

# ZINZINO AB

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## **Interim Report 1 April - 31 June 2015, Zinzino AB (publ)**

"Inspire change in life"

*Dag Bergheim Pettersen, CEO of Zinzino AB*

### **HIGHLIGHTS**

All of Zinzino's markets grew in the second around compared with the previous year. Total revenue was SEK 112.2m (79.6m), which corresponds to sales growth of 41 per cent for the group, compared with the previous year. The profit after tax was SEK 4.1m (3.6m), corresponding to earnings per share of SEK 0.13 (0.13). Our gross profit margin was 30.1 per cent (26.2), which is a year-on-year improvement of 3.9 percentage points.

### **SECOND QUARTER, Q2 2015, (compared with the same period in the previous year, 2014)**

- Total adjusted revenue was SEK 112.2m (79.6m), corresponding to growth of 41 per cent.
- The operating profit was SEK 5.6m (3.5m) and the operating margin 5.0 per cent (4.4).
- The profit after tax was SEK 4.1m (3.6m). Earnings per share were SEK 0.13 (0.13).

### **SIGNIFICANT EVENTS DURING THE PERIOD**

- Zinzino AB expanded at a stable pace, with sales growth of 41 per cent.
- The Annual General Meeting approved the Board's proposed dividend payment of SEK 0.25 per share, resulting in a total payment of SEK 7.7m to the shareholders in respect of the past financial year.
- The AGM elected Pierre Mårtensson to the Board of Directors. Pierre Mårtensson has many years' experience from senior direct sales positions across the world. Torben Lundberg stepped down from the Board.
- The AGM resolved to issue 600,000 warrants. The warrants have an exercise price of SEK 26 and expire in 2020.
- Zinzino AB has launched a free app for iPhone and Android. The purpose of the app is to remind customers to take their daily dose of BalanceOil.
- Faun Pharma AS upgraded its machinery and streamlined its production during the quarter. The aim is to further raise the quality of the products and maintain an attractive price level.
- Work on establishing a presence in Canada and Germany continued during the period. Sales begins in Canada in the beginning of September through the new subsidiary, Zinzino Canada Corp.
- Turnover distribution by product area (as a percentage of turnover) was 23 per cent for Zinzino Coffee and 77 per cent for Zinzino Health in the second quarter.
- Net sales in Zinzino Health were SEK 71.7m (40.3m), which represents growth of 78 per cent.
- Net sales in Zinzino Coffee were SEK 20.9m (31.5m), which is a decrease of 34 per cent.

## **COMMENT BY CEO DAG BERGHEIM PETTERSEN:**

“Our vision is to inspire our customers and distributors to change their lifestyle, which we will do by being the most customer-friendly direct sales company in the world. Our goal is to have one million customers by 2020. This is an ambitious goal that we are confident of achieving and have integrated in our strategy. Our goal and our vision serve as guiding principles for our day-to-day work.

In the second quarter of 2015 net sales grew by 41 per cent compared with the same quarter in 2014. Profitability also improved during the period. Growth during the first half of the year amounted to 43% with a gross margin that improved by no less than 2.9 percentage points compared to the previous year. We are pleased that the positive trend in sales growth, customer numbers and profit margins has continued.

In the second half of 2015 we will launch additional new product concepts that we believe will help us achieve our ambitious financial targets – sales growth in excess of 25 per cent over the coming three-year period and improved earnings every year.

I am very pleased with the underlying improvements that have been made in product development and in terms of cost cuts in the production of our own brands in health. This will give us a lower goods cost over time while also significantly reducing the amount of capital that is tied up in inventory, thus also reducing the risk of obsolescence.

To maintain the pace of growth in the Group, we will establish a presence in Canada in the beginning of September. Zinzino Canada will be administered from our US office. This is a natural step forward in our North American roll-out, and we are confident of achieving strong sales growth in Canada. We are also hoping to establish a presence in Germany in the fourth quarter. Germany and Canada are large markets that will generate long-term growth for the company.

The establishment of operations in new markets is implemented in a resource-efficient way through our existing organisation. This means that our costs in the establishment phase are absorbed in the operations and kept at a low level. In connection with the start-up and establishment of operations in new markets our business model has proved highly effective and profitable.

It is now three years since we entered what was for us a new area – health. Today this product segment accounts for over 75 per cent of our sales. Initially we operated through a partnership with a Norwegian research company, BioActive Foods AS, which we subsequently acquired in 2014. This has been a successful acquisition, and I am very happy to confirm that we have improved our product development in our own brands. Thanks to our in-house production unit, our product development activities are faster and more precise. We will continue to work on product development on a large scale over the coming years.

BalanceTest was, along with BalanceOil, the first product that we launched in health, and we have today reached a milestone with over 100,000 tests conducted on our customers and distributors. This makes us the largest player in the market in this area. The statistics of the test results show that people generally have an unbalanced diet and that there is a strong need for our products in all markets where we have conducted tests on customers.

We recently launched an exciting new service for our customers and distributors in the form of an application for mobile phones. Zinzino Balance App has been developed with the aim of increasing customer loyalty and customer satisfaction, and is available for download from App Store and Google Play.

We have for some time been working on the implementation of a new IT platform. The platform has now been launched, and we are working all out on dealing with the challenges that an implementation of this kind naturally entail, but also on taking advantage of all the new opportunities that arise. The implementation is a major investment for the company, but one that will give us a very modern IT tool. The system takes us straight into the future and gives us a new web shop that creates significant benefits in the internal follow-up of customers and distributors. The system also gives our distributors an outstanding tool for use in the field. The platform will be another contributing factor behind our continued success story.”

For a full report, please see the attached PDF.

This information comprises information that Zinzino AB must disclose under the Securities Market Act and/or the Financial Instruments Trading Act. The information was released for publication on 31 August 2015.

**INFORMATION ABOUT THE COMPANY** Zinzino was founded under the name Zinzino Holding in autumn 2007. In 2009, the company acquired 93% of the equity and 97% of the votes in Zinzino Nordic AB, partly by means of a non-cash issue and partly by means of a private placement. Zinzino Nordic is a sales company that uses independent distributors to market and sell products for commission via so-called direct sales.

#### **NEXT REPORT**

Interim report Q3 2015, published on 23 November 2015.

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Zinzino AB (publ.) is one of the leading direct sales companies, represented in Nordic countries, the Baltic States, Poland, the Netherlands, the USA and Canada. We offer customers products centered around quality, environment and health. The Zinzino Food product line consists of functional food, such as oil, shakes and capsules. The Zinzino Coffee product line consists of espresso machines, coffee, tea and accessories. Our business is characterized by high quality, closeness to the customer and focus on active product development.

Zinzino owns the Norwegian knowledge-based company BioActive Foods AS and the research and production unit Faun Pharma AS. Since 2005, Zinzino is the general agent for the FrenchBelgian coffeehouse Rombouts & Malongo. Today, the Zinzino Group has some 100 employees. The company has its headquarters in Gothenburg, Sweden, a production unit south of Oslo, Norway, and an office in Florida, USA.