period.
- The Company continues its strategy of achieving a drug classification of the nicotine film and is focused to find a suitable partner to help support this work.
- In June, a campaign was conducted online where the Company sold out products with short shelf life to a discounted price. The customers answered well to the campaign and a majority of the stock was sold out.

PERIOD SUMMARY

JANUARY – JUNE 2016

- Net sales amounted to 235 TSEK (522 TSEK).
- Net income amounted to -13.9 MSEK (-16.2 MSEK) or -1.01 SEK per share (-1.33 SEK).
- Cash flow from operating activities amounted to -8.1 MSEK (-15.2 MSEK) or -0.59 SEK per share (-1.25 SEK).

EVENTS AFTER THE END OF THE REPORTING PERIOD

- No significant events after the end of the period.



Comments from CEO

The Company's focus

In line with our strategy, we continue the journey towards a drug classification of Nicoccino™ and focus our resources towards this goal. As mentioned in previous report, the company has undergone an organizational change this spring by having closed down the London office, and this change proceeds in the form of reduced costs for the company. This allows us greater opportunities to make active choices instead of forced decisions.

Sales

The physical sales instore were closed down during the first quarter this year, however the online sales is still ongoing. We will continue with the online sales as long as we have goods in stock and it is my assessment that we will cover the consumer needs throughout the year.

Sales during the second quarter was dominated by a campaign where products with short shelf life were sold out. It was a successful campaign and almost the entire stock where completed. It is encouraging to see such a strong interest among existing users.



A handwritten signature in blue ink, which appears to read 'Johan Cram'. The signature is fluid and cursive.

Johan Cram,
CEO, Nicoccino Holding AB

Production and Development

During the spring, the Company was in contact with several producers having GMP standard. We are in close contact with manufacturers both in Europe and US, however most important is to continue with a producer having significant experience in producing pharmaceuticals and especially products with our characteristics. We are hopeful to start producing nicotine strips according to pharmaceutical standards later this year, and then move into the clinical study.

Future expectations

Our plan is to initiate the clinical study during the first quarter of 2017 and until then put all resources in producing nicotine strips according to pharmaceutical standards. The preparations for a clinical study are numerous and contain massive documentation and technical work where equipment test runs and laboratory work are performed. When completed, we produce a clinical batch for which the study is based on.

The purpose of classifying the nicotine strip as a drug is obvious, to increase shareholder value and to add value into the company.

A drug classification will create a clear regulatory resident, making the product more attractive for other global players active in the field of future smoking cessation products.

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 office 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 more information: 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 business model can also mean selling of patent and 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 Uppsalagruppen 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

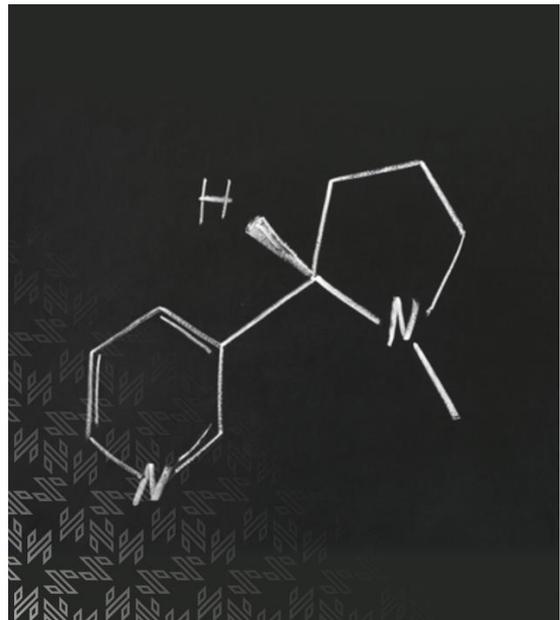
The he Nicotine patent is owned by Nicoccino.

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 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 second quarter

SALES AND MARKETING

- Although Nicoccino has completed the marketing activities in UK, the sales online to consumers has been stable.
- In June, an online campaign was conducted where the Company sold out products with a short shelf life.
- The products now available for sales has a shelf life until January 2017. Thereafter all sales activities of Nicoccino™ in its current form – *a consumer product* – will end. Instead, the nicotine strip can be sold as a NRT (Nicotine Replacement Therapy) after completed study and approval from the MPA (Medical Products Agency).

MANUFACTURING AND DEVELOPMENT

- As the Company is focused on developing a licensed drug, 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.
- Nicoccino is in discussions with several manufacturers that has extensive industrial experience.
- In order to manage the drug registration in best possible way, Nicoccino has hired consultant companies that are experts in this area and are responsible for both study and communication with the MPA.

Sales and Net Income

SECOND QUARTER

APRIL – JUNE 2016

- Net revenue for the second quarter of 2016 decreased to 53 TSEK (397 TSEK) compared to the previous quarter of 182 TSEK. Since Nicoccino ended the physical sales in stores during the first quarter, the Company had to settle returns from some of the distributors within the second quarter. There are no more upcoming returns that will affect the turn over going forward.
- Cash flow from operating activities amounted to 1.2 MSEK (-7.4 MSEK) or 0.08 SEK per share (-0.56 SEK). The cash flow for the quarter was positive thanks to a repayment of a previously made pre-payment regarding production.
- Earnings before interest and taxes (EBIT) amounted to -4.1 MSEK (-6.9 MSEK).
- Financial expenses equaled -711 TSEK (-14) and is mainly related to currency losses on intercompany trade receivables.
- Net income for the quarter amounted to -4.9 MSEK (-7.4 MSEK).

SIX MONTH PERIOD

JANUARY – JUNE 2016

- Net sales for the for the six month period amounted to 235 TSEK (522 TSEK).
- The cost development has been stable for the period, and has decreased some during the last two months thanks to personnel turnover.
- Cash flow from operating activities amounted to -8.1 MSEK (-15.2 MSEK) or -0.59 SEK per share (-1.25 SEK).
- Earnings before interest and taxes (EBIT) amounted to -12.2 MSEK (-15.7 MSEK).
- Financial expenses equaled to -1.7 MSEK (0.5 MSEK) and earning before taxes (EBT) amounted to -13.9 MSEK (-16.2 MSEK).
- Net income for the period amounted to -13.9 MSEK (-16.2 MSEK).

Financial Overview and Cash Flow

Nicoccino Holding's balance sheet total amounted to 139 MSEK compared to 166 MSEK at the end of the second quarter 2015. Equity amounted to 135.8 MSEK compared to 163.3 MSEK in the corresponding period previous year which presents us with an equity/asset ratio of 98 % (98) at the end of the second quarter.

Cash flow from operating activities equaled -8.1 MSEK (-15.2 MSEK) for the period.

Current cash amounted to 28.1 MSEK at the end of the second quarter, compared to 50,0 MSEK in the corresponding period previous year.

EMPLOYEES

Average amount of employees in the company was calculated to 3 (10).

INVESTMENTS AND DEPRECIATIONS

Investments for the period amounted to 9 TSEK (21 TSEK). Depreciation reached -537 TSEK (-537 TSEK).

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 2015, 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 -39 TSEK (-583 TSEK) for the second quarter.

The parent companies liquid assets at the end of the period equaled 22.2 MSEK (49,2 MSEK).

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 June 30, 2016.

Remium Nordic AB is Certified Adviser.

SHARE OPTION PLAN

Nicoccino Holding currently has two 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 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 second 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 2015 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

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

CONTACT

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Email: johan.cram@nicoccino.se

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 26th Aug 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	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Full Year
<i>in thousands (unless otherwise specified)</i>	2016	2015	2016	2015	2015
Operating income	53	397	235	522	868
Operating expenses	-4 197	-7 299	-12 461	-16 225	-32 368
Earnings before interest and taxes	-4 144	-6 902	-12 226	-15 703	-29 981
Earnings before taxes	-4 855	-7 370	-13 907	-16 185	-31 237
Net income	-4 855	-7 370	-13 907	-16 185	-31 237
Cash flow from operating activities	1 171	-7 406	-8 147	-15 211	-28 838
Liquid assets end of period	28 124	49 955	28 124	49 955	36 285
Key performance indicators					
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg
Equity/asset ratio	98%	98%	98%	98%	96%
Investments in financial assets			-9	-21	-39
					-
		-24 609		-24 609	
Employees at end of period	3	10	3	10	9
Earning per share, before dilution, SEK	-0,35	-0,56	-1,01	-1,33	-2,41
Earning per share, after dilution, SEK	-0,35	-0,56	-1,01	-1,33	-2,41
Equity per share, SEK	9,82	11,81	9,82	11,81	10,74
Cash flow from operating activities per share, SEK	0,08	-0,56	-0,59	-1,25	-2,22

Consolidated Statement of Comprehensive income

GROUP <i>in thousands (unless otherwise specified)</i>	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Full Year 2015
OPERATING SALES					
Net sales	53	397	235	522	868
Other revenues					1 519
Total revenues	53	397	235	522	2 387
OPERATING EXPENSES					
Purchased goods	-100	-195	-222	-295	-625
External expenses	-2 569	-5 015	-7 321	-11 009	-19 036
Personnel expenses	-1 260	-1 821	-4 381	-4 384	-11 628
Depreciation and revaluations	-268	-268	-537	-537	-1 079
Total expenses	-4 197	-7 299	-12 461	-16 225	-32 368
Earning before interest and tax (EBIT)	-4 144	-6 902	-12 226	-15 703	-29 981
FINANCIAL INCOME AND EXPENSES					
Financial net	-711	-468	-1 681	-482	-1 256
Earnings before tax (EBT)	-4 855	-7 370	-13 907	-16 185	-31 237
Income tax					-
Net income	-4 855	-7 370	-13 907	-16 185	-31 237
Attributable to shareholders of the parent company	-4 855	-7 370	-13 907	-16 185	-31 237
Minority interest	-	-	-	-	-
Average amount of shares, before dilution	13 830	13 194	13 830	12 153	12 986
Average amount of shares, after dilution	14 728	13 942	14 728	12 901	13 779
The number of shares on closing date	13 830	13 830	13 830	13 830	13 830
Earnings per share, SEK	-0,35	-0,56	-1,01	-1,33	-2,41
OTHER COMPREHENSIVE INCOME					
Net income	-4 855	-7 370	-13 907	-16 185	-31 237
Other comprehensive income, before taxes	1 143	43	1 186	43	470
Total comprehensive income	-3 712	-7 327	-12 721	-16 142	-30 767
Attributable to shareholders	-3 712	-7 327	-12 721	-16 142	-30 767

Consolidated Statement of Financial Position

GROUP	Jun 30	Jun 30	Dec 31
<i>in thousands (unless otherwise specified)</i>	2016	2015	2015
ASSETS			
Non-current assets			
<i>Tangible assets</i>			
Machinery & equipment	67	59	66
Installations in properties	143	186	165
<i>Intangible Assets</i>			
Development funding	3 377	4 342	3 859
Goodwill & Intangible property rights	105 100	105 154	105 127
<i>Financial Assests</i>		24 609	
Total non-current assets	108 687	134 350	109 217
Current Assets			
Inventories	1 539	5 409	5 670
Accounts receivable	643	1 085	2 916
Cash and bank	28 124	25 346	36 285
Total current assets	30 306	31 840	44 871
TOTAL ASSETS	138 993	166 190	154 088
Equity and liabilities			
Total equity	135 821	163 334	148 541
<i>Liabilities</i>			
Current liabilities	3 172	2 856	5 547
Total liabilities	3 172	2 856	5 547
TOTAL EQUITY AND LIABILITIES	138 993	166 190	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				-13 907	-13 907
Total comprehensive income for the period			1 186	1	1 187
<i>translation gain/losses</i>					
<i>Transactions with shareholders</i>					
Issue of shares					
Closing balance 2016-06-30	692	196 220	1 482	-62 573	135 821

Consolidated Statement of Cash Flow

GROUP <i>in thousands (unless otherwise specified)</i>	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Full Year 2015
OPERATING ACTIVITIES					
Income after financial items	-4 879	-7 370	-13 907	-16 185	-31 237
Depreciation	268	268	537	537	1 079
Other non-cash items	1 681		1 681		
Cash flow from operating activities before change in working capital	-2 930	-7 102	-11 689	-15 648	-30 158
Change in working capital	4 101	-304	3 542	437	1 320
Cash flow from operating activities	1 171	-7 406	-8 147	-15 211	-28 838
INVESTMENT ACTIVITIES					
Investments in intangible fixed assets				-21	-
Investments in tangible fixed assets			-9		-39
Investments in financial assets		-24 609		-24 609	-
Cash flow from investing activities		-24 609	-9	-24 630	-39
Cash flow after net investment	1 171	-32 015	-8 156	-39 841	-28 877
FINANCING ACTIVITIES					
Contributed equity		51 226		51 226	51 196
Cash flow from financing activities		51 226		51 226	51 196
CASH FLOW FOR THE PERIOD	1 171	19 211	-8 156	11 385	22 319
Liquid assets beginning of period	26 953	6 140	36 285	13 966	13 966
Exchange rate differences in liquid assets		5	5	5	-
Liquid assets at end of period	28 124	25 346	28 124	25 346	36 285

Parent Company Income Statement

PARENT COMPANY	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Full Year
<i>in thousands (unless otherwise specified)</i>	2016	2015	2016	2015	2015
OPERATING SALES					
Net sales					
Revenues	750	750	1 500	1 500	3 000
OPERATING EXPENSES					
External expenses	-361	-438	-892	-710	-1 474
Personnel expenses	-427	-505	-1 526	-979	-4 674
Depreciation and revaluations					-
Total expenses	-788	-943	-2 418	-1 689	-6 148
Earning before interest and tax (EBIT)	-38	-193	-918	-189	-3 148
FINANCIAL INCOME AND EXPENSES					
Financial net	-1	-390	-1	-390	-746
Earnings before tax (EBT)	-39	-583	-919	-579	-3 894
Income tax					-
Net income	-39	-583	-919	-579	-3 894

Parent Company Balance Sheet

PARENT COMPANY	Jun 30	Jun 30	Dec 31
<i>in thousands (unless otherwise specified)</i>	2016	2015	2015
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Shares in subsidiaries	163 099	118 099	163 099
Financial assets		24 609	
Total non-current assets	163 099	142 708	163 099
Current assets			
intercompany receivables	7 489	29 523	-
Accounts receivable	80	109	94
Cash and bank	22 211	24 610	34 962
Total current assets	29 780	54 242	35 056
TOTAL ASSETS	192 879	196 950	198 155
EQUITY AND LIABILITIES			
Equity			
Restricted equity	692	681	692
Nonrestricted equity	190 845	195 118	191 764
Total equity	191 537	195 799	192 456
Liabilities			
Intercompany payables			2 652
Current liabilities	1 342	1 151	3 047
Total liabilities	1 342	1 151	5 699
TOTAL EQUITY AND LIABILITIES	192 879	196 950	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, Aug 26th 2016

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

Jonas Nordquist
Chairman of Board

Johan Thorell
Director of Board

Johan Cram
CEO

Erik Nerpin
Director of Board