

# ZINZINO



**+34%** TOTAL REVENUE  
**4,4%** EBITDA  
**SEK 0.7** PROPOSED  
SHARE DIVIDEND

YEAR-END REPORT | **2019**

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# THIS IS ZINZINO

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Zinzino AB (publ.) is a direct sales company that operates throughout Europe, Australia and North America. Zinzino markets and sells products in two product lines: Zinzino Health, with a focus on long-term health, and Zinzino Coffee, consisting of espresso machines, coffee and tea.

Zinzino owns the Norwegian research company BioActive Foods AS and the production unit Faun Pharma AS. Zinzino has just over 130 employees. Zinzino is based in Gothenburg, with additional offices in Helsinki, Riga, Oslo, Adelaide (Australia) and Florida (USA). Zinzino is a publicly-held limited liability company and its shares are listed on Nasdaq First North.

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## A BRIEF HISTORY

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

**2009** - Zinzino Nordic AB was acquired, partly through a directed share issuance in kind to the owners of Zinzino Nordic AB and partly through a subscription in the rights issuance that Zinzino Nordic AB carried out in December 2009. Through this Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. By 31 December 2015, participating interest had increased to 93% of capital.

**2010** - Zinzino shares were listed for trading on the Aktietorget stock market.

**2011** - The group was expanded with companies in Estonia and Lithuania.

**2012** - Companies were started in Latvia and Iceland.

**2013** - A company was started in the United States with its headquarters in Jupiter, Florida.

**2014** - The group was further expanded by companies in Poland and the Netherlands. In the same year, Zinzino AB acquired the remaining shares in BioActive Foods AS and 85% of the shares in Faun Pharma AS. This was also the year when Zinzino AB was listed for trading on Nasdaq OMX First North.

**2015** - A company was started in Canada and the ownership share in Faun Pharma AS was increased to 98.8%.

**2016** - A subsidiary was started in Germany.  
- Sales were launched in all of the EU countries.

**2017** - Sales in Switzerland began.

**2018** - New subsidiaries in Romania and Italy.

**2019** - New subsidiaries in Australia and India.

# ZINZINO YEAR-END REPORT | 2019

## **OCTOBER – DECEMBER**

- Total revenue increased by 52% to SEK 236.3 (155.7) million
- Gross profit amounted to SEK 75.0 (44.6) million and the gross profit margin was 31.7% (28.6%)
- EBITDA amounted to SEK 6.3 (-3.6) million and the EBITDA margin to 2.7% (-2.3%)
- Cash flow from operating activities totalled SEK 18.9 (10.2) million
- Letter of Intent on the acquisition of VMA Life in Singapore

## **JANUARY – DECEMBER**

- Total revenue increased by 34% to SEK 770.6 (576.6) million
- Gross profit amounted to SEK 232.3 (182.8) million and the gross profit margin was 30.1% (31.7%)
- EBITDA amounted to SEK 33.5 (23.7) million and the EBITDA margin to 4.4% (4.1%)
- Cash flow from operating activities totalled SEK 72.2 (29.8) million
- Liquid assets on the balance sheet date were SEK 76.8 (45.5) million
- The board of directors proposes a dividend for 2019 to shareholders of SEK 0,7 (0,7) per share through an ordinary dividend of SEK 0,55 (0,5) and a special dividend of SEK 0,15 (0,2) in the same dividend period.



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***"We aim for more than  
30% growth to deliver  
a turnover of more than  
1 billion SEK in 2020"***

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# SUPER STRONG GROWTH OF 52% IN Q4

**The last quarter ended very strong, with growth of an entire 52%, meaning that the year as a whole had a very strong increase of 34%. We are, of course, very pleased with the positive trend from the beginning of 2019 to the end of the year. It gives good reason for optimism and increased faith for 2020.**

**We are aiming for more than 30% growth to deliver sales of more than 1 billion SEK in 2020, and with greater profitability than in 2019.**

**The new, updated financial target for sales and profitability is a result of stronger than expected growth, and that we are creating economies of scale in the future that will have a positive impact on profitability.**

## **E-COMMERCE**

In recent years we have invested significantly to create growth and achieve increased customer satisfaction in order to reach our overall goals and ambitions. In 2019, we implemented a major digital shift. It is incredibly important for us to become extremely proficient online, with all that this means: website, payment systems and branding in social media.

We feel confident that we are going out in the world, equipped with unique products within the preventive health sector and will achieve this with incredible online tools to support us. We launched a new website with a completely new look in the third quarter in combination with improved payment solutions. We also launched a global online store for customers all over the world. We are constantly working to improve e-commerce and are launching a brand new and updated Zinzino test site in 2020 that will propel our brand in test-based food supplements to new heights.

## **NEW MARKETS**

We launched Australia in early April 2019, which has been a huge success, and this is just the beginning of our entry into Asia Pacific. I expect a lot from that region, where we have a letter of intent to acquire VMA Life, a company with operations in Hong Kong, Thailand, Taiwan, Singapore and Malaysia. This is truly exciting. In addition, we are working internally with major markets such as Russia, Ukraine, South Africa and India, which will be launched within the next 12 months.

We have invested more resources for marketing efforts, which has generated results in the form of more rapid sales growth. We are also attracting more attention from new distributors who would like to join Zinzino. With increased revenues and greater financial muscle, we have been able to hire several talented employees who can help us increase the growth and pace of product development. We have an extremely scalable business model and will work hard towards a profitable growth journey over the next few years.

“Profitable growth is our financial goal towards which we are working through our long-term strategic plans.

**Dag Bergheim Pettersen, CEO Zinzino**

Inspire change in life

# FINANCIAL SUMMARY (SEK MILLION)

KEY GROUP FIGURES	Q4 2019	Q4 2018	FULL YEAR 2019	FULL YEAR 2018
Total revenue	236.3	155.7	770.6	576.6
Net sales	216.5	148.2	710.8	532.9
Sales growth	52%	n/a	34%	n/a
Gross profit	75.0	44.6	232.3	182.8
Gross profit margin	31.7%	28.6%	30.1%	31.7%
Operating profit before depreciation and amortisation	6.3	-3.6	33.5	23.7
Operating margin before depreciation and amortisation	2.7%	-2.3%	4.4%	4.1%
Operating profit	1.5	-7.8%	14.8	6.4
Operating margin	0.6%	-5.0%	1.9%	1.1%
Profit/loss before tax	1.5	-7.9	39.9	5.7
Net profit	1.6	-4.7	11.3	4.7
Net margin	0.7%	-3.0%	1.5%	0.8%
Net earnings per share after tax before dilution, SEK	0.06	neg	0.33	0.13
Net earnings per share after tax at full dilution, SEK	0.06	neg	0.32	0.13
Cash flow from operating activities	18.1	10.2	71.3	29.8
Cash and cash equivalents	76.8	45.5	76.8	45.5
Equity/assets ratio	14%	20%	14%	20%
Equity capital per share before dilution, SEK	1.24	1.55	1.24	1.55
Number of issued shares on average for the period	32,580,025	32,580,025	32,580,025	32,580,025
Average number of issued shares for the period with full dilution	33,671,329	32,580,025	32,846,326	32,580,025

## ZINZINO'S OUTLOOK AND FINANCIAL GOALS FOR 2020

The Board of Directors forecasts that the total revenue will exceed SEK 1000 (771) million. The operating margin before depreciation/amortisation is calculated to exceed 4.5%.

The target for average growth in sales at Zinzino for the period 2020–2022 will be a minimum of 20% and operating margin before depreciation/amortisation will increase to >5%. The dividend policy will be at least 50% of the free cash flow, as long as liquidity and the equity/assets ratio permit.



# SIGNIFICANT EVENTS DURING AND AFTER THE **FOURTH QUARTER OF 2019**

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## **LETTER OF INTENT ON THE ACQUISITION OF VMA LIFE IN SINGAPORE**

VMA Life is a direct sales company in health and beauty operating in Malaysia, Thailand, Taiwan, Hong Kong, China and Singapore. Through the collaboration, Zinzino's products and business model are expected to increase sales as early as 2020. According to letter of intent, Zinzino shall, upon entry, pay a fixed purchase price of USD 0.7 million paid partly in cash and partly in newly issued Zinzino shares. Then additional purchase prices will be based on sales developments during 2020-2022. The total contingent consideration is estimated at approximately USD 1 million. Zinzino intends to sign a final acquisition agreement in the first quarter of 2020 following due diligence.

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## **NEW AND MODERN PACKAGING DESIGN**

During the fourth quarter, Zinzino continued the process of developing a new and modern packaging design for the company's health products. The new packaging design will create a premium feel and stand for Scandinavian minimalism. The design consists of a molecular pattern that symbolises science-based food supplements. The launch of the new packaging design will take place during the first half of 2020.





## FULL-FLEDGED MARKETS IN THE EAST

The positive sales trend in Eastern Europe has led Zinzino to deepen its presence in Hungary, the Czech Republic and Slovakia. This means a localised website, marketing materials and payment solutions. In addition, the establishment processes continued during the quarter in the UK, India, Russia, South Africa, Greece and Hong Kong. Following the majority of the implemented establishment processes in recent years, the company has learned the importance of ensuring thorough preparatory work and adapting to the local conditions in each market. Zinzino will continue to develop “best practices” through the experiences the company has during the establishment processes to adapt its operations in order to achieve rapid growth in the new markets in 2020.

According to the current forecast, Zinzino will open the UK and then Hong Kong provisionally during the second respectively third quarter 2020.



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## LAUNCH OF NEW TEST SITE

Since the introduction of its Balance concept, Zinzino has conducted over 475,000 blood tests. Zinzino's distributors and customers can access their test results by logging on to Zinzinotest.com. The blood test is an important part of Zinzino's product portfolio and in order to improve its quality, Zinzino is now developing a new test site with improved design, more information and new tools and functions. The new test site will be user-friendly and intuitive. The design will be in line with the company's other digital solution

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## SUCCESSFUL START ON THE COLLABORATION WITH LIFE LEADERSHIP IN THE USA

Zinzino began a collaboration with the American Life Leadership Community in the fourth quarter. Through the collaboration, Life Leadership's customers gain access to the next generation of test-based nutritional products from Zinzino. Life Leadership is a US-based education platform that helps customers through its digital solution “Earn and Learn”.

Through Life Leadership's mobile-adapted shopping platform and peer-to-peer network, Life Leadership will offer Zinzino's products to its growing customer base. During the fourth quarter, sales through Life Leadership amounted to SEK 0.8 million. Zinzino has high expectations that the collaboration will generate significant revenue growth in 2020 in the North American market.

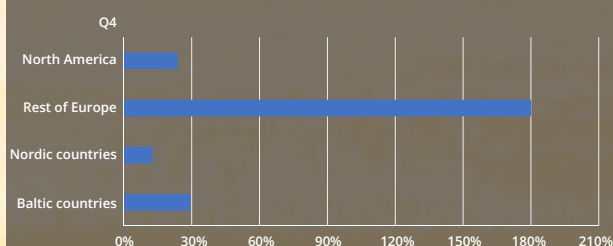
# SALES AND PROFIT Q4 | 2019

## Q4

### FOURTH QUARTER SALES

In total, revenue for the fourth quarter of 2019 amounted to SEK 236.3 (155.7) million, which represented a growth of 52% compared with the corresponding period in the previous year. It also meant growth of sixteen percentage points compared to the third quarter of 2019.

### GROWTH BY REGION 2019 VS 2018



#### Nordic countries

**Countries: Sweden, Norway, Finland, Denmark and Iceland**

In the Nordic countries, total revenue increased by 13% to SEK 119.6 (106.1) million. In Sweden the positive trend continued with good sales growth and a high level of distributor activity. Development on the Danish market also continued to be positive, although with slightly lower sales growth than in Sweden. The drop in sales in Norway and Finland continued to level off during the quarter following increased distributor activity in both countries. Low distributor activity in Iceland during the quarter resulted in lower revenues.

Faun Pharma, the group subsidiary and production unit, had a higher share of internal production due to the increased rate of growth in the group during the quarter, which caused external sales to decrease by 36% to SEK 9.6 (15.1) million.

#### Baltic countries

**Countries: Estonia, Latvia and Lithuania**

In the Baltic countries, revenue increased in total by 29% to SEK 16.7 (12.9) million in the fourth quarter. This was after very strong sales growth in all three of the region's countries. Zinzino's distributors in Latvia have for a long time had a major focus on customer growth by building long-term customer relationships with Zinzino's test-based balance concept, which contributed to the strong growth. The Lithuanian and Estonian sales organisations responded favourably to the distributor campaigns that were launched during the year. This resulted in more activity and generated a higher level of new sales in both markets, which were underlying factors behind the strong growth during the fourth quarter. Zinzino continues to support the sales organisations in the Baltic countries, mainly through marketing support and customer support.

#### Rest of Europe

**Countries: The Netherlands, Belgium, France, UK/Ireland, Germany, Austria, Switzerland, Poland, Hungary, Czech Republic, Slovakia, Bulgaria, Romania, Slovenia, Croatia, Spain and Portugal**

Among the remaining markets in Europe, the excellent growth trend continued in many markets and combined revenues increased by 180% to SEK 87.4 (31.2) million. Growth continued to be very strong in the central European markets of Hungary, Poland, Czech Republic and Slovakia. A common cluster of distributors working in an organised way across national borders drives this growth in the area. There was also positive growth in Germany, Austria and Switzerland, where experienced distributor organisations run their operations in a similar way with good results. Strong growth was also seen in the UK and Ireland. Increased distributor activity in Italy, Greece and Cyprus strongly contributed to growth in southern Europe.

#### North America

**Countries: USA and Canada**

Revenues in North America increased by 24% to SEK 6.8 (5.5) million in the fourth quarter compared with the previous year. The strong sales increase during the last quarter shows that Zinzino's strategic investments in North America have produced results. Zinzino will continue to adapt its digital platforms to North America, develop the partnership with Life Leadership and support the distributor network in 2020.

#### Australia

The Australian market started sales earlier in the year and the development has been positive since then. During the fourth quarter, revenue totalled SEK 5.8 million (0.0). Zinzino will continue to support the establishment of the local sales organisation through the local office in Adelaide and the sales management contracted by Zinzino for the purpose of setting up a strategic distribution network that will facilitate widespread geographic sales throughout the country.

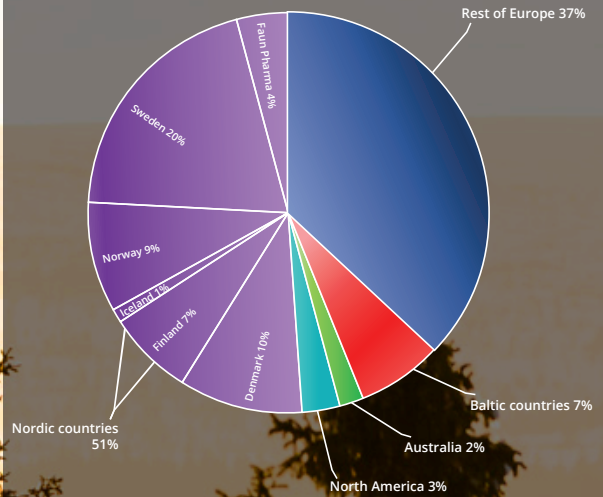
During the fourth quarter, the Nordic countries continued to account for the majority of the company's revenues according to the geographical distribution, although the proportion fell to 51% (68%) of total sales. The Baltic countries reduced their share slightly to 7% (8%).

The rest of Europe continued to increase its share of total revenue and accounted for 37% (20%) during the quarter, mainly through the favourable sales development in the central European countries. North America accounted for 3% (4%) of the total revenue. Performance was strong in the new region, Australia, during the quarter and it was responsible for the remaining 2% (0%) of total revenue.

**GROWTH PER PRODUCT GROUP**

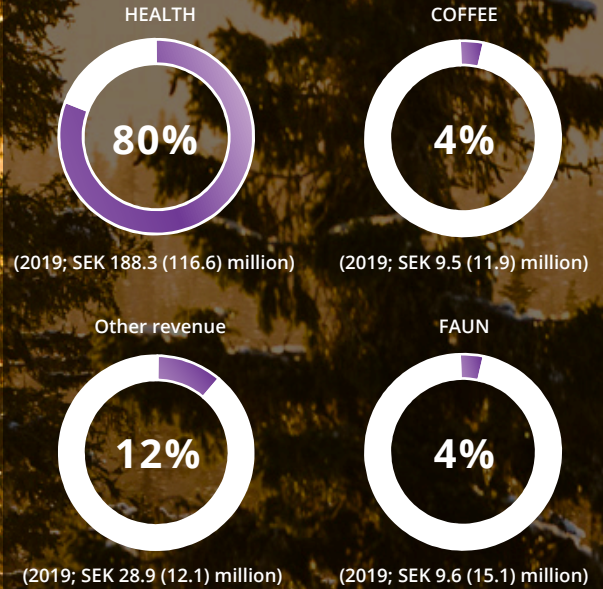
Sales for the Zinzino Health product segment increased by 61% to SEK 188.3 (116.6) million and represented 80% (75%) of total revenue. The Zinzino Coffee product segment decreased by 20% to SEK 9.5 (11.9) million, which corresponded to 4% (8%) of total revenue. Faun Pharma AS external sales decreased by 36% since there was a higher percentage of internal production during the quarter, and they amounted to SEK 9.6 (15.1) million, which corresponded to 4% (10%) of total revenue. Other revenue amounted to SEK 28.9 (12.1) million, which was equivalent to the remaining 12% (8%) of revenue for the quarter.

**SALES BY REGION Q4**

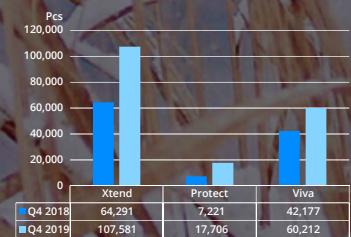
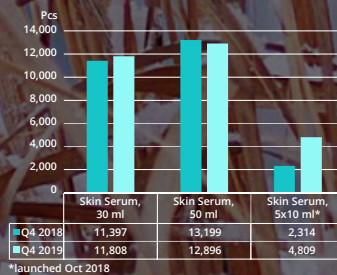
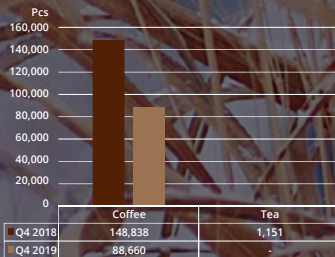
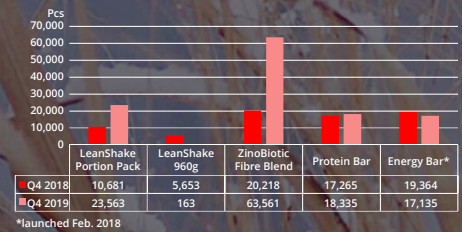
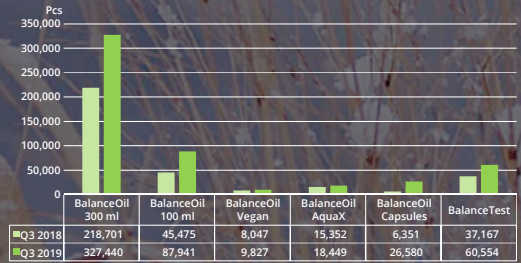


Sales **SEK MILLION** **236.3** (155.7)

**REVENUES**



# Q4



During the quarter, the number of Balance units sold increased by 60% to 530,791 (331,093). The increase was mainly due to the large number of new customers and distributors added during the quarter and who chose BalanceOil in different variants as starter pack and subscription. The new capsule-based oil Essent continued to increase in sales where the number of capsule-based units increased by 319% compared to the corresponding period the previous year.

Immune Supplement increased by 63% to 185,499 (113,689) units sold. Weight Control increased by 68%, to 122,757 (73,181 units). This followed a large increase in sales of Zinzino Fibre Blend.

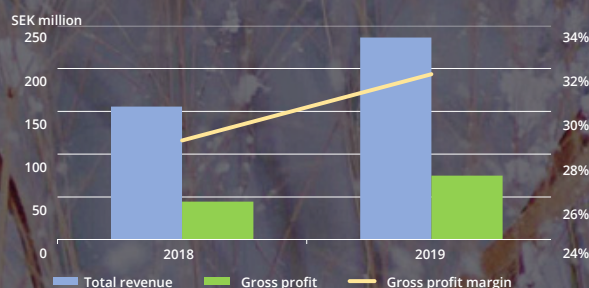
Skin Care increased 10% to 29,513 (26,910) units sold. The figures show that the trend is continuing as sales of all the supplementary products to BalanceOil are increasing, which indicates that the chosen product strategy, focusing on spreading the need for the supplementary products via the distributors in the different markets, was the right path for Zinzino.

Beverages decreased 41% to 88,660 (149,989) units sold, which shows that the trend of reduced sales of Zinzino Coffee continues, which is mainly due to the fact that these products have not been launched in the markets which were newly opened in the past few years. Zinzino Coffee is only marketed in the Nordic and Baltic countries.

### COSTS AND PROFIT FOURTH QUARTER

Gross profit amounted to SEK 75.0 (44.6) million and the gross profit margin was 31.7% (28.6%).

The improvement in gross profit was mainly due to an increased proportion of non-remuneration-based income during the quarter, an increased proportion of Health products in the mix and changes in supply delays in connection with the end of the year. Combined with price increases, continued increased share of Health in the product mix and normalisation of remuneration levels to distributors, gross margins are expected to improve during 2020.



EBITDA amounted to SEK 6.3 (-3.6) million and the operating margin before depreciation/amortisation was 2.7% (-2.3%). The fourth quarter of 2019 was significantly stronger in terms of earnings than the fourth quarter of 2018, which shows that strong sales growth generates economies of scale within the business despite the cost-intensive strategic investments in digital development and geographical expansion.

Operating profit amounted to SEK 1.5 (-7.8) million and the operating margin was 0.6% (-5.0%). Profit before tax totalled SEK 1.5 (-7.9) million and net profit was SEK 1.6 (-4.7) million.

### DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the quarter were charged to the profit for the period by SEK 4,798 (4,207) thousand, of which SEK 240 (174) thousand was depreciation of tangible fixed assets and SEK 4,558 (4,033) thousand was amortisation of intangible fixed assets. Of this, 2,864 (2,575) is amortisation of leases in accordance with IFRS 16.

### CASH FLOW

Major improvements in operating capital, mainly related to the effect that the number of paid but not delivered orders, increased significantly during the quarter, which contributed to the cash flow from operating activities amounting to SEK 18.1 (10.2) million.

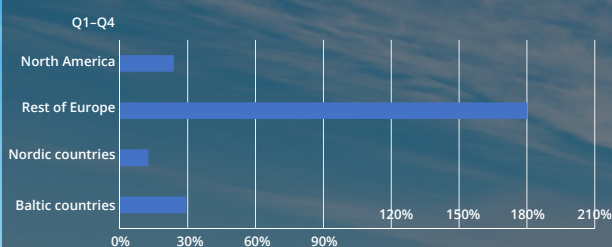
# SALES AND PROFIT Q1-Q4 | 2019

## Q1-Q4

### THE GROUP'S POSITION AND PERFORMANCE AS OF Q1-Q4 OF THE YEAR 2019

In total, revenue in 2019 amounted to SEK 770.6 (576.6) million which represented growth of 34% compared to the previous year.

### GROWTH BY REGION 2019 VS 2018



#### Nordic countries

**Countries: Sweden, Norway, Finland, Denmark and Iceland**

The Nordic countries increased their total revenue by 1% to SEK 429.2 (424.5) million. High distributor activity in Sweden and Denmark throughout the year has generated increased sales. The trend has been more positive in Norway and Finland during the year when the downturn came to a halt during the fourth quarter following increased distributor activity in both markets. In contrast, the negative trend continued in Iceland with consistently low distributor activity during the year. In general, Faun Pharma, the group's subsidiary and manufacturing unit, had a much higher proportion of internal production in 2019, a natural consequence of the increased growth rate in other parts of the group. As a result, external sales in the manufacturing unit were lower compared to 2018, which also contributed to the region's modest growth compared to the corresponding period the previous year.

#### Baltic countries

**Countries: Estonia, Latvia and Lithuania**

In the Baltic countries, revenues increased by a total of 24% to SEK 55.0 (44.5) million during the year. The trend has been generally positive in the Baltic countries with strong sales growth in Latvia combined with increased growth in Lithuania and Estonia. Distributor activity has increased thanks to the distributor campaign that was launched during the year. Distributors in Lithuania and Latvia responded particularly well. With the higher level of distributor activity, new sales in Lithuania and Latvia were at very high levels in 2019 compared to the previous year and in general, even compared to several years ago.

#### Rest of Europe

**Countries: The Netherlands, Belgium, France, UK/Ireland, Germany, Austria, Switzerland, Poland, Hungary, Czech Republic, Slovakia, Bulgaria, Romania, Slovenia, Croatia, Spain and Portugal**

The very best sales growth in the group during the past year was provided by countries from the rest of Europe. Total revenues in the region increased by 191% to SEK 252.3 (86.7) million. There was very strong growth in eastern Europe with Hungary, Poland, Czech Republic and Slovakia at the lead, as well as the DACH region and The Netherlands. In the second half of 2019, sales growth also increased in southern Europe, primarily in Greece and Cyprus as well as in the UK and Ireland. What they all have in common is distributors collaborating across borders, which leads to a higher level of activity and fuels sales.

#### North America

**Countries: USA and Canada**

Revenues in North America in 2019 amounted to SEK 23.6 (20.9) million, which represented 13% growth compared to the corresponding period last year. It indicates that the measures taken by Zinzino to stimulate the strategically important region have begun to generate results. For quite some time, Zinzino has been implementing a number of measures to stimulate distributor activity in North America. In 2019, a new Chief Operating Officer was appointed for the North American market with solid expertise and core competence from growth companies within the direct sales industry. Zinzino is also continuing its efforts to develop websites and interfaces for distributors to meet the high demands from the North American distributor level. An important step in these efforts is the new website launched with design and function adapted for the North American market.

In addition, a collaboration with the American lifestyle company Life Leadership has been initiated, as described earlier in the report. Overall, these investments implemented by Zinzino have stimulated distributor activity, which has been so important to achieve growth in this strategically important market for Zinzino.

#### Australia

Australia started sales in April 2019 and the development has been very positive from start. Accumulated up to the end of 2019, revenues amounted to SEK 10.5 million, of which more than 50% was generated during the last quarter of the year.

A common feature of Zinzino's emerging markets is that they are run by committed distributors working in a structured and active way. In central Europe the average age of dealers is generally higher and many have extensive experience in direct sales and/or have a high level of education. Their common characteristic is that they have a wide cross-border contact network to neighbouring countries in the region. Work is carried out with a strong focus on Zinzino's Balance concept, which has been positively received by a large number of new customers in Zinzino's new markets. The company is implementing a series of measures to stimulate sales growth in the various markets.

Zinzino is working long-term and investing considerable resources in the development of IT systems and marketing tools, which generate growth in both the short and the long term. When the company implements an expansion into a new market, this occurs mainly when the company's market analysis shows that there are good opportunities to establish an effective sales organisation locally. This is primarily achieved via contact to the already-established sales organisations in neighbouring markets. This is precisely what is behind the good sales performance of the relatively newly-established markets in central and southern Europe. These contacts can occasionally also carry across continents, which has been behind the launch in Australia and the ongoing new establishment project in India.

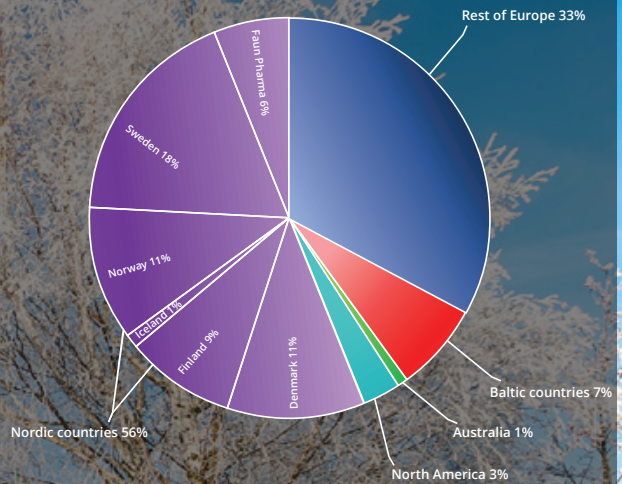
The establishment model follows the same concept for the various markets with customisation of websites and marketing materials in the local languages.

In 2019, the Nordic countries continued to account for most of the company's revenues, even though the share fell to 56% (74%) of total sales. The Baltic countries reduced their share to 7% (8%). The rest of Europe continued to increase its share of total revenue and accounted for 33% (15%) during 2019, mainly through the favourable sales development in the central European countries. North America accounted for 3% (4%) of total revenue and Australia the remaining 1% (0%) of revenue.

**GROWTH PER PRODUCT GROUP**

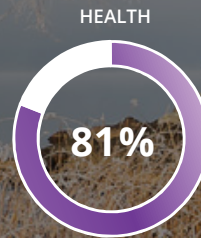
The Zinzino Health product area increased by 47% to SEK 621.2 (422.4) million, accounting for 81% (73%) of total revenue. The Zinzino Coffee product area de-creased by 18% to SEK 35.0 (42.5) million, corresponding to 5% (7%) of total revenue. Faun Pharma AS's external sales decreased by 29%, after a higher proportion of internal production during the year and amounted to SEK 45.4 (63.6) million, corresponding to 6% (11%) of total revenues. Other revenues amounted to SEK 69.0 (48.1) million, corresponding to the remaining 8% (8%) of revenue for 2019.

**SALES BY REGION Q1-Q4**



Sales **770.6** (576.6)  
SEK MILLION

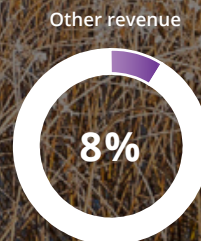
**REVENUES**



(2019; SEK 621.2 (422.4) million)



(2019; SEK 35.0 (42.5) million)

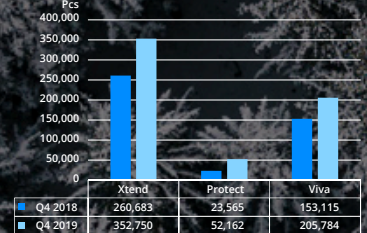
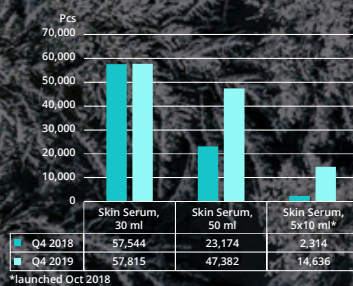
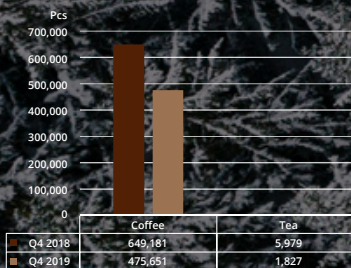
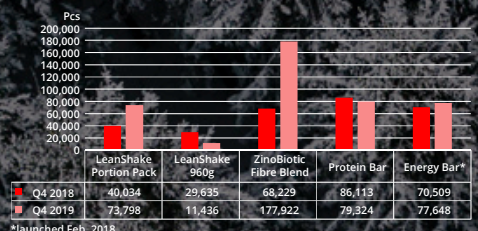
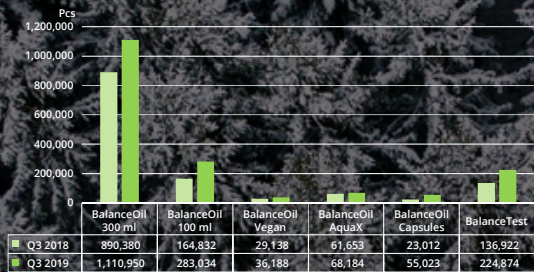


(2019; SEK 69.0 (48.1) million)



(2019; SEK 45.4 (63.6) million)

# Q1-Q4



In 2019, the number of Balance units sold increased by 36% to 1,778,253 (1,305,937). The increase was mainly due to the large number of new customers and distributors added so far during the year and who selected BalanceOil in different SEK 10.5 million, of which more than 50% was generated during the last quarter of the year.

Immune Supplement increased 40% to 610,696 (437,636) units sold. Weight Control increased by 43%, to 420,128 (294,520 units).

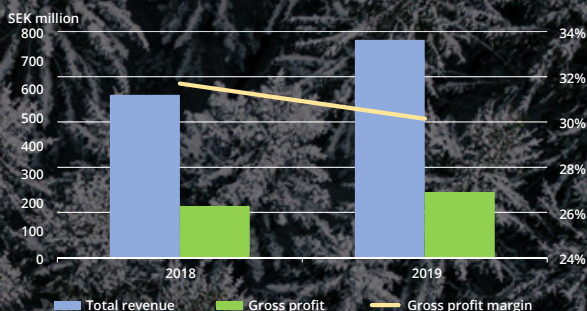
Skin Care increased by 44% to 119,833 (83,032) units sold. All of the supplementary products to BalanceOil are demonstrating good growth and it indicates that Zinzino's product strategy is being well received by both the distribution network and customers.

Beverages declined by -27% to 477,478 (655,160) units sold, showing that the trend of reduced sales of Zinzino Coffee continues, mainly due to the fact that these products have not been launched on the markets that have newly opened in the last few years. Zinzino Coffee is now only sold in the Nordic and Baltic countries.



### COSTS AND PROFITS Q1-Q4

Gross profit amounted to SEK 232.3 (182.8) million and gross profit margin to 30.1% (31.7%). The main reason for the decline in gross profit was temporary increased remuneration levels to the company's distributors during the 2019 due to the good sales growth in Europe and Australia.



EBITDA increased to SEK 33.5 (23.7) million and the operating margin before depreciation was 4.4% (4.1%). The main reasons for the improvement in profits were economies of scale and increased efficiency in logistics and event operations. The economies of scale also enabled the group to sustain the increased costs in sales, establishment and digitisation.

Operating profit amounted to SEK 14.8 (6.4) million and the operating margin was 1.9% (1.1%). Profit before tax totalled SEK 13.9 (5.7) million and net profit was SEK 11.3 (4.7) million.

### INVENTORIES

The group's combined inventories at the balance sheet date were SEK 88.9 (64.7) million. The increase was mainly due to the company deciding to increase the general inventory levels in the European central warehouse in France as a result of the increased sales in central Europe, but also due to the company building up the inventory in Australia to ensure efficient deliveries to the growing customer base in the country.

### FINANCIAL POSITION

On the balance sheet date, cash totalled SEK 76.8 (45.5) million. The group's equity/assets ratio was 12% (20%). Equity in the group at the end of the year amounted to SEK 40.3 (50.4) million, corresponding to SEK 1.43 (1.55) per share. The continued assessment of the Board of Directors is that liquid assets are at a satisfactory level and that the group's positive cash flow from operating activities will ensure liquidity in the group for the foreseeable future.

### THE ORGANISATION

In 2019, Zinzino has continued to enhance resources within the organisation to more efficiently operate the digital development going forward. The company has appointed a new Marketing Manager and Designer, but has also increased resources for the support departments to increase the service level for the growing central European markets. During the fourth quarter, the company increased resources for the marketing department and the IT department with additional expertise to further speed up the pace of development.

The number of employees in the group at the end of the year totalled 134 (125) people, of which 78 (79) are women. In addition, there were 10 (2) people, of which 2 (0) are women, employed on consultancy contracts.

### SIGNIFICANT RISKS AND UNCERTAINTIES IN OPERATIONS

Zinzino's greatest risks are found within its own organisation's capacity to manage costs during a period of strong growth. In addition, there are risks related to purchases and access to raw materials at times of high expansion, risks with complex IT systems and managing sales and currency risks as Zinzino has both revenues and costs in a number of different currencies.

There are also risks related to compliance when establishing foreign markets. For an in-depth description of risks and other uncertainty factors, please refer to the Annual Report for 2018, which is available via the company website: <https://zinzinowebstorage.blob.core.windows.net/reports/Zinzino-Arsredovisning-2018.pdf>.

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

### NUMBER OF OUTSTANDING SHARES

As at 31/12/2019, the share capital was divided among 32,580,025 shares, of which 5,113,392 are A shares (one vote) and 27,466,633 are B shares (0.1 vote). The share's quota 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 programmes. The first options programme will expire on 31 May 2020 at an exercise price of SEK 26 and will cover 600,000 options. The second options programme will cover 500,000 options at an exercise price of SEK 14. The second options programme also expires on 31 May 2020. The third options programme will cover 800,000 options at an exercise price of SEK 18. The third options programme expires on 31 May 2024.

If all the options outstanding on 31/12/2019 are exercised for new subscriptions of 1,900,000 shares, the share capital dilution will be approximately 6%.

## YEAR-END REPORT | 2019

### ACCOUNTING PRINCIPLES

The consolidated financial statements for Zinzino have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary accounting rules for groups, and International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. The year-end report is prepared in accordance with IAS 34, Interim Reporting and the Annual Accounts Act.

Unless specifically stated otherwise, all amounts are reported in SEK thousands. Information in brackets refers to the comparison year. For a complete description of the group's accounting principles, see Interim Report Q1 2019.

### ANNUAL GENERAL MEETING 2020

The 2020 annual meeting of shareholders will be held on 15 May at 14.30 in the company's offices at Hulda Mellgrens Gata 5 in Västra Frölunda. Shareholders can contact the nomination committee with proposals for board members or other motions to the annual general meeting. The proposals must be sent to the nomination committee's chair via [shares@zinzino.com](mailto:shares@zinzino.com) no later than 1 April 2020. The nomination committee's proposals for board members, the board's fees and auditors are presented in the notice of the annual general meeting.

For further information on the annual general meeting, please refer to the company's homepage [www.zinzino.com](http://www.zinzino.com).

### PROPOSED DIVIDEND

The board of directors proposes a dividend for 2019 to shareholders of SEK 0.7 (0.7) per share through an ordinary dividend of SEK 0.55 (0.5) and a special dividend of SEK 0.15 (0.2) in the same dividend period.

### REPORT CALENDAR

The Annual Report for 2019 will be published on 22/04/2020  
The Interim Report for Q1 2020 will be published on 14/05/2020  
The Interim Report for Q2 2020 will be published on 28/08/2020  
The Interim Report for Q3 2020 will be published on 20/11/2020  
The Year-end Report for Q4 2020 will be published on 26/02/2021



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# FINANCIAL **REPORTS**

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# GROUP REPORT

## SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	01/10/2019 31/12/2019	01/10/2018 31/12/2018	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Net sales	216,519	148,170	710,777	532,932
Other operating revenues	19,747	6,756	57,116	42,505
Own work capitalised	-	816	2,662	1,176
Goods for resale and other direct costs	-161,310	-111,185	-538,252	-393,816
<b>Gross profit</b>	<b>74,955</b>	<b>44,557</b>	<b>232,303</b>	<b>182,797</b>
External operating expenses	-44,938	-28,307	-115,806	-86,923
Personnel costs	-23,695	-19,811	-82,968	-72,170
Depreciation/amortisation	-4,798	-4,207	-18,751	-17,298
<b>Operating profit</b>	<b>1,524</b>	<b>-7,768</b>	<b>14,778</b>	<b>6,406</b>
Net interest income	-42	-175	-893	-750
Tax	111	3,223	-2,584	-994
<b>Profit/loss for the period</b>	<b>1,593</b>	<b>-4,720</b>	<b>11,301</b>	<b>4,662</b>
<b>Other comprehensive profit/loss</b>				
<b>Items that may be reclassified to profit/loss for the period</b>				
Currency exchange differences upon conversion of foreign subsidiaries	-539	-3,444	1,421	-159
<b>Other comprehensive profit/loss for the period</b>	<b>-539</b>	<b>-3,444</b>	<b>1,421</b>	<b>-159</b>
<b>Total comprehensive profit/loss for the period</b>	<b>1,055</b>	<b>-8,164</b>	<b>12,722</b>	<b>4,503</b>
<b>Profit/loss for the period attributable to:</b>				
Parent company's shareholders	2,052	-4,470	10,662	4,093
Non-controlling interest	-459	-250	640	569
<b>Total</b>	<b>1,593</b>	<b>-4,720</b>	<b>11,301</b>	<b>4,662</b>
<b>Total comprehensive profit/loss for the period attributable to:</b>				
Parent company's shareholders	1,417	-8,249	15,154	3,929
Non-controlling interest	-459	-250	640	574
<b>Total</b>	<b>958</b>	<b>-8,499</b>	<b>15,794</b>	<b>4,503</b>

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

Amounts in SEK	01/10/2019 31/12/2019	01/10/2018 31/12/2018	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Earnings per share before dilution	0.06	neg	0.33	0.13
Earnings per share after dilution	0.06	neg	0.32	0.13

# GROUP REPORT

## SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	31/12/2019	31/12/2018
<b>Fixed assets</b>		
Goodwill	33,513	31,762
Other intangible assets	16,969	19,272
Equipment [sic], tools and installations	5,951	4,623
Right-of-use assets	43,817	50,233
Financial fixed assets	7,953	7,182
<b>Total fixed assets</b>	<b>108,203</b>	<b>113,072</b>
<b>Current assets</b>		
Inventories	88,864	64,684
Current receivables	2,983	21,035
Pre-paid costs and accrued revenues	7,942	13,461
Cash and bank balances	76,837	45,459
<b>Total current assets</b>	<b>176,626</b>	<b>144,639</b>
<b>Total assets</b>	<b>284,828</b>	<b>257,711</b>
Share capital	3,258	3,258
Other contributed capital	12,804	12,804
Retained earnings including profit/loss for the period	24,224	34,306
<b>Total equity</b>	<b>40,287</b>	<b>50,368</b>
<b>Long-term liabilities</b>		
Lease liabilities	33,087	41,268
Other long-term liabilities	1,530	581
<b>Total long-term liabilities</b>	<b>34,617</b>	<b>41,849</b>
<b>Current liabilities</b>		
Supplier liabilities	55,908	30,029
Tax liabilities	1,968	383
Lease liabilities	10,730	9,193
Other current liabilities	69,201	72,969
Accrued costs and deferred revenues	72,117	52,920
<b>Total current liabilities</b>	<b>209,924</b>	<b>165,494</b>
<b>Total equity and liabilities</b>	<b>284,828</b>	<b>257,711</b>

# GROUP REPORT

## SUMMARY OF CHANGES IN EQUITY

### Attributable to Parent company's shareholders

Amounts in SEK thousands	Share capital	Other contributed capital	Conversion reserves	Retained earnings including profit/loss for the period	Total	Non-controlling interest	Total equity
<b>Opening balance 01/01/2018</b>	<b>3,258</b>	<b>12,804</b>	<b>182</b>	<b>37,586</b>	<b>53,830</b>	<b>6,696</b>	<b>60,526</b>
Profit/loss for the period	-	-	-	4,093	<b>4,093</b>	569	<b>4,662</b>
Other comprehensive profit/loss for the period	-	-	-164	-	<b>-164</b>	5	<b>-159</b>
Share repurchase	-	-	-	50	<b>50</b>	-50	-
Change of the minority	-	-	-	-2	<b>-2</b>	2	-
Dividends	-	-	-	-14,661	<b>-14,661</b>	-	<b>-14,661</b>
<b>Closing balance 31/12/2018</b>	<b>3,258</b>	<b>12,804</b>	<b>18</b>	<b>27,066</b>	<b>43,146</b>	<b>7,222</b>	<b>50,368</b>
<b>Opening balance 01/01/2019</b>	<b>3,258</b>	<b>12,804</b>	<b>18</b>	<b>27,066</b>	<b>43,146</b>	<b>7,222</b>	<b>50,368</b>
Profit/loss for the period	-	-	-	10,662	<b>10,662</b>	640	<b>11,301</b>
Other comprehensive profit/loss for the period	-	-	1,422	-	<b>1,422</b>	2	<b>1,421</b>
Share repurchase	-	-	-	3	<b>3</b>	-3	-
Change of the minority	-	-	-	596	<b>596</b>	-595	-
Dividends	-	-	-	-22,806	<b>-22,806</b>	-	<b>-22,806</b>
<b>Closing balance 31/12/2019</b>	<b>3,258</b>	<b>12,804</b>	<b>1,440</b>	<b>15,520</b>	<b>33,022</b>	<b>7,266</b>	<b>40,287</b>

# GROUP REPORT

## SUMMARY OF CASH FLOWS

Amounts in SEK thousands	01/10/2019 31/12/2019	01/10/2018 31/12/2018	01/01/2019 31/12/2019	01/01/2018 31/12/2018
<b>Operating activities</b>				
Profit/loss before financial items	1,524	-7,768	14,778	6,406
Adjustment for items which are not included in the cash flow:				
Depreciation and amortisation/write-downs	4,798	4,207	18,751	17,298
Currency fluctuations	-881	43	859	1,589
	<b>5,441</b>	<b>-3,518</b>	<b>34,389</b>	<b>25,293</b>
Interest received	297	19	390	69
Interest paid	-260	-239	-1,125	-788
Tax paid	-7	60	-78	89
	<b>30</b>	<b>-280</b>	<b>-813</b>	<b>-630</b>
<b>Cash flow from operating activities before changes in operating capital</b>	<b>5,471</b>	<b>-3,798</b>	<b>33,576</b>	<b>24,663</b>
<b>Cash flow from changes in operating capital</b>				
Increase(+)/Decrease(-) in inventories	-1,901	-10,375	-24,180	-11,737
Increase(+)/Decrease(-) in current receivables	32,396	-5,759	23,571	-13,570
Increase(+)/Decrease(-) in current liabilities	-12,420	30,149	38,298	30,420
<b>Cash flow from operating activities</b>	<b>18,075</b>	<b>10,217</b>	<b>71,266</b>	<b>29,776</b>
<b>Investment activity</b>				
Investments in intangible fixed assets	-318	-4,195	-4,458	-6,236
Investments in financial fixed assets	-	-	-183	-88
Investments in tangible fixed assets	-466	-652	-2,415	-2,410
<b>Cash flow from investment activities</b>	<b>-784</b>	<b>-4,847</b>	<b>-7,056</b>	<b>-8,734</b>
<b>Financing activities</b>				
Amortisation of lease liabilities attributable to lease agreements	-2,960	-2,789	-10,975	-9,341
Release of options	800	-	949	-
Dividends	-	-	-22,806	-14,661
<b>Cash flow from financing activities</b>	<b>-2,160</b>	<b>-2,789</b>	<b>-32,832</b>	<b>-24,002</b>
<b>Cash flow for the period</b>	<b>20,602</b>	<b>2,581</b>	<b>31,378</b>	<b>-2,960</b>
<b>Cash and cash equivalents at start of period</b>	<b>56,234</b>	<b>42,878</b>	<b>45,459</b>	<b>48,419</b>
<b>Cash and cash equivalents at end of period</b>	<b>76,837</b>	<b>45,459</b>	<b>76,837</b>	<b>45,459</b>
<b>Change in cash and cash equivalents</b>	<b>20,602</b>	<b>2,581</b>	<b>31,378</b>	<b>-2,960</b>



# PARENT COMPANY

## SUMMARY INCOME STATEMENT

<b>Amounts in SEK thousands</b>	<b>01/10/2019 31/12/2019</b>	<b>01/10/2018 31/12/2018</b>	<b>01/01/2019 31/12/2019</b>	<b>01/01/2018 31/12/2018</b>
Net sales	3,170	1,671	7,670	5,371
Other revenue	2,359	11	2,359	11
Goods for resale and other direct costs	-	-	-	-
<b>Gross profit</b>	<b>5,529</b>	<b>1,682</b>	<b>10,029</b>	<b>5,382</b>
External operating expenses	-3,195	-834	-6,640	-3,882
Depreciation/amortisation	-88	-70	-353	-233
<b>Operating profit</b>	<b>2,246</b>	<b>778</b>	<b>3,036</b>	<b>1,267</b>
Net interest income	-136	7,700	-40	7,700
Tax	-654	-172	-646	-279
<b>Profit/loss for the period</b>	<b>1,456</b>	<b>8,306</b>	<b>2,350</b>	<b>8,688</b>

There are no items in the parent company reported as other comprehensive profit/loss, so the total comprehensive profit/loss matches the profit/loss for the period.

# PARENT COMPANY

## SUMMARY BALANCE SHEET

Amounts in SEK thousands	31/12/2019	31/12/2018
Fixed assets		
Intangible fixed assets	1,129	1,465
Financial fixed assets	83,157	83,163
<b>Total fixed assets</b>	<b>84,286</b>	<b>84,628</b>
Current assets		
Current receivables	804	149
Group receivables	7,653	703
Pre-paid costs and accrued revenues	4,380	1,088
Cash and bank balances	2,173	1,037
<b>Total current assets</b>	<b>15,010</b>	<b>2,580</b>
<b>Total assets</b>	<b>99,296</b>	<b>87,208</b>
Restricted equity	4,387	4,723
Unrestricted equity	2,540	16,322
Profit/loss for the period	2,350	8,688
<b>Total equity</b>	<b>9,277</b>	<b>29,733</b>
Long-term liabilities	17,006	16,206
Current liabilities	22,070	230
Group liabilities	49,699	4,505
Accrued costs and deferred revenues	1,244	534
<b>Total liabilities</b>	<b>90,018</b>	<b>57,475</b>
<b>Total equity and liabilities</b>	<b>99,296</b>	<b>87,208</b>

# PARENT COMPANY

## REPORT ON CHANGES IN EQUITY

Amounts in SEK thousands	<u>Restricted equity</u>	<u>Unrestricted equity</u>			Total equity
	Share capital	Fund for development expenditures	Premium share reserve	Retained earnings including Profit/loss for the period	
<b>Opening balance 01/01/2018</b>	<b>3,258</b>	<b>1,084</b>	<b>36,799</b>	<b>-5,435</b>	<b>35,706</b>
Profit/loss for the period	-	-	-	8,688	<b>8,688</b>
Reversal of own reprocessing intangible assets	-	-217	-	217	-
Own reprocessing intangible assets	-	598	-	-598	-
Dividends	-	-	-14,661	-	<b>-14,661</b>
<b>Closing balance 31/12/2018</b>	<b>3,258</b>	<b>1,465</b>	<b>22,138</b>	<b>2,872</b>	<b>29,733</b>
<b>Opening balance 01/01/2019</b>	<b>3,258</b>	<b>1,465</b>	<b>22,138</b>	<b>2,872</b>	<b>29,733</b>
Profit/loss for the period	-	-	-	2,350	<b>2,350</b>
Reversal of own reprocessing intangible assets	-	-336	-	336	-
Dividends	-	-	-22,138	-668	<b>-22,806</b>
<b>Closing balance 31/12/2019</b>	<b>3,258</b>	<b>1,129</b>	<b>-</b>	<b>4,890</b>	<b>9,277</b>

# PARENT COMPANY REPORT

## SUMMARY OF CASH FLOWS

Amounts in SEK thousands	01/10/2019 31/12/2019	01/10/2018 31/12/2018	01/01/2019 31/12/2019	01/01/2018 31/12/2018
<b>Operating activities</b>				
Profit/loss before financial items	2,246	778	3,036	1,267
<i>Adjustment for items which are not included in the cash flow</i>				
Depreciation and amortisation/write-downs	88	70	353	233
Currency fluctuations	-192	-22	-92	-11
	<b>2,142</b>	<b>826</b>	<b>3,297</b>	<b>1,489</b>
Interest received	55	-	-55	-
Interest paid	-	-	-4	-
Tax paid	-	-	-	-
	<b>55</b>	<b>-</b>	<b>51</b>	<b>-</b>
<b>Cash flow from operating activities before changes in operating capital</b>	<b>2,197</b>	<b>826</b>	<b>3,348</b>	<b>1,489</b>
<b>Cash flow from changes in operating capital</b>				
Increase(+)/Decrease(-) in current receivables	1,551	-790	-11,293	83
Increase(+)/Decrease(-) in current liabilities	-24,129	-7,092	11,267	14,518
<b>Cash flow from operating activities</b>	<b>-20,381</b>	<b>-7,056</b>	<b>3,322</b>	<b>16,090</b>
<b>Investment activity</b>				
Investments in intangible fixed assets	-	-598	-	-598
Investments in financial fixed assets	7	-	-176	-88
Investments in tangible fixed assets	-	-	-	-
<b>Cash flow from investment activities</b>	<b>7</b>	<b>-598</b>	<b>-176</b>	<b>-686</b>
<b>Financing activities</b>				
Release of options	800	-	800	-
Dividends	-	-	-22,806	-14,661
Anticipated dividend from subsidiaries	19,996	7,700	19,996	-
<b>Cash flow from financing activities</b>	<b>20,796</b>	<b>7,700</b>	<b>-2,010</b>	<b>-14,661</b>
<b>Cash flow for the period</b>	<b>415</b>	<b>46</b>	<b>1,136</b>	<b>743</b>
<b>Cash and cash equivalents at start of period</b>	<b>1,758</b>	<b>991</b>	<b>1,037</b>	<b>294</b>
<b>Cash and cash equivalents at end of period</b>	<b>2,173</b>	<b>1,037</b>	<b>2,173</b>	<b>1,037</b>
<b>Change in cash and cash equivalents</b>	<b>415</b>	<b>46</b>	<b>1,136</b>	<b>743</b>



# NOTES

## NOTE 1 SEGMENT INFORMATION

### Description of segments and main activities:

A business segment is part of an undertaking which carries out business activities from which it can obtain revenue and incur costs, the contribution of which is regularly reviewed by the company's highest executive decision-maker, and for which there is independent financial information. The company's reporting of business segments is in line with the internal reporting to the highest executive decision-maker. The highest executive decision-maker is the position that assesses the earnings of the business segment and decides on the allocation of resources. The CEO is the highest executive decision-maker together with the group CFO and the controller manager. Together, they form the strategic steering group at Zinzino.

The strategic steering group assesses the operations based on the two business segments Zinzino and Faun. The steering group mainly uses profit/loss before financial items in the assessment of business segment earnings.

Segment reporting is divided based on the main segment of the business "Zinzino", which includes the product areas Health, Coffee and Other income. The product area Health includes the sub-areas of Balance, Immune & Brain, SkinCare and Weight Control. The product area Coffee is also called Beverages and includes espresso machines, coffees, teas and accessories. The other revenue consists mainly of freight and reminder fees. All sales are made via the Zinzino's website [www.zinzino.com](http://www.zinzino.com) with the help of the company's independent sales organisation, which goes under the names of distributors or partners.

The second segment refers to the Norwegian production unit Faun Pharma AS, known as "Faun", which conducts production and sales to external customers that are not subject to Zinzino's standard sales concept. Sales from Faun comprise exclusively contract production of food supplements to different customers. The largest external customers include Life and Proteinfabrikken AS.

### Segment revenues and earnings

Total revenues and earnings before financial items is the result metric reported to the strategic steering group at Zinzino. An analysis of the group's revenues and earnings for the two reporting operating segments is set out below:

#### Zinzino

#### Faun

The strategic steering group mainly uses adjusted earnings before interest and tax and operating earnings (see below) to assess the business segment profit/loss.

Oct-Dec 2019	Zinzino	Faun	Group elimination	Total Group
Net sales	206,660	30,200	-20,341	216,519
Own work capitalised	19,747	-	-	19,747
Other revenue	-	-	-	-
Goods for resale and other direct costs	-161,966	-19,686	20,341	-161,310
<b>Gross profit</b>	<b>64,441</b>	<b>10,514</b>	-	<b>74,955</b>
External operating expenses	-43,085	-1,854	-	-44,938
Personnel costs	-18,823	-4,873	-	-23,695
<b>EBITDA</b>	<b>-2,534</b>	<b>3,788</b>	-	<b>6,322</b>
Depreciation/amortisation	-3,769	1,029	-	-4,798
<b>Operating profit</b>	<b>-1,235</b>	<b>3,168</b>	-	<b>1,524</b>

Oct-Dec 2018	Zinzino	Faun	Group elimination	Total Group
Net sales	115,248	24,768	8,154	148,170
Own work capitalised	6,756	-	-	6,756
Other revenue	816	-	-	816
Goods for resale and other direct costs	-85,230	-17,802	-8,154	-111,185
<b>Gross profit</b>	<b>37,590</b>	<b>6,967</b>	-	<b>44,557</b>
External operating expenses	-29,610	1,303	-	-28,307
Personnel costs	-14,714	-5,097	-	-19,811
<b>EBITDA</b>	<b>-6,734</b>	<b>3,173</b>	-	<b>-3,561</b>
Depreciation/amortisation	-2,976	-1,231	-	-4,207
<b>Operating profit</b>	<b>-9,710</b>	<b>1,942</b>	-	<b>-7,768</b>

<b>Jan-Dec 2019</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Group elimination</b>	<b>Total Group</b>
Net sales	665,113	101,111	-55,447	710,777
Other revenue	57,116	-	-	57,116
Own work capitalised	2,662	-	-	2,662
Goods for resale and other direct costs	-525,294	-68,406	55,447	-538,252
<b>Gross profit</b>	<b>199,598</b>	<b>32,705</b>	<b>-</b>	<b>232,303</b>
External operating expenses	-109,977	-5,829	-	-115,806
Personnel costs	-64,194	-18,774	-	-82,968
<b>EBITDA</b>	<b>25,427</b>	<b>8,102</b>	<b>-</b>	<b>33,530</b>
Depreciation/amortisation	-13,775	-4,976	-	-18,751
<b>Operating profit</b>	<b>11,652</b>	<b>3,126</b>	<b>-</b>	<b>14,778</b>

<b>Jan-Dec 2018</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Group elimination</b>	<b>Total Group</b>
Net sales	469,382	92,906	-29,355	532,932
Other revenue	42,505	-	-	42,505
Own work capitalised	1,176	-	-	1,176
Goods for resale and other direct costs	-357,825	-65,346	29,355	-393,816
<b>Gross profit</b>	<b>155,238</b>	<b>27,559</b>	<b>-</b>	<b>182,797</b>
External operating expenses	-81,325	-5,598	-	-86,923
Personnel costs	-53,933	-18,237	-	-72,170
<b>EBITDA</b>	<b>19,980</b>	<b>3,724</b>	<b>-</b>	<b>23,704</b>
Depreciation/amortisation	-12,482	-4,816	-	-17,298
<b>Operating profit</b>	<b>7,498</b>	<b>-1,092</b>	<b>-</b>	<b>6,406</b>

## NOTE 2 NET SALES

### Revenues

Sales between segments are carried out on market terms. As revenue from external parties is reported to the strategic steering group, they are valued in the same way as in the group's statement of comprehensive income.

<b>Oct-Dec 2019</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Total Group</b>
Revenue per segment	206,947	9,571	216,519
<b>Revenue from external customers</b>	<b>206,947</b>	<b>9,571</b>	<b>216,519</b>
Goods within Zinzino Health	188,339	-	188,339
Goods within Zinzino Coffee	9,518	-	9,518
Sales of external goods Faun	-	9,571	9,571
Events and other services	9,091	-	9,091
<b>Total</b>	<b>206,947</b>	<b>9,571</b>	<b>216,519</b>

<b>Oct-Dec 2018</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Total Group</b>
Revenue per segment	133,025	15,145	148,170
<b>Revenue from external customers</b>	<b>133,025</b>	<b>15,145</b>	<b>148,170</b>
Goods within Zinzino Health	116,599	-	116,599
Goods within Zinzino Coffee	11,886	-	11,886
Sales of external goods Faun	-	15,145	15,145
Events and other services	4,541	-	4,541
<b>Total</b>	<b>133,025</b>	<b>15,145</b>	<b>148,170</b>

<b>Jan-Dec 2019</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Total Group</b>
Revenue per segment	665,401	45,376	710,777
<b>Revenue from external customers</b>	<b>665,401</b>	<b>45,376</b>	<b>710,777</b>
Goods within Zinzino Health	621,151	-	621,151
Goods within Zinzino Coffee	34,978	-	34,978
Sales of external goods Faun	-	45,376	45,376
Events and other services	9,272	-	9,272
<b>Total</b>	<b>665,401</b>	<b>45,376</b>	<b>710,777</b>

<b>Jan-Dec 2018</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Total Group</b>
Revenue per segment	469,381	63,551	532,932
<b>Revenue from external customers</b>	<b>469,381</b>	<b>63,551</b>	<b>532,932</b>
Goods within Zinzino Health	422,376	-	422,376
Goods within Zinzino Coffee	42,500	-	42,500
Sales of external goods Faun	-	63,551	63,551
Events and other services	4,505	-	4,505
<b>Total</b>	<b>469,381</b>	<b>63,551</b>	<b>532,932</b>



Goods within **Zinzino Health and Zinzino Coffee** refer to sales to Zinzino's customers and distributors in the various sales markets through the online shop. The goods are sold mainly through subscriptions which run for a fixed period of 6 months and continue until further notice until the customer terminates the subscription. All revenues are recognised when the goods are delivered to the customer in accordance with IFRS 15. For more information regarding the products, see page 12 and note 2.5.1 in interim report Q1 2019 regarding the principles of revenue recognition.

**External goods Faun** refers to goods produced on contract for an external customer. Revenue is taken when the goods are delivered to the customer in accordance with IFRS 15, see note 2.5.1 in interim report Q1 2019 on principles for revenue recognition.

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

## NOTE 3 TRANSACTIONS WITH CLOSELY RELATED PARTIES

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Compensation for sales services performed Saele Invest AS	7,344	5,501	25,977	21,457
Other Saele Invest AS	-	-	-81	559
<b>Total Saele Invest AS*</b>	<b>7,344</b>	<b>5,501</b>	<b>25,896</b>	<b>22,016</b>
Compensation for sales services performed Oh Happy Day ApS**	1,674	875	4,764	3,559
Onward invoiced establishment costs Australia Oh Happy Day ApS***	-2,538	-	-2,538	-
Consultancy fees to board members***	-	-	-	126
<b>Total</b>	<b>6,481</b>	<b>6,375</b>	<b>28,121</b>	<b>25,701</b>

As of 31/12/2019, the debt to Saele Invest AS relating to sales commissions amounts to SEK 548 (0) thousand and to Oh Happy Day ApS to SEK 0 (68) thousand in the group.

All sales commissions paid to closely related parties with significant influence are calculated on the same commission plan and under the same terms as for all other distributors within Zinzino's global sales organisation.

\* Refers to sales commissions to/purchases from Saele Invest and Consulting AS which are controlled by Örjan Saele and who, through the company's shareholding in Zinzino AB, is defined as a person with significant influence.

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

All sales commissions paid to closely related parties with significant influence are calculated on the same commission plan and under the same terms as for all other distributors within Zinzino's global sales organisation.

\*\*\* Compensation according to agreement for 75% of the company's establishment costs in Australia 2019 from Oh Happy Day ApS. The receivable from the company as of 31/12/2019 amounts to SEK 2,358 (0) thousand.

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

## NOTE 4 PROFIT PER SHARE

<b>SEK</b>	<b>Oct-Dec 2019</b>	<b>Oct-Dec 2018</b>	<b>Jan-Dec 2019</b>	<b>Jan-Dec 2018</b>
Earnings per share before dilution	0.06	neg	0.33	0.13
Earnings per share after dilution	0.06	neg	0.32	0.13
<b>Earnings metric used in the calculation of earnings per share</b>				
Earnings attributable to shareholders of the parent company used in the calculation of earnings per share before and after dilution	-	-	-	-
Earnings attributable to the parent company's shareholders, SEK thousands	2,052	-4,470	10,662	4,093
<b>Number</b>				
Weighted average number of ordinary shares in calculating earnings per share before dilution	32,580,025	32,580,025	32,580,025	32,580,025
Adjustment for calculation of earnings per share after dilution	-	-	-	-
<b>Options</b>				
Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating earnings per share after dilution	33,671,329	32,580,025	32,846,326	32,580,025

## NOTE 5 EVENTS AFTER THE END OF THE INTERIM PERIOD

No significant events for the company have occurred after the end of the reporting period as at 31 December March 2019.

# NOTE 6

## FINANCIAL METRICS NOT DEFINED IN ACCORDANCE WITH IFRS

The company presents certain financial metrics in the interim report that are not defined in accordance with IFRS or the Annual Accounts Act. The company believes that these metrics provide valuable additional information to investors and the company's management as they allow the company's performance to be evaluated. Since not all companies calculate financial metrics in the same way, these are not always comparable with the metrics used by other companies. These financial metrics should therefore not be considered as a substitute for metrics defined in accordance with IFRS. Definitions of alternative key figures not calculated in accordance with IFRS:

### Definitions of alternative key figures not calculated in accordance with IFRS:

ALTERNATIVE KEY FIGURES	DEFINITION	PURPOSE
<b>Sales growth</b>	The total change in revenue in percent compared with total revenue for the corresponding period the previous year	This metric is interesting to follow as it shows the sales trend in the group
<b>Gross profit</b>	The total change in revenue in percent compared with total revenue for the corresponding period the previous year	This metric is interesting to examine alone to see just the net sales during the period, which can be used in the income and cost analyses
<b>EBITDA</b>	Operating profit before depreciation/amortisation and write-downs	This metric is relevant to create an understanding of the company's operational business, regardless of financing and depreciation of fixed assets
<b>EBITDA margin:</b>	EBITDA as a percentage of total revenues for the period	This metric is relevant to create an understanding of operational profitability and as the metric excludes depreciation, this margin gives the stakeholders a clearer picture of the company's central profitability
<b>Operating profit/loss (EBIT)</b>	Operating profit/loss before financial items and taxes	This metric illustrates profitability regardless of the tax rate for corporation tax and irrespective of the company's financial structure
<b>Net margin</b>	Profit/loss for the period as a percentage of total revenues for the period	This metric illustrates the company's profitability
<b>Equity per share before dilution</b>	Equity in relation to the number of outstanding shares on the balance sheet date	This metric measures the company's net value per share and shows whether the company is increasing the shareholders' capital over time
<b>Cash flow from ongoing operations</b>	Cash flow from operational business including changes in the operating profit/loss	This metric measures the cash flow the company generates before capital investments and cash flow attributed to the company's financing
<b>Equity/assets ratio</b>	Equity in relation to the balance sheet total	This metric is an indicator of the company's leverage to finance the company

