

ZINZINO



INTERIM REPORT 2020 | Q2

THIS IS ZINZINO

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

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

A BRIEF HISTORY

- 2007 – Zinzino AB was started. The company's principal business is to own and develop companies in direct sales and related activities.
- 2009 – Zinzino Nordic AB was acquired partly through a directed share issuance in kind to the owners of Zinzino Nordic AB and partly through a subscription in the rights issuance that Zinzino Nordic AB carried out in December. Through this, Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. By 31 December 2017, participating interest had increased to 93% of capital.
- 2010 – Zinzino shares were listed for trading on the Aktietorget stock market.
- 2011 – The group was expanded with companies in Estonia and Lithuania.
- 2012 – Companies were started in Latvia and Iceland.
- 2013 – A company was started in the United States with its headquarters in Jupiter, Florida.
- 2014 – The group was further expanded by companies in Poland and the Netherlands. In the same year, Zinzino AB acquired the remaining shares in BioActive Foods AS and 85% of the shares in Faun Pharma AS. This was also the year when Zinzino AB was listed for trading on Nasdaq OMX First North.
- 2015 – A company was started in Canada and the ownership share in Faun Pharma AS was increased to 98.8%.
- 2016 – A subsidiary was started in Germany. Sales were launched in all of the EU countries.
- 2017 – Sales were launched in Switzerland.
- 2018 – New subsidiaries in Romania and Italy.
- 2019 – New subsidiaries in Australia and India.
- 2020 – Acquisition of VMA Life in Singapore.




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APRIL - JUNE

- Total revenue increased by 53% to SEK 274.3 (179.5) million
- Gross profit amounted to SEK 73.5 (55.0) million and the gross profit margin was 26.8% (30.6%)
- EBITDA amounted to SEK 16.0 (11.0) million and the EBITDA margin to 5.8% (6.1%)
- Cash flow from operating activities totalled SEK 19.9 (2.9) million
- Continued mild impact on the business by the global Covid-19 outbreak
- Launch of new website for Zinzino Test

JANUARY-JUNE

- Total revenue increased by 48% to SEK 516.4 (347.8) million
- Gross profit amounted to SEK 157.2 (106.3) million, of which items affecting comparability regarding reporting of sales commissions amounted to SEK 22.2 million. Gross profit margin amounted to 30.4% (30.6%)
- EBITDA amounted to SEK 42.3 (22.8) million and the EBITDA margin to 8.2% (6.6%)
- Adjusted EBITDA amounted to SEK 20.1 million and the adjusted EBITDA margin to 3.9%
- Cash flow from operating activities totalled SEK 52.5 (17.8) million
- Liquid assets on the balance sheet date were SEK 107.2 (30.8) million
- Acquisition of VMA-Group in Singapore
- Despite prevailing circumstances, the Board adjusts the forecast to total revenues expected to exceed SEK 1,100 M (771) with an EBITDA margin exceeding 4.5%, but notes that uncertainty has increased due to Covid-19 and volatile exchange rate changes.

A man in a grey suit and tie is speaking at a podium. He is wearing a lapel microphone and has his hands raised in a gesture. The background is dark blue.

"This means that we expect growth of over 40% over the next two quarters."

ZINZINO ADJUSTS ANNUAL FORECAST AFTER A VERY STRONG GROWTH OF 53%

Our incredibly strong growth journey continues during the second quarter despite the Covid-19 pandemic. We are adjusting our forecast to SEK 1.1 billion for the full year and expect further improved profitability as a result of increased volume and economies of scale.

The trend speaks for Zinzino after six consecutive quarters of high growth. With 34% growth for the full year 2019, 48% during the first two quarters of the year and finally as much as 53% for the second quarter, it goes without saying that we are very much satisfied. Therefore, we are now adjusting our annual forecast by SEK 100 million to SEK 1,100 million for the full year 2020. This means that we expect growth of over 40% over the next two quarters. In other words, a super strong year in terms of growth.

The high growth gives us advantages in terms of volume and scale, which in turn results in better profitability. I have mentioned this for many years in my CEO statements, and it has been one of our strategic goals for the future. It is happening now and it is very promising!

WE HAVE A CLEAR VISION, AMBITIOUS GOALS AND A CLEAR STRATEGY

Our employees and our distributors know that we are working to inspire change in the world and that we have long-term goals to reach 20 million customers by 2035. We have a stated milestone of 1 million customers by 2025, a target which we should achieve since we currently have around 300,000 customers.

Our strategy is clear to everyone involved in Zinzino, employees and distributors, and we have the right structure and goals to implement our plans. The strategic plans for this year are to develop our website and IT, launch new products and open more new markets. We have a strong corporate culture and we've already been conducting some of our sales from home offices and online for many years, long before the global virus outbreak. We are well assured that Zinzino will become stronger from this particular period. We turn the problem around and use the situation to implement better online sales strategies, which will provide us with advantages for the future.

We are a Scandinavian test-based nutritional supplement company that has developed as interest in health has increased throughout the world. We are building a strong brand and developing high-quality products where customers can test the product's effect before and after consumption. This gives us a strong belief in the future, because many customers are looking for good, sustainable solutions in the area of preventive health care in order to improve their health. Good health is an important global trend, and now, after Covid-19, the trend will increase even faster than previously forecasted.

We are continuing to invest in technology, and recently launched a completely new BalanceTest website which is important for our company. This will increase understanding of our products, customer satisfaction and sales.

NEW MARKETS

We are investing heavily in new markets, and we have high confidence in the Asian market. We acquired VMA Life, a company operating in Hong Kong, Thailand, Taiwan, Singapore and Malaysia. We are now working to implement the company in Zinzino and start selling our Zinzino products within 3-6 months. We will be establishing ourselves in many large markets such as Russia, Ukraine, South Africa and India within the next 18 months.

ZINZINO & COVID-19

We have taken responsible precautions for all our employees, and many will continue to work from home until the pandemic enters the next phase. Most of our operations are online, and a lot of our work can be performed without travel. We are adapting and changing all of our activities aimed at sales and customers online in order to preserve growth.

We are particularly careful with our own manufacturing facility, and we have filled our warehouses with the necessary items so that our customers and distributors can order their products. We have opened an additional warehouse for Europe and thus increased our capacity by 50% in order to minimise risks and increase the speed of our deliveries to our customers.

The virus will affect us in different ways, but as I write this, our growth is continuing to expand despite the pandemic and all of the restrictions that have been introduced by different authorities. We are following the government's decisions to protect ourselves, our employees and to minimise the risks.

Dag Bergheim Pettersen

CEO Zinzino

Inspire Change in Life



FINANCIAL SUMMARY (SEK MILLION)

Key group figures	April-June 2020	April-June 2019	Jan-June 2020	Jan-June 2019	Jan-Dec 2019
Total revenue	274.3	179.5	516.4	347.8	770.6
Net turnover	258.8	165.9	485.7	322.1	710.8
Sales growth	53%	23%	48%	22%	34%
Gross profit	73.5	55.0	157.2	106.3	232.3
Gross profit margin	26.8%	30.6%	30.4%	30.6%	30.1%
Operating profit before depreciation and amortisation	16.0	11.0	42.3	22.8	33.5
Operating margin before depreciation and amortisation	5.8%	6.1%	8.2%	6.6%	4.4%
Adjusted operating profit before depreciation and amortisation	16.0	11.0	20.1	22.8	33.5
Adjusted operating margin before depreciation and amortisation	5.8%	6.1%	3.9%	6.6%	4.4%
Operating profit	11.1	6.2	32.7	13.8	14.8
Operating margin	4.1%	3.5%	6.3%	4.0%	1.9%
Profit/loss before tax	10.9	5.7	32.3	13.2	13.9
Net profit	8.5	5.2	25.3	10.9	11.3
Net margin	3.1%	2.9%	4.9%	3.1%	1.5%
Net earnings per share after tax before dilution, SEK	0.25	0.14	0.75	0.31	0.33
Net earnings per share after tax at full dilution, SEK	0.24	0.14	0.71	0.31	0.32
Cash flow from operating activities	19.9	2.9	52.5	17.8	71.3
Cash and cash equivalents	107.2	30.8	107.2	30.8	76.8
Equity/assets ratio	12.3%	15.0%	12.3%	15.0%	13.1%
Equity per share before dilution, SEK	1.41	1.30	1.42	1.30	1.24
Number of issued shares on average for the period	32,767,657	32,580,025	32,674,359	32,580,025	32,580,025
Average number of issued shares for the period with full dilution	34,258,865	32,785,520	34,290,843	32,676,710	32,846,326

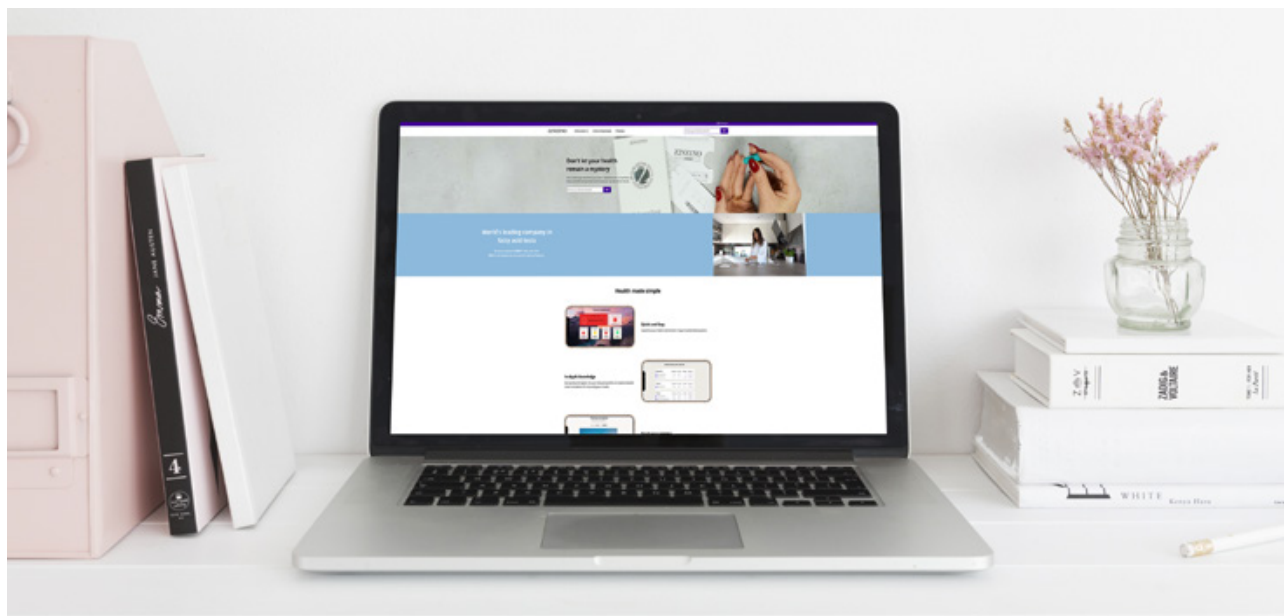
* In the January to June period, gross profit, operating profit before and after depreciation/amortisation are affected by SEK 22.2 million through changed accounting as a result of changed terms for distributor remuneration. Net profit was affected by SEK 17.4 million.

ZINZINO'S OUTLOOK AND FINANCIAL GOALS FOR 2020

Despite prevailing circumstances, the Board adjusts the forecast to total revenues expected to exceed SEK 1,100 M (771) with an EBITDA margin exceeding 4.5%, but notes that uncertainty has increased due to Covid-19 and volatile exchange rate changes.

During the period 2020 - 2022, the average growth in sales in Zinzino shall be at least 20% and the operating margin before depreciation shall increase to > 5%. The dividend policy shall be at least 50% of the free cash flow for as long as liquidity and equity / assets ratio allow.

SIGNIFICANT EVENTS DURING AND AFTER THE SECOND QUARTER OF 2020



Zinzinotest.com

CONTINUED MILD IMPACT OF COVID-19

During the second quarter, Zinzino continued to adapt and optimise operations to maintain good sales growth during the global pandemic outbreak of Covid-19. Overall, the company and its distributors have handled the transition to the digital communication and meeting culture very well. Zinzino has prioritised the health of its employees and taken measures to limit the spread according to instructions from the relevant authorities. In addition, Zinzino has prepared and taken measures to secure critical processes for the business, such as the handling of orders, support and commission payments to distributors in the event of any increased restrictions. Additionally, at the end of the second quarter, Zinzino's first fully digital international event was held via TV broadcast from Oslo, where several internationally known lecturers gave presentations to more than 2,000 distributors from around the world.

NEW LOGISTICS CENTRE IN POLAND FOR MORE EFFICIENT DELIVERIES TO CENTRAL EUROPE

In order to shorten the lead times for shipments to the countries in Central/Southern Europe, Zinzino, in collaboration with Radial Landmark, has opened a new logistics centre outside Warsaw in Poland. All packages to Poland, the Czech Republic, Slovakia, Romania, Bulgaria, Hungary, Slovenia, Croatia, Greece and Cyprus are shipped from the new warehouse. This new logistics solution means that customers and distributors in these fast-growing markets get their packages faster than before, which is an important factor in strong sales growth. An additional warehouse also increases the risk of possible regulatory measures from authorities, similar to those that slowed down deliveries from the French warehouse at the beginning of the quarter. Radial Landmark will also handle logistics in Hong Kong from the start of sales.

ZINZINO'S BALANCETEST WEBSITE HAS BEEN UPDATED

In early July 2020, Zinzino launched the completely redesigned BalanceTest website zinzinotest.com with improved functionality and design across the entire website. Zinzinotest.com shows the individual results anonymously from Zinzino's BalanceTest, a dry blood stain test for home use. Zinzino has currently performed over 500,000 analyses of these blood tests. The updated Zinzinotest.com provides in-depth information and recommendations on diet improvement, educating and helping customers and distributors to achieve better results. In addition, added and updated features allow customers and distributors to easily navigate the website and understand more about fatty acids in the body. The release of translated versions will occur in the autumn of 2020 and Zinzinotest.com will soon be available in 22 languages.



Hong Kong

ACQUISITION OF VMA LIFE IN SINGAPORE

In early April 2020, Zinzino signed the definitive acquisition agreement with VMA Life, a direct sales company in health and beauty. VMA operates in Malaysia, Thailand, Taiwan, Hong Kong and Singapore. Through the collaboration, Zinzino's products and business model are expected to increase sales as early as 2020. The acquisition of VMA Life will be completed during the third quarter as regulatory factors related to Covid-19 has delayed the process. During the month of July, Zinzino regulated a certain part of the purchase price. As of the reporting date, settlement of 50% of the fixed purchase price remains, which is intended to be settled before the end of the third quarter. In total, the fixed purchase price amounts to USD 0.4 million divided into 50% cash and 50% newly issued Zinzino shares. Conditional additional purchase payments will be added based on the sales development during 2020-2023. The total additional purchase consideration amounts to a maximum of USD 1.15 million divided into 50% cash and 50% shares. The acquisition is financed with own cash and the additional purchase sums will be generated through profits from VMA Life.

START OF SALES IN HONG KONG IS GETTING CLOSER

During the quarter, Zinzino continued to work on the establishment processes with a focus on Hong Kong and other Asian markets that have become available through the acquisition of VMA Life. In Hong Kong, a local office has been established and a contract with Radial Landmark regarding warehousing and logistics has been signed. In addition, two employees have been recruited and trained to be able to assist customers and distributors in the new market. The employees will be located at VMA's office in Kuala Lumpur. The start of sales in Hong Kong is expected to take place in September.

NEW SUBSIDIARY IN THE UK

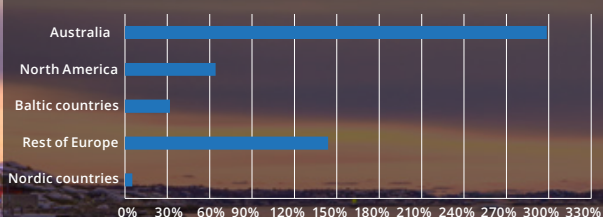
During the quarter, Zinzino opened a subsidiary in the United Kingdom, which at the same time gained status as a full-fledged market with adapted marketing materials and payment solutions. At the same time, a local legal entity could be an important factor for Zinzino in the country's upcoming exit from the European Union. Following multiple implemented establishment processes in recent years, the company has learned the importance of doing thorough preparatory work and adapting the business to the local conditions in each market. Zinzino will continue to develop "best practices" through the experiences the company has gained during the establishment processes to adapt its operations in order to achieve rapid growth in the new markets in 2020.

SALES AND PROFITS 2020

Q2

SECOND QUARTER SALES

In total, revenue for the first quarter of 2020 amounted to SEK 274.3 (179.5) million, which represented a growth of 53% compared with the corresponding period in the previous year.



NORDIC COUNTRIES

In the Nordic countries, total revenue increased by 5% to SEK 112.0 (106.4) million. Continued positive growth in Sweden after effective conversion to digital communication from the distributors during the Corona pandemic. Increased activity and growth in Norway following greater focus on the domestic market from important global distributors as a result of the country's restrictions. Increased growth in Denmark, where distributors also showed increased activity during the quarter. The decline continued at the same time in Finland and Iceland, where the distributor activity continued to be low in both markets. However, the activity level was deemed to be unchanged after the outbreak of Covid-19, which indicates that the distributors handled the digital conversion well.

Faun Pharma, the group's subsidiary and production unit, had high internal production during the quarter, but at the same time managed to increase external sales by 12% to SEK 16.0 (14.3) million.

BALTIC COUNTRIES

In the Baltic countries, revenues increased by a total of 32% to SEK 16.4 (12.4) million after strong sales growth and high distributor activity in Latvia and Lithuania. We could also see an increased growth in Estonia after a slightly weaker first quarter. The distributors in the Baltic countries handled the switch to digital communication due to the virus outbreak well.

REST OF EUROPE

Among the remaining markets in Europe, the excellent growth trend continued in many markets and combined revenues increased by 144% to 130.1, (53.7) million after generally high activity among the distributors. This is despite the global virus outbreak and heavy shutdowns in most of the region's countries. Growth continued to be very strong in the central European markets of Hungary, Poland, Czech Republic and Slovakia. A common cluster of distributors working in an organised way across national borders drives this growth in the area. There was also positive growth in Germany, Austria and Switzerland, where experienced distributor organisations run their operations in a similar way with good results. Strong growth was also seen in the UK/Ireland. Increased distributor activity in Greece and Cyprus strongly contributed to the growth in southern Europe, but at the same time was slowed by weak developments in Italy and Spain, which were affected very strongly by the regulatory measures taken by the authorities of both countries.

NORTH AMERICA

Revenues in North America increased by 64% till 9.0 (5.5) million in the second quarter compared with the previous year. This is mainly due to the successful collaboration with Life Leadership, which generated significant revenue in the region during the quarter. Zinzino will continue to adapt its digital platforms to North America, develop the collaboration with Life Leadership and continue to support the distributor network in 2020.

AUSTRALIA

The Australian market started sales in 2019 and the development has been positive since sales began. During the second quarter, revenues increased by 299% to a total of SEK 6.0 (1.5) million. Zinzino continues to support the building of the local sales organisation through Zinzino's organisation in Adelaide.

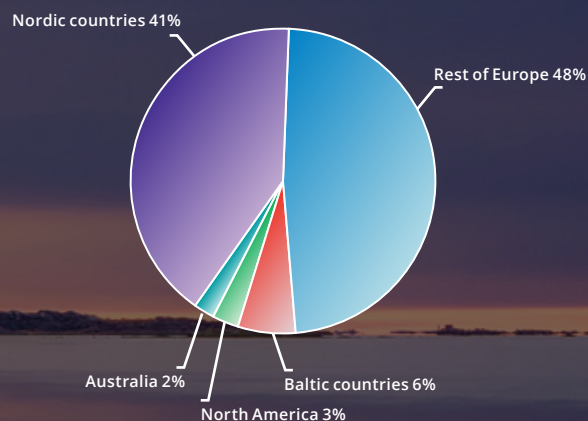
GEOGRAPHIC DISTRIBUTION

The rest of Europe was the strongest sales region in the second quarter and accounted for 48% (30%) of total sales. It also meant that for the first time in Zinzino's history, the Nordic countries were not the strongest region in terms of the geographical distribution of sales. During the second quarter, the Nordic region accounted for 41% (59%) of total sales. The succession was both logical and expected in terms of sales growth and the large distributor activity in the countries in the other parts of Europe. The Baltic countries reduced their share slightly to 6% (7%). North America accounted for 3% (3%) of the total revenue. The new region of Australia had strong performance during the quarter, accounting for the remaining 2% (1%) of total revenue.

SALES PER PRODUCT AREA

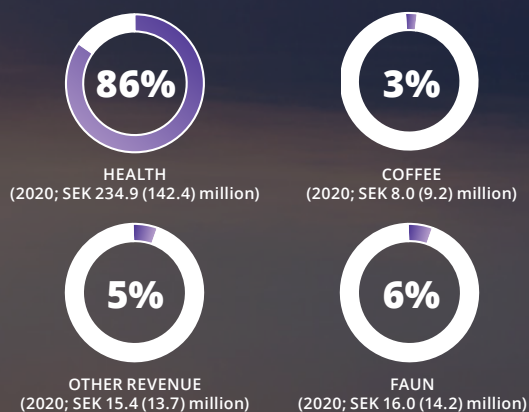
The Zinzino Health product segment increased by 65% to 234.9 (142.4) million and represented 86% (85%) of total revenue. The Zinzino Coffee product segment decreased by 13% till 8.0 (9.2) million, which corresponded to 3% (5%) of total revenue. Faun Pharma AS external sales increased by 12% after a higher share of external production during the quarter and amounted to SEK 16.0 (14.2) million, which corresponded to 6% (6%) of total revenue. Other revenue amounted to SEK 15.4 (13.7) million, which was equivalent to the remaining 5% (7%) of revenue for the quarter.

SALES BY REGION Q2



Sales
SEK million **274.3** (179.5)

SALES PER PRODUCT AREA Q2



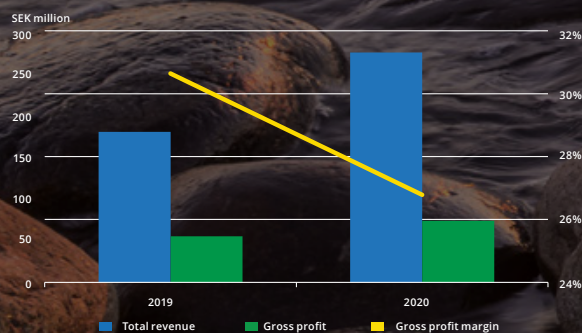
Q2

RESULTS AND FINANCIAL POSITION

Gross profit amounted to SEK 73.5 (55.0) million and gross profit margin to 26.8% (30.6%). Gross profitability slowed down during the quarter after increased raw material costs due to currency changes in the production of goods. In addition, the costs of distributors' remuneration increased following increased promotions aimed at distributors' organisations in order to maintain good sales growth during the Covid-19 outbreak.

Operating profit before depreciation/amortisation amounted to SEK 16.0 (11.0) million. The group's EBITDA margin was 5.8% (6.1%). Operating profit amounted to SEK 11.1 (6.2) million and the operating margin was 4.1% (3.5%). The margin improvement was achieved through the economies of scale that arose mainly through improved efficiency in IT systems, logistics and increased expertise within the organisation.

Profit before tax totalled SEK 10.9 (5.7) million and net profit was SEK 8.5 (5.2) million.



DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the quarter were charged to the profit for the period by SEK 4,810 (4,712) thousand, of which SEK 273 (298) thousand was depreciation of tangible fixed assets and SEK 4,537 (4,414) thousand was amortisation of intangible fixed assets. Of this, 2,627 (2,598) is amortisation of leases in accordance with IFRS 16.

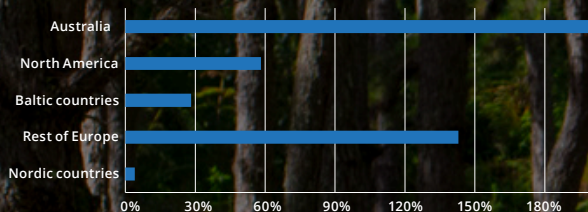


SALES AND PROFITS 2020

Q1-Q2

SALES

In total, revenue in 2020 amounted to SEK 516.4 (347.8) million which represented growth of 48% compared to the previous year.



* Australia's growth was 545%.

NORDIC COUNTRIES

The Nordic countries increased their total revenue by 4% to SEK 221.5 (212.9) million. Continued stable growth in Sweden, Norway and Denmark after effective conversion to digital communication from the distributors during the first six months. The trend has been increasingly clear during the year that sales growth is picking up again on the important markets of Norway and Denmark. The decline continued in Finland and Iceland, where the distributor activity continued to be low in both markets.

During the first half of 2020, Faun Pharma, the group's subsidiary and manufacturing unit, increased efficiency by optimising production planning, which resulted in external sales increasing by 21% to SEK 29.4 (24.2) million, while internal production more than doubled. Strengthening efficiency has been very important in securing the internal supply of goods during the strong sales growth that has taken place on the various Zinzino markets.

BALTIC COUNTRIES

In the Baltic countries, revenues increased by a total of 28% to SEK 33.4 (26.0) million after growth in Latvia and Lithuania. Zinzino's distributors in Latvia have for a long time had a major focus on customer growth by building long-term customer relationships with Zinzino's test-based balance concept, which contributed to the strong growth. In Lithuania, growth has also been positive for a relatively long time following increased distributor activity in the previous year, which continued during 2020. There is a stable sales situation in Estonia after a weaker first and stronger second quarter with increased order intake. Zinzino continues to support the sales organisations in the Baltic countries through marketing support and customer support.

REST OF EUROPE

The strong growth trend continued during the first half of the year among the remaining markets in Europe. Growth in all markets meant that revenues rose by a total of 143% to SEK 234.9 (96.7) million after generally high distributor activity. This is despite the global virus outbreak and heavy shutdowns in most of the region's countries. Growth continued to be very strong in the central European markets of Hungary, Poland, Czech Republic and Slovakia. A common cluster of distributors working in an organised way across national borders drives this growth in the area. There was also positive growth in Germany, Austria and Switzerland, where the experienced distributor organisations run their operations in a similar way with good results. The investments in the UK through the appointed local head of sales and the newly opened subsidiary have resulted in a sharp increase in sales despite major restrictions due to Covid-19, which results in Zinzino viewing the UK as one of the most potential markets in the coming half-year.

NORTH AMERICA

Revenues in North America increased by 58% during the first 6 months of the year to SEK 16.9 (10.7) million. This is mainly due to the successful collaboration with Life Leadership, which generated significant revenue in the region during the year. Zinzino will continue to adapt its digital platforms to North America, develop the collaboration with Life Leadership and support the distributor network.

AUSTRALIA

During the first 6 months of 2020, revenue totalled SEK 9.7 (1.5) million in Australia, resulting in a 545% growth. Through its establishment in Australia, Zinzino has succeeded in attracting distributors with important strategic contacts in most Asian countries where Zinzino is currently conducting establishment processes. For the upcoming opening in Hong Kong, these contacts may prove very important for the establishment and sales development through similar synergies that Zinzino had in the Central European markets.

A common feature of Zinzino's emerging markets is that they are run by committed distributors working in a structured and active way. They have a wide network of contacts across the borders to neighbouring countries, but with the company's geographic expansion, over longer distances. 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.

Zinzino is working long-term and investing considerable resources in the development of IT systems and marketing tools, which generate growth in both the short and the long term. When the company implements an expansion into a new market, this occurs mainly when the company's market analysis shows that there are good opportunities to establish an effective sales organisation locally. This is primarily achieved via contact to the already-established sales organisations in neighbouring markets. This is precisely the reason for 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 the case behind the launch in Australia and the ongoing new establishment project in Hong Kong/Asia and India.

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

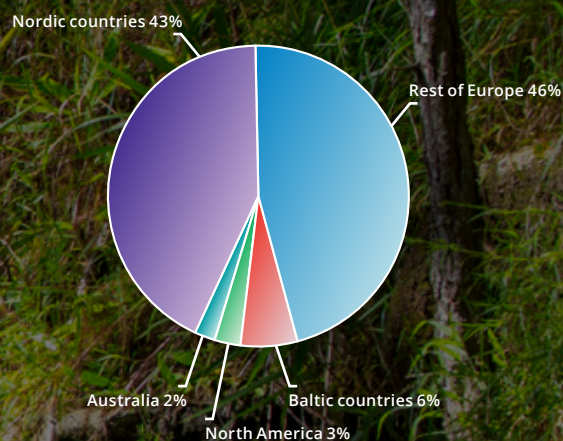
GEOGRAPHIC DISTRIBUTION

During the first 6 months of the year, the rest of Europe continued to increase its share of total revenue and accounted for 46% (28%), mainly through the favourable sales development in the central European countries. The Nordic countries continued to account for a significant part of the company's revenues, even though the share fell to 43% (61%) of total sales and the Baltic countries reduced their share to 6% (8%). North America accounted for 3% (3%) of total revenue and Australia the remaining 2% (0%) of revenue.

SALES PER PRODUCT AREA

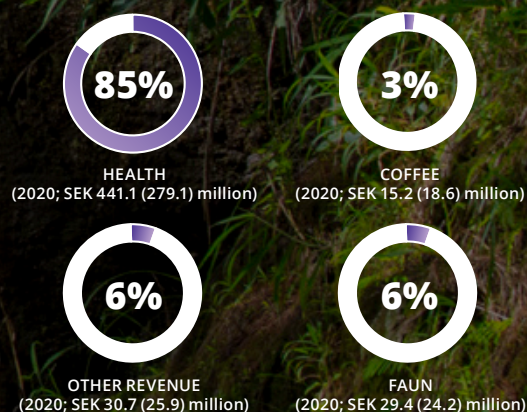
The Zinzino Health product segment increased by 58% to SEK 441.1 (279.1) million and represented 85% (80%) of total revenue. The Zinzino Coffee product segment decreased by 19% to SEK 15.2 (18.6) million, which corresponded to 3% (5%) of total revenue. Faun Pharma AS external sales increased by 21% after more efficient external production during the year and amounted to SEK 29.4 (24.2) million, which corresponded to 6% (7%) of total revenues. Other revenues amounted to SEK 30.7 (25.9) million, corresponding to the remaining 6% (8%) of revenue for the first half of 2020.

SALES BY REGION Q1-Q2



Sales
SEK million **516.4** (347.8)

SALES PER PRODUCT AREA Q1-Q2

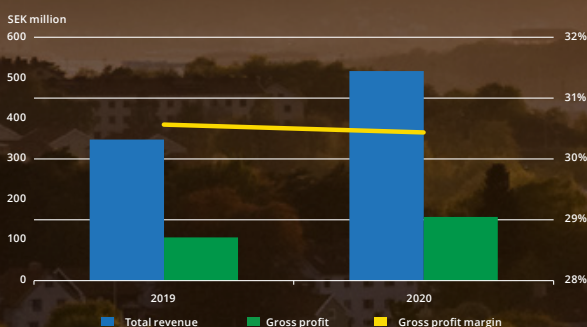


Q1-Q2

RESULTS AND FINANCIAL POSITION

Gross profit amounted to SEK 157.2 (106.3) million and gross profit margin to 30.4% (30.6%). A one-off effect due to changed accounting for distributor remuneration improved gross profit by SEK 22.2 million during the first quarter. Due to a minor adjustment in the general terms with the distributors, the costs are reported during the same period as the revenues, whereby the matching of revenue and costs will be better. The new terms apply from 01/01/2020 with the one-off effect of the change affecting the profits during the period.

At the same time, gross profitability was slowed down by increased raw material prices due to currency fluctuations and temporary increased revenue-stimulating promotions aimed at distributors' organisations in order to maintain good sales growth during the Covid-19 outbreak.



Operating profit before depreciation/amortisation amounted to SEK 42.3 (22.8) million. The group's EBITDA margin was 8.2% (6.6%). Adjusted operating profit before depreciation amounted to SEK 20.1 million and the adjusted EBITDA margin amounted to 3.9%.

Operating profit amounted to SEK 32.7 (13.8) million and the operating margin was 6.3% (4.0%).

Profit before tax totalled SEK 32.3 (13.2) million and net profit was SEK 25.3 (10.9) million.

INVENTORIES

The group's combined inventories at the balance sheet date were SEK 105.5 (82.0) million. The increase was mainly due to the company establishing another external warehouse in Poland as a result of the increased sales in Central and Eastern Europe, but also because the company built up the inventory level in Australia to be able to ensure efficient deliveries to the growing customer base in the country.

FINANCIAL POSITION

On the balance sheet date, cash totalled SEK 107.2 (30.8) million. Cash flow for the period from operating activities amounted to SEK 52.5 (17.8) million. The group's equity/assets ratio was 12% (15%). Equity in the group at the end of the period amounted to SEK 46.3 (42.3) million, corresponding to SEK 1.41 (1.30) per share. The assessment of the board of directors is that liquid assets are at a satisfactory level and that the group's positive cash flow from operating activities will ensure liquidity in the group for the foreseeable future.

THE ORGANISATION

During the second quarter, Zinzino strengthened its marketing and IT department to handle digital media and platforms more efficiently. Otherwise, the quarter was marked by the change that Covid-19 entailed, where the company placed great focus on the employees' health and well-being. In the resulting situation, Zinzino took measures to limit the spread according to instructions from the relevant authorities. In addition, Zinzino has prepared and taken measures to secure critical processes for the business, such as the handling of orders, support and commission payments to distributors in the event of any increased restrictions on operations.

The number of employees in the group at the end of the year totalled 154 (129) people, of which 100 (77) are women. In addition, there were 18 (8) people, of which 6 (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. The global outbreak of Covid-19 also shows great risks due to unexpected events in the outside world that have a major impact on the company. For an in-depth description of risks and other uncertainty factors, please see the annual report for 2019, which is available via the company website: <https://zinzinowebstorage.blob.core.windows.net/reports/Zinzino-Arsredovisning-2019.pdf>. Compared to the annual report published on 24 April 2020, no new risks have been identified.

NUMBER OF OUTSTANDING SHARES

As at 30/06/2020, the share capital was divided among 33,042,595 shares, of which 5,113,392 are A shares (one vote) and 27,929,203 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, as of the report date, has two outstanding options programmes. The first options programme will cover 800,000 warrants at an exercise price of SEK 18. The second options programme will cover 1,000,00 warrants at an exercise price of SEK 45. The option programme expires on 31/05/2025.

If all the warrants issued on 30/06/2020 are exercised for new subscriptions of 1,800,000 shares, the share capital dilution will be approximately 6%.





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ACCOUNTING PRINCIPLES

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

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

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

THE ANNUAL MEETING OF SHAREHOLDERS

The 2020 annual meeting of shareholders was held on 15 May at 13.30 in the company's offices at Hulda Mellgrens Gata 5 in Västra Frölunda. For further information on the annual general meeting, please refer to the company's website www.zinzino.com.

REPORT CALENDAR

The interim report for Q3 2020 will be published on 20/11/2020

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

Interim report Q1 2021 will be published on 14/05/2021

GROUP REPORT

SUMMARY OF COMPREHENSIVE INCOME

Amounts in SEK thousands	01/04/2020 30/06/2020	01/04/2019 30/06/2019	01/01/2020 30/06/2020	01/01/2019 30/06/2019	01/01/2019 31/12/2019
Net turnover	258,841	165,900	485,713	322,082	710,777
Other revenue	15,312	12,366	30,273	24,052	57,116
Own work capitalised	139	1,244	405	1,657	2,662
Goods for resale and other direct costs	-200,822	-124,548	-359,234	-241,477	-538,252
Gross profit	73,470	54,962	157,157	106,314	232,303
External operating expenses (incl. Currency)	-32,906	-24,104	-66,022	-43,959	-115,806
Personnel costs	-24,609	-19,903	-48,880	-39,542	-82,968
Depreciation/amortisation	-4,810	-4,712	-9,579	-8,978	-18,751
Operating profit	11,145	6,243	32,676	13,835	14,778
Net interest income	-205	-499	-393	-667	-893
Tax	-2,392	-514	-6,944	-2,293	-2,584
PROFIT/LOSS FOR THE PERIOD	8,548	5,230	25,339	10,875	11,301

OTHER COMPREHENSIVE PROFIT/LOSS

Items that may be reclassified to profit/loss for the period

Currency exchange differences upon conversion of foreign subsidiaries	371	1,720	-5,210	3,851	1,421
Other comprehensive profit/loss for the period	371	1,720	-5,210	3,851	1,421
OTHER COMPREHENSIVE PROFIT/LOSS FOR THE PERIOD	8,919	6,950	20,129	14,726	12,722

Profit/loss for the period attributable to

Parent company's shareholders	8,328	4,591	24,450	10,014	10,662
Non-controlling interest	220	639	889	861	640
TOTAL	8,548	5,230	25,339	10,875	11,301

Total comprehensive profit/loss for the period attributable to

Parent company's shareholders	8,699	6,311	19,240	13,860	12,082
Non-controlling interest	220	639	889	866	640
TOTAL	8,919	6,950	20,129	14,726	12,722

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

Amounts in SEK

Earnings per share before dilution	0.25	0.14	0.75	0.31	0.33
Earnings per share after dilution	0.24	0.14	0.71	0.31	0.32

GROUP REPORT

SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	30/06/2020	30/06/2019	31/12/2019
Fixed assets			
Goodwill	28,964	34,998	33,513
Other intangible fixed assets	14,842	18,322	16,969
Equipment, tools and installations	6,256	5,794	5,951
Right-of-Use Assets	40,466	49,041	43,817
Financial fixed assets	3,621	6,770	7,953
Total fixed assets	94,149	114,925	108,203
Current assets			
Inventories	105,450	82,049	88,864
Current receivables	35,596	33,344	22,361
Pre-paid costs and accrued revenues	33,676	20,089	10,386
Cash and bank balances	107,202	30,797	76,837
Total current assets	281,924	166,279	198,448
TOTAL ASSETS	376,073	281,204	306,650
Equity			
Share capital	3,304	3,258	3,258
Other contributed capital	12,804	12,804	12,804
Retained earnings including profit/loss for the period	30,208	26,226	24,225
Total equity	46,316	42,288	40,287
Long-term liabilities			
Lease liabilities	29,468	38,403	33,087
Other long-term liabilities	1,530	537	1,530
Total long-term liabilities	30,998	38,940	34,617
Current liabilities			
Supplier liabilities	42,037	20,944	35,658
Tax liabilities	4,083	1,586	2,614
Leasing liabilities	10,998	10,668	10,730
Other current liabilities	143,406	94,887	101,078
Accrued costs and deferred revenues	98,235	71,891	81,666
Total current liabilities	298,759	199,976	231,746
TOTAL EQUITY AND LIABILITIES	376,073	281,204	306,650

GROUP REPORT

SUMMARY OF CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Other contributed capital	Currency translation reserves	Retained earnings including Profit/loss for the period	Total	Non-controlling interest	Total Equity
Opening balance 01/01/2019	3,258	12,804	18	27,066	43,146	7,222	50,368
Profit/loss for the period	-	-	-	10,014	10,014	861	10,875
Other comprehensive profit/loss for the period	-	-	3,847	-	3,847	4	3,851
Share repurchase	-	-	-	2	2	-2	-
Dividends	-	-	-	-22,806	-22,806	-	-22,806
Closing balance 30/06/2019	3,258	12,804	3,865	14,276	34,203	8,085	42,288
Opening balance 01/07/2019	3,258	12,804	3,865	14,276	34,203	8,085	42,288
Profit/loss for the period	-	-	-	648	648	-221	426
Other comprehensive profit/loss for the period	-	-	-2,430	-	-2,430	3	-2,427
Share repurchase	-	-	-	1	1	-1	-
Change of the minority	-	-	-	595	595	-595	-
Closing balance 31/12/2019	3,258	12,804	1,435	15,520	33,016	7,271	40,287
Opening balance 01/01/2020	3,258	12,804	1,435	15,520	33,016	7,271	40,287
Profit/loss for the period	-	-	-	24,450	24,450	889	25,339
Other comprehensive profit/loss for the period	-	-	-5,210	-	-5,210	-	-5,210
Change of the minority	-	-	-	845	845	-845	-
Rights issue	46	-	-	8,841	8,887	-	8,887
Dividends	-	-	-	-22,987	-22,987	-	-22,987
Closing balance 30/06/2020	3,304	12,804	-3,775	26,669	39,001	7,315	46,316

GROUP REPORT

SUMMARY OF CASH FLOWS

Amounts in SEK thousands	01/04/2020 30/06/2020	01/04/2019 30/06/2019	01/01/2020 30/06/2020	01/01/2019 30/06/2019	01/01/2019 31/12/2019
Operating activities					
Profit/loss before financial items	11,145	6,243	32,676	13,835	14,778
Depreciation and amortisation/write-downs	4,810	4,712	9,579	8,978	18,751
Currency fluctuations	1,714	-1,813	1,738	-2,735	860
	17,668	9,142	43,993	20,078	34,389
Interest received	19	20	60	81	390
Interest paid	-224	-202	-452	-431	-1,125
Tax paid	-588	-37	-1,143	-50	-78
	-793	-219	-1,536	-400	-813
Cash flow from operating activities before changes in operating capital	16,876	8,923	42,457	19,678	33,576
Cash flow from changes in operating capital					
Change in inventories	-12,414	-10,952	-16,586	-17,365	-24,180
Change in current receivables	-7,653	-18,145	-36,525	-18,937	1,750
Change in current liabilities	23,090	23,072	63,143	34,378	60,120
Cash flow from operating activities	19,899	2,898	52,489	17,754	71,266
Investment activity					
Investments in intangible fixed assets	-1,118	-1,905	-1,693	-2,403	-4,458
Investments in financial fixed assets	-	-	-	-106	-183
Investments in tangible fixed assets	-410	-434	-838	-1,629	-2,415
Cash flow from investment activities	-1,528	-2,339	-2,531	-4,138	-7,056
Financing activities					
Amortisation of lease liabilities attributable to lease agreements	-4,942	-2,754	-5,493	-5,472	-10,975
Release of options	-	-	-	-	949
Rights issue	8,887	-	8,887	-	-
Dividends	-22,987	-22,806	-22,987	-22,806	-22,806
Cash flow from financing activities	-19,042	-25,560	19,593	-28,278	-32,832
CASH FLOW FOR THE PERIOD	-671	-25,001	30,365	-14,662	31,378
Cash and cash equivalents at start of period	107,873	55,798	76,837	45,459	45,459
Cash and cash equivalents at end of period	107,202	30,797	107,202	30,797	76,837
Change in cash and cash equivalents	-671	-25,001	30,365	-14,662	31,378

PARENT COMPANY REPORT

SUMMARY INCOME STATEMENT

Amounts in SEK thousands	01/04/2020 30/06/2020	01/04/2019 30/06/2019	01/01/2020 30/06/2020	01/01/2019 30/06/2019	01/01/2019 31/12/2019
Net turnover	2,336	-	3,836	1,500	7,670
Other revenue	29	-	443	-	2,359
Goods for resale and other direct costs	-1,125	-	-1,125	-	-
Gross profit	1,240	-	3,154	1,500	10,029
External operating expenses	-3,508	-877	-6,947	-1,879	-6,640
Depreciation/amortisation	-88	-88	-176	-176	-353
Operating profit	-2,356	-965	-3,969	-555	3,036
Net financial items and currency	395	-14	-140	31	19,942
Tax	-	97	-	-	-646
PROFIT/LOSS FOR THE PERIOD	-1,961	-882	-4,109	-524	22,332

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 REPORT

SUMMARY OF FINANCIAL POSITION

Amounts in SEK thousands	30/06/2020	30/06/2019	31/12/2019
Fixed assets			
Right-of-Use Assets	1,491	1,297	1,129
Financial fixed assets	83,776	83,269	83,157
Total fixed assets	85,267	84,566	84,286
Current assets			
Inventory	588	-	-
Current receivables	265	293	-
Group receivables	12,497	3,303	16,459
Pre-paid costs and accrued revenues	3,756	682	2,710
Cash and bank balances	10,586	705	2,173
Total current assets	27,692	4,983	21,342
TOTAL ASSETS	112,959	89,549	105,628
Equity			
Share capital	3,304	3,258	3,258
Restricted equity	1,129	1,381	1,129
Unrestricted equity	10,726	2,288	2,540
Profit/loss for the period	-4,109	-524	22,332
Total equity	11,050	6,403	29,259
Liabilities			
Long-term liabilities	17,006	16,206	17,006
Current liabilities	2,698	7,736	1,438
Group liabilities	79,482	58,672	56,681
Accrued costs and deferred revenues	2,723	532	1,244
Total liabilities	101,909	83,146	76,369
TOTAL EQUITY AND LIABILITIES	112,959	89,549	105,628

PARENT COMPANY REPORT

SUMMARY OF CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Fund for development expenditures	Share premium reserve	Retained earnings including Profit/Loss for the period	Total equity
Opening balance 01/01/2019	3,258	1,465	22,138	2,872	29,733
Profit/loss for the period				-524	-524
Reversal of internally generated intangible assets	-	-84	-	84	-
Dividends	-	-	-	-22,806	-22,806
Closing balance 30/06/2019	3,258	1,381	22,138	-20,374	6,403
Opening balance 01/07/2019	3,258	1,381	22,138	-20,374	6,403
Profit/loss for the period	-	-	-	22,857	22,857
Reversal of own reprocessing intangible assets	-	-252	-	252	-
Closing balance 31/12/2019	3,258	1,129	22,138	2,734	29,259
Opening balance 01/01/2020	3,258	1,129	22,138	2,734	29,259
Profit/loss for the period	-	-	-	-4,109	-4,109
Rights issue	46	-	8,841	-	8,887
Dividends	-	-	-	-22,987	-22,987
Closing balance 30/06/2020	3,304	1,129	30,979	-24,362	11,050

PARENT COMPANY REPORT

SUMMARY OF CASH FLOWS

Amounts in SEK thousands	01/04/2020 30/06/2020	01/04/2019 30/06/2019	01/01/2020 30/06/2020	01/01/2019 30/06/2019	01/01/2019 31/12/2019
Operating activities					
Profit/loss before financial items	-2,356	-965	-3,969	-555	3,036
Depreciation and amortisation/write-downs	88	88	176	176	353
Currency rate fluctuations/Other items not affecting liquidity	395	80	-161	35	-92
	-1,873	-797	-3,954	-344	3,297
Interest received	-	-	23	-	55
Interest paid	-	-4	-1	-4	-4
Tax paid	-	-	-	-	-
	-	-4	22	-4	51
Cash flow from operating activities before changes in operating capital	-1,873	-801	-3,932	-348	3,348
Cash flow from changes in operating capital					
Change in inventories	-588	-	588	-	-
Change in current receivables	13,201	-2,215	2,651	-2,742	-11,293
Change in current liabilities	12,096	24,663	23,663	25,671	31,263
Cash flow from operating activities	22,836	21,647	23,663	22,581	23,318
Investment activity					
Investments in intangible fixed assets	-615	-	-531	-	-
Investments in financial fixed assets	-571	-1	-619	-107	-176
Investments in tangible fixed assets	-	-	-	-	-
Cash flow from investment activities	-1,186	-1	-1,150	-107	-176
Financing activities					
Option issue	-	-	-	-	800
Rights issue	8,887	-	8,887	-	-
Dividends	-22,987	-22,806	-22,987	-22,806	-22,806
Cash flow from financing activities	-14,100	-22,806	-14,100	-22,806	-22,006
CASH FLOW FOR THE PERIOD	7,550	-1,160	8,413	-332	1,136
Cash and cash equivalents at start of period	3,035	1,865	2,173	1,037	1,037
Cash and cash equivalents at end of period	10,586	705	10,586	705	2,173
Change in cash and cash equivalents	7,550	-1,160	8,413	-332	1,136

NOTE 1

SEGMENT INFORMATION

Description of segments and main activities:

A business segment is part of a company which carries out business activities from which it can obtain revenue and incur costs, the contribution of which is regularly reviewed by the company's highest executive decision-maker, and for which there is independent financial information.

The company's reporting of business segments is in line with the internal reporting to the highest executive decision-maker. The highest executive decision-maker is the position that assesses the earnings of the business segment and decides on the allocation of resources. The CEO is the highest executive decision-maker together with the group CFO and the controller manager. Together, they form the strategic steering group at Zinzino. The strategic steering group assesses the operations based on the two business segments Zinzino and Faun.

The steering group mainly uses profit/loss before financial items in the assessment of business segment earnings. Segment reporting is divided based on the main segment of the business "Zinzino", which includes the product areas Health, Coffee and Other income.

The product area Health includes the sub-areas of Balance, Immune & 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 and operating earnings (see below) to assess the business segment profit/loss.

April-June 2020	Zinzino	Faun	Group elimination	Total Group
Net turnover	242,879	37,239	-21,277	258,841
Other revenue	15,312	-	-	15,312
Own work capitalised	139	-	-	139
Goods for resale and other direct costs	-222,099	-	21,277	-200,822
Gross profit	36,231	37,239	-	73,470
External operating expenses	-31,665	-1,242	-	-32,907
Personnel costs	-20,051	-4,558	-	-24,609
EBITDA	-15,485	31,439	-	15,954
Depreciation/amortisation	-3,556	-1,254	-	-4,810
Operating profit	-19,041	30,185	-	11,145
April-June 2019	Zinzino	Faun	Group elimination	Total Group
Net turnover	151,655	24,548	-10,303	165,900
Other revenue	12,366	-	-	12,366
Own work capitalised	1,244	-	-	1,244
Goods for resale and other direct costs	-117,728	-17,123	10,303	-124,548
Gross profit	47,537	7,425	-	54,962
External operating expenses	-25,220	1,116	-	-24,104
Personnel costs	-15,519	-4,384	-	-19,903
EBITDA	6,798	4,157	-	10,955
Depreciation/amortisation	-3,596	-1,116	-	-4,712
Operating profit	3,202	3,041	-	6,243

Jan-June 2020	Zinzino	Faun	Group elimination	Total Group
Net turnover	456,312	68,566	-39,165	485,713
Other revenue	30,273	-	-	30,273
Own work capitalised	405	-	-	405
Goods for resale and other direct costs	-377,249	-21,150	39,165	-359,234
Gross profit	109,741	47,416	-	157,157
External operating expenses	-63,037	-2,985	-	-66,022
Personnel costs	-38,510	-10,370	-	-48,880
EBITDA	8,194	34,061	-	42,255
Depreciation/amortisation	-7,076	-2,504	-	-9,579
Operating profit	1,118	31,557	-	32,676
Jan-June 2019	Zinzino	Faun	Group elimination	Total Group
Net turnover	297,900	45,861	-21,679	322,082
Other revenue	24,052	-	-	24,052
Own work capitalised	1,657	-	-	1,657
Goods for resale and other direct costs	-231,688	-31,468	21,679	-241,477
Gross profit	91,921	14,393	-	106,314
External operating expenses	-43,850	-109	-	-43,959
Personnel costs	-30,584	-8,958	-	-39,542
EBITDA	17,487	5,326	-	22,813
Depreciation/amortisation	-6,627	-2,351	-	-8,978
Operating profit	10,860	2,975	-	13,835
Jan-Dec 2019	Zinzino	Faun	Group elimination	Total Group
Net turnover	665,113	101,111	-55,447	710,777
Other revenue	57,116	-	-	57,116
Own work capitalised	2,662	-	-	2,662
Goods for resale and other direct costs	-525,293	-68,406	55,447	-538,252
Gross profit	199,598	32,705	-	232,303
External operating expenses	-109,977	-5,829	-	-115,806
Personnel costs	-64,194	-18,774	-	-82,968
EBITDA	25,427	8,102	-	33,530
Depreciation/amortisation	-13,775	-4,976	-	-18,751
Operating profit	11,652	3,126	-	14,778

NOTE 2 NET TURNOVER

Revenues

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

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

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

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

April-June 2020	Zinzino	Faun	Total Group
Net turnover	242,879	15,962	258,841
Revenue from external customers	242,879	15,962	258,841
Goods within Zinzino Health	234,863	-	234,863
Goods within Zinzino Coffee	8,016	-	8,016
Sales of external goods Faun	-	15,962	15,962
Events and other services	-	-	-
TOTAL	242,879	15,962	258,841
April-June 2019	Zinzino	Faun	Total Group
Net turnover	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
Jan-June 2020	Zinzino	Faun	Total Group
Net turnover	456,312	29,401	485,713
Revenue from external customers	456,312	29,401	485,713
Goods within Zinzino Health	441,153	-	441,153
Goods within Zinzino Coffee	15,159	-	15,159
Sales of external goods Faun	-	29,401	29,401
Events and other services	-	-	-
TOTAL	456,312	29,401	485,713

Jan-June 2019	Zinzino	Faun	Total Group
Net turnover	297,900	24,182	322,082
Revenue from external customers	297,900	24,182	322,082
Goods within Zinzino Health	279,169	-	279,169
Goods within Zinzino Coffee	18,602	-	18,602
Sales of external goods Faun	-	24,182	24,182
Events and other services	129	-	129
TOTAL	297,900	24,182	322,082

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

NOTE 3 TRANSACTIONS WITH CLOSELY RELATED PARTIES

	April-June 2020	April-June 2019	Jan-June 2020	Jan-June 2019	Jan-Dec 2019
Compensation for sales services performed Saele Invest AS	8,239	5,622	15,803	11,870	25,977
Other Saele Invest AS	-	-	-	-	-81
Total Saele Invest AS*	8,239	5,622	15,803	11,870	25,896
Compensation for sales services performed Oh Happy Day ApS**	1,460	852	2,896	1,753	4,764
Onward invoiced establishment costs Australia Oh Happy Day ApS***	-	-	-437	-	-2,538
Total Oh Happy Day AS	1,460	852	2,459	1,753	2,226
Total	9,699	6,474	18,262	13,623	28,122

As of 30/06/2020, the debt to Saele Invest AS relating to sales commissions amounts to SEK 0 (0) thousand and to Oh Happy Day ApS to SEK 11 (11) thousand in the group. All sales commissions paid to closely related parties with significant influence are calculated according to the same commission plan and under the same terms as for all other distributors within Zinzino's global sales organisation.

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

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

*** Compensation according to agreement for 75% of the company's establishment costs in Australia 2019/2020 from Oh Happy Day ApS. The receivable from the company as of 30/06/2020 amounts to SEK 2,358 (0) thousand.

NOTE 4 EARNINGS PER SHARE

SEK	April-June 2020	April-June 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Earnings per share before dilution	0.25	0.14	0.75	0.31	0.33
Earnings per share after dilution	0.24	0.14	0.71	0.31	0.32

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	8,328	4,591	24,450	10,014	10,662
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Number of shares

Weighted average number of ordinary shares in calculating earnings per share before dilution	32,767,657	32,580,025	32,674,359	32,580,025	32,580,025
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Adjustment for calculation of earnings per share after dilution (of warrents)

Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating earnings per share after dilution	34,258,865	32,785,520	34,290,843	32,676,710	32,846,326
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NOTE 5 EVENTS AFTER THE END OF THE INTERIM PERIOD

COMPLETION OF ACQUISITION OF VMA LIFE IN SINGAPORE.

The acquisition of VMA Life will be completed during the third quarter as regulatory factors related to Covid-19 has delayed the process. During the month of July, Zinzino regulated a certain part of the purchase price. As of the reporting date, settlement of 50% of the fixed purchase price remains, which is intended to be settled before the end of the third quarter. In total, the fixed purchase price amounts to USD 0.4 million divided into 50% cash and 50% newly issued Zinzino shares. Conditional additional purchase payments will be added based on the sales development during 2020-2023. The total additional purchase consideration amounts to a maximum of USD 1.15 million divided into 50% cash and 50% shares. The acquisition is financed with own cash and the additional purchase sums will be generated through profits from VMA Life.

NOTE 6 FINANCIAL METRICS NOT DEFINED IN ACCORDANCE WITH IFRS

The company presents certain financial metrics in the interim report that are not defined in accordance with IFRS or the Annual Accounts Act. The company believes that these metrics provide valuable additional information to investors and the company's management as they allow the company's 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 revenue as a percentage change compared with the total revenue for the corresponding period of the previous year.	This metric is useful to follow as it shows the sales trend in the group.
Gross profit	The result of the total revenue reduced by goods for resale.	This metric is useful to examine 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 for creating 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 operating activities	Cash flow from operational business including changes in the operating profit/loss.	This metric measures the cash flow the company generates before capital investments and cash flow attributed to the company's financing.
Equity/assets ratio	Equity in relation to the balance sheet total.	This metric is an indicator of the company's leverage to finance the company.



GOTHENBURG, 28 AUGUST 2020

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

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

Zinzino AB

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Gothenburg, 28 August 2020

Hans Jacobsson
Chairman of the Board

Pierre Mårtensson
Board member

Ingela Nordenhav
Board member

Staffan Hillberg
Board member

Dag Bergheim Pettersen
Chief Executive Officer

AUDITOR REVIEW

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





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