

# ZINZINO



## JANUARY - MARCH 2015

- ▶ Total income for Q1 amounts to SEK 109.0m (75.5).
- ▶ All markets showed growth in Q1. Total sales growth over Q1 2014 was 44%.
- ▶ Gross profit margin for the quarter amounted to 34% (28%).
- ▶ Operating profit amounted to SEK 6.8m (2.7).
- ▶ Profit before tax amounted to SEK 6.5m (2.9).
- ▶ Profit per share amounted to SEK 0.22 (0.10).
- ▶ The acquisition of an additional 13.8% of Faun Pharma AS for a total of 98.8% of the share capital ensures continued research and a broader product range.
- ▶ During the quarter, there were 14,821 (11,864) new customers and the sales corps was expanded by 2,359 (2,916) new distributors.



## INTERIM REPORT

1/1/2015 – 3/31/2015

*Zinzino AB (publ.) is one of the leading direct sales companies, represented in Nordic countries, the Baltic States, Poland, the Netherlands and the USA. We offer customers products centered around quality, environment and health. The Zinzino Food product line consists of functional food, such as oil, shakes and capsules. The Zinzino 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.*

*Zinzino owns the Norwegian knowledge-based company BioActive Foods AS and the research and production unit Faun Pharma AS. Since 2005, Zinzino is the general agent for the French-Belgian coffeeshouse Rombouts & Malongo.*

*Today, the Zinzino Group has some 100 employees. The company has its headquarters in Gothenburg, Sweden, a production unit south of Oslo, Norway, and an office in Florida, USA.*

### **BRIEF HISTORY**

Zinzino AB began business in autumn 2007. The principal activity of the business is to own and develop companies in direct marketing and related businesses.

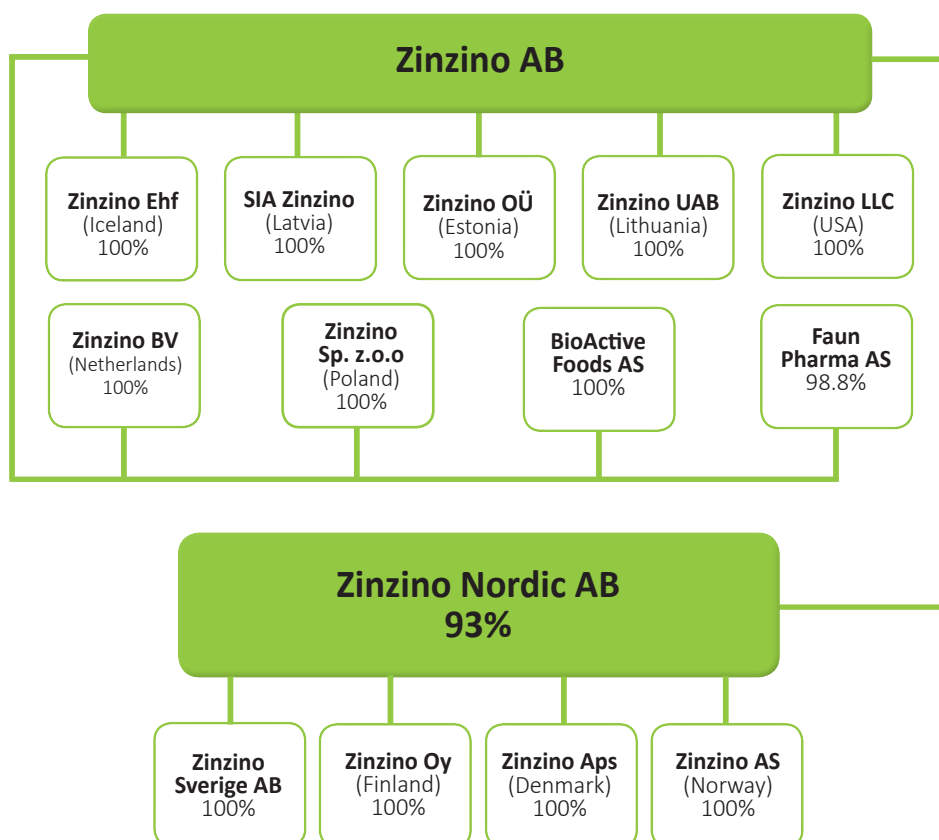
In 2009, Zinzino Nordic AB was acquired through both a directed non-cash issue to shareholders in Zinzino Nordic AB and through the rights issue, Zinzino Nordic AB conducted in December 2009. This gave Zinzino AB control over 97% of the votes and 92% of the capital in Zinzino Nordic AB. By December 31, 2014, the participating interest had increased to 93% of the capital.

Since December 11, 2014, Zinzino AB has been listed on Nasdaq OMX First North. This was a listing change from Aktietorget where Zinzino AB had been listed since September 2010.

In 2011, the Group expanded with companies in Estonia and Lithuania. In 2012, companies were also launched in Latvia and Iceland. In 2013, a company was started in the USA with its headquarters in Jupiter, Florida. In 2014, companies were established in Poland and the Netherlands. Unlike previous Group structures, the new subsidiaries are directly owned by Zinzino AB.

In 2014, Zinzino AB acquired the remaining shares in BioActive Foods AS and 85% of the shares in Faun Pharma AS. The participating interest in Faun Pharma AS increased to 98.8% in the first quarter of 2015.

## GROUP STRUCTURE



## FINANCIAL SUMMARY (SEKM)

THE GROUP'S KEY FIGURES	Q1-2015	Q1-2014
Net sales	96.6	68.1
Total income	109.0	75.5
Sales growth	44.3%	37.8%
Gross profit	36.7	20.8
Gross profit margin	34%	28%
Operating profit before depreciation	8.9	2.9
Operating margin before depreciation	8.2%	3.9%
Operating profit	6.8	2.7
Operating margin	6.3%	3.6%
Profit before tax	6.5	2.9
Net profit	5.2	2.9
Net margin	4.8%	3.8%
Earnings per share before tax (after dilution)	0.22	0.10
Net profit per share after tax (after dilution)	0.17	0.11
Cash and cash equivalents	49.9	23.8
Equity/assets ratio	60%	30%
Equity per share (after dilution) SEK	2.4	1.0

# OUR MANTRA IS GROWTH AND HIGHER PROFITABILITY



“Growth in the first quarter was 44% and we have a better profitability than ever before. We are ahead of our forecast of 25% growth and our cost of goods sold is decreasing, which provides higher gross profit margins. This is something we have in our plan and that we work hard every day to achieve.

We acquired additional shares in Faun Pharma AS so that we now own 98.8%. With nearly full control of the company, we are now making investments in new products, production capacity, equipment and the organization. We expect to see the results of this in the next half year when we launch new product concepts. We are convinced that this launch will help us achieve our high growth goals with an average sales growth of at least 25% in the next three years with improved profitability every year.

To maintain growth, we will also establish business on two new markets in 2015- Germany and Canada. Two major markets that we believe will give us many new customers and distributors and, with them, sales growth. Both establishments are taking place resource-efficiently through efforts by the existing organization in Sweden and the USA. This means that we can absorb the establishment expenses in the scope of our ordinary operating costs. Our business model in the establishment of new markets is extremely effective and guarantees profitability early in new markets.

We launched a new product line in health nearly three years ago when we began a cooperation with the Norwegian research company BioActive Foods AS. Since then, we acquired BioActive Foods AS at the end of last year. This proved to be a very successful move and we are now working on large-scale product development

“*Zinzino is celebrating its 10th year in 2015 with campaigns and new product launches in health and dietary supplements at the same time that we are establishing business in new markets. Zinzino should inspire change in people's lifestyles.*”

for the next few years. We are convinced that this will result in even more loyal customers and, like the factors above, will contribute to achieving our highly set growth targets.

We will safeguard and take care of our customers. Customer loyalty and customer satisfaction are something we measure carefully and strive for. To take care of our customers in the very best way, we recruited many qualified employees for our effective support department and the rest of the organization. We have invested a great deal in a sound and pleasant internal culture and working environment that we believe will spread to our customers. In addition to this, we will launch our own Zinzino app, which will further contribute to customer satisfaction and loyalty.

Today, we sell self-tests that measure the ratio in the blood between omega-6 and omega-3 fatty acids. So far, we have analyzed more than 95,000 tests. This way, we have a clear view of the health status of our customers in the various markets in which we are active. It is incredibly stimulating to work with a product line that can contribute to improved health among our customers, distributors, employees, family and friends. We have the goal of having 1,000,000 customers by 2020. With our existing and future products, we believe we have the perfect tools to achieve this goal.

Zinzino is celebrating its 10th year in 2015 with campaigns and new product launches in health and dietary supplements at the same time that we are establishing business in new markets. Zinzino should inspire change in people's lifestyles.”

*Dag Bergheim Pettersen, CEO, Zinzino AB*

## SIGNIFICANT EVENTS DURING AND AFTER THE FIRST QUARTER 2015

### Strong growth and profit development continued in Q1

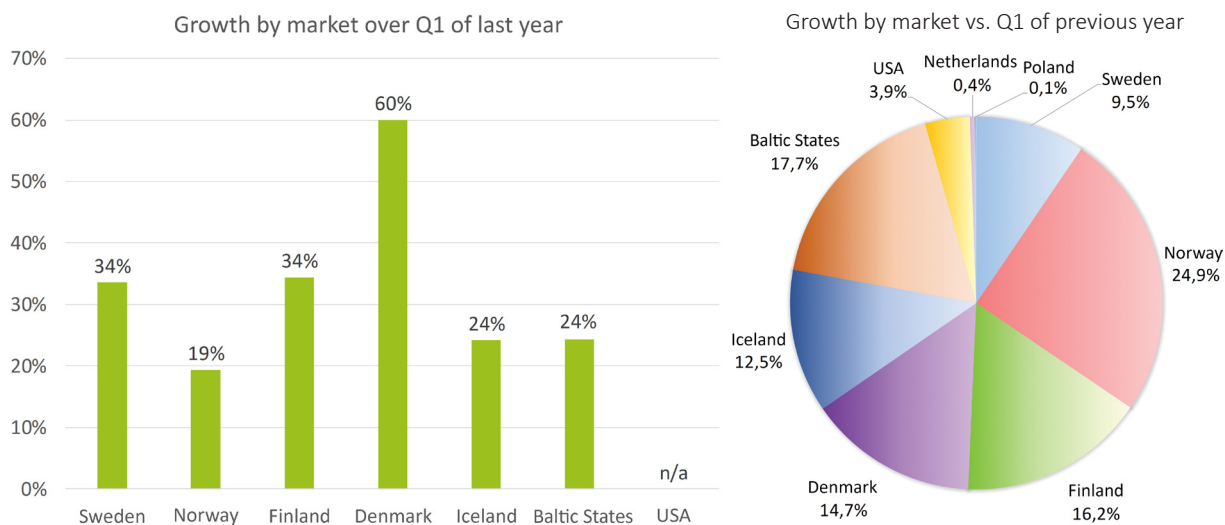
In the first quarter of 2015, all markets reported strong growth. Total income amounted to SEK 109.0m (75.5) representing a growth of 44% over last year. Profit before tax amounted to SEK 6.5m (2.9), which is more than a doubling over the corresponding period in 2014. A changed product mix, lower purchase prices on raw materials and proprietary production devices generate higher gross profit margins. Higher sales volumes also provide economies of scale in administration and thereby improved operating margins.

The percentage spread across the product lines in the first quarter was 75% (59%) for Zinzino Food and 25% (41%) for Zinzino Coffee. Food sales thereby amounted to SEK 65.9m (41.4), corresponding to a growth of 59%. Coffee sales accounted for SEK 21.6m (29.0), representing a sales decrease of 26%.

The trend of increased sales of Zinzino Food remains strong in all markets. BalanceOil is by far the best selling product in all markets. BalanceShake is seeing a very good development in Iceland and in total is the second most sold product. The new products BalanceXtender and Protect have had a good start and BalanceXtender is among the five most sold products in all Nordic markets.

The sales decrease of Zinzino Coffee is due in part to the Balance products being perceived by the sales network as easier to sell and in part to the lack of new espresso models to launch. This results in the sales network making a stronger stake on Zinzino Food, which results in a product mix and sales development as above. However, it is positive that combination packages with products from both lines are selling very well in Iceland and Lithuania.

### Growth and geographical sales by market in Q1:



During the quarter, there were 14,821 (11,864) new customers and the sales corps was expanded by 2,359 (2,916) new distributors.

### Acquisition of an additional 13.8% of the share capital in Faun Pharma AS

In March, Zinzino AB acquired another 13.8% of the share capital in Faun Pharma AS, which increased the holding to 98.8%. With this, Zinzino secured full control over production in the company and own-controlled research that ensures continued growth and the product range.

Erlend Strømnes was recruited as the new CEO of the company and will begin on June 1. Erlend most recently came from Jacobsen Elektro AS where he worked as the Vice President of Sales. He has more than 10 years' experience of senior positions in international sales. Erlend is an engineer by education and has an MBA from the BI Norwegian Business School.

Faun Pharma AS is a neutral contract producer for dietary supplements, health food and cosmetics. The largest external customers are the health food chain Life och Proteinfabrikken AS. In the first quarter, Faun Pharma AS had sales of SEK 9.2m and the profit effect amounted to SEK -1.1m on the total consolidated net profit.

### **“Pick to light” – further streamlining of logistics**

In 2015, together with the logistics supplier Katoen Natie, Zinzino will invest in new equipment to be able to introduce a new set-up for the picking and packing of orders. This set-up is called “Pick to light” and has already been introduced at some of Katoen Natie’s European facilities. This investment entails a more in-depth cooperation between Zinzino and Katoen Natie and will lead to further efficiency enhancements and cost rationalization of the handling process.

### **Launch of Protect – a new product in Zinzino Food**

In the first quarter, Protect was launched as a new product in Zinzino Food. Protect is designed to interact with our innate defense mechanism- the immune system. It contains Beta glucan more well-known as Wellmune®. This is an important component that the body cannot produce on its own, but must be added through food. Wellmune® is a natural ingredient that is extracted from yeast. Protect is the result of many years of careful clinical studies.



## **Protect™**

The ultimate dietary supplement designed to improve your utmost defense  
- The Immune system

### **Establishment processes in new markets have begun**

During the quarter, the company began the establishment processes with the start-up of subsidiaries in Canada and Germany. This work is going according to plan. The preliminary start of sales in Canada and Germany will be in autumn 2015. Initially, only the Zinzino Food line will be launched in both markets. The UK is also currently being evaluated for a possible launch in the next few years.

### **The Annual General Meeting approved the dividend and elected a new Board member**

The Annual General Meeting of shareholders in Zinzino AB was held on May 8 in the company’s offices at Hulda Lindgrens gata 8 in Västra Frölunda where a resolution was passed to approve the Board’s dividend proposal of SEK 0.25 per share. Pierre Mårtensson was elected to the company’s Board and at the same time, Torben Lundberg withdrew from the Board.

### **Liquidity and solvency**

As per the balance sheet day, cash-in-hand amounted to SEK 49.9m (23.8). In addition to this, there is an unused overdraft facility of SEK 5.0m (5.0). The Group’s equity/assets ratio amounted to 60% (30%). During the quarter, Zinzino financed the acquisition of 13.8% of the shares in Faun Pharma AS by means of cash assets amounting to SEK 1.7m. The Board and management are confident in the financial base and the positive cash flow the current business is generating.

### **Depreciation and amortization**

Depreciation for the quarter was charged to the period’s earnings in an amount of SEK 2,084 thousand (265) of which SEK 265 thousand (69) is depreciation of tangible fixed assets, SEK 210 thousand (166) is amortization of intangible assets and SEK 1,609 thousand (0) is amortization of goodwill.

### **Organization**

The workforce at Zinzino is growing to meet the higher demand. At the report date, there were 65 employees at the headquarters in Gothenburg, 30 employees at the factory in Vestby, Norway, two employees in the research company BioActive Foods AS, Norway, and three employees at the office in Jupiter, Florida, USA.

## INCOME STATEMENTS ZINZINO GROUP AND ZINZINO AB (PUBL.)

	Group 2015 Jan - Mar	Zinzino AB 2015 Jan - Mar	Group 2015 Jan - Mar	Zinzino AB 2015 Jan - Mar
Net sales	96,642	350	68,108	-
Other revenue	12,345	0	7,421	-
Trade goods and other direct costs	-72,255	-	-54,193	-
<b>Gross profit</b>	<b>36,732</b>	<b>350</b>	<b>21,336</b>	<b>0</b>
External operating costs	-14,459	-	-11,658	-175
Personnel costs	-13,364	-309	-6,733	-
Depreciation and amortization	-2,084	-	-265	-
<b>Operating profit</b>	<b>6,825</b>	<b>41</b>	<b>2,680</b>	<b>-175</b>
Net financial items	-313	-	210	-
Estimated tax expense	-1,303	-	-	-
<b>Net income for the period</b>	<b>5,209</b>	<b>41</b>	<b>2,890</b>	<b>-175</b>

## BALANCE SHEET ZINZINO GROUP AND ZINZINO AB (PUBL.)

	Group 3/31/2015	Zinzino AB 3/31/2015	Group 3/31/2014	Zinzino AB 3/31/2014
Fixed assets				
Goodwill	56,746	-	-	-
Intangible assets	3,816	-	3,301	-
Tangible assets	1,877	-	943	-
Financial assets	14,570	82,933	3,616	22,385
<b>Total fixed assets</b>	<b>77,009</b>	<b>82,933</b>	<b>7,860</b>	<b>22,385</b>
Current assets				
Inventories, etc.	37,692	-	28,520	-
Current receivables	20,192	658	9,095	45
Cash-in-hand and on deposit	49,881	890	23,800	99
<b>Total current assets</b>	<b>107,765</b>	<b>1,548</b>	<b>61,415</b>	<b>144</b>
<b>Total assets</b>	<b>184,774</b>	<b>84,481</b>	<b>69,275</b>	<b>22,529</b>
Restricted equity	3,083	3,083	2,711	2,708
Non-restricted equity	85,912	49,263	20,112	18,803
Profit/loss for the year	5,209	41	2,890	-175
<b>Total equity</b>	<b>94,204</b>	<b>52,387</b>	<b>25,713</b>	<b>21,336</b>
Long-term liabilities	5,802	14,463	277	277
Current liabilities	84,768	17,631	43,285	916
<b>Total liabilities</b>	<b>90,570</b>	<b>32,094</b>	<b>43,562</b>	<b>1,193</b>
<b>Total equity and liabilities</b>	<b>184,774</b>	<b>84,481</b>	<b>69,275</b>	<b>22,529</b>

## CASH FLOW STATEMENT ZINZINO GROUP

	<b>Group 2015 Jan-Mar</b>	<b>Group 2014 Jan-Mar</b>
<b>Operating activities</b>		
Profit before financial items	6,825	2,680
Depreciation, amortization and impairment	2,084	265
Unrealized exchange rate gains	-2,263	473
	<b>6,646</b>	<b>3,418</b>
Interest received	-	-
Interest paid	-313	210
Tax paid	-	-
	<b>-313</b>	<b>210</b>
<b>Cash flow from operating activities before changes in working capital</b>	<b>6,333</b>	<b>3,628</b>
<b>Cash flow from changes in working capital</b>		
Increase(-) / Decrease(+) in inventory	-6,933	-105
Increase(-) / Decrease(+) of current receivables	-767	-282
Increase(-) / Decrease(+) in current liabilities	10,585	9,636
<b>Cash flow from operating activities</b>	<b>9,218</b>	<b>12,877</b>
<b>Investing activities</b>		
Investment in intangible fixed assets	-1,000	-
Investment in subsidiaries	-2,100	-
Investment in tangible fixed assets	-	-
<b>Cash flow from investing activities</b>	<b>-3,100</b>	<b>-</b>
<b>Financing activities</b>		
Borrowings	646	-
Subscription for shares on warrants issued	346	-
<b>Cash flow from financing activities</b>	<b>992</b>	<b>-</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>7,110</b>	<b>12,877</b>
<b>Cash and cash equivalents at start of period</b>	<b>42,771</b>	<b>10,923</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>49,881</b>	<b>23,800</b>
<b>Change in cash and cash equivalents</b>	<b>7,110</b>	<b>12,877</b>



## INCOME BY COMPANY

Total income by company	Q1 2015	Q1 2014	Growth by company vs. Q1 of previous year	Share of total income Q1
Zinzino Sverige AB	9,295,191	6,959,426	34%	9%
Zinzino AS (Norway)	24,317,437	20,369,282	19%	22%
Zinzino OY (Finland)	15,828,186	11,776,203	34%	15%
Zinzino ApS (Denmark)	13,916,403	8,744,123	59%	13%
Zinzino Faroe Islands branch	447,898	234,236	91%	0%
Zinzino Ehf (Iceland)	12,147,111	9,782,451	24%	11%
Zinzino UAB (Lithuania)	3,501,962	4,061,974	-14%	3%
Zinzino SIA (Latvia)	3,333,131	2,969,977	12%	3%
Zinzino OÜ (Estonia)	10,432,431	6,855,648	52%	10%
Zinzino LLC (USA)	3,782,260	n/a	n/a	3%
Zinzino BV (Netherlands)	427,649	n/a	n/a	0%
Zinzino SP z.o.o (Poland)	108,502	n/a	n/a	0%
Faun Pharma AS (Norway)	9,201,336	n/a	n/a	8%
Zinzino Nordic AB	2,248,000*	3,776,000*	-40%	2%
<b>Total</b>	<b>108,987,498</b>	<b>75,529,320</b>		

\* Exchange rate gains

## DEFINITIONS OF KEY FIGURES

<p><b>Gross margin</b> Total income minus cost of goods sold, partner commissions and shipping costs as a percentage of the period's total income.</p>	<p><b>Profit per share</b> Period's profit in relation to its average number of outstanding shares.</p>	<p><b>Equity per share</b> Equity in relation to number of outstanding shares on the balance sheet day.</p>
<p><b>Operating margin</b> Operating profit after depreciation as a percentage of the period's total income.</p>	<p><b>Operating margin before depreciation</b> Operating profit before depreciation as a percentage of the period's total income.</p>	<p><b>Net margin</b> Period's profit as a percentage of its net turnover.</p>
		<p><b>Equity/assets ratio</b> Equity as a percentage of the balance sheet total.</p>

## NUMBER OF OUTSTANDING SHARES

As of 3/31/2015 the share capital is distributed between 30,500,025 shares, of which 5,113,392 are A-shares (1 vote) and 25,386,633 B-shares (0.1 vote). The share's nominal value is SEK 0.10. The company's B shares are traded on Nasdaq OMX First North, nasdaqomxnordic.com.

At the end of the quarter, the share capital was further extended in connection with further share subscriptions on issued warrants. A total of 400,000 Class B shares were issued and the share capital was thereby increased by SEK 40,000 to a total of SEK 3,090,002.50.

The company already has two outstanding option programs. The first expires on November 1, 2016 and comprises 2,100,000 options at a redemption price of SEK 2. As of December 31, 2014, 420,000 warrants had been used to subscribe for shares. The second option program expires on May 31, 2019 at a redemption price of SEK 16 and covers 600,000 options. In addition to this, the AGM resolved on May 8, 2015 to issue a further 600,000 warrants at a redemption price of SEK 26. The option program expires on May 31, 2020.

If all the warrants are used for the new subscription of 2,880,000 shares, dilution of the share capital will amount to approximately 9%.

## INSIDER HOLDINGS AS OF 3/31/2015

Name	Position	Share	Share	3/31/2015
Örjan Saele	Others with inside holdings	ZZA	ZZA	3,123,397
Örjan Saele		ZZB	ZZB	6,286,590
Peter Sörensen	Others with inside holdings	ZZA	ZZA	1,809,995
Peter Sörensen		ZZB	ZZB	1,728,055
Hans Jacobsson	Chairman	ZZB	ZZB	414,215
Hans Jacobsson		ZZ TO	ZZ TO	45,000
Cecilia Halldner	Board Member	ZZB	ZZB	45,000
Staffan Hillberg	Board Member	ZZB	ZZB	206,414
Staffan Hillberg		ZZ TO	ZZ TO	45,000
Torben Lundberg	Board Member	ZZB	ZZB	15,000
Dag Pettersen	Managing Director	ZZB	ZZB	180,000
Dag Pettersen		ZZ TO	ZZ TO	1,460,000
Carin Andersson	Management	ZZB	ZZB	36,082
Fredrik Nielsen	Management	ZZB	ZZB	15,000
Fredrik Nielsen		ZZ TO	ZZ TO	30,000
Helena Byström	Management	ZZB	ZZB	15,000
Jakob Spijker	Management	ZZB	ZZB	15,000
Lina Rydh	Management	ZZB	ZZB	5,000
Mikaela Wahlbro	Management	ZZB	ZZB	15,000

### ACCOUNTING PRINCIPLES

This Interim Report has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general guidelines. As of the 2014 financial year, the consolidated financial statements and annual report are prepared in accordance with BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3). Where applicable, the comparative figures for 2014 have been adapted to K3. The transfer to K3 has not resulted in any significant changes, for either 2014 or 2015.

### DIVIDEND

The Annual General Meeting on May 8, 2015 resolved to approve the payment of a dividend of SEK 0.25 (0.10) per share for the 2014 financial year.

### AUDITOR EXAMINATION

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

### FUTURE REPORTS

Interim Report Q2 will be published 8/31/2015

Interim Report Q3 will be published 11/23/2015

For more information, please call Dag Bergheim Pettersen, CEO, Zinzino AB  
Gothenburg, May 22, 2015

Zinzino AB (publ.)  
Board of Directors

### Zinzino AB

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