

ZINZINO



INTERIM REPORT 2017 | Q3

THIS IS ZINZINO

Zinzino AB (publ.) is a direct sales company that operates in Europe 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 more than 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 public limited liability company and its shares are listed on Nasdaq First North.

In 2016, Zinzino was named both as one of Veckans Affärer's "Super Companies" and as Dagens Industri's Gazelle Company.

A SHORT HISTORY

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

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

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

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

2012 - Companies were started in Latvia and on 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 Holland. 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.

ZINZINO INTERIM REPORT 2017 | Q3

JULY-SEPTEMBER

- Total revenue increased by 3% (20%) to SEK 120.1 (116.8) million
- The product segment Health increased by 8% (17%) to SEK 87.6 (81.1) million
- Gross profit was SEK 38.3 (35.0) million and the gross profit margin was 31.9% (30.0%)
- EBITDA amounted to SEK 5.8 (5.8) million and the operating margin before depreciation and amortisation was 4.8% (4.9%)
- Positive sales development on several new markets while the strong growth trend continued on the home market in Sweden.

JANUARY-SEPTEMBER

- Total revenue increased by 15% (7%) to SEK 385.6 (334.4) million
- Zinzino's production unit Faun Pharma AS increased its external sales by 63% to SEK 48.3 (29.7) million.
- The product segment Health increased by 21% to SEK 270,1 (232.6) million
- Gross profit was SEK 114.5 (107.8) million and the gross profit margin was 29.7% (32.2%).
- EBITDA amounted to SEK 13.1 (18.5) million and the operating margin before depreciation and amortisation was 3.4% (5.5%).
- Cash and cash equivalents on the reporting date amounted to SEK 38.3 (18.1) million.


FINANCIAL SUMMARY (SEK MILLION)

THE GROUP'S KEY FIGURES *	Q3 - 2017	Q3 - 2016	CUM. 2017	CUM. 2016	FULL YEAR 2016
Total revenue	120.1	116.8	385.6	334.4	492.3
Net sales	109.6	108.6	352.4	307.9	436.4
Sales growth	3%	20%	15%	7%	11%
Gross profit	38.3	35.0	114.5	107.8	167.2
Gross profit margin	31.9%	30.0%	29.7%	32.2%	34.0%
Operating profit before depreciation and amortisation	5.8	5.8	13.1	18.5	23.1
Operating margin before depreciation and amortisation	4.8%	4.9%	3.4%	5.5%	4.7%
Operating profit/loss	3.1	3.4	5.9	11.7	14.1
Operating margin	2.5%	3.0%	1.5%	3.5%	2.8%
Profit/loss before tax	3.0	3.4	5.8	11.4	13.9
Net profit	1.4	2.0	2.3	7.2	9.7
Net margin	1.2%	1.7%	0.6%	2.1%	2.0%
Net earnings per share after tax before dilution, SEK	0.04	0.06	0.07	0.23	0.31
Net earnings per share after tax at full dilution, SEK	0.04	0.06	0.07	0.21	0.29
Cash and cash equivalents	38.3	18.1	38.3	18.1	23.3
Equity/assets ratio	48%	51%	48%	51%	50%
Equity per share, SEK before dilution	2.57	2.69	2.57	2.71	2.82
Number of issued shares on average for the period	32,580,025	31,050,025	32,580,025	30,989,259	31,359,861
Number of issued shares on average for the period with full dilution	34,280,025	33,780,025	34,014,457	33,780,025	33,780,025

* Comparison figures adjusted to take into consideration new accounting principles relating to currency-related income and expenses

FINANCIAL GOALS AND ZINZINO'S OUTLOOK FOR 2017

The board of directors of Zinzino maintains its forecast that the total revenues in 2017 will be SEK 540 - 580 million. Operating margin before depreciation and amortisation as a percentage is estimated to be slightly lower in comparison with last year. During the period 2017-2019, the average growth in sales at Zinzino will be at least 20% and the operating margin before depreciation and amortisation as a percentage will increase to >6%. The dividend policy will be at least 50% of the net profit so long as liquidity and the equity/assets ratio permit.

A man in a grey suit and blue tie is speaking at a podium. He is wearing a lapel microphone and has his hands clasped in front of him. The background is dark, and there are some items on the podium, including a glass of water and a pitcher.

**We have never
been more ready
for growth than
we are now!**

FOCUS ON CONTINUOUS IMPROVEMENT AND PROFITABLE GROWTH

During the period January to September, we delivered a cumulative growth of 15%. The growth rate fell to +3% in the third quarter, which was due to the fact that we shifted our focus from increasing sales to profitability during the quarter. We will continue to balance good growth with profitability over the coming quarter. The long-term growth targets nevertheless remain at +20% and I describe below in my CEO's statement how these will be achieved.

INVESTMENT IN GERMANY AND THE USA

Some markets have prospered and made strong progress, such as Sweden, Germany, Lithuania, Latvia and Finland, while other markets have experienced lower growth or even shrunk. We are actively working to boost all markets, but we will now be putting extra effort into Germany and the USA to harness the potential of these huge markets. The focus will be on linking up with more people who can contribute to increased sales and take care of our customers and distributors. We will also be investing in promotions and marketing. Efficient payment solutions and distribution are also priority areas that we deliver every day and which increase efficiency and create growth.

The new digital platform that was launched for customers and distributors during the quarter has been very well received and gives us a tool to create further growth. It improves our customer follow-up and lowers our costs because it enables us to be much more efficient.

STRONG PRODUCT RANGE

We recently launched a new and unique product, BalanceOil Vegan, which very briefly is an omega-3 oil that is based on algae. A unique product because we are very early to market with a product that vegans have been wanting for many years. We are confident that this product will not only contribute to growth but also increase awareness of the Zinzino brand and the fact that we are innovative in health science.

Our product range is now so strong that the focus is on education and highly active marketing on social media to increase awareness of the products and of Zinzino.

READY FOR GROWTH

With a new online store, new products and an increased presence, we are ready for growth. With an efficient organisation and production, profitability will increase in line with the growth we are anticipating of at least 20% per year over the next few years. With our scalable business model, we will double our sales from half a billion to one billion by the end of 2020.

In that time, we will more than double our net margin in percentage terms as a result of our having invested in new technology which both simplifies and streamlines several processes in support, finance, logistics and IT. This reduces our investment need and we will cut costs for every penny of growth over the coming years. We will continuously work to improve our processes, become more efficient and utilise our economies of scale, which in turn will lead to profitable growth.

We have never been more ready for growth than we are now!

Dag Bergeim Pettersen

We aspire to inspire a change in people's life

SIGNIFICANT EVENTS DURING AND AFTER **THE THIRD QUARTER OF 2017**

FOCUS ON GERMANY

The German market continues to enjoy positive development. During the third quarter, sales amounted to SEK 3.0 (2.2) million, representing a sales growth rate of 37% compared with the same period last year.

Zinzino sees great potential in the German market and so in the third quarter began to allocate a larger proportion of total resources to promote growth on the German market. This included the implementation of a new payment platform with local options directly adapted for the German market. Zinzino also employs local personnel in Germany in order to provide the growing market there with additional support.

In addition, Zinzino has increased its presence in Germany at local events and has translated all its marketing materials into German, including dubbing all of its films.



SHORTER LEAD TIMES AND MORE DELIVERY OPTIONS REMAIN A FOCUS

During the year, Zinzino carried out a project to streamline the logistics process and so shorten the delivery time to customers. This process has continued during the quarter, with a focus on shortening lead times at all stages and offering customers more delivery options. Another new part of the project during the quarter has been to examine the possibility of an additional external warehouse in central Europe, with alternatives compared including north-eastern France and Belgium. This is in order to shorten lead times in the delivery process for the fast-growing customer groups in Germany, Spain and other countries in the region. Zinzino has also stepped up its monitoring of the different transport providers on a general basis in order to further improve lead times and delivery quality for customers and partners on the various markets.



NEW PAYMENT PLATFORM OPTIMISED FOR GROWTH AND NEW REGIONS

During the third quarter, Zinzino launched a new IT project that focuses on increasing the number of payment options for the company's customers and partners. The current platform has worked very well for the Nordic and American markets, but it has been harder to reach out to the rest of Europe, which has become an increasingly important sales area where local payment solutions are a key factor in attracting new customers and partners. Thanks to a partnership with a new supplier, Zinzino will be able to offer local payment solutions on most European markets. The payment platform is also ready for local payment solutions in the rest of the world, providing Zinzino with great opportunities to establish itself further in Asia or South America, for example, in this important area.



INCREASED DIGITISATION OF MARKETING MATERIAL

Zinzino's marketing department has focused on further developing digital material during the quarter. A number of films have been produced and published in at least 15 different languages, which means that almost 100 films were published in total during the third quarter. These include commercial presentation videos for the company's leading product, BalanceOil, but also films about the new potential big seller – the dietary supplement Viva for increased concentration and well-being. In addition, the "customer offer", which is perhaps the most important customer communication for Zinzino, has been given a facelift and a solid content update. Several pages have been added and there is also additional key information about the product concepts.

FAUN PHARMA REPLACES ITS CEO, STREAMLINES AND FOCUSES ON PROFITABLE PRODUCTION

During the quarter, Zinzino's production unit and subsidiary Faun Pharma gained a new CEO in the form of Geir Smolan. Geir joined Zinzino as Quality Manager in 2014 and took over as CEO of Faun in September 2017. Geir has a Master's degree in chemistry and extensive experience of working with management systems for quality as well as for food safety and health and safety. He has also written several books in these areas. It was Geir who was responsible for the process when Faun Pharma achieved certification under the 9001 standard in 2016. The trends during the quarter for sales and profit were worse than expected and total revenue amounted to SEK 11.4 (12.6) million, representing a fall in sales of 10%.

This is despite the fact that the order backlog at the end of the quarter amounted to SEK 25.6 million. The drop in sales was mainly due to temporary staffing problems during the summer months. An action plan has been implemented and efficiency increased noticeably during September, with total production (including intra-group production) amounting to SEK 6.6 million. Zinzino believes that the production unit will increase external sales during the fourth quarter to the expected level. In addition, a number of efficiency measures have been implemented within the organisation, which will generate increased profitability within a few months.

VEGAN OIL LAUNCHED

After the end of the quarter, Zinzino launched a new groundbreaking product with the introduction of BalanceOil Vegan. Like BalanceOil, it contributes to optimal brain function and strengthens the heart and the immune system by balancing the fatty acids omega-6 and omega-3. BalanceOil Vegan is a unique patented blend of three oils that supplies the body with essential fatty acids. The key ingredients in BalanceOil Vegan are marine microalgae rich in EPA and DHA from Schizochytrium, extra virgin

olive oil with a high content of polyphenols and echium seed oil, which in studies has shown a great ability to increase EPA and DHA in the body. Vegan vitamin D is also added to boost the immune system. Zinzino believes that BalanceOil Vegan is being launched at the perfect time and that it will satisfy a great demand, both now and in the future. BalanceOil Vegan was launched on 20 October and is available immediately on all European markets.



REVENUE AND PROFIT 2017 | Q3

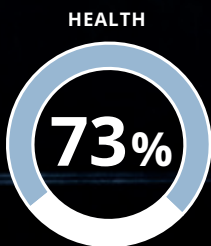
Q3

Growth per market 2017 versus 2016

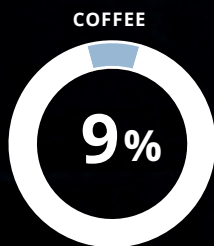


Sales
MSEK **120.1** (116.8)

Revenues



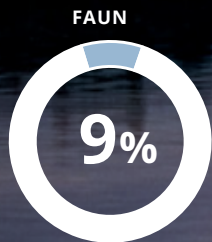
(2017; 87.6 (81.1) MSEK)



(2017; 10.5 (14.9) MSEK)

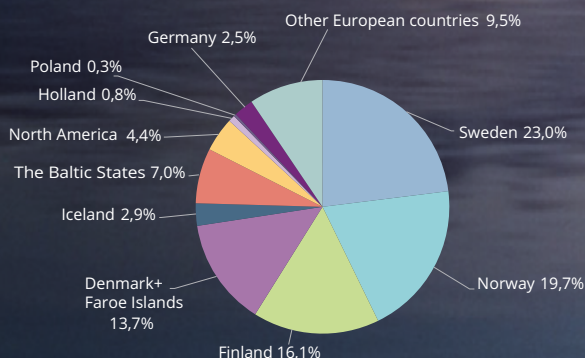


(2017; 10.6 (8.2) MSEK)



(2017; 11.4 (12.6) MSEK)

Geographic distribution of sales



THE THIRD QUARTER - SALES

Total revenue for the quarter was SEK 120.1 (116.8) million, which corresponds to growth of 3% (20%) compared with same period last year. Sales growth was lower than expected, despite a continued increase in sales on several markets during the quarter. The Swedish and Finnish markets both showed continued strong growth during the third quarter, with revenues respectively 29% and 12% higher than in 2016.

The German market increased by 37% compared with the previous year. Germany is one of the world's largest direct sales markets and Zinzino sees great potential for growing market share in this country.

Of the other new markets established in 2017, Austria and Spain made strong progress. Sales fell on many of the other markets, resulting in an overall decline in sales of 10% compared with the third quarter of 2016. As on previous occasions, Austria and Spain accounted for a large proportion of the total sales. In addition, sales increased significantly in the United Kingdom during the third quarter.

The trend in the Baltic countries continued during the third quarter. Revenue increased by 32% in both Lithuania and Latvia compared with the third quarter of last year. At the same time, the fall in sales continued in Estonia, where revenue declined by 49% compared with the third quarter of last year. Zinzino believes that the bottom has been reached in Estonia and that the market is expected to stabilise in the upcoming quarters. As communicated previously, the Estonian customer and distributor organisation was perhaps hit hardest by the effects of the replacement of the IT system carried out by the group over the past two years.

As described above, several markets performed worse than expected during the quarter, falling in comparison with the third quarter of 2016. The Norwegian market decreased by 7%, the Danish market by 3%, and the Icelandic market by 14%. Marketing measures in the form of sales events and various promotional campaigns have been implemented to generate sales growth again in these markets, which are very important for Zinzino.

The negative trend also continued in North America, where revenue fell by 23% compared with a strong third quarter in 2016. Zinzino is actively working to increase primarily the number of distributors, but also the number of customers in North America by cultivating the market with campaigns and events for the sales force. With a new web portal and website tailored for the North American market, Zinzino has strong hopes of turning around the temporary downward trend in North America. However, it is thought this may take a little longer than previously anticipated.

The Faun Pharma AS production unit faced major challenges during the summer in terms of maintaining production, which resulted in reduced sales. Total revenue for the third quarter amounted to SEK 11.4 (12.6) million. This represents a drop in sales of 10%

compared with the previous year. The underlying cause of this decline in sales was mainly short-term staffing problems during the holiday season.

The geographic distribution shows that the largest proportion of revenue comes, as before, from the Nordic countries. Sweden continued to increase its proportion of total sales and in the third quarter accounted for the largest share geographically of the group's total sales. The Finnish market also strongly increased its share of total shares.

The product segment Zinzino Health increased by 8% to SEK 87.6 (81.1) million and accounted for 73% (69%) of total revenues. The decline continued in the Coffee segment, which decreased by 30% to SEK 10.5 (14.9) million, which corresponded to 9% (13%) of total revenues. The external sales of Faun Pharma AS fell by 10% to SEK 11.4 (12.6) million, which corresponded to 9% (11%) of total revenues. Other revenues were SEK 10.6 (8.2) million which corresponded to the remaining 9% (7%) of the revenues for the quarter.

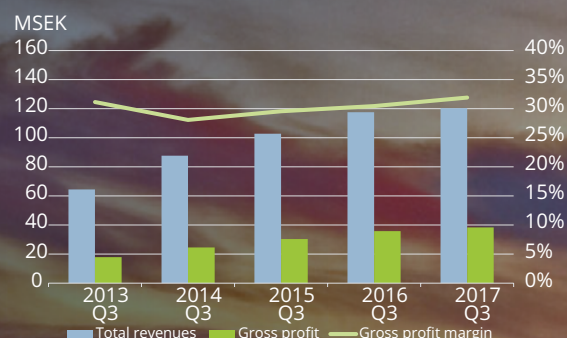
In total, 218,000 (184,000) bottles of BalanceOil of various flavours were sold during the quarter compared with the previous year. As people's interest in and awareness of their own health continues to rise, the company will see an increase in product sales within the Health segment. The products that stood out through continuously increasing sales were Zinzino Skin Serum, which increased to 18,000 units sold during the quarter, and Zinzino's protein bars, launched in October 2016, which had a steady sales growth of 22% per month on average. In total, the company sold 21,000 units of the product during the third quarter of 2017. In the Coffee segment, the most popular coffee was once again Zinzino French Espresso, with 31,000 units sold during the quarter. Sales of coffee machines totalled 629 (1,054) units, representing a fall in sales of 40% for the quarter compared with 2016.

The company launched the product Viva during the third quarter, which is a unique dietary supplement that helps to relieve stress, mental tiredness and fatigue and promotes good sleep. The dietary supplement's key ingredient is affron®, a top-quality extract of Spanish saffron (*Crocus Sativus L.*) five B vitamins, iodine and vitamin C.

Since its launch in early July, the product has had strong sales, with a total of more than 25,000 units sold.

The company has also updated the recipe for Xtend, including important new phytonutrients to further enhance the positive effects, and has launched a convenient new blister pack to ensure that the tablets retain their properties over time. This has had a positive reception from the market and the company saw an increase in sales after launch.

Q3



THE THIRD QUARTER - COSTS AND PROFIT

Gross profit for the third quarter amounted to SEK 38.3 (35.0) million and the gross profit margin amounted to 31.9% (30.0%). The normalisation of remuneration levels for the sales force during the quarter, combined with Faun Pharma's lower proportion of total group revenue during the period, has led to the gross margin returning to a normal level.

EBITDA for the third quarter amounted to SEK 5.8 (5.8) million and the operating margin before depreciation and amortisation amounted to 4.8% (4.9%). Operating profit was SEK 3.1 (3.4) million and the operating margin was 2.5% (3.0%).

Now that the major project involving the various countries' websites and the connected systems has concluded, the cost level has returned to normal. This resulted in improved margin levels compared with the previous quarter. Compared with the previous year, the margin levels are slightly worse owing to a generally higher cost base in the group and the marketing measures implemented on the North American market.

Profit before tax for the quarter was SEK 3.0 (3.4) million and the net profit was SEK 1.4 (2.0) million.

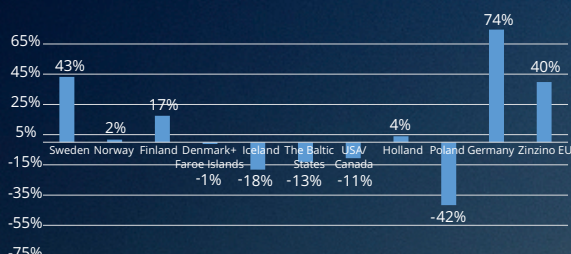
DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the quarter were charged to the profit for the period in the amount of SEK 2,712,000 (2,332,000), of which SEK 199,000 (223,000) was the depreciation of tangible fixed assets, SEK 1,287,000 (883,000) was the amortisation of intangible fixed assets and SEK 1,226,000 (1,226,000) was the amortisation of goodwill.

CONSOLIDATED PROFIT AND FINANCIAL POSITION ACCUMULATED 2017 | Q1-Q3

Q1-Q3

Growth per market 9 months 2017 vs 2016



Sales
MSEK **385.6** (334.4)

Revenues



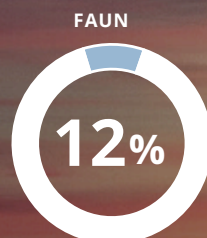
2017; 270.1 (232.3) MSEK



(2017; 33.7 (45.7) MSEK)

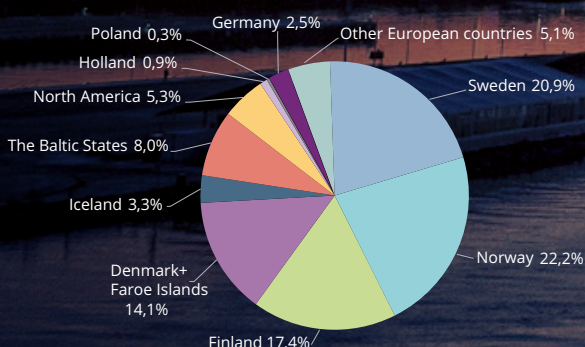


(2017; 33.5 (26.7) MSEK)



(2017; 48.3 (29.7) MSEK)

Geographic distribution of sales



CONSOLIDATED PROFIT AND FINANCIAL POSITION ACCUMULATED Q1-Q3 2017

REVENUE

In total, accumulated revenues for the nine months were SEK 385.6 (334.4) million, which corresponds to a growth of 15% (7%) compared with the previous year. The best performances in 2017 came from the relatively new German market and also the Swedish market. There was also strong growth on the key Finnish market and some growth on Zinzino's largest market of Norway, as well as in the Netherlands. As previously described, many of the newly launched markets are progressing well, with the strongest growth in Spain, Austria and Romania.

North America has experienced negative growth. The Baltic countries are also declining due to the Estonian market's decline, but there was strong growth in both Latvia and Lithuania. There was also very weak development in Poland, from previously low sales levels. The Nordic markets accounted for nearly 80% of sales (not including Faun Pharma AS). Norway continued to be the largest market followed by Sweden, Finland and Denmark. The recently established markets continue to take a growing share of the total sales.

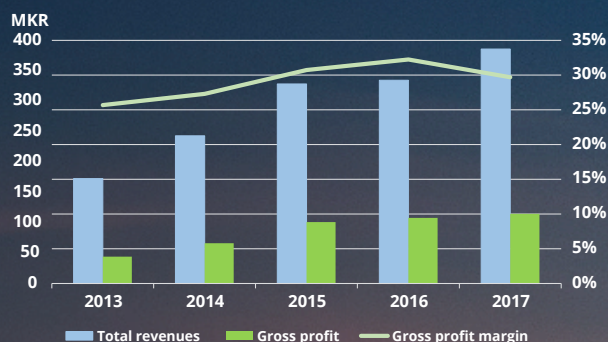
The product segment Health increased by 16% to SEK 270.1 (232.3) million, which represented 70% (69%) of the total revenues. The product segment Coffee declined by 26% to SEK 33.7 (45.7) million and contributed 9% (14%) of the total revenues. Faun Pharma increased by 63% to SEK 48.3 (29.7) million, which represented 12% (9%) of total revenues. Shipping and other revenues amounted to SEK 33.5 (26.7) million, which represented the remaining 9% (8%) of the revenues.

In addition, the revenue analysis shows that more than 530,000 (368,000) bottles of BalanceOil Orange/Lemon/Mint were sold during Q1-Q3 of 2017 compared with the previous year. In total, 680,000 (560,000) bottles of BalanceOil were sold, an increase of 21% compared with Q1-Q3 of the previous year. As people's interest in and awareness of their own well-being continues to rise, the company will see an increase in product sales within the Health segment. The products that stood out through continuously increasing sales were Zinzino Skin Serum, which increased to 57,141 units sold during Q1-Q3, and Zinzino's protein bars, launched in October 2016, which had a steady sales growth of 22% per month on average. In total, the company sold 65,000 units of the product during Q1-Q3 2017. In Zinzino's Coffee segment, the most popular coffee was once again Zinzino French Espresso, with 100,000 (115,245) units sold in Q3. Sales of coffee machines totalled 2,400 (3,500) units, representing a fall in sales of 30% for the quarter compared with 2016.

COSTS AND PROFIT

Gross profit was SEK 114.5 (107.8) million and the gross profit margin was 29.7% (32.2%). The decrease in margin was mainly attributable to the temporary increase in sales commission costs during the first half of the year, combined with Faun Pharma's sales

Q1-Q3



mix largely accounting for volume production at lower margins. As previously described, Zinzino has adjusted the remuneration model for the sales force, which reduced commission costs during Q3. At the same time, intensive work is underway to streamline the Norwegian production unit in order to increase productivity and so improve the gross profit margin of the group.

Accumulated EBITDA amounted to SEK 13.1 (18.5) million and the operating margin before depreciation and amortisation amounted to 3.4% (5.5%). Operating profit was SEK 5.9 (11.7) million and the operating margin was 1.5% (3.5%). The group currently has a large cost base through the production unit Faun Pharma and the research company Bioactive Foods, while head office has invested in a new IT system and has expanded the workforce to handle the increasing sales and the expansion of the group. This will have a negative impact on the operating margins in the short term but will generate margin improvements over the longer term.

Profit before tax for the first nine months of the year amounted to SEK 5.8 (11.4) million and the net profit to SEK 2.3 (7.2) million.

INVENTORIES

The group's combined inventories at the balance sheet date were SEK 56.9 (55.9) million.

LIQUIDITY AND EQUITY/ASSETS RATIO

At the balance sheet date, cash amounted to SEK 38.3 (18.1) million. The group's equity/assets ratio was 48% (51%). Cash flow for the quarter amounted to SEK 11.7 (-5.8) million. The continued assessment of the Board of Directors is that liquid assets are at a satisfactory level and that the group's positive cash flow from operating activities will ensure liquidity in the group for the foreseeable future.

ORGANISATION

During 2016 and 2017, Zinzino has invested large sums to establish an organisation and a business system with high levels of efficiency and capacity. These investments mean that Zinzino is well-equipped to handle a large growth in sales in the group and the company will therefore not need to hire more people as sales grow.



INCOME STATEMENTS

ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	01-07-2017	01-07-2016	01-01-2017	01-01-2016	01-01-2016
	30-09-2017	30-09-2016	30-09-2017	30-09-2016	31-12-2016
Net sales	109,576	108,586	352,375	307,850	440,982
Other revenue	10,498	8,168	33,207	26,555	51,337
Goods for resale and other direct costs	-81,757	-81,784	-271,059	-226,643	-325,111
Gross profit	38,317	34,970	114,523	107,762	167,208
External operating expenses	-17,242	-14,952	-53,111	-47,408	-85,171
Personnel costs	-15,304	-14,240	-48,295	-41,822	-58,950
Depreciation and amortisation	-2,712	-2,332	-7,260	-6,795	-8,997
Operating profit/loss	3,059	3,446	5,857	11,737	14,090
Net financial items	-40	-46	-97	-341	-177
Tax	-1,581	-1,416	-3,422	-4,201	-4,198
Profit/loss for the period	1,438	1,984	2,338	7,195	9,715

INCOME STATEMENTS

ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	01-07-2017	01-07-2016	01-01-2017	01-01-2016	01-01-2016
	30-09-2017	30-09-2016	30-09-2017	30-09-2016	31-12-2016
Net sales	500	1,000	2,500	2,350	2,350
Other revenue	-	23	-	39	69
Goods for resale and other direct costs	-	-	-	-	-
Gross profit	500	1,023	2,500	2,389	2,419
External operating expenses	-591	-735	-2,063	-2,149	-2,178
Depreciation and amortisation	-4	-4	-12	-12	-12
Operating profit/loss	-95	284	425	228	229
Net financial items	-	-	-2	-	-
Tax	21	-50	-93	-50	-50
Profit/loss for the period	-74	234	330	178	179

BALANCE SHEETS

ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	30-09-2017	30-09-2016	31-12-2016
Fixed assets			
Goodwill	34,873	39,778	38,552
Intangible fixed assets	20,302	14,786	19,511
Tangible fixed assets	3,013	3,515	3,322
Financial fixed assets	1,073	3,924	3,998
Total fixed assets	59,261	62,003	65,383
Current assets			
Inventories	56,901	55,938	63,518
Current receivables	20,746	26,342	23,911
Cash at bank and in hand	38,311	18,136	23,323
Total current assets	115,958	100,416	110,752
Total assets	175,219	162,419	176,135
Restricted equity	4,279	3,108	3,258
Unrestricted equity	77,231	73,139	75,536
Profit/loss for the year	2,338	7,195	9,669
Total equity	83,848	83,442	88,463
Non-current liabilities	730	732	543
Current liabilities	90,641	78,245	87,129
Total liabilities	91,371	78,977	87,672
Total equity and liabilities	175,219	162,419	176,135

BALANCE SHEETS

ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	30-09-2017	30-09-2016	31-12-2016
Fixed assets			
Intangible fixed assets	1,021	-	894
Financial fixed assets	83,460	83,385	83,449
Total fixed assets	84,481	83,385	84,343
Current assets			
Current receivables	219	228	223
Cash at bank and in hand	610	999	1,047
Total current assets	829	1,227	1,270
Total assets	85,310	84,612	85,613
Restricted equity	4,279	3,108	4,152
Unrestricted equity	30,720	36,281	38,429
Profit/loss for the year	330	178	563
Total equity	35,329	39,567	43,144
Non-current liabilities	16,206	16,208	16,056
Current liabilities	33,775	28,837	26,413
Total liabilities	49,981	45,045	42,469
Total equity and liabilities	85,310	84,612	85,613

CASH FLOW ANALYSES

ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	01-07-2017	01-07-2016	01-01-2017	01-01-2016	01-01-2016
	30-09-2017	30-09-2016	30-09-2017	30-09-2016	31-12-2016
The ongoing business					
Profit/loss before financial items	3,059	3,446	5,857	11,737	14,044
Depreciation and amortisation/write-downs	2,712	2,332	7,260	6,795	8,997
Other non-cash items	373	-439	1,086	-1,286	1,681
	6,144	5,339	14,203	17,246	24,722
Interest received	97	4	120	11	49
Interest paid	-140	-7	-219	-309	-226
Tax paid			38		-62
	-43	-3	-61	-298	-239
Cash flow from the ongoing business before change in operating capital					
	6,101	5,336	14,142	16,948	24,483
Cash flow from change in operating capital					
Increase(-)/Decrease(+) in inventories	2,787	-8,937	6,617	-15,649	-23,229
Increase(-)/Decrease(+) in current receivables	1,023	-822	3,165	-4,019	-1,587
Increase(+)/Decrease(-) in current liabilities	2,228	-974	3,512	8,405	10,882
Cash flow from operating activities	12,139	-5,397	27,436	5,685	10,549
Investment activity					
Investments in intangible fixed assets	-338	-400	-3,804	-1,597	-6,939
Investments in financial fixed assets	-25	20	-116	-3,829	-764
Investments in tangible fixed assets	-46	-112	-383	-1,617	-2,016
Cash flow from investment activity	-409	-492	-4,303	-7,043	-9,719
Financing activity					
Loans taken	-	-	-	55	-
Release of options	-	-	-	-	44
Dividend	-	-	-8,145	-7,763	-7,763
Subscriptions for shares on outstanding subscription options	-	50	-	350	3,360
Cash flow from financing activity	0	50	-8,145	-7,358	-4,359
CASH FLOW FOR THE PERIOD	11,730	-5,839	14,988	-8,716	-3,529
Cash and cash equivalents at start of period	26,581	23,975	23,323	26,852	26,852
Cash and cash equivalents at end of period	38,311	18,136	38,311	18,136	23,323
Change in cash and cash equivalents	11,730	-5,839	14,988	-8,716	-3,529

CASH FLOW ANALYSES

ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	01-07-2017 30-09-2017	01-07-2016 30-09-2016	01-01-2017 30-09-2017	01-01-2016 30-09-2016	01-01-2016 31-12-2016
The ongoing business					
Profit/loss before financial items	-95	284	425	228	722
Depreciation and amortisation / write-downs	4	4	12	12	16
Other non-cash items	-8	-5	-139	-404	-22
	-99	283	298	-164	716
Interest received	-	-	-	-	-
Interest paid	-	-	-2	-	-
Tax paid	-	-	-	-	-
	0	-126	-2	0	0
Cash flow from the ongoing business before change in operating capital	-99	283	296	-164	716
Cash flow from change in operating capital					
Increase(-)/Decrease(+) in current receivables	-13	11	4	-81	-35
Increase(+)/Decrease(-) in current liabilities	-82	-561	7,362	8,118	4,402
Cash flow from operating activities	-194	-267	7,662	7,873	5,083
Investment activity					
Investments in intangible fixed assets	-	-	-	-	-
Investments in financial fixed assets	-25	-1	-104	-451	-623
Investments in tangible fixed assets	-	-	-	-	-
Cast flow from investment activity	-25	-1	-104	-451	-623
Financing activity					
Option issue	150	-	150	543	543
Dividend	-	-	-8,145	-7,763	-7,763
Subscriptions for shares on outstanding subscription options	-	50	-	350	3,360
Cash flow from financing activity	150	50	-7,995	-6,870	-3,860
CASH FLOW FOR THE PERIOD	-69	-218	-437	552	600
Cash and cash equivalents at start of period	679	1,217	1,047	447	447
Cash and cash equivalents at end of period	610	999	610	999	1,047
Change in cash and cash equivalents	-69	-218	-437	552	600



CHANGES IN EQUITY CAPITAL ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	01-01-2017	01-01-2016	01-01-2016
	30-09-2017	30-09-2016	31-12-2016
Equity capital at the start of the period	88 463	88 320	88,320
Adjustment for errors in prior years	-	-4,513	-4,513
Subscriptions for shares on subscription options	-	350	3,392
Dividend to shareholders	-8,145	-7763	-7,763
Currency translation differences	1,192	-147	-642
Profit/loss for the period	2,338	7,195	9,669
Equity at the end of the period	83,848	83,442	88,463

CHANGES IN EQUITY ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	01-01-2017	01-01-2016	01-01-2016
	30-09-2017	30-09-2016	31-12-2016
Equity capital at the start of the period	43,144	46,707	46,707
Subscriptions for shares on subscription options		445	3,637
Dividend to shareholders	-8,145	-7763	-7,763
Profit/loss for the period	330	178	563
Equity at the end of the period	35,329	39,567	43,144

DEFINITIONS OF KEY RATIOS

GROSS MARGIN

Total revenues minus cost of goods sold, partner commissions and outgoing freight in percent of the period's total revenues.

PROFIT PER SHARE

The period's profit in relation to the period's average number of outstanding shares.

EQUITY CAPITAL PER SHARE

Equity capital in relation to the number of outstanding shares on the balance sheet date.

OPERATING MARGIN

Operating profit after depreciation and amortisation in percent of the period's total revenues.

OPERATING MARGIN BEFORE DEPRECIATION AND AMORTISATION

Operating profit before depreciation and amortisation in percent of the period's total revenues.

NET MARGIN

The period's profit in percent of the period's net sales.

EQUITY/ASSETS RATIO

Equity capital in percent of the balance sheet total.

THE NUMBER OF OUTSTANDING SHARES

The share capital as at 30-09-2017 is divided into 32,580,025 shares, of which 5,113,392 are class A shares (1 vote) and 27,466,633 are class B shares (0.1 vote). The share's par value is SEK 0.10. The company's B shares are traded on Nasdaq Omx First North, nasdaqomxnordic.com.

The company, as of the report date, has three outstanding options programs. The first options program will expire on 31 May 2019 at an exercise price of SEK 16 and will cover 600,000 options. The second options program also includes 600,000 options, but at an exercise price of SEK 26. That options program expires on 31 May 2020. The third options program includes 500,000 options at an exercise price of SEK 14. The third options program also expires on 31 May 2020.

If all the options outstanding on 30-09-2017 are exercised for new subscriptions of 1,700,000 shares, the dilution of the share capital will be around 5%.

REVENUE BY COMPANY Q3

(SEK THOUSANDS)

COMPANY	Q3 2017	Q3 2016	Growth by company compared with the previous year	Share of total revenues
Zinzino Sverige AB*	27,653	21,283	30%	23%
Zinzino AS (Norway)	23,705	25,369	-7%	20%
Zinzino OY (Finland)	19,375	17,217	13%	16%
Zinzino ApS (Denmark + Faroe Islands)	16,433	16,776	-2%	14%
Zinzino Ehf (Iceland)	3,430	3,949	-13%	3%
Zinzino UAB (Lithuania)	2,773	2,088	33%	2%
Zinzino SIA (Latvia)	3,207	2,418	33%	3%
Zinzino OÜ (Estonia)	2,467	4,775	-48%	2%
Zinzino LLC (USA)	5,041	6,556	-23%	4%
Zinzino BV (Netherlands)	1,008	1,039	-3%	1%
Zinzino SP z.o.o (Poland)	382	259	47%	0%
Zinzino Canada Corp	215	257	-16%	0%
Zinzino GmbH (Germany)	3,027	2,191	38%	3%
Faun Pharma AS (Norway)	11,358	12,577	-10%	9%
Zinzino Nordic AB	-	-	0%	0%
Total	120,074	116,754	3%	100%

* The Swedish company includes sales for Sweden, the EU and Switzerland

REVENUE BY COMPANY Q1-Q3

(SEK THOUSANDS)

COMPANY	Q1-Q3 2017	Q1-Q3 2016	Growth by company compared with the previous year	Share of total revenues
Zinzino Sverige AB*	78,982	50,691	56%	20%
Zinzino AS (Norway)	76,940	75,685	2%	20%
Zinzino OY (Finland)	60,380	51,291	18%	16%
Zinzino ApS (Denmark + Faroe Islands)	49,181	49,536	-1%	13%
Zinzino Ehf (Iceland)	11,441	13,967	-18%	3%
Zinzino UAB (Lithuania)	9,171	7,105	29%	2%
Zinzino SIA (Latvia)	9,308	8,017	16%	2%
Zinzino OÜ (Estonia)	9,256	16,746	-45%	2%
Zinzino LLC (USA)	17,707	19,390	-9%	5%
Zinzino BV (Netherlands)	3,080	2,952	4%	1%
Zinzino SP z.o.o (Poland)	1,113	1,908	-42%	0%
Zinzino Canada Corp	634	1,002	-37%	0%
Zinzino GmbH (Germany)	8,743	4,988	75%	2%
Faun Pharma AS (Norway)	48,267	29,736	62%	13%
Zinzino Nordic AB	1,380	1,390	-1%	0%
Total	385,582	334,405	15%	100%

* The Swedish company includes sales for Sweden, the EU and Switzerland

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general guidance. The consolidated report and annual report have been prepared in accordance with BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3).

INTERIM REPORT 2017 | Q3

AUDITOR'S REVIEW

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

REPORT CALENDAR

The year-end report for 2017 will be published on 28 February 2018.

The interim report for Q1 2018 will be published on 15 May 2018.

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

Gothenburg, 13 November 2017

Zinzino AB (publ.)
The Board of Directors

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Note: This report is published in Swedish and English. In the event of any difference between the versions, the Swedish version shall prevail.

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