



March 7, 2018

22nd Century Group Files 2017 Annual Report and Announces Conference Call to Provide Business Update

CLARENCE, N.Y.--(BUSINESS WIRE)-- 22nd Century Group, Inc. (NYSE American: [XXII](#)), a plant biotechnology company that is focused on tobacco harm reduction and hemp research, announced today that the Company filed its 2017 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 8th, at 4:00 PM (EST).

Henry Sicignano, III, President and Chief Executive Officer of 22nd Century Group, together with John T. Brodfuehrer, Chief Financial Officer, will conduct the call. Interested parties are invited to participate in the call by dialing: (800) 289-0517 and using Conference ID 8956616.

The conference call will consist of an overview of recent business highlights and a summary of the financials presented in the Company's 2017 Annual Report. Immediately thereafter, there will be a question and answer segment open to callers.

Recent Business Highlights

- On October 6, 2017, we announced that Dr. Dorothy Hatsukami revealed preliminary findings of a 1,250-patient, 20-week study that employed our SPECTRUM research cigarettes to compare smokers who were assigned to: (i) an immediate reduction to Very Low Nicotine cigarettes; (ii) gradual reduction in reduced nicotine content cigarettes; or (iii) normal nicotine content cigarettes. This study was designed to determine which approach produces the most optimal outcomes for smokers. The details of this phase III study are under peer review prior to publication, but on October 5, 2017, at a conference at the University of Vermont, Dr. Hatsukami publicly stated that “an immediate approach [to nicotine reduction] is most likely to lead to less harm.” Dr. Hatsukami also publicly stated that the study data indicates compensatory smoking is less likely to occur with an immediate reduction in nicotine, and that there was a “greater likelihood of more rapid smoking cessation” with the immediate approach to nicotine reduction.
- On October 9, 2017, we announced that we entered into an agreement with institutional investors to receive approximately \$54 million in gross proceeds in a registered direct offering through the sale of 20.57 million shares of common stock at a price of \$2.625 per share. This no-warrant financing was the largest capital raise in our history and increased our cash balance to more than \$60 million.
- On October 19, 2017, we announced that the University of Virginia (“UVA”) completed its first successful harvest of the Company’s hemp plants and identified several promising hemp varieties that could form the foundation for commercial hemp production throughout the legacy tobacco belt region of the United States. The 22nd Century-UVA hemp field trials used multiple oil and fiber varieties of hemp. Our hemp harvest with UVA identified proprietary varieties of hemp that have excellent agronomic properties for growth in Virginia. 22nd Century and UVA will use the most promising varieties for expanded hemp plantings in 2018. 22nd Century is also working with UVA on the development of high-value medicinal cannabinoid varieties of hemp and specialized cannabinoid extraction processes for use in human therapeutics.
- On November 2, 2017, we announced the hiring of James E. Swauger, Ph.D., as our Senior Vice President of Science and Regulatory Affairs. Dr. Swauger was previously the leader of the scientific and regulatory functions at Reynolds American Inc. (“Reynolds”). Dr. Swauger’s career with Reynolds spanned 23 years and included management positions in science and regulatory affairs. From 2008 through 2016, while serving as the Vice President of Regulatory Oversight, Dr. Swauger managed the creation, submission and oversight of numerous scientific applications and regulatory filings with the FDA and other federal, state, and local regulatory agencies. Dr. Swauger received his Ph.D. Degree in Biochemical Toxicology from Johns Hopkins University in 1990 and his Bachelor of Science Degree in Toxicology (Magna cum laude) from Northeastern University in 1985. Dr. Swauger’s primary responsibilities are to lead and oversee our scientific and regulatory affairs, plant biotechnology, research and development, and external scientific

activities, including re-submitting to the FDA our Modified Risk Tobacco Product application for BRAND A Very Low Nicotine cigarettes.

- On November 30, 2017, we announced that we shipped 2.4 million SPECTRUM® research cigarettes for National Institute on Drug Abuse (“NIDA”), which is part of National Institutes of Health (“NIH”). As a subcontractor under federal government contracts, 22nd Century has supplied proprietary SPECTRUM® research cigarettes for NIDA since 2011. The SPECTRUM® product line consists of a series of 24 cigarette styles (11 regular and 13 menthol versions) that have 8 different levels of nicotine – from very low to high.
- On December 4, 2017, we announced the hiring of Juan Sanchez Tamburrino, Ph.D., as our Vice President of Research and Development. Dr. Tamburrino was previously the head of the Plant Biotechnology Division of British American Tobacco (NYSE: BTI). Dr. Tamburrino earned his Ph.D. Degree in Molecular Biology and Genetics at the Weill Cornell Graduate School of Medical Sciences at Cornell University, a partnership program with the Sloan Kettering Cancer Research Institute. After completing six years of post-doctoral research in plant biology at the Rockefeller University in New York, Dr. Tamburrino served as an Associate Professor at Universidad Tarapacá in Chile before becoming the Research Manager at Pioneer Hi-Bred International (a DuPont company now known as DuPont Pioneer). Dr. Tamburrino will be an integral part of our scientific and regulatory team working on our resubmission to the FDA of our Modified Risk Tobacco Product application for BRAND A Very Low Nicotine cigarettes, and our continuing research and development of improved Very Low Nicotine tobacco plants.

Subsequent to the close of the fourth quarter of 2017, 22nd Century also announced:

On February 22, 2018, 22nd Century announced its participation at the 2018 Society for Research on Nicotine and Tobacco (SRNT) Annual Meeting. The Company presented results from a survey conducted by Harris Poll on behalf of 22nd Century Group. Completed just two months before the U.S. Food and Drug Administration (FDA) announced the Agency’s plan to mandate that all cigarettes sold in the United States contain only minimally or non-addictive levels of nicotine, the survey found that nearly 3 of every 4 adults in the United States, Japan, Australia, Canada, and the United Kingdom agree that the government should mandate that all cigarettes have very low, non-addictive levels of nicotine.

2017 Financial Summary

The Company is in its strongest financial position in its history due to a successful capital raise in October of 2017 that produced net cash proceeds of approximately \$50.7 million. As a result, the Company had cash, cash equivalents, and short-term investment securities of \$62.6 million as of December 31, 2017; an amount the Company believes will be adequate to sustain operations and meet all current obligations as they come due for a number of years.

Net sales revenue for the year ended December 31, 2017, the highest in the Company’s history, was \$16,600,000, an increase of \$4,320,000, or 35.2%, over net sales revenue of \$12,280,000 for the year ended December 31, 2016. Net sales revenue for the three months ended December 31, 2017, also the highest in the Company’s history, was \$5,941,000, an increase of \$2,605,000, or 78.1%, over net sales revenue of \$3,336,000 for the three months ended December 31, 2016.

For the year ended December 31, 2017, the Company reported an operating loss of \$13,300,000 as compared to an operating loss of \$11,388,000 for the year ended December 31, 2016, an increase in the operating loss of approximately \$1,912,000, or 16.8%. The increase in the operating loss is primarily due to an increase in gross loss on product sales in the amount of \$278,000, an increase in cash-based operating expenses of approximately \$1,499,000, and an increase in non-cash operating expenses (equity-based compensation, depreciation, and amortization) in the approximate amount of \$135,000.

The Company’s net loss for the year ended December 31, 2017 was \$13,029,000, or (\$0.13) per share, as compared to a net loss of \$11,581,000, or (\$0.15) per share, for the year ended December 31, 2016. The increase in the net loss of \$1,448,000, or 12.5%, was primarily the result of an increase in the Company’s operating loss of approximately \$1,912,000, offset by an increase in net other income of approximately \$464,000. The results for the year ended December 31, 2017 included non-cash expenses consisting of equity-based compensation totaling \$942,000 and depreciation and amortization in the amount of \$947,000.

Adjusted EBITDA (as described in the paragraph and table below) was a negative \$11,411,000, or (\$0.11) per share for the year ended December 31, 2017, and it was a negative \$9,634,000, or (\$0.12) per share, for the year ended December 31, 2016.

Below is a table containing information relating to the Company's Adjusted EBITDA for the years ended December 31, 2017 and 2016, including a reconciliation of net loss to Adjusted EBITDA for such periods.

	For the Years Ended December 31,		
	2017	2016	% Change
Net loss	\$(13,029,117)	\$(11,581,430)	13%
Adjustments:			
Warrant liability loss (gain) – net	157,809	(29,615)	-633%
Depreciation and amortization	946,997	842,180	12%
(Gain) loss on equity investment	(346,180)	202,338	-271%
Interest expense	29,104	37,745	-23%
Interest income	(115,098)	(16,885)	582%
Equity based compensation	941,650	911,382	3%
Unrealized loss on short-term investment securities	3,618	-	-100%
Adjusted EBITDA	\$(11,411,217)	\$(9,634,285)	18%

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 expense 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 hemp plants through genetic engineering and plant breeding. The Company's primary mission in tobacco is to reduce the harm caused by smoking. The Company's primary mission in hemp is to develop proprietary hemp strains for important new medicines and agricultural crops. Visit www.xxiiicentury.com and www.botanicalgenetics.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, 2017, filed on March 7, 2018, 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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Source: 22nd Century Group, Inc.