

ZINZINO



INTERIM REPORT 2019 | Q3

THIS IS ZINZINO

Zinzino AB (publ.) is a direct sales company that operates in Europe, Australia 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 130 employees. The company has its headquarters in Gothenburg, as well as offices in Helsinki, Riga, and Oslo, Adelaide (Australien) 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.

ZINZINO INTERIM REPORT Q3 | 2019

JULY - SEPTEMBER

- Zinzino's Board of Directors is further adjusting the forecast for 2019 to that total revenues are expected to amount to between SEK 740-760 (577)
- Total revenue increased by 36% to SEK 186.5 (136.7) million
- Gross profit amounted to SEK 51.1 (42.9) million and the gross profit margin was 27.4% (31.4%)
- EBITDA amounted to SEK 4.4 (5.8) million and the EBITDA margin was 2.4% (4.3%)
- Cash flow from operating activities totalled SEK 25.2 (5.1) million
- Launch of updated website with an improved customer experience
- Partnership initiated with North American lifestyle company Life Leadership

JANUARY - SEPTEMBER

- Total revenue increased by 27% to SEK 534.3 (420.9) million
- Gross profit amounted to SEK 157.3 (138.2) million and the gross profit margin was 29.4% (32.8%)
- EBITDA amounted to SEK 27.2 (27.3) million and the EBITDA margin was 5.1% (6.5%)
- Cash flow from operating activities totalled SEK 47.9 (27.9) million
- Liquid assets at the balance sheet date were SEK 56.2 (49.9) million

INCREASED ANNUAL FORECAST AFTER VERY STRONG Q3

Sales growth of as much as 36% is above our expectations!

Our strong growth is naturally a source of pride and satisfaction as it means that our customers like our brand and our high quality products. Growth of 36% shows that our investments in technology and setting up in new markets are generating good returns. We have a culture of growth at Zinzino, and I am proud of the good work of all our employees and our distributors in the various markets in which we operate.

The high growth has resulted in a temporary increase in our cost base, mainly after increased remuneration to our talented distributors. In turn, this has resulted in slightly lower profitability during this quarter than during the quarter earlier this year. We have this under control and continue to focus on profitable growth, which is clearly communicated over several years and in our financial goals.

We are seeing growth in many markets, but Central Europe is growing most of all, which in turn gives us confidence in strong sustainable growth during the last quarter of the year, balanced with good profitability.

Consequently, I have high expectations for us to deliver significantly better growth and beat our original sales forecast. We initially communicated that revenue in 2019 was expected to be SEK 630-680 million. Then we adjusted the forecast in the Q2 report, where we estimated that sales should exceed SEK 700 million for 2019. I now believe that we will achieve an even better figure, close to SEK 750 million in sales for the year and an operating margin before depreciation of more than 4.0%.

NEW WEBSITE, NEW PAYMENT SOLUTIONS, SOCIAL MEDIA AND NEW MARKETS

In recent years, we have made major investments to create growth and achieve increased customer satisfaction, all to achieve our overall goals and ambitions. It is incredibly important to be extremely proficient online, with all that means, from the website, payment systems and branding in social media. We feel confident entering new markets equipped with unique products within the preventive health sector with incredible online tools supporting us. We launched a new website with a completely new look in the third quarter in combination with improved payment solutions. We have also launched a global online store for customers all over the world and our presence on social media has increased significantly.

We launched in Australia earlier this year. This was just the start of entering into Asia and Oceania and we are expecting a great deal of investment in the region. In the United States, we have entered into partnership with Life Leadership, which we expect to generate improved results in the region. In Central Europe, as stated above, we have a strong growth trend. I believe we have matured more as a company by launching in new markets. Before the introduction, we invested more resources and capital in our marketing efforts, which produced results in the form of faster sales growth. We are also attracting more attention from distributors who want to join Zinzino.

Our scalable business model provides increased revenue and a greater financial muscle, which in turn allows continued investment in new products, skilled employees, marketing and new markets. We have ambitious goals and will continue to work hard to achieve a profitable growth journey towards a billion in revenue over the next few years.

Dag Bergheim Pettersen, CEO Zinzino

Inspire change in life



"Sales growth of as much as 36% is above our expectations."

FINANCIAL SUMMARY (SEK MILLION)

KEY GROUP FIGURES	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	FULL YEAR 2018
Total revenue	186.5	136.7	534.3	420.9	576.6
Net sales	172.2	111.1	494.3	384.8	532.9
Sales growth	36%	n/a	27%	n/a	n/a
Gross profit	51.1	42.9	157.3	138.2	182.8
Gross profit margin	27.4%	31.4%	29.4%	32.8%	31.7%
Operating profit before depreciation and amortisation	4.4	5.8	27.2	27.3	23.7
Operating margin before depreciation and amortisation	2.4%	4.3%	5.1%	6.5%	4.1%
Operating profit	-0.6	1.2	13.3	14.2	6.4
Operating margin	-0.3%	0.9%	2.5%	3.4%	1.1%
Profit/loss before tax	-0.7	1.0	12.4	13.2	5.7
Net profit	-1.1	0.6	9.7	9.4	4.7
Net margin	-0.6%	0.4%	1.8%	2.2%	0.8%
Net earnings per share after tax before dilution, SEK	-0.04	0.02	0.30	0.29	0.14
Net earnings per share after tax at full dilution, SEK	neg	0.02	0.29	0.29	0.14
Cash flow from operating activities	25.2	5.1	47.9	27.9	29.8
Cash and cash equivalents	56.2	49.9	56.2	49.9	45.4
Equity/assets ratio	13%	25%	13%	25%	20%
Equity capital per share before dilution, SEK	1.23	1.82	1.23	1.82	1.55
Number of issued shares on average for the period	32,580,025	32,580,025	32,580,025	32,580,025	32,580,025
Number of issued shares on average for the period with full dilution	33,080,025	32,580,025	33,080,025	32,580,025	32,580,025

ZINZINO'S OUTLOOK AND FINANCIAL GOALS FOR 2019

Zinzino's Board of Directors is further adjusting the forecast for 2019 to that total revenues are expected to amount to between SEK 740-760 (577). 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.

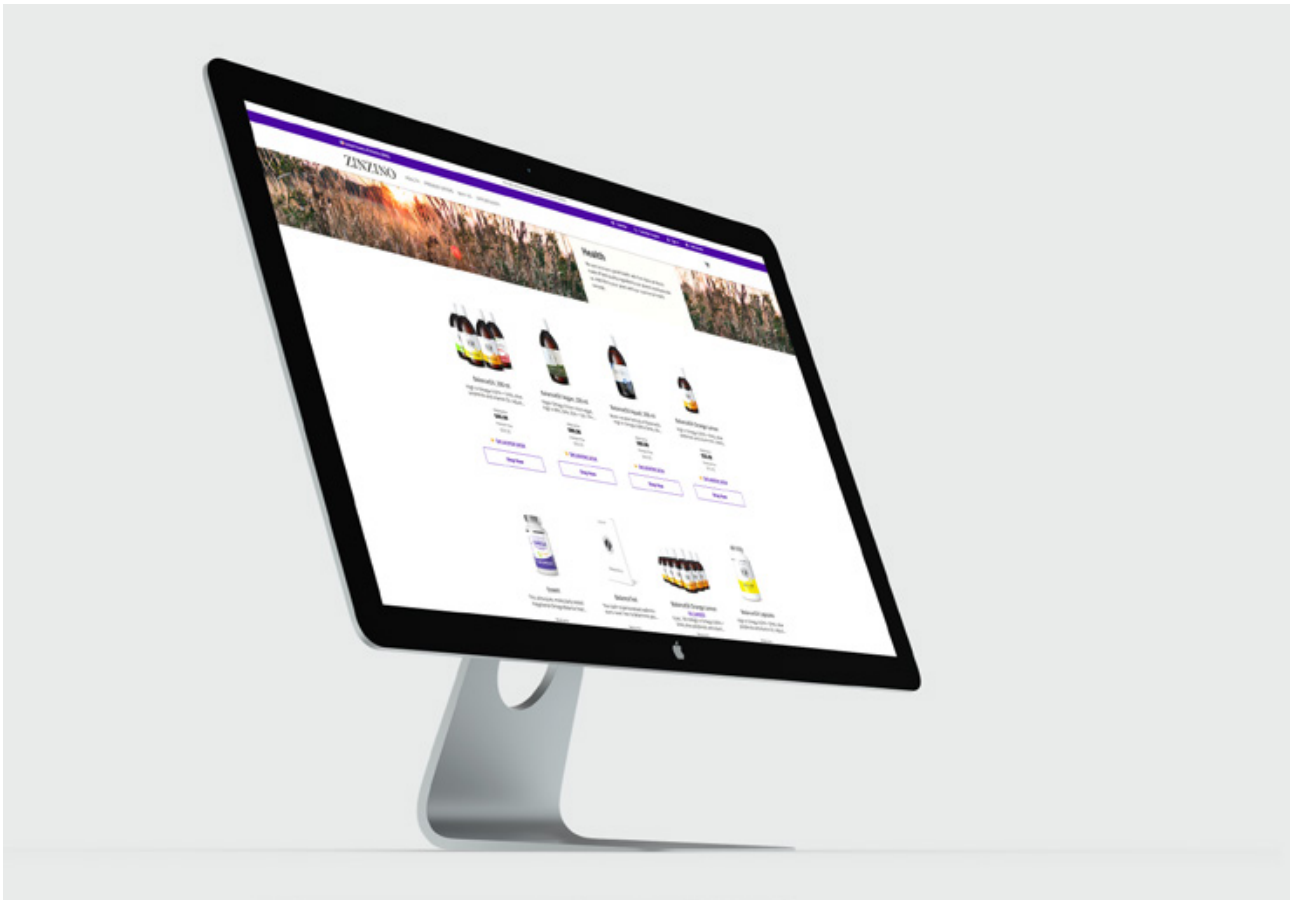
Zinzino's clear ambition of achieving an SEK 1 billion turnover no later than 2022 remains.



SIGNIFICANT EVENTS DURING AND AFTER **THIRD QUARTER 2019**

LAUNCH OF NEW WEBSITE

During the third quarter, Zinzino's process of developing digital platforms continued. During the quarter, the company launched a redesigned website. The website has been given a new look and feel to reflect the company's brand. In addition, a new navigation has been introduced and flows around product selection have been simplified. This included a fast, easy and fun shopping experience that makes it easier to find products and information. The mobile experience is improved and now allows Customers and Partners to have a consistent shopping experience across any device they use. This launch is the first step in a continuous improvement process to lift the web experience to the next level.



NEW PARTNERSHIP ON THE NORTH AMERICAN MARKET WITH LIFE LEADERSHIP

Zinzino has partnered with the US American Life Leadership Community. This partnership will give Life Leadership's customers access to the next generation of test-based nutritional products from Zinzino. Life Leadership is a US-based training and savings platform which uses its digital solution to help customers "Earn and Learn". Their "Life App" application helps consumers obtain refunds on their daily purchases while developing financial knowledge and skills. In addition, through its tools and courses, "Life App" helps to develop many other skills that are important in life. Through Life Leadership's mobile-adapted shopping platform and peer-to-peer network, Life Leadership will offer Zinzino's products to its growing customer base.

MULTIPLE NEW GLOBAL ESTABLISHMENT PROCESSES INITIATED

During the quarter, Zinzino continued to work on the ongoing establishment processes in India, Czech Republic, Slovakia and Romania; the last three of these will receive full status in the last quarter of 2019. In addition, establishment processes have been initiated for the UK, Russia, South Africa and Hong Kong.

FOCUS ON SOCIAL MEDIA AND NEW RECOGNITION CONCEPT

During the third quarter, Zinzino focused on developing a social media strategy with an initial focus on Instagram and Facebook. As the first step in the new strategy, the company has created inspiring and engaging content aimed at customers and distributors. During Q4, Zinzino will further develop its content strategy and channel strategy. Another project that Zinzino will focus on in the market area in the coming quarters is the Partner Marketing Guidelines, which focus on how a Partner can work in areas such as social media.

Offering recognition to the company's distributors is an important part of Zinzino's culture. For this reason, the company has developed a new Recognition programme consisting of films, diplomas and trophies for the title "Crown" and above. In 2020, Zinzino will continue to develop the project with the goal of showing gratitude to the company's distributors for the fantastic work they are doing!



NEW AND MODERN PACKAGING DESIGN

During the third quarter, Zinzino focused on developing a new and modern packaging design for the company's health products. The new packaging design will create a premium feel and represents Scandinavian minimalism. The design consists of a molecular pattern that symbolises science-based supplements. The new packaging design will be launched during the first half of 2020.



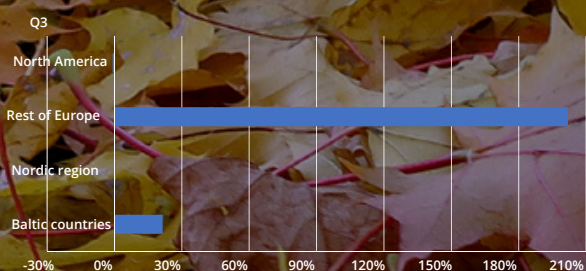
SALES AND PROFIT Q3 | 2019

Q3

THE THIRD QUARTER SALES

Total revenue for the third quarter of 2019 was SEK 186.5 (136.7) million, which corresponded to a growth of 36% compared with the same period in the previous year. This also means that the rate of growth increased by twelve percentage points compared to the second quarter 2019. This is despite the fact that logistics problems at the start of the quarter led to increased revenue postponements to the fourth quarter of roughly SEK 5 million.

GROWTH BY REGION 2019 VS 2018



Nordic region

Countries: Sweden, Norway, Finland, Denmark and Iceland

In the Nordic countries, total revenue increased by 1% to SEK 99.9 (99.4) million. In Sweden the positive trend continued with good sales growth and a high level of distributor activity. Development on the Danish market also continued to be positive, although with slightly lower sales growth than in Sweden. The reduction in sales in Norway and Finland continued to decline during the quarter after increased distributor activity in both countries. Low distributor activity in Iceland during the quarter resulted in decreased revenues.

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 -16% to SEK 11.6 (13.8) million.

Baltic countries

Countries: Estonia, Latvia and Lithuania

In the Baltic countries, revenue increased in total by 21% to SEK 12.3 (10.2) million in the third quarter. This is mainly due to continued positive sales growth in Latvia combined with growth in Lithuania and Estonia. For a long time, Zinzino's distributors in Latvia have had a major focus on customer growth by building long-term customer relationships using Zinzino's test-based balance concept, which contributed to the strong growth. The Lithuanian and Estonian sales organisations responded favourably to the distributor campaigns that were launched earlier in the year, which resulted in more activity and generated a higher level of new sales in both markets. Zinzino continues to support the sales organisations in the Baltic countries, mainly through marketing support and customer support.

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 202% to SEK 65.6 (21.7) million. Continued very strong growth in the central European markets of Hungary, Poland, Czech Republic and Slovakia, 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. Also positive growth in the UK/Ireland. Increased distributor activity in Italy, Greece and Cyprus contributed strongly to the growth in southern Europe.

North America

Countries: USA and Canada

Revenues in North America reached SEK 5.4 (5.5) million during the quarter, which corresponded to a reduction in revenues of 1% compared to the third quarter of 2018. Zinzino will continue to support the sales organisation by implementing several strategic measures to further adapt the business for the North American market. An important step in this work is the new website, which was launched in the third quarter with a modified design and function for the North American market. In addition to this, a partnership with the US American lifestyle company Life Leadership has been initiated, which is described earlier in this report. 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.

Australia

Sales were launched on the Australian market earlier in the year and have developed positively since the launch. During the third quarter, total combined revenues reached SEK 3.3 (-) million. Zinzino continues to support the development of the local sales organisation through the local office in Adelaide and the industry consultant who was hired to set up a strategic distribution network that will facilitate widespread geographic sales growth throughout the country.

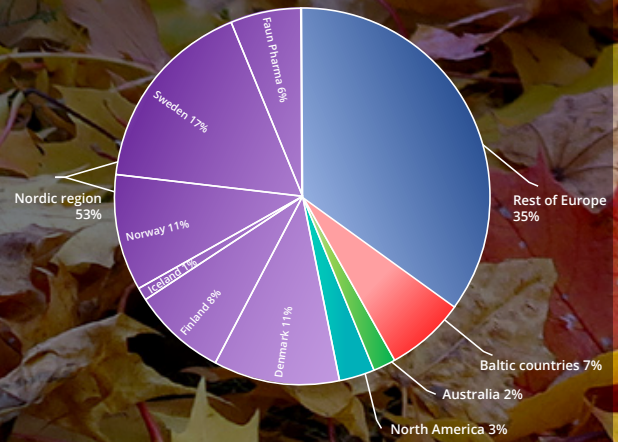
In the third quarter, the Nordic countries continued to account for the majority of company revenues according to the geographical distribution, even though its share fell to 53% (73%) of total sales. The Baltic countries retained their share at 7% (7%). The rest of Europe continued to increase its share of total revenue and accounted for 35% (16%) during the quarter, mainly through the favourable sales development in the central European countries.

North America accounted for 3% (4%) of the total revenue. Performance was strong in the new region, Australia, during the quarter and it was responsible for the remaining 2% (0%) of total revenue.

GROWTH PER PRODUCT GROUP

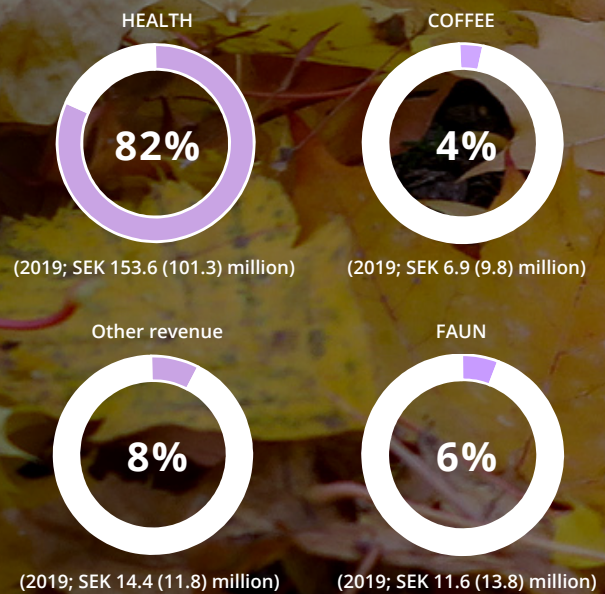
The Zinzino Health product segment increased by 52% to SEK 153.6 (101.3) million and accounted for 82% (74%) of total revenue. The Zinzino Coffee product segment decreased by 30% to SEK 6.9 (9.8) million, which corresponded to 4% (7%) of total revenue. Faun Pharma AS external sales decreased by 16% since there was a higher percentage of internal production during the quarter and amounted to SEK 11.6 (13.8) million, which corresponded to 6% (10%) of total revenue. Other revenue amounted to SEK 14.4 (11.8) million, which was equivalent to the remaining 8% (9%) of revenue for the quarter.

SALES BY REGION Q3

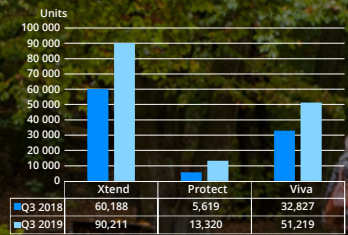
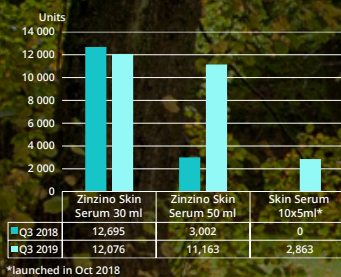
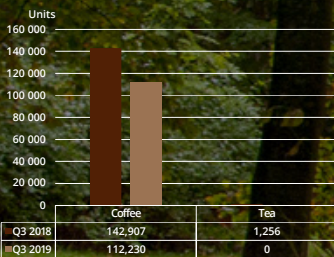
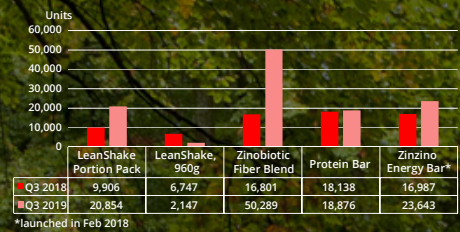
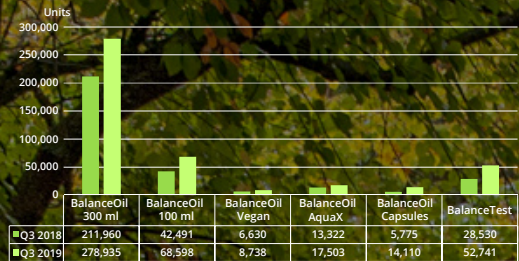


Sales
SEK MILLION **186.5** (136.7)

REVENUES



Q3



During the quarter, the number of sold Balance units increased by 43% to 440,625 (308,708). 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.

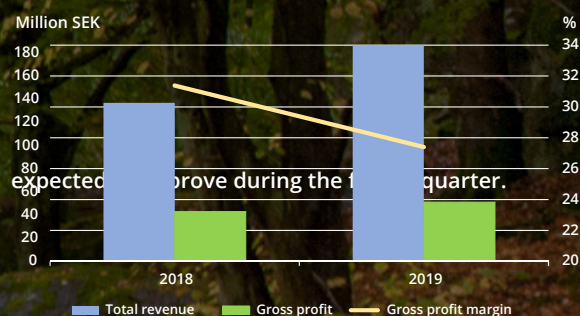
Beverages declined by 22% to 112,230 (114,163) units sold, showing that the trend of reduced sales of Zinzino Coffee continues, mainly due to the fact that these products have not been launched on the newly opened markets for a few years now. Zinzino Coffee is only sold in the Nordic region and in the Baltic countries.

Immune & Brain grew by 57% to 154,750 (98,634) units sold. Weight Control increased by 69%, to 115,809 (68,579) units. Skin Care increased by 56% to 26,102 (15,697) units sold. The figures show that the trend is continuing as a result of all the complementary products to BalanceOil increasing in sales, indicating that the product strategy to focus on spreading the need for complementary products via distributors in the various markets was the right path for Zinzino.

COSTS AND PROFIT THIRD QUARTER

Gross profit amounted to SEK 51.1 (42.9) million and the gross profit margin was 27.4% (31.4%). The reduction in the gross profit was mainly due to the effect of the generally increased levels of compensation of the distributor's compensation combined with a very high impact of one-off bonuses during the quarter. The underlying reason for the increased remuneration was the high level of eligible sales during the quarter. Overall, as a result of growth-generating sales campaigns, an important part of the company's growth strategy. In addition to this, gross profit was also negatively affected by the revenue postponements caused by delivery problems at the end of the quarter, where distributor compensation was still charged in the third quarter.

Combined with price increases, an increased share of Health in the product mix and the implemented savings measures in production and purchasing, gross margins are



EBITDA amounted to SEK 4.4 (5.8) million and the operating margin before depreciation/amortisation was 2.4% (4.3%). The margin was offset by high sales costs, establishment costs and development costs as well as the decline in earnings at the gross level. Operating profit amounted to SEK -0.6 (1.2) million and the operating margin was -0.3% (0.9%). Profit before tax totalled SEK -0.7 (1.0) million and net profit was SEK -1.1 (0.6) million.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the quarter were charged to the profit for the period by SEK 4,976 (4,604) thousand, of which SEK 293 (259) thousand was depreciation of tangible fixed assets, SEK 4,683 (4,345) thousand was amortisation of intangible fixed assets. Of this, 2,627 (2,841) is amortisation of leases in accordance with IFRS 16.

CASH FLOW

Major changes in working capital, mainly related to the effect that the number of paid but not delivered orders increased significantly during the quarter, which contributed to the cash flow from operating activities amounting to SEK 25.2 (5.1) million.

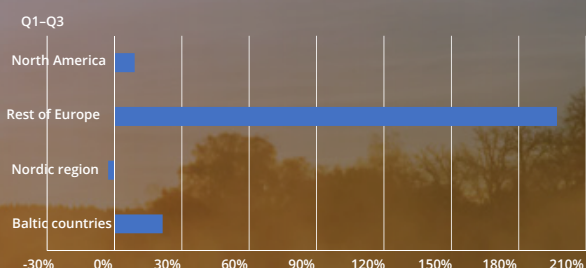
SALES AND PROFIT Q1-Q3 | 2019

Q1-Q3

THE GROUP'S POSITION AND PERFORMANCE AS OF Q1-Q3 OF THE YEAR 2019

In total, Q1-Q3 2019 revenue was SEK 534.3 (420.9) million, which corresponded to a growth of 27% compared to the previous year.

GROWTH BY REGION 2019 VS 2018



Nordic region

Countries: Sweden, Norway, Finland, Denmark and Iceland

In the Nordic countries, total accumulated revenue Jan-Sep dropped by 3% to SEK 309.5 (318.4) million. High distributor activity in Sweden and Denmark throughout the year generated increased sales. The trend was even more positive in Norway and Finland during the year, where the decline halted during the third quarter after increased distributor activity on both markets. On the other hand, the negative trend continued in Iceland with low distributor activity throughout the year.

Faun Pharma, the group's subsidiary and also its production unit, has thus far in 2019 had a higher share of internal production, which is a natural consequence of the higher growth rate in other parts of the group. This has resulted in lower external sales in the manufacturing unit compared to 2018, which also contributed to the region's modest growth compared to the corresponding period in the previous year.

Baltic countries

Countries: Estonia, Latvia and Lithuania

In the Baltic countries, overall revenue increased by 21% to SEK 38.4 (31.6) million during the first nine months of the year. The trend has, in general, been good in the Baltic countries during the year with continued strong sales growth in Latvia along with higher growth in Lithuania and Estonia. Distributor activity has increased thanks to the distributor campaign that was launched during the year. Distributors in Lithuania and Latvia responded particularly well. With the higher level of distributor activity, new sales in Lithuania and Latvia were at very high levels in 2019 compared to last year and in general, even compared to several years ago.

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

The very best sales growth in the group came from countries in the rest of Europe accumulatively in Q1-Q3. Combined total revenue in the region increased by 197% to SEK 164.9 (55.5) million. There was very strong growth in eastern Europe (with Hungary, Poland, Czech Republic and Slovakia at the lead), as well as the DACH region and Holland. What they all have in common is distributors collaborating across borders, which leads to a higher level of activity and fuels sales.

North America

Countries: USA and Canada

Revenue in North America in Q1-Q3 reached SEK 16.8 (15.4) million, which corresponded to a 9% growth compared with the corresponding period in the previous year. This indicates that the measures Zinzino has taken to stimulate this strategically important region have started to generate results. For quite some time, Zinzino has been focused on implementation of various measures to stimulate distributor activity in North America. In 2019, a new Chief Operating Officer with solid expertise and core expertise from growth companies within the direct sales industry was appointed for the North American market. Zinzino is also continuing its efforts to develop websites and interfaces for distributors to meet the high demands from the North American distributor network.

Australia

Sales launched in Australia at the start of the second quarter 2019 and initial development has been very good. Accumulated from the start of the third quarter, revenue reached SEK 4.8 million.

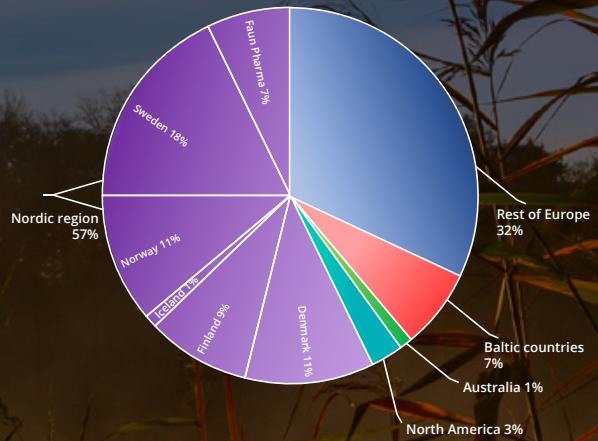
During Q1-Q3, the Nordic countries continued to represent the majority of the company's revenues, even if the share reduced to 57% (76%) of total sales. The Baltic states reduced their share to 7% (8%). The rest of Europe continued to increase its share of total revenue and accounted for 32% (13%) during the first half of the year, mainly through the favourable sales growth in the central European countries. North America accounted for 3% (3%) of the total revenue and Australia the remaining 1% (0%) of revenue.

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 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.

Zinzino is working long-term and investing significant resources in the development of IT systems and market tools, which is generating growth in both the short-term and long-term. 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.

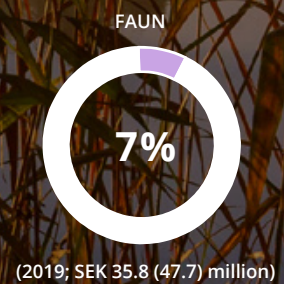
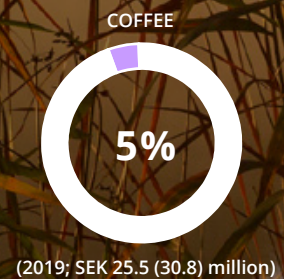
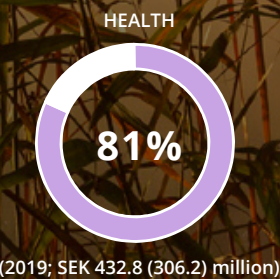
Following the majority of the implemented establishment processes in recent years, the company has learned the importance of ensuring thorough preparatory work and adapting to the local conditions in each market. Zinzino will continue to develop 'best practice' through the company's experience during the establishment process in Australia and India to adapt business activities to achieve rapid growth in the new markets in 2019.

SALES BY REGION Q1-Q3

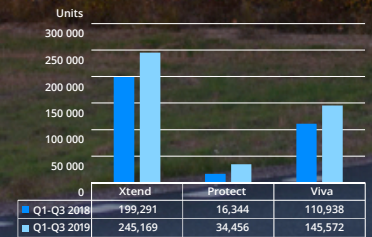
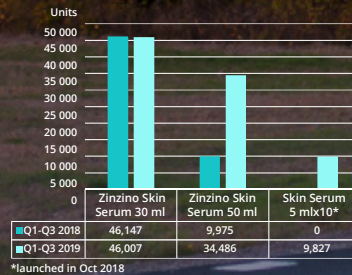
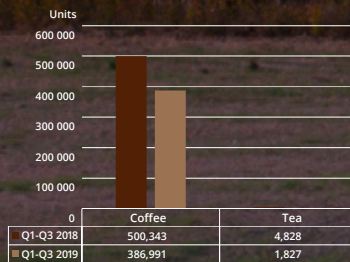
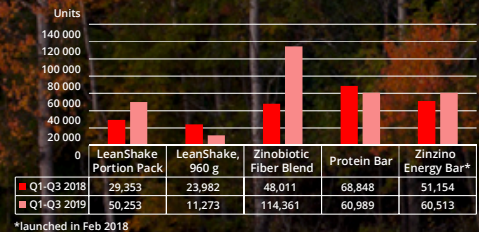
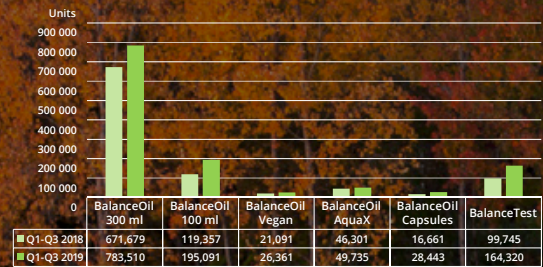


Sales
SEK MILLION **534.3** (420.9)

REVENUES



Q1-Q3



GROWTH PER PRODUCT GROUP

The Zinzino Health product segment increased by 41% to SEK 432.8 (306.2) million and represented 81% (73%) of total revenue. The Zinzino Coffee product segment decreased by 17% to SEK 25.5 (30.8) million, which corresponded to 5% (7%) of total revenue. Faun Pharma AS external sales decreased by 25% since there was a higher percentage of internal production during the quarter and amounted to SEK 35.8 (47.7) million, which corresponded to 7% (11%) of total revenue. Other revenue amounted to SEK 40.2 (36.2) million, which was equivalent to the remaining 7% (9%) of revenue for Q1-Q3.

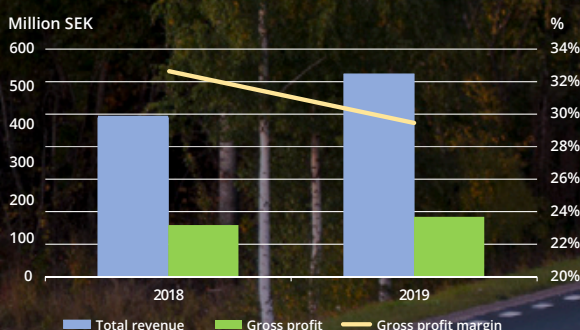
In Q1-Q3, the number of Balance units sold increased by 28% to 1,247,460 (974,834). This increase was mainly due to the large number of new customers and distributors that have been gained during so far this year and subsequently chosen BalanceOil in different variants such as the starter pack and in subscription form.

Immune & Brain grew by 30% to 425,197 (326,573) units sold. Weight Control increased by 34%, to 297,371 (221,339) units. Skin Care increased by 61% to 90,320 (56,122) units sold. All supplementary products to BalanceOil are demonstrating good growth and it indicates that Zinzino's product strategy is being well received by both the distribution network and customers.

Beverages declined by 23% to 388,818 (505,171) 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 Q1-Q3

Gross profit amounted to SEK 157.3 (138.2) million and the gross profit margin was 29.4% (32.8%). The deterioration of gross profit was primarily due to generally higher remuneration levels for the company's distributors in 2019. EBITDA for Q1-Q3 amounted to SEK 27.2 (27.3) million and operating margin before depreciation and amortisation was 5.1% (6.5%), negatively impacted by sales costs and establishment costs in both North America and Australia, along with the costs associated with developing digital and the transition to IFRS during the year. Operating profit amounted to SEK 13.3 (14.2) million and the operating margin was 2.5% (3.4%).



Profit before tax for the first 9 months of the year amounted to SEK 12.4 (13.2) million and net profits were SEK 9.7 (9.4) million.

INVENTORIES

The group's combined inventories at the balance sheet date were SEK 87.0 (61.9) million. 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 so that it will be able to ensure delivery to the growing base of customers there.

FINANCIAL POSITION

On the balance sheet date, cash totalled SEK 56.2 (49.9) million. The group's equity/assets ratio was 13% (23%). Group equity at the end of the quarter totalled SEK 40.1 (59.4) million, equivalent to SEK 1.23 (1.82) 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. During the third quarter, the company has increased resources for the marketing department and IT department, with additional expertise to further increase the rate of development.

The number of employees in the group at the end of the period reached 135 people, of which 82 are women. In addition, there were 10 people, of which 4 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>.

Compared with the annual accounts published on 30 April 2019, no new risks have been identified.

NUMBER OF OUTSTANDING SHARES

As at 30/09/2019, 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 par 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 programmes. The first options programme will expire on 31 May 2020 at an exercise price of SEK 26 and will cover 600,000 options. The second options programme includes 500,000 options at an exercise price of SEK 14. The second options programme also expires on 31 May 2020. The third options programme includes 800,000 options at an exercise price of SEK 18. The third options programme expires on 31 May 2024.

If all the options outstanding on 30/09/2019 are exercised for new subscriptions of 1,900,000 shares, the share capital dilution will be approximately 6%.





INTERIM REPORT 2019 | Q3

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.

For a complete description of the group's accounting principles, see the interim report for Q1 2019.

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

ANNUAL GENERAL MEETING 2020

The annual meeting of shareholders of Zinzino AB (publ) will be held on 15 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.

REPORT CALENDAR

The year-end report for 2019 will be published on 27/02/2020
The 2019 Annual Report will be published on 24/04/2020
Interim report Q1 2020 will be published on 14/05/2020



FINANCIAL **REPORTS**

GROUP REPORT

SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	01/07/2019 30/09/2019	01/07/2018 30/09/2018	01/01/2019 30/09/2019	01/01/2018 30/09/2018	01/01/2018 31/12/2018
Net sales	172,191	124,874	494,258	384,762	532,932
Other operating revenues	13,322	11,841	37,370	35,749	42,505
Own work capitalised	1,005	-	2,662	360	1,176
Goods for resale and other direct costs	-135,466	-93,824	-376,942	-282,631	-393,816
Gross profit	51,052	42,891	157,348	138,240	182,797
External operating expenses	-26,901	-18,893	-70,868	-58,616	-86,923
Staff costs	-19,732	-18,168	-59,273	-52,359	-72,170
Depreciation/amortisation	-4,976	-4,604	-13,953	-13,091	-17,298
Operating profit	-557	1,226	13,254	14,174	6,406
Financial income	-183	-211	-851	-575	-750
Tax	-409	-462	-2,695	-4,217	-994
Profit/loss for the period	-1,149	554	9,708	9,382	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	-476	-462	2,818	4,161	-159
Other comprehensive profit/loss for the period	-476	-462	2,818	4,161	-159
Total comprehensive profit/loss for the period	-1,625	91	12,526	13,543	4,503
Profit/loss for the period attributable to:					
Parent company's shareholders	-1,386	391	8,609	8,562	4,093
Non-controlling interest	237	163	1,099	819	569
Total	-1,149	554	9,708	9,382	4,662
Total comprehensive profit/loss for the period attributable to:					
Parent company's shareholders	-1,862	-78	11,422	12,718	3,929
Non-controlling interest	237	170	1,104	824	574
Total	-1,625	91	12,526	13,543	4,503

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

Amounts in SEK	01/07/2019 30/09/2019	01/07/2018 30/09/2018	01/01/2019 30/09/2019	01/01/2018 30/09/2018	01/01/2018 31/12/2018
Earnings per share before dilution	-0.04	0.02	0.30	0.29	0.14
Earnings per share after dilution	neg	0.02	0.29	0.29	0.14

GROUP REPORT

SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	30/09/2019	30/09/2018	31/12/2018
Fixed assets			
Goodwill	34,536	34,998	31,762
Other intangible assets	18,335	16,821	19,272
Inventories, tools and installations	5,885	4,464	4,623
Right-of-use assets	47,854	52,222	50,233
Financial fixed assets	7,919	5,535	7,182
Total fixed assets	114,549	114,040	113,072
Current assets			
Inventories	86,963	61,880	64,684
Current receivables	27,712	17,966	21,035
Pre-paid costs and accrued revenues	15,608	17,864	13,461
Cash and bank balances	56,234	49,871	45,459
Total current assets	186,517	147,581	144,639
Total assets	301,065	261,621	257,711
Share Capital	3,258	3,258	3,258
Other contributed capital	12,804	12,804	12,804
Retained earnings including profit/loss for the period	24,026	43,346	34,306
Total equity	40,088	59,408	50,368
Long-term liabilities			
Lease liabilities	38,105	43,173	41,268
Other long-term liabilities	730	580	581
Total long-term liabilities	38,835	43,753	41,849
Current liabilities			
Supplier liabilities	27,177	19,459	30,029
Tax liabilities	3,162	179	383
Lease liabilities	8,909	9,450	9,193
Other current liabilities	98,858	75,339	72,969
Accrued costs and deferred revenues	84,037	54,033	52,920
Total current liabilities	222,143	158,460	165,494
Total equity and liabilities	301,065	261,621	257,711

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	-	-	-	4,093	4,093	569	4,662
Other comprehensive profit/loss for the period	-	-	-164	-	-164	5	-159
Share repurchase	-	-	-	50	50	-50	-
Change of the minority	-	-	-	-2	-2	2	-
Dividends	-	-	-	-14,661	-14,661	-	-14,661
Closing balance 31/12/2018	3,258	12,804	-	27,066	43,146	7,222	50,368
Opening balance 01/01/2018	3,258	12,804	182	37,586	53,830	6,696	60,526
Profit/loss for the period	-	-	-	8,562	8,562	819	9,382
Other comprehensive profit/loss for the period	-	-	4,137	-	4,137	24	4,161
Share repurchase	-	-	-	51	51	-51	-
Change of the minority	-	-	-	12	12	-12	-
Dividends	-	-	-	-14,661	-14,661	-	-14,661
Closing balance 30/09/2018	3,258	12,804	4,319	31,551	51,932	7,476	59,408
Opening balance 01/01/2019	3,258	12,804	18	27,066	53,830	7,222	50,368
Profit/loss for the period	-	-	-	8,609	8,562	1,099	9,708
Other comprehensive profit/loss for the period	-	-	2,812	-	2,812	6	2,818
Share repurchase	-	-	-	3	3	-3	-
Change of the minority	-	-	-	12	12	-12	-
Dividends	-	-	-	-22,806	-22,806	-	-22,806
Closing balance 30/09/2019	3,258	12,804	2,830	13,424	32,316	7,772	40,088

GROUP REPORT

SUMMARY OF CASH FLOWS

Amounts in SEK thousands	01/07/2019 30/09/2019	01/07/2018 30/09/2018	01/01/2019 30/09/2019	01/01/2018 30/09/2018	01/01/2018 31/12/2018
Operating activities					
Profit/loss before financial items	-557	1,226	13,254	14,174	6,406
Adjustment for items which are not included in the cash flow:					
Depreciation and amortisation/write-downs	4,976	4,604	13,953	13,091	17,298
Currency fluctuations	769	311	-1,950	1,546	1,589
	5,188	6,141	25,257	28,811	25,293
Interest received	5	16	86	51	69
Interest paid	-263	-186	-694	-549	-788
Tax paid	-28	-	-78	-29	89
	-286	-170	-686	-527	-630
Cash flow from operating activities before changes in operating capital	4,902	5,971	24,571	28,284	24,663
Cash flow from changes in operating capital					
Increase(-)/Decrease(+) in inventories	-4,914	-7,571	-22,279	-8,933	-11,737
Increase(-)/Decrease(+) in current receivables	10,113	-7,093	-8,824	-14,904	-13,570
Increase(+)/Decrease(-) in current liabilities	20,022	13,789	54,399	23,445	30,420
Cash flow from operating activities	25,221	5,096	47,867	27,892	29,776
Investment activity					
Investments in intangible fixed assets	-1,736	-1,386	-4,140	-2,040	-6,236
Investments in financial fixed assets	-77	-	-183	-64	-88
Investments in tangible fixed assets	-330	-303	-1,949	-1,711	-2,410
Cash flow from investment activities	-2,143	-1,689	-6,272	-3,815	-8,734
Financing activities					
Amortisation of leasing liabilities attributable to leases	-2,543	-2,789	-8,015	-7,964	-9,341
Dividends	-	-	-22,806	-14,661	-14,661
Cash flow from financing activities	-2,543	-2,789	-30,821	-22,625	-24,002
Cash flow for the period	25,437	618	10,775	1,452	-2,960
Cash and cash equivalents at start of period	30,797	373	45,459	48,419	48,419
Cash and cash equivalents at end of period	56,234	991	56,234	49,871	45,459
Change in cash and cash equivalents	25,437	618	10,775	1,452	-2,960

PARENT COMPANY

SUMMARY INCOME STATEMENT

Amounts in SEK thousands	01/07/2019 30/09/2019	01/07/2018 30/09/2018	01/01/2019 30/09/2019	01/01/2018 30/09/2018	01/01/2018 31/12/2018
Net sales	3,000	2,500	4,500	3,700	5,371
Other revenue	0	-	-	-	11
Goods for resale and other direct costs	0	-	-	-	-
Gross profit	3,000	2,500	4,500	3,700	5,382
External operating expenses	-1,565	-915	-3,444	-3,048	-3,882
Depreciation/amortisation	-89	-54	-265	-163	-233
Operating profit	1,346	1,531	791	489	1,267
Financial income	64	-	95	1	7,700
Tax	8	-108	8	-108	-279
Profit/loss for the period	1,418	1,423	894	382	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	30/09/2019	30/09/2018	31/12/2018
Fixed assets			
Intangible fixed assets	1,213	821	1,465
Financial fixed assets	83,346	83,333	83,162
Total fixed assets	84,539	84,254	84,627
Current assets			
Current receivables	13,795	478	456
Pre-paid costs and accrued revenues	593	275	1,088
Cash and bank balances	1,758	991	1,037
Total current assets	16,146	1,744	2,581
Total assets	100,705	85,998	87,208
Restricted equity	3,258	4,179	4,723
Unrestricted equity	3,669	16,866	16,322
Profit/loss for the period	894	381	-8,688
Total equity	7,821	21,426	29,733
Long-term liabilities	16,206	16,206	16,206
Current liabilities	75,910	47,866	40,735
Accrued costs and deferred revenues	767	500	534
Total liabilities	92,884	64,572	57,475
Total equity and liabilities	100,705	85,998	87,208

PARENT COMPANY

REPORT ON CHANGES IN EQUITY

Restricted equity

Amounts in SEK thousands	Share Capital	Fund for development expenditures	Premium share reserve	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	-	-	-	8,688	8,688
Reversal of own reprocessing development expenditures	-	-217	-	217	-
Own reprocessing development expenditures	-	598	-	-598	-
Dividends	-	-	-14 661	-	-14,661
Closing balance 31/12/2018	3,258	1,465	22,138	2,872	29,733
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	-	-108	-	108	-
Dividends	-	-	-14,661	-	-14 661
Closing balance 30/09/2018	3,258	976	22,138	-4,949	21,426
Opening balance 01/01/2019	3,258	1,465	22,138	2,872	29,733
Profit/loss for the period	-	-	-	894	894
Reversal of own reprocessing development expenditures	-	-252	-	252	-
Dividends	-	-	-22,138	-668	-22,806
Closing balance 30/09/2019	3,258	1,213	-	3,350	7,821

PARENT COMPANY REPORT

SUMMARY OF CASH FLOWS

Amounts in SEK thousands	01/07/2019 30/09/2019	01/07/2018 30/09/2018	01/01/2019 30/09/2019	01/01/2018 30/09/2018	01/01/2018 31/12/2018
Operating activities					
Profit/loss before financial items	1,346	1,531	791	489	1,267
<i>Adjustment for items which are not included in the cash flow</i>					
Depreciation and amortisation/write-downs	89	54	264	163	233
Currency fluctuations	-67	1	102	-1	-11
	1,368	1,586	1,158	651	1,489
Interest received	-	-	-	-	-
Interest paid	-	-	-4	-	-
Tax paid	-	-	-8	-	-
	-	-	-12	-	-
Cash flow from operating activities before changes in operating capital	1,368	1,586	1,146	651	1,489
Cash flow from changes in operating capital					
Increase(-)/Decrease(+) in current receivables	-1,316	213	-5,145	874	83
Increase(+)/Decrease(-) in current liabilities	1,070	-1,181	27,709	1,320	14,518
Cash flow from operating activities	1,122	618	22,564	14,794	16,090
Investment activity					
Investments in intangible fixed assets	-	-	-	-	-598
Investments in financial fixed assets	-69	-	-183	-14,661	-88
Investments in tangible fixed assets	-	-	-	-	-
Cash flow from investment activities	-69	-	-183	-14,661	-686
Financing activities					
Dividends	-	-	-22,806	-14,661	-14,661
Cash flow from financing activities	-	-	-22,806	-14,661	-14,661
Cash flow for the period	1,053	618	721	697	743
Cash and cash equivalents at start of period	705	373	1,037	294	294
Cash and cash equivalents at end of period	1,758	991	1,758	991	1,037
Change in cash and cash equivalents	1,053	618	721	697	743



NOTES

NOTE 1 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.

July-Sept 2019	Zinzino	Faun	Group elimination	Total Group
Net sales	160,568	25,050	-13,427	172,191
Own work capitalised	13,322	-	-	13,322
Other revenue	1,005	-	-	1,005
Goods for resale and other direct costs	-131,641	-17,252	13,427	-135,466
Gross profit	43,254	7,798	-	51,052
External operating expenses	-25,561	-1,340	-	-26,901
Staff costs	-14,789	-4,943	-	-19,732
EBITDA	2,905	1,514	-	4,419
Depreciation/amortisation	-3,511	-1,465	-	-4,976
Operating profit	-606	529	-	-557

July-Sept 2018	Zinzino	Faun	Group elimination	Total Group
Net sales	111,114	21,914	-8,154	124,874
Other revenue	11,841	-	-	11,841
Goods for resale and other direct costs	-87,614	-14,364	8,154	-93,824
Gross profit	34,696	7,551	-	42,891
External operating expenses	-14,408	-4,485	-	-18,893
Staff costs	-13,118	-5,050	-	-18,169
EBITDA	7,171	-1,985	-	5,830
Depreciation/amortisation	-3,381	-1,223	-	-4,604
Operating profit	3,789	-3,207	-	1,226

Jan-Sept 2019	Zinzino	Faun	Group elimination	Total Group
Net sales	458,453	70,911	-35,106	494,258
Other revenue	37,370	-	-	37,370
	2,662	-	-	2,662
Goods for resale and other direct costs	-363,328	-48,720	35,106	-376,942
Gross profit	135,157	22,191	-	157,348
External operating expenses	-66,893	-3,975	-	-70,868
Staff costs	-45,372	-13,901	-	-59,273
EBITDA	22,893	4,314	-	27,207
Depreciation/amortisation	-10,126	-3,827	-	-13,953
Operating profit	12,766	487	-	13,254

Jan-Sept 2018	Zinzino	Faun	Group elimination	Total Group
Net sales	336,923	68,137	-20,298	384,762
Other revenue	35,749	-	-	35,749
Own work capitalised	360	-	-	360
Goods for resale and other direct costs	-255,384	-47,545	20,298	-282,631
Gross profit	117,647	20,593	-	138,240
External operating expenses	-51,715	-6,901	-	-58,616
Staff costs	-39,219	-13,140	-	-52,359
EBITDA	26,714	551	-	27,265
Depreciation/amortisation	-9,506	-3,585	-	-13,091
Operating profit	17,207	-3,033	-	14,174

Jan-Dec 2018	Zinzino	Faun	Group elimination	Total Group
Net sales	469,381	92,906	-29,355	532,932
Other revenue	42,505	-	-	42,505
Own work capitalised	1,176	-	-	1,176
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 2 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.

July-Sept 2019	Zinzino	Faun	Total Group
Revenue per segment	160,570	11,622	172,192
Revenue from external customers	160,570	11,622	172,192
Goods within Zinzino Health	153,661	-	153,661
Goods within Zinzino Coffee	6,858	-	6,858
Sales of external goods Faun	-	11,622	11,622
Events and other services	52	-	52
Total	160,570	11,622	172,192

July-Sept 2018	Zinzino	Faun	Total Group
Revenue per segment	111,114	13,760	124,874
Revenue from external customers	111,114	13,760	124,874
Goods within Zinzino Health	101,299	-	101,299
Goods within Zinzino Coffee	9,810	-	9,810
Sales of external goods Faun	-	13,760	13,760
Events and other services	5	-	5
Total	111,114	13,760	124,874

Jan-Sept 2019	Zinzino	Faun	Total Group
Revenue per segment	458,453	35,805	494,258
Revenue from external customers	458,453	35,805	494,258
Goods within Zinzino Health	432,813	-	432,813
Goods within Zinzino Coffee	25,460	-	25,460
Sales of external goods Faun	-	35,805	35,805
Events and other services	181	-	181
Total	458,453	35,805	494,258

Jan-Sept 2018	Zinzino	Faun	Total Group
Revenue per segment	337,050	47,712	384,762
Revenue from external customers	337,050	47,712	384,762
Goods within Zinzino Health	306,234	-	306,234
Goods within Zinzino Coffee	30,759	-	30,759
Sales of external goods Faun	-	47,712	47,712
Events and other services	57	-	57
Total	337,050	47,712	384,762

Jan-Dec 2018	Zinzino	Faun	Total Group
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 page 12 and 16. Regarding revenue recognition principles, please see page 19.

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 page 19 on Principles for revenue recognition.

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

NOTE 3 TRANSACTIONS WITH CLOSELY RELATED PARTIES

	July-Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	Jan-Dec 2018
Compensation for sales services performed Saele Invest AS	6,763	4,890	18,632	15,346	21,457
Other Saele Invest AS	-	-	-81	-	559
Total Saele Invest AS*	6,763	4,890	18,551	15,346	22,016
Compensation for sales services performed Oh Happy Day ApS**	1,337	822	3,089	2,571	3,559
Consultancy fees to board members***	-	-	-	-	126
Total	8,099	5,712	21,641	17,916	25,701

As at 30/09/2019, the debt to Saele Invest AS relating to sales commissions amounts to SEK 0 (0) thousand and to Oh Happy Day ApS to SEK 1,117 (768) 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 which are defined through the company's shareholding in Zinzino AB as persons with significant influence.

** Refers to sales commissions to Oh Happy Day, which is controlled by Peter Sörensen and which is defined through the company's shareholding in Zinzino AB as a person with significant influence.

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.

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

NOTE 4 PROFIT PER SHARE

SEK	July-Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	Jan-Dec 2018
Earnings per share before dilution	-0,04	0,02	0,26	0,29	0,14
Earnings per share after dilution	neg	0,02	0,26	0,29	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	-1,386	554	8,609	9,382	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	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	33,080,025	32,580,025	33,080,025	32,580,025	32,580,025

NOTE 5 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 30 September 2019.

NOTE 6 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

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	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, 15 NOVEMBER 2019

The CEO certifies that the interim report for the period January – September 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.

Zinzino AB

Hulda Mellgrens Gata 5, SE-421 32 Västra Frölunda

E-mail: info@zinzino.com

Tel: +46 (0)31-771 71 50

Gothenburg, 15 November 2019

Dag Bergheim Pettersen
Chief Executive Officer

AUDITOR REVIEW

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

