ZINZINO

INTERIM REPORT **2019 | Q2**

THIS IS ZINZINO

Zinzino AB (publ.) is a direct sales company that operates in 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 120 employees. The company has its headquarters in Gothenburg, as well as offices in Helsinki, Riga and Oslo, and in Florida, United States. Zinzino is a publicly-held limited liability company and its shares are listed on Nasdaq First North.

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.

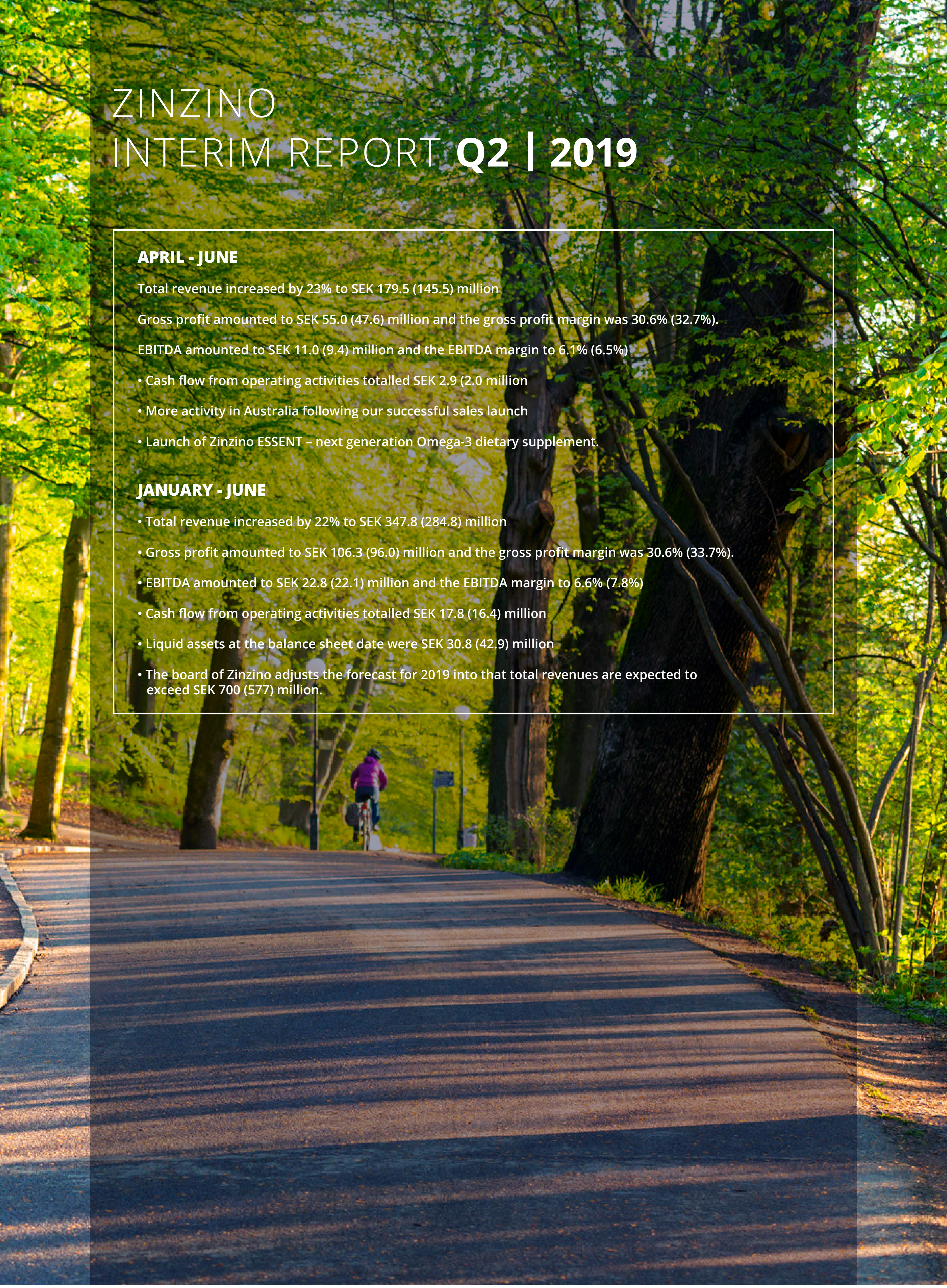
2015 - A company was started in Canada and the ownership share in Faun Pharma AS was increased to 98.8%.

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
INTERIM REPORT **Q2 | 2019**

APRIL - JUNE

Total revenue increased by 23% to SEK 179.5 (145.5) million

Gross profit amounted to SEK 55.0 (47.6) million and the gross profit margin was 30.6% (32.7%).

EBITDA amounted to SEK 11.0 (9.4) million and the EBITDA margin to 6.1% (6.5%)

- Cash flow from operating activities totalled SEK 2.9 (2.0 million
- More activity in Australia following our successful sales launch
- Launch of Zinzino ESSENT – next generation Omega-3 dietary supplement.

JANUARY - JUNE

- Total revenue increased by 22% to SEK 347.8 (284.8) million
- Gross profit amounted to SEK 106.3 (96.0) million and the gross profit margin was 30.6% (33.7%).
- EBITDA amounted to SEK 22.8 (22.1) million and the EBITDA margin to 6.6% (7.8%)
- Cash flow from operating activities totalled SEK 17.8 (16.4) million
- Liquid assets at the balance sheet date were SEK 30.8 (42.9) million
- The board of Zinzino adjusts the forecast for 2019 into that total revenues are expected to exceed SEK 700 (577) million.

We are increasing our forecast for the rest of the year

WE ARE INCREASING OUR FORECAST **FOR THE REST OF THE YEAR**

We are very pleased with our sales growth of 23%, combined with good profitability in the second quarter. It's particularly satisfying that the underlying growth in our main segment, Zinzino, is gaining even more momentum and is now more than 30% over what it was this time last year.

Our factory is producing less for external customers and the share of internal production has increased. As a result, sales to external customers is lower, which further emphasizes the strong growth trend of our own brand, Zinzino.

The Nordic region continues to produce our strongest turnover, while the strongest growth trends are in central Europe, providing support for our belief in strong, sustained growth in 2019. We anticipate that we will be able to keep delivering steady growth exceeding 20% during the rest of the year, while maintaining the fine balance between growth and good profitability. Quite simply, it means that we are optimistic about being able to deliver even better results than we previously communicated. Accordingly, we are officially increasing our revenue forecast to at least SEK 700 million for 2019. Our prior announced forecast was SEK 630-680 million.

OUR SHIFT TO DIGITAL

In recent years we have invested significantly to create growth and achieve increased customer satisfaction in order to reach our overarching goals and ambitions. We are now in the middle of our most important project ever by implementing a major digital changeover. It is incredibly important to be extremely proficient online, with all that means, from the web, payment systems and branding in social media. We need to feel confident that we are going places, equipped with unique products within the preventive health sector and will achieve this with incredible online tools to support us! Initial short-term evidence of this will be the launch of our new website in the third quarter, along with new, improved payment solutions. We will also launch an Global Online Shop for our customers worldwide in the third quarter.

We launched in Australia in early April. It has been a great success and is it just the start of our entry into Asia-Pacific. I have high expectations for Asia-Pacific, where we have an active plan to achieve growth and make our mark. We've had robust growth in central Europe and we can see that our company has matured with the launch into new markets there. We have invested considerable resources and capital for marketing efforts associated with the launch, which has generated results in the form of more rapid sales growth. And, we're attracting much interest from Partners who would like to join us. We are now relaunching in the USA after a presence of five years with modest sales. We've now set new goals and have a plan for increasing our sales. To achieve our goal, we have employed several new, experienced employees and will put fresh investment into the launch of new products, tailored to the North American market. With higher revenue and more financial muscle, we've been able to employee additional, talented employees who are eager to help us increase our rate of growth and product development even more. We have an extremely scalable business model and will work hard to achieve a profitable growth journey towards sales of a billion over the next few years.

Dag Bergheim Pettersen, CEO Zinzino
Inspire change in life

FINANCIAL SUMMARY (SEK MILLION)

KEY GROUP FIGURES	Q2 2019	Q2 2018	Q1-Q2 2019	Q1-Q2 2018	FULL YEAR 2018
Total revenue	179.5	145.5	347.8	284.8	576.6
Net sales	165.9	133.6	322.1	261.7	532.9
Sales growth	23%	n/a	22%	n/a	n/a
Gross profit	55.0	47.6	106.3	96.0	182.8
Gross profit margin	30.6%	32.7%	30.6%	33.7%	31.7%
Operating profit before depreciation and amortisation	11.0	9.4	22.8	22.1	23.7
Operating margin before depreciation and amortisation	6.1%	6.5%	6.6%	7.8%	4.1%
Operating profit	6.2	5.1	13.8	13.6	6.4
Operating margin	3.5%	3.5%	4.0%	4.8%	1.1%
Profit/loss before tax	5.7	4.9	13.2	13.2	5.7
Net profit	5.2	3.4	10.9	9.5	4.7
Net margin	2.9%	2.3%	3.1%	3.3%	0.8%
Net earnings per share after tax before dilution, SEK	0.16	0.10	0.33	0.29	0.14
Net earnings per share after tax at full dilution, SEK	0.16	0.10	0.33	0.29	0.14
Cash flow from operating activities	2.9	2.0	17.8	16.4	29.8
Cash and cash equivalents	30.8	42.9	30.8	42.9	45.4
Equity/assets ratio	15%	25%	15%	25%	20%
Equity capital per share before dilution, SEK	1.30	1.83	1.30	1.83	1.55
Number of issued shares on average for the period	32,580,025	32,580,025	32,580,025	32,580,025	32,580,025
Number of issued shares on average for the period with full dilution	33,080,025	32,580,025	32,580,025	32,580,025	32,580,025

ZINZINO'S OUTLOOK AND FINANCIAL GOALS FOR 2019

The Board of Directors of Zinzino adjusts the forecasts for 2019 into that the total revenue will be SEK 700 (577) million. The operating margin before depreciation/amortisation is calculated to exceed 4.0%.

The target for average growth in sales at Zinzino for the period 2019–2021 is a minimum of 15% and operating margin before depreciation/amortisation will increase to >5%. The dividend policy will be at least 50% of the free cash flow so long as liquidity and the equity/assets ratio permit.

Zinzino's clear ambition of achieving an SEK 1 billion turnover no later than 2022 remains.

SIGNIFICANT EVENTS DURING AND AFTER **THE SECOND QUARTER OF 2019**

SUCCESSFUL SALES LAUNCH IN AUSTRALIA

Sales started on the Australian market at the start of the quarter. To begin with Zinzino will focus on selling products within Balance and Skin Care. All operations are managed through the new subsidiary Zinzino PTY, with its headquarters in Sydney. In order to market Zinzino in Australia, a cooperation has been initiated with an industry consultant who will take on local operational responsibility for the first six months. The sales results have initially been very good, which is why Zinzino will be increasing its presence in the region by setting up a local customer support office in Adelaide so that it can better meet the needs of its growing customer base in the country.

FOCUS ON DEVELOPING OUR DIGITAL PLATFORM

During the second quarter Zinzino, has continued the process of developing its digital platforms. During the quarter, the communication portal for managing the company's communication to both distributors and customers was completed, which means that email based on one-time events has now been automated. Accordingly, customers and partners will receive more personalised and relevant information that is presented in a modern way with stylish design. In addition, the new, modern payment platform is now being used in more markets and we expect to complete this project during the second half of 2019. It will make a larger variety of local payment alternatives available in our various markets. It also facilitates a higher transaction volume, more security and lower costs for the company.

LAUNCH OF ESSENT – NEXT GENERATION OMEGA-3 DIETARY SUPPLEMENT.

During the quarter, we launched Zinzino ESSENT, which is a next generation dietary supplement in the Balance segment. The product comes in individually packed soft gel capsules. It is an ultrapure, molecularly tested polyphenol supplement based on entirely natural ingredients that adjust and maintain the 6:3 balance safely, while simultaneously protecting the cells from oxidative damage, thereby helping maintain normal functioning of the brain, heart and immune system. The biggest difference compared to prior capsule products is that the daily dose is just 2-3 capsules per day, compared to 8-12 capsules (based on body weight). The product will be a very important tool in the North American market, where customers prefer capsules rather than liquid Omega-3 products.

In addition to the launch of ESSENT, Zinzino launched a limited edition - BalanceOil Grapefruit Lemon Lime and a new sample pack of Viva, which is Zinzino's natural dietary supplement that promotes well-being on many levels, both physical and emotional.

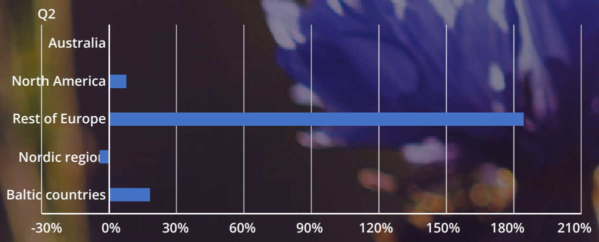
SALES AND PROFIT **Q2 | 2019**

Q2

SECOND QUARTER SALES

Total revenue for the second quarter of 2019 was SEK 179.5 (145.5) million, which corresponded to a growth of 23% compared with the same period in the previous year. The rate of growth has thus increased by 2 percentage points compared to the first quarter of 2019.

GROWTH BY REGION 2019 VS 2018



Nordic region

Countries: Sweden, Norway, Finland, Denmark and Iceland

In the Nordic countries, total revenue dropped by 4% to SEK 106.4 (111.0) 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 company believes that the good growth will continue both in the domestic market and in Denmark during the second half of 2019 based on the active and structured way that the Swedish and Danish sales organisations carry out Zinzino's concept.

Dropping sales in Norway, Finland and Iceland started to level off during the quarter, but sales were still lower han the corresponding period last year. This is mainly due to continued lower distributor activity in the countries during the quarter. Norway and Finland have been key growth markets for the company for a long time and Zinzino is therefore working actively to reverse the negative trend by making big investments, in the form of the development of digital platforms and brand, increased presence at regional events as well as by supporting strategically important distributors. In Norway and Finland, the company believes that the sales decline will continue stabilising during the second half of 2019, but that it may take longer than previously announced. Faun Pharma, the group subsidiary and production unit, had a higher share of internal production due to the increase rate of growth in the group during the quarter, which caused external sales to decrease by 24% to SEK 14.3 (18.8) million.

Baltic countries

Countries: Estonia, Latvia and Lithuania

In the Baltic countries, revenue increased in total by 18% to SEK 12.4 (10.5) million in the second quarter. This is mainly due to continued positive sales growth in Latvia combined with growth in Lithuania and Estonia. 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 earlier in the year, which resulted in more activity and generated a higher level of new sales in both markets. 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 184% to SEK 53.7 (18.9) million. Continued very strong growth in the central European markets of Hungary, Poland, Czech Republic and Slovakia, which is driven by a common cluster of distributors working in an organised way across national borders which is driving growth in the region. Positive growth in Germany and Austria, where experienced distributor organisations run their operations in a similar way with good results. In southern Europe the positive development continued, mainly in Italy, which has already gained a large addition of new distributors and increased activity as a result of the new local remuneration model.

North America

Countries: USA and Canada

Revenue in North America achieved SEK 5.5 (5.1) million during the second quarter, equivalent to 8% growth compared to 2018. Zinzino will continue to support the sales organisation by implementing several strategic measures to further adapt the business for the North American market. Important components of that effort are the launch of the dietary supplement, ESSENT, and focus on a modern, digital website that will be launched at the end of August. 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.

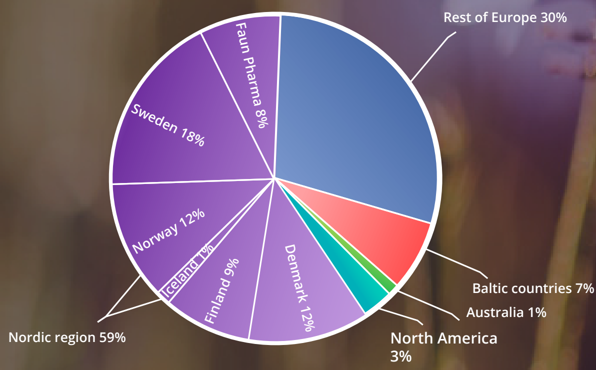
Australia

Sales started up in the Australian market during the quarter and performance was good. The local sales organisation is starting to take shape and grow under the guidance of a consultant hired by Zinzino for the purpose of setting up a strategic distribution network that will facilitate widespread geographic sales growth throughout the country. Progress and performance has thus far been very good and total sales in the second quarter amounted to SEK 1.5 million. In addition, the new payment platform was launched with local payment contracts, which is important to global e-commerce.

In the second quarter, the Nordic countries continued to account for the majority of company revenues according to the geographical distribution, even though its share fell to 59% (76%) of total sales. The Baltic countries retained their share at 7% (7%). The rest of Europe continued to increase its share of total revenue and accounted for 30% (13%) 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 1% (0%) of total revenue.

The Zinzino Health product segment increased by 37% to SEK 142.4 (104.2) million and represented 79% (72%) of total revenue. The Zinzino Coffee product segment decreased by 13% to SEK 9.2 (10.5) million, which corresponded to 5% (7%) of total revenue. Faun Pharma AS external sales decreased by 24% since there was a higher percentage of internal production during the quarter and amounted to SEK 14.2 (18.8) million, which corresponded to 8% (13%) of total revenue.
Other revenue amounted to SEK 13.7 (11.9) million, which was equivalent to the remaining 8% (8%) of revenue for the quarter.

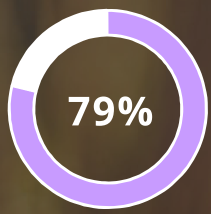
SALES BY REGION Q2



Sales
SEK MILLION **179.5** (145.5)

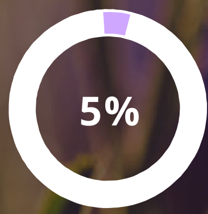
REVENUES

HEALTH



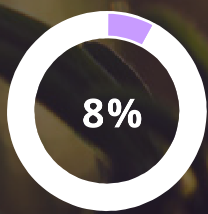
(2019; SEK 142.4 (104.3) million)

COFFEE



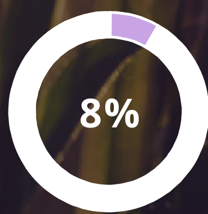
(2019; SEK 9.2 (10.5) million)

Other revenue

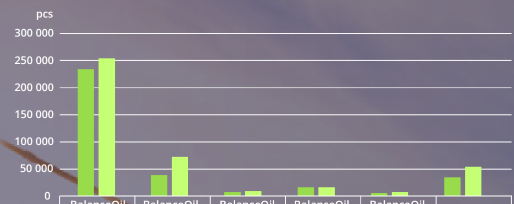


(2019; SEK 13.7 (11.9) million)

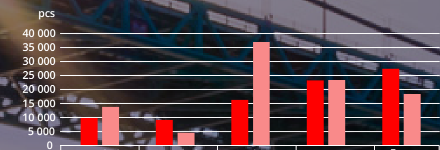
FAUN



(2019; SEK 14.2 (18.8) million)

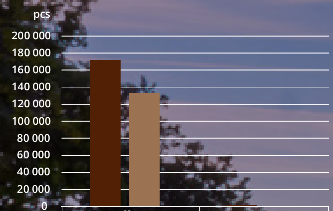


	BalanceOil 300 ml	BalanceOil 100 ml	BalanceOil Vegan	BalanceOil AquaX	BalanceOil Capsules	BalanceTest
Q2 2018	233,939	39,114	7,259	16,256	5,803	34,549
Q2 2019	254,379	72,322	9,044	16,070	7,362	54,416

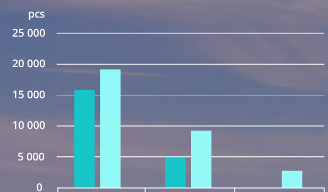


	LeanShake Portion Pack	LeanShake 960g	Zinobiotic Fiber Blend	ProteinBar	Energy Bar*
Q2 2018	9,853	9,180	16,367	23,226	27,455
Q2 2019	13,897	4,565	37,048	23,343	18,312

*lanserades 2018

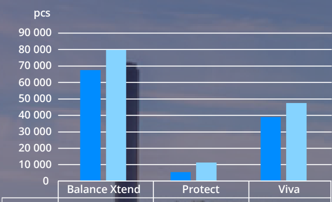


	Coffee	Tea
Q2 2018	171,965	1,608
Q2 2019	133,090	686



	Skin Serum 30 ml	Skin Serum 50 ml	Skin Serum 5 ml 10 pack*
Q2 2018	15,783	4,860	-
Q2 2019	19,140	9,258	2,775

*lanserades 2018



	Balance Xtend	Protect	Viva
Q2 2018	67,575	5,486	38,891
Q2 2019	79,803	11,376	47,580

During the quarter, the number of Balance units sold increased by 23% to 413,593 (336,920). This increase was mainly based on the large number of new customers and distributors that have been gained during the quarter and subsequently chosen BalanceOil in different variants such as the starter pack and in subscription form.

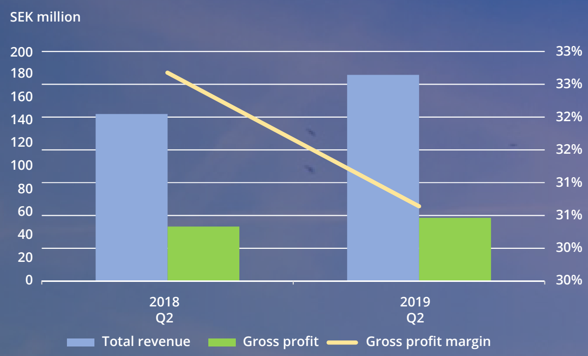
Immune & Brain grew by 24% to 138,759 (111,952) units sold. Weight Control increased by 13%, to 97,165 (86,081 units). Skin Care increased by 51% to 31,173 (20,,643) units sold. Figures showing that the trend is continuing as all the complementary products to BalanceOil have increased in sales, indicating that the product strategy to focus on spreading the need for complementary products via distributors in the various markets, was the right path for Zinzino.

Beverages declined by 23% to 133,776 (173,573) 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 newly opened markets for a few years now. Zinzino Coffee is now only sold in the Nordic region and in the Baltic countries.

COSTS AND PROFIT

SECOND QUARTER

Gross profit amounted to SEK 55.0 (47.6) million and the gross profit margin was 30.6% (32.7%). Lower gross profit is primarily attributable to the overall higher remuneration levels to the company's distributors resulting from the growth-generating sales campaigns that were implemented as an important component of the company's growth strategy. In combination with the price increases, a higher share of Health in the product mix and the cost-saving measures implemented within production and purchasing are expected to help gross margins improve in the third quarter.



EBITDA amounted to SEK 11.0 (9.4) million and the operating margin before depreciation/amortisation was 6.1% (6.5%). The margin was offset by high establishment costs and development costs as well as the decline in earnings at the gross level. Operating profit amounted to SEK 6.2 (5.1) million and the operating margin was 3.5% (3.5%). Profit before tax totalled SEK 5.7 (4.9) million and net profit was SEK 5.2 (3.4) million.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the quarter were charged to the profit for the period by SEK 4,712 (4,318) thousand, of which SEK 298 (260) thousand was depreciation of tangible fixed assets, SEK 4,414 (4,058) thousand was amortisation of intangible fixed assets. Of this, SEK 2,598 (2 596) thousand is amortisation of leases in accordance with IFRS 16.

CASH FLOW

Major changes in working capital, mainly affected by increased capital tied up in inventory as a result of the opening of new markets and higher security margins in ordering points, resulted in cash flow from operating activities to SEK 2.9 (2.0) million. The dividend of SEK 22.8 (14.7) million during the quarter affected the total cash flow, which totaled SEK -25.0 (-15.8) million.

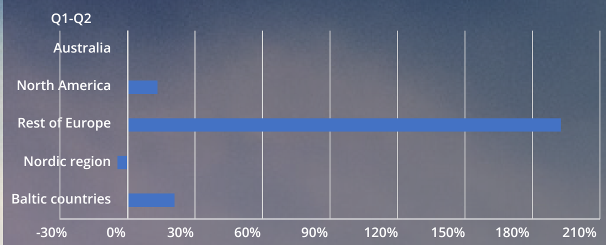
SALES AND PROFITS **Q1-Q2 | 2019**

Q1-Q2

THE GROUP'S POSITION AND PERFORMANCE AS OF THE FIRST HALF OF THE YEAR 2019

In total, revenues for the first six months of 2019 were SEK 347.8 (284.8) million which corresponds to a growth of 22% as compared to the prior year.

GROWTH BY REGION 2019 VS 2018



Nordic region

Countries: Sweden, Norway, Finland, Denmark and Iceland

In the Nordic countries, total accumulated revenue dropped by 4% to SEK 209.8 (219.4) million. The high level of distributor activity in Sweden and Denmark has generated high sales. Simultaneously, new sales and revenue fell in Norway, Finland and Iceland, which was associated with a overall lower level of distributor activity thus far in 2019 compared to the corresponding period last year. The trend has, however, been more positive in Norway and Finland (two important markets for Zinzino's sales) during the last few months and the trend at the start of the third quarter looks better. Faun Pharma, the group's subsidiary and production unit, has thus far in 2019 had a higher share of internal production, which is a natural consequence of the higher growth rate in other parts of the group. Consequently, external sales for the production unit have been lower compared to the first half of 2018, which has also contributed to the region's total loss of revenue compared to the corresponding period last year.

Baltic countries

Countries: Estonia, Latvia and Lithuania

In the Baltic countries, revenue increased in total by 21% to SEK 26.0 (21.5) million during the first half of the year. The trend has, in general, been good in the Baltic countries during the year with continued strong sales growth in Latvia along with higher 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 first half of last 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 best sales growth in the group came from countries in Rest of Europe for the first six months of the year. Total revenue in the region increased 193% to SEK 99.3 (33.9) 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 Holland. What they all have in common is distributors collaborating across boarders, which leads to a higher level of activity and fuels sales.

North America

Countries: USA and Canada

For the first half of the year, revenue in North America amounted to SEK 11.3 (9.9) million, which corresponds to 13% growth compared to the first half of 2018 and it is confirmation that the measures implemented by Zinzino in this strategically important region have been successful. For quite some time, Zinzino has been focused on implementation of various 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 expertise 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 network.

Australia

The Australian market had sales starts during the quarter and the development was initially very good, resulting in total sales amounting to SEK 1.5 million for 2019 so far.

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.

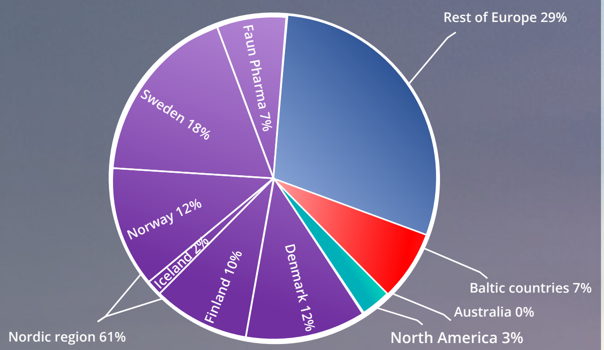
Zinzino works more towards the long term and invests more resources in the development of IT systems and marketing tools, which generates growth in the short and long term and does not negatively affect profitability to the same extent as past sales promotion measures. When the company implements an 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 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.

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 practice' through the company's experience during the establishment process in Australia and India to adapt business activities to achieve rapid growth in the new markets in 2019.

During the first half of the year, the Nordic countries continued to account for most of the company's revenues according to the geographical distribution, even though the proportion fell to 61% (77%) of total sales. The Baltic countries reduced their share to 7% (8%). The rest of Europe continued to increase its share of total revenues, accounting for 29% (13%) in the first half of the year, mainly due to favorable sales development in the Central European countries. North America accounted for 3% (3%) of total revenue.

The Zinzino Health product segment increased by 35% to SEK 279.1 (206.5) million and accounted for 80% (73%) of total revenue. The Zinzino Coffee product area decreased by 12% to SEK 18.6 (21.1) 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 first half of the year and amounted to SEK 24.2 (34.0) million, corresponding to 7% (12%) of total revenues. Other revenues amounted to SEK 25.9 (23.2) million, corresponding to the remaining 8% (8%) of revenues for the first half of the year.

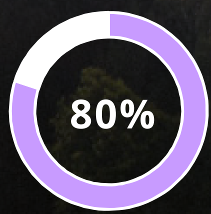
SALES BY REGION Q1-Q2



Sales
SEK MILLION **347.8** (284.8)

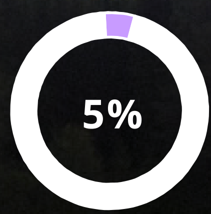
REVENUES

HEALTH



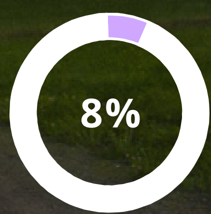
(2019; SEK 179.1 (206.5) million)

COFFEE



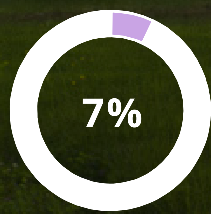
(2019; SEK 18.6 (21.1) million)

Other revenue

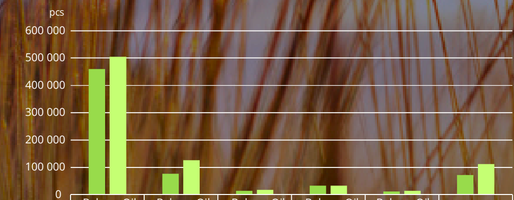


(2019; SEK 25.9 (23.2) million)

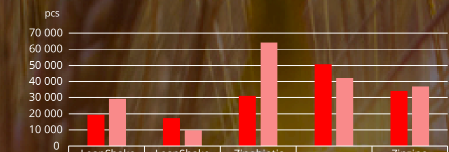
FAUN



(2019; SEK 24.2 (34.0) million)

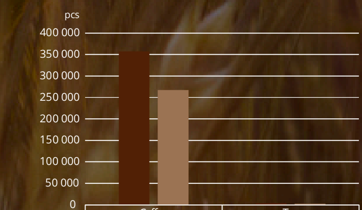


	BalanceOil 300 ml	BalanceOil 100 ml	BalanceOil Vegan	BalanceOil AquaX	BalanceOil Capsules	BalanceTest
Q2 2018	459,719	76,866	14,461	32,979	10,886	71,215
Q2 2019	504,575	126,504	17,623	32,232	14,333	111,579

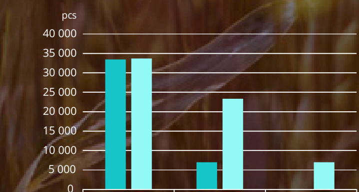


	LeanShake Portion Pack	LeanShake, 960 g	Zinobiotic Fiber Blend	ProteinBar	Zinzino Energy Bar*
Q2 2018	19,447	17,235	31,210	5,071	34,158
Q2 2019	29,381	9,668	64,072	4,211	36,870

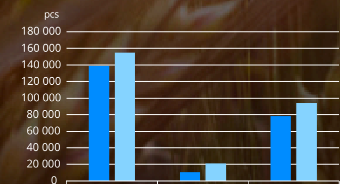
*Lanserades under 2018



	Coffee	Tea
Q1-Q2 2018	357,436	3,572
Q1-Q2 2019	267,599	1,979



	Zinzino Skin Serum 30 ml	Zinzino Skin Serum 50 ml	Skin Serum 5ml, 10pack*
Q1-Q2 2018	33,452	6,973	0
Q1-Q2 2019	33,643	23,323	6,964



	Xtend	Protect	Viva
Q2 2018	139,103	10,725	78,111
Q2 2019	154,958	21,136	94,353

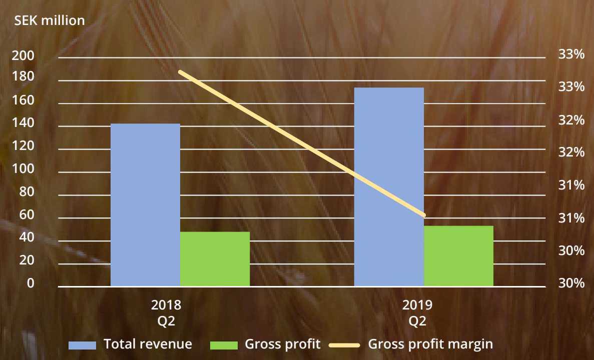
During the first six months of the year, the number of Balance units sold increased by 21% to 806,846 (666,126). This increase was mainly based on the large number of new customers and distributors that have been gained during the first half of the year and subsequently chosen BalanceOil in different variants such as the starter pack and in subscription form.

Immune & Brain grew by 19% to 270,447 (227,939) units sold. Weight Control increased by 19%, to 182,104 (152,760 units). Skin Care increased by 58% to 63,930 (40,425) 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 25% to 269,578 (361,008) 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 newly opened markets for a few years now. Zinzino Coffee is now only sold in the Nordic region and in the Baltic countries.

COSTS AND PROFIT *THE FIRST HALF-YEAR*

Gross profit was SEK 106.3 (96.0) million and the gross profit margin was 30.6% (33.7%). The deterioration of gross profit was primarily due to higher remuneration levels for the company's distributors in 2019. EBITDA for the first half of the year amounted to SEK 22.8 (22.1) million and operating margin before depreciation and amortisation was 6.6% (7.8%). Negatively impacted by sales costs and establishment costs in both North America and Australia, along with the costs associated with developing digital and transition to IFRS during this time. Operating profit amounted to SEK 13.8 (13.6) million and the operating margin was 4.0% (4.8%).



Profit before tax for the first half of the year amounted to SEK 13.2 (13.2) million and the net profit to SEK 10.9 (9.5) million.

INVENTORIES

The group's combined inventories at the balance sheet date were SEK 82.0 (54.3) million. The main factor behind the increase was the company's decision to increase the general stock levels in France due to the increased sales in the region, but also that the company built up the stock level in Australia so that it will be able to ensure delivery to the growing base of customers there.

FINANCIAL POSITION

On the balance sheet date, cash totalled SEK 30.8 (42.9) The Group's assets ratio was 15% (25%). Group equity at the end of the quarter amounted to SEK 42.3 (59.6) million, corresponding to SEK 1.30 (1.83) per share. All key figures were affected by the dividend during the quarter when a total of SEK 22.8 (14.7) million was distributed to the shareholders for the past financial year.

The Board of Directors considers that cash and cash equivalents are at a satisfactory level and that the Group's positive cash flow from operating activities ensures 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. Furthermore, a local customer support office was opened in Adelaide, with two employees, to serve the Australian market. A new sales manager for the central European countries was also hired as a consultant to support the distributors and promote activity.

The number of employees in the group at the end of the period reached 129 people, of which 77 are women. In addition, there were 8 people, of which 2 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 that was published on 30 April 2019, no new risks have been identified.

NUMBER OF OUTSTANDING SHARES

As at 30/06/2019, the share capital was divided among 32,580,025 shares, of which 5,113,392 are A shares (1 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. The company has, as of the report date, two options programs. 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 includes 500,000 options at an exercise price of SEK 14. The second options programme also expires on 31 May 2020. If all the options outstanding on 30/06/2019 are exercised for new subscriptions of 1,100,000 shares, the share capital dilution will be approximately 3%.

INTERIM REPORT **2019 | Q2**

ANNUAL GENERAL MEETING

The annual meeting of shareholders of Zinzino AB (publ) was held on 22 May 2019 in the company's offices at Hulda Mellgrens Gata 5 in Gothenburg. For further information on the annual general meeting, please refer to the company's homepage www.zinzino.com.

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.

REPORT CALENDAR

Interim report for Q3 2019 will be published on 15/11/2019

The year-end report for 2019 will be published on 28/02 2020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FINANCIAL
REPORTS

GROUP REPORT
SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	01/04/2019 30/06/2019	01/04/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018	01/01/2018 31/12/2018
Net sales	165,900	133,596	322,066	261,699	532,932
Other operating revenues	12,366	11,929	24,051	22,742	42,505
Own work capitalised	1,244	-	1,657	360	1,176
Total revenue	**179,510**	**145,525**	**347,774**	**284,801**	**576,613**
Goods for resale and other direct costs	-124,548	-97,973	-241,477	-188,808	-393,816
Gross profit	**54,962**	**47,552**	**106,297**	**95,993**	**182,797**
External operating expenses	-24,104	-21,233	-43,959	-39,723	-86,923
Staff costs	-19,903	-16,928	-39,541	-34,191	-72,170
Depreciation/amortisation	-4,712	-4,318	-8,977	-8,487	-17,298
Operating profit	**6,243**	**5,073**	**13,820**	**13,592**	**6,406**
Financial income	-499	-181	-668	-364	-750
Tax	-514	-1,516	-2,293	-3,756	-994
Profit/loss for the period	**5,230**	**3,376**	**10,859**	**9,472**	**4,662**
Other comprehensive profit/loss					
Items that may be reclassified to profit/loss for the period					
Currency exchange differences upon conversion of foreign subsidiaries	1,501	1,459	3,864	4,296	-159
Other comprehensive profit/loss for the period	**1,501**	**1,459**	**3,864**	**4,296**	**-159**
Total comprehensive profit/loss for the period	**6,731**	**4,835**	**14,723**	**13,768**	**4,503**
Profit/loss for the period attributable to:					
Parent company's shareholders	4,591	3,157	9,998	8,815	4,093
Non-controlling interest	639	219	861	657	569
Total	**5,230**	**3,376**	**10,859**	**9,472**	**4,662**
Total comprehensive profit/loss for the period attributable to:					
Parent company's shareholders	6,089	4,609	13,857	13,080	3,929
Non-controlling interest	642	226	866	688	574
Total	**6,731**	**4,835**	**14,723**	**13,768**	**4,503**

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

Amounts in SEK	01/04/2019 30/06/2019	01/04/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018	01/01/2018 31/12/2018
Earnings per share before dilution	0,16	0,10	0,33	0,29	0,14
Earnings per share after dilution	0,16	0,10	0,33	0,29	0,14

GROUP REPORT
SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	30/06/2019	30/06/2018	31/12/2018
Fixed assets			
Goodwill	34,998	35,460	31,762
Other intangible assets	18,322	16,976	19,272
Inventories, tools and installations	5,794	3,367	4,623
Right-of-use assets	49,041	54,469	50,233
Financial fixed assets	6,770	4,375	7,182
Total fixed assets	**114,925**	**114,647**	**113,072**
Current assets			
Inventories	82,049	54,309	64,684
Current receivables	33,344	10,994	21,035
Pre-paid costs and accrued revenues	20,089	17,743	13,461
Cash and bank balances	30,797	42,878	45,459
Total current assets	**166,279**	**125,924**	**122,292**
Total assets	**281,204**	**240,571**	**257,711**
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	26,226	43,571	34,306
Total equity	**42,288**	**59,633**	**50,368**
Long-term liabilities			
Lease liabilities	38,403	46,143	41,268
Other long-term liabilities	537	580	581
Total long-term liabilities	**38,940**	**46,723**	**41,849**
Current liabilities			
Supplier liabilities	20,944	19,459	30,029
Tax liabilities	1,586	179	383
Lease liabilities	10,668	8,481	9,193
Other current liabilities	94,887	65,131	72,969
Accrued costs and deferred revenues	71,891	40,965	52,920
Total current liabilities	**199,976**	**134,215**	**165,494**
Total equity and liabilities	**281,204**	**240,571**	**257,711**

GROUP REPORT
SUMMARY OF CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Other contributed capital	Reserves	Retained earnings including profit/loss for the period	Total	Non-cotroll-ing interest	Total equity
	Attributable to Parent company's shareholders						
Opening balance 01/01/2018	**3,258**	**12,804**	**182**	**37,586**	**53,830**	**6,696**	**60,526**
Profit/loss for the period	-	-	-	4,093	**4,093**	569	**4,662**
Other comprehensive profit/ loss for the period	-	-	-164	-	**-164**	5	**-159**
Share repurchase	-	-	-	50	**50**	-50	**-**
Change of the minority	-	-	-	-2	**-2**	2	**-**
Dividends	-	-	-	-14,661	**-14,661**	-	**-14,661**
Closing balance 31/12/2018	**3,258**	**12,804**	**18**	**27,066**	**43,146**	**7,222**	**50,368**
Opening balance 01/01/2018	**3,258**	**12,804**	**182**	**37,586**	**53,830**	**6,696**	**60,526**
Profit/loss for the period	-	-	-	8,815	**8,815**	657	**9,472**
Other comprehensive profit/ loss for the period	-	-	4,265	-	**4,265**	31	**4,296**
Share repurchase	-	-	-	51	**51**	-51	**-**
Change of the minority	-	-	-	15	**15**	-15	**-**
Dividends	-	-	-	-14,661	**-14,661**	-	**-14,661**
Closing balance 30/06/2018	**3,258**	**12,804**	**4,447**	**31,806**	**52,315**	**7,318**	**59,633**
Opening balance 01/01/2019	**3,258**	**12,804**	**18**	**27,006**	**43,146**	**7,222**	**50,368**
Profit/loss for the period	-	-	-	9,998	**9,998**	861	**10,859**
Other comprehensive profit/ loss for the period	-	-	3,858	-	**3,858**	6	**3,864**
Share repurchase	-	-	-	3	**3**	-3	**-**
Change of the minority	-	-	-	1	**1**	2	**3**
Dividends	-	-	-	-22,806	**-22,806**	-	**-22,806**
Closing balance 30/06/2019	**3,258**	**12,804**	**3,876**	**14,262**	**34,200**	**8,088**	**42,288**

GROUP REPORT
SUMMARY OF CASH FLOWS

Amounts in SEK thousands	04/01/2019 30/06/2019	04/01/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018	01/01/2018 31/12/2018
Operating activities					
Profit/loss before financial items	6,243	5,073	13,820	8,519	6,406
Adjustment for items which are not included in the cash flow:					
Depreciation and amortisation/write-downs	4,712	4,318	8,977	4,169	17,298
Currency fluctuations	-1,790	570	-2,719	636	1,589
	9,165	**9,961**	**20,278**	**13,324**	**25,293**
Interest received	20	20	81	33	69
Interest paid	-202	-190	-431	-387	-788
Tax paid	-37	-18	-50	-29	89
	-219	**-188**	**-400**	**-383**	**-630**
Cash flow from operating activities before changes in operating capital	**8,946**	**9,773**	**19,678**	**22,931**	**24,663**
Cash flow from changes in operating capital					
Increase(-)/Decrease(+) in inventories	-10,952	2,157	-17,365	-1,362	-11,737
Increase(-)/Decrease(+) in current receivables	-18,145	-1,882	-18,937	-7,811	13,570
Increase(+)/Decrease(-) in current liabilities	23,049	-8,068	23,378	2,663	30,420
Cash flow from operating activities	**2,898**	**1,980**	**17,754**	**16,421**	**29,776**
Investment activity					
Investments in intangible fixed assets	-1,905	-99	-2,403	-654	-6,236
Investments in financial fixed assets	-	-4	-106	-64	-88
Investments in tangible fixed assets	-434	-213	-1,629	-1,408	-2,410
Cash flow from investment activities	**-2,339**	**-316**	**-4,138**	**-2,126**	**-8,734**
Financing activities					
Amortisation of leasing liabilities attributable to leases	-2,754	-2,789	-5,472	-5,175	-9,341
Release of options	-	-	-	-	-
Dividends	-22,806	-14,661	-22,806	-14,661	-14,661
Cash flow from financing activities	**-25,560**	**-17,450**	**-28,278**	**-19,836**	**-24,002**
Cash flow for the period	**-25,001**	**-15,786**	**-14,662**	**-5,541**	**-2,960**
Cash and cash equivalents at start of period	**55,798**	**58,664**	**45,459**	**48,419**	**48,419**
Cash and cash equivalents at end of period	**30,797**	**42,878**	**30,797**	**42,878**	**45,459**
Change in cash and cash equivalents	**-25,001**	**-15,786**	**14,662**	**5,541**	**-2,960**

PARENT COMPANY
SUMMARY INCOME STATEMENT

Amounts in SEK thousands	01/04/2019 30/06/2019	01/04/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018	01/01/2018 31/12/2018
Net sales	-	1,200	1,500	1,200	5,371
Other revenue	-	-	-	-	11
Goods for resale and other direct costs	-	-	-	-	-
Gross profit	**-**	**1,200**	**1,500**	**1,200**	**5,382**
External operating expenses	-877	-1,107	-1,879	-2 181	-3,882
Depreciation/amortisation	-88	-62	-176	-116	-233
Operating profit	**-965**	**31**	**-555**	**-1,097**	**1,267**
Financial income	-14	56	31	56	7,700
Tax	97	-	-	-	-279
Profit/loss for the period	**-882**	**87**	**-524**	**-1,041**	**8,688**

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	30/06/2019	30/06/2018	31/12/2018
Fixed assets			
Intangible fixed assets	1,297	975	1,465
Financial fixed assets	83,269	83,441	83,162
Total fixed assets	**84,566**	**84,416**	**84,627**
Current assets			
Current receivables	3,596	481	456
Pre-paid costs and accrued revenues	682	485	1,088
Cash and bank balances	705	373	1,037
Total current assets	**4,983**	**1,339**	**2,581**
Total assets	**89,549**	**85,755**	**87,208**
Restricted equity	4,555	4,288	4,723
Unrestricted equity	2,372	16,757	16,322
Profit/loss for the period	-524	-1,041	8,688
Total equity	**6,403**	**20,004**	**29,733**
Long-term liabilities	16,206	16,206	16,206
Current liabilities	66,408	49,134	40,735
Accrued costs and deferred revenues	532	411	534
Total liabilities	**83,146**	**65,751**	**57,475**
Total equity and liabilities	**89,549**	**85,755**	**87,208**

PARENT COMPANY
REPORT ON CHANGES IN EQUITY

	Restricted equity				
Amounts in SEK thousands	**Share Capital**	**Fund for development expenditures**	**Premium share reserve**	**Retained earnings including Profit/loss for the period**	**Total equity**
Opening balance 01/01/2018	**3,258**	**1,084**	**36,799**	**-5,435**	**35,706**
Profit/loss for the period	-	-	-	8,688	**-1,128**
Reversal of own reprocessing development expenditures	-	-217	-	-217	
Own reprocessing development expenditures	-	598	-	-598	**-**
Dividends	-	-	-14,661	-	**-54**
Closing balance 31/12/2018	**3,258**	**1,465**	**22,138**	**2,872**	**-34,524**
Opening balance 01/01/2018	**3,258**	**1,084**	**36,799**	**-5,435**	**34,524**
Profit/loss for the period	-	-	-	-1,041	**9,816**
Reversal of own reprocessing deve-lopment expenditures	-	-108	-	108	**-**
Own reprocessing development expenditures	-	-	-	-	**-**
Dividends	-	-	-14,661	-	**-14,661**
Closing balance 30/06/2018	**3,258**	**976**	**22,138**	**6,368**	**29,679**
Opening balance 01/01/2019	**3,258**	**1,465**	**22,138**	**2,872**	**29,733**
Profit/loss for the period	**-**	-	-	-524	**-524**
Reversal of own reprocessing deve-lopment expenditures	**-**	-168	-	168	**-**
Dividends	**-**	-	-22,138	-668	**-22,806**
Closing balance 30/06/2019	**3,258**	**1,297**	**-**	**1,848**	**6,403**

PARENT COMPANY REPORT

SUMMARY OF CASH FLOWS

Amounts in SEK thousands	01/04/2019 30/06/2019	04/01/2018 30/06/2018	01/01/2019 30/06/2019	01/01/2018 30/06/2018	01/01/2018 31/12/2018
Operating activities					
Profit/loss before financial items	-965	31	-555	-1,097	1,267
Adjustment for items which are not included in the cash flow					
Depreciation and amortisation/write-downs	88	62	176	116	233
Currency fluctuations	80	56	35	56	-11
	-797	**149**	**-344**	**-925**	**1,489**
Interest received	-	-	-	-	-
Interest paid	-4	-	-4	-	-
Tax paid	-	-	-	-	-
	-4	**-**	**-4**	**-**	**-**
Cash flow from operating activities before changes in operating capital	**-801**	**143**	**-348**	**-925**	**1,489**
Cash flow from changes in operating capital					
Increase(-)/Decrease(+) in current receivables	-2,215	138	-2,742	651	83
Increase(+)/Decrease(-) in current liabilities	24,662	14,169	25,671	15,101	14,518
Cash flow from operating activities	**21,646**	**14,169**	**22,581**	**14,827**	**16,090**
Investment activity					
Investments in intangible fixed assets	-	-	-	-	-598
Investments in financial fixed assets	-	-3	-107	-87	-88
Investments in tangible fixed assets	-	-	-	-	-
Cash flow from investment activities	**-**	**-3**	**-107**	**-87**	**-686**
Financing activities					
Dividends	-22,806	-14,661	-22,806	-14,661	-14,661
Cash flow from financing activities	**-22,806**	**-14,661**	**-22,806**	**-14,661**	**-14,661**
Cash flow for the period	**-1,160**	**-208**	**-332**	**79**	**743**
Cash and cash equivalents at start of period	**1,865**	**581**	**1,037**	**294**	**294**
Cash and cash equivalents at end of period	**705**	**373**	**705**	**373**	**1,037**
Change in cash and cash equivalents	**-1,160**	**-208**	**-332**	**79**	**743**

NOTES

NOTE 1 GENERAL INFORMATION

Zinzino AB (publ) ("Zinzino"), company registration no. 556733-1045 is a parent company registered in Sweden and based in Gothenburg with the address: Hulda Mellgrens Gata 5, 421 32 Västra Frölunda, Sweden.

Unless specifically stated otherwise, all amounts are reported in SEK thousands (SEK thousand). Information in brackets refers to the comparison year.

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

The main accounting principles applied when preparing the consolidated financial statements are set out below. These principles have consistently been applied to all periods presented, unless otherwise specified.

NOTE 2.1

Basis for preparation of the report

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.

The transition from K3 to IFRS was presented in the company's report for the first quarter of 2019.

Preparing reports in accordance with IFRS requires the application of a number of significant estimates for accounting purposes. In addition, the management is also required to make certain assessments when applying the group's accounting principles. The areas that involve a high level of assessment which are complex or those areas where the assumptions and estimates are of material importance for the consolidated financial statements are set out in Note 3.

The parent company applies RFR 2, Accounting for legal persons and the Annual Accounts Act. The application of RFR 2 means that in the interim report for the legal person, the parent company applies all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Security Act and with regard to the relationship between accounting and taxation.

At the same time as making the transition to accounting in accordance with IFRS in the consolidated financial statements, the parent company has made a transition to apply RFR 2. The transition from previously applied accounting principles to RFR 2 has not had any effects on the income statement and balance sheet, equity or cash flow for the parent company.

Preparing reports in accordance with RFR 2 requires the application of a number of significant estimates for accounting purposes. In addition, the management is also required to make certain assessments when applying the parent company's accounting principles.
The areas that involve a high level of assessment, which are complex or those areas where the assumptions and estimates are of material importance for the annual financial statements are set out in Note 3.
The parent company applies different accounting principles to the group in the cases specified below:

Formats

The income statement and balance sheet follow the format of the Annual Accounts Act. The statement of changes in equity also follows the group's format but must include the columns specified in the Annual Accounts Act. In addition, this means that there is a difference in terms compared with the consolidated financial statements, mainly regarding financial income and expenses and equity.

Shares in subsidiaries

Shares in subsidiaries are reported at cost less any write-downs. The acquisition value includes acquisition-related costs and any additional consideration.

When there is an indication that shares in subsidiaries have reduced in value, a calculation of the recoverable value is made. If this is lower than the reported value, a write-down is carried out. Write-downs are reported in the post "Profit/loss from shares in group companies".

Financial instruments

IFRS 9 is not applied in the parent company. Instead, the parent company applies the points set out in RFR 2 (IFRS 9 Financial Instruments, p. 3-10). Financial instruments are valued at acquisition value. In subsequent periods, financial assets acquired with the intention of being held in the short-term will be reported in accordance with the lowest value principle at the lower of acquisition value and market value.

When calculating the net sales value of receivables recognised as current assets, the principles for write-down testing and loss risk reserves in IFRS 9 are applied. For a receivable that is reported at amortised cost at group level, this means that the loss-risk reserve that is recognised in the group in accordance with IFRS 9 should also be included in the parent company.

NOTE 2.1.1

New and amended standards published but not yet in force

None of the IFRS or IFRIC interpretations published but not yet in force is expected to have a material impact on the group.

NOTE 2.2

Group report

NOTE 2.2.1

Basic accounting principles

Subsidiaries

Subsidiaries are all companies over which the group has controlling influence. The group controls an entity when it is exposed to, or has the right to, variable returns from its holding in the company and is able to influence the return through its influence in the company. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the group. They are excluded from the consolidated financial statements from the date on which the controlling influence is transferred to the group.

The cost method is used for accounting for the group's business combinations. The purchase price for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities that the group incurs to previous owners of the acquired company and the shares issued by the group. The purchase price also includes the fair value of all liabilities that result from an agreement on contingent consideration. Identifiable acquired assets and liabilities assumed in a business combination are initially valued at fair values on the acquisition date. For each acquisition, i.e. acquisitions for acquisitions, the group determines whether non-controlling holding in the acquired entity is reported at fair value or at the holding's proportional share in the reported value of the identifiable assets of the acquired business.

Acquisition-related costs are expensed when they arise and are reported in the item "Other operating expenses" in the consolidated statement of comprehensive profit/loss.

Goodwill is initially valued as the amount by which the total purchase price and any fair value for non-controlling interests on the acquisition date exceed the fair value of identifiable acquired net assets. If the purchase price is less than the fair value of the acquired company's net assets, the difference is reported directly in profit/loss for the period.

Intercompany transactions, balance sheet items, income and expenses on transactions between group companies are eliminated. Gains and losses resulting from intercompany transactions that are reported in assets are also eliminated. The accounting principles for subsidiaries have been changed, where appropriate, to ensure consistent application of the group's principles.

NOTE 2.3

Segment reporting

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 adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the business segment profit/loss.

NOTE 2.4

Translation of foreign currency

NOTE 2.4.1

Functional currency and reporting currency

The different entities in the group have the local currency as the functional currency, where the local currency is defined as the currency used in the primary economic environment where the respective entity is mainly active. The group report uses Swedish kronor (SEK), which is the parent company's functional currency and the group's reporting currency.

NOTE 2.4.2

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rates that apply on the transaction date. Exchange rate gains and losses arising from the payment of such transactions and the translation of monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are reported in the operating result of the statement of comprehensive income.

Foreign exchange gains and losses related to loans and liquid funds are recognised in the statement of comprehensive income as financial income or expenses. All other foreign exchange gains and losses are reported in the item "External operating expenses" and "Other revenues" in the statement of comprehensive income.

NOTE 2.4.3

Translation of foreign group companies

The result and financial position of all group companies that have a functional currency that is different from the reporting currency are translated into the group's reporting currency. Assets and liabilities for each of the balance sheets are translated from the functional currency of the foreign business to the group's reporting currency, Swedish kronor, at the exchange rate on the balance sheet date. Income and expenses for each of the income statements are translated into Swedish kronor at the average rate at the time of each transaction. Translation differences arising from currency translation of foreign operations are reported in other comprehensive income. Accumulated gains and losses are reported in profit/loss for the period when the entity is sold in whole or in part.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of these operations and are translated at the rate on the balance sheet date.

NOTE 2.5

Revenue recognition

The group's principles for reporting income from contracts with customers are shown below.

NOTE 2.5.1

Sales of goods

The group manufactures and sells goods within the two business segments Zinzino and Faun. Zinzino is the main business in the group and has two product areas: Zinzino Health with the subsegments Balance, Weight control, Immune & Brain and Skin Care, and Zinzino Coffee with the subsegment Beverages.

The business segment Zinzino also includes other revenues that are consistent with the sales above and comprise freight revenues, event revenues and reminder fees. All sales within the business segment Zinzino are made via direct sales. This means that Zinzino does not have any dealers or intermediaries but sells directly to the end customer. Sales are also made to the group's independent distributors according to the same model. The sale is recognised as income when the control of the goods is transferred, which occurs when the goods are delivered to the customer or distributor. Delivery is made when the goods have been transported to the specific location, the risks of obsolete or lost goods have been transferred to the customer and the customer has either accepted the goods in accordance with the contract, the time-period for objections to the contract has expired or the group has objective evidence to show that all acceptance criteria have been met. Revenue from the sale of freight and other revenue is reported according to the same principle. No financing component is deemed to exist at the time of sale. The same principle applies to the Faun business segment, sales are recognised when the control of the goods is transferred to the customer and on the other conditions as above.

NOTE 2.5.2
Interest revenues
Interest revenues are recognised with the application of the effective interest method.

NOTE 2.6
Leasing
The group leases premises, vehicles, product equipment, telephone switchboard and office supplies. The leases are reported as rights of use and an equivalent liability on the date on which the leased asset is available for use by the group. Each leasing payment is divided between the amortisation of the debt and the financial cost. The financial cost must be distributed over the leasing period so that each accounting period is charged with an amount equal to a fixed interest rate for the liability in each period. The right of use is amortised on a linear basis over the shorter of the asset's useful life and the duration of the lease.

Assets and liabilities arising from leases are initially reported at present value. All rights of use have been valued at the value of the leasing liability, with adjustment for prepaid leasing fees attributable to the contracts as at 1 January 2018.

Leasing liabilities include the present value of the following leasing payments:
- fixed fees
- variable leasing fees based on an index

Leasing payments are discounted at the marginal loan rate of 2.75%.

Assets with rights of use are valued at acquisition value and include the following:
- the initial valuation of the leasing liability,
- payments made at or before the time when the leased asset is made available to the lessee,

Leases of lesser value are expensed on a linear basis in the statement of comprehensive income.

Options to renew or terminate leases.
The majority of the group's leases related to properties include options to renew the lease. Terms used to maximise flexibility in managing leases.

In order to optimise the leasing costs during the lease period regarding the rental of machines, the group guarantees the residual value.

NOTE 2.7
Employee benefits

NOTE 2.7.1
Current benefits
Liabilities for salaries and remuneration, including non-monetary benefits and paid absenteeism, which are expected to be settled within 12 months after the end of the accounting year, are reported as current liabilities to the undiscounted amount expected to be paid when the liabilities are settled. The cost is recognised as the services are performed by the employees. The liability is recognised as an obligation related to employee benefits in the statement of financial position.

NOTE 2.7.2
Post-employment benefits
The group companies only have defined contribution pension plans. A defined contribution pension plan is a pension plan where the group pays fixed fees to a separate legal entity. The group does not have any legal or constructive obligations to pay any additional fees if this legal entity does not have sufficient assets to pay all employee benefits associated with the employee's service during current or previous periods. The fees are recognised as an expense in the profit/loss for the period as they are earned by the employee providing services to the company during the period

NOTE 2.8
Current and deferred income tax
The tax expense for the period includes current and deferred tax. Tax is recognised in the statement of comprehensive income, except when the tax relates to items recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income and equity. Current tax is calculated on the taxable profit for the period according to the applicable tax rate. The current tax expense is calculated on the basis of the fiscal rules decided or effectively decided on the balance sheet date in the countries in which the parent company and its subsidiaries operate and generate taxable income. The management regularly evaluates the claims made in tax returns in respect of situations where the applicable taxation rules are subject to interpretation. When the management deems it appropriate, it makes provisions for amounts likely to be paid to the tax authorities.

Deferred tax is reported on all temporary differences arising between the tax value of assets and liabilities and their reported amounts in the group report. However, deferred tax liability is not recognised if it arises as a result of the initial recognition of goodwill. Deferred tax is also not recognised if it arises as a result of a transaction which constitutes the initial recognition of an asset or liability that is not a business combination and which, at the time of the transaction, does not affect the reported or taxable profit/loss. Deferred income tax is calculated on the basis of tax rates (and tax laws) that have been decided or announced at the balance sheet date and are expected to apply when the affected deferred tax asset is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that there will be future tax surpluses available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes charged by the same tax authority and relate to either the same tax entity or different tax entities, where there is an intention to settle the balances through net payments.

NOTE 2.9
Intangible assets

NOTE 2.9.1
Goodwill
Goodwill arises when subsidiaries are acquired and refers to the amount of the purchase price, any non-controlling interest in the acquired company and the fair value on the acquisition date of the previous equity interest in the acquired company which exceeds the fair value of identifiable acquired net assets. If the amount is less than the fair value of the acquired subsidiary's net assets, in the event of an acquisition at a low price, the difference is recognised directly in the statement of comprehensive income.

In order to test the need for write-downs, goodwill acquired in a business combination is allocated to cash-generating entities or groups of cash-generating entities that are expected to benefit from synergies from the acquisition. Each entity or group of entities to which goodwill has been allocated corresponds to the lowest level of the group on which the goodwill in question is monitored in the internal control. Goodwill is monitored at the business segment level.

Goodwill tested for impairment annually or more frequently if events or changes in conditions indicate a possible impairment. The reported value of the cash-generating entity to which the goodwill is attributed is compared with the recoverable value, which is the higher of the value in use and the fair value less the selling expenses. Any impairment is recognised immediately as an expense and is not reversed.

NOTE 2.9.2

Other intangible assets

Other intangible assets consist of the sub-items software, patent, Brand Book and other marketing material.
The accounting policies for these sub-items are shown below.

Capitalised expenditure for development work

Costs for maintenance are expensed when they arise. Development costs directly attributable to the development of software, patent, Brand Book and other marketing material that are controlled by the group and are reported as intangible assets when the following criteria are met:

- it is technically possible to finalise them so that they can be used,
- the company's intention is to finalise them and to use or sell them,
- there are conditions to use or sell them, it can be shown how they generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell them are available, and
- the expenditure related to them during their development can be measured reliably.

Directly attributable expenses that are capitalised as part of development work include expenditure on employees and external consultants.

Other development costs which do not meet these criteria are expensed when they arise. Development costs that were previously expensed are not reported as assets in the subsequent period.

Capitalised development costs are reported as intangible assets and amortised from the time when the asset is ready for use.

Patents

Patents acquired separately are reported at acquisition value. Patents have a definite useful life and are reported at acquisition value less accumulated amortisation and write-downs.
The estimated useful life amounts to 5 years, which corresponds to the estimated time they will generate cash flow.

Software

Software that was acquired separately is reported at acquisition value. The software is recognised in subsequent periods at cost less accumulated amortisation and write-downs. The estimated useful life amounts to 3-5 years, which corresponds to the estimated time they will generate cash flow.

Useful lives of the group's intangible assets

Capitalised expenditure for development work	3-5 years
Patents	5 years
Software	3-5 years

NOTE 2.10

Tangible fixed assets

Tangible fixed assets are reported at acquisition value less depreciation and any write-downs. The acquisition value includes expenditure directly attributable to the acquisition of the asset and putting it into place and into a condition to be used in accordance with the purpose of the acquisition.

Additional expenditure is added to the reported value of the asset or is recognised as a separate asset, as appropriate, only when it is probable that the future financial benefits to the group associated with the asset and the acquisition value of the asset can be measured reliably. The acquisition value of a replaced part is removed from the balance sheet. All other forms of repairs and maintenance are recognised as expenses in the statement of comprehensive income during the period in which they arise.

Depreciation of assets, in order to allocate their acquisition value down to the estimated residual value over the estimated useful life. For tangible fixed assets held under financial leases, depreciation is carried out over the shorter of the useful life or leasing period.

The useful life periods are as follows:

Inventories, tools and installations	5 years

The residual and useful lives of the assets are tested at the end of each reporting period and adjusted as necessary.
See the accounting principles for leasing above for the amortisation periods for rights-of-use assets.The reported value of an asset is immediately written down to its recoverable amount if the reported value of the asset exceeds its estimated recoverable amount.

Gains and losses on the disposal of an item of a tangible fixed asset are determined by comparing the sales revenue and the carrying amount and are recognised in the items “Other operating income” and “Other operating costs” in the statement of ^comprehensive income.

NOTE 2.11

Write-downs of non-financial assets

Intangible assets that have an indefinite useful life (goodwill) or intangible assets that are not ready for use (capitalised development costs) are not amortised but are tested annually for the need for any write-downs. Assets that are depreciated/ amortised are assessed for loss of value whenever events or changes in circumstances indicate that the carrying amount may not be recyclable.

A write-down is done by the amount that the asset's reported value exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less the selling costs and its value in use. When assessing the need for write-downs, assets are grouped at the lowest levels where there are essentially independent cash flows (cash-generating entities). For assets (other than goodwill) that have previously been written down at every balance sheet date, there should be a review of whether a reversal should be made.

NOTE 2.12

Financial instruments

NOTE 2.12.1

Initial recognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual terms of the instrument. The purchase and sale of financial assets is reported on the trade date, the date on which the group commits to buy or sell the asset.

Financial instruments are reported at the time of initial recognition at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial asset or financial liability, such as fees and commissions.

NOTE 2.12.2

Classification

The group classifies its financial assets and liabilities in the amortised cost category.

Financial assets at amortised cost

The classification of investments in debt instruments depends on the group's business model for managing financial assets and the contractual terms for the cash flows of the assets. The group only reclassifies debt instruments in cases where the group's business model for the instruments changes.

Assets held for the purpose of collecting contractual cash flows and where these cash flows are only capital amounts and interest are valued at amortised cost. The carrying amount of these assets is adjusted with any expected credit losses reported (see write-down below). Interest income from these financial assets is reported using the effective interest method and is included in financial income. The group's financial assets that are valued at amortised cost are comprised of the items other long-term receivables, customer receivables, other receivables, accrued income and cash and cash equivalents.

Financial liabilities at amortised cost

The group's financial liabilities are classified as subsequently valued at amortised cost using the effective interest method. Financial liabilities consist of long and short-term leasing liabilities, other long-term liabilities, trade payables and current liabilities.

NOTE 2.12.3

Reversal of financial instruments

Reversal of financial assets

Financial assets, or a part of them, are removed from the statement of financial position when the contractual rights to receive cash flows from the assets have expired or have been transferred and either (i) the group transfers essentially all risks and benefits associated with ownership or (ii) the group does not transfer or retains essentially all the risks and benefits associated with ownership and the group has not retained control of the asset.

Reversal of financial liabilities

Financial liabilities are removed from the statement of financial position when the obligations have been settled, cancelled or otherwise terminated. The difference between the reported value of a financial liability (or part of a financial liability) that has been extinguished or transferred to another party and the consideration paid, including any transferred assets that are not cash or liabilities that have been assumed are reported in the statement of comprehensive income.

When the terms for a financial liability are renegotiated and not disclosed from the statement of financial position, a profit or loss is recognised in the statement of comprehensive income. The profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

NOTE 2.12.4

Settlement of financial instruments

Financial assets and liabilities are only offset and accounted for with a net amount in the statement of financial position when there is a legal right to offset the amounts reported and an intention to settle them by a net amount or at the same time to realise the asset and settle the debt. The legal right may not depend on future events and it must be legally binding on the company and the counterparty in both the normal business and in cases of suspension of payments, insolvency or bankruptcy.

NOTE 2.12.5

Write-downs of financial assets

Assets recognised at amortised acquisition value

The group assesses the future expected loan losses associated with assets reported at amortised acquisition value. The group reports a credit reserve for such expected credit losses at each reporting date.

For customer receivables, the group applies the simplified approach to the credit reserve, i.e. the reserve will correspond to the expected loss over the entire life of the customer receivable. To measure the expected credit losses, customer receivables have been grouped based on allocated credit risk properties and overdue days. The group uses forward-looking variables for expected loan losses. Expected credit losses are reported in the group's statement of comprehensive income in the item "Other external expenses".

NOTE 2.13

Inventories

Inventories are recognised at the lower of the acquisition value and the net sales value, applying the first-in first-out principle. The net sales value is the estimated selling price in the ordinary course of business, less the applicable variable selling costs.

NOTE 2.14

Accounts receivable

Accounts receivable are amounts attributable to customers in respect of goods or services sold which are carried out in the ordinary course of business. Accounts receivable are classified as current assets. Accounts receivable are initially reported at the transaction price. The group holds accounts receivable for the purpose of collecting contractual cash flows so they are valued at the subsequent accounting dates at amortised acquisition value applying the effective interest method.

NOTE 2.15

Cash and cash equivalents

Cash and cash equivalents include both the statement of financial position and the statement of cash flows, cash and bank balances.

NOTE 2.16

Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issuance of new ordinary shares are recognised, net after tax, in equity as a deduction from the proceeds.

NOTE 2.17

Accounts payable

Accounts payable are financial instruments and relate to obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if they fall due within one year. If not, they are reported as long-term liabilities.

Liabilities are initially recognised at fair value and subsequently at amortised acquisition value using the effective interest method.

NOTE 2.18

Cash flow analysis

The cash flow statement is prepared using the indirect method. The reported cash flow only includes transactions that involve cash payments.

NOTE 2.19

Profit per share

(i) Earnings per share before dilution
Earnings per share before dilution are calculated by dividing: earnings attributable to the parent company's shareholders by a weighted average number of outstanding ordinary shares during the period.
(ii) Earnings per share after dilution
To calculate earnings per share after dilution, the amounts used to calculate earnings per share before dilution are adjusted by taking into account:
the effect after tax of dividends and interest expenses on potential ordinary shares, and the weighted average of the additional ordinary shares that would have been outstanding in the event of a conversion of all potential ordinary shares.

NOTE 2.20

Dividends

The dividend to parent company shareholders is recognised as a liability in the group's financial statements in the period when the dividend is approved by the parent company's shareholders.

NOTE 3 IMPORTANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

The group makes estimates and assumptions about the future. Estimates for accounting purposes resulting from these will, by definition, rarely correspond to the actual profit/loss. The estimates and assumptions that present a significant risk of material adjustments to the reported values of assets and liabilities during the next financial year are covered in the main steps below.

(a) Write-down testing for goodwill
Every year, the group examines whether there is any need to write down goodwill in accordance with the accounting principle described in Note 1. The recoverable values for cash-generating entities have been determined by calculating the value in use. Some estimates must be made for these calculations. The reported value of goodwill amounts to SEK 34,998 thousand as at 30 June 2019 (SEK 35,460 thousand as at 30 June 2018 and SEK 31,762 thousand as at 31 December 2018). The variable value was entirely attributable to currency fluctuations, as goodwill must be valued in the original currency and converted to SEK at the balance sheet date.

(b) Effect of loss carryforwards
Every year the group examines whether there is any need to write down deferred tax assets in respect of tax loss carryforwards. In addition, the group examines whether it is appropriate to activate new deferred tax assets relating to the year's tax loss carryforwards. The deferred tax receivable is only recognised for loss carryforwards for which it is probable that they can be used against future taxable profits and against taxable temporary differences.

Tax loss carryforwards amount to SEK 31,271 thousand as at 30 June 2018 (SEK 18,525 thousand as at 30 June 2018 and SEK 31,806 thousand as at 31 December 2018).

(c) Duration of the lease
When determining the length of the lease, the management takes into account all available information that provides an economic incentive to use an renewal option, or not to us an option to terminate an agreement. The possibility to renew a lease is only included in the length of the lease if it is reasonable to assume that the lease will be renewed (or not terminated). The valuation of the lease liability includes a number of renewal options in lease agreements where a renewal is considered to be highly probable.

The assessment is reviewed if there is any significant event or change in circumstances affecting this assessment and the change is within the lessee's control.

NOTE 4 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 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, (operating earnings see below) to assess the business segment profit/loss.

April-June 2019	**Zinzino**	**Faun**	**Group elimination**	**Total Group**
Net sales	151,656	24,548	-10,304	165,900
Own work capitalised	12,366	-	-	12,366
Other revenue	1,244	-	-	1,244
Goods for resale and other direct costs	-117,729	-17,123	10,304	-124,548
Gross profit	**47,537**	**7,425**	**-**	**54,962**
External operating expenses	-22,670	-1,434	-	-24,104
Staff costs	-15,519	-4,384	-	-19,903
EBITDA	**9,349**	**1,607**	**-**	**10,955**
Depreciation/amortisation	-3,465	-1,247	-	-4,712
Operating profit	**5,885**	**360**	**-**	**6,243**

April-June 2018	**Zinzino**	**Faun**	**Group elimination**	**Total Group**
Net sales	131,867	24,280	-22,551	133,597
Other revenue	11,929	-	-	11,929
Own work capitalised	-	-	-	-
Goods for resale and other direct costs	-102,092	-18,432	22,551	-97,973
Gross profit	**41,704**	**5,848**	**-**	**47,552**
External operating expenses	-19,930	-1,303	-	-21,233
Staff costs	-13,705	-3,223	-	-16,928
EBITDA	**8,069**	**1,322**	**-**	**9,391**
Depreciation/amortisation	-3,118	-1,200	-	-4,318
Operating profit	**4,951**	**122**	**-**	**5,073**

Jan-June 2019	**Zinzino**	**Faun**	**Group elimination**	**Total Group**
Net sales	297,884	45,861	-21,679	322,066
Other revenue	24,051	-	-	24,051
	1,657	-	-	1,657
Goods for resale and other direct costs	-231,688	-31,468	21,679	-241,477
Gross profit	**91,904**	**14,393**	**-**	**106,297**
External operating expenses	-41,324	-2,635	-	-43,959
Staff costs	-30,583	-8,958	-	-39,541
EBITDA	**19,997**	**2,800**	**-**	**22,797**
Depreciation/amortisation	-6,495	-2,482	-	-8,977
Operating profit	**13,502**	**318**	**-**	**13,820**

Jan-June 2018	Zinzino	Faun	Group elimination	Total Group
Net sales	244,831	46,223	-29,355	261,699
Other revenue	22,742	-	-	22,742
Own work capitalised	360	-	-	360
Goods for resale and other direct costs	-184,982	-33,181	29,355	-188,808
Gross profit	**82,951**	**13,042**	**-**	**95,993**
External operating expenses	-37,307	-2,416	-	-39,723
Staff costs	-26,101	-8,090	-	-34,191
EBITDA	**19,543**	**2,536**	**-**	**22,079**
Depreciation/amortisation	-6,125	-2,362	-	-8,487
Operating profit	**13,418**	**174**	**-**	**13,592**

Jan-Dec 2018	Zinzino	Faun	Group elimination	Total Group
Net sales	469,381	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	-357,824	-65,347	29,355	-393,816
Gross profit	**155,238**	**27,559**	**-**	**182,797**
External operating expenses	-81,325	-5,598	-	-86,923
Staff costs	-53,933	-18,237	-	-72,170
EBITDA	**19,980**	**3,724**	**-**	**23,704**
Depreciation/amortisation	-12,482	-4,816	-	-17,298
Operating profit	**7,498**	**-1,092**	**-**	**6,406**

NOTE 5 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.

April-June 2019	**Zinzino**	**Faun**	**Total Group**
Revenue per segment	151,655	14,245	165,900
Revenue from external customers	**151,655**	**14,245**	**165,900**
Goods within Zinzino Health	142,379	-	142,379
Goods within Zinzino Coffee	9,208	-	9,208
Sales of external goods Faun	-	14,245	14,245
Events and other services	68	-	68
Total	**151,655**	**14,245**	**165,900**

April-June 2018	**Zinzino**	**Faun**	**Total Group**
Revenue per segment	114,783	18,813	133,596
Revenue from external customers	**114,783**	**18,813**	**133,596**
Goods within Zinzino Health	104,235	-	104,235
Goods within Zinzino Coffee	10,531	-	10,531
Sales of external goods Faun	-	18,813	18,813
Events and other services	17	-	17
Total	**114,783**	**18,813**	**133,596**

Jan-June 2018	**Zinzino**	**Faun**	**Total Group**
Revenue per segment	297,883	24,183	322,066
Revenue from external customers	**297,883**	**24,183**	**322,066**
Goods within Zinzino Health	279,152	-	279,152
Goods within Zinzino Coffee	18,602	-	18,602
Sales of external goods Faun	-	24,183	24,183
Events and other services	129	-	129
Total	**297,883**	**24,183**	**322,066**

Jan-June 2018	**Zinzino**	**Faun**	**Total Group**
Revenue per segment	227,747	33,952	261,699
Revenue from external customers	**227,747**	**33,952**	**261,699**
Goods within Zinzino Health	206,553	-	206,553
Goods within Zinzino Coffee	21,130	-	21,130
Sales of external goods Faun	-	33,952	33,952
Events and other services	64	-	64
Total	**227,747**	**33,952**	**261,699**

Jan-Dec 2018	Zinzino	Faun	Total Group
Revenue per segment	469,381	63,551	532,932
Revenue from external customers	**469,381**	**63,551**	**532,932**
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
Total	**469,381**	**63,551**	**532,932**

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 taken 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 regarding revenue recognition principles.

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 on Principles for revenue recognition.

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

NOTE 6 TRANSACTIONS WITH CLOSELY RELATED PARTIES

	April-June 2019	April-June 2018	Jan-June 2019	Jan-June 2018	Jan-Dec 2018
Compensation for sales services performed Saele Invest AS	5,622	5,128	11,870	10,444	21,457
Other Saele Invest AS	-	-	-81	-	559
Total Saele Invest AS*	**5,622**	**5,128**	**11,789**	**10,444**	**22,016**
Compensation for sales services performed Oh Happy Day ApS**	839	863	1,690	1,797	3,559
Consultancy fees to board members***	-	-	-	-	126
Total	**6,461**	**5,991**	**13,479**	**12,241**	**25,701**

As at 30/06/2019, the debt to Saele Invest AS relating to sales commissions amounts to SEK 0 (0) thousand and to Oh Happy Day ApS to SEK 11 (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 as 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 which, through the company's sharehol-ding 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.

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

NOTE 7 PROFIT PER SHARE

SEK	April-June 2019	April-June 2018	Jan-June 2019	Jan-June 2018	Jan-Dec 2018
Earnings per share before dilution	0.16	0.10	0.33	0.29	0.14
Earnings per share after dilution	0.16	0.10	0.33	0.29	0.14
Earnings metric used in the calculation of earnings per share					
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	5,230	3,376	10,859	9,472	4,662
Number					
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	32,580,025
Adjustment for calculation of earnings per share after dilution	-	-	-	-	-
Options					
Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating earnings per share after dilution	33,080,025	32,580,025	32,580,025	32,580,025	32,580,025

NOTE 8 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 30 June 2019.

NOTE 9 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
Sales growth	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
Gross profit	The total change in revenue in percent compared with total revenue for the corresponding period the previous year	This metric is interesting to expand to see just the net sales during the period, which can be used in the income and cost analyses
EBITDA	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
EBITDA margin:	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
Operating profit/loss (EBIT)	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
Net margin	Profit/loss for the period as a percentage of total revenues for the period	This metric illustrates the company's profitability
Equity per share before dilution	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
Cash flow from ongoing operations	Cash flow from operational business including changes in the opera-ting profit/loss	This metric measures the cash flow the company generates before capital investments and cash flow attributed to the company's financing
Equity/assets ratio	Equity in relation to the balance sheet total	This metric is an indicator of the compa-ny's leverage to finance the company

GOTHENBURG 30 JUNE 2019

The board of directors and the CEO certify that the interim report for the period January – June 2019 gives a fair overview of the parent company and group's operations, position and earnings and describes material 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.

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Gothenburg, 30 Juni 2019

Dag Bergheim Pettersen
Chief Executive Officer

Hans Jacobsson
Chairman of the board of directors

Pierre Mårtensson
Director

Ingela Nordenhav
Director

Staffan Hillberg
Director

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