ZINZINO

INTERIM REPORT **2019 | Q1**

THIS IS **ZINZINO**

Zinzino AB (publ.) is a direct sales company that operates in Europe and North America. Zinzino markets and sells products in two product lines: Zinzino Health, with a focus on long-term health, and Zinzino Coffee, consisting of espresso machines, coffee and tea.

Zinzino owns the Norwegian research company BioActive Foods AS and the production unit Faun Pharma AS. Zinzino has just over 120 employees. The company has its headquarters in Gothenburg, as well as offices in Helsinki, Riga and Oslo, and in Florida, United States. Zinzino is a publicly-held limited liability company and its shares are listed on Nasdaq First North.

A BRIEF HISTORY

2007 - Zinzino AB was started. The company's principal business is to own and develop companies in direct sales and related activities.

2009 - Zinzino Nordic AB was acquired, partly through a directed share issuance in kind to the owners of Zinzino Nordic AB and partly through a subscription in the rights issuance that Zinzino Nordic AB carried out in December 2009. Through this Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. By 31 December 2015, participating interest had increased to 93% of capital.

2010 - Zinzino shares were listed for trading on the Aktietorget stock market.

2011 - The group was expanded with companies in Estonia and Lithuania.

2012 - Companies were started in Latvia and Iceland.

2013 - A company was started in the United States with its headquarters in Jupiter, Florida.

2014 - The group was further expanded by companies in Poland and the Netherlands. In the same year, Zinzino AB acquired the remaining shares in BioActive Foods AS and 85% of the shares in Faun Pharma AS. This was also the year when Zinzino AB was listed for trading on Nasdaq OMX First North.

2015 - A company was started in Canada and the ownership share in Faun Pharma AS was increased to 98.8%.

2016 - A subsidiary was started in Germany.
- Sales were launched in all of the EU countries.

2017 - Sales in Switzerland began.

2018 - New subsidiaries in Romania and Italy.

2019 - New subsidiaries in Australia and India.

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IMPORTANT CLARIFICATIONS REGARDING IFRS

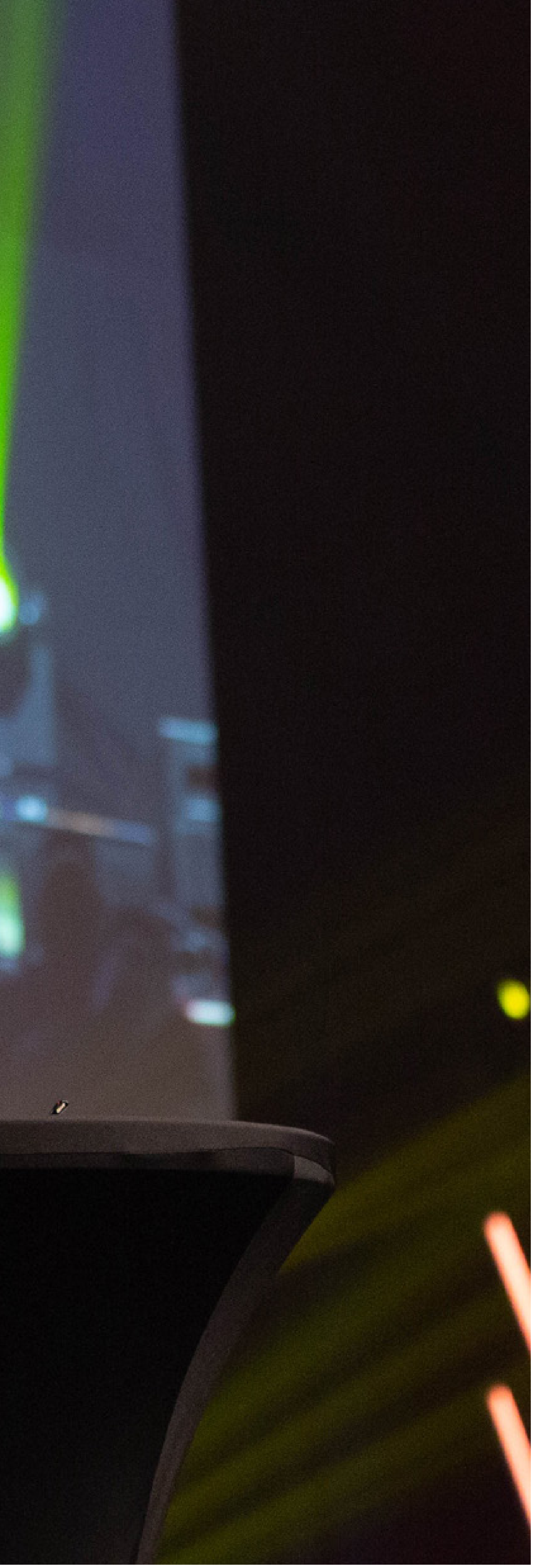
Zinzino hereby submits its first report according to the new accounting standard IFRS. The new account standard also means that all comparative figures for the corresponding period in the previous year are recalculated in accordance with IFRS. IFRS 15 “Revenue from customers”, IFRS 16 “Leases” and IAS 38 “Intangible assets” regarding goodwill are particularly affected. See note 9 on page 35 for more information.

JANUARY - MARCH

- Total revenue increased by 21% to SEK 168.3 (139.3) million
- Gross profit amounted to SEK 51.3 (48.4) million and the gross profit margin was 30.5% (34.8%).
- EBITDA amounted to SEK 11.8 (12.7) million and the EBITDA margin to 7.0% (9.1%)
- Cash flow from operating activities totalled SEK 14.9 (13.3) million
- Liquid assets at the balance sheet date were SEK 55.8 (58.7) million
- A new, powerful sales campaign stimulates growth
- Sales launch in Australia

In case of misprints, errors and technical modifications, we refer to the Swedish Interim Report.

"Profitable growth is our strategic goal and we are working towards this through our long-term plans"



STRONG GROWTH
OF MORE THAN 20%

We are pleased with a growth in sales of more than 20% combined with good profitability in the first quarter. We are active and focused in working towards our strategic goals and are ahead of our long-term ambitious sales targets, which is particularly pleasing.

The Nordic region continues to produce our strongest turnover while the strongest growth trends are in central Europe, providing support for our belief in strong, sustained growth in 2019. Profitable growth is our strategic goal and we are working towards this goal through long-term plans. Our main focus is on improving everything to make our customers view us as a top Scandinavian brand within the health sector.

ONLINE IS EVERYTHING!
As a company, we put our Partners and Customers first. In recent years we have invested significantly to create growth and achieve increased customer satisfaction in order to reach our overarching goals and ambitions. We are now in the middle of our most important project ever by implementing a major digital changeover.

It is incredibly important to be extremely proficient online, with all that means, from the web, payment systems and branding in social media. To say that online is everything is an exaggeration, but it is a clear signal from me and our company to those who work with us and invest in our company that they should feel confident we are going places, equipped with unique products within the preventive health sector, and we will achieve this with incredible online tools to support us!

As a first, short-term proof of what we do, we are launching our new website with a new look in late June in combination with improved payment solutions, and during the third quarter we will be launching a Global Online Shop for customers all over the world with the exception of just a few countries.

AUSTRALIA, CENTRAL EUROPE AND USA
We launched in Australia in early April. It has been a great success and is it just the start of our entry into Asia-Pacific. I have high expectations for Australia and the surrounding region, where we have an active plan to achieve growth and make our mark.

We have strong growth in central Europe where we can see that we have matured more as a company when launching into new markets; we invested more resources and capital into marketing before the introduction, which generated results in the form of faster sales growth.

We are now relaunching in the USA after a presence of five years with modest results. We have a new goal and a plan to radically increase our turnover. To achieve our goal, we have invested more experienced resources and will put fresh investment into the launch of new products, tailored to the North American market.

With increased revenues and strong financial muscles, we have been able to hire several skilled employees and have built up competence and experience that will translate into better products and more growth. We have an extremely scalable business model and will work hard to achieve a profitable growth journey towards sales of a billion over the next few years.

Dag Bergheim Pettersen, CEO Zinzino
Inspire change in life

FINANCIAL SUMMARY (SEK MILLION)

KEY GROUP FIGURES	Q1 2019	Q1 2018	FULL YEAR 2018	FULL YEAR 2018*
Total revenue	168.3	139.3	576.6	585.6
Net sales	156.2	128.1	532.9	538.3
Sales growth	21%	n/a	n/a	8%
Gross profit	51.3	48.4	182.8	191.7
Gross profit margin	30.5%	34.8%	31.7%	32.7%
Operating profit before depreciation and amortisation	11.8	12.7	23.7	22.1
Operating margin before depreciation and amortisation	7.0%	9.1%	4.1%	3.8%
Operating profit	7.6	8.5	6.4	10.1
Operating margin	4.5%	6.1%	1.1%	1.7%
Profit/loss before tax	7.4	8.3	5.7	9.9
Net profit	5.6	6.1	4.7	6.9
Net margin	3.3%	4.4%	0.8%	1.2%
Net earnings per share after tax before dilution, SEK	0.17	0.19	0.14	0.21
Net earnings per share after tax at full dilution, SEK	0.17	0.19	0.14	0.21
Cash flow from operating activities	14.9	13.3	29.8	38.0
Cash and cash equivalents	55.8	58.7	45.4	45.4
Equity/assets ratio	21%	29%	20%	35%
Equity capital per share before dilution, SEK	1.79	2.13	1.55	2.20
Number of issued shares on average for the period	32,580,025	32,580,025	32,580,025	32,580,025
Average number of issued shares for the period with full dilution	32,580,025	32,580,025	32,580,025	32,580,025

ZINZINO'S OUTLOOK AND FINANCIAL GOALS FOR 2019

The Board of Directors of Zinzino forecasts that the total revenue for 2019 will be SEK 630-680 (577) million. The operating margin before depreciation/amortisation is calculated to exceed 4.0%.

The target for average growth in sales at Zinzino for the period 2019–2021 is a minimum of 15% and operating margin before depreciation/amortisation will increase to >5%. The dividend policy will be at least 50% of the free cash flow, as long as liquidity and the equity/assets ratio permit.

Zinzino's clear ambition of achieving an SEK 1 billion turnover no later than 2022 remains.

SIGNIFICANT EVENTS DURING AND AFTER **THE FIRST QUARTER OF 2019**

FIRST FINANCIAL REPORT IN ACCORDANCE WITH IFRS

During the period, the Company changed the regulatory structure from K3 to IFRS, with a transition date of 1 January 2018. The effect of the change means that the comparative figures for each quarter in 2018 and the full year of 2018 have been converted to IFRS. There is a description and quantification of the transitional effects in Note 9.

A NEW, POWERFUL SALES CAMPAIGN STIMULATES GROWTH

In the early part of 2019, Zinzino launched a new sales campaign that proved extremely successful in terms of the positive sales growth and the large number of new distributors and customers that were added during the quarter. The campaign has been targeted to distributor organisations to stimulate activity and the ability to attract new distributors, but the bonus outcome is not activated until the distributor has registered a certain number of new customers with completed subscription obligations in 2019. Following the successful outcome in the first quarter, the company opted to extend the offer until further notice.

SALES LAUNCH FOR THE ITALIAN SUBSIDIARY

Over a long period Zinzino has been working to establish a new subsidiary on the Italian market. Sales on the Italian market have increased steadily and have made a major contribution to the sales growth in southern Europe. A cooperation has been agreed with industry consultants to assist in managing a locally adapted remuneration model for the sales force. This will be an important factor for success in the Italian market, which is strictly regulated but advantageous for direct sales.

THE FIRST PART OF THE NEW COMMUNICATION PORTAL IN FULL OPERATION

During the first quarter Zinzino has continued the process of developing digital platforms. During the first quarter all markets have been transferred to the new portal which manages the company's communication to both distributors and customers. In the next phase, which is starting now, the focus is on developing automated email based on one-time events, which means that all customers and partners will receive personalised and relevant information, presented in a modern way with stylish design.

ZINZINO IS EXPANDING OPERATIONS IN CZECH REPUBLIC AND SLOVAKIA AFTER FAVOURABLE SALES DEVELOPMENT.

Since the start of sales in summer 2016, the sales development has been very good in several central European countries. In particular, the Hungarian market has increased its turnover and in a very short time the country has grown into an important market in terms of sales. The country's strategic position in central Europe has contributed to the synergistic effects between the sales organisations in the region's countries. These synergies have now resulted in sales also rapidly increasing in the two neighbouring countries of Czech Republic and Slovakia. This is why Zinzino is deepening its establishment in both countries through local registration, adaptation of replacement models based on local conditions and currency conversion.

SALES LAUNCH IN AUSTRALIA

Sales started on the Australian market soon after the end of the first quarter. To begin with Zinzino will focus on selling products within Balance and Skin Care. All operations are managed through the new subsidiary Zinzino PTY, with its headquarters in Sydney. In order to market Zinzino in Australia, a cooperation has been initiated with an industry consultant who will take on local operational responsibility for the first six months. Initially, all other administration will be managed from the head office in Gothenburg. Sales development was extremely positive in the first month, despite the fact that not all digital customisations such as important local payment solutions have been implemented on the market.

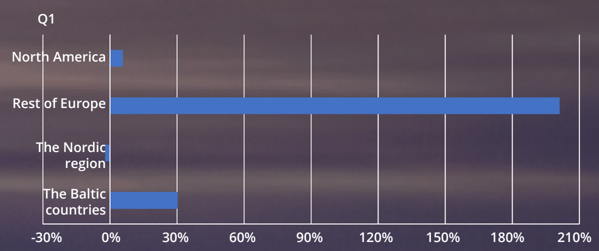
REVENUES AND PROFIT/LOSS **Q1 | 2019**

Q1

FIRST QUARTER SALES

Total revenue for the first quarter of 2019 was SEK 168.3 (139.3) million, which corresponded to a growth of 21% compared with the same period in the previous year.

GROWTH PER REGION 2019 VS 2018



The Nordic region

Countries: Sweden, Norway, Finland, Denmark and Iceland

In the Nordic countries, total revenue dropped by 3% to SEK 106.5 (109.6) million. In Sweden the positive trend continued with high partner activity and good sales growth. Development on the Danish market also continued to be positive, although with slightly lower sales growth than in Sweden. The company believes that the good growth will continue both in the domestic market and in Denmark based on the active and structured way that the Swedish and Danish sales organisations carry out Zinzino's concept. This development of sales was shown by the two countries at the beginning of 2019.

On the other hand, revenues in Norway, Finland and Iceland decreased compared with the first quarter of 2018. This mainly followed reduced distributor activity in those countries during the quarter. Norway and Finland have been key growth markets for the company for a long time and Zinzino is therefore working actively to reverse the negative trend by making major investments in the form of developing digital platforms and brands as well as by supporting strategically important distributors. This is expected to help reverse the trend of these very important markets for Zinzino in terms of sales. In Norway and Finland, the company believes that the sales decline will be lower in the first half of 2019, but that it may take longer than previously announced. Zinzino supports the local highly-motivated distributors to turn the sales trend around.

Faun Pharma, the group subsidiary and production unit, had a higher share of internal production due to the increase rate of growth in the group during the quarter, which caused external sales to decrease by 34% to SEK 9.9 (15.1) million.

The Baltic countries

Countries: Estonia, Latvia and Lithuania

In the Baltic countries, revenue increased in total by 30% to SEK 13.6 (10.5) million in the fourth quarter. This is mainly due to continued positive sales growth in Latvia combined with growth in Lithuania and Estonia. Zinzino's distributors in Latvia have for a long time had a major focus on customer growth by building long-term customer relationships with Zinzino's test-based balance concept, which contributed to the strong growth. The Lithuanian and Estonian sales organisations responded well to the new distributor campaign launched in the first quarter. This resulted in increased activity and new sales in both markets resulting in both countries turning to growth during the quarter. Zinzino continues to support the sales organisations in the Baltic countries through market support and customer support, and is exceptionally pleased with the results of the Estonian sales organisation since they have had major challenges with new sales for a very long period.

Rest of Europe

Countries: The Netherlands, Belgium, France, UK/ Ireland, Germany, Austria, Switzerland, Poland, Hungary, Czech Republic, Slovakia, Bulgaria, Romania, Slovenia, Croatia, Spain and Portugal

Among the remaining markets in Europe, the excellent growth trend continued in many markets and combined revenues increased by 200% to SEK 43.0 (14.3) million. Continued very strong growth in the central European markets of Hungary, Poland, Czech Republic and Slovakia, which is driven by a common cluster of distributors working in an organised way across national borders which is driving growth in the region. Positive growth in Germany and Austria, where experienced distributor organisations run their operations in a similar way with good results. In southern Europe the positive development continued, mainly in Italy, which gained a large addition of new distributors and increased activity in the first quarter as a result of the new local remuneration system activity in February.

North America

Countries: USA and Canada

In North America, the digital investments implemented are starting to generate results. Revenue in North America achieved SEK 5.2 (4.9) million during the first quarter, equivalent to 7% growth compared to 2018. Zinzino will continue to support the sales organisation by implementing several strategic measures to further adapt the business for the North American market. This work has included appointing a new Chief Operating Officer for the North American market with solid expertise and core expertise from growth companies within the direct sales industry. Overall, these investments implemented by Zinzino have stimulated distributor activity, which has been so important to achieve growth in this strategically important market for Zinzino.

A common feature of Zinzino's emerging markets is that they are run by committed distributors working in a structured and active way. In central Europe the average age of dealers is generally higher and many have extensive experience in direct sales and/or have a high level of education.

Their common characteristic is that they have a wide cross-border contact network to neighbouring countries in the region. Work is carried out with a strong focus on Zinzino's Balance concept, which has been positively received by a large number of new customers in Zinzino's new markets.

The company is implementing a series of measures to stimulate sales growth in the various markets. In the past, strategic choices have been made to boost growth by increasing the remuneration levels to the sales force which negatively affected profitability in the short term. Now the company works more towards the long term and invests more resources in the development of IT systems and marketing tools, which generates growth in the long term and does not negatively affect profitability to the same extent as past sales promotion measures.

When the company implements an expansion into a new market, this occurs mainly when the company's market analysis shows that there are good opportunities to establish an effective sales organisation locally. This is primarily achieved via contact to the already-established sales organisations in neighbouring markets. This is what is behind the good sales performance of the relatively newly-established markets in central and southern Europe. These contacts can occasionally also carry across continents, which has been behind the launch in Australia and the ongoing new establishment project in India.

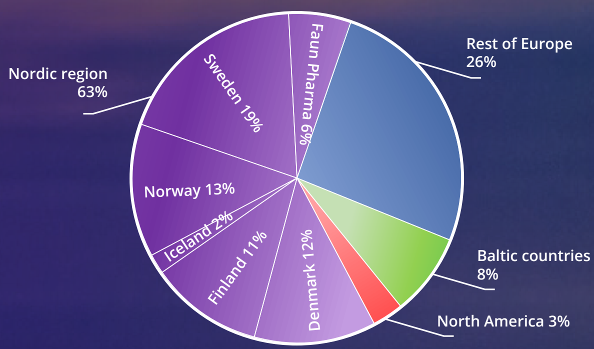
The establishment model follows the same concept for the various markets with customisation of websites and marketing materials in the local languages. Following the majority of the implemented establishment processes in recent years, the company has learned the importance of ensuring thorough preparatory work and adapting to the local conditions in each market.

Zinzino will continue to develop 'best practice' through the company's experience during the establishment process in Australia and India to adapt business activities to achieve rapid growth in the new markets in 2019.

In the first quarter, the Nordic countries continued to account for the majority of company revenues according to the geographical distribution. Its share increased to 63% (78%). The Baltic countries retained their share at 8% (8%). The rest of Europe continued to increase its share of total revenue and accounted for 26% (10%) during the quarter, mainly through the favourable sales development in the central Europe countries. North America accounted for the remaining 3% (4%) of the total revenue.

The Zinzino Health product segment increased by 34% to SEK 136.8 (102.3) million and represented 81% (73%) of total revenue. The Zinzino Coffee product segment decreased by 11% to SEK 9.4 (10.6) million, which corresponded to 6% (8%) of total revenue. Faun Pharma AS increased its external sales to SEK 10.0 (15.1) million, which corresponded to 6% (11%) of total revenue. Other revenue amounted to SEK 12.2 (11.2) million, which was equivalent to the remaining 7% (8%) of revenue for the quarter.

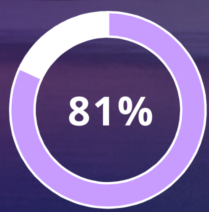
SALES BY REGION Q1



Sales
SEK MILLION **168.3** (139.3)

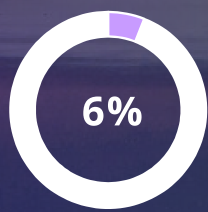
REVENUES

HEALTH



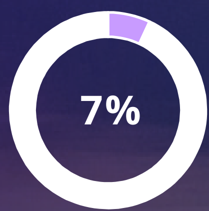
(2019; SEK 136.8 (102.3) million)

COFFEE



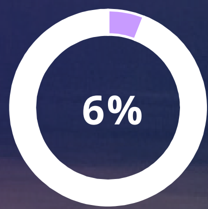
(2019; SEK 9.4 (10.6) million)

Other revenue



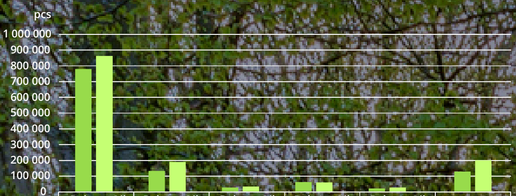
(2019; SEK 12.2 (11.3) million)

FAUN



(2019; SEK 9.9 (15.1) million)

BALANCE



	BalanceOil 300 ml	BalanceOil 100 ml	BalanceOil Vegan	BalanceOil AquaX	BalanceOil Capsules	BalanceTest
Q1 2018	225 780	37 752	7 202	16 723	5 083	36 666
Q1 2019	250 196	54 182	8 579	16 162	6 971	57 163

WEIGHT CONTROL

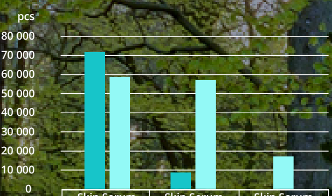
	LeanShake Portion Pack	LeanShake 960g	Zinobiotic Fiber Blend	ProteinBar	Energy Bar*
Q1 2018	9 594	8 055	14 843	27 484	6 703
Q1 2019	15 484	5 103	27 024	18 770	18 558

*lanserades 2018

BEVERAGES

	Coffee	Tea
Q1 2018	185 471	1 964
Q1 2019	134 509	1 293

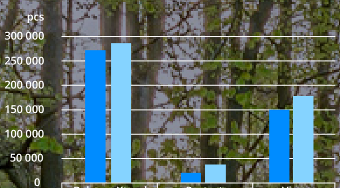
SKIN CARE



	Skin Serum 30 ml	Skin Serum 50 ml	Skin Serum 5 ml 10 pack*
Q1 2018	17 669	2 113	-
Q1 2019	14 503	14 065	4 189

*lanserades 2018

IMMUNE & BRAIN



	Balance Xtend	Protect	Viva
Q1 2018	71 528	5 239	39 220
Q1 2019	75 155	9 760	46 773

During the quarter, the number of Balance units sold increased by 19% to 393,253 (329,206). This increase was mainly based on the large number of new customers and distributors that have been gained during the quarter and subsequently chosen BalanceOil in different variants such as the starter pack and in subscription form.

Immune & Brain grew by 14% to 131,688 (115,987) units sold. Weight Control increased by 27%, to 84,939 (66,679 units).

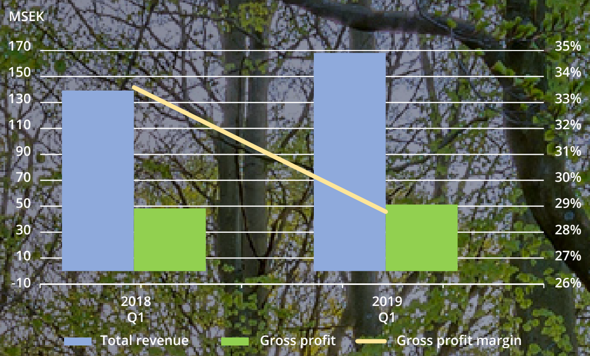
Skin Care increased by 66% to 32,757 (19,782) units sold. Figures showing that the trend is continuing as all the complementary products to BalanceOil have increased in sales, indicating that the product strategy chosen, to await further additional product releases and to focus on spreading the need for complementary products via distributors in the various markets, was the right path for Zinzino.

Beverages reduced by 28% to 135,802 (187,435) units sold, showing that the trend of reduced sales of Zinzino Coffee continues, mainly due to the fact that these products have not been launched on the newly opened markets for a few years now. Zinzino Coffee is now only sold in the Nordic region and in the Baltic countries.

COSTS AND PROFIT

FIRST QUARTER

Gross profit amounted to SEK 51.3 (48.4) million and the gross profit margin was 30.5% (34.8%). The effect of temporarily raised compensation levels to the distributors due to the positive sales growth in central Europe and the sales launch in Italy was behind the deterioration in gross profit. Zinzino estimates that the cost level will return to the normal level over the coming months. Combined with an increased share in Health in the product mix and the cost cutting measures carried out in product and purchases made, the gross margins are expected to improve during the second quarter.



EBITDA amounted to SEK 11.8 (12.7) million and the operating margin before depreciation/amortisation was 7.0% (9.1%). The margin was offset by high establishment costs and development costs as well as the decline in earnings at the gross level.

Operating profit amounted to SEK 7.6 (8.5) million and the operating margin was 4.5% (6.1%).

Profit before tax totalled SEK 7.4 (8.3) million and net profit was SEK 5.6 (6.1) million.

DEPRECIATION

Depreciation and amortisation for the quarter were charged to the profit for the period by SEK 4,266 (4,169) thousand, of which SEK 276 (176) thousand was depreciation of tangible fixed assets, SEK 1,723 (1,520) thousand was amortisation of intangible fixed assets. Of this, 2,267 (2,473) is depreciation of utility rights.

CASH FLOW

Despite increased capital tied up in inventory as a result of opening new markets and higher safety margins in ordering points due to high sales growth, the cash flow increased from the operating activities to SEK 14.9 (13.3) million. Overall this gave a total cash flow of SEK 10.3 (10.2) million for the group in the first quarter.

INVENTORIES

The group's total inventories at the balance sheet date were 71.1 (56.5). The main factor behind the increase was the company's decision to increase the general stock levels in France due to the increased sales in the region, but also that the company built up the stock level in Australia in the first quarter in preparation for the launch of sales.

FINANCIAL POSITION

On the balance sheet date, cash totalled SEK 55.8 (58.7) million. The group's equity/assets ratio was 21% (29%). Group equity at the end of the quarter totalled SEK 58.4 (69.5) million, equivalent to SEK 1.79 (2.13) per share. The continued assessment of the Board of Directors is that liquid assets are at a satisfactory level and that the group's positive cash flow from operating activities will ensure liquidity in the group for the foreseeable future.

THE ORGANISATION

In 2019, Zinzino has continued to enhance resources within the organisation to more efficiently operate the digital development going forward. The company has appointed a new Marketing Manager and Designer, but has also increased resources for the support departments to increase the service level for the growing central European markets. The number of employees in the group at the end of the period reached 125 people, of which 79 are women. In addition, there were 7 people, of which 2 women, employed on consultancy contracts.

SIGNIFICANT RISKS AND UNCERTAINTIES IN OPERATIONS

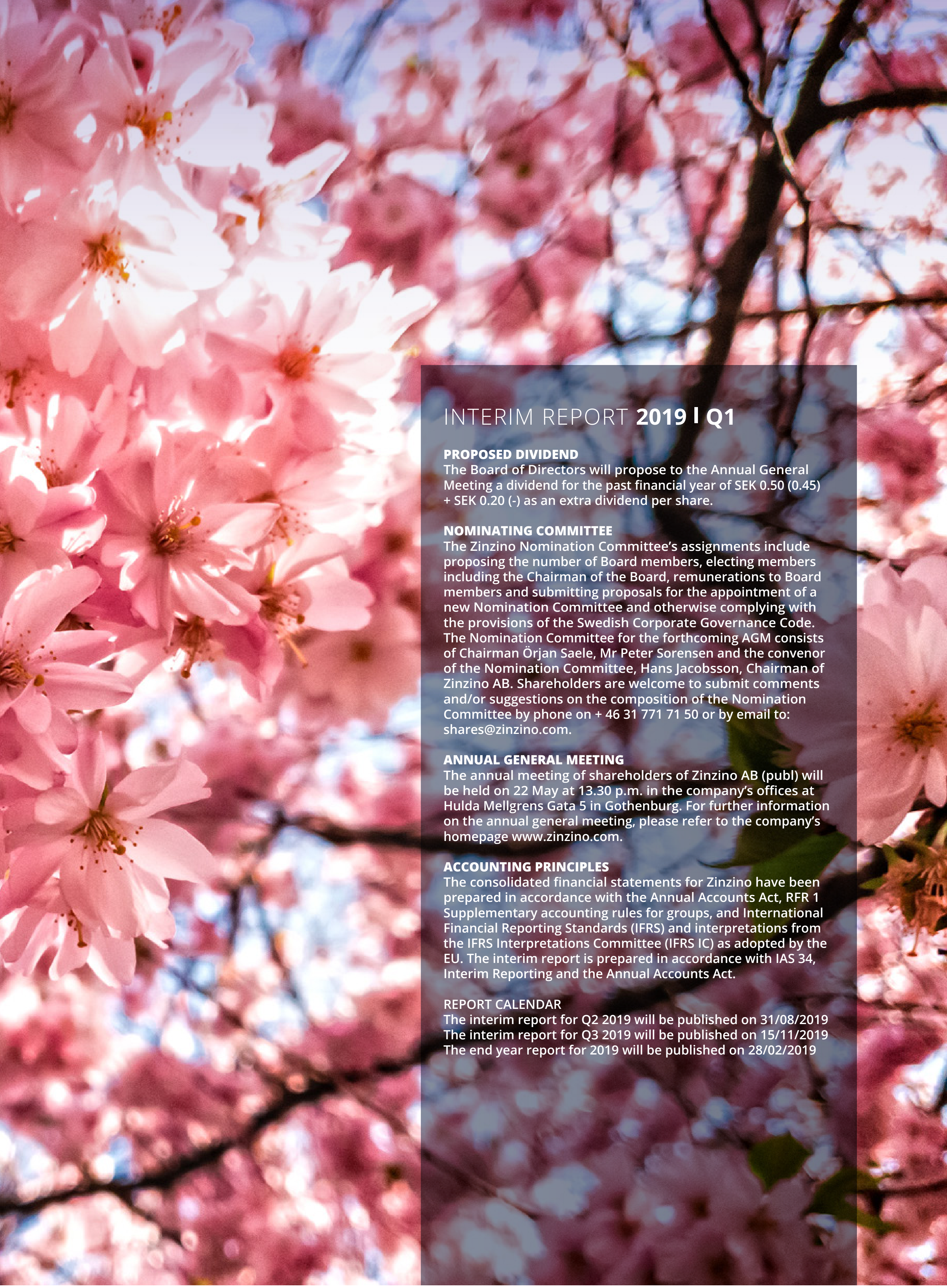
Zinzino's greatest risks are found within its own organisation's capacity to manage costs during a period of strong growth. In addition, there are risks related to purchases and access to raw materials at times of high expansion, risks with complex IT systems and managing sales and currency risks as Zinzino has both revenues and costs in a number of different currencies. There are also risks related to compliance when establishing foreign markets. For an in-depth description of risks and other uncertainty factors, please refer to the annual report for 2018 which is available via the company website: https://zinzinowebstorage.blob.core.windows.net/reports/Zinzino-Arsredovisning-2018.pdf

NUMBER OF OUTSTANDING SHARES

As at 31/03/2019, the share capital was divided among 32,580,025 shares, of which 5,113,392 are A shares (1 vote) and 27,466,633 are B shares (0.1 vote). The share's quota value is SEK 0.10. The company's B shares are traded on Nasdaq Omx First North, nasdaqomxnordic.com. The company, as of the report date, has three outstanding options programs.

The first options program will expire on 31 May 2019 at an exercise price of SEK 16 and will cover 600,000 options. The second options program also includes 600,000 options, but at an exercise price of SEK 26. That options program expires on 31 May 2020. The third options program includes 500,000 options at an exercise price of SEK 14. The third options program also expires on 31 May 2020.

If all the options outstanding on 31/03/2019 are exercised for new subscriptions of 1,700,000 shares, the share capital dilution will be approximately 5%.



INTERIM REPORT **2019 I Q1**

PROPOSED DIVIDEND
The Board of Directors will propose to the Annual General Meeting a dividend for the past financial year of SEK 0.50 (0.45) + SEK 0.20 (-) as an extra dividend per share.

NOMINATING COMMITTEE
The Zinzino Nomination Committee's assignments include proposing the number of Board members, electing members including the Chairman of the Board, remunerations to Board members and submitting proposals for the appointment of a new Nomination Committee and otherwise complying with the provisions of the Swedish Corporate Governance Code. The Nomination Committee for the forthcoming AGM consists of Chairman Örjan Saele, Mr Peter Sorensen and the convenor of the Nomination Committee, Hans Jacobsson, Chairman of Zinzino AB. Shareholders are welcome to submit comments and/or suggestions on the composition of the Nomination Committee by phone on + 46 31 771 71 50 or by email to: shares@zinzino.com.

ANNUAL GENERAL MEETING
The annual meeting of shareholders of Zinzino AB (publ) will be held on 22 May at 13.30 p.m. in the company's offices at Hulda Mellgrens Gata 5 in Gothenburg. For further information on the annual general meeting, please refer to the company's homepage www.zinzino.com.

ACCOUNTING PRINCIPLES
The consolidated financial statements for Zinzino have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary accounting rules for groups, and International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. The interim report is prepared in accordance with IAS 34, Interim Reporting and the Annual Accounts Act.

REPORT CALENDAR
The interim report for Q2 2019 will be published on 31/08/2019
The interim report for Q3 2019 will be published on 15/11/2019
The end year report for 2019 will be published on 28/02/2019

FINANCIAL **REPORTS**

GROUP REPORT
SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	01/01/2019 31/03/2019	01/01/2018 31/03/2018	01/01/2018 31/12/2018
Net sales	156,166	128,102	532,932
Other operating revenues	11,685	10,814	42,505
Own work capitalised	413	360	1,176
Goods for resale and other direct costs	- 116,929	-90,835	-393,816
Gross profit	**51,335**	**48,441**	**182,797**
External operating expenses	-19,855	-18,490	-86,923
Staff costs	-19,639	-17,263	-72,170
Depreciation/amortisation	-4,266	-4,169	-17,298
Operating profit	**7,575**	**8,519**	**6,406**
Financial income	-168	-183	-750
Tax	-1,779	-2,240	-994
Profit/loss for the period	**5,628**	**6,096**	**4,662**
Other comprehensive profit/loss			
Items that may be reclassified to profit/loss for the period			
Currency exchange differences upon conversion of foreign subsidiaries	2,363	2,841	-159
Other comprehensive profit/loss for the period	**2,363**	**2,841**	**-159**
Total comprehensive profit/loss for the period	**7,991**	**8,937**	**4,503**
Profit/loss for the period attributable to:			
Parent company's shareholders	5,406	5,658	4,093
Non-controlling interest	222	438	569
Total	**5,628**	**6,096**	**4,662**
Total comprehensive profit/loss for the period attributable to:			
Parent company's shareholders	7,765	8,492	3,929
Non-controlling interest	226	445	574
Total	**7,991**	**8,937**	**4,503**

Earnings per share, calculated on the profit/loss for the period attributable to the parent company's shareholders:

Amounts in SEK	Note	01/01/2019 31/03/2019	01/01/2018 31/03/2018	01/01/2018 31/12/2018
Earnings per share before dilution		0,17	0,19	0,14
Earnings per share after dilution		0,17	0,19	0,14

GROUP REPORT
SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	31/03/2019	31/03/2018	01/01/2019	01/01/2018
Fixed assets				
Goodwill	34,073	33,611	31,762	30,837
Other intangible assets	18,098	18,349	19,272	19,225
Inventories, tools and installations	5,539	3,287	4,623	3,036
Right-of-use assets	49,986	40,859	50,233	40,351
Financial fixed assets	6,266	5,339	7,182	7,450
Total fixed assets	**113,962**	**101,445**	**113,072**	**100,899**
Current assets				
Inventories	71,097	56,466	64,684	52,947
Current receivables	15,460	6,477	21,035	12,568
Pre-paid costs and accrued revenues	19,828	20,378	13,461	8,358
Cash and bank balances	55,798	58,664	45,459	48,419
Total current assets	**162,183**	**141,985**	**144,639**	**122,292**
Total assets	**276,145**	**243,430**	**257,711**	**223,191**
Share capital	3,258	3,258	3,258	3,258
Other contributed capital	12,804	12,804	12,804	12,804
Retained earnings including profit/loss for the period	42,297	53,401	34,306	44,464
Total equity	**58,359**	**69,463**	**50,368**	**60,526**
Long-term liabilities				
Lease liabilities	39,809	32,499	41,268	30,681
Other long-term liabilities	580	580	581	573
Total long-term liabilities	**40,389**	**33,079**	**41,849**	**31,254**
Current liabilities				
Supplier liabilities	19,110	24,992	30,029	18,621
Tax liabilities	358	148	383	71
Lease liabilities	10,190	8,481	9,193	9,670
Other current liabilities	79,163	51,625	72,969	58,613
Accrued costs and deferred revenues	68,576	55,642	52,920	44,436
Total current liabilities	**177,397**	**140,888**	**165,494**	**131,411**
Total equity and liabilities	**276,145**	**243,430**	**257,711**	**223,191**

GROUP REPORT
SUMMARY OF CHANGES IN EQUITY

	Attributable to Parent company's shareholders						
Amounts in SEK thousands	**Share capital**	**Other contributed capital**	**Reserves**	**Retained earnings including profit/loss for the period**	**Total**	**Non-controlling interest**	**Total equity**
Opening balance 01/01/2018	3,258	12,804	182	37,586	**53,830**	6,696	**60,526**
Profit/loss for the period	-	-	-	5,658	**5,658**	438	**6,096**
Other comprehensive profit/loss for the period	-	-	2,834	-	**2,834**	7	**2,841**
Share repurchase	-	-	-	47	**47**	-47	**-**
Change of the minority	-	-	-	15	**15**	-15	**-**
Closing balance 31/03/2018	**3,258**	**12,804**	**3,016**	**43,306**	**62,384**	**7,079**	**69,463**
Opening balance 01/04/2018	**3,258**	**12,804**	**3,016**	**43,306**	**62,384**	**7,079**	**69,463**
Profit/loss for the period	-	-	-	-1,565	**-1,565**	131	**-1,434**
Other comprehensive profit/loss for the period	-	-	-2,998	-	**-2,998**	-2	**-3,000**
Share repurchase	-	-	-	3	**3**	-3	**-**
Change of the minority	-	-	-	-17	**-17**	17	**-**
Dividend to shareholders	-	-	-	-14,661	**-14,661**	-	**-14,661**
Closing balance 31/12/2018	**3,258**	**12,804**	**18**	**27,066**	**43,146**	**7,222**	**50,368**
Opening balance 01/01/2019	**3,258**	**12,804**	**18**	**27,066**	**43,146**	**7,222**	**50,368**
Profit/loss for the period	-	-	-	5,406	**5,406**	222	**5,628**
Other comprehensive profit/loss for the period	-	-	2,359	-	**2,359**	4	**2,363**
Share repurchase	-	-	-	2	**2**	-2	**-**
Closing balance 31/03/2019	**3,258**	**12,804**	**2,377**	**32,474**	**50,913**	**7,446**	**58,359**

GROUP REPORT
SUMMARY OF CASH FLOWS

Amounts in SEK thousands	01/01/2019 31/03/2019	01/01/2018 31/03/2018	01/01/2018 31/12/2018
Operating activities			
Profit/loss before financial items	7,575	8,519	6,406
Adjustment for items which are not included in the cash flow:			
Depreciation and amortisation/write-downs	4,266	4,169	17,298
Currency fluctuations	-905	636	1,589
	10,936	**13,324**	**25,293**
Interest received	61	13	69
Interest paid	-229	-197	-788
Tax paid	-13	-11	89
	-181	**-195**	**-630**
Cash flow from operating activities from changes in operating capital	**10,755**	**13,129**	**24,663**
Cash flow from changes in operating capital			
Increase(-)/Decrease(+) in inventories	-6,413	-3,519	-11,737
Increase(-)/Decrease(+) in current receivables	-792	- 5,929	-13,570
Increase(+)/Decrease(-) in current liabilities	11,306	9,641	30,420
Cash flow from operating activities	**14,856**	**13,322**	**29,776**
Investment activity			
Investments in intangible fixed assets	-498	-555	-6,236
Investments in financial fixed assets	-106	-60	-88
Investments in tangible fixed assets	-1,195	-83	-2,410
Cash flow from investment activities	**-1,799**	**-689**	**-8,734**
Financing activities			
Amortisation of leasing liabilities attributable to leases	-2,718	-2,386	-9,341
Release of options	-	7	-
Dividends	-	-	-14,661
Cash flow from financing activities	**-2,718**	**-2,379**	**-24,002**
Cash flow for the period	**10,339**	**10,245**	**-2,960**
Cash and cash equivalents at start of period	**45,459**	**48,419**	**48,419**
Cash and cash equivalents at end of period	**55,798**	**58,664**	**45,459**
Change in cash and cash equivalents	**10,339**	**10,245**	**-2,960**

PARENT COMPANY
SUMMARY INCOME STATEMENT

Amounts in SEK thousands	**01/01/2019 31/03/2019**	**01/01/2018 31/03/2018**	**01/01/2018 31/12/2018**
Net sales	1,500	-	5,371
Other revenue	-	-	11
Goods for resale and other direct costs	-	-	-
Gross profit	**1,500**	**-**	**5,382**
External operating expenses	-1,002	-1,074	-3,882
Depreciation/amortisation	-88	-54	-233
Operating profit	**410**	**-1,128**	**1,267**
Net financial items	45	-	7,700
Tax	-97	-	-279
Profit/loss for the period	**358**	**-1,128**	**8,688**

There are no items in the parent company reported as other comprehensive profit/loss, so the total comprehensive profit/loss matches the profit/loss for the period.

PARENT COMPANY
SUMMARY BALANCE SHEET

Amounts in SEK thousands	31/03/2019	31/03/2018	01/01/2019
Fixed assets			
Intangible fixed assets	1,381	1,029	1,465
Financial fixed assets	83,171	83,437	83,162
Total fixed assets	**84,552**	**84,466**	**84,627**
Current assets			
Current receivables	1,649	517	456
Pre-paid costs and accrued revenues	422	593	1,088
Cash and bank balances	1,865	581	1,037
Total current assets	**3,936**	**1,691**	**2,581**
Total assets	**88,488**	**86,157**	**87,208**
Restricted equity	4,639	4,288	4,723
Unrestricted equity	25,094	31,418	16,322
Profit/loss for the period	358	-1,128	8,688
Total equity	**30,091**	**34,578**	**29,733**
Long-term liabilities	16,206	16,206	16,206
Current liabilities	41,567	35,046	40,735
Accrued costs and deferred revenues	624	327	534
Total liabilities	**58,397**	**51,579**	**57,475**
Total equity and liabilities	**88,484**	**86,157**	**87,208**

PARENT COMPANY
REPORT ON CHANGES IN EQUITY

	Restricted equity				
Amounts in SEK thousands	**Share capital**	**Other contributed capital**	**Translation reserves**	**Retained earnings including Profit/loss for the period**	**Total Equity**
Opening balance 01/01/2018	**3,258**	**1,084**	**36,799**	**-5,435**	**35,706**
Profit/loss for the period	-	-	-	-1,128	**-1,128**
Reversal of own reprocessing development expenditures	-	-54	-	54	**-**
Closing balance 31/03/2018	**3,258**	**1,030**	**36,799**	**-6,509**	**34,578**
Opening balance 01/04/2018	**3,258**	**1,030**	**36,799**	**-6,509**	**34,578**
Profit/loss for the period	-	-	-	9 816	**9 816**
Reversal of own reprocessing development expenditures	-	-163	-	163	**-**
Own reprocessing development expenditures	-	598	-	-598	**-**
Dividend	-	-	-14 661	-	**-14 661**
Closing balance 31/12/2018	**3,258**	**1,465**	**22,138**	**2,872**	**29,733**
Opening balance 01/01/2019	**3,258**	**1,465**	**22,138**	**2,872**	**29,733**
Profit/loss for the period	**-**	-	-	358	**358**
Reversal of own reprocessing development expenditures	**-**	-84	-	84	**-**
Closing balance 31/03/2019	**3,258**	**1,381**	**22,138**	**3,314**	**30,091**

PARENT COMPANY REPORT
SUMMARY OF CASH FLOWS

Amounts in SEK thousands	**01/01/2019 31/03/2019**	**01/01/2018 31/03/2018**	**01/01/2018 31/12/2018**
Operating activities			
Profit/loss before financial items	410	-1,128	1,267
Adjustment for items which are not included in the cash flow:			
Depreciation and amortisation/write-downs	88	58	233
Currency fluctuations	-45	-8	-11
	453	**-1,078**	**1,489**
Interest received	-	-	-
Interest paid	-	-	-
Tax paid	-	-	-
	-	**-**	**-**
Cash flow from operating activities from changes in operating capital	**453**	**-1,078**	**1,489**
Cash flow from changes in operating capital			
Increase(-)/Decrease(+) in current receivables	-527	517	83
Increase(+)/Decrease(-) in current liabilities	1,008	931	14,518
Cash flow from operating activities	**934**	**370**	**16,090**
Investment activity			
Investments in intangible fixed assets	-	-	-598
Investments in financial fixed assets	-106	-83	-88
Investments in tangible fixed assets	-	-	-
Cash flow from investment activities	**-106**	**-83**	**-686**
Financing activities			
Dividend	-	-	-14,661
Cash flow from financing activities	**-**	**-**	**-14,661**
Cash flow for the period	**828**	**287**	**743**
Cash and cash equivalents at start of period	**1,037**	**294**	**294**
Cash and cash equivalents at end of period	**1,865**	**581**	**1,037**
Change in cash and cash equivalents	**828**	**287**	**743**

NOTES

NOTE 1 GENERAL INFORMATION

Zinzino AB (publ) ("Zinzino"), company registration no. 556733-1045 is a parent company registered in Sweden and based in Gothenburg with the address Hulda Mellgrens Gata 5, 421 32 Västra Frölunda, Sweden.

Unless specifically stated otherwise, all amounts are reported in SEK thousands (SEK thousand). Information in brackets refers to the comparison year.

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

The main accounting principles applied when preparing the consolidated financial statements are set out below. These principles have consistently been applied to all periods presented, unless otherwise specified.

NOTE 2.1

Basis for preparation of the report

The consolidated financial statements for Zinzino have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary accounting rules for groups, and International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. The interim report is prepared in accordance with IAS 34, Interim Reporting and the Annual Accounts Act.

This interim report is Zinzino's first report prepared in accordance with IFRS. These consolidated financial statements have been prepared using the cost method. Historic financial information has been converted from 1 January 2018, which is the date for transition to IFRS accounting. Explanations for the transition from previously applied accounting principles to IFRS and the effects that the transition has had on reports over comprehensive profit/loss and equity are set out in Note 9.

Preparing reports in accordance with IFRS requires the application of a number of significant estimates for accounting purposes. In addition, the management is also required to make certain assessments when applying the group's accounting principles. The areas that involve a high level of assessment which are complex or those areas where the assumptions and estimates are of material importance for the consolidated financial statements are set out in Note 3.

The parent company applies RFR 2, Accounting for legal persons and the Annual Accounts Act. The application of RFR 2 means that in the interim report for the legal person, the parent company applies all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Security Act and with regard to the relationship between accounting and taxation.

At the same time as making the transition to accounting in accordance with IFRS in the consolidated financial statements, the parent company has made a transition to apply RFR 2. The transition from previously applied accounting principles to RFR 2 has not had any effects on the income statement and balance sheet, equity or cash flow for the parent company.

Preparing reports in accordance with RFR 2 requires the application of a number of significant estimates for accounting purposes. In addition, the management is also required to make certain assessments when applying the parent company's accounting principles. The areas that involve a high level of assessment, which are complex or those areas where the assumptions and estimates are of material importance for the annual financial statements are set out in Note 3.

The parent company applies different accounting principles to the group in the cases specified below:

Formats

The income statement and balance sheet follow the format of the Annual Accounts Act. The statement of changes in equity also follows the group's format but must include the columns specified in the Annual Accounts Act. In addition, this means that there is a difference in terms compared with the consolidated financial statements, mainly regarding financial income and expenses and equity.

Shares in subsidiaries

Shares in subsidiaries are reported at cost less any write-downs. The acquisition value includes acquisition-related costs and any additional consideration.

When there is an indication that shares in subsidiaries have reduced in value, a calculation of the recoverable value is made. If this is lower than the reported value, a write-down is carried out. Write-downs are reported in the post "Profit/loss from shares in group companies".

Financial instruments

IFRS 9 is not applied in the parent company. Instead, the parent company applies the points set out in RFR 2 (IFRS 9 Financial Instruments, p. 3-10). Financial instruments are valued at acquisition value. In subsequent periods, financial assets acquired with the intention of being held in the short-term will be reported in accordance with the lowest value principle at the lower of acquisition value and market value.

When calculating the net sales value of receivables recognised as current assets, the principles for write-down testing and loss risk reserves in IFRS 9 are applied. For a receivable that is reported at amortised cost at group level, this means that the loss-risk reserve that is recognised in the group in accordance with IFRS 9 should also be included in the parent company.

NOTE 2.1.1

New and amended standards published but not yet in force

None of the IFRS or IFRIC interpretations published but not yet in force is expected to have a material impact on the group.

NOTE 2.2

Group report

NOTE 2.2.1

Basic accounting principles

Subsidiaries
Subsidiaries are all companies over which the group has controlling influence. The group controls an entity when it is exposed to, or has the right to, variable returns from its holding in the company and is able to influence the return through its influence in the company. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the group. They are excluded from the consolidated financial statements from the date on which the controlling influence is transferred to the group.

The cost method is used for accounting for the group's business combinations. The purchase price for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities that the group incurs to previous owners of the acquired company and the shares issued by the group. The purchase price also includes the fair value of all liabilities that result from an agreement on contingent consideration. Identifiable acquired assets and liabilities assumed in a business combination are initially valued at fair values on the acquisition date. For each acquisition, i.e. acquisitions for acquisitions, the group determines whether non-controlling holding in the acquired entity is reported at fair value or at the holding's proportional share in the reported value of the identifiable assets of the acquired business.

Acquisition-related costs are expensed when they arise and are reported in the item “Other operating expenses” in the consolidated statement of comprehensive profit/loss.

Goodwill is initially valued as the amount by which the total purchase price and any fair value for non-controlling interests on the acquisition date exceed the fair value of identifiable acquired net assets. If the purchase price is less than the fair value of the acquired company's net assets, the difference is reported directly in profit/loss for the period.

Intercompany transactions, balance sheet items, income and expenses on transactions between group companies are eliminated. Gains and losses resulting from intercompany transactions that are reported in assets are also eliminated. The accounting principles for subsidiaries have been changed, where appropriate, to ensure consistent application of the group's principles.

NOTE 2.3
Segment reporting
A business segment is part of an undertaking which carries out business activities from which it can obtain revenue and incur costs, the contribution of which is regularly reviewed by the company's highest executive decision-maker, and for which there is independent financial information. The company's reporting of business segments is in line with the internal reporting to the highest executive decision-maker. The highest executive decision-maker is the position that assesses the earnings of the business segment and decides on the allocation of resources. The CEO is the highest executive decision-maker together with the group CFO and the controller manager. Together, they form the strategic steering group at Zinzino.

The strategic steering group assesses the operations based on the two business segments Zinzino and Faun. The steering group mainly uses adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the business segment profit/loss.

NOTE 2.4
Translation of foreign currency

NOTE 2.4.1
Functional currency and reporting currency
The different entities in the group have the local currency as the functional currency, where the local currency is defined as the currency used in the primary economic environment where the respective entity is mainly active. The group report uses Swedish kronor (SEK), which is the parent company's functional currency and the group's reporting currency.

NOTE 2.4.2
Transactions and balance sheet items
Transactions in foreign currency are translated to the functional currency at the exchange rates that apply on the transaction date. Exchange rate gains and losses arising from the payment of such transactions and the translation of monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are reported in the operating result of the statement of comprehensive income.

Foreign exchange gains and losses related to loans and liquid funds are recognised in the statement of comprehensive income as financial income or expenses. All other foreign exchange gains and losses are reported in the item “External operating expenses” and “Other revenues” in the statement of comprehensive income.

NOTE 2.4.3
Translation of foreign group companies
The result and financial position of all group companies that have a functional currency that is different from the reporting currency are translated into the group's reporting currency. Assets and liabilities for each of the balance sheets are translated from the functional currency of the foreign business to the group's reporting currency, Swedish kronor, at the exchange rate on the balance sheet date. Income and expenses for each of the income statements are translated into Swedish kronor at the average rate at the time of each transaction. Translation differences arising from currency translation of foreign operations are reported in other comprehensive income. Accumulated gains and losses are reported in profit/loss for the period when the entity is sold in whole or in part. Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of these operations and are translated at the rate on the balance sheet date.

NOTE 2.5
Revenue recognition
The group's principles for reporting income from contracts with customers are shown below.

NOTE 2.5.1
Sales of goods
The group manufactures and sells goods within the two business segments Zinzino and Faun. Zinzino is the main business in the group and has two product areas: Zinzino Health with the subsegments Balance, Weight control, Immune & Brain and Skin Care, and Zinzino Coffee with the subsegment Beverages. The business segment Zinzino also includes other revenues that are consistent with the sales above and comprise freight revenues, event revenues and reminder fees. All sales within the business segment Zinzino are made via direct sales. This means that Zinzino does not have any dealers or intermediaries but sells directly to the end customer. Sales are also made to the group's independent distributors according to the same model. The sale is recognised as income when the control of the goods is transferred, which occurs when the goods are delivered to the customer or distributor. Delivery is made when the goods have been transported to the specific location, the risks of obsolete or lost goods have been transferred to the customer and the customer has either accepted the goods in accordance with the contract, the time-period for objections to the contract has expired or the group has objective evidence to show that all acceptance criteria have been met. Revenue from the sale of freight and other revenue is reported according to the same principle. No financing component is deemed to exist at the time of sale. The same principle applies to the Faun business segment, sales are recognised when the control of the goods is transferred to the customer and on the other conditions as above.

NOTE 2.5.2
Interest revenues
Interest revenues are recognised with the application of the effective interest method.

NOTE 2.6

Leasing

The group leases premises, vehicles, product equipment, telephone switchboard and office supplies. The leases are reported as rights of use and an equivalent liability on the date on which the leased asset is available for use by the group. Each leasing payment is divided between the amortisation of the debt and the financial cost. The financial cost must be distributed over the leasing period so that each accounting period is charged with an amount equal to a fixed interest rate for the liability in each period. The right of use is amortised on a linear basis over the shorter of the asset's useful life and the duration of the lease.

Assets and liabilities arising from leases are initially reported at present value. Since this is the first IFRS report, all rights of use have been valued at the value of the leasing liability, with adjustment for prepaid leasing fees attributable to the contracts as at 1 January 2018.

Leasing liabilities include the present value of the following leasing payments:

- fixed fees
- variable leasing fees based on an index

Leasing payments are discounted at the marginal loan rate of 2.75%.

Assets with rights of use are valued at acquisition value and include the following:

- the initial valuation of the leasing liability,
- payments made at or before the time when the leased asset is made available to the lessee,

Leases of lesser value are expensed on a linear basis in the statement of comprehensive income.

Options to renew or terminate leases.
The majority of the group's leases related to properties include options to renew the lease. Terms used to maximise flexibility in managing leases.

In order to optimise the leasing costs during the lease period regarding the rental of machines, the group guarantees the residual value.

NOTE 2.7

Employee benefits

NOTE 2.7.1

Current benefits

Liabilities for salaries and remuneration, including non-monetary benefits and paid absenteeism, which are expected to be settled within 12 months after the end of the accounting year, are reported as current liabilities to the undiscounted amount expected to be paid when the liabilities are settled. The cost is recognised as the services are performed by the employees. The liability is recognised as an obligation related to employee benefits in the statement of financial position.

NOTE 2.7.2

Post-employment benefits

The group companies only have defined contribution pension plans. A defined contribution pension plan is a pension plan where the group pays fixed fees to a separate legal entity. The group does not have any legal or constructive obligations to pay any additional fees if this legal entity does not have sufficient assets to pay all employee benefits associated with the employee's service during current or previous periods. The fees are recognised as an expense in the profit/loss for the period as they are earned by the employee providing services to the company during the period

NOTE 2.8

Current and deferred income tax

The tax expense for the period includes current and deferred tax. Tax is recognised in the statement of comprehensive income, except when the tax relates to items recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income and equity.

Current tax is calculated on the taxable profit for the period according to the applicable tax rate. The current tax expense is calculated on the basis of the fiscal rules decided or effectively decided on the balance sheet date in the countries in which the parent company and its subsidiaries operate and generate taxable income. The management regularly evaluates the claims made in tax returns in respect of situations where the applicable taxation rules are subject to interpretation. When the management deems it appropriate, it makes provisions for amounts likely to be paid to the tax authorities.

Deferred tax is reported on all temporary differences arising between the tax value of assets and liabilities and their reported amounts in the group report. However, deferred tax liability is not recognised if it arises as a result of the initial recognition of goodwill. Deferred tax is also not recognised if it arises as a result of a transaction which constitutes the initial recognition of an asset or liability that is not a business combination and which, at the time of the transaction, does not affect the reported or taxable profit/loss. Deferred income tax is calculated on the basis of tax rates (and tax laws) that have been decided or announced at the balance sheet date and are expected to apply when the affected deferred tax asset is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that there will be future tax surpluses available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes charged by the same tax authority and relate to either the same tax entity or different tax entities, where there is an intention to settle the balances through net payments.

NOTE 2.9

Intangible assets

NOTE 2.9.1

Goodwill

Goodwill arises when subsidiaries are acquired and refers to the amount of the purchase price, any non-controlling interest in the acquired company and the fair value on the acquisition date of the previous equity interest in the acquired company which exceeds the fair value of identifiable acquired net assets. If the amount is less than the fair value of the acquired subsidiary's net assets, in the event of an acquisition at a low price, the difference is recognised directly in the statement of comprehensive income.

In order to test the need for write-downs, goodwill acquired in a business combination is allocated to cash-generating entities or groups of cash-generating entities that are expected to benefit from synergies from the acquisition. Each entity or group of entities to which goodwill has been allocated corresponds to the lowest level of the group on which the goodwill in question is monitored in the internal control. Goodwill is monitored at the business segment level.

Goodwill tested for impairment annually or more frequently if events or changes in conditions indicate a possible impairment. The reported value of the cash-generating entity to which the goodwill is attributed is compared with the recoverable value, which is the higher of the value in use and the fair value less the selling expenses. Any impairment is recognised immediately as an expense and is not reversed.

NOTE 2.9.2

Other intangible assets

Other intangible assets consist of the sub-items software, patent, Brand Book and other marketing material. The accounting policies for these sub-items are shown below.

Capitalised expenditure for development work
Costs for maintenance are expensed when they arise. Development costs directly attributable to the development of software, patent, Brand Book and other marketing material that are controlled by the group and are reported as intangible assets when the following criteria are met:

- it is technically possible to finalise them so that they can be used,
- the company's intention is to finalise them and to use or sell them,
- there are conditions to use or sell them,
- it can be shown how they generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell them are available, and
- the expenditure related to them during their development can be measured reliably.

Directly attributable expenses that are capitalised as part of development work include expenditure on employees and external consultants.

Other development costs which do not meet these criteria are expensed when they arise. Development costs that were previously expensed are not reported as assets in the subsequent period.

Capitalised development costs are reported as intangible assets and amortised from the time when the asset is ready for use.

Patents
Patents acquired separately are reported at acquisition value. Patents have a definite useful life and are reported at acquisition value less accumulated amortisation and write-downs. The estimated useful life amounts to 5 years, which corresponds to the estimated time they will generate cash flow.

Software
Software that was acquired separately is reported at acquisition value. The software is recognised in subsequent periods at cost less accumulated amortisation and write-downs. The estimated useful life amounts to 3-5 years, which corresponds to the estimated time it will generate cash flow.

Useful lives of the group's intangible assets

Capitalised expenditure for development work	3-5 years
Patents	5 years
Software	3-5 years

NOTE 2.10
Tangible fixed assets
Tangible fixed assets are reported at acquisition value less depreciation and any write-downs. The acquisition value includes expenditure directly attributable to the acquisition of the asset and putting it into place and into a condition to be used in accordance with the purpose of the acquisition.

Additional expenditure is added to the reported value of the asset or is recognised as a separate asset, as appropriate, only when it is probable that the future financial benefits to the group associated with the asset and the acquisition value of the asset can be measured reliably. The acquisition value of a replaced part is removed from the balance sheet. All other forms of repairs and maintenance are recognised as expenses in the statement of comprehensive income during the period in which they arise.

Depreciation of assets, in order to allocate their acquisition value down to the estimated residual value over the estimated useful life. For tangible fixed assets held under financial leases, depreciation is carried out over the shorter of the useful life or leasing period.

The useful life periods are as follows:
Inventories, tools and installations 5 years

The residual and useful lives of the assets are tested at the end of each reporting period and adjusted as necessary.

See the accounting principles for leasing above for the amortisation periods for rights-of-use assets.

The reported value of an asset is immediately written down to its recoverable amount if the reported value of the asset exceeds its estimated recoverable amount.

Gains and losses on the disposal of an item of a tangible fixed asset are determined by comparing the sales revenue and the carrying amount and are recognised in the items "Other operating income" and "Other operating costs" in the statement of comprehensive income.

NOTE 2.11
Write-downs of non-financial assets
Intangible assets that have an indefinite useful life (goodwill) or intangible assets that are not ready for use (capitalised development costs) are not amortised but are tested annually for the need for any write-downs. Assets that are depreciated/amortised are assessed for loss of value whenever events or changes in circumstances indicate that the carrying amount may not be recyclable. A write-down is done by the amount that the asset's reported value exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less the selling costs and its value in use. When assessing the need for write-downs, assets are grouped at the lowest levels where there are essentially independent cash flows (cash-generating entities). For assets (other than goodwill) that have previously been written down at every balance sheet date, there should be a review of whether a reversal should be made.

NOTE 2.12
Financial instruments

NOTE 2.12.1
Initial recognition
Financial assets and financial liabilities are recognised when the group becomes a party to the contractual terms of the instrument. The purchase and sale of financial assets is reported on the trade date, the date on which the group commits to buy or sell the asset.

Financial instruments are reported at the time of initial recognition at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial asset or financial liability, such as fees and commissions.

NOTE 2.12.2
Classification
The group classifies its financial assets and liabilities in the amortised cost category.

Financial assets at amortised cost
The classification of investments in debt instruments depends on the group's business model for managing financial assets and the contractual terms for the cash flows of the assets. The group only reclassifies debt instruments in cases where the group's business model for the instruments changes.

Assets held for the purpose of collecting contractual cash flows and where these cash flows are only capital amounts and interest are valued at amortised cost. The carrying amount of these assets is adjusted with any expected credit losses reported (see write-down below). Interest income from these financial assets is reported using the effective interest method and is included in financial income. The group's financial assets that are valued at amortised cost are comprised of the items other long-term receivables, customer receivables, other receivables, accrued income and cash and cash equivalents.

Financial liabilities at amortised cost
The group's financial liabilities are classified as subsequently valued at amortised cost using the effective interest method. Financial liabilities consist of long and short-term leasing liabilities, other long-term liabilities, trade payables and current liabilities.

NOTE 2.12.3

Reversal of financial instruments

Reversal of financial assets

Financial assets, or a part of them, are removed from the statement of financial position when the contractual rights to receive cash flows from the assets have expired or have been transferred and either (i) the group transfers essentially all risks and benefits associated with ownership or (ii) the group does not transfer or retains essentially all the risks and benefits associated with ownership and the group has not retained control of the asset.

Reversal of financial liabilities

Financial liabilities are removed from the statement of financial position when the obligations have been settled, cancelled or otherwise terminated. The difference between the reported value of a financial liability (or part of a financial liability) that has been extinguished or transferred to another party and the consideration paid, including any transferred assets that are not cash or liabilities that have been assumed are reported in the statement of comprehensive income.

When the terms for a financial liability are renegotiated and not disclosed from the statement of financial position, a profit or loss is recognised in the statement of comprehensive income. The profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

NOTE 2.12.4

Settlement of financial instruments

Financial assets and liabilities are only offset and accounted for with a net amount in the statement of financial position when there is a legal right to offset the amounts reported and an intention to settle them by a net amount or at the same time to realise the asset and settle the debt. The legal right may not depend on future events and it must be legally binding on the company and the counterparty in both the normal business and in cases of suspension of payments, insolvency or bankruptcy.

NOTE 2.12.5

Write-downs of financial assets

Assets recognised at amortised acquisition value

The group assesses the future expected loan losses associated with assets reported at amortised acquisition value. The group reports a credit reserve for such expected credit losses at each reporting date. For customer receivables, the group applies the simplified approach to the credit reserve, i.e. the reserve will correspond to the expected loss over the entire life of the customer receivable. To measure the expected credit losses, customer receivables have been grouped based on allocated credit risk properties and overdue days. The group uses forward-looking variables for expected loan losses. Expected credit losses are reported in the group's statement of comprehensive income in the item "Other external expenses".

NOTE 2.13

Inventories

Inventories are recognised at the lower of the acquisition value and the net sales value, applying the first-in first-out principle. The net sales value is the estimated selling price in the ordinary course of business, less the applicable variable selling costs.

NOTE 2.14

Accounts receivable

Accounts receivable are amounts attributable to customers in respect of goods or services sold which are carried out in the ordinary course of business. Accounts receivable are classified as current assets. Accounts receivable are initially reported at the transaction price. The group holds accounts receivable for the purpose of collecting contractual cash flows so they are valued at the subsequent accounting dates at amortised acquisition value applying the effective interest method.

NOTE 2.15

Cash and cash equivalents

Cash and cash equivalents include both the statement of financial position and the statement of cash flows, cash and bank balances.

NOTE 2.16

Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issuance of new ordinary shares are recognised, net after tax, in equity as a deduction from the proceeds.

NOTE 2.17

Accounts payable

Accounts payable are financial instruments and relate to obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if they fall due within one year. If not, they are reported as long-term liabilities.

Liabilities are initially recognised at fair value and subsequently at amortised acquisition value using the effective interest method.

NOTE 2.18

Cash flow analysis

The cash flow statement is prepared using the indirect method. The reported cash flow only includes transactions that involve cash payments.

NOTE 2.19

Profit per share

(i) Earnings per share before dilution

Earnings per share before dilution are calculated by dividing:

- earnings attributable to the parent company's shareholders
- by a weighted average number of outstanding ordinary shares during the period.

(ii) Earnings per share after dilution

To calculate earnings per share after dilution, the amounts used to calculate earnings per share before dilution are adjusted by taking into account:

- the effect after tax of dividends and interest expenses on potential ordinary shares, and
- the weighted average of the additional ordinary shares that would have been outstanding in the event of a conversion of all potential ordinary shares.

NOTE 2.20

Dividends

The dividend to parent company shareholders is recognised as a liability in the group's financial statements in the period when the dividend is approved by the parent company's shareholders.

NOTE 3 IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

The group makes estimates and assumptions about the future. Estimates for accounting purposes resulting from these will, by definition, rarely correspond to the actual profit/loss. The estimates and assumptions that present a significant risk of material adjustments to the reported values of assets and liabilities during the next financial year are covered in the main steps below.

(a) Write-down testing for goodwill

Every year, the group examines whether there is any need to write down goodwill in accordance with the accounting principle described in Note 1. The recoverable values for cash-generating entities have been determined by calculating the value in use. Some estimates must be made for these calculations. The reported value of goodwill amounts to SEK 34,073 thousand as at 31 March 2019 (SEK 33,611 thousand as at 31 March 2018, SEK 31,762 thousand as at 31 December 2018, and SEK 30,837 thousand as at 1 January 2018). The variable value was entirely attributable to currency fluctuations, as goodwill must be valued in the original currency and converted to SEK at the balance sheet date.

(b) Effect of loss carryforwards

Every year the group examines whether there is any need to write down deferred tax assets in respect of tax loss carryforwards. In addition, the group examines whether it is appropriate to activate new deferred tax assets relating to the year's tax loss carryforwards. The deferred tax receivable is only recognised for loss carryforwards for which it is probable that they can be used against future taxable profits and against taxable temporary differences.

Tax loss carryforwards amount to SEK 27,891 thousand as at 31 March 2019 (SEK 23,370 thousand as at 31 March 2018, SEK 31,806 thousand as at 31 December 2018 and SEK 33,027 thousand as at 1 January 2018).

(c) Duration of the lease

When determining the length of the lease, the management takes into account all available information that provides an economic incentive to use an renewal option, or not to use an option to terminate an agreement. The possibility to renew a lease is only included in the length of the lease if it is reasonable to assume that the lease will be renewed (or not terminated). The valuation of the lease liability includes a number of renewal options in lease agreements where a renewal is considered to be highly probable.

The assessment is reviewed if there is any significant event or change in circumstances affecting this assessment and the change is within the lessee’s control.

NOTE 4 SEGMENT INFORMATION

Description of segments and main activities:
A business segment is part of an undertaking which carries out business activities from which it can obtain revenue and incur costs, the contribution of which is regularly reviewed by the company's highest executive decision-maker, and for which there is independent financial information. The company's reporting of business segments is in line with the internal reporting to the highest executive decision-maker. The highest executive decision-maker is the position that assesses the earnings of the business segment and decides on the allocation of resources. The CEO is the highest executive decision-maker together with the group CFO and the controller manager. Together, they form the strategic steering group at Zinzino.

The strategic steering group assesses the operations based on the two business segments Zinzino and Faun. The steering group mainly uses profit/loss before financial items in the assessment of business segment earnings.

Segment reporting is divided based on the main segment of the business "Zinzino", which includes the product areas Health, Coffee and Other income. The product area Health includes the sub-areas of Balance, Immune & Brain, SkinCare and Weight Control. The product area Coffee is also called Beverages and includes espresso machines, coffees, teas and accessories. The other revenue consists mainly of freight and reminder fees. All sales are made via the Zinzino's website www.zinzino.com with the help of the company's independent sales organisation, which goes under the names of distributors or partners.

The second segment refers to the Norwegian production unit Faun Pharma AS, known as "Faun", which conducts production and sales to external customers that are not subject to Zinzino's standard sales concept. Sales from Faun comprise exclusively contract production of food supplements to different customers. The largest external customers include Life and Proteinfabrikken AS.

Segment revenues and earnings
Total revenues and earnings before financial items is the result metric reported to the strategic steering group at Zinzino. An analysis of the group's revenues and earnings for the two reporting operating segments is set out below:

Zinzino

Faun

The strategic steering group mainly uses adjusted earnings before interest and tax, (operating earnings see below) to assess the business segment profit/loss.

Jan-Mar 2019	Zinzino	Faun	Group elimination	Total Group
Net sales	146,228	21,313	-11,375	156,166
Other revenue	12,098		-	12,098
Goods for resale and other direct costs	-113,959	-14,345	11,375	-166,929
Gross profit	**44,367**	**6,968**	**-**	**51,335**
External operating expenses	-18,654	-1 201	-	-19,855
Staff costs	-15,065	-4,574	-	-19,639
EBITDA	**10,648**	**1,193**	**-**	**11,841**
Depreciation/amortisation	-3,031	-1,235	-	-4,266
Operating profit	**7,617**	**-42**	**-**	**7,575**

Jan-Mar 2018	Zinzino	Faun	Group elimination	Total Group
Net sales	112,963	21,943	-6,804	128,102
Other revenue	11,174	-	-	11,174
Goods for resale and other direct costs	-82,890	-14,749	6,804	-90,835
Gross profit	**41,247**	**7,194**	**-**	**48,441**
External operating expenses	-17,377	-1,113	-	-18,490
Staff costs	-12,396	-4,867	-	-17,263
EBITDA	**11,474**	**1,214**		**12,688**
Depreciation/amortisation	-3,007	-1,162	-	-4,169
Operating profit	**8,467**	**52**	**-**	**8,519**

Jan-Dec 2018	Zinzino	Faun	Group elimination	Total Group
Net sales	469,484	92,906	-29,355	533,035
Other revenue	43,578	-	-	43,578
Goods for resale and other direct costs	-357,824	-65,347	29,355	-393,816
Gross profit	**155,238**	**27,559**	**-**	**182,797**
External operating expenses	-81,325	-5,598	-	-86,923
Staff costs	-53,933	-18,237	-	-72,170
EBITDA	**19,980**	**3,724**		**23,704**
Depreciation/amortisation	-12,482	-4,816	-	-17,298
Operating profit	**7,498**	**1,092**	**-**	**6,406**

NOTE 5 NET SALES

Revenues
Sales between segments are carried out on market terms. As revenue from external parties is reported to the strategic steering group, they are valued in the same way as in the group's statement of comprehensive income.

January-March 2019	Zinzino	Faun	Total
Revenue per segment	146,228	9,938	156,166
Revenue from external customers	**146,228**	**9,938**	**156,166**
Goods within Zinzino Health	136,778	-	136,778
Goods within Zinzino Coffee	9,389	-	9,389
Sales of external goods Faun	-	9,938	9,938
Events and other services	61	-	-
Total	**146,228**	**9,938**	**156,166**

January-March 2018	Zinzino	Faun	Total
Revenue per segment	112,963	15,139	128,102
Revenue from external customers	**112,963**	**15,139**	**128,102**
Goods within Zinzino Health	102,318	-	102,318
Goods within Zinzino Coffee	10,598	-	10,598
Sales of external goods Faun	-	15,139	15,139
Events and other services	47	-	47
Total	**112,963**	**15,139**	**128,102**

January–December 2018	Zinzino	Faun	Total
Revenue per segment	469,381	63,551	532,932
Revenue from external customers	**469,381**	**63,551**	**532,932**
Goods within Zinzino Health	422,376	-	422,376
Goods within Zinzino Coffee	42,500	-	42,500
Sales of external goods Faun	-	63,551	63,551
Events and other services	4,505	-	4,505
Total	**469,381**	**63,551**	**532,932**

Goods within ***Zinzino Health and Zinzino Coffee*** refer to sales to Zinzino's customers and distributors in the various sales markets through the online shop. The goods are sold mainly through subscriptions which run for a fixed period of 6 months and continue until further notice until the customer terminates the subscription. All revenues are taken when the goods are delivered to the customer in accordance with IFRS 15. For more information regarding the products, see page12 and note 2.5.1 regarding revenue recognition principles.

External goods Faun refers to goods produced on contract for an external customer. Revenue is taken when the goods are delivered to the customer in accordance with IFRS 15, see note 2.5.1 on Principles for revenue recognition.

Events and other services refer to revenue in connection with distributor conferences.

NOTE 6 TRANSACTIONS WITH CLOSELY RELATED PARTIES

	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2018
Compensation for sales services performed Saele Invest AS	6,190	5,316	21,457
Other Saele Invest AS	-81	-	559
Total Saele Invest AS	**6,109**	**5,316**	**22,016**
Compensation for sales services performed Oh Happy Day ApS	839	934	3,559
Consultancy fees to board members*	-	-	126
Total	**6,948**	**6,250**	**25,701**

As at 31/03/2019, the debt to Saele Invest AS relating to sales commissions amounts to SEK 0 (428) thousand and to Oh Happy Day ApS to SEK 0 (0) thousand In the group.

All sales commissions paid to closely related parties with significant influence are calculated on the same commission plan and under the same terms as for all other distributors within Zinzino's global sales organisation.

* Refers to sales commissions to / purchases from Saele Invest and Consulting AS which are controlled by Örjan Saele and as through the company's shareholding in Zinzino AB is defined as a person with significant influence.
** Refers to sales commissions to Oh Happy Day, which is controlled by Peter Sörensen and which, through the company's sharehol-ding in Zinzino AB, is defined as person with significant influence.

All sales commissions paid to related parties with significant influence are calculated according to the same commission plan and under the same conditions as for all other distributors within Zinzino's global sales organization.

*** Board member Pierre Mårtensson has, in addition to board fees, received consulting fees for market analysis and strategy work.

NOTE 7 PROFIT PER SHARE

SEK	Jan-Mar 2019	Jan-Mar 2018	Jan-Mar 2018
Earnings per share before dilution	0.17	0.19	0.14
Earnings per share after dilution	0.17	0.19	0.14
Earnings metric used in the calculation of earnings per share			
Earnings attributable to shareholders of the parent company used in the calculation of earnings per share before and after dilution	-	-	-
Earnings attributable to the parent company's shareholders, SEK thousands	5,628	6,096	4,662
Number			
Weighted average number of ordinary shares in calculating earnings per share before dilution	32,580,025	32,580,025	32,580,025
Adjustment for calculation of earnings per share after dilution	-	-	-
Options			
Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating earnings per share after dilution	32,580,025	32,580,025	32,580,025

NOTE 8 EVENTS AFTER THE END OF THE INTERIM PERIOD

No significant events for the company have occurred after the end of the reporting period as at 31 March 2019.

NOTE 9 EFFECTS DURING THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

This interim report for the first quarter of 2019 is Zinzino's first report prepared in accordance with IFRS. The accounting principles set out in note 2 have been applied when the group report for the Zinzino group was prepared as at 31 March 2019 and for the comparative information presented as at 31 March 2018, as at 31 December 2018 and in drawing up the report on the opening financial position for the period (starting balance sheet) as at 1 January 2018 (the group's date of transition to IFRSS).

When the starting balance sheet as at 1 January 2018 and the balance sheets as at 31 March 2018 and as at 31 December 2018 according to IFRS were prepared, the amounts reported in previous financial statements and interim reports were adjusted in accordance with BFNAR 2012:1 Annual report and consolidated financial statements (K3). An explanation of how the transition from previously applied accounting principles to IFRS has affected the group's results and position is shown in the tables below and in the notes pertaining to them.

Choices made at the time of the transition to accounting in accordance with IFRS

The transition to IFRS is reported in accordance with IFRS 1. The first-time IFRS is applied.. The general rule is that all applicable IFRS and IAS standards which have entered into force and been approved by the EU as at 31 March 2019 must be applied with retroactive effect. However, IFRS 1 also includes transitional provisions that give companies a certain choice.

Below are the exemptions allowed by IFRS from the full retroactive application of all the standards that Zinzino has chosen to apply in the transition from previously applied accounting principles to IFRS.

Exemption for business combinations

The standard IFRS 1 First-time adoption of IFRS, which regulates how to make a transition to IFRS, offers the possibility to apply the principles of IFRS 3, Business combinations, either with forward effect from the date of transition to IFRS or from a specific time before the transitional period to IFRS. This provides relief from a complete retroactive application that would require recalculation of all business combinations before the transitional period to IFRS. Zinzino has chosen to apply IFRS 3 as of 1 January 2018. Business combinations that took place before this date have therefore not been recalculated in accordance with IFRS 3.

Exception for accumulated translation differences

IFRS 1 allows accumulated translation differences reported in equity to be reset to zero in the transition period to IFRS. This represents a relief compared to setting cumulative translation differences in accordance with IAS 21, Effects of changes in exchange rates, from the time when a subsidiary or associated company was established or acquired. Zinzino has chosen to reset all accumulated translation differences in the translation reserve and to reclassify these to retained earnings at the time of the transition to IFRS as at 1 January 2018.

The following tables present and quantify the effects of the management on the group's statements of comprehensive income and financial position at the time of the transition to IFRS for the group. The transition is not deemed to have any material effect on the group's statement of cash flows other than the depreciations that are refunded.

The main impact of the report is:

- Reversal of previous year's amortisation of goodwill and revaluation to the currency item is attributable to, see note A below
- Capitalised lease, see note B below
- Revenue adjustments as a result of IFRS 15, see note C below

	Note	Previous Accounting Principles 311217	Effect of transition to IFRS	IFRS 180101
Assets				
Fixed assets				
Goodwill	A	33,647	-2,810	30,837
Other intangible fixed assets		19,225	-	19,225
Inventories, tools and installations		3,036	-	3,036
Right-of-use assets	B	-	40,351	40,351
Financial fixed assets	B, C	2,656	4,794	7,450
Total Fixed Assets		**58,564**	**42,335**	**100,899**
Inventories		52,947	-	52,947
Current Receivables		12,568	-	12,568
Pre-paid costs and accrued revenues		8,358	-	8,358
Cash and cash equivalents		48,419	-	48,419
Total Current Assets		**122,292**	**-**	**122,292**
Total Fixed Assets		**180,856**	**42,335**	**223,191**

	Note	Previous Accounting Principles 311217	Effect of transition to IFRS	IFRS 180101
Equity Capital and Liabilities				
Equity Capital				
Share Capital		3,258	-	3,258
Other contributed capital		12,804	-	12,804
Capitalised earnings including profit/loss for the period	A, B, C	57,380	-19,612	37,768
Equity Capital attributable to the parent company's owners		**73,442**	**-19,612**	**53,830**
Minority interests		6,890	-194	6,696
Total equity		**80,332**	**-19,806**	**60,526**
Liabilities				
Long-term Liabilities				
Lease Liabilities	B	-	30,681	30,681
Other long-term liabilities		573	-	573
Total Long-term liabilities		**573**	**30,681**	**31,254**
Current Liabilities				
Supplier liabilities		18,621	-	18,621
Tax liabilities		71	-	71
Lease Liabilities	B		9,670	9,670
Other current liabilities		58,613	-	58,613
Accrued costs and deferred revenues	C	22,646	21,790	44,436
Total Current Liabilities		**99,951**	**31,460**	**131,411**
Total Equity and Liabilities		**180,856**	**42,335**	**223,191**

	Note	Previous Accounting Principles 310318	Effect of transition to IFRS	IFRS 310318
Assets				
Fixed assets				
Goodwill	A	32,421	1,190	33,611
Other intangible fixed assets		18,349	-	18,349
Tools and installations		3,287	-	3,287
Right-of-use assets	B	-	40,859	40,859
Financial fixed assets	B, C	907	4,432	5,339
Total Fixed Assets		**54,964**	**46,481**	**101,445**
Current assets				
Inventories		56,466	-	56,466
Current Receivables		6,477	-	6,477
Pre-paid costs and accrued revenues		20,378	-	20,378
Cash and cash equivalents		58,664	-	58,664
Total Current Assets		**141,985**	**-**	**141,985**
Total Assets		**196,949**	**46,481**	**243,430**

	Note	Previous Accounting Principles 310318	Effect of tran-sition to IFRS	IFRS 310318
Equity Capital and Liabilities				
Equity Capital				
Share Capital		3,258	-	3,258
Other contributed capital		12,804	-	12,804
Capitalised earnings including profit/loss for the period	A, B, C	61,226	-14,904	46,322
Equity Capital attributable to the parent company's owners		**77,288**	**-14,904**	**62,384**
Minority interests		6,696	383	7,079
Total equity		**83,984**	**-14,521**	**69,463**
Liabilities				
Long-term Liabilities				
Lease Liabilities	B	-	32,499	32,499
Other long-term liabilities		580	-	580
Total Long-term liabilities		**580**	**32,499**	**33,079**
Current Liabilities				
Supplier liabilities		24,992	-	24,992
Tax liabilities		148	-	148
Lease Liabilities	B	-	8,481	8,481
Other current liabilities		51,625	-	51,625
Accrued costs and deferred revenues		35,620	20,022	55,642
Total Current Liabilities		**112,386**	**28,503**	**140,888**
Total Equity and Liabilities		**196,949**	**46,481**	**243,430**

	Note	Previous Accounting Principles 010118-310318	Effect of transition to IFRS	IFRS 010118-310318
Net sales	C	125,583	2,519	128,102
Other revenue		11,565	-751	10,814
Own work capitalised		360	-	360
Goods for resale and Other direct costs		-90,835	-	-90,835
Gross profit		**46,673**	**1,768**	**48,441**
External operating expenses	A, B	-20,981	2,491	-18,490
Staff costs		-17,263	-	-17,263
Depreciation/amortisation	A, B	- 2,922	-1,247	-4,169
Operating profit		**5,507**	**3,012**	**8,519**
Net financial items	B	-44	-139	-183
Tax		-1,878	-362	-2,240
Profit/loss for the period		**3,585**	**2,511**	**6,096**
Attributable to:				
The parent company's owners		3,147	2,511	5,658
Minority interests		438	-	438
Total		**3,585**	**2,511**	**6,096**
Other comprehensive income		**-**	**2,841**	**2,841**

	Note	Previous Accounting Principles 311218	Effect of transition to IFRS	IFRS 311218
Assets				
Fixed assets				
Goodwill	A	28,743	3,019	31,762
Other intangible fixed assets		19,272	-	19,272
Inventories, tools and installations		4,623	-	4,623
Right-of-use assets	B	-	50,233	50,233
Financial fixed assets	B, C	366	6,816	7,182
Total Fixed Assets		**53,004**	**60,068**	**113,072**
Current assets				
Inventories		64,684	-	64,684
Current receivables		21,035	-	21,035
Pre-paid costs and accrued revenues		13,461	-	13,461
Cash and cash equivalents		45,459	-	45,459
Total Current Assets		**144,639**	**-**	**144,639**
Total Assets		**197,643**	**60,068**	**257,711**

	Note	Previous Accounting Principles 311218	Effect of transition to IFRS	IFRS 311218
Equity Capital and Liabilities				
Equity Capital				
Share Capital		3,258	-	3,258
Other contributed capital		12,804	-	12,804
Capitalised earnings including profit/loss for the period	A, B, C	48,529	-21,445	27,084
Equity Capital attributable to the parent company's owners		**64,591**	**-21,445**	**43,146**
Minority interests		6,924	298	7,222
Total Equity		**71,515**	**-21,147**	**50,368**
Liabilities				
Long-term Liabilities				
Leasing liability	B	-	41,268	41,268
Other long-term liabilities		581	-	581
Total Long-term liabilities		**581**	**41,268**	**41,849**
Current Liabilities				
Supplier liabilities		30,029	-	30,029
Tax liabilities		383	-	383
Leasing liability	B	-	9,193	9,193
Other current liabilities		72,969	-	72,969
Accrued costs and deferred revenues	C	22,166	30,754	52,920
Total Current Liabilities		**125,547**	**39,947**	**165,494**
Total Equity and Liabilities		**197,643**	**60,068**	**257,711**

	Note	Previous Accounting Principles 010118-311218	Effect of transition to IFRS	IFRS 010118-311218
Net sales	C	538,341	-5,409	532,932
Other revenue	C	46,060	-3,555	42,505
Own work capitalised		1,176	-	1,176
Goods for resale and Other direct costs		-393,816	-	-393,816
Gross profit		**191,761**	**-8,964**	**182,797**
External operating expenses	B	-97,459	10,536	-86,923
Staff costs		-72,170	-	-72,170
Depreciation/amortisation	A, B	-12,012	-5,286	-17,298
Operating profit		**10,120**	**-3,714**	**6,406**
Net financial items	B	-176	-574	-750
Tax	B, C	-3,016	2,022	-994
Profit/loss for the period		**6,928**	**-2,266**	**4,662**
Attributable to:				
The parent company's owners		6,359	-2,266	4,093
Minority interests		569	-	569
Totals		**6,928**	**-2,266**	**4,662**
Other comprehensive income	A		**-159**	**-159**

NOT A

Goodwill

According to IFRS, the item goodwill is an intangible asset with an indefinite useful life, which means that the item is not reduced by annual depreciation. This differs from previous accounting principles (K3) where an economic life of 10 years has been applied. The transition to IAS 38 therefore means that amortization of goodwill during 2018 is reversed and reversed against the capitalized result in equity. Goodwill was previously in SEK but in connection with the transition to IFRS it has been reported in the currency of origin NOK. This has resulted in currency effects reported in opening equity on January 1st, 2018 and in other comprehensive income in 2018. The effect on opening equity as of January 1st, 2018 amounts to SEK -2,810 thousand relating to the currency revaluation from NOK to SEK. The earnings effect for the Group during the full year 2018 amounted to SEK 4,904 thousand in improved earnings as a result of reversed depreciation.

The revaluation in other comprehensive income amounts to SEK +925 thousand for the full year 2018. The total outgoing effect as of December 31st, 2018 regarding Goodwill amounts to TSEK +3 019 because of the currency revaluation and reversed depreciation for the full year 2018. Goodwill is not a deductible cost or taxable income, which is why the adjustment has no tax effects. The transition to IFRS entails a new requirement for Zinzino to test goodwill at least annually for any impairment need. Any write-down is reported in the operating profit. The item has been tested for impairment based on conditions that existed at the time of transition to IFRS and as of December 31st, 2018, no impairment need was identified. Sensitivity analyzes also show that reasonable possible changes in significant assumptions do not lead to any need for impairment.

NOT B

Leasingavtal

When transitioning to IFRS 16, the Group recognizes leasing liabilities attributable to leasing agreements that have previously been classified as operating leases in accordance with the rules in IFRS 16 Leases. These liabilities have been valued at the present value of future minimum fees. In the calculation, the lessee's implicit interest as of January 1st, 2019 has been used. The lessee's weighted average marginal loan rate applied for these leasing liabilities as of January 1st, 2019 was 2.75%. As a result of IFRS 16, the opening balance on January 1st, 2018 has entailed increased leasing liabilities and associated rights of use of SEK 40,351 thousand. In the income statement for the full year 2018, the total net effect on the year's result for lease agreements amounts to SEK -228 thousand. In the balance sheet on December 31st, 2008, rights of use of SEK 50,233 thousand and leasing liabilities of SEK 50,461 thousand have been reported and adjusted in the balance sheet correspondingly as a result of the transition.

Commitments for operational leases according to previously applied accounting principles as at 31 December 2017	**16,203**
Discounting with the group's marginal borrowing rate 2.75 %	-779
Plus: liabilities for financial leases as at 31 December 2017	9,254
(minus): short-term leases that are expensed on a linear basis	(-11)
Plus/(minus): adjustments due to other management of options to renew or terminate leases	15,684
Leasing liability recognised in accordance with IFRS 16 as at 1 January 2018	**40,351**

When IFRS 16 was applied for the first time, the group used the following practical solutions allowed in IFRS 1:

- Rights of use have been valued at the value of the leasing liability, with adjustment for prepaid leasing fees attributable to the lease as at 31 December 2017.
- The same discount rate has been used on leasing portfolios with similar characteristics
- Operating leases with a remaining leasing period of less than 12 months as at 1 January 2018 have been reported as short-term leases
- Direct acquisition costs for rights of use have been excluded from the transition to IFRS, and
- Historical information has been used in the assessment of the length of a lease where there are options to renew or terminate a contract.

NOT C

Intäkter från kunder med avtal

According to IFRS 15, sales to customers with contracts are reported as revenue when the control of the goods is transferred, which occurs when the goods are delivered to the customer or the distributor. Delivery takes place when the goods have been transported to the specific location and the risks of obsolete or lost goods have been transferred to the customer and the customer has either accepted the goods in accordance with the agreement, the time period for objections to the agreement has expired, or the group has objective evidence of that all criteria for acceptance have been met. Revenue from the sale of freight and other income is reported according to the same principle. No financing component is deemed to exist at the time of sale. In connection with the transition to IFRS, Zinzino has analyzed the timing of when control transfer takes place based on the criteria in IFRS 15. The group's overall assessment of the criteria for control transfer in accordance with IFRS 15 has prompted a modified date for revenue recognition where the time is postponed because control transfer is considered later in the supply chain than according to the Group's previous accounting principles. This means that Zinzino has an in-depth effect on shareholders' equity at the transition to IFRS 15 as a result of the sale of goods sold at the end of 2017 according to IFRS 15 first recognized in 2018. This effect amounts to SEK 21,790 thousand as reported on as an accrued income in the balance sheet and as an adjustment of opening equity as of 2018-01-01. The corresponding effect on December 31, 2018 amounts to TSEK 30,754, which means a reduced result for the year in 2018 totaling TSEK 8,964.

NOTE 10 FINANCIAL METRICS NOT DEFINED IN ACCORDANCE WITH IFRS

The company presents certain financial metrics in the interim report that are not defined in accordance with IFRS or the Annual Accounts Act. The company believes that these metrics provide valuable additional information to investors and the company's management as they allow the company's performance to be evaluated. Since not all companies calculate financial metrics in the same way, these are not always comparable with the metrics used by other companies. These financial metrics should therefore not be considered as a substitute for metrics defined in accordance with IFRS.

Definitions of alternative key figures not calculated in accordance with IFRS:

ALTERNATIVE KEY FIGURES	DEFINITION	PURPOSE
Sales growth	The total change in revenue in percent compared with total revenue for the corresponding period the previous year	This metric is interesting to follow as it shows the sales trend in the group
Gross profit/loss	The total change in revenue in percent compared with total revenue for the corresponding period the previous year	This metric is interesting to expand to see just the net sales during the period, which can be used in the income and cost analyses
EBITDA	Operating profit before depreciation/ amortisation and write-downs	This metric is relevant to create an understanding of the company's operational business, regardless of financing and depreciation of fixed assets
EBITDA margin:	EBITDA as a percentage of total revenues for the period	This metric is relevant to create an understanding of operational profitability and as the metric excludes depreciation, this margin gives the stakeholders a clearer picture of the company's central profitability
Operating profit/loss (EBIT)	Operating profit/loss before financial items and taxes	This metric illustrates profitability regardless of the tax rate for corporation tax and irrespective of the company's financial structure
Net margin	Profit/loss for the period as a percentage of total revenues for the period	This metric illustrates the company's profitability
Equity per share before dilution	Equity in relation to the number of outstanding shares on the balance sheet date	This metric measures the company's net value per share and shows whether the company is increasing the shareholders' capital over time
Cash flow from ongoing operations	Cash flow from operational business including changes in the operating profit/loss	This metric measures the cash flow the company generates before capital investments and cash flow attributed to the company's financing
Equity/assets ratio	Equity in relation to the balance sheet total	This metric is an indicator of the company's leverage to finance the company

GOTHENBURG 16 MAY 2019

The board of directors and the CEO certify that the interim report for the period January – March 2019 gives a fair overview of the parent company and group's operations, position and earnings and describes material risks and uncertainties faced by the parent company and the companies in the group.

For more information, please call Dag Bergheim Pettersen, Chief Executive Officer, Zinzino AB.

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Gothenburg, 16 May 2019

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Chief Executive Officer

Hans Jacobsson
Chairman of the board of directors

Pierre Mårtensson
Director

Director

Gabriele Helmer
Director

Staffan Hillberg

REVISORGRANSKNING
This interim report has not been the object of a review by the company's auditors.


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