

ZINZINO



JULY - SEPTEMBER 2014

- ▶ **All markets showed growth during Q3.** Income amounted in all to a total of SEK 87.6m (64.4), corresponding to a growth of 36 %. The profit before tax in Q3 was also higher in comparison with the preceding year and amounted to SEK 6.7m (4.0).
- ▶ **The distribution of the turnover in percentage terms** between the product lines during the third quarter, was 64 % for Zinzino Food and 36 % for Zinzino Coffee. Food turnover amounted to SEK 50.3m (24.1), corresponding to a growth of 109 %. Coffee turnover came to SEK 27.9m (33.3) which is an increase in turnover of 16%.
- ▶ **The geographical distribution relating to sales** during July-September 2014, was as follows: Norway 26 %, Finland 16 %, Denmark 13 %, Estonia 12 % Iceland 12 %, Sweden 9 %, USA 4%, Lithuania 4 %, Latvia 3% and The Faroes 1%.
- ▶ **Growth per country** during July-September 2014, when compared with the corresponding period of the preceding year, was as follows: Norway 21 %, Finland 29 %, Denmark 27 %, Estonia 34 % Iceland 120 %, Sweden 29 %, USA 4%, Lithuania 14 %, Latvia 17% and The Faroes 873%.
- ▶ **During Q3 there were 13 444 (11 159) new customers** and the sales force was extended by 3 047 (2 761) distributors.



INTERIM REPORT

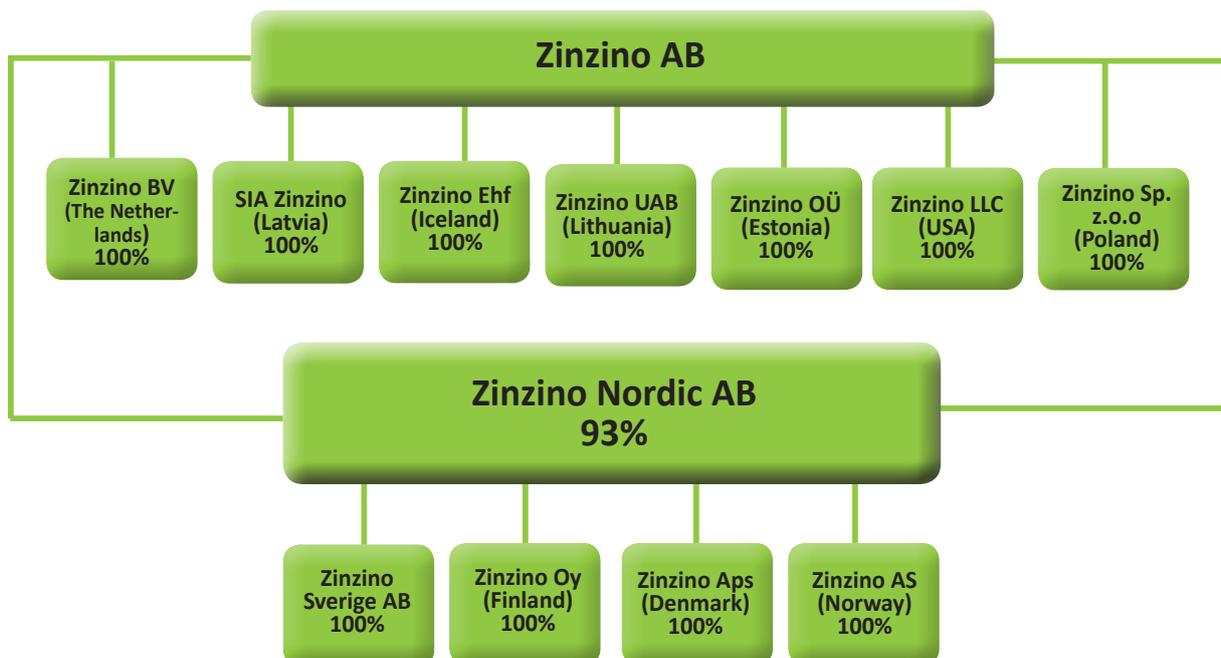
01-07-2014 – 30-09-2014

Zinzino AB (publ.) is one of the leading direct sales companies, represented in Sweden, Norway, Denmark, Finland, Estonia, Latvia, Lithuania, Iceland, The Faroes, Poland, The Netherlands and USA. Zinzino markets and sells functional food and coffee. The functional food product line consists of the Balance products: oil, shakes, test and capsules. The coffee product line consists of espresso machines, coffee, tea and accessories. Our business is characterized by high quality, closeness to the customer and focus on active product development. The products are marketed through direct sales. The company has more than 50 employees and the main office is in Gothenburg, Sweden.

INFORMATION ABOUT THE COMPANY

Zinzino was established under the name of Zinzino Holding in the autumn of 2007. During 2009, partly by means of a non-cash issue and partly through a directed share issue, the company acquired 93% of the share capital and 97% of the shares in Zinzino Nordic AB. Zinzino Nordic is a sales company which utilizes independent distributors who market and sell products on commission through what is termed direct selling.

GROUP STRUCTURE 30-09-2014



A FOCUS ON GROWTH AND OUTCOME

THIRD QUARTER

- Total income amounts to SEK 87.6m (64.4) representing a growth of 36%.
- The operating result amounts to SEK 6.7m (4.3) and the operating margin is 7.6%
- Pre-tax profits amount to SEK 6.7m (4.0) Profit per share amounts to SEK 0.23 (0.14)
- The newly-established subsidiaries in Holland and Poland commenced sales.

ACCUMULATED JANUARY– SEPTEMBER

- Total income amounts to SEK 243.1m (172.4), corresponding to a 41% growth.
- The operating profit amounts to SEK 13.3m (5.5) and the operating margin is 5.5%.
- Pre-tax profits amount to SEK 13.3m (5.4). The profit per share amounts to SEK 0.45 (0.18).
- Liquid assets, as per the day of the report, amount to SEK 49.3m (5.2).

FINANCIAL SUMMARY (SEKM)

THE GROUP'S KEY FIGURES	Q3 -2014	Q3-2013	ACK-2014	ACK-2013
Total income	87.6	64.4	243.1	172.4
Net turnover	78.2	57.4	218.2	154.6
Sales growth	36%	33%	41%	53%
Gross profit	24.6	17.9	66.7	44.2
Gross profit margin	28.1%	27.8%	27.4%	25.6%
Operating profit before depreciation	7.0	4.5	14.1	6.0
Operating margin before depreciation	8.0%	7.0%	5.8%	3.5%
Operating profit	6.7	4.3	13.3	5.4
Operating margin	7.7%	6.7%	5.5%	3.2%
Pre-tax profit	6.7	4.0	13.3	5.4
Net margin	7.7%	6.2%	5.5%	3.1%
Pre-tax profit (after dilution) SEK	0.23	0.14	0.45	0.18
Liquid assets	49.3	5.2	49.3	5.2
Solvency	45%	28%	45%	28%
Equity capital per share (after dilution) SEK	1.53	0.53	1.53	0.53

For definitions see page 9

Zinzino's financial goals

During the period 2014-2016 the average growth in sales in Zinzino shall be at least 25 % and the net margin shall increase to >6%. The dividends policy shall be 30% of the net profit as long as liquidity and solvency permits this. Our forecast for 2014 is that total income shall exceed SEK 320m. The 2014 net margin is expected to exceed 4%.

CEO'S COMMENTS



“Our growth in the third quarter continues in comparison with the preceding year and profitability is better than ever.

The period January to September has given us a growth of 41 per cent compared with 2013, which is better than forecast. Profits are developing even better and so we are ahead of schedule in relation to what we had previously forecast for the year. Our current forecast shows us heading towards a total turnover income of between SEK 340 and 360 million. All markets reflect continued growth- which is good for self-confidence and augurs well for further growth in 2015.

I am very happy to report that, during the quarter just ended, we opened up two new markets, Poland and The Netherlands, and that both of these have already generated customers and sales. I have a strong belief in the future success of our concept in these two new markets and that they will become important Zinzino markets in the future.

We are constantly striving to improve ourselves and to avoid unnecessary costs. Thanks to our new investment in Faun Pharma we now have our own production facility and will continue to work actively towards achieving still lower goods costs. We have reduced our goods costs by 7 per cent in two years and we expect our investment in Faun Pharma to result in a further 2 per cent goods cost reduction. We do, however, anticipate initial costs in Faun Pharma which are needed in the form of strategic recruitment, market investments and investments in new and more efficient machinery in order to bring Faun into a long-term profitable condition.

The strategy continues to be the development of new products and opening of new markets. During the last quarter we launched two new products aimed at our customers and we continue to develop our product concept still further. In the course of 2015 we plan to open up both Germany and Canada – two major markets which have the potential of adding much to our sales growth.

Enjoying growth in both sales and number of customers is practically a Zinzino obsession and we have promised at least 25 per cent growth and improved profits over the next three-year period.”

Dag Bergeheim Pettersen, CEO, Zinzino AB

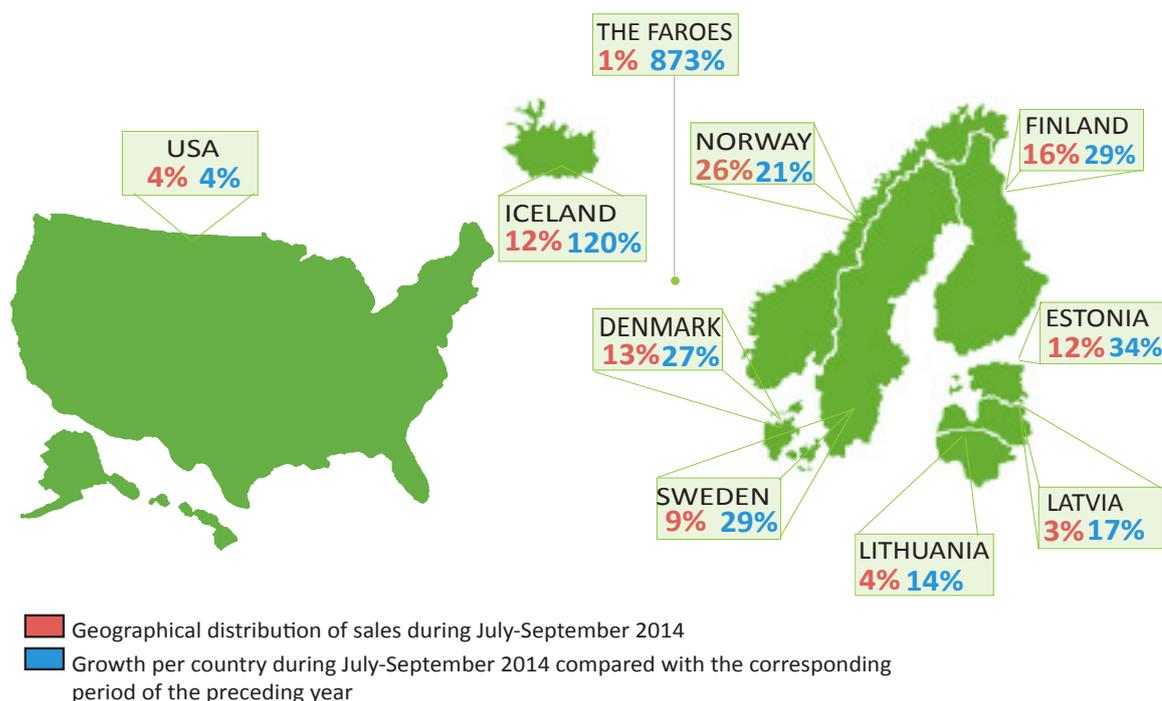
SIGNIFICANT EVENTS DURING AND AFTER THE THIRD QUARTER 2014

Strong growth and profit development continue during Q3

All of Zinzino's markets report growth in the third quarter in comparison with the preceding year. Total income amounts to 87.6 (64.4), corresponding to a sales growth of 36% for the Group compared with the year before. The pre-tax profit amounts to SEK 6.7m (4.0), equivalent to a profit per share of SEK 0.23 (0.14).

Sales broken down as a percentage between the product lines during the third quarter are 36% for Zinzino Coffee and 64% for Zinzino Food. Coffee sales account for SEK 27.9 m (33.3), representing a fall in sales of 16%. Food sales amount to SEK 50.3 m (24.1), corresponding to a growth of 109%.

Growth and geographical sales per market during Q3:



During the third quarter the Group gained 13 444 (11 159) new customers. The sales force grew by 3 047 (2 761) distributors.

Start of sales in new markets.

Zinzino's concept has now been launched in Poland and Holland with sales due to start in September. Zinzino will, initially, only launch the Zinzino Food line's product range in the markets. As with previous establishments this will be effected through local sales companies assisted by customer support from the head office in Gothenburg, e.g. via local language customer services. The establishment processes have been resource- and cost-efficient and have been implemented in a very short time. What remains now is to help the distributors to establish sales on the markets in an efficient manner, e.g. through offering customers installment payment solutions.

Listing change procedure

During the quarter Zinzino has continued to work on the listing change procedure. The board has submitted an application and the listing change will take place in the autumn, provided that the company is approved for listing on NASDAQ OMX First North. Erik Penser Bankaktiebolag is to act as the company's certified adviser and Setterwalls in Gothenburg will assist as legal advisor in the procedure.

Added external capital via stock subscription on options

During the quarter the Group was provided with external capital via stock subscriptions relating to options issued during 2010. During the period SEK 8.5m was added which meant that SEK 12m was supplied to the company during 2014.

The increase in the share capital and the volume of shares were registered with the Swedish Companies Registration Office at the beginning of October.

Zinzino AB (publ) acquires 85% of Faun Pharma AS

By means of a SEK 10m investment, Zinzino acquired 85% of the shares in the Norwegian production company Faun Pharma AS during October. The company makes products in the cosmetics, health and dietary supplements sector. By means of this investment, Zinzino gains access to a modern production and product development facility which affords Zinzino yet another dimension to its activity. Faun Pharma AB moved its plant to new premises in Vestby, Norway just three years ago. The facility and machinery are in a new condition, providing Zinzino with the means to research, develop and produce new products in an efficient manner and of high quality. The investment is expected to generate a strong increase in Zinzino's competitiveness and brand.

Zinzino launches BalanceXtender and a new flavor for BalanceOil

October saw the launch by Zinzino of the new product BalanceXtender. The product is designed to protect, preserve and renew or cells and tissues. BalanceXtender is, moreover, a perfect complement to BalanceOil – it extends the function and concept of “being in balance” with all parts of the body.

In addition to BalanceXtender a new BalanceOil flavor has been launched – Orange-Lemon-Mint flavor. This taste combination enjoys an even greater effect than the previous flavor combinations as it will eliminate flavor essences from raw materials which is expected to make the product even more competitive on the omega-3 products market.



Liquidity and solvency

As per the balance sheet day cash-in-hand amounted to SEK 49.3m, (5.2m). The Group's solvency amounts to 45% (28%). After the end of the balance sheet date Zinzino AB financed the acquisition of 85% of the shares in Faun Pharma by means of cash assets amounting to SEK 10m. Following the acquisition the Board and management continue to be highly satisfied with the financial base that exists in the Group together with the positive operating capital that the business generates.

PROFIT & LOSS ACCOUNTS ZINZINO GROUP AND ZINZINO AB (PUBL.)

	Group 2014 July- Sep	Zinzino AB 2014 July- Sep	Group 2013 July- Sep	Zinzino AB 2013 July- Sep
Net turnover	78,236	-	57,420	-
Other income	9,331	-	6,986	-
Trade goods and others direct costs	-62,951	-	-46,554	-
Gross profit	24,616	-	17,852	-
External operating costs	-10,995	-	-8,821	-112
Personnel costs	-6,617	-170	-4,514	-
Depreciation	-287	-	-194	-
Operating profit	6,717	-170	4,323	-112
Net financial items	0	-	-291	-
Tax	-32	-	-	-
Year's profit	6,685	-170	4,032	-112

	Group 2014 Jan-Sep	Zinzino AB 2014 Jan-Sep	Group 2013 Jan-Sep	Zinzino AB 2013 Jan-Sep
Net turnover	218,186	-	154,594	-
Other income	24,903	-	17,785	-
Trade goods and other direct costs	-176,420	-	-128,191	-
Gross profit	66,669	-	44,188	-
External operating costs	-32,156	-685	-22,041	-334
Personnel costs	-20,443	-	-16,228	-
Depreciation	-819	-	-555	-
Operating profit	13,251	-685	5,364	-334
Net financial items	-1	-	-1	1
Tax	-32	-	-	-
Year's profit	13,218	-685	5,363	-333

BALANCE SHEET ZINZINO GROUP AND ZINZINO AB (PUBL.)

	Group	Zinzino AB	Group	Zinzino AB
	30-09-2014	30-09-2014	30-09-2014	30-09-2014
Fixed assets				
Intangible fixed assets	2,894	-	2,119	-
Tangible fixed assets	978	-	1,083	-
Financial fixed assets	5,937	25,079	3,994	22,360
Total fixed assets	9,809	25,079	7,196	22,360
Current assets				
Stocks held	28,015	-	30,827	-
Short-term receivables	12,952	288	13,431	62
Cash-in-hand and on deposit	49,292	8,875	5,193	114
Total current assets	90,259	9,163	49,451	176
Total assets	100,068	34,242	56,647	22,536
Tied equity capital	2,424	2,951	2,708	2,708
Free equity capital	29,460	27,921	10,598	19,424
Year's profit	13,218	-685	5,363	-333
Total equity capital	45,102	30,187	18,669	21,799
Long-term liabilities	277	277	277	277
Short-term liabilities	54,689	3,778	37,701	460
Total liabilities	54,966	4,055	37,978	737
Total equity capital and liabilities	100,068	34,242	56,647	22,536

CASH-FLOW ANALYSIS ZINZINO GROUP AND ZINZINO AB (PUBL.)

	Group		Group	
	2014	2013	2014	2013
	July-Sep	July-Sep	Jan-Sep	Jan-Sep
The current business				
Profit before financial items	6,717	4,323	13,251	5,486
Depreciation / Writing down	287	194	819	555
	7,004	4,517	14,070	6,041
Interest received	-	10	-	-
Interest paid	-	-291	-1	-1
Tax paid	-32	-	-32	-
Cash-flow from the current business before change to operating capital	6,972	4,236	14,037	6,040
Cash-flow from change to operating capital				
Increase(-) / Decrease(+) in stocks held	2,328	749	400	-16,783
Increase(-) / Decrease(+) in short-term receivables	-3,155	-2,380	-3,575	-2,664
Increase(-) / Decrease(+) in short-term liabilities	8,334	1,251	21,040	2,639
Cash-flow from the current business	14,479	3,856	31,902	-10,768
Investment activity				
Investment in intangible fixed assets	-	-34	-	-34
Investment in financial fixed assets	-	-49	-2,397	-49
Investment in tangible fixed assets	-80	-400	-353	-431
Cash-flow from investment activity	-80	-483	-2,750	-514
Financing activity				
Shareholder contribution	-	-	-	-
Group contribution	-	-	-	-
Dividends	-	-	-2,708	0
Options issue	8,508	0	12,120	0
Cash-flow from financing activity	8,508	0	9,412	0
PERIOD'S CASH-FLOW	22,907	3,373	38,564	-11,282
Liquid assets at start of period	26,350	1,798	10,923	16,473
Currency exchange rate difference in liquid assets	35	22	195	-2
Liquid assets at end of period	49,292	5,193	49,292	5,193
Change to liquid assets	22,907	3,373	38,564	-11,282

DEFINITIONS OF KEY FIGURES

Gross margin

Total income minus cost of sold goods, partner commissions and freighting costs as a percentage of the period's total income.

Operating margin

Operating profit after depreciation as a percentage of the period's total income.

Profit per share

Period's profit in relation to its average number of outstanding shares.

Operating margin before depreciation

Operating profit before depreciation as a percentage of the period's total income.

Equity capital per share

Equity capital in relation to number of outstanding shares on the balance sheet day.

Net margin

Period's profit as a percentage of its net turnover.

Solvency

Equity capital as a percentage of the balance sheet total.

OTHER INFORMATION

Zinzino provides no breakdown of minority interests in the interim report. The minority comprises approx. 7% of the shares in Zinzino Nordic AB and the owners of these have no influence in the Group.

Zinzino enjoys an advantageous tax situation with unused loss deduction in the companies Zinzino Nordic AB and Zinzino AB amounting to over SEK 100m. Deferred tax receivable has not been accounted.

NUMBER OF OUTSTANDING SHARES

As at 30-09-2014 the share capital is distributed between 27 825 270 shares, of which 6 113 392 are A-shares (1 vote) and 21 711 878 B-shares (0.1 vote). The share's nominal value is SEK 0.10. The company's B-shares are traded on Aktietorget, www.aktietorget.se. At the end of the quarter the share capital was further extended in connection with further share subscriptions on issued subscription options. Also after the end of the quarter, 1 000 000 A-shares were re-stamped as 1 000 000 B-shares.

ACCOUNTING PRINCIPLES

The company's accounts follow the rules according to K3.

AUDITOR EXEMINATION

This interim report has not been subjected to examination by the company's auditors.

NEXT REPORT

Year-end report for 2014 will be published on 27-02-2015.

For more information, please call Dag Bergheim Pettersen, CEO, Zinzino AB

Gothenburg, 14 November 2014
Zinzino AB (publ.)
The Board

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Note: This report is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall prevail.