

ZINZINO





INTERIM REPORT ZINZINO

01/01/2016 – 03/31/2016

THE PAST QUARTER IN BRIEF

- ▶ Total revenues amounted to SEK 112.6 (111.2) million equivalent to a sales growth of +1% (+44%).
- ▶ The Health segments revenue has increased by 16% to SEK 76,7 (65,9) million. The Coffee segment has decreased its revenue by 29% to SEK 15.4(21.5) million.
- ▶ Gross profit amounted to SEK 41.1 (36.7) million and the gross profit margin was 36.5% (33.0%). This improvement is attributable to lower costs of goods sold and a larger share of Health products in the sales mix.
- ▶ EBITDA amounted to SEK 8.2 (8.9) million and the operating margin before depreciation was 7.3% (8.0%).
- ▶ Depreciation and amortization amounted to SEK 2.2 (2.1) million of which SEK 1.2 (1.6) million was attributable to amortization of goodwill.
- ▶ Operating profit amounted to SEK 5.9 (6.8) million and the operating margin was 5.3% (6.1%).
- ▶ Profit before tax amounted to SEK 5.7 (6.5) million. Earnings per share before tax amounted to SEK 0.18 (0.22) million (after full dilution). Profit after tax amounted to SEK 4.4 (5.2) million.
- ▶ Cash and cash equivalents amounted to SEK 31.1 (49.9) million on the closing date.
- ▶ A successful sales start in the German market at the end of February where sales already amounted to SEK 0.8 million in March.
- ▶ ISO9001 certification was officially ready for Faun Pharma which reported positive results for the first quarter.
- ▶ Establishment started for the rest of the EU countries where Zinzino today do not have any activity. Estimated start of sales is in the second quarter through the Swedish sales company, Zinzino AB Sweden.

ZINZINO



Zinzino AB (publ.) is one of the leading direct sales companies, represented in the Nordic region, the Baltic States, Poland, Germany, the Netherlands, Canada and the USA. We offer customers products centered around quality, environment and health. The Zinzino Health 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, proximity to the customer and a 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 Franco-Belgian coffeehouse, Rombouts & Malongo.

Today, the Zinzino Group has some 100 employees. The company has its headquarters in Gothenburg, Sweden, local offices in Helsinki, Finland, and Florida, USA, as well as a production unit south of Oslo, Norway.

BRIEF HISTORY

2007 Zinzino AB began its operations. The company's primary activity is to own and develop companies in direct marketing and related businesses.

2009 Zinzino Nordic AB was acquired through a directed share issue to the owners in Zinzino Nordic AB and partly by subscription in the preferential rights issue Zinzino Nordic AB conducted in December 2009. This gave Zinzino AB control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. By December 31, 2015, the participating interest had increased to 93% of the capital.

2010 Zinzino AB was listed at the listing change Aktietorget.

2011 the Group expanded with companies in Estonia and Lithuania.

2012 companies were also launched in Latvia and Iceland.

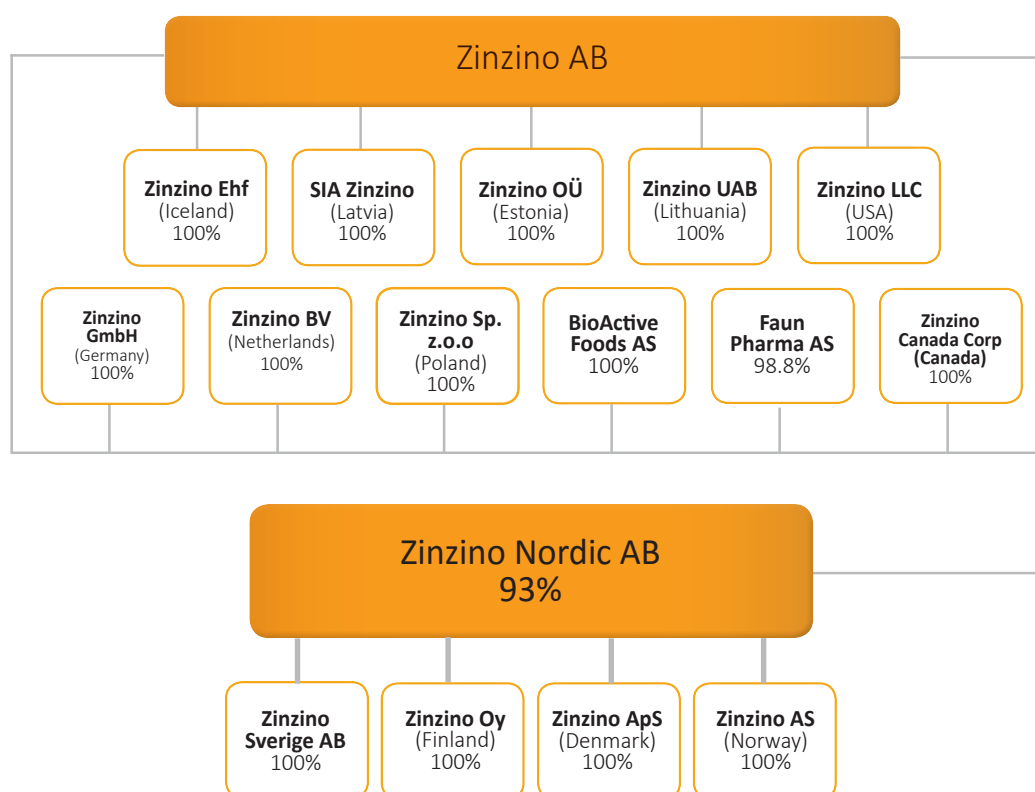
2013 a company was started in the USA with its headquarters in Jupiter, Florida.

2014 companies were established 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 Zinzino AB was listed for trading on Nasdaq OMX First North.

2015 companies were started in Canada and ownership in Faun Pharma AS was extended to 98.8%.

2016 a subsidiary was started in Germany.

CORPORATE STRUCTURE



FINANCIAL SUMMARY (SEK MILLIONS)

THE GROUP'S KEY RATIOS	Q1-2016	Q1-2015
Total revenue	112.6	111.2
Net sales	101.6	96.6
Sales growth	1%	47%
Gross profit	41.1	36.7
Gross profit margin	36.5%	33.0%
Operating profit before depreciation	8.2	8.9
Operating margin before depreciation	7.3%	8.0%
Operating profit	5.9	6.8
Operating margin	5.3%	6.1%
Profit before tax	5.7	6.5
Net result	4.4	5.2
Net margin	3.9%	4.7%
Earnings per share before tax (after dilution)	0.18	0.22
Net earnings per share after tax (after dilution)	0.13	0.17
Cash and cash equivalents	31.1	49.9
Equity/assets ratio	53%	60%
Shareholders' equity per share (after dilution) SEK	2.9	2.4
Number of shares for Q1 Full dilution	33,380,025	32,780,025
Number of shares Q1	30,900,025	30,500,025

Zinzino's outlook for 2016 and financial targets

We forecast that the total revenues for 2016 will amount to between SEK 470 million and SEK 520 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 2016-2018 shall be a minimum of 20% and for the net margin before depreciation shall increase to >8%. The dividends policy shall be at least 30% of the net profit as long as liquidity and solvency permits this.



“CONSTANT IMPROVEMENTS, INCREASED GROWTH AND HEALTH ARE CENTRAL TO OUR STRATEGY”

THE FIRST QUARTER

During the first quarter we continued to work hard to enable our ambitious goals and long-term strategies. We will increase the number of customers by ten times the current level, and in the year 2020 we will have one million customers. To achieve that requires preparation and hard work. But also a clear strategy and I feel confident that we are continuing to follow that. I am confident that we will achieve our goal thanks to the amazing products that we develop and produce in our own factory, our strong marketing with a focus on controlled expansion and a level of commitment in our organisation that is absolutely spectacular.

CONSTANT IMPROVEMENTS

In the main, I am very pleased with our progress during the first quarter. We are increasing the number of customers and our product range is constantly evolving and we have many strong new products on the way. Our organisation has shown considerable commitment to our continuous improvements, and our partners who sell our products have been impressive. We can after the first quarter of 2016 show that we again have a positive growth of one per cent against the previous year and it is completely according to plan. Our success in doing this is partly due to our transition to more profitable and attractive health products, giving us better margins and good internal costs control. I am proud that we successfully made major investments in our own organisation, marketing, develop-

ment of new concepts and at the same time have been able to place a strong focus on new markets, of which our launch in Germany during the quarter is an example, and that our first quarter of 2016 has again seen positive growth. It bodes well for the future.

HEALTH

Four years ago we were a coffee company that started to poke its nose into health. Today, our health sales account for 80 percent of turnover and 90 percent of our profitability. We have in the years since, acquired an ISO certified factory, where we develop and produce our Balance products. This gives us full control of our products and we can offer the best possible quality. It has also made it possible for us to always be incredibly proud of our Balance products and we have

quickly gained a large customer base who really appreciate them. The big change that we implemented then to focus on health with our own Balance products has now really taken hold and it's time for the next step. Our new concept will be launched on 1st July, and in our segment it will make a substantial impression on the entire health industry for a long time to come, in the same way that Apple made their mark with the iPhone in the mobile phone industry.

Inspire Change

Dag Bergheim Pettersen, CEO, Zinzino AB

SIGNIFICANT EVENTS DURING AND AFTER THE FIRST QUARTER 2015

A weak positive growth and good profitability through further margin improvements

Total revenues for the first quarter amounted to SEK 112.6 (111.2), an increase of 1% compared to the first quarter last year. Gross profit for the quarter amounted to 41.1 (36.7) million and the gross profit margin to 36.5% (33.0%). The Health segment's revenue has increased by 16% to SEK 76,7 (65,9) million. The increase in revenue can be explained by a better matched product mix versus the demand, something the company continues to focus on during Q2. The Coffee segment has decreased its revenue by 29% to SEK 15.4(21.5) million, something that can be attributed to that the segment is most popular in sales areas which have taken longer time to recover since the change of IT system. The two product segments Health and Coffee account for 68% and 14% of the total revenues.

The company made significant margin improvements in production during the quarter and hence could temporarily increase remuneration of the sales network to stimulate sales growth and facilitate the hardworking sales network authority. This broke the negative sales trend caused by the change of system in the fall of 2015 and gave a strong start to 2016. The company did not, despite a strong recovery, succeed to reach the same level of growth as during the first quarter of 2015. During the rest of the year the company will focus on the product segments where it has good or very good profitability, to further strengthen the revenue and gross profit margin. In 2016, several activities are planned to strengthen sales networks, reducing the recovery period, and optimize profitability.

New IT system fully operational without disruptions

A growing organization requires a strong tool with a sufficient capacity; thus, in order to better meet current and planned growth, Zinzino switched to a new IT platform in the fall of 2015.

The comprehensive system change implemented by the company negatively affected the company in the fall and slowed down sales growth. The project has now been completed and the system has worked very well during the first quarter of 2016. The company now sees great benefits in the new system environment both internally and externally.

The selected IT platform is essentially custom-tailored for the direct selling industry and has subsequently been developed according to Zinzino's specific needs. Unlike the previous solution, the new platform has a better structure for providing our staff with greater flexibility in managing customers in a better and more efficient way. The web is now more user-friendly and as a Zinzino partner, you will have a more distinct tool with a greater overview of your organization, and that, from a design perspective, is more appealing and attractive. The web-shop has also been enhanced and also presents the products in a visually more appealing way.

The new web-shop no longer requires a login. New, potential customers can browse through Zinzino's range of quality products and make their personal choices. The customer can then easily be linked to a partner at the geographical location.

Successful sales start in Germany

In February, Zinzino carried out a successful sales start in Germany. Already in March, the newly established subsidiary could present sales of SEK 0.8 million, which were well above expectations. Germany is a very interesting market for Zinzino to operate on; as it is a financially strong market with a strong tradition of direct trade.

FAUN reports positive results and cash flow

Faun reported positive figures for the first quarter. The company's external sales amounted to SEK 9.5 (9.2) million equivalent to a growth of 3% compared to the previous year. The company continues to focus on streamlining operations and investing in key customers, which has resulted in improved profit margins during the quarter.

Net income for the first quarter amounted to SEK 0.6 (-1.0) million, which was better than expected. In addition to this, the company acquired official ISO9001 certification in January, which was a recognition of quality for the company. This is expected to open new sales channels and to ensure a high quality of produced goods.

New concept of establishment for EU started with preliminary sales starting during the second quarter

During the first quarter, Zinzino has started a new exciting concept of establishment with respect to the rest of the European Union through the Swedish subsidiary, Zinzino AB Sweden. By pursuing export sales without local registration, the company is able to implement faster start-ups in other EU markets with less risk.

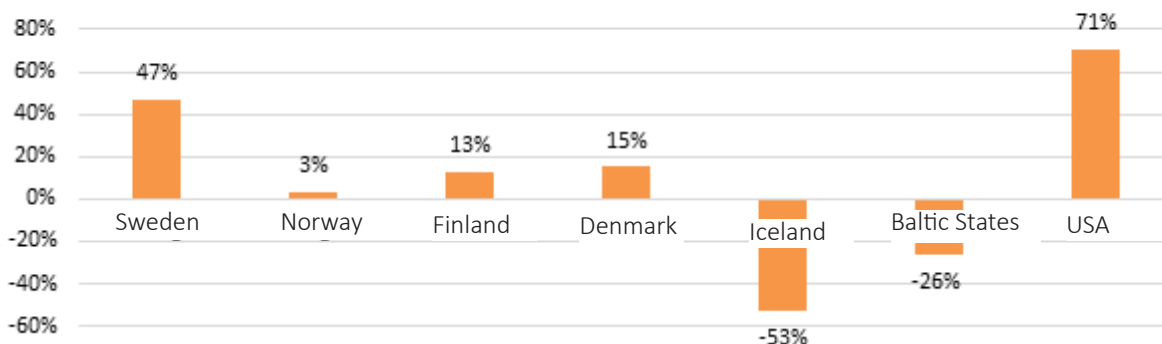
When sales on a market subsequently increase, the establishment is made deeper through local registration. With this launching method in combination with the new ERP system, Zinzino will be able to attract new customers and partners in significantly more markets than before. The UK and France are examples of markets in which such an establishment will take place employing this new concept.

SALES AND PERFORMANCE

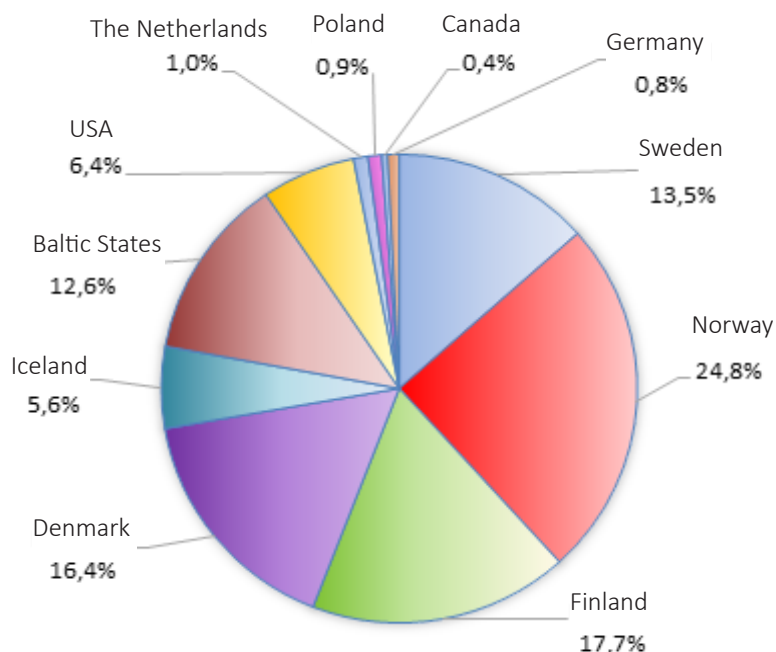
First quarter – sales

The first quarter was characterized by very fine growth primarily in the USA, Sweden and the new markets of Poland and the Netherlands (not included in the graph). There was also growth in the other markets of origin. Things were worse in the Baltic States and Iceland. In total, revenues for the quarter amounted to SEK 112.6 (111.2) million, equivalent to the 1% growth of the previous year.

Growth by market compared to Q1 of previous year



Geographical distribution of sales for Q1*



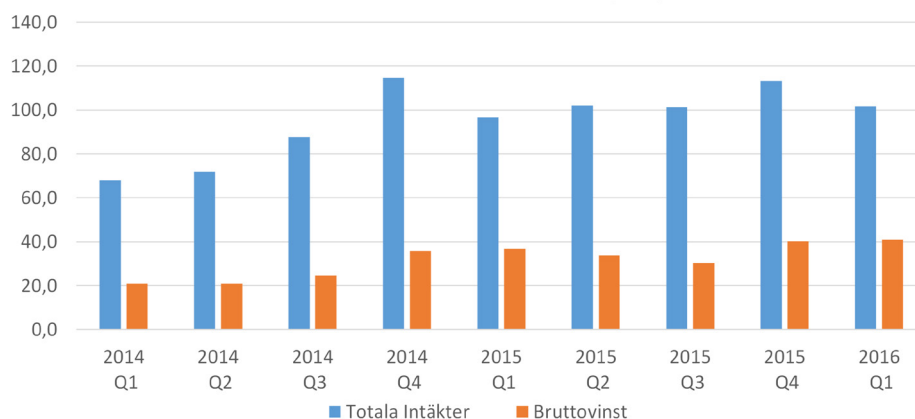
The geographic distribution in the fourth quarter showed that the major part of the revenues is attributable to the Nordic countries with Norway continuing to be the largest market. The Swedish market constitutes an ever larger share of total sales while the Baltic States and Iceland are losing shares. The USA continued to increase its share of the total revenue even during the first quarter of 2016.

The distribution of revenue from product lines and other activities was as follows: Zinzino Health amounted to SEK 76.7 (65.9) million representing 68% of total revenue for the quarter and constituting an increase of 16% compared to the previous year. Zinzino Coffee totaled SEK 15.4 (21.5) million, corresponding to 14% of the total revenue and a 29% decrease in sales. To this was added sales of SEK 9.5 (9.2) million from Faun Pharma representing 8% of the total revenue. Other income amounted to SEK 11.0 (14.6) million and accounted for the remaining 10% of the quarterly revenue.

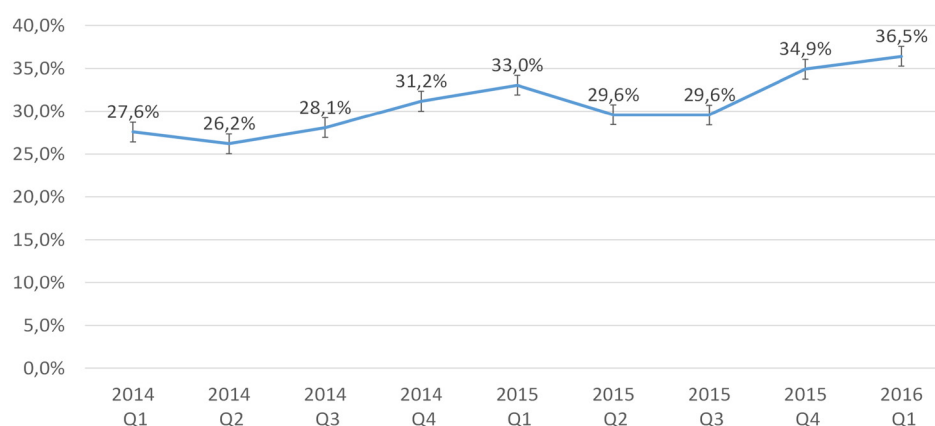
First quarter – performance

The Group's gross profit amounted to SEK 41.1 (36.7) million and the gross profit margin was 36.5%, which was better than the corresponding period for the previous year and also an additional improvement in the margin over the previous quarter. Through more efficient in-house production, Zinzino has been able to press costs for a long time in order to attain higher gross profits, which is borne out by the diagram.

Total net sales vs. gross profit (SEK millions)



Gross profit as a percentage



EBITDA for the first quarter amounted to SEK 8.2 (8.9) million and the operating margin before depreciation amounted to 7.3%. Operating profit amounted to SEK 5.9 million (6.8) and the operating margin was 5.3%. The earnings outcome was worse than the corresponding period for the previous year, but nevertheless a significant improvement in earnings compared to the last quarter of 2015. The group currently has a large cost base through the Faun Pharma production unit and the Bioactive Foods research company while, at Head Office they have invested in a new business system and increased staffing to handle the increase in sales and expansion of the Group. This will negatively impact operating margins in the short term but will generate margin improvements in the long term.

Profit before tax amounted to SEK 5.7 million (6.5) and net profit to SEK 4.4 million (5.2).

Depreciation and amortization

Depreciation and amortization for the quarter has burdened the earnings for the period to an amount of SEK 2,232 (2,084) thousand, of which SEK 93 (71) thousand was depreciation of tangible assets, SEK 713 (404) thousand was amortization of intangible assets and SEK 1,226 thousand (1 609) was amortization of goodwill.

Inventories

The Group's total inventories amounted to SEK 44.6 (37.7) million as of the balance sheet day. This increase was due to higher Group sales, the relocation of production at Zinzino Health from an external party to Faun Pharma AS and the company's stock-keeping for an external customer.

Liquidity and equity/assets ratio

During the quarter, cash-in-hand has been strengthened through a positive cash flow that increased cash and cash equivalents by SEK 4.3 (7.1) million during the quarter. As of balance sheet day, cash-in-hand amounted to SEK 31.1 (49.9) million. The Group's equity/assets ratio amounted to 53% (60%). The Board of Directors has assessed that cash and cash equivalents are at a satisfactory level and that the Group's positive cash flow from operating activities will secure liquidity in the Group for the foreseeable future and also makes a dividend possible for the past fiscal year, conditional on decision by the AGM.

INCOME STATEMENTS ZINZINO GROUP (SEK thousand)

	Group 01/01/2016 03/31/2016	Group 01/01/2015 03/31/2015	Group 01/01/2015 12/31/2015
Net sales	101,602	96,642	388,692
Other revenue	10,999	14,558	55,144
Trade goods and others	-71,511	-72,255	-294,568
Direct costs			
Gross profit	41,090	38,945	149,268
External operating costs	-18,855	-16,672	-74,642
Personnel costs	-14,057	-13,364	-49,002
Depreciation and amortization	-2,232	-2,084	-7,133
Operating profit	5,946	6,825	18,491
Net financial items	-201	-313	-936
Estimated tax expense	-1,386	-1,303	-7,895
Net income for the period	4,359	5,209	9,660

BALANCE SHEET ZINZINO GROUP (SEK thousand)

	Group 01/01/2016 03/31/2016	Group 01/01/2015 03/31/2015	Group 01/01/2015 12/31/2015
Fixed assets			
Goodwill	42,230	56,746	43,456
Intangible assets	14,921	3,816	15,695
Tangible fixed assets	1,853	1,877	1,939
Financial assets	6,912	14,570	8,282
Total fixed assets	65,916	77,009	69,372
Current assets			
Inventories	44,592	37,692	40,289
Current receivables	25,238	20,192	22,324
Cash and bank balances	31,116	49,881	26,852
Total current assets	100,946	107,765	89,465
Total assets	166,862	184,774	158,837
Restricted equity	3,096	3,083	3,090
Non-restricted equity	80,875	85,912	75,570
Profit for the year	4,359	5,209	9,660
Total equity	88,330	94,204	88,320
Non-current liabilities	677	5,802	677
Current liabilities	77,855	84,768	69,840
Total liabilities	78,532	90,570	70,517
Total equity and liabilities	166,862	184,774	158,837

CASH FLOW STATEMENT ZINZINO GROUP (SEK thousand)

	Group 01/01/2016 03/31/2016	Group 01/01/2015 03/31/2015	Group 01/01/2015 12/31/2015
Operating activities			
Profit before financial items	5,946	6,825	18,491
Depreciation, amortization/impairment	2,232	2,084	7,133
Other items not affecting liquidity	-4,133	-2,263	-2,545
	4,045	6,646	23,079
Interest received	3	-	49
Interest paid	-202	-313	-1,050
Tax paid	-22	-	-63
	-221	-313	1,064
Cash flow from operating activities before changes in working capital	3,824	6,333	22,015
Cash flow from changes in working capital			
Increase(-) / Decrease(+) in inventory	-4,303	-6,933	-9,530
Increase(-) / Decrease(+) in current receivables	-2,914	-767	-2,899
Increase(+) / Decrease(-) in current liabilities	8,015	10,585	1,586
Cash flow from operating activities	-4,622	9,218	11,172
Investing activities			
Investment in intangible assets	-	-1,000	-12,202
Investment in subsidiaries	-395	-2,100	-2,644
Investment in tangible fixed assets	-73	-	-815
Cash flow from investing activities	-468	-3,100	-15,661
Financing activities			
Borrowings	-	646	-4,479
Dividends	-	-	-7,725
Subscription for shares on warrants issued	110	346	775
Cash flow from financing activities	110	992	-11,429
CASH-FLOW FOR THE PERIOD	4,264	7,110	-15,918
Cash and cash equivalents at start of period	26,852	42,771	42,770
Cash and cash equivalents at end of period	31,116	49,881	26,852
Change in cash and cash equivalents	4,264	7,110	-15,918

CHANGES IN EQUITY GROUP (SEK thousand)

	Group 01/01/2016 03/31/2016
Equity at the beginning of the period	88,320
Adjustment for error previous year	-4,513
Opening balance of equity after adjustments	83 807
Share subscription on warrants	110
Translation differences currency	54
Net income for the period	4,359
	88,330

INSIDER HOLDINGS AS OF 03/31/2015

Name	Position	Share	03/31/2016	12/31/2015
Örjan Saele	Others with inside holdings	ZZA	3,123,397	3,123,397
Örjan Saele		ZZB	6,254,409	6,186,671
Peter Sörensen	Others with inside holdings	ZZA	1,809,995	1,809,995
Peter Sörensen		ZZB	1,793,694	1,843,194
Hans Jacobsson	Chairman	ZZB	431,215	431,215
Hans Jacobsson		ZZ TO	0	45,000
Cecilia Halldner	Board Member	ZZB	45,000	45,000
Staffan Hillberg	Board Member	ZZB	206,414	206,414
Staffan Hillberg		ZZ TO	0	45,000
Pierre Mårtensson	Board Member	ZZB	0	0
Dag Pettersen	Managing Director	ZZB	180,000	180,000
Dag Pettersen		ZZ TO	1,460,000	1,460,000
Carin Andersson	Management	ZZB	36,082	36,082
Fredrik Nielsen	Management	ZZB	15,000	15,000
Fredrik Nielsen		ZZ TO	0	30,000
Helena Byström	Management	ZZ B	15,000	15,000
Jakob Spijker	Management	ZZ B	15,000	15,000
Lina Rydh	Management	ZZ B	5,000	5,000
Mikaela Wahlbro	Management	ZZ B	15,000	15,000

DEFINITIONS OF KEY RATIOS

<p>Gross margin Total revenue minus cost of goods sold, partner commissions and shipping costs as a percentage of the period's total revenue.</p>	<p>Profit per share Profit for the period in relation to the period's average number of outstanding shares.</p>	<p>Equity capital per share Equity in relation to the number of outstanding shares on the balance sheet day.</p>
<p>Operating margin Operating profit after depreciation as a percentage of the total revenue for the period-</p>	<p>Operating margin before depreciation and amortization Operating profit before depreciation and amortization as a percentage of the total revenue for the period.</p>	<p>Net margin Profit for the period as a percentage of the period's net sales.</p>
		<p>Equity/assets ratio Shareholders' equity as a percentage of the balance sheet total.</p>

NUMBER OF OUTSTANDING SHARES

As of 6/31/2016, the share capital is distributed between 30,900,025 shares, of which 5,113,392 are A-shares (1 vote per share) and 25,786,633 B-shares (0.1 vote per share). Nominal share value is SEK 0.10. The company's B shares are traded on Nasdaq Omx First North, nasdaqomxnordic.com.

The company has outstanding options schemes. The first expires on November 1, 2016 and comprises 2,100,000 options at a strike price of SEK 2. As of July 2016, 970,000 warrants had been used to subscribe for shares. The second options scheme expires on May 31, 2019 at a strike price of SEK 16 and comprises 600,000 options. In addition to this, the AGM resolved on May 8, 2015 to issue a further 600,000 warrants at a strike price of SEK 26. The options scheme 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%.

REVENUE BY COMPANY (SEK thousand)

Total revenue by company	Q1 2016	Q1 2015
Zinzino Sverige AB	13,650	9,295
Zinzino AS (Norway)	25,061	24,317
Zinzino OY (Finland)	17,862	15,828
Zinzino ApS (Denmark)	16,556	14,364
Zinzino Ehf (Iceland)	5,696	12,147
Zinzino UAB (Lithuania)	2,527	3,502
Zinzino SIA (Latvia)	3,056	3,333
Zinzino OÜ (Estonia)	6,871	10,432
Zinzino LLC (USA)	6,465	3,782
Zinzino BV (Netherlands)	983	428
Zinzino SP z.o.o (Poland)	933	109
Canada	415	n/a
Germany	790	n/a
Faun Pharma AS (Norway)	9,503	9,201
Zinzino Nordic AB	2,233	4,461
Total	112,601	111,200

ACCOUNTING PRINCIPLES

This Interim Report has been prepared in accordance with the Swedish Annual Accounts Act and the general guidelines of the Swedish Accounting Standards Board. As of the 2014 fiscal year, the consolidated financial statements and annual report are prepared in accordance with BFNAR 2012:1 Annual Accounts and Consolidated Group Accounts (K3).

DIVIDEND

The Board proposes dividends of SEK 0.25 (0.25) per share for the 2015 fiscal year.

AUDITOR REVIEW

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

ANNUAL GENERAL MEETING

The Annual General Meeting of Zinzino AB will be held at the company's premises on Hulda Lindgrens gata 8 in Västra Frölunda on May 20 at 13.00 p.m.

NEXT REPORT

Interim Report Q2 2016 will be published on 08/31/2016

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

Gothenburg, May 20, 2016

Zinzino AB (publ.)
Board of Directors

Zinzino AB

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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.

11 Quarterly report January- March 2016 Zinzino AB (publ), CIN. 556733-1045

