

# ZINZINO



INTERIM REPORT 2017 | Q2

# 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 more than 120 employees. The company has its headquarters in Gothenburg, and 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.

Zinzino was designated in 2016 both as one of Veckans Affärer's "Super Companies" and as Dagens Industri's Gazelle Company.

## A SHORT HISTORY

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

**2009** - Zinzino Nordic AB was acquired, partly through a directed issuance in kind to the owners of Zinzino Nordic AB and partly through a subscription for shares in the preference issuance Zinzino Nordic AB carried out in December 2009. Through this Zinzino AB acquired control over 97% of the votes and 92% of the capital of Nordic AB. By 31 December 2015 the ownership share had increased to 93% of the 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 on 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 Holland. 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 opened in all of the EU countries.

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## QUARTER IN REVIEW

- Total revenues increased by 28% (0%) to SEK 137.3 (107.0) million.
- Zinzino's production unit Faun Pharma AS increased its external sales by 158% to SEK 19.9 (7.7) million.
- The product segment Health increased by 25% to SEK 93.3 (74.7) million.
- Completed web projects provide greater digital exposure.
- Beginning of sales in Switzerland.
- The launch of the newly developed dietary supplement Viva provides a new dimension in health.

## HALF-YEAR IN REVIEW

- Total revenues increased by 22% (1%) to SEK 265.5 (216.8) million.
- Zinzino's production unit Faun Pharma AS increased its external sales by 115% to SEK 36.9 (17.2) million.
- The product segment Health increased by 21% to SEK 182.5 (151.2) million.
- Cash and cash equivalents on reporting date amounted to SEK 26.6 (24.0) million.

## FINANCIAL SUMMARY (SEK MILLION)\*

THE GROUP'S KEY RATIOS	Q2 - 2017	Q2 - 2016	CUM. 2017	CUM. 2016	FULL YEAR 2016
Total revenues	137.3	107.0	265.5	216.8	492.3
Net turnover	125.0	97.7	242.8	199.3	436.4
Sales growth	28%	0%	22%	1%	11%
Gross profit	37.2	33.6	76.2	72.0	167.2
Gross profit margin	27.1%	31.4%	28.7%	33.2%	34.0%
Operating profit before depreciation and amortisation	1.6	4.6	7.3	12.8	23.0
Operating margin before depreciation and amortisation	1.2%	4.3%	2.8%	5.9%	4.7%
Operating profit	-0.7	2.3	2.8	8.3	14.0
Operating margin	-0.5%	2.2%	1.1%	3.8%	2.8%
Profit before tax	-0.7	2.3	2.7	8.0	13.9
Net profit	-1.0	0.9	0.9	5.2	9.7
Net margin	-0.8%	0.8%	0.3%	2.4%	2.0%
Net profit per share after tax before dilution, SEK	-0.03	0.03	0.03	0.17	0.31
Net profit per share after tax at full dilution, SEK	-0.03	0.03	0.03	0.15	0.29
Liquid assets	26.6	24.0	26.6	24.0	23.3
Equity/assets ratio	48%	50%	48%	50%	50%
Equity capital per share before dilution, SEK	2.51	2.63	2.51	2.64	2.82
Number of issued shares on average for the period	32,580,025	31,017,416	32,580,025	30,958,541	31,359,861
Number of issued shares on average for the period with full dilution	33,984,326	33,780,025	33,883,850	33,780,025	33,780,025

\*Comparison ratios adjusted to take into consideration new accounting principles relating to currency-related revenues and costs

## FINANCIAL GOALS AND ZINZINO'S OUTLOOK FOR 2017

The board of directors of Zinzino maintains its forecast that the total revenues in 2017 will be SEK 540 - 580 million. Operating margin before depreciation as a percentage is estimated to be on par with last year. The target for average growth in sales in Zinzino for the

period 2017-2019 is a minimum of 20% and for the operating margin before depreciation to increase to > 6%. The dividend policy is at least 50% of the net profit, liquidity and equity/assets ratio permitting.

# A STRONG GROWTH OF 28% AND LAUNCH OF A NEW DIGITAL PLATFORM

The most important launch during the quarter is primarily our new digital platform, including a new web shop, for customers and distributors. The platform is one of the largest reasons that we will grow strongly in the future. We also launched the new product Viva and we established operations in Switzerland. We also conducted a project for more efficient deliveries to customers and distributors and launched two new commercials in social media to increase awareness of our brand. Altogether, these projects and launches give us the chance to focus on efficiency and improved profitability. And this ultimately means growth for us.

## AN INTENSIVE QUARTER

The second quarter was a very labour-intensive quarter. Many projects were completed and we can report a strong growth that we are satisfied with.

As already announced, with a new web shop, new products and new markets, we will grow quickly in the future. An efficient organisation and production will make profitability grow in line with the growth we anticipate of at least 20% per year during the coming years.

Q2 was a satisfying quarter in terms of growth and project focus, but we are not satisfied with the fact that we used more money on growth than planned during the quarter and consequently did not make money.

We invested a great deal of time and resources in the digital shift at the same time that it was necessary to invest in marketing with new commercials and campaigns to maintain growth. The digital tool now works well, which creates a good foundation for growth without extra marketing. We will reduce selected costs in the current quarter, and our margins will improve in the upcoming quarter and for the full year.

## SCALABLE BUSINESS MODEL AND EFFICIENCY ENHANCEMENTS

In the annual report, we explained how we will use our scalable business model and that Zinzino will double its sales from half a billion SEK to one billion SEK at the end of 2020. We will potentially reach one billion customers in the markets we have opened, we have world-leading health products, we distribute our products efficiently through our direct sales concept, we ourselves develop and produce at our production unit Faun and we will open new, interesting markets. All of this means that we view our growth target of 20% positively.

In that time, we will more than double our net margin in percent as a result of our having invested in new technology which both simplifies and makes more efficient more processes in support, finance, logistics, IT and sales. This means that we will invest less and employ fewer in relative terms per increased SEK. We are also going to reduce costs both in production and in the purchase of products and services when the volumes increase. We continue to regularly improve our processes, become more efficient and use our economies of scale, which will in turn lead to profitable growth. Such a scalable business model is very interesting and inspiring for our partners, employees and shareholders.

### **Dag Bergheim Pettersen**

We aspire to inspire a change in people's life

A man in a dark suit and tie is standing at a dark podium on a stage. He is gesturing with his right hand while speaking. On the podium, there is a glass of water and a microphone. The background is a large screen showing a blurred image of a person. The stage is lit with blue and purple lights, and there are spotlights visible on the left side.

“The second quarter was a very labour-intensive quarter. Many projects were completed and we can report a strong growth that we are satisfied with”.

# SIGNIFICANT EVENTS DURING AND AFTER THE **SECOND QUARTER OF 2017**



## FULL-SCALE ESTABLISHMENT IN SPAIN AFTER FAVOURABLE SALES DEVELOPMENT

The sales trend in Spain has been positive since the beginning in the summer of 2016 when Zinzino opened for sales in the 19 EU countries that Zinzino was not previously established in. To meet the growing market's needs, Zinzino conducted a full-scale establishment during the second quarter, with a beginning of sales on 20 June. Besides legal representation, the establishment in the Spanish market entails a more locally adapted web portal and language-adapted marketing materials. Sales in Spain in the second quarter amounted to SEK 1,148 thousand and to SEK 2,040 thousand cumulatively for 2017.



## BEGINNING OF SALES IN SWITZERLAND.

The start of sales in the Swiss market was 15 May. The establishment took place according to the same model applied in the past year in the rest of Europe. This means that the process was efficient both as relates to costs and time spent. The only differences were local adjustments that were necessary since Switzerland is not a part of the EU. Zinzino sees the Swiss market as strong in capital and is thereby expected to become an important market for the company in the future in terms of sales.



## NEW WEBSITE IN FULL OPERATION

The major update and adaptation of the website for customers and salespeople was completed in the second quarter and the new web portal and the website was launched in the middle of June. Concretely, the update means that the company is strengthening and clarifying the exposure of Zinzino's successful concepts and the business opportunities which the company offers to its distributors. For the customers, this means that relevant information is made clearer and that it will be easier for the potential customers to find the information they are looking for. The new home page has been translated into 16 languages and adapted to the requirements of the local markets.



## THE LAUNCH OF VIVA PROVIDES A NEW DIMENSION IN HEALTH.

At the end of the second quarter, the company launched an entirely new product in the product segment Health – the dietary supplement Viva. Viva is a combination of Affron®, a standardised and patented extract of pure saffron pistils (*Crocus sativus* L) from Spain, five vitamin-Bs, iodine and vitamin C. With these ingredients, the dietary supplement contributes to greater well-being by soothing mental tiredness and fatigue and promoting good sleep. Zinzino Viva adds another dimension to Zinzino's broad product portfolio in health and well-being.

## ZINZINO THE GROWTH COMPANY OF THE YEAR IN DIRECT SALES IN SWEDEN

The strong sales trend in the domestic market in the past 18 months has not gone unnoticed in the industry in Sweden. This is why Zinzino was awarded the prestigious prize "Growth Company of the Year 2016" by Direct Selling Sweden, the trade association for companies that work with direct sales, with such members as Oriflame, Mary Kay, Forever Living, etc. Every year, companies are nominated in various categories, and this year was the first year that the prize "Growth Company of the Year" was awarded. In 2016, Zinzino succeeded to be the direct sales company that had the highest growth in Sweden both in absolute figures and as a percentage.

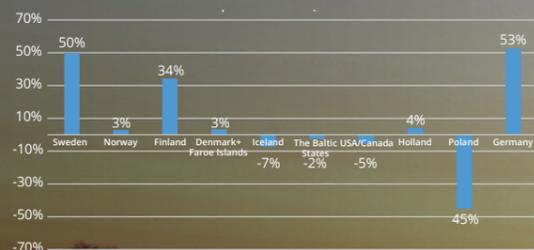
## SHORTER LEAD TIMES IN THE LOGISTICS CHAIN

In the first quarter of this year, a project was begun to shorten the lead time to the customer, from a paid to a delivered order, and to offer the customers more delivery options. This project continued in Q2. Several steps were taken, such as a faster verification of orders, elimination of errors in orders and extra working hours with our 3PL suppliers, all of which have affected the lead times positively. In terms of delivery options, we have now increased the options in Germany and the Netherlands to both include home delivery and delivery to a distribution point. The work on improvements in the order and delivery flow will also continue in the upcoming quarter.

# SALES AND PROFITS 2017 | Q2

## Q2

Growth per market 2017 versus 2016



Sales  
MSEK **137.3** (107.0)

### Revenues



(2017; 93,3 (74,7) Mkr)



(2017; 11,7 (15,3) Mkr)

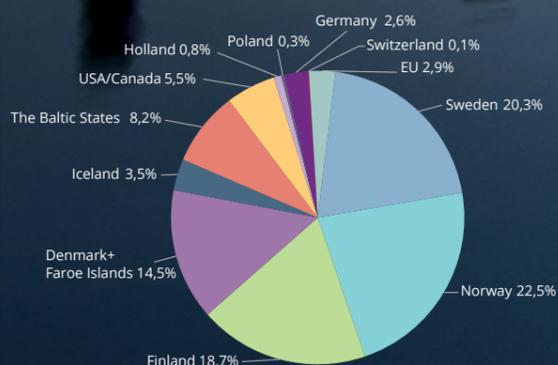


(2017; 12,4 (9,3) Mkr)



(2017; 19,9 (7,7) Mkr)

### Geographic distribution of sales



### THE SECOND QUARTER - SALES

In total, revenues for the quarter were SEK 137.3 (107.0) million which corresponds to a growth of 28% (0%) as compared to the prior year. Both the Swedish and Finnish market grew strongly in the second quarter as well, where the revenues were 50% and 34%, respectively, higher than the second quarter of 2016. There was also growth in Norway where the revenues increased by 3% over the year-before period.

The Danish market has shown strong growth for a long time. After the decrease in sales in the previous quarter, growth returned in the second quarter, at 2% over the second quarter of 2016.

Among the market newly established in 2016, the sales growth was strongest in Germany, which increased by 53%, although this is compared with a period of modest sales last year. Germany is one of the world's largest direct sales markets and Zinzino sees great potential to grow the market share in the country.

Spain and Austria also showed strong sales growth of 29% and 9%, respectively. Comparing Q2 to Q1, the sales increases were SEK 1.1 million and SEK 0.8 million, respectively. There are also signs that the large countries by population are at the starting phase of generating good growth in the Group in the next few years.

With a new web portal and website, tailored for the North American market, in operation since mid-June, Zinzino has strong hopes of turning the temporarily downward trend for North America. During the quarter, the USA and Canada showed a negative sales growth of 5%.

Zinzino is actively working to increase the number of distributors and customers in North America by cultivating the market with campaigns and events for the sales force.

The sales situation in the Baltic countries improved slightly in the second quarter where the revenues rose by a full 53% in Lithuania and 20% in Latvia, both compared with the second quarter of last year. At the same time, the trend of decreasing sales continued in Estonia where the revenues declined by 38% compared with the second quarter of last year. Zinzino believes that the bottom has been reached in Estonia and that the market is expected to stabilise in the upcoming quarters. As communicated earlier, the Estonian customer and distributor organisation was perhaps struck hardest by the effects of the IT system's replacement that the Group made in the past two years.

The Icelandic market has also been affected negatively over an extended period by the consequences of the IT system change that resulted in declining sales figures. In the second quarter, the slowdown of the sales decline continued as the revenues were only 8% lower than the corresponding period in the previous quarter. With the new payment solution and collection management combined with the new locally adapted web solution for customers and distributors, Zinzino believes the sales decrease will turn to growth in the third quarter of 2017.

The production unit Faun Pharma AS also strongly increased its external sales during the second quarter and growth was a full 158% as compared to the corresponding period in the prior year. The growth is mainly attributable to high-volume production for the key customer ProteinFabrikken.

*Zinzino has great expectations of continuing to increase the group's revenues for a long time to come, which the communicated goal of 20% average sales growth in the period 2017-2019 confirms.*

The geographic distribution shows that the largest part of the revenues, as before, will come from the Nordic countries. Sweden continued to increase its share of the total sales and was, after Norway, the second largest market. The Finnish market also strongly increased its share of total shares.

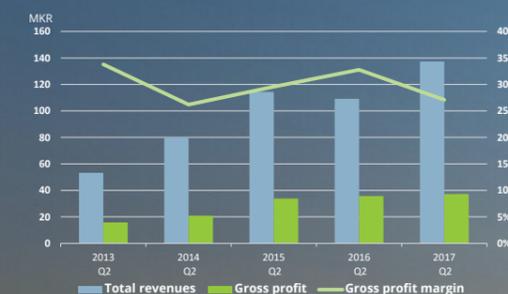
The product segment Zinzino Health increased by 25% to SEK 93.3 (74.7) million and accounted for 68% (70%) of the total revenues. The decline continued in the segment Coffee, which decreased by 24% to SEK 11.5 (15.3) million, which corresponded to 9% (14%) of the total revenues. Faun Pharma AS increased its external sales by 158% to SEK 19.9 (7.7) million, which corresponded to 14% (7%) of the total revenues. Other revenues were SEK 12.4 (9.3) million which corresponded to the remaining 9% (7%) of the revenues for the quarter.

*Zinzino has made a major change in the product mix in recent years and the principal revenues are now in the area health. The market for health products and a greater focus on health trends around the world create good growth in this segment, which is of interest to Zinzino to be in.*

In the second quarter, Zinzino sold more than 185,000 (148,000) bottles of Balance Oil Orange/Lemon/Mint, which was another record. The Health segment's other products are also very popular as interest in greater well-being reaches more and more people. The products that stood out through continuously increasing sales were Zinzino Skin Serum, which increased to 24,000 sold units during the quarter, and Zinzino's protein bars, launched in October 2016, which had a steady sales growth of 40% per month on average and which the company sold 31,394 units of in Q2 2017. Zinzino also saw a sales increase of the Leanshake segment of 28% compared with Q2 2016 and sold 28,516 (22,257) units in Q2 2017. The product has been given a new packaging in that Zinzino introduced the new 960 gr zip bag and portion package. These steps increase the product's area of use and make it easier for the customer to live a healthy life.

Within Zinzino's Coffee segment, Zinzino French Espresso was the most popular coffee yet again, with 34,000 sold units in Q2. In Q2 2017, we sold 189,700 (243,200) units, which meant a sales decrease of 22% compared with 2016. The sale of coffee makers was a total of 869 (1,234) units, which was a sales decrease of 30% for the quarter compared with 2016.

### Q2



### THE SECOND QUARTER - COSTS AND PROFIT

The gross profit for the second quarter was SEK 37.2 (33.6) million and the gross profit margin was 27.1% (31.4%). Two causes were mainly behind the margin decrease. High remuneration levels in the new recruitment of distributors and market establishments have driven growth, but degraded the gross margins. In Q3-Q4, Zinzino believes that the remuneration levels will normalise and that the gross margin will thereby improve again. This combined with the Faun Pharmas AS sales mix to external customers largely consisted of high-volume productions in the second quarter as well, which also affects the gross margin level during the quarter.

EBITDA for the second quarter amounted to SEK 1.6 (4.6) million and the operating margin before depreciation and amortisation amounted to 1.2% (4.3%). The operating loss was SEK 0.7 (profit: 2.3) million and the operating margin was neg (2.2%). The decline in profit was primarily linked to worsened profitability at the gross level. In addition, the investments in systems, web pages and marketing measures were at a high level during the quarter, something which will be lowered to a normal level during the coming quarter.

The loss before tax for the quarter was SEK 0.7 (profit: 2.3) million and the net loss was SEK 1.0 (profit: 0.9) million.

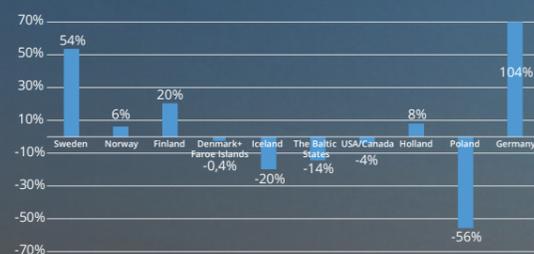
### DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the quarter has negatively affected the profit for the period by SEK 2,273 (2,231) thousand of which SEK 209 (96) thousand was depreciation of tangible fixed assets, SEK 838 (909) thousand was amortisation of intangible fixed assets, and SEK 1,226 (1,226) thousand was amortisation of goodwill.

# THE GROUP'S POSITION AND PERFORMANCE AS OF THE FIRST HALF OF THE YEAR 2017 IN Q1 + Q2

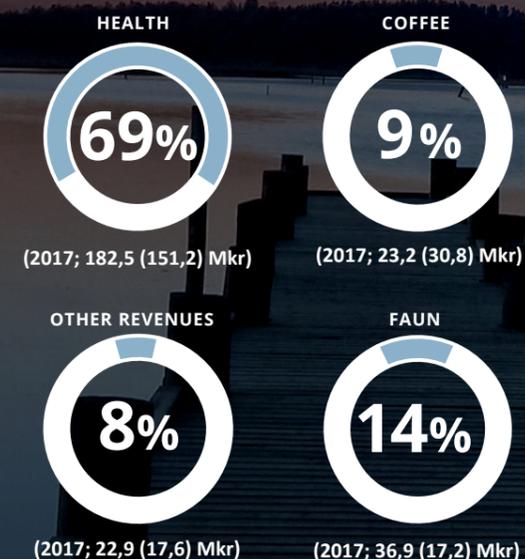
## Q1 + Q2

Growth per market 6 months 2017 vs 2016

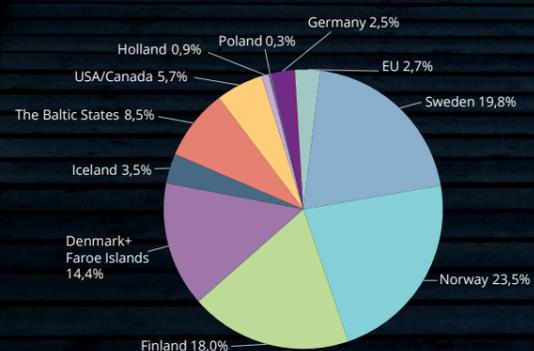


Sales  
MSEK **265.5** (216.8)

Revenues



Geographic distribution of sales



### THE GROUP'S POSITION AND PERFORMANCE AS OF THE FIRST HALF OF THE YEAR 2016

#### SALES

In total, revenues for the quarter were SEK 265.5 (216.8) million which corresponds to a growth of 22% (1%) as compared to the prior year.

In the first half of the year, the Swedish market had the best growth together with the relatively recently established German market. Strong growth in the Finnish market as well and some growth in Zinzino's largest market Norway and in the Netherlands. As previously described, many of the recently established markets are advancing with the largest growth in Spain, Austria and Romania. North America has had a negative growth. The Baltic countries are also declining due to the Estonian market's decline, but there was growth in both Latvia and Lithuania. Very weak growth in Poland, but this is from already low sales levels.

The Nordic markets accounted for nearly 80% of the sales (not including Faun Pharma AS) Norway continued to be the largest market followed by Sweden, Finland and Denmark. The recently established markets continue to take a growing share of the total sales.

The product segment Health increased by 21% to SEK 182.5 (151.2) million, which represented 69% (70%) of the total revenues. The product segment of Coffee amounted to SEK 23.2 (30.8) million and decreased 25% and contributed 9% (14%) of the total revenues. Faun Pharma increased by 115% to SEK 36.9 (17.2) million, which represented 14% (8%) of total revenues. Shipping and other revenues amounted to SEK 22.9 (17.6) million which represented the remaining 8% (8%) of the revenues.

In addition, the revenue analysis shows that more than 360,000 (240,000) bottles of Balance Oil Orange/Lemon/Mint were sold in the first half of 2017 compared with the previous year. In total, 471,000 (415,000) bottles of Balance Oil of various flavours were sold compared with the preceding year. As the Health segment grew in sales by 21% compared with 2016, this reflects a clear trend that consumption for better health and well-being is growing worldwide.

Among the other products in Zinzino Health, Zinzino Skin Serum is growing the most where 39,000 bottles were delivered in the first half of the year; since the launch of the product in October 2016, the company has sent out more than 54,000 bottles. Zinzino Bars are also growing and sales amounted to 44,000 bars in the first half of the year. Zinzino Bars are also a product launched in October and sales increased an average of 40% per month since the beginning.

Zinzino also saw a sales increase of the Leanshake segment of 22% compared with the same period in 2016 and sold 55,205 (45,277) units in the first half of 2017. The product has been given a new packaging in that Zinzino introduced the two variants, 960 gr zip bag and portion package.

Q1+Q2



In the first half of the year, 390,000 (500,000) packages of coffee were delivered, which gave a sales decrease of 22%. The most popular coffee sort is Zinzino French Espresso, of which we sold 70,000 (80,000) units in 2017, a sales decrease of 14%. The sale of coffee makers was a total of 1,719 (2,505) units, which was a sales decrease of 31% for the period compared with 2016.

#### COSTS AND PROFIT

The gross profit was SEK 76.2 (72.0) million and the gross profit margin was 28.7% (33.2%). The decrease was mainly attributable to the higher costs for sales commissions as described above combined with Faun Pharmas sales mix largely accounting for high volume production in the first half of the year. As previously described, Zinzino is adjusting the remuneration model to the sales force, which is lowering the commissions cost and is working intensively to enhance the efficiency of the Norwegian production unit to thereby increase productivity and strengthen the gross profit margin in the group.

**EBITDA** for the first half of the year amounted to SEK 7.3 (12.8) million and the operating margin before depreciation and amortisation amounted to 2.8% (5.9%). The operating profit was SEK 2.8 (8.3) million and the operating margin was 1.1% (3.8%). The group currently has a large cost base through the production unit Faun Pharma and the research company Bioactive Foods while the head office has invested in a new IT system and has expanded the workforce to manage the increasing sales and the expansion of the group. This will affect the operating margins negatively in the short term but will generate margin improvements over the longer term.

Profit before tax for the first half of the year amounted to SEK 2.7(8.0) million and the net profit to SEK 0.9 (5.2) million.

#### INVENTORIES

The group's combined goods inventories at the balance sheet date were SEK 59.7 (47.0) million. The increase depended primarily on the group's increased sales in more markets than previously, moving the production in Zinzino Health from an external party to Faun Pharma AS, and Faun's increased holding of inventory for the account of customers.

#### LIQUIDITY AND EQUITY/ASSETS RATIO

At the balance sheet date, cash amounted to SEK 26.6 (26.9) million. The group's equity/assets ratio was 48% (50%). The quarter's cash flow was negative SEK 2.5 (7.1) million. During the quarter, SEK 8.1 million was paid to the shareholders as dividends after the Annual General Meeting resolved to pay the dividend. The Board of Directors makes the continued judgement that liquid assets are at a satisfactory level and that the group's positive cash from the current business will ensure liquidity in the group for the foreseeable future.

#### ORGANISATION

During 2016, the Zinzino organisation was strengthened through further resources in the IT and marketing departments. This combined with the capacity increase that arose at the support department through the implementation of the new business system and customer communication program "KUNDO" and the major web update completed in the second quarter. The investments mean that Zinzino is well-equipped to handle large growth in sales in the group and that the company does not need to hire more people as the sales grow.

## INCOME STATEMENTS ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	01-04-2017	01-04-2016	01-01-2017	01-01-2016	01-01-2016
	30-06-2017	30-06-2016	30-06-2017	30-06-2016	12-31-2016
Net turnover	125,025	97,663	242,799	199,264	436,399
Other revenues	12,266	9,314	22,709	17,558	55,911
Goods and other direct costs	-100,090	-73,349	-189,302	-144,859	-325,118
<b>Gross profit</b>	<b>37,201</b>	<b>33,628</b>	<b>76,206</b>	<b>71,963</b>	<b>167,192</b>
External operating costs	-19,087	-15,527	-35,869	-31,627	-85,245
Personnel costs	-16,527	-13,525	-32,991	-27,582	-58,906
Depreciation and amortisation	-2,273	-2,231	-4,548	-4,463	-8,997
<b>Operating profit</b>	<b>-686</b>	<b>2,345</b>	<b>2,798</b>	<b>8,291</b>	<b>14,044</b>
Net financial items	-33	-94	-57	-295	-177
Tax	-324	-1,399	-1,841	-2,785	-4,198
<b>The period's profit</b>	<b>-1,043</b>	<b>852</b>	<b>900</b>	<b>5,211</b>	<b>9,669</b>

## INCOME STATEMENTS ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	01-04-2017	01-04-2016	01-01-2017	01-01-2016
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
Net turnover	1,000	1,000	2,000	1,350
Other revenues	-	26	-	16
Goods and other direct costs	-	-	-	-
<b>Gross profit</b>	<b>1,000</b>	<b>1,026</b>	<b>2,000</b>	<b>1,366</b>
External operating costs	-819	-675	-1,472	-1,414
Depreciation and amortisation	-4	-4	-8	-8
<b>Operating profit</b>	<b>177</b>	<b>347</b>	<b>520</b>	<b>-56</b>
Net financial items	-2	-	-2	-
Tax	-39	-	-114	-
<b>The year's profit</b>	<b>136</b>	<b>347</b>	<b>404</b>	<b>-56</b>

## BALANCE SHEETS ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	30-06-2017	30-06-2016	12-31-2016
Fixed assets			
Goodwill	36,100	41,004	38,552
Intangible fixed assets	21,234	15,144	19,511
Tangible fixed assets	3,146	3,387	3,322
Financial fixed assets	2,373	5,356	3,998
<b>Total fixed assets</b>	<b>62,853</b>	<b>64,891</b>	<b>65,383</b>
Current assets			
Goods inventories	59,688	47,001	63,518
Short-term receivables	21,769	25,521	23,911
Cash and bank	26,581	23,975	23,323
<b>Total current assets</b>	<b>108,038</b>	<b>96,497</b>	<b>110,752</b>
<b>Total assets</b>	<b>170,891</b>	<b>161,388</b>	<b>176,135</b>
Restricted equity capital	4,275	3,105	3,258
Unrestricted equity capital	76,723	73,121	75,536
The year's profit	900	5,211	9,669
<b>Total equity capital</b>	<b>81,898</b>	<b>81,437</b>	<b>88,463</b>
Long-term liabilities	580	732	543
Short-term liabilities	88,413	79,219	87,129
<b>Total liabilities</b>	<b>88,993</b>	<b>79,951</b>	<b>87,672</b>
<b>Total equity capital and liabilities</b>	<b>170,891</b>	<b>161,388</b>	<b>176,135</b>

## BALANCE SHEETS ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	30-06-2017	30-06-2016	12-31-2016
Fixed assets			
Intangible fixed assets	1,017	-	894
Financial fixed assets	83,414	83,434	83,449
<b>Total fixed assets</b>	<b>84,431</b>	<b>83,434</b>	<b>84,343</b>
Current assets			
Short-term receivables	206	238	223
Cash and bank	679	1,217	1,047
<b>Total current assets</b>	<b>885</b>	<b>1,455</b>	<b>1,270</b>
<b>Total assets</b>	<b>85,316</b>	<b>84,889</b>	<b>85,613</b>
Restricted equity capital	4,275	3,105	4,152
Unrestricted equity capital	30,724	36,234	38,429
The year's profit	404	-56	563
<b>Total equity capital</b>	<b>35,403</b>	<b>39,283</b>	<b>43,144</b>
Long-term liabilities	16,056	16,208	16,056
Short-term liabilities	33,857	29,398	26,413
<b>Total liabilities</b>	<b>49,913</b>	<b>45,606</b>	<b>42,469</b>
<b>Total equity capital and liabilities</b>	<b>85,316</b>	<b>84,889</b>	<b>85,613</b>

# CASH FLOW ANALYSES

## ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	01-04-2017	01-04-2016	1 Jan 2017	01-01-2016	1 Jan 2016
	30-06-2017	30-06-2016	30-06-2017	30-06-2016	31 Dec 2016
<b>The ongoing business</b>					
Profit before financial items	-686	2,345	2,798	8,291	14,044
Depreciation and amortisation / write-downs	2,273	2,231	4,548	4,463	8,997
Other items not affecting liquidity	977	-614	716	-40	1,681
	<b>2,564</b>	<b>3,962</b>	<b>8,062</b>	<b>12,714</b>	<b>24,722</b>
Interest received	8	3	24	6	49
Interest paid	-41	-96	-80	-298	-226
Tax paid	38	-33	38	-55	-62
	5	-126	-18	-346	-239
<b>Cash flow from the ongoing business before change in operating capital</b>	<b>2,569</b>	<b>3,836</b>	<b>8,044</b>	<b>12,368</b>	<b>24,483</b>
<b>Cash flow from change in operating capital</b>					
Increase(-) / Decrease(+) in goods inventories	8,208	-2,409	3,830	-6,712	-23,229
Increase(-) / Decrease(+) in short-term receivables	79	-283	2,142	-3,197	-1,587
Increase(+)/ Decrease(-) in short-term liabilities	-3,212	2,626	1,284	5,789	10,882
<b>Cash flow from the ongoing business</b>	<b>7,644</b>	<b>3,770</b>	<b>15,300</b>	<b>8,248</b>	<b>10,549</b>
<b>Investment activity</b>					
Investments in intangible fixed assets	-1,847	-1,196	-3,470	-1,196	-6,939
Investments in financial fixed assets	-	-860	-91	-3,829	-764
Investments in tangible fixed assets	-106	-1 432	-336	-174	-2,016
<b>Cast flow from investment activity</b>	<b>-1,953</b>	<b>-3,488</b>	<b>-3,897</b>	<b>-5,199</b>	<b>-9,719</b>
<b>Financing activity</b>					
Loans taken	-	55	-	55	-
Release of options	-	-	-	-	44
Dividend	-8,145	-7,763	-8,145	-7,763	-7,763
Subscriptions for shares on outstanding subscription options	-	285	-	395	3,360
<b>Cash flow from financing activity</b>	<b>-8,145</b>	<b>-7,423</b>	<b>-8,145</b>	<b>-7,313</b>	<b>-4,359</b>
<b>THE PERIOD'S CASH FLOW</b>	<b>-2,454</b>	<b>-7,141</b>	<b>3,258</b>	<b>-4,264</b>	<b>-3,529</b>
<b>Liquid assets at the start of the period</b>	<b>29,035</b>	<b>31,116</b>	<b>23,323</b>	<b>31,116</b>	<b>26,852</b>
<b>Liquid assets at the end of the period</b>	<b>26,581</b>	<b>23,975</b>	<b>26,581</b>	<b>26,852</b>	<b>23,323</b>
<b>Change in liquid assets</b>	<b>-2,454</b>	<b>-7,141</b>	<b>3,258</b>	<b>-4,264</b>	<b>-3,529</b>

# CASH FLOW ANALYSES

## ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	01-04-2017	01-04-2016	1 Jan 2017	01-01-2016	1 Jan 2016
	30-06-2017	30-06-2016	30-06-2017	30-06-2016	31 Dec 2016
<b>The ongoing business</b>					
Profit before financial items	177	347	520	-56	722
Depreciation and amortisation / write-downs	4	4	8	8	16
Other items not affecting liquidity	-5	-3	-8	-6	-22
	<b>176</b>	<b>348</b>	<b>520</b>	<b>-54</b>	<b>716</b>
Interest received	-	-	-	-	-
Interest paid	-2	-	-2	-	-
Tax paid	-	-	-	-	-
	-2	-126	-2	0	0
<b>Cash flow from the ongoing business before change in operating capital</b>	<b>174</b>	<b>348</b>	<b>518</b>	<b>-54</b>	<b>716</b>
Cash flow from change in operating capital					
Increase(-) / Decrease(+) in short-term receivables	155	126	17	-92	-35
Increase(+)/ Decrease(-) in short-term liabilities	7,589	7,237	7,444	8,679	4,402
<b>Cash flow from the ongoing business</b>	<b>7,918</b>	<b>7,711</b>	<b>7,979</b>	<b>8,533</b>	<b>5,083</b>
<b>Investment activity</b>					
Investments in intangible fixed assets	-123	-	-123	-	-
Investments in financial fixed assets	-	-54	-79	-450	-623
Investments in tangible fixed assets	-	-	-	-	-
<b>Cast flow from investment activity</b>	<b>-123</b>	<b>-54</b>	<b>-202</b>	<b>-450</b>	<b>-623</b>
<b>Financing activity</b>					
Release of options	-	55	-	55	543
Dividend	-8,145	-7,763	-8,145	-7,763	-7,763
Subscriptions for shares on outstanding subscription options	-	285	-	395	3,360
<b>Cash flow from financing activity</b>	<b>-8,145</b>	<b>-7,423</b>	<b>-8,145</b>	<b>-7,313</b>	<b>-3,860</b>
<b>THE PERIOD'S CASH FLOW</b>	<b>-350</b>	<b>234</b>	<b>-368</b>	<b>770</b>	<b>600</b>
<b>Liquid assets at the start of the period</b>	<b>1,029</b>	<b>983</b>	<b>1,047</b>	<b>447</b>	<b>447</b>
<b>Liquid assets at the end of the period</b>	<b>679</b>	<b>1,217</b>	<b>679</b>	<b>1,217</b>	<b>1,047</b>
<b>Change in liquid assets</b>	<b>-350</b>	<b>234</b>	<b>-368</b>	<b>770</b>	<b>600</b>

## CHANGES IN EQUITY CAPITAL ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	01-01-2017 30-06-2017	01-01-2016 30-06-2016	1 Jan 2016 31 Dec 2016
<b>Equity capital at the start of the period</b>	<b>88 463</b>	<b>88 320</b>	<b>88,320</b>
Adjustment for errors in prior years	-	-4,513	-4,513
Subscriptions for shares on subscription options	-	205	3,392
Dividend to shareholders	-8,145	-7,763	-7,763
Currency rate of exchange conversions	680	-23	-642
The period's profit	900	5,211	9,669
<b>Equity capital at the end of the period</b>	<b>81,898</b>	<b>81,437</b>	<b>88 463</b>

## CHANGES IN EQUITY CAPITAL ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	01-01-2017 30-06-2017	01-01-2016 30-06-2016	01-01-2016 31 Dec 2016
<b>Equity capital at the start of the period</b>	<b>43,144</b>	<b>46,707</b>	<b>46,707</b>
Subscriptions for shares on subscription options	-	395	3,637
Dividend to shareholders	-8,145	-7,763	-7,763
The period's profit	404	-56	563
<b>Equity capital at the end of the period</b>	<b>35,403</b>	<b>39,283</b>	<b>43,144</b>

## DEFINITIONS OF KEY RATIOS

### GROSS MARGIN

Total revenues minus cost of goods sold, partner commissions and outgoing freight in percent of the period's total revenues.

### PROFIT PER SHARE

The period's profit in relation to the period's average number of outstanding shares.

### EQUITY CAPITAL PER SHARE

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

### OPERATING MARGIN

Operating profit after depreciation and amortisation in percent of the period's total revenues.

### OPERATING MARGIN BEFORE DEPRECIATION AND AMORTISATION

Operating profit before depreciation and amortisation in percent of the period's total revenues.

### NET MARGIN

The period's profit in percent of the period's net sales.

### EQUITY/ASSETS RATIO

Equity capital in percent of the balance sheet total.

## THE NUMBER OF OUTSTANDING SHARES

The share capital as of 30 June 2017 is divided into 32,580,025 shares, of which 5,113,392 are A shares (1 vote) and 27,466,633 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](http://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. In addition to this, it was decided at the Annual Meeting of the Shareholders on 24 May to issue a further 500,000 warrants at an exercise price of SEK 14. The option program will expire on 31 May 2020.

If all the warrants outstanding on 30 June 2017 are exercised for new subscriptions to 1,700,000 shares the dilution of the share capital will be about 5%.

## REVENUES BY COMPANY Q2 (SEK THOUSAND)

COMPANY	Q2 2017	Q2 2016	Growth by company compared with prior year	Share of total revenues
Zinzino Sverige AB*	27,070	15,822	71%	21%
Zinzino AS (Norway)	26,103	25,357	3%	20%
Zinzino OY (Finland)	21,765	16,276	34%	16%
Zinzino ApS (Denmark+Faroe Islands)	16,830	16,370	3%	12%
Zinzino Ehf (Iceland)	4,008	4,338	-8%	3%
Zinzino UAB (Lithuania)	3,317	2,170	53%	2%
Zinzino SIA (Latvia)	3,062	2,552	20%	2%
Zinzino OÜ (Estonia)	3,176	5,121	-38%	2%
Zinzino LLC (United States)	6,152	6,394	-4%	4%
Zinzino BV (Holland)	969	934	4%	1%
Zinzino SP z.o.o (Poland)	393	720	-45%	0%
Zinzino Canada Corp	190	332	-43%	0%
Zinzino Gmbh (Germany)	3,048	2,007	238%	2%
Faun Pharma AS (Norway)	19,890	7,656	160%	14%
Zinzino Nordic AB	1,318	928	-42%	1%
<b>Total</b>	<b>137,291</b>	<b>106,977</b>	<b>28%</b>	<b>100%</b>

\* The Swedish company includes sales for the EU

## REVENUES BY COMPANY Q1 - Q2 (SEK THOUSAND)

COMPANY	Q1 - Q2 2017	Q1 - Q2 2016	Growth by company compared with prior year	Share of total revenues
Zinzino Sverige AB	51,328	29,409	75%	20%
Zinzino AS (Norway)	53,235	50,434	6%	20%
Zinzino OY (Finland)	41,005	34,074	20%	15%
Zinzino ApS (Denmark)	32,748	32,861	0%	12%
Zinzino Ehf (Iceland)	8,011	10,018	-20%	3%
Zinzino UAB (Lithuania)	6,398	5,017	28%	2%
Zinzino SIA (Latvia)	6,101	5,599	9%	2%
Zinzino OÜ (Estonia)	6,789	11,971	-43%	3%
Zinzino LLC (United States)	12,666	12,834	-1%	5%
Zinzino BV (Holland)	2,071	1,913	8%	1%
Zinzino SP z.o.o (Poland)	732	1,650	-56%	0%
Zinzino Canada Corp	419	745	n/a	0%
Zinzino Gmbh (Germany)	5,716	2,789	n/a	2%
Faun Pharma AS (Norway)	36,909	17,159	115%	14%
Zinzino Nordic AB	1,380	349	295%	1%
<b>Total</b>	<b>265,508</b>	<b>216,822</b>	<b>22%</b>	<b>100%</b>

\* The Swedish company includes sales for the EU

## AUDITING PRINCIPLES

This interim report has been prepared in accordance with the Swedish Annual Reports Act and the Swedish Accounting Standards Board's general advice. The group report and annual report are prepared in accordance with BFNAR 2012:1 Annual reports and group reports (K3).

### INTERIM REPORT 2017 | Q2

#### AUDITORS REVIEW

This interim report has not undergone review by the company's auditors.

#### REPORT CALENDAR

Interim report Q3 2017 will be published 11-20-2017  
The annual account communique will be published on 28 February 2018

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

Gothenburg, 31 August 2017

Zinzino AB (publ.)  
The board of directors

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



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