



March 8, 2017

## 22nd Century Group Files 2016 Annual Report and Announces Conference Call to Provide Business Update

CLARENCE, N.Y.--(BUSINESS WIRE)-- 22nd Century Group, Inc. (NYSE MKT: [XXII](#)), a plant biotechnology company that is focused on tobacco harm reduction and cannabis research, announced today that the Company filed its 2016 Annual Report on Form 10-K with the U.S. Securities and Exchange Commission. The Company will provide a business update for investors on a conference call to be held Thursday, March 9th, at 4:15 PM (EST).

Henry Sicignano, III, President and Chief Executive Officer of 22nd Century Group, together with John T. Brodfuehrer, Chief Financial Officer, and Dr. Paul J. Rushton, Vice-President of Plant Biotechnology, will conduct the call. Interested parties are invited to participate in the call by dialing: (877) 876-9177 and using Conference ID 9326929.

The conference call will consist of an overview of recent business highlights and a summary of the financials presented in the Company's 2016 Annual Report. Immediately thereafter, there will be a question and answer segment open to all callers.

### Recent Business Highlights

- On October 13, 2016, 22nd Century announced that a group of leading scientists from the United States and New Zealand published a special paper in an international peer-reviewed journal strongly advocating for a “national nicotine reduction policy.” The article, published in the September 2016 issue of *Tobacco Control* online journal, outlines the compelling and urgent case for enacting a national nicotine policy in order to dramatically lower smoking rates. The authors cite results from many of the 15-major independent scientific clinical studies conducted with 22nd Century's Very Low Nicotine tobacco.
- On October 14, 2016, the Company entered into an agreement with one existing institutional investor and one new institutional investor to receive approximately \$11.4 million in gross proceeds in a registered direct offering through the sale of units priced \$0.0625 above the closing price of the Company's common stock on the NYSE MKT on October 13, 2016.
- On October 20, 2016, the Company announced that scientists from the University of Vermont Center on Tobacco Regulatory Science, Brown University, Johns Hopkins University, and Southern Illinois University published online in the October 2016 issue of *Psychopharmacology* a new independent clinical study which concluded that, even among vulnerable populations, 22nd Century's Very Low Nicotine tobacco cigarettes significantly reduce nicotine withdrawal and craving symptoms.
- In October 2016, 22nd Century announced a strategic new hire: Michael Zercher, the Company's Vice President of Business Development. Mr. Zercher previously headed Santa Fe Natural Tobacco Company's international business operations based in Zurich, Switzerland. From 2003-2009, while serving as Vice President and Managing Director of Santa Fe Natural Tobacco Company International, Mr. Zercher grew the international American Spirit® brand business from \$8 Million to more than \$100 Million in annual sales. Mr. Zercher will spearhead 22nd Century's efforts to form strategic partnerships with companies capable of widely commercializing 22nd Century's proprietary brands. In addition, Mr. Zercher will pursue sales of the Company's proprietary Very Low Nicotine tobacco leaf and high nicotine tobacco leaf.
- On November 2, 2016, the Company announced that *Addiction Journal* published online a new report investigating smokers' cost sensitivity for Very Low Nicotine cigarettes. Led by Dr. Eric Donny of the University of Pittsburgh Cancer Institute, the new publication found that, compared to conventional cigarettes, 22nd Century's Very Low Nicotine cigarettes reduced the number of cigarettes that the participants estimated they would smoke at every price range tested.
- On December 20, 2016, the Company announced the execution of a sponsored research agreement with

the University of Virginia (UVA) and an exclusive license with the University of Virginia Patent Foundation d/b/a University of Virginia Licensing & Ventures Group. Over the next three years, the Company will invest approximately \$1.0 Million in this major scientific collaboration with UVA. The goals of the research include: (i) creating unique industrial hemp plants with guaranteed levels of THC below the legal limits (thus eliminating the risk to growers of having to destroy non-conforming hemp crops) and (ii) optimizing other desirable hemp plant characteristics to improve the plant's suitability for growing in Virginia and in similar legacy tobacco regions.

**Subsequent to the close of the fourth quarter of 2016, 22nd Century also announced:**

- The FDA's Center for Tobacco Products (CTP) provided the Company with helpful and positive feedback on 22nd Century's Modified Risk Tobacco Product Application (MRTPA) and Pre-Market Tobacco Application (PMTA) for the Company's BRAND A Very Low Nicotine tobacco cigarettes. In response to the FDA's guidance, the Company is working to file revised MRTPAs and PMTAs for BRAND A that will include additional scientific data and information from already completed clinical studies on the Company's Very Low Nicotine tobacco cigarettes.
- The Company is also continuing to separately work with the FDA's Center for Drug Evaluation and Research ("CDER") with respect to the Company's previously-filed New Drug Application ("NDA") for 22nd Century's proposed "X-22" prescription-based smoking cessation aid in development. The Company has a meeting scheduled with CDER at the FDA in June 2017 to discuss the regulatory path forward for X-22.

**2016 Financial Summary**

Net sales revenue for the year ended December 31, 2016 was \$12,280,000, an increase of \$3,758,000, or 44.1%, over net sales revenue of \$8,522,000 for the year ended December 31, 2015. Net sales revenues for the three months ended December 31, 2016 were \$3,336,000, an increase of \$405,000, or 13.8%, over net sales revenue of \$2,931,000 for the three months ended December 31, 2015.

For the year ended December 31, 2016, the Company reported an operating loss of \$11,388,000 as compared to operating loss of \$12,044,000 for the year ended December 31, 2015, a decrease in the operating loss of approximately \$656,000. The decrease in the operating loss is primarily due to a decrease in gross loss on product sales in the amount of \$151,000 and a decrease in equity based compensation of approximately \$2,674,000, partially offset by an increase in other operating expenses of \$2,101,000 (excluding equity based compensation, depreciation and amortization) and an increase in depreciation and amortization in the amount of \$68,000.

The Company's net loss for the year ended December 31, 2016 was approximately \$11,581,000, or (\$0.15) per share, as compared to a net loss of approximately \$11,032,000, or (\$0.16) per share, for the year ended December 31, 2015. The results for the year ended December 31, 2016 included non-cash expenses consisting of equity based compensation totaling \$911,000 and depreciation and amortization in the amount of \$842,000.

Adjusted EBITDA (as described in the paragraph and table below) was a negative \$9,634,000, or (\$0.12) per share for the year ended December 31, 2016, and it was a negative \$7,684,000, or (\$0.11) per share, for the year ended December 31, 2015.

Below is a table containing information relating to the Company's Adjusted EBITDA for the years ended December 31, 2016 and 2015, including a reconciliation of net loss to Adjusted EBITDA for such periods.

	<u>For the Years Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Net loss	\$(11,581,430)	\$(11,031,931)	5%
Adjustments:			
Warrant liability gain – net	(29,615)	(144,550)	-80%
Depreciation and amortization	842,179	774,311	9%
Loss on equity investment	202,338	95,684	111%
Interest expense	37,745	52,982	-29%
Interest income	(16,885)	(31,198)	-46%
Equity based compensation -			
Crede consulting agreement	-	1,978,785	-100%
Third-party service providers	30,873	280,362	-89%
Officers, directors and employees	880,509	1,326,393	-34%

Settlement proceeds	-	(1,000,000)	-100%	
Loss on the disposal of machinery and equipment	-	15,130	-100%	
<b>Adjusted EBITDA</b>		<u>\$(9,634,286)</u>	<u>\$(7,684,032)</u>	25%

Adjusted EBITDA is a financial measure not prepared in accordance with generally accepted accounting principles ("GAAP"). In order to calculate Adjusted EBITDA, the Company adjusts the net loss for certain non-cash and non-operating income and expenses items listed in the table above in order to measure the Company's operating performance. The Company believes that Adjusted EBITDA is an important measure that supplements discussions and analysis of its operations and enhances an understanding of its operating performance. While management considers Adjusted EBITDA to be important, it should be considered in addition to, but not as a substitute for or superior to, other measures of financial performance prepared in accordance with GAAP, such as operating (loss) income, net loss and cash flows from operations. Adjusted EBITDA is susceptible to varying calculations and the Company's measurement of Adjusted EBITDA may not be comparable to those of other companies.

### **About 22nd Century Group, Inc.**

22nd Century is a plant biotechnology company focused on technology which allows it to increase or decrease the level of nicotine in tobacco plants and the level of cannabinoids in cannabis plants through genetic engineering and plant breeding. The Company's primary mission is to reduce the harm caused by smoking. 22nd Century currently owns or exclusively controls more than 200 issued patents and more than 50 pending patent applications around the world. Visit [www.xxiiicentury.com](http://www.xxiiicentury.com) for more information.

*Cautionary Note Regarding Forward-Looking Statements: This press release contains forward-looking information, including all statements that are not statements of historical fact regarding the intent, belief or current expectations of 22nd Century Group, Inc., its directors or its officers with respect to the contents of this press release, including but not limited to our future revenue expectations. The words "may," "would," "will," "expect," "estimate," "anticipate," "believe," "intend" and similar expressions and variations thereof are intended to identify forward-looking statements. We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date that they were made. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances, or to reflect the occurrence of unanticipated events. You should carefully review and consider the various disclosures made by us in our annual report on Form 10-K for the fiscal year ended December 31, 2016, filed on March 8, 2017, including the section entitled "Risk Factors," and our other reports filed with the U.S. Securities and Exchange Commission which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operation and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.*

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