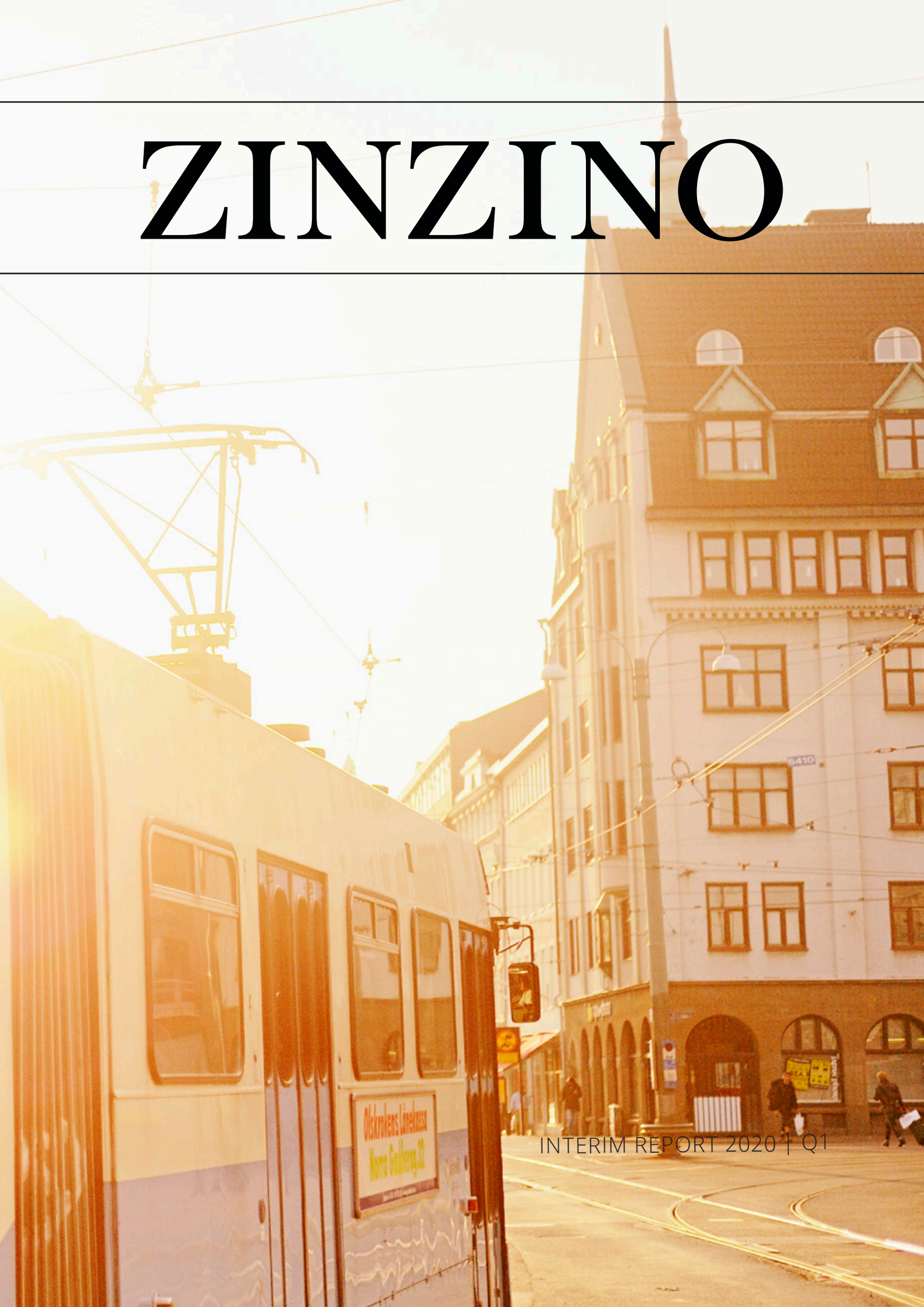


# ZINZINO



INTERIM REPORT 2020 | Q1

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# THIS IS ZINZINO

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Zinzino AB (publ.) is a global direct sales company that markets and sells tested dietary supplement, skin care and lifestyle products. Zinzino owns the Norwegian company BioActive Foods AS and the research/production unit Faun Pharma AS.

Zinzino's head office is in Gothenburg, and the company also has offices in Helsinki, Riga, Oslo, Florida and Adelaide. Zinzino is a limited liability company and its shares are listed on Nasdaq First North Growth Market.

## 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. Through this, Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. By 31 December 2017, 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 were launched in Switzerland.
- 2018 – New subsidiaries in Romania and Italy.
- 2019 – New subsidiaries in Australia and India.
- 2020 – Acquisition of VMA Life in Singapore.



# ZINZINO INTERIM REPORT 2020 | Q1

## JANUARY-MARCH

- Total revenue increased by 44% to SEK 242.1 (168.3) million
- Gross profit amounted to SEK 83.7 (51.4) million, including items affecting comparability regarding recognition of sales commissions of SEK 22.2 million. Gross profit margin amounted to 34.6% (30.5%)
- EBITDA amounted to 26.3 (11.9) million and the EBITDA margin to 10.9% (7.0%)
- Adjusted EBITDA amounted to SEK 4.1 million and the adjusted EBITDA margin to 1.7%
- Cash flow from operating activities totalled SEK 7.3 (14.9) million
- Cash and cash equivalents on the balance sheet date were SEK 107.9 (55.8) million
- Mild impact on the business by the global Covid-19 outbreak
- Acquisition of VMA-Group in Singapore
- The proposed dividend of 0.55 + 0.15 SEK remains
- Despite the prevailing circumstances, the Board maintains the forecast that total revenues are expected to exceed SEK 1,000 (771) million with EBITDA margin exceeding 4.5%, but notes that uncertainty has increased due to Covid-19 and volatile exchange rate changes

This Interim Report is in all respects a translation of the original Swedish Interim Report. In the event of any differences between this translation and the Swedish original, the latter shall prevail.



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***“We are still aiming  
for more than 30% growth  
in order to deliver sales  
of more than SEK 1 billion  
in 2020”***

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# THE FIRST QUARTER SHOWED VERY STRONG GROWTH AT A FULL 44%

The positive trend has continued and we maintained our strong growth throughout the first quarter despite the changing world. We are satisfied with our 44% growth for the quarter, and the fact that we have succeeded in shifting our business to digital online platforms. We are sticking to our prognosis for the year despite the Covid-19 pandemic!

We are aiming for growth higher than 30% and sales of more than SEK 1 billion for 2020. At the same time, our profitability is set to become better in comparison with previous years. Our ambitious goals for sales and profitability are a result of our strong growth, which means we are creating economies of scale for the future and thus a positive effect on profitability. By changing the accounting of our distributor compensation, we registered a positive one-off effect during the quarter through a cost reduction of SEK 22.2 million before taxes. This improved our gross profit margin to 34.6% (30.5%).

## **ZINZINO & COVID-19**

I can truly say that I am proud of how all our employees, our suppliers, our manufacturing facility and all our distributors out there have been able to adapt to and handle the very unexpected and chaotic situation we have landed in as a result of the Covid-19 pandemic.

We've implemented responsible precautionary measures for all our employees and most of them are working from home until the authorities advise otherwise and the pandemic fades away. Most of our operations are online and most of our work can be performed without travel. We are adapting and changing all our activities with online sales and customers in order to preserve growth. We are particularly careful with our own manufacturing facility, and have filled our warehouses with goods so that our customers and distributors can order their products. We have done everything in our power to protect our employees, customers, distributors and our business from the pandemic. We have set up a new warehouse for Europe in Poland in record time, and thus increased our capacity by 50% in order to minimise risks and increase the speed of our deliveries out to customers. The virus will affect us in different ways, but as I write this, our growth is continuing to expand despite the pandemic and all of the restrictions that have been added by different authorities. We are carefully following the news and decisions made by the authorities in order to protect ourselves and to minimise risks. At the same time, we are planning for the worst and hoping for the best.

## **E-TRADE & TEST-BASED NUTRITIONAL SUPPLEMENTS**

We have a strong corporate culture and have already performed some of our sales from home offices and online for many years. We are strongly convinced that Zinzino will emerge from this crisis strengthened, something that time will tell. We are taking advantage of the situation to implement better strategies for online sales, which will provide benefits in the future.

We are a Scandinavian test-based nutritional supplement company that is developing at the same pace as interest in health and technology is increasing around the world. We are building a strong brand and developing high-quality products of which customers can test the effectiveness before and after. This gives us a strong belief in the future, because many customers are searching for good sustainable solutions in the area of preventive healthcare in order to achieve better general health. Good health is a large global trend that is on the rise.

We are continuing to invest in technology, and next quarter we are launching a completely new test portal, which is important for our company. This portal will increase understanding of our products, increase customer satisfaction and will hopefully increase sales as well.

## **NEW MARKETS**

We are making a large investment in new markets and have high confidence in the Asian market. One step in that direction is our acquisition of VMA Life, a company operating in Hong Kong, Thailand, Taiwan, Singapore and Malaysia. We are now working to integrate the company into Zinzino and expect to start up sales of our Zinzino products through VMA Life's network within three to six months. We will be establishing ourselves in large markets such as Russia, Ukraine, South Africa and India within the next 18 months.

Throughout 2019 and the beginning of 2020, we have increased our efforts in marketing significantly, which has generated more rapid growth in sales. In this way, we are also attracting more attention from new distributors who want to link up with 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.

## **Dag Bergheim Pettersen, CEO Zinzino**

Inspire Change in Life



# FINANCIAL SUMMARY (SEK MILLION)

Key group figures	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Total revenue	242.1	168.3	770.6
Net turnover	226.9	156.2	710.8
Sales growth	44%	22%	34%
Gross profit	83.7*	51.4	232.3
Gross profit margin	34.6%	30.5%	30.1%
Operating profit before depreciation and amortisation	26.3*	11.9	45.4
Operating margin before depreciation and amortisation	10.9%	7.0%	5.9%
Adjusted operating profit before depreciation and amortisation	4.1	11.9	45.4
Adjusted operated margin before depreciation and amortisation	1.7%	7.0%	5.9%
Operating profit	21.5*	7.6	14.8
Operating margin	8.9%	4.5%	1.9%
Profit/loss before tax	21.3	7.4	13.9
Net profit	16.8	5.6	11.3
Net margin	6.9%	3.4%	1.5%
Net earnings per share after tax before dilution, SEK	0.49	0.17	0.33
Net earnings per share after tax at full dilution, SEK	0.46	0.17	0.32
Cash flow from operating activities	7.3	14.9	71.3
Cash and cash equivalents	107.9	55.8	76.8
Equity/assets ratio	14.3%	21.1%	13.1%
Equity per share before dilution, SEK	1.58	1.79	1.24
Number of issued shares on average for the period	32,580,025	32,580,025	32,580,025
Average number of issued shares for the period with full dilution	34,694,950	32,580,025	32,846,326

\* In the period Jan-Mar, gross profit, operating profit before and after depreciation is affected by SEK 22.2 million through changed accounting as a result of changed conditions for distributor compensation. Net profit was affected by SEK 17.4 million.

## ZINZINO'S OUTLOOK AND FINANCIAL GOALS FOR 2020

Despite the prevailing circumstances, the Board maintains the forecast that total revenues are expected to exceed SEK 1,000 (771) million with EBITDA margin exceeding 4.5%, but notes that uncertainty has increased due to Covid-19 and volatile exchange rate changes

The 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 FIRST QUARTER OF 2020



Tserkov Spasa na Krovi - St. Petersburg, Russia

## MILD IMPACT OF COVID-19

The outbreak of Covid-19 was classified as a pandemic by the WHO on 11 March 2020. In the resulting situation, Zinzino prioritised the health of its employees and took measures to limit the spread according to instructions from the relevant authorities. In addition, Zinzino has prepared and taken measures to secure critical processes for the business, such as the handling of orders, support and commission payments to distributors in the event of any closure of the head office.

Due to regulatory measures regarding working hours from the French government, delivery capacity from the French warehouse in Faberville has decreased. In addition, transport has been delayed following increased border checks in Europe. For this reason, Zinzino has moved all logistics related to Germany, Poland and Hungary to the warehouse in Trollhättan, which has been operating with normal delivery capacity. In addition, Zinzino is working to establish an additional external warehouse in Poland to further shorten lead times in central and eastern Europe.

## LAUNCH OF ALL-NATURAL PRODUCTS

During the first quarter, Zinzino started the process of launching its all-natural products BalanceOil+, Protect+ and Xtend+. At the same time, a new packaging design was introduced that will create a premium feel and stands for Scandinavian minimalism. In addition, new product sheets with an updated design have been published with the aim of giving customers and distributors a deeper knowledge of the products' content. The launch will be ongoing during 2020.

## CONTINUED EXPANSION

During the quarter, Zinzino continued to work on establishing itself in the UK, India, Russia, South Africa, Greece, Cyprus and the Asian markets through the acquisition of VMA Life. Following multiple 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. During the quarter, establishment work has intensified in the UK and Zinzino intends to complete the process of the transition to a local company, adaptation of marketing materials and local payment solutions in May.

## ACQUISITION OF VMA LIFE IN SINGAPORE

In early April 2020, Zinzino signed the final acquisition agreement with VMA Life, a direct sales company in the field of health and beauty. VMA operates in Malaysia, Thailand, Taiwan, Hong Kong and Singapore. In 2019, VMA Life had sales of approximately USD 1.8 million. Through the collaboration, Zinzino's products and business model are expected to increase sales as early as 2020. According to signed agreement, Zinzino shall, upon entry, pay a fixed purchase price of USD 0.4 million divided by 50% cash and 50% newly issued Zinzino shares. Then contingent additional consideration will be based on sales developments during 2020–2023. The total additional consideration amounts to a maximum of USD 1.15 million, divided between 50% cash and 50% shares. The acquisition is financed with own cash and the additional consideration will be generated through profits from VMA Life.



### LAUNCH OF NEW ZINZINO APP

During the first quarter, Zinzino launched a brand-new application that is available for download via Apple's App Store and Google Play. The application is a distributor prospecting tool that can be used to easily connect with potential distributors or customers.

### NEWS EMAILS TO CUSTOMERS AND ZINZINO BLOG

In a new and exciting customer project, Zinzino began sending out customer news emails focusing on inspiring and useful content about Zinzino's products and relevant topics in health and lifestyle. There is also space for unique special offers that the company highlights on a monthly basis. Zinzino has also continued the development of its blog which was launched during the fourth quarter of 2019. The blog is available in several languages via Zinzino's customer website. The purpose of the blog is to inspire interest in the company's health products and it includes sections with exciting recipes, training tips, interviews with brand ambassadors, etc.

### CONTINUED FOCUS ON SOCIAL MEDIA

Zinzino also continued to develop its social media channels such as Facebook and Instagram. Based on its social media strategy, the company has created inspiring and engaging content that targets customers and distributors.

The company has also continued to focus on marketing guidelines for distributors with instructions on how to work as a distributor, e.g. with their strategy for social media. Zinzino has also continuously shared social media material that distributors can use in their own social media channels.

### NEW EDUCATIONAL FILMS

The focus in the first quarter of 2020 has been to create new educational films aimed primarily at distributors but also the company's customers. The films have been developed with the aim of creating a deeper understanding of the company's health products, business systems and other important information that can assist new and existing distributors with their progress. The films were launched in English, but are intended to be available with subtitles in more languages in 2020.



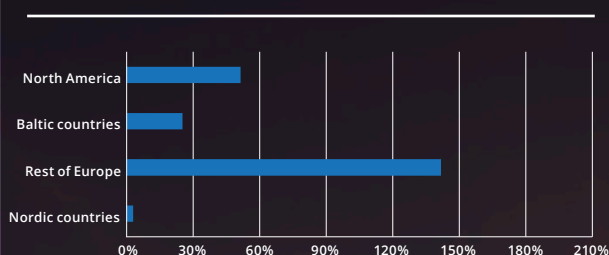
Education film for Health Protocol

# SALES AND PROFITS 2020 | Q1

## Q1

### FIRST QUARTER SALES

In total, revenue for the fourth quarter of 2020 amounted to SEK 242,1 (168.3) million, which represented a growth of 44% compared with the corresponding period in the previous year.



### NORDIC COUNTRIES

In the Nordic countries, total revenue increased by 3% to SEK 109.6 (106.5) million. Continued positive growth in Sweden after effective conversion to digital communication from the distributors during the quarter. Increased activity and growth in Norway following greater focus on the domestic market from important global distributors as a result of the country's restrictions. However, growth in local currency was slowed by translation effects. Some growth in Denmark where activity was dampened by the virus outbreak. The decline continued in Finland and Iceland, despite positive translation effects but where the distributor activity continued to be low in both markets. However, the activity level was deemed to be unchanged after the outbreak of Covid-19, which indicates that the distributors handled the digital conversion well.

Faun Pharma, the group's subsidiary and production unit, had high external production during the quarter, which resulted in external sales increasing by 35% to SEK 13.4 (9.9) million.

### BALTIC COUNTRIES

In the Baltic countries, revenues increased by a total of 25% to SEK 17.0 (13.6) million, after a positive impact on currency and high activity. The distributors in the Baltic countries generally handled the switch to digital communication due to the virus outbreak well. During the quarter, activity among distributors was highest in Latvia and Lithuania. 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. In Lithuania, growth has also been positive for a relatively long time following increased distributor activity in the previous year, which continued during the beginning of 2020. However, the increase in Estonia stopped during the quarter after lower orders received.

Zinzino continues to support the sales organisations in the Baltic countries through marketing support and customer support.

### REST OF EUROPE

Among the remaining markets in Europe, the excellent growth trend continued in many markets and combined revenues increased by 142% to SEK 104.0 (43.0) million after generally high activity and positive translation effects. This is despite the global virus outbreak and heavy shutdowns in most of the region's countries. 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/Ireland. Increased distributor activity in Greece and Cyprus strongly contributed to the growth in southern Europe, but at the same time was slowed by weak developments in Italy and Spain, which were affected very strongly by the regulatory measures taken by the authorities of both countries.

### NORTH AMERICA

Revenues in North America increased by 52% to SEK 7.9 (5.2) million in the first quarter compared with the previous year. This is mainly due to the successful collaboration with Life Leadership, which generated significant revenue in the region during the quarter. Zinzino will continue to adapt its digital platforms to North America, develop the collaboration with Life Leadership and support the distributor network in 2020.

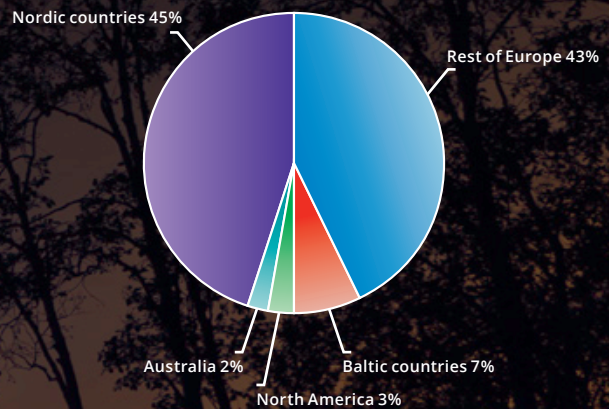
### AUSTRALIA

The Australian market started sales earlier in 2019 and the development has been positive since sales began. During the first quarter, revenue totalled SEK 3.7 million (0.0). Zinzino continues to support the establishment of the local sales organisation through the local office in Adelaide.

During the first 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 45% (60%) 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 43% (24%) during the quarter, mainly through the favourable sales development in the central European countries. North America accounted for 3% (3%) of the total revenue. The new region of Australia had strong performance during the quarter, accounting for the remaining 2% (0%) of total revenue.

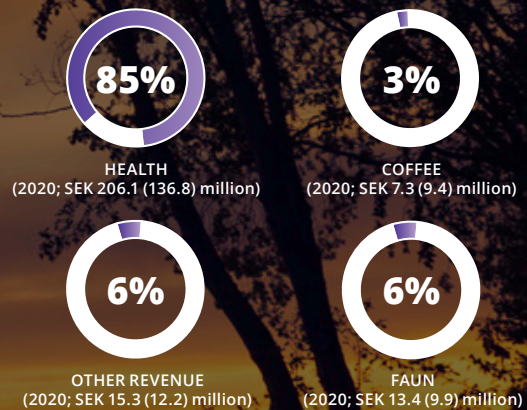
The Zinzino Health product segment increased by 51% to SEK 206.1 (136.8) million and represented 85% (81%) of total revenue. The Zinzino Coffee product segment decreased by 22% to SEK 7.3 (9.4) million, which corresponded to 3% (6%) of total revenue. Faun Pharma AS external sales increased by 35% after a higher share of external production during the quarter and amounted to SEK 13.4 (9.9) million, which corresponded to 6% (6%) of total revenues. Other revenue amounted to SEK 15.3 (12.2) million, which was equivalent to the remaining 6% (7%) of revenue for the quarter.

### SALES BY REGION Q1



Sales **SEK million** **242.1** (168.3)

### Revenues

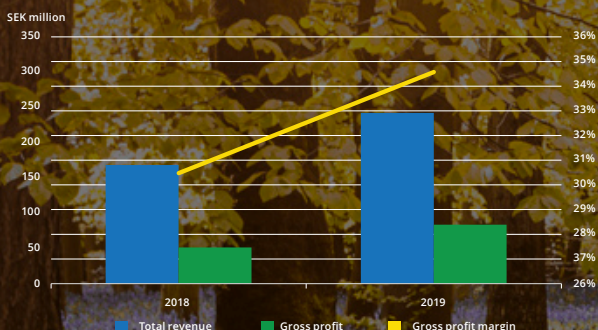


# Q1

## RESULTS AND FINANCIAL POSITION

Gross profit amounted to SEK 83.7 (51.4) million and the gross profit margin was 34.6% (30.5%). A one-off effect due to changed accounting for distributor compensation improved gross profit by SEK 22.2 million. Due to a minor adjustment in the general terms with the distributors, the costs will be reported during the same period as the revenues, whereby the matching of revenue and costs will be better. The new terms apply from 01/01/2020 with the one-off effect of the change affecting the first quarter.

At the same time, gross profit was negatively affected by delivery delays at the end of the quarter from the warehouse in France, which had lower capacity as a result of regulatory measures from the authorities. Gross profitability was also dampened by translation effects and temporary increased revenue-stimulating campaigns aimed at distributor organisations in order to maintain good sales growth during the Covid-19 outbreak.



Operating profit before depreciation and amortization amounted to SEK 26.3 (11.8) million. The Group's EBITDA margin was 10.9% (7.0%). Adjusted operating profit before depreciation amounted to SEK 4.1 million and the adjusted EBITDA margin was 1.7%.

Operating profit amounted to SEK 21.5 (7.6) million and operating margin was 8.9% (4.5%). Adjusted operating profit amounted to SEK -0.7 m. Profit before tax amounted to SEK 21.3 (7.4) million and net profit to SEK 16.8 (5.6) million.

## DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the quarter were charged to the profit for the period by SEK 4,770 (4,266) thousand, of which SEK 221 (276) thousand was depreciation of tangible fixed assets and SEK 4,549 (4,169) thousand was amortisation of intangible fixed assets. Of this, 2,598 (2,267) is amortisation of leases in accordance with IFRS 16.

## INVENTORIES

The group's combined inventories at the balance sheet date were SEK 93.0 (71.1) 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 the region, but also due to the company building up the inventory level in Australia to ensure efficient deliveries to the growing customer base in the country.

## FINANCIAL POSITION

On the balance sheet date, cash totalled SEK 107.9 (55.8) million. The group's equity/assets ratio was 14% (21%). Equity in the group at the end of the period amounted to SEK 51.5 (58.4) million, corresponding to SEK 1.58 (1.79) per share. The 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

During the first quarter, Zinzino strengthened the logistics department to strengthen material planning and control of the 3PL business. Otherwise, the quarter was marked by the change that Covid-19 entailed, where the company placed great focus on the employees' health and well-being. In the resulting situation, Zinzino prioritised the health of its employees and took measures to limit the spread according to instructions from the relevant authorities. In addition, Zinzino has prepared and taken measures to secure critical processes for the business, such as the handling of orders, support and commission payments to distributors in the event of any closure of the head office.

The number of employees in the group at the end of the year totalled 151 (135) people, of which 95 (82) are women. In addition, there were 17 (10) people, of which 6 (4) 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. The global outbreak of Covid-19 also shows great risks due to unexpected events in the outside world that have a major impact on the company. For an in-depth description of risks and other uncertainty factors, please refer to the annual report for 2019, which is available via the company website: <https://zinzinowebstorage.blob.core.windows.net/reports/Zinzino-arsredovisning-2019.pdf> Compared to the annual report published on April 2020, no new risks have been identified.

## **NUMBER OF OUTSTANDING SHARES**

As at 31/03/2020, 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 covers 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 issued on 31/03/2020 are exercised for new subscriptions of 1,900,000 shares, the share capital dilution will be approximately 6%.

## INTERIM REPORT 2020 | Q1

### **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 interim 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 (SEK thousand). Information in brackets refers to the comparison year.

For a complete description of the group's accounting principles, see the company's annual report for 2019.

### **THE ANNUAL MEETING OF SHAREHOLDERS**

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 nominating 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 website [zinzino.com](http://zinzino.com).

### **PROPOSED DIVIDEND**

The board of directors proposes a dividend for 2019 to shareholders of 70 öre per share through an ordinary dividend of 55 öre (50 öre) and a special dividend of 15 öre (20) in the same dividend period.

### **REPORT CALENDAR**

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

Interim report Q4 2020 will be published on 26/02/2021



# GROUP REPORT

## SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2019 31/12/2019
Net turnover	226,873	156,182	710,777
Other revenue	14,962	11,686	57,116
Own work capitalised	267	413	2,662
Goods for resale and other direct costs	-158,414	-116,929	-538,252
<b>Gross profit</b>	<b>83,687</b>	<b>51,352</b>	<b>232,303</b>
External operating expenses (incl. Currency)	-33,115	-19,855	-115,806
Personnel costs	-24,271	-19,639	-82,968
Depreciation and amortisation	-4,770	-4,266	-18,751
<b>Operating profit</b>	<b>21,531</b>	<b>7,592</b>	<b>14,778</b>
Net interest income	-188	-168	-893
Tax	-4,552	-1,779	-2,584
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>16,791</b>	<b>5,645</b>	<b>11,301</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	-5,581	2,131	1,421
<b>Other comprehensive profit/loss for the period</b>	<b>-5,581</b>	<b>2,131</b>	<b>1,421</b>
<b>OTHER COMPREHENSIVE PROFIT/LOSS FOR THE PERIOD</b>	<b>11,210</b>	<b>7,777</b>	<b>12,722</b>
<b>Profit/loss for the period attributable to</b>			
Parent company's shareholders	16,123	5,423	10,662
Non-controlling interest	668	222	640
<b>TOTAL</b>	<b>16,791</b>	<b>5,645</b>	<b>11,301</b>
<b>Total comprehensive profit/loss for the period attributable to</b>			
Parent company's shareholders	10,542	7,555	12,082
Non-controlling interest	668	222	640
<b>TOTAL</b>	<b>11,210</b>	<b>7,777</b>	<b>12,722</b>
<b>Earnings per share, calculated on the profit/loss for the period attributable to the parent company's shareholders:</b>			
<b>Amounts in SEK</b>			
Earnings per share before dilution	0.49	0.17	0.33
Earnings per share after dilution	0.46	0.17	0.32



# GROUP REPORT

## SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	31/03/2020	31/03/2019	31/12/2019
<b>Fixed assets</b>			
Goodwill	28,960	34,073	33,513
Other intangible fixed assets	15,594	18,098	16,969
Equipment, tools and installations	6,158	5,539	5,951
Right-of-use assets	42,815	49,986	43,817
Financial fixed assets	3,956	6,266	7,953
<b>Total fixed assets</b>	<b>97,483</b>	<b>113,962</b>	<b>108,203</b>
<b>Current assets</b>			
Inventories	93,036	71,097	88,864
Current receivables	23,433	15,460	22,361
Pre-paid costs and accrued revenues	38,186	19,828	10,386
Cash and bank balances	107,873	55,798	76,837
<b>Total current assets</b>	<b>262,528</b>	<b>162,183</b>	<b>198,448</b>
<b>TOTAL ASSETS</b>	<b>360,010</b>	<b>276,145</b>	<b>306,650</b>
Share capital	3,258	3,258	3,258
Other contributed capital	12,804	12,804	12,804
Retained earnings including profit/loss for the period	35,435	42,297	16,960
<b>Total equity</b>	<b>51,497</b>	<b>58,359</b>	<b>40,287</b>
<b>Long-term liabilities</b>			
Lease liabilities	32,252	39,809	33,087
Other long-term liabilities	1,530	580	1,530
<b>Total long-term liabilities</b>	<b>33,782</b>	<b>40,389</b>	<b>34,617</b>
<b>Current liabilities</b>			
Supplier liabilities	43,504	19,110	35,658
Tax liabilities	2,614	358	2,614
Lease liabilities	10,446	10,190	10,730
Other current liabilities	119,783	79,163	101,078
Accrued costs and deferred revenues	98,100	68,576	81,666
<b>Total current liabilities</b>	<b>274,731</b>	<b>177,397</b>	<b>231,746</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>360,010</b>	<b>276,145</b>	<b>306,650</b>

# GROUP REPORT

## SUMMARY OF CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Other contributed capital	Translation reserves	Retained earnings including profit/loss for the period	Total	Non-controlling interest	Total Equity
<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	-	-	-	5,406	5,406	222	5,628
Other comprehensive profit/loss for the period	-	-	2,359	-	2,359	4	2,363
Share repurchase	-	-	-	2	2	-2	-
<b>Closing balance 31/03/2019</b>	<b>3,258</b>	<b>12,804</b>	<b>2,377</b>	<b>32,474</b>	<b>50,913</b>	<b>7,446</b>	<b>58,359</b>
<b>Opening balance 01/04/2019</b>	<b>3,258</b>	<b>12,804</b>	<b>2,377</b>	<b>32,474</b>	<b>50,913</b>	<b>7,446</b>	<b>58,359</b>
Profit/loss for the period	-	-	-	5,256	5,256	418	5,674
Other comprehensive profit/loss for the period	-	-	-940	-	-940	2	-938
Share repurchase	-	-	-	1	1	-1	-
Change of the minority	-	-	-	595	595	-595	-
Dividends	-	-	-	-22,806	-22,806	-	-22,806
<b>Closing balance 31/12/2019</b>	<b>3,258</b>	<b>12,804</b>	<b>1,440</b>	<b>15,520</b>	<b>33,019</b>	<b>7,270</b>	<b>40,288</b>
<b>Opening balance 01/01/2020</b>	<b>3,258</b>	<b>12,804</b>	<b>1,440</b>	<b>15,520</b>	<b>33,019</b>	<b>7,270</b>	<b>40,288</b>
Profit/loss for the period	-	-	-	16,123	16,123	668	16,791
Other comprehensive profit/loss for the period	-	-	-5,582	-	-5,582	-	-5,582
Change of the minority	-	-	-	828	828	-828	-
<b>Closing balance 31/03/2020</b>	<b>3,258</b>	<b>12,804</b>	<b>-4,142</b>	<b>32,471</b>	<b>44,388</b>	<b>7,110</b>	<b>51,497</b>

# GROUP REPORT

## SUMMARY OF CASH FLOWS

Amounts in SEK thousands	01/01/2020 31/03/2020	01/01/2019 31/03/2019	01/01/2019 31/12/2019
<b>Operating activities</b>			
Profit/loss before financial items	21,531	7,575	14,778
Depreciation and amortisation/write-downs	4,770	4,266	18,751
Currency fluctuations	24	-905	860
	<b>26,325</b>	<b>10,936</b>	<b>34,389</b>
Interest received	40	61	390
Interest paid	-228	-229	-1,125
Tax paid	-556	-13	-78
	<b>-743</b>	<b>-181</b>	<b>-813</b>
<b>Cash flow from operating activities before changes in operating capital</b>	<b>25,581</b>	<b>10,755</b>	<b>33,576</b>
<b>Cash flow from changes in operating capital</b>			
Increase(+)/Decrease(-) in inventories	-4,172	-6,413	-24,180
Increase(+)/Decrease(-) in current receivables	-28,872	-792	1,750
Increase(+)/Decrease(-) in current liabilities	40,053	11,306	60,120
<b>Cash flow from operating activities</b>	<b>7,009</b>	<b>14,856</b>	<b>71,266</b>
<b>Investment activity</b>			
Investments in intangible fixed assets	-575	-498	-4,458
Investments in financial fixed assets	-	-106	-183
Investments in tangible fixed assets	-428	-1,195	-2,415
<b>Cash flow from investment activities</b>	<b>-1,003</b>	<b>-1,799</b>	<b>-7,056</b>
<b>Financing activities</b>			
Amortisation of lease liabilities attributable to lease agreements	-551	-2,718	-10,975
Release of options	-	-	949
Dividends	-	-	-22,806
<b>Cash flow from financing activities</b>	<b>-551</b>	<b>-2,718</b>	<b>-32,832</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>31,036</b>	<b>10,339</b>	<b>31,378</b>
<b>Cash and cash equivalents at start of period</b>	<b>76,837</b>	<b>45,459</b>	<b>45,459</b>
<b>Cash and cash equivalents at end of period</b>	<b>107,873</b>	<b>55,798</b>	<b>76,837</b>
<b>Change in cash and cash equivalents</b>	<b>31,036</b>	<b>10,339</b>	<b>31,378</b>

# PARENT COMPANY REPORT

## SUMMARY INCOME STATEMENT

<b>Amounts in SEK thousands</b>	<b>01/01/2020 31/03/2020</b>	<b>01/01/2019 31/03/2019</b>	<b>01/01/2019 31/12/2019</b>
Net turnover	1,500	1,500	7,670
Other revenue	414	-	2,359
<b>Gross profit</b>	<b>1,914</b>	<b>1,500</b>	<b>10,029</b>
External operating expenses	-3,438	-1,002	-6,640
Depreciation and amortisation	-88	-88	-353
<b>Operating profit</b>	<b>-1,612</b>	<b>410</b>	<b>3,036</b>
Net interest income	-535	45	19,942
Tax	-	-97	-646
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-2,148</b>	<b>358</b>	<b>22,332</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	31/03/2020	31/03/2019	31/12/2019
<b>Fixed assets</b>			
Right-of-use assets	1,045	1,381	1,129
Financial fixed assets	83,204	83,171	83,157
<b>Total fixed assets</b>	<b>84,249</b>	<b>84,552</b>	<b>84,286</b>
<b>Current assets</b>			
Current receivables	138	149	
Group receivables	9,261	1,499	16,459
Pre-paid costs and accrued revenues	3,222	422	2,710
Cash and bank balances	3,035	1,865	2,173
<b>Total current assets</b>	<b>15,656</b>	<b>3,935</b>	<b>21,342</b>
<b>TOTAL ASSETS</b>	<b>99,905</b>	<b>88,488</b>	<b>105,628</b>
Restricted equity	4,387	4,639	4,387
Unrestricted equity	24,873	25,094	2,540
Profit/loss for the period	-2,833	358	22,332
<b>Total equity</b>	<b>26,427</b>	<b>30,091</b>	<b>29,259</b>
Long-term liabilities	17,006	16,206	17,006
Current liabilities	11,243	8,078	1,438
Group liabilities	44,347	33,490	56,681
Accrued costs and deferred revenues	882	624	1,244
<b>Total liabilities</b>	<b>73,478</b>	<b>58,397</b>	<b>76,369</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>99,905</b>	<b>88,488</b>	<b>105,628</b>

# PARENT COMPANY REPORT

## SUMMARY OF CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Fund for development expenditures	Share premium reserve	Retained earnings including Profit/loss for the period	Total Equity
<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	-	-	-	358	358
Reversal of own reprocessing intangible assets	-	-84	-	84	-
<b>Closing balance 31/03/2019</b>	<b>3,258</b>	<b>1,381</b>	<b>22,138</b>	<b>3,314</b>	<b>30,091</b>
<b>Opening balance 01/04/2019</b>	<b>3,258</b>	<b>1,381</b>	<b>22,138</b>	<b>3,314</b>	<b>30,091</b>
Profit/loss for the period	-	-	-	21,975	21,975
Reversal of own reprocessing intangible assets	-	-252	-	252	-
Own reprocessing intangible assets	-	-	-	-	-
Dividends	-	-	-22,806	-	-22,806
<b>Closing balance 31/12/2019</b>	<b>3,258</b>	<b>1,129</b>	<b>-668</b>	<b>25,540</b>	<b>29,259</b>
<b>Opening balance 01/01/2020</b>	<b>3,258</b>	<b>1,129</b>	<b>-668</b>	<b>25,540</b>	<b>29,259</b>
Profit/loss for the period	-	-	-	-2,833	-2,833
<b>Closing balance 31/03/2020</b>	<b>3,258</b>	<b>1,129</b>	<b>-668</b>	<b>22,707</b>	<b>26,426</b>

# PARENT COMPANY REPORT

## SUMMARY OF CASH FLOWS

Amounts in SEK thousands	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<b>Operating activities</b>			
Profit/loss before financial items	-1,612	410	3,036
Depreciation and amortisation/write-downs	88	88	353
Currency fluctuations/Other non-cash items	-557	-45	-92
	<b>-2,081</b>	<b>453</b>	<b>3,297</b>
Interest received	23	-	55
Interest paid	-1	-	-4
Tax paid	-	-	-
	<b>22</b>	<b>-</b>	<b>51</b>
<b>Cash flow from operating activities before changes in operating capital</b>	<b>-2,059</b>	<b>453</b>	<b>3,348</b>
<b>Cash flow from changes in operating capital</b>			
Increase(+)/Decrease(-) in current receivables	-10,550	-527	-11,293
Increase(+)/Decrease(-) in current liabilities	13,435	1,008	31,263
<b>Cash flow from operating activities</b>	<b>826</b>	<b>934</b>	<b>23,318</b>
<b>Investment activity</b>			
Investments in intangible fixed assets	84	-	-
Investments in financial fixed assets	-47	-106	-176
Investments in tangible fixed assets	-	-	-
<b>Cash flow from investment activities</b>	<b>37</b>	<b>-106</b>	<b>-176</b>
<b>Financing activities</b>			
Option issue	-	-	800
Dividends	-	-	-22,806
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-22,006</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>862</b>	<b>828</b>	<b>1,136</b>
<b>Cash and cash equivalents at start of period</b>	<b>2,173</b>	<b>1,037</b>	<b>1,037</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,035</b>	<b>1,865</b>	<b>2,173</b>
<b>Change in cash and cash equivalents</b>	<b>862</b>	<b>828</b>	<b>1,136</b>

# NOTE 1

## SEGMENT INFORMATION

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### Description of segments and main activities:

A business segment is part of a company 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 Supplement, Skin Care 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 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.



<b>Jan-Mar 2020</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Group elimination</b>	<b>Total Group</b>
Net turnover	213,433	31,327	-17,887	226,873
Other revenue	14,962	-	-	14,962
Own work capitalised	267	-	-	267
Goods for resale and other direct costs	-155,151	-21,151	17,887	-158,414
<b>Gross profit</b>	<b>73,510</b>	<b>10,176</b>	<b>-</b>	<b>83,687</b>
External operating expenses	-31,372	-1,743	-	-33,115
Personnel costs	-18,460	-5,811	-	-24,271
<b>EBITDA</b>	<b>23,679</b>	<b>2,622</b>	<b>-</b>	<b>26,301</b>
Depreciation and amortisation	-3,520	-1,250	-	-4,770
<b>Operating profit</b>	<b>20,159</b>	<b>1,414</b>	<b>-</b>	<b>21,531</b>
<b>Jan-Mar 2019</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Group elimination</b>	<b>Total Group</b>
Net turnover	146,244	21,313	-11,375	156,182
Other revenue	11,686	-	-	11,686
Own work capitalised	413	-	-	413
Goods for resale and other direct costs	-113,960	-14,345	11,375	-116,929
<b>Gross profit</b>	<b>44,384</b>	<b>6,968</b>	<b>-</b>	<b>51,352</b>
External operating expenses	-18,629	-1,226	-	-19,855
Personnel costs	-15,065	-4,574	-	-19,639
<b>EBITDA</b>	<b>10,689</b>	<b>1,169</b>	<b>-</b>	<b>11,858</b>
Depreciation and amortisation	-3,031	-1,235	-	-4,266
<b>Operating profit</b>	<b>7,658</b>	<b>-66</b>	<b>-</b>	<b>7,592</b>
<b>Jan-Dec 2019</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Group elimination</b>	<b>Total Group</b>
Net turnover	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 and 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>

## NOTE 2 NET TURNOVER

### 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.

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 note 2.5.1 in the annual report 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 the annual report 2019 on principles for revenue recognition.

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

Jan-Mar 2020	Zinzino	Faun	Total Group
Net turnover	213,433	13,440	226,873
<b>Revenue from external customers</b>	<b>213,433</b>	<b>13,440</b>	<b>226,873</b>
Good within Zinzino Health	206,290	-	206,290
Goods within Zinzino Coffee	7,143	-	7,143
Sales of external goods Faun	-	13,440	13,440
Events and other services	-	-	-
<b>TOTAL</b>	<b>213,433</b>	<b>13,440</b>	<b>226,873</b>
<b>Jan-Mar 2019</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Total Group</b>
Net turnover	146,244	9,938	156,182
<b>Revenue from external customers</b>	<b>146,244</b>	<b>9,938</b>	<b>156,182</b>
Good within Zinzino Health	136,789	-	136,789
Goods within Zinzino Coffee	9,394	-	9,394
Sales of external goods Faun	-	9,938	9,938
Events and other services	61	-	61
<b>TOTAL</b>	<b>146,244</b>	<b>9,938</b>	<b>156,182</b>
<b>Jan-Dec 2019</b>	<b>Zinzino</b>	<b>Faun</b>	<b>Total Group</b>
Net turnover	665,401	45,376	710,777
<b>Revenue from external customers</b>	<b>665,401</b>	<b>45,376</b>	<b>710,777</b>
Good 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>

## NOTE 3 TRANSACTIONS WITH CLOSELY RELATED PARTIES

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Compensation for sales services performed Saele Invest AS	7,564	6,248	25,977
Other Saele Invest AS	-	-	-81
Total Saele Invest AS*	7,564	6,248	25,896
Compensation for sales services performed Oh Happy Day ApS**	1,436	900	4,764
Onward invoiced establishment costs Australia Oh Happy Day ApS***	-437	-	-2,538
<b>Total</b>	<b>8,563</b>	<b>7,148</b>	<b>28,121</b>

As of 31/03/2020, the debt to Saele Invest AS relating to sales commissions amounts to SEK 0 (0) thousand and to Oh Happy Day ApS to SEK 1 (0) 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 a 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 2019/2020 from Oh Happy Day ApS. The receivable from the company as of 31/03/2020 amounts to SEK 437 (0) thousand.

## NOTE 4 EARNINGS PER SHARE

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
<b>SEK</b>			
Earnings per share before dilution	0.49	0.17	0.33
Earnings per share after dilution	0.46	0.17	0.32
<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	16,123	5,423	10,662
<b>Number</b>			
Weighted average number of ordinary shares in calculating earnings per share before dilution			
Adjustment for calculation of earnings per share after dilution	32,580,025	32,580,025	32,580,025
<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

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

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### **THE IMPACT OF COVID-19 ON THE COMPANY AFTER THE END OF THE QUARTER**

During the first quarter of 2020, a global outbreak of Covid-19 flared up. After the end of the first quarter during the global outbreak of the pandemic, Zinzino had increased sales growth. At the same time, logistics have been adversely affected, mainly due to regulatory measures regarding working hours from the French government, which has impaired the delivery capacity from the French warehouse in Faberville, which delivers to the important markets in central Europe. In addition, transport has been further delayed following increased border checks in Europe. A number of revenue-stimulating campaigns aimed at the distributor organisation have also been launched, which have affected the group's short-term profitability. Group management has taken the necessary measures to reduce the consequences of the Covid-19 pandemic for Zinzino and its employees. The staff have been given teleworking capability and all logistics regarding the Baltics, Iceland, Poland and Hungary have been moved to the warehouse in Trollhättan which operated with normal delivery capacity. In addition, Zinzino is working to establish an additional external warehouse in Poland to further shorten lead times in central and eastern Europe.

### **ACQUISITION OF VMA LIFE IN SINGAPORE**

In early April 2020, Zinzino signed the final acquisition agreement with VMA Life, a direct sales company in the field of health and beauty. VMA operates in Malaysia, Thailand, Taiwan, Hong Kong and Singapore. Through the collaboration, Zinzino's products and business model are expected to increase sales as early as 2020. According to signed agreement, Zinzino shall, upon entry, pay a fixed purchase price of USD 0.4 million divided by 50% cash and 50% newly issued Zinzino shares. Then contingent additional consideration will be based on sales developments during 2020–2023. The total additional consideration amounts to a maximum of USD 1.15 million, divided between 50% cash and 50% shares. The acquisition is financed with own cash and the additional consideration will be generated through profits from VMA Life.

## 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 perfor-

mance 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:

ALTERNATIVE KEY FIGURES	DEFINITION	PURPOSE
<b>Sales growth</b>	The total revenue as a percentage change compared with the total revenue for the corresponding period of the previous year.	This metric is useful to follow as it shows the sales trend in the group.
<b>Gross profit/loss</b>	The total revenue as a percentage change compared with the total revenue for the corresponding period of the previous year.	This metric is useful 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 for creating 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 for creating an understanding of operational profitability and as the metric excludes depreciation/ amortisation, this margin gives the stakeholders a clearer picture of the company's core 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 operating activities</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.



# GOTHENBURG 14 MAY 2020

The board of directors and the CEO certify that the first quarter report for 2020 gives a fair overview of the parent company and group's operations, position and earnings and describes significant risks and uncertainties faced by the parent company and the companies in the group.

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

## **Zinzino AB**

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Board Chair

**Pierre Mårtensson**  
Board Member

**Ingela Nordenhav**  
Board Member

**Staffan Hillberg**  
Board Member

**Dag Bergheim Pettersen**  
CEO

## **AUDITOR REVIEW**

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

