

ZINZINO



INTERIM REPORT 2018 | Q2

THIS IS ZINZINO

Zinzino AB (publ.) is a direct selling company that operates in Europe and North America. Zinzino markets and sells products in two productlines: Zinzino Health, with a focus on long-term health and Zinzino Coffee, comprising espresso machines, coffee and tea.

Zinzino also owns the Norwegian research company Bioactive Foods AS and the production unit Faun Pharma AS. Zinzino has over 120 employees. The company is headquartered in Gothenburg and has offices in Helsinki, Riga, Oslo and Florida, USA. Zinzino is a public limited liability company whose shares are listed on Nasdaq First North.

In 2016, Zinzino was named a “Super Company” by Veckans Affärer (Swedish industry website) and a “Gazelle Company” by Dagens Industri (Sweden’s largest daily business newspaper).

BRIEF HISTORY

2007 - Zinzino AB was founded. The Company’s primary activity is owning and developing companies within direct selling and related activities.

2009 - Zinzino Nordic AB was acquired partly through a directed share issue to the owners of Zinzino Nordic AB and partly by subscription in the preferential rights issue Zinzino Nordic AB conducted in December 2009. This allowed Zinzino AB to gain control of 97% of the votes and 92% of the capital of Zinzino Nordic AB. As at 31 December 2015, ownership had increased to 93% of the capital.

2010 - The Zinzino share was listed for trading on Aktietorget’s trading venue.

2011 - The Group expanded with companies in Estonia and Lithuania.

2012 - Companies were also launched in Latvia and Iceland.

2013 - A company was started in the USA with its headquarters in Jupiter, Florida.

2014 - The Group was expanded further with companies in Poland and the Netherlands. That 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 - Companies were started in Canada and ownership in Faun Pharma AS was extended to 98.8%.

2016 - A subsidiary was started in Germany.
- Sales were opened to all EU countries.

2017 - A subsidiary was started in Romania. Sales were opened to Switzerland.

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THE QUARTER IN REVIEW

- Total revenue increased by 5% to SEK 144.3 million (137.3)
- Gross profit increased by 25% and amounted to SEK 46.4 million (37.2)
- The gross profit margin increased by 5.0 percentage points to 32.1% (27.1%)
- EBITDA increased by 244% and amounted to SEK 5.5 million (1.6)
- The EBITDA margin increased by 2.6 percentage points to 3.8% (1.2%).
- Collaboration has been initiated with the American company Naxum regarding marketing in social media
- Warehousing in France is contributing to positive sales growth in Central Europe

THE HALF-YEAR IN REVIEW

- Total revenue increased by 6% to SEK 281.9 million (265,5)
- Gross profit increased by 22% and amounted to SEK 93.0 million (76.2)
- The gross profit margin increased by 4.3 percentage points to 33.0% (28.7%)
- EBITDA increased by 90% and amounted to SEK 13.9 million (7.3)
- The EBITDA margin increased by 2,1 percentage points to 4.9% (2,8%)
- Cash flow from operating activities amounted to SEK 10.1 million (15.3)
- On the balance sheet date, cash and cash equivalents amounted to SEK 42.9 million (26.6)


FINANCIAL SUMMARY (SEK MILLIONS)

THE GROUP'S KEY RATIOS	Q2 - 2018	Q2 - 2017	ACC. 2018	ACC. 2017	FULL-YEAR 2017
Total revenue	144.3	137.3	281.9	265.5	540.3
Net sales	132.5	125.0	258.1	242.8	495.1
Sales growth	5%	28%	6%	22%	13%
Gross profit	46.4	37.2	93.0	76.2	159.8
Gross profit margin	32.1%	27.1%	33.0%	28.7%	29.6%
Operating profit/loss before depreciation	5.5	1.6	13.9	7.3	11.1
Operating margin before depreciation	3.8%	1.2%	4.9%	2.8%	2.1%
Operating profit/loss	2.6	-0.7	8.1	2.8	1.0
Operating margin	1.8%	-0.5%	2.9%	1.1%	0.2%
Earnings before tax	2.5	-0.7	8.0	2.7	0.8
Net profit	1.7	-1.0	5.2	0.9	-0.8
Net margin	1.1%	-0.8%	1.9%	0.3%	-0.2%
Net profit/loss per share after tax, before dilution, SEK	0.05	-0.03	0.16	0.03	-0.03
Net profit/loss per share after tax, at full dilution, SEK	0.05	-0.03	0.15	0.03	-0.02
Cash flow from operating activities	-0.8	7.6	10.1	15.3	38.0
Cash and cash equivalents	42.9	26.6	42.9	26.6	48.4
Equity/assets ratio	40%	48%	40%	48%	44%
Equity per share SEK before dilution	2.17	2.51	2.17	2.51	2.47
Number of issued shares on average for the period	32,580,025	32,580,025	32,580,025	32,580,025	32,580,025
Number of issued shares on average for the period at full dilution	34,280,025	33,977,827	34,280,025	33,879,473	34,081,395

FINANCIAL TARGETS AND ZINZINO'S OUTLOOK FOR 2018

The Board at Zinzino forecasts that the total revenue for 2018 will amount to SEK 580 – 620 million. The operating margin before percentage depreciation is projected to increase on the previous year. The target for average growth in sales in Zinzino for the period 2018–2020 shall be a minimum of 15% and for the operating margin

before depreciation shall increase to 5%. The dividends policy shall be at least 50% of the free cash flow as long as liquidity and equity/asset ratio permits this. Zinzinos clear ambition to reach SEK 1 billion in turnover remains and will be realized no later than 2022.

A man in a blue suit and orange tie is speaking at a podium. He is gesturing with his right hand. A glass of water is on the podium. The background is a blurred image of a person in a blue suit.

“We intend to continue investing in strong growth, IT solutions and focus on increased brand awareness.”

PROFITABLE GROWTH

In all, the second quarter of the year unfolded in a positive way and according to our planned goals. The 5% growth was slightly lower than expected, but was offset by a strong 25% growth in terms of gross profit compared to the previous year. We fully expect our growth to increase during the coming six-month period.

We have pursued all our IT and marketing project actively and in a structured manner during the last quarter. The coming months will see the launch of a marketing tool for our distributors to use in social media marketing. We have also introduced a new sales concept based on existing products that has been very well-received by our distributors. During the past quarter, we also opened a new Central-European warehouse, providing our customers and distributors faster deliveries at lower cost. We expect all of the above to add up to increased sales and faster growth during the coming six months.

Together with other growth-oriented projects, these initiatives will create results further ahead. Some have already taken effect, increasing profitability compared to last year. We intend to continue investing in growth, increased brand awareness and IT solutions. Furthermore, we will invest in and develop our e-commerce solutions, along with smart payment systems as well as faster delivery to our customers. Our department for IT-development has expanded by 300% during the past year, in order to increase the pace of our development projects and also lower our handling costs. In combination with global presence and products tailored to favourable global health trends, these measures give me every reason to expect a bright future.

EUROPE

The Nordic countries continue to provide an excess of 70% of our turnover, but we have also seen strong increases in Germany, Switzerland, Austria, Spain, Romania and not least Hungary during the second quarter. The global health trend, together with a focus on e-commerce solutions, strong products and increased branding activities will result in growth in all non-Nordic markets. We intend to benefit from being a Scandinavian, transparent and listed company at the cutting edge of product development and IT. We are actively working to improve in all countries, but will continue to focus on Germany, Central Europe and the US in order to harness the potential of these huge markets.

E-COMMERCE

I have written and talked about the shift to digital for a long time now. Currently, we are in the middle of it, and our internal focus is firmly on fast development. Several internal projects focus on new customers and distributors. We are also developing a tool for automated customer dialogue and ordering for existing customers and distributors. We intend to continue to bring resources and investments to bear on digital platforms and other scalable digital tools. Over time, these will streamline the organisation and provide economy of scale as well as increased profitability per SEK earned. E-commerce has a positive impact on both user experience and net results and is one of the most important factors for reaching sales of a billion SEK within the next three to five years. Our organisation has an exciting journey ahead, as well as a change in work methods.

PROFITABLE GROWTH

During recent years, we have launched several new health products in a large number of countries. We will continue our work to improve and we remain hungry for growth. Our organisation and production will increase profitability in step with expectations of growth. Our business model is eminently scalable and we will continue to work hard to double our sales to one billion SEK during the coming years. During that time, we will also double our net marginal percentage. Having invested in IT to make several support, economy and logistical processes easier and more efficient, the need for further investments will decrease. This way, we will lower the cost in relation to every SEK of growth during the upcoming years. We are continuously working to improve our processes, making them more efficient, as well as utilizing our economies of scale, which in turn will lead to increased growth.

Dag Bergheim Pettersen, CEO Zinzino

Inspire change in life

SIGNIFICANT EVENTS DURING AND AFTER **THE SECOND QUARTER 2018**

WAREHOUSING IN FRANCE IS CONTRIBUTING TO POSITIVE SALES GROWTH IN CENTRAL EUROPE

In April 2018, Zinzino commissioned its new warehouse in Farébersviller in Northeastern France in collaboration with the logistics partner Katoen Natie and the carrier GLS. This has led to shorter delivery times to the emerging markets in Central Europe that are of importance to Zinzino. Short lead times in the logistics chain are important for driving growth, and especially important in newly established markets for achieving high customer satisfaction. Through cooperation with GLS and the new warehouse, Zinzino ensures that all customers in this, in terms of sales, rapidly growing region experience quick and assured product delivery.



UPDATE OF BRAND AND MARKETING MATERIAL USING A NEW COLOR CONCEPT

During the spring, the development of the brand has also continued, and as part of this, the Company's new brand color was presented in conjunction with the major event Leaderschool in Oslo. The development process of the marketing material has also continued in the second quarter. Among other things, the Company's essential presentation tools InfoZinzino and Customer Presentation have undergone major updates and have been launched with a new design language. In addition, new product boxes with the brand's violet color have also been launched. A new collection of sportswear from Zinzinos Health Club has also been launched. The purpose with all new marketing material is to make it more communicative and to adhere to Zinzino's graphic profile.



ZINZINO IS GROWTH COMPANY OF THE YEAR WITH DIRECT SELLING IN SWEDEN FOR SECOND YEAR RUNNING

In competition with other big direct selling companies in Sweden such as Oriflame, Mary Kay and Forever Living, Zinzino was chosen as growth company of the year in Sweden for the second year in a row. This is the result of sterling work by the Swedish sales force during the year in combination with the company support focusing on the vital domestic market.



ZINZINO IS INITIATING COLLABORATION WITH THE AMERICAN COMPANY NAXUM (SALES FUNNEL COMPANY) AND IS LAUNCHING NEW PAYMENT SOLUTIONS FOR CENTRAL EUROPE

During the second quarter, Zinzino continued the process of developing the digital platforms and websites. Among other things this quarter, Zinzino has teamed up with the American company Naxum, which is providing a state-of-the-art sales support platform for marketing within social media. Specifically, this means that, using this tool, Zinzino's partners can more easily establish contacts via their social media channels. In a visually appealing and simple way, contacts that have responded to the message can be followed up, thus increasing sales. The new CRM tool will be launched during the third quarter of 2018. It is Zinzino's assessment that the new digital tool for the sales force will be a new, powerful and modern instrument in the work with marketing, and in particular for the vital but currently weakened North American market. In addition, Zinzino has launched new payment solutions for Central Europe in order to give the growing customer base in the region more payment options which are more locally adapted for the payment culture prevailing in the countries of the region.

PROCESS TOWARDS THE ACCOUNTING STANDARD IFRS IS INITIATED

The Board has made the decision that the Company will replace the current standard K3 with the international accounting standard International Financial Reporting Standards (IFRS). During the second quarter, preliminary studies have been carried out. The process will continue during the third quarter. The first reporting period and the first IFRS financial report are not currently determined.

RELOCATING TO NEW PREMISES IN AUGUST

Zinzino's organization has grown over the years in pace with the business. As a result, the headquarters are relocating in mid-August to new purpose-built premises in the vicinity of the old office. The new premises are spacious, newly renovated and painted to reflect Zinzino's new color concept. This also enables all staff to have their workstations on the same floor, unlike the previous premises, which contributes to greater efficiency and better internal communication within the organization.

CONSOLIDATED PERFORMANCE AND FINANCIAL POSITION, SECOND HALF OF 2018

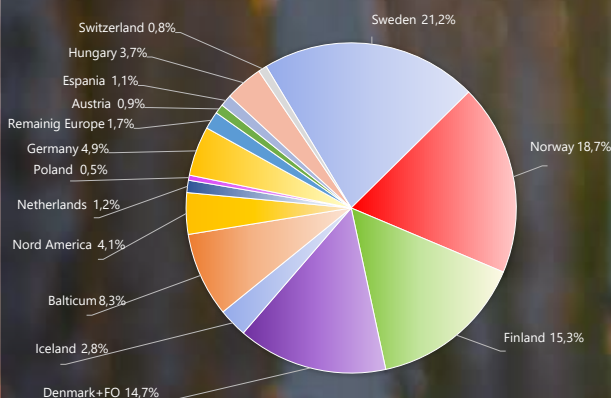
Q2

Growth by market, 2018 vs 2017

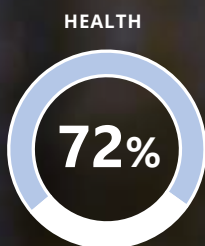


Sales **144,3** (137,3) MSEK

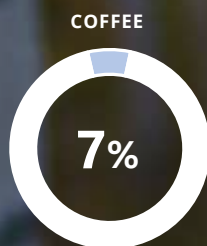
Geographical distribution of sales



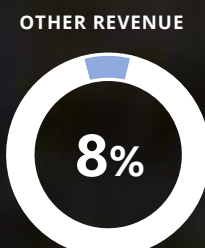
Sales



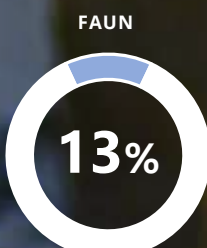
(2018; 103,3 (93,3) MSEK)



(2018; 10,4 (11,7) MSEK)



(2018; 11,8 (12,4) MSEK)



(2018; 18,8 (19,9) MSEK)

SECOND QUARTER - SALES

Total revenue for the second quarter of 2018 amounted to SEK 144.3 million (137.3), representing growth of 5% (28%) compared with the second quarter of the previous year. Most markets showed strong growth.

The newly established European markets grew a total of 201%. Among these, the Hungarian market showed by far the greatest growth, where the total revenue for the quarter amounted to 4.6 million (0.1). In Hungary, Zinzino has successfully recruited distributors with great experience, who within a short period of time have been able to duplicate the Zinzino concept in a very promising manner, which has strongly contributed to the growth in sales.


In terms of sales, the increasingly important German market increased by 100% to 6.0 million (3.0). In Germany, the sales growth has also been driven by an experienced sales organization that has brought Zinzino's Balance Concept to a new level with a lot of focus on the benefits of the products. Zinzino believes that the positive trend will continue in Germany and that the company will invest substantial resources to further stimulate the market, for example by implementing customized local payment solutions and by opening a smaller local office in Berlin.

In the Baltic countries, total revenue increased by 9% to 10.4 million (9.6) during the second quarter. This was achieved through continued strong sales growth in Latvia, which increased by 58% to 4.8 million (3.1). Zinzino distributors in Latvia have during a long time had a focus on growing the customer base and have been successful in retaining customers through Zinzino's test-based Balance Concept, which has contributed to the strong growth. At the same time the decline continued in Estonia, therein decreasing sales by 20% to 2.5 million (3.2). Zinzino continues to support the sales organization in Estonia, and are somewhat hopeful that the sales will increase within shortly although the negative trend has been ongoing for a while, as indications show that there has been an increasing activity in the market during the last months. In Lithuania, sales also decreased by 8% to 3.0 million (3.3) with all figures compared with the strong second quarter of 2017.

In the Netherlands, sales increased strongly by 54% to 1.5 million (1.0) compared with the corresponding period of the previous year. Zinzino has conducted operations in the Netherlands for a few years and has during this time recruited several successful distributors who have contributed to a high growth in customers. This has now begun to give positive results on sales after the market has been stable but non growing for a long time.

In Poland, a market with great potential for Zinzino, sales growth continued with a revenue increase of 59% to 0.6 million (0.4) compared with the second quarter of 2017.

Among the current strong markets for sales, Sweden and Denmark increased by 13% to 26.6 million (23.6) and 9% till 18.4 million (16.8) respectively in the second quarter. In Sweden, the strong sales trend continues with sustained growth of more than 10% over several years. The company estimates that the high growth will continue in the domestic market based on how the Swedish sales organization



performs Zinzino's concept in an active and structured way.

At the same time, sales declined in Norway and Finland by 6% 24.4 million (26.1) and 11% 19.3 million (21.8) respectively, with all figures compared with the second quarter of 2017. The company estimates the sales decreases in these important markets to be a temporary result of very high sales during the corresponding period in the previous year, and sees great opportunities for increased sales during the second half of 2018. Zinzino also works actively on turning the negative trend by making large investments in development of digital platforms and the Zinzino brand, something that is expected to contribute to an increased growth in these very important markets in terms of sales.

The decline continued in Iceland, with a decrease of 11% to 3.6 million (4.0) but Zinzino believes that the bottom has been reached in the market and that there are significant opportunities to boost sales growth in the second half of 2018. In North America, sales also saw a decline of 20% to 5.1 million (6.3) compared with the second quarter of 2017. Zinzino has implemented and will continue to implement several strategic measures to further adapt its business activity to the North American market.

The production unit Faun Pharma AS experienced a drop in its external sales in the second quarter compared with the previous year, which was a natural consequence of the subsidiary shifting focus and decreasing high-volume production. This resulted in the total revenue decreasing by 5% to SEK 18.8 million (19.9) compared to the corresponding period of the previous year. At the same time, the profitability of the Company increased according to the strategic change process initiated in 2017.

During the second quarter, the Nordic countries continued to account for the majority of the company's revenue, according to the geographical breakdown. Sweden continued to increase its share of the Group's total sales and was also the Company's largest market during the second quarter in terms of sales. Of the Nordic countries, Finland and Denmark also increased their share of total sales. Among the other countries, Hungary and Germany accounted for the largest sales growth, which is also visible in their share of the total sales.

The product segment Zinzino Health increased by 11% to SEK 103.3 million (93.3) and accounted for 72% (68%) of total revenue. The product segment Coffee fell by 11% to SEK 10.4 million (11.7), corresponding to 7% (9%) of total revenue. Faun Pharma AS's external sales decreased by 5% to SEK 18.8 million (19.9), which corresponded to 13% (14%) of total revenue. Other income amounted to SEK 11.8 (12.4) million and accounted for the remaining 8% (9%) of the quarterly revenue.

Balance Segment Q2 2018 vs 2017



	AquaX	BalanceOil Capsules	BalanceOil Lemon	BalanceOil Orange/Lemon/Mint	BalanceOil Orange/Lemon/Mint, 100 ml	BalanceOil Vanilla	BalanceOil Vegan	BalanceTest
■ 2018	16256	5803	43521	181174	39114	9244	7259	34549
■ 2017	16885	4988	26964	158872	39124	6652		33173

During the second quarter of 2018, 336 920 (286 658) units were sold within the Balance segment, compared to the previous year, which represents an increase of 18%. BalanceOil Orange / Lemon / Mint was by far the most popular flavor and the only one available in two different size options. The number of units sold increased by 11% and totalled 220,228 (197,996). BalanceOil Lemon increased by 61% to 43,521 (26,964) units and BalanceOil Vanilla increased by

39% to 9,244 (6,652) units. Balance Capsules increased by 16% to 5,803 (4,988) units. The new Balance Oil Vegan were sold in 7,259 units in the second quarter. The product was introduced in the autumn of 2017 and is increasing steadily in the number of units sold per month. The number of tests delivered during the quarter amounted to 34,549 (33,173) and the number of analyzes performed was 19,881 (16,111).

Immune & Brain Q2 2018 vs 2017



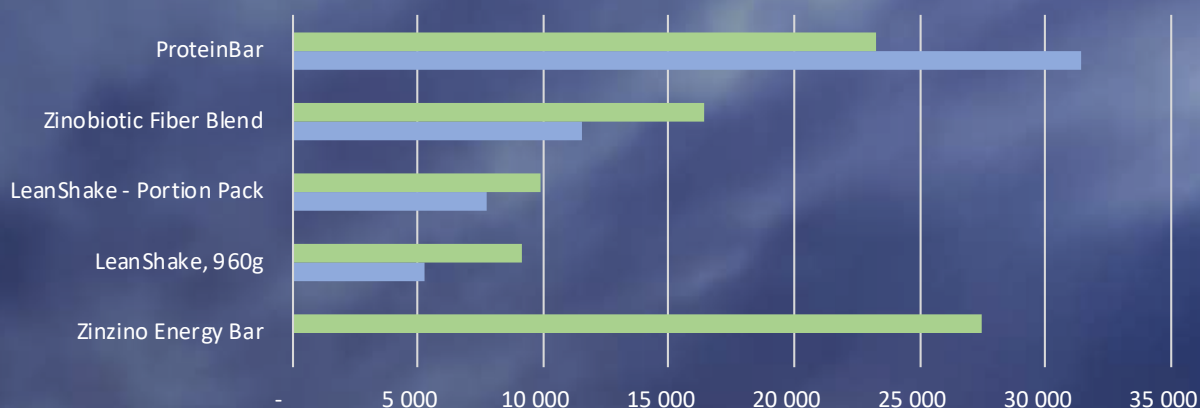
	Protect, 60 st	Viva 60 tabl.	Balance Xtend
■ 2018	5 486	38 891	69 045
■ 2017	3 593		67 354

Immune & Brain products Xtend, Protect and Viva increased by 60% to 113 422 (70 947) units and, as before, Xtend was the bestselling complementary product to BalanceOil during the second quarter, although Viva continued to increase the number of units sold.

Zinzino Skin Serum has received a new larger 50ml package, which resulted in a 20% decrease of units sold to 20,643 (25,732) by comparison with the second quarter of 2017.

In the Coffee segment, a total of 172,000 (190,000) packets of coffee were sold during the second quarter, corresponding to a decrease of 9% compared with the same period last year. The amount of sold coffee machines was 520 (870), a 40% decrease in sales compared to the second quarter of last year. Zinzino coffee customers were loyal and appreciated the quality of the company's coffee varieties, which meant that the coffee sales only decreased marginally, despite the fact that new sales dropped considerably compared with the second quarter of last year.

Balance Segment Q2 2018 vs 2017



	Zinzino Energy Bar	LeanShake, 960g	LeanShake - Portion Pack	Zinobiotic Fiber Blend	ProteinBar
2018	27 455	9 136	9 853	16 367	23 226
2017		5 249	7 747	11 541	31 394

Within the Weight Control product group, the number of units sold increased by 54% to 86,037 (55,931), primarily the new Zinzino Energy Bar which was sold in 27,455 (0) packages during the second quarter.

However, the launch of the new Energy Bar has resulted in a decrease in the number of units sold of Zinzinos Protein Bar during the quarter.

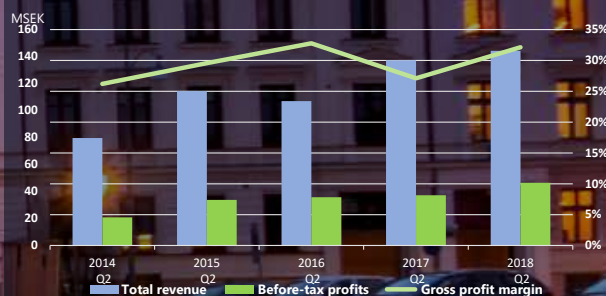
SCOND QUARTER - EXPENSES AND PERFORMANCE

Gross profit amounted to SEK 46.4 million (37.2) and the gross profit margin was 32.1% (27.1%). The improvement in gross profit was primarily due to the effect of the change in compensation model for the sales force that Zinzino implemented at the start of 2018 and the increasing share of Zinzinos Health in the sales mix. However, the earnings from the second quarter deteriorated by the high costs incurred for the company's major adaptation to the new GDPR legislation, as well as high cost of the development of the new marketing materials to the sales force. Despite the increased cost situation, EBITDA increased to 5.5 million (1.6) and the operating margin before depreciation to 3.8% (1.2%).

Operating profit amounted to SEK 2.6 million (-0.7) and the operating margin was 1.8% (-0.5%). Profit before tax amounted to SEK 2.5 million (-0.7) and net profit to SEK 1.7 million (-1.0).

DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the quarter has burdened the earnings for the period in an amount of SEK 2,948 thousand (2,273), of which SEK 260 thousand (209) was depreciation of tangible assets, SEK 1,462 thousand (838) was amortization of intangible assets and SEK 1,226 thousand (1,226) was amortization of goodwill.



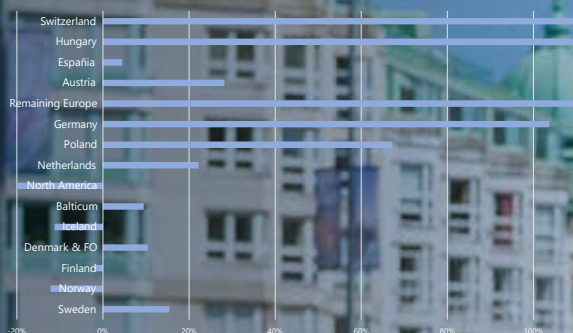
CASH FLOW

Cash flow from operating activities amounted to SEK -0.8 million (7.6) during the second quarter. This is mainly due to the effect of change in working capital for the quarter which affected the cash flow in the amount of SEK -5.0 million (5.0). The change in working capital was due in turn to the majority of the Group's accounts payables having decreased during the quarter. Cash flow from investing activities amounted to SEK -0.3 million (-2.0). In addition to this, dividends were paid to shareholders of Zinzino totaling SEK 14.7 million (8.1) following the AGM decision, which gave a total consolidated cash flow of SEK -15.8 million (-2.5) in the second quarter.

CONSOLIDATED PERFORMANCE AND FINANCIAL POSITION, FIRST HALF OF 2018

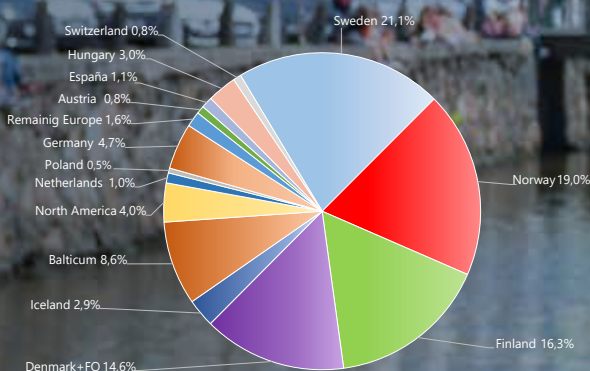
Q1 + Q2

Growth by market, 6 mån 2017 vs 2016

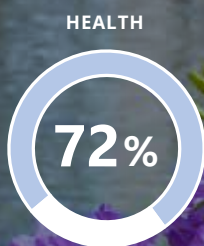


Sales
MSEK **281,9** (265,5)

Geographical distribution of sales



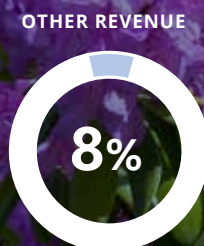
Sales



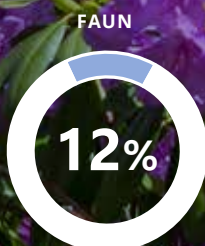
(2018; 203,4 (182,5) MSEK)



(2018; 20,8 (23,2) MSEK)



(2018; 23,8 (22,9) MSEK)



(2018; 33,9 (36,9) MSEK)

CONSOLIDATED PERFORMANCE AND FINANCIAL POSITION, FIRST HALF OF 2018

TURNOVER

Total revenue amounted to SEK 281.9 million (265.5) in the first half of 2018, equivalent to a growth of 6% (22%) compared to the previous year.

As previously described, the largest sales increases have been in Central Europe during the first half of the year and mostly in Hungary, Germany and Switzerland.


In Hungary, the sales increased by a total of 4628% to 7.4 million (0.2), in Switzerland with 1968% to 2.0 million (0.1) and in Germany with 103% to 11.6 million (5.7). The countries have rapidly grown larger than most of the long established markets and accounted for a significant proportion of the total sales outside the Nordic countries in 2018.

In addition to these markets, there has been a healthy growth in most of the countries in Central Europe during the first six months of 2018. Such as Poland, with a 67% increase to 1.2 million (0.7), Austria, which increased by 28% to 2.0 million (1.6) and Romania, which increased by 200% to 1.1 million (0.4). Sales in Latvia and the Netherlands also increased sharply in the first half of the year. In the Netherlands, revenues increased by 22% to 2.5 million (2.1) and in Latvia by 59% to 9.7 million (6.1).

Among the strong Nordic countries in terms of sales, growth continued in Sweden and accounted for the largest share of the total sales in the group during the first half of the year. In the Swedish market, revenues increased by 15% to 52.1 million (45.2). Denmark also had a healthy growth, where revenues increased by 10% to 36.1 million (32.7).

Common for Zinzino's emerging markets is that they are run by dedicated distributors who work structured and actively. In Central Europe, the average age is generally higher among resellers and many of them have extensive experience in direct sales and / or with broad networks. The work is focused on Zinzino's Balance Concept, which has been well received by a large number of newcomer customers within these new market areas. In the more established markets, it is primarily the structured work of experienced distributors with long-term customer focus, that has resulted in sustained long-term growth.

At the same time, sales in Norway decreased by 10% to 47.9 million (53.2), in Iceland by 11% to 7.2 million (8.0) and in Finland with 1% to 40.4 million (41.0). In North America, revenues decreased by 24% to 10.0 million (13.1). The Baltics also declined overall due to Estonian market decline, where revenues decreased by 24% to 5.1 million (6.8). Lithuanian revenues remained unchanged compared with the first half of 2017 and amounted to 6.4 million (6.4). The Baltics over all declined despite the good growth in Latvia as above. The Faun Pharma AS production unit also reduced its external sales by 8% to 33.9 million (36.9) compared to the first half of the previous year, which in turn resulted in a total of 6% growth in the Group in the first half of 2018.

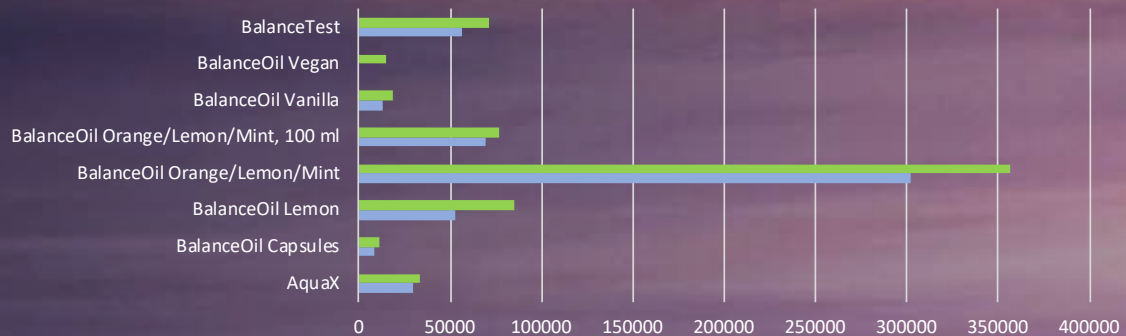


As described above, the Company is implementing various measures to stimulate the sales growth in the various markets. In the past, strategic choices have been made to stimulate growth by increasing the compensation levels for the sales force, which affected profitability in the short term. Now the company works with a long-term perspective and invests more resources in the development of IT systems and marketing tools which generate growth in the long term and do not adversely affect profitability to the same extent as with the previous sales-promoting measures.

The Nordic markets accounted for almost 80% of sales (Faun Pharma AS is not included). Sweden overtook Norway as the largest market in terms of sales, followed by Finland and Denmark. The fledgling markets continue to assume a share of total sales.

The product segment Health increased by 11% to SEK 203.4 million (182.5), corresponding to 72% (69%) of total revenue. The product segment Coffee amounted to SEK 20.8 million (23.2) and decreased by 10%, and also contributed 8% (9%) of total revenue. Faun Pharma decreased by 8% to SEK 33.9 million (36.9), corresponding to 12% (14%) of total revenue. Freight and other revenue amounted to SEK 23.8 million (22.9) and accounted for the remaining 8% (8%) of the revenue.

Balance Segment 6 month 2018 vs 2017

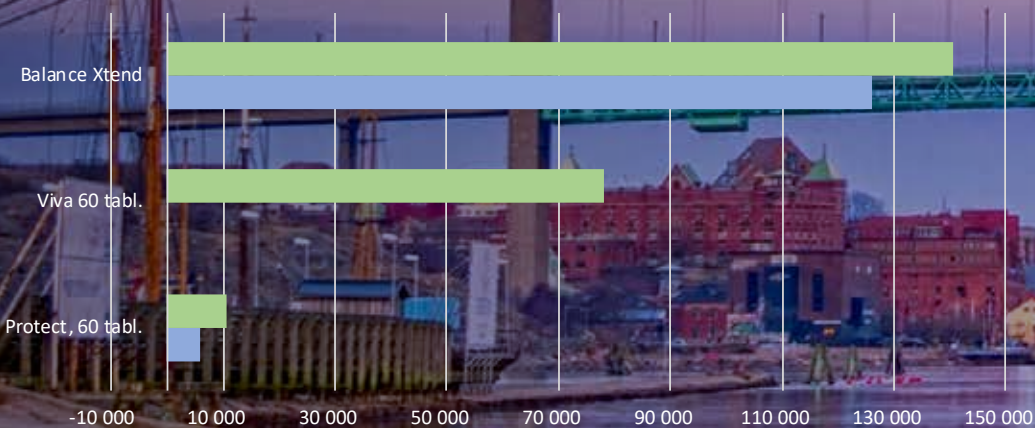


	AquaX	BalanceOil Capsules	BalanceOil Lemon	BalanceOil Orange/Lemon /Mint	BalanceOil Orange/Lemon /Mint, 100 ml	BalanceOil Vanilla	BalanceOil Vegan	BalanceTest
■ 2018	32979	10886	84761	356758	76866	18200	14461	71215
■ 2017	30074	8820	52977	302091	69000	13259		56756

Furthermore, the revenue analysis indicates that during the first half of 2018, a total of 666,126 (532,977) bottles of Balance Oil in various flavors were sold, which corresponds to a sales increase of 25% compared to the previous year.

As the Health segment has continued to increase in 2018, this reflects a clear continuation in the trend of consumption, as well as a continued interest in increased well-being.

Immune & Brain 6 month 2018 vs 2017



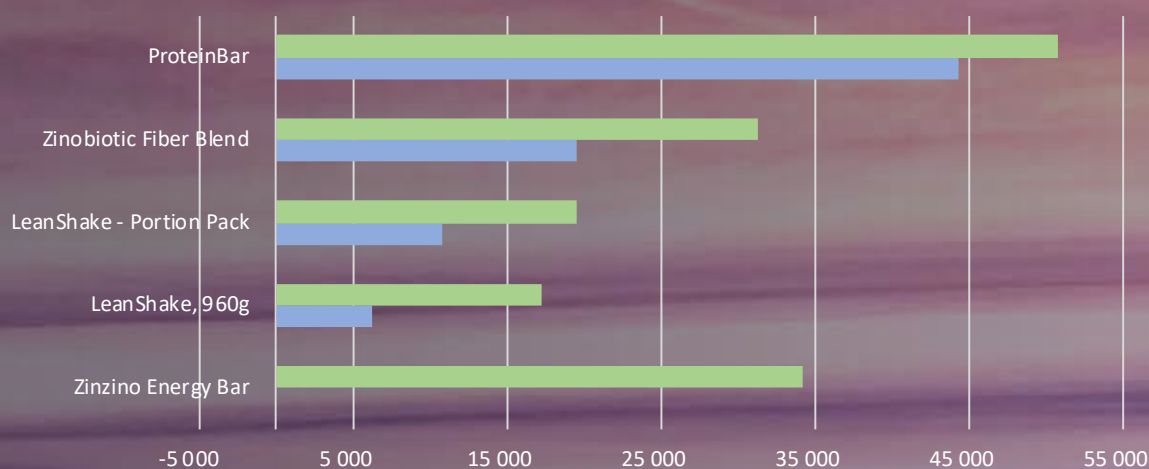
	Protect, 60 tabl.	Viva 60 tabl.	Balance Xtend
■ 2018	10 541	78 111	140 650
■ 2017	6 051		125 978

Furthermore, the revenue analysis shows that within Immune & Brain, a total of 229,302 (130,029) units were sold, corresponding to an increase of 74% compared with the previous year. Both Xtend and Protect increased in units sold compared with the previous year. At the same time as 78 111 units of Viva were sold, the newcomer supplement for improved well-being and improved sleep quality.

357,000 (390,000) packets of coffee were delivered during the first half of 2018, corresponding to a sales decline of approximately 8%. Sales of coffee machines totalled 1129 (1719) pieces, corresponding to a 34% sales decrease for the same period 2017.

In Skincare, the number of serum tubes sold decreased by 1% compared to the previous year to 40 425 (40 909), mainly because of the transition to the larger 50ml packaging in new design.

Weight Control 6 month 2018 vs 2017



	Zinzino Energy Bar	LeanShake, 960g	LeanShake - Portion Pack	Zinobiotic Fiber Blend	ProteinBar
2018	34 158	17 191	19 447	31 210	50 710
2017		6 243	10 831	19 554	44 321

Even in Weight Control, all products increased in the number of units sold during the first half of the year. A total of 152,716 (80,949) units were sold, which was 89% better than the first half of 2017.

The major contributing factor to the sales increase was the newly acquired Energy Bar which in a short period of time became a very popular product among Zinzino's distributors and customers.

EXPENSES AND PERFORMANCE

Gross profit amounted to SEK 93.0 million (76.2) and the gross profit margin was 33.0% (28.7%). The improvement in gross profit was primarily due to the effect of the change in compensation model for the sales force that Zinzino implemented at the start of 2018 and the increasing share of Zinzino's Health in the sales mix, as well as Faun Pharma's improved gross profit margin on external sales.

Q1+Q2



EBITDA for the first half of the year amounted to SEK 13.9 million (7.3) and the operating margin before depreciation amounted to 4.9% (2.8%). Operating profit amounted to SEK 8.0 million (2.7) and the operating margin was 2.9% (1.1%).

Profit before tax for the first half of the year amounted to SEK 8.1 million (2.8) and net profit to SEK 5.2 million (0.9).

Thanks to the increased gross profit, the Company could bear the increased costs generated by a growing group and

the development and establishment processes that have been ongoing during the year in combination with the second quarter's cost-intensive GDPR-adaptation, and deliver a result for the first half of the year in line with the forecast previously produced by the Company for 2018.

INVENTORY

The Group's total inventories at the balance sheet date amounted to SEK 54.3 million (59.7), which shows that Zinzino has managed to reduce the capital tied up in inventory, despite total revenue having increased compared with the previous year.

EQUITY/ASSETS RATIO AND LIQUIDITY

As at the balance sheet day, cash-in-hand amounted to SEK 42.9 million (26.6). The Group's equity/assets ratio amounted to 40% (48%). Equity in the Group at the end of the quarter amounted to SEK 70.6 million (81.9), corresponding to SEK 2.17 (2.51) per share (before dilution).

ORGANIZATION

During the first half of the year, Zinzino continued to strengthen the organization's resources to more effectively drive the digital development processes forward. Among other things, a new CTO has been hired along with new project managers at both the IT Department and Marketing Department, all with the aim of streamlining the development processes being pursued at the Company. In addition, both departments have been expanded with additional resources, in accordance with the strategic development plan from which Zinzino works.



INCOME STATEMENTS

ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	2018-04-01	2017-04-01	2018-01-01	2017-01-01	2017-01-01
	2018-06-30	2017-06-30	2018-06-30	2017-06-30	2017-12-31
Net sales	132 516	125 025	258 099	242 799	495 059
Other revenue	11 827	12 266	23 752	22 709	45 263
Trade goods and other direct costs	-97 973	-100 090	-188 808	-189 302	-380 572
Gross profit	46 370	37 201	93 043	76 206	159 750
External operating costs	-23 941	-19 087	-44 922	-35 869	-81 770
Personnel costs	-16 928	-16 527	-34 191	-32 991	-66 886
Depreciation and amortization	-2 948	-2 273	-5 870	-4 548	-10 124
Operating profit/loss	2 553	-686	8 060	2 798	970
Net financial items	-36	-33	-80	-57	-151
Tax	-867	-324	-2 745	-1 841	-1 664
Net income for the period	1 650	-1 043	5 235	900	-845

INCOME STATEMENTS

ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	2018-04-01	2017-04-01	2018-01-01	2017-01-01	2017-01-01
	2018-06-30	2017-06-30	2018-06-30	2017-06-30	2017-12-31
Net sales	1 200	1 000	1 200	2 000	3 810
Other revenue	-	-	-	-	-
Trade goods and other direct costs	-	-	-	-	-
Gross profit	1 200	1 000	1 200	2 000	3 810
External operating costs	-1 059	-819	-2 133	-1 472	-2 885
Depreciation and amortization	-54	-4	-108	-8	-16
Operating profit/loss	87	177	-1 041	520	909
Net financial items	-	-2	-	-2	-2
Tax	-	-39	-	-114	-200
Profit/loss for the year	87	136	-1 041	404	707

BALANCE SHEETS

ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	2018-06-30	2017-06-30	2017-12-31
Fixed assets			
Goodwill	31 195	36 100	33 647
Intangible assets	16 976	21 234	19 225
Tangible fixed assets	3 367	3 146	3 036
Financial assets	592	2 373	2 656
Total fixed assets	52 130	62 853	58 564
Current assets			
Inventories	54 309	59 688	52 947
Current receivables	28 737	21 769	20 926
Cash and bank balances	42 878	26 581	48 419
Total current assets	125 924	108 038	122 292
Total assets	178 054	170 891	180 856
Restricted equity	4 287	4 275	3 258
Non-restricted equity	61 058	76 723	77 919
Profit/loss for the year	5 235	900	-845
Total equity	70 580	81 898	80 332
Non-current liabilities	313	580	573
Current liabilities	107 161	88 413	99 951
Total liabilities	107 474	88 993	100 524
Total equity and liabilities	178 054	170 891	180 856

BALANCE SHEETS

ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	2018-06-30	2017-06-30	2017-12-31
Fixed assets			
Intangible assets	975	1 017	1 084
Financial assets	83 441	83 414	83 353
Total fixed assets	84 416	84 431	84 437
Current assets			
Current receivables	966	206	1 627
Cash and bank balances	373	679	294
Total current assets	1 339	885	1 921
Total assets	85 755	85 316	86 358
Restricted equity	4 287	4 275	4 342
Non-restricted equity	16 759	30 725	30 658
Profit/loss for the year	-1 041	404	707
Total equity	20 005	35 404	35 707
Non-current liabilities	16 206	16 056	16 206
Current liabilities	49 544	33 856	34 445
Total liabilities	65 750	49 912	50 651
Total equity and liabilities	85 755	85 316	86 358

CASH FLOW STATEMENTS

ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	2018-04-01	2017-04-01	2018-01-01	2017-01-01	2017-01-01
	2018-06-30	2017-06-30	2018-06-30	2017-06-30	2017-12-31
Operating activities					
Profit/loss before financial items	2 553	-686	8 060	2 798	970
Depreciation, amortization/impairment	2 948	2 273	5 870	4 548	10 124
Other items not affecting liquidity	-1 337	977	-1 796	716	1 086
	4 164	2 564	12 134	8 062	12 180
Interest received	20	8	34	24	138
Interest paid	-25	-41	-42	-80	-289
Tax paid	-18	38	-29	38	27
	-23	5	-37	-18	-124
Cash flow from operating activities before changes in working capital	4 141	2 569	12 097	8 044	12 056
Cash flow from changes in working capital					
Increase(-) / Decrease(+) in inventory	2 157	8 208	-1 362	3 830	10 571
Increase(-) / Decrease(+) in current receivables	-1 882	79	-7 811	2 142	2 985
Increase(+) / Decrease(-) in current liabilities	-5 225	-3 212	7 210	1 284	12 427
Cash flow from operating activities	-809	7 644	10 134	15 300	38 039
Investing activities					
Investment in intangible assets	-99	-1 847	-654	-3 470	-4 223
Investment in financial fixed assets	-4	-	-87	-91	-116
Investment in tangible fixed assets	-213	-106	-273	-336	-609
Cash flow from investing activities	-316	-1 953	-1 014	-3 897	-4 948
Financing activities					
Borrowings	-	-	-	-	-
Options issue	-	-	-	-	150
Dividends	-14 661	-8 145	-14 661	-8 145	-8 145
Subscription for shares on warrants issued	-	-	-	-	-
Cash flow from financing activities	-14 661	-8 145	-14 661	-8 145	-7 995
CASH FLOW FOR THE PERIOD	-15 786	-2 454	-5 541	3 258	25 096
Cash and cash equivalents at start of period	58 664	29 035	48 419	23 323	0
Cash and cash equivalents at end of period	42 878	26 581	42 878	26 581	48 419
Change in cash and cash equivalents	-15 786	-2 454	-5 541	3 258	48 419

CASH FLOW STATEMENTS

ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	2018-04-01	2017-04-01	2018-01-01	2017-01-01	2017-01-01
	2018-06-30	2017-06-30	2018-06-30	2017-06-30	2017-12-31
Operating activities					
Profit/loss before financial items	87	177	-1 041	520	909
Depreciation, amortization/impairment	54	4	108	8	16
Other items not affecting liquidity	-14	-5	-2	-8	41
	127	176	-935	520	966
Interest received					
Interest paid		-2		-2	-2
Tax paid					
	0	-126	0	-2	-2
Cash flow from operating activities before changes in working capital	127	174	-935	518	964
Cash flow from changes in working capital					
Increase(-) / Decrease(+) in current receivables	157	155	661	17	-1 418
Increase(+) / Decrease(-) in current liabilities	14 173	7 589	15 101	7 444	7 800
Cash flow from operating activities	14 457	7 918	14 827	7 979	7 346
Investing activities					
Investment in intangible assets		-123		-123	
Investment in financial fixed assets	-4		-87	-79	-104
Investment in tangible fixed assets					
Cash flow from investing activities	-4	-123	-87	-202	-104
Financing activities					
Options issue					150
Dividends	-14 661	-8 145	-14 661	-8 145	-8 145
Subscription for shares on warrants issued					
Cash flow from financing activities	-14 661	-8 145	-14 661	-8 145	-7 995
CASH FLOW FOR THE PERIOD	-208	-350	79	-368	-753
Cash and cash equivalents at start of period	581	1 029	294	1 047	1 047
Cash and cash equivalents at end of period	373	679	373	679	294
Change in cash and cash equivalents	-208	-350	79	-368	-753

CHANGES IN EQUITY ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	2018-01-01	2017-01-01	2017-01-01
	2018-06-30	2017-06-30	2017-12-31
Equity at the beginning of the period	80 332	88 463	88 463
Dividend to shareholders	-14 661	-8145	-8 145
Translation differences currency	-326	680	859
Net income for the period	5 235	900	-845
Equity at the end of period	70 580	81 898	80 332

CHANGES IN EQUITY ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	2018-01-01	2017-01-01	2017-01-01
	2018-06-30	2017-06-30	2017-12-31
Equity at the beginning of the period	35 707	43 145	43 145
Share subscription on warrants			
Dividend to shareholders	-14 661	-8145	-8 145
Net income for the period	-1 041	404	707
Equity at the end of period	20 005	35 404	35 707



DEFINITIONS OF KEY RATIOS

GROSS MARGIN

Total revenue minus cost of goods sold, partner commissions and shipping costs as a percentage of the period's total revenue.

PROFIT PER SHARE

Profit for the period in relation to the period's average number of outstanding shares.

EQUITY CAPITAL PER SHARE

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

OPERATING MARGIN

Operating profit after depreciation as a percentage of the total revenue for the period.

OPERATING MARGIN BEFORE DEPRECIATION AND AMORTIZATION

Operating profit before depreciation and amortization as a percentage of the total revenue for the period.

NET MARGIN

Profit for the period as a percentage of the period's net sales.
Equity/assets ratio
Equity capital as a percentage of the balance sheet total.

NUMBER OF OUTSTANDING SHARES

As of 30/06/2018, the share capital is distributed between 32,580,025 shares, of which 5,113,392 are A-shares (1 vote per share) and 27,466,633 B-shares (0.1 vote per share). Nominal share value is SEK 0.10. The Company's B shares are traded on Nasdaq Omx First North, nasdaqomxnordic.com.

The Company has outstanding options schemes. The first options scheme expires on 31 May 2019 at a strike price of SEK 16 and comprises 600,000 options. The second options scheme also comprises 600,000 warrants but at a strike price of SEK 26. The options scheme expires on 31 May 2020. The third options scheme comprises 500,000 warrants at a strike price of SEK 14. The third options scheme also expires on 31 May 2020.

If all warrants issued per 30/06/2018 are used for the new subscription of 1,700,000 shares, dilution of the share capital will amount to approximately 5%.

REVENUES BY COMPANY Q2

(SEK THOUSANDS)

BOLAG	Q2 2018	Q2 2017	Tillväxt per bolag mot föregående år	Andel av totala intäkter
Zinzino Sverige AB*	36 119	27 070	33%	25%
Zinzino AS (Norge)	24 406	26 103	-6%	17%
Zinzino OY (Finland)	19 275	21 765	-11%	13%
Zinzino ApS (Danmark+FO)	18 362	16 830	9%	13%
Zinzino Ehf (Island)	3 578	4 008	-11%	2%
Zinzino UAB (Litauen)	3 036	3 317	-8%	2%
Zinzino SIA (Lettland)	4 837	3 062	58%	3%
Zinzino OÜ (Estland)	2 531	3 176	-20%	2%
Zinzino LLC (USA)	4 939	6 152	-20%	3%
Zinzino BV (Holland)	1 495	969	54%	1%
Zinzino SP z.o.o (Polen)	626	393	59%	0%
Zinzino Canada Corp	213	190	12%	0%
Zinzino Gmbh (Tyskland)	6 084	3 048	100%	4%
Faun Pharma AS (Norge)	18 813	19 890	-5%	13%
Zinzino Nordic AB	30	1 318	-98%	0%
Totalt	144 344	137 291	5%	100%

* I Svenska bolaget ingår försäljningen för EU

REVENUES BY COMPANY Q1 - Q2

(SEK THOUSANDS)

BOLAG	Q1 - Q2 2018	Q1 - Q2 2017	Tillväxt per bolag mot föregående år	Andel av totala intäkter
Zinzino Sverige AB	69 633	51 328	36%	25%
Zinzino AS (Norge)	47 883	53 235	-10%	17%
Zinzino OY (Finland)	40 442	41 005	-1%	14%
Zinzino ApS (Danmark)	36 144	32 748	10%	13%
Zinzino Ehf (Island)	7 159	8 011	-11%	3%
Zinzino UAB (Litauen)	6 388	6 398	0%	2%
Zinzino SIA (Lettland)	9 679	6 101	59%	3%
Zinzino OÜ (Estland)	5 149	6 789	-24%	2%
Zinzino LLC (USA)	9 528	12 666	-25%	3%
Zinzino BV (Holland)	2 517	2 071	22%	1%
Zinzino SP z.o.o (Polen)	1 225	732	67%	0%
Zinzino Canada Corp	424	419	1%	0%
Zinzino Gmbh (Tyskland)	11 595	5 716	103%	4%
Faun Pharma AS (Norge)	33 952	36 909	-8%	12%
Zinzino Nordic AB	134	1 380	-90%	0%
Totalt	281 852	265 508	6%	100%

* I Svenska bolaget ingår försäljningen för EU

ACCOUNTING PRINCIPLES

This Interim Report has been prepared in accordance with the Swedish Annual Accounts Act and the general guidelines of the Swedish Accounting Standards Board. The consolidated financial statements and annual report are prepared in accordance with BFNAR 2012:1 Annual Accounts and Consolidated Group Accounts (K3).

DELÅRSRAPPORT 2018 | Q2

AUDITOR REVIEW

This interim report has not been reviewed by the company's auditors.

RAPPORTKALENDER

Interim Report Q3 2018 will be published on 15/11/2018
The Year-End Report for 2018 will be published on 28/02/2019.

For more information, please call Dag Bergheim Pettersen, CEO, Zinzino AB

Gothenburg, 30 August 2018

Zinzino AB (publ.)
Board of Directors

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