

# ZINZINO

A tall, modern glass skyscraper with a grid-like facade of windows. The building reflects the sky and surrounding city. In the foreground, there is a tram, a small utility vehicle, and several pedestrians walking on a paved area. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The word 'ZINZINO' is written in large, white, serif capital letters across the top of the image.

ANNUAL REPORT **2018**

# THIS IS ZINZINO

Zinzino AB (publ.) is a direct sales company operating in Europe and North America. Zinzino markets and sells products in two product lines: Zinzino Health, with a focus on long-term health, and Zinzino Coffee.

Zinzino owns Norwegian research company BioActive Foods AS and the production unit Faun Pharma AS. Zinzino has just over 120 employees. The company has its headquarters in Gothenburg, and offices in Helsinki, Riga and Oslo, and in Florida, United States. Zinzino is a public limited liability company and its shares are listed on Nasdaq First North.

Two years consecutively, Zinzino has been named "Growth company of the year" in Direct Sales in Sweden.

## **ANNUAL GENERAL MEETING**

The annual meeting of Zinzino AB (publ) will be held on 22 May at 13.30 p.m. in the company's offices at Hulda Mellgrens gata 5 in Gothenburg. For further information on the annual meeting of shareholders for 2019 refer to the company's homepage [zinzino.se](http://zinzino.se).

## **REPORT CALENDAR:**

The interim report for Q1 2019 will be published on 16/05/2019

The interim report for Q2 2018 will be published on 30/08/2019



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# GROUP STRUCTURE



## FINANCIAL SUMMARY (SEK MILLIONS)

THE GROUP'S KEY NUMBERS	2018	2017	2016	2015	2014
Total revenue	585.6	540.3	478.9	443.8	357.7
Net sales	538.3	495.1	436.1	388.7	318.8
Sales growth	8%	13%	7%	24%	41%
Gross profit	191.8	159.8	153.8	149.3	102.4
Gross profit margin	32.7%	29.6%	32.1%	33.6%	28.6%
Operating profit before depreciation and amortisation	22.1	11.1	23.0	25.6	21.4
Operating margin before depreciation and amortisation	3.8%	2.1%	4.8%	5.8%	6.0%
Operating profit	10.1	1.0	14.0	18.5	18.6
Operating margin	1.7%	0.2%	2.9%	4.2%	5.2%
Profit/loss before tax	9.9	0.8	13.9	17.6	18.4
Net profit	6.9	-0.8	9.7	9.7	32.7
Net margin	1.2%	-0.2%	2.0%	2.2%	9.1%
Net earnings per share after tax before dilution, SEK	0.21	-0.03	0.31	0.32	1.11
Net earnings per share after tax at full dilution, SEK	0.20	-0.02	0.29	0.29	1.09
Cash flow for the period	-3.0	25.3	-3.5	-16.2	31.4
Cash and cash equivalents	45.5	48.4	23.3	26.9	42.8
Equity/assets ratio	36%	44%	50%	56%	52%
Equity capital per share before dilution, SEK	2.20	2.47	2.82	2.88	2.9
Number of issued shares on average for the period	32,580,025	32,580,025	31,359,861	30,659,402	29,508,687
Average number of issued shares for the period with full dilution	34,280,025	34,081,395	33,780,025	33,454,470	32,188,687

# FOCUS ON PROFITABLE GROWTH AND GLOBAL E-COMMERCE

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During 2018 we invested in and developed our e-commerce solutions in combination with smart payment methods and faster deliveries of goods to customers

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2018 was a labour-intensive year with many different initiatives. We started the process of launching Zinzino in new markets and have significantly expanded our development department for IT in order to increase the pace of our development projects and also to reduce our management costs.

In addition, we opened a new warehouse in Central Europe, which resulted in our key customers and distributors in the region receiving their deliveries much faster and at a much lower cost. This has been a major contributing factor to a great sales trend in the region.

These effects, combined with a global presence and products that are perfectly adapted to a favourable global health trend, indicate that I can see a very bright future.

## DIGITAL CHANGEOVER

We are currently in the middle of the digital changeover and have a major focus on rapid development.

In 2018 we started investing in and developing our e-commerce solutions in combination with our smart payment methods and faster delivery of goods to customers. This included the launch of a sales tool for marketing in social media for our distributors. We also launched a new sales concept based on the existing products, which has been very well received by our distributors.

In addition, we developed a new tool for automated communication to customers and distributors. We want to continue to use resources and invest in digital platforms and other scalable digital tools. In the long run these will streamline the organisation and give us economies of scale and increased profitability per SEK of turnover. We can already see how the efficiency measures we implemented during the year have resulted in our profitability returning to previous levels.

E-commerce has a positive net effect on the user experience and our results, and is one of the most important factors to reach a turnover of SEK one billion within three to five years. Our organisation is facing an exciting journey and a change in working methods. We are moving away from the traditional marketing in the industry and

are using digitisation to create the best possible solutions. All these initiatives and other positive growth-oriented projects will continue to produce results in the future. We also want to continue to invest in growth, IT-solutions and increased brand awareness.

## THE NORDIC REGION REMAINS THE LARGEST, BUT CENTRAL EUROPE HAS THE LARGEST GROWTH

The Nordic countries currently account for over 70% of sales. This is strong evidence that we have been successful in our Nordic home markets. However, we see strong growth from Central Europe, where Hungary and Germany showed the best results. Other countries in the region also improved their positions. We are currently established in 34 countries in Europe and North America. I am sure that in just a few years, central Europe with Germany at the forefront, North America and Asia will be our leading markets.

The global health trend combined with an increased focus on e-commerce solutions, strong products and increased brand awareness in recent quarters, will provide us with growth in all markets outside the Nordic region. We intend to take advantage of the fact that we are a Scandinavian, transparent and publicly-listed company at the forefront of product development and IT.

Our goal is to achieve 15% revenue growth in 2019, a goal we surpassed during the first period of the new year. We will do our utmost to double our revenue in the next few years, with the goal of reaching a billion. During that time, we will also more than double our net margin in percentage terms. We continuously work to improve our processes, become more efficient and utilise our economies of scale, which in turn will lead to profitable growth.

**Dag Bergheim Pettersen**, CEO Zinzino  
*Inspire change in life*



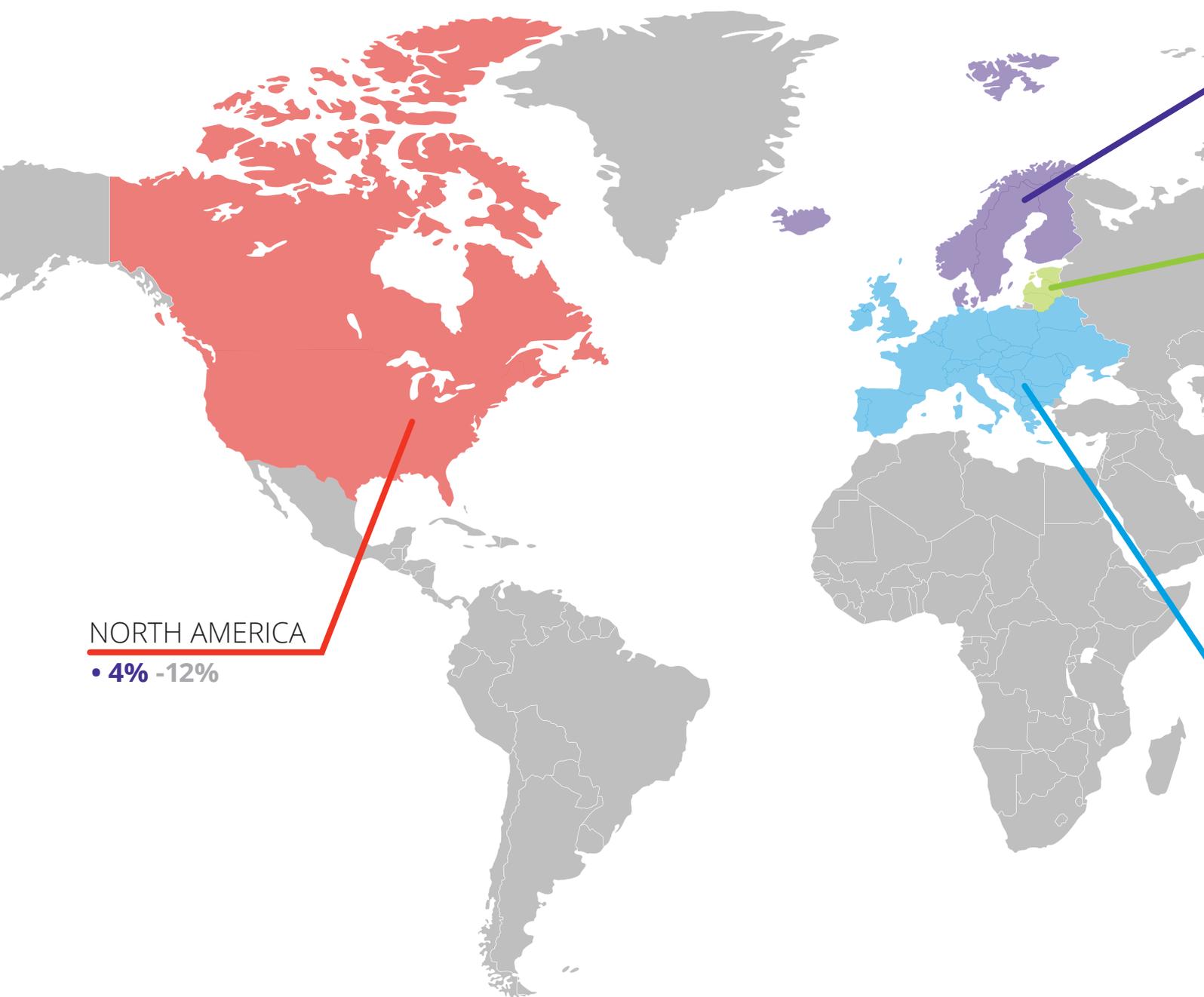
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***“Our goal is to achieve  
15% revenue growth in 2019,  
a goal we have surpassed during  
the first period of the new year.”***

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# GEOGRAPHIC DISTRIBUTION & SALES GROWTH BY MARKET

The geographic distribution of sales in 2018 and sales growth in comparison with the previous year appear in the following chart



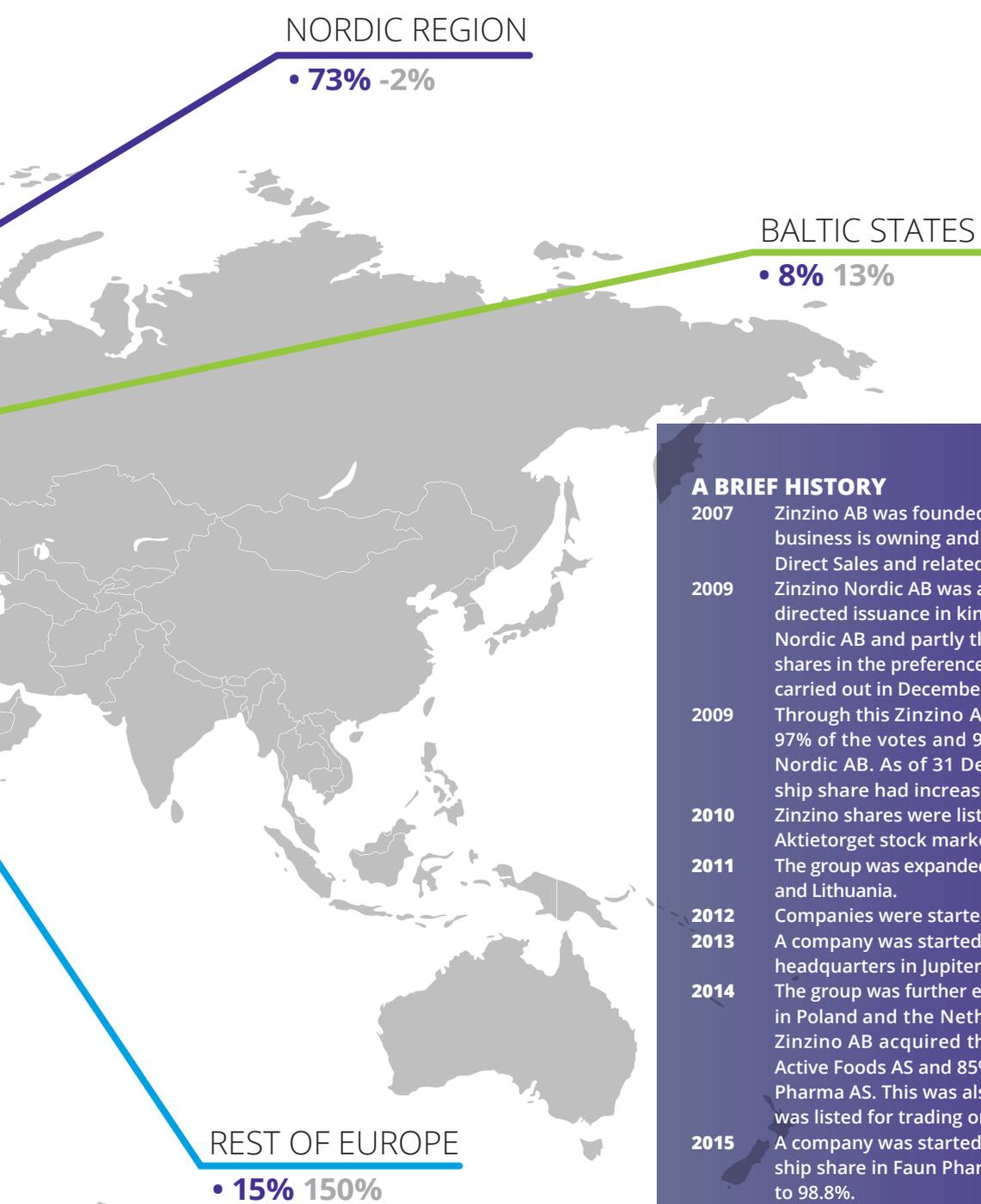
NORTH AMERICA

• 4% -12%

■ Geographic distribution of sales 2018

■ Sales growth 2018 by market  
compared to the previous year

*\* The Faroe Islands are treated as part of the Danish market in the remainder of this report*



### A BRIEF HISTORY

- 2007** Zinzino AB was founded. The company's principal business is owning and developing companies in Direct Sales and related businesses.
- 2009** Zinzino Nordic AB was acquired, partly through a directed issuance in kind to the owners of Zinzino Nordic AB and partly through a subscription to shares in the preference issuance which Nordic AB carried out in December.
- 2009** Through this Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. As of 31 December 2017 the ownership share had increased to 93% of the 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 through companies in Poland and the Netherlands. The same year Zinzino AB acquired the remaining shares in Bio Active 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** A subsidiary was started in Romania. Sales were launched in Switzerland.
- 2018** A new subsidiary was started in Romania.

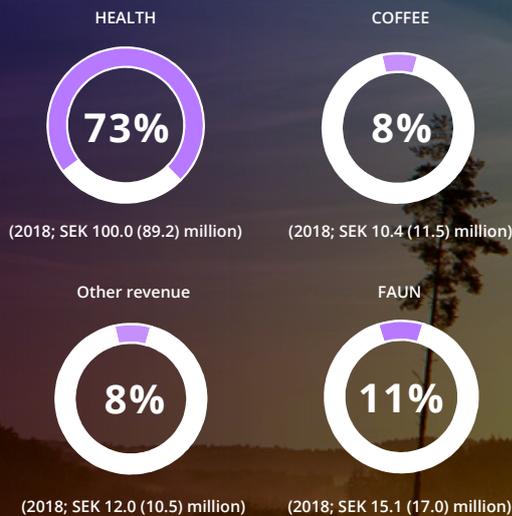
# YEAR IN REVIEW 2018

## Q1

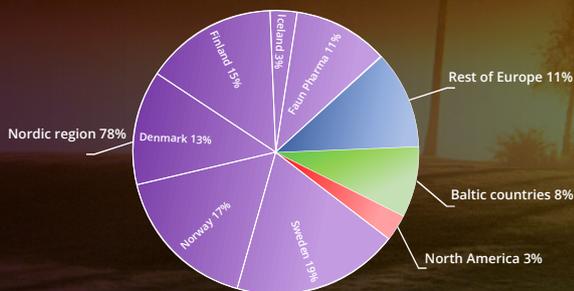
The year started well with the launch of several exciting new development projects. A strategic focus on the development of web and marketing materials was introduced, at the same time as initiating investments towards establishment in Australia and India, among other places. At the same time, total revenue in the existing markets increased by 7% to SEK 137.5 (128.2) million, combined with a strong improvement in profitability. EBITDA increased by 45% to SEK 8.4 (5.8) million, which was a logical result of the costefficiency measures implemented by the company during the quarter.

Sales  
**SEK MILLION 137.5** (128.2)

### Revenues



### Geographic distribution of sales

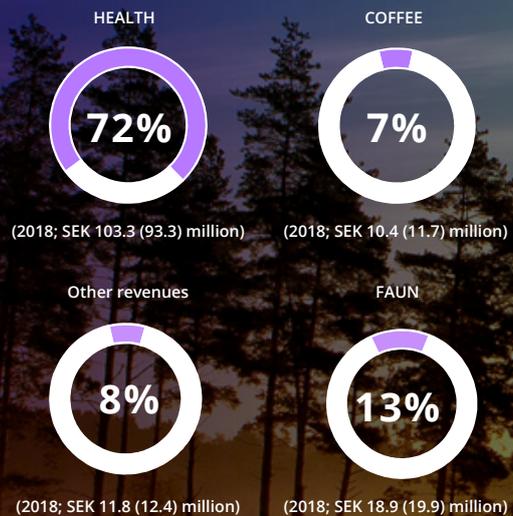


## Q2

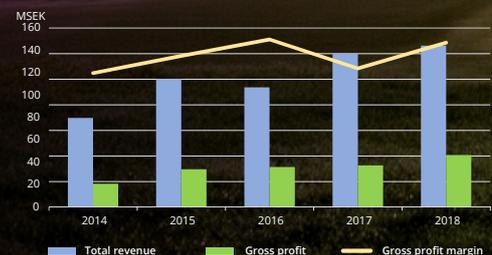
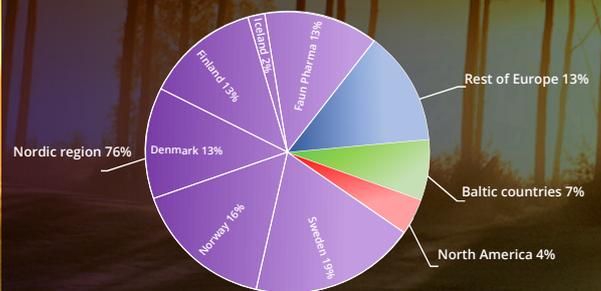
In the second quarter, total revenue increased by 5% to SEK 144.4 (137.3) million. The slightly modest sales increase was offset by sharply improved profitability with an EBITDA result that increased by 244% to SEK 5.5 (1.6) million compared to the second quarter of 2017. As before, the increased profitability was due to the cost-efficiency measures implemented. It also saw the opening of Zinzino's new local warehouse in France. The new logistics solution resulted in shorter lead times to customers in Central and Southern Europe and since its launch in April it has been a strong contributing factor in the increase in sales in the region.

Sales  
**SEK MILLION 144.4** (137.3)

### Revenues



### Geographic distribution of sales



# Q3

The third quarter was positive for Zinzino. Strong growth combined with good profitability. Total revenue increased by 16% to SEK 139.8 (120.1) million and EBITDA to SEK 6.2 (5.8) million. During the quarter, Zinzino expanded its operations in Romania and Hungary after significant sales growth in the region. In addition, Zinzino's new headquarters were inaugurated in August. The new, purpose-designed facility enabled all staff to have their workstations on the same floor, contributing to increased efficiency and better internal communication.

Sales  
SEK MILLION **139.8** (120.1)

## Revenues



(2018; SEK 103.9 (87.6) million)



(2018; SEK 10.0 (10.5) million)

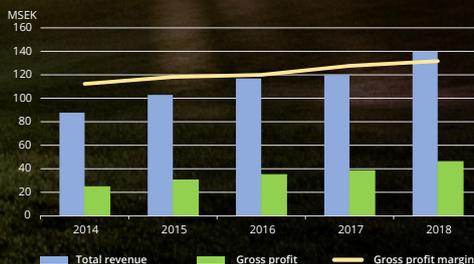
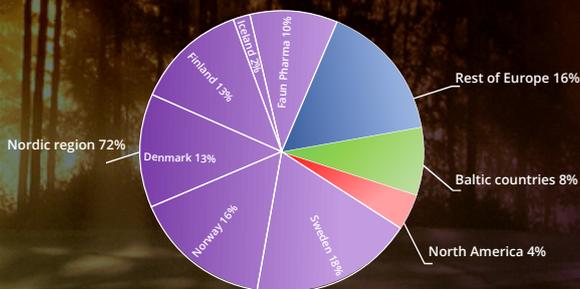


(2018; SEK 12.1 (10.6) million)



(2018; SEK 13.8 (11.4) million)

## Geographic distribution of sales



# Q4

Total revenue for the fourth quarter rose by 8% and amounted to SEK 163.9 (154.7) million and EBITDA amounted to SEK 2.0 (-2.3) million. The last quarter of the year was busy with the company's annual event at Globen in Stockholm and the launch of several exciting innovations in the digital world. Among other things, Zinzino's Brand Book was launched to strengthen the brand and awareness of the company. Other news included the digital sales tool Zinzino Hub and the new communication portal for the company's distributors and customers.

Sales  
SEK million **163.9** (154.7)

## Revenues



(2018; SEK 120.0 (109.3) million)



(2018; SEK 12.2 (13.1) million)

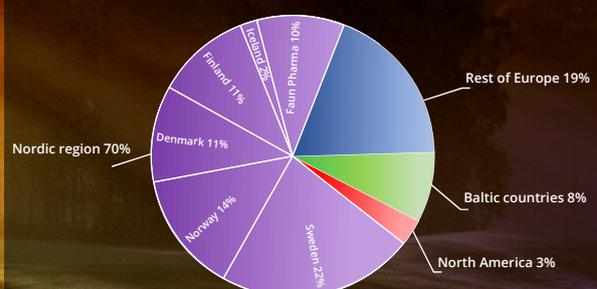


(2018; SEK 15.9 (15.9) million)



(2018; SEK 15.8 (16.4) million)

## Geographic distribution of sales



# THE YEAR'S NEWS - A SHORT SUMMARY

2018 also saw an upgrade of our own IT platforms, including the launch of one application, two new product releases and expansion to new countries!

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## STRATEGIC INVESTMENT IN IT AND MARKETING WITH US IN FOCUS

During 2018 Zinzino has continued the strategic process of developing digital marketing tools, with the highest focus on the North American market. Among other things, Zinzino has initiated a partnership with the American company Naxum, which provides a state of the art sales support platform for marketing within social media. The first version of the new sales support tool was launched in conjunction with the Zinzino's Annual Event in Stockholm under the name Zinzino Hub. Zinzino Hub enables Zinzino's distributors to increase their sales by linking contacts via social media channels and easily follow up on the contacts that have responded to the message. It is also possible for those who receive the information to directly register as customers and to purchase products. Zinzino believes that the new digital tool for the sales force will be a new, powerful and modern aid in the marketing efforts, especially for the important North American market.

In addition, a new email system with a fresh design has been implemented for more flexible and customised communication to customers. The new modern portal makes the information flow intuitive and effective between the company and its stakeholders. Zinzino will also focus on developing automated email based on one-time events, which means that all Customers and Partners will receive personalised and relevant information, presented in a modern way with stylish design.

New films and presentation documents have also been created during the year; these include the important Business Presentation, for new Partners, which is now available in 26 different market versions.

In addition, Zinzino has launched additional new local payment solutions for Central Europe to provide the growing customer base in the region more payment options which are better adapted to the local payment culture. We have also launched a check-out process with a visually appealing design in the e-commerce store.

Zinzino's IT organisation expanded significantly during 2018, resulting in an increase in the requirements for structure and a greater focus on routines and tools. In the last six months, working routines in Zinzino's IT department have therefore switched to an agile approach, and 2019 will see us continue to deliver several large projects.

## UPDATE OF BRAND AND MARKETING MATERIAL BASED ON A NEW COLOUR CONCEPT

During 2018, Zinzino worked strategically on developing the brand. Among other things, the company's important presentation tools InfoZinzino and Customer Presentation were given major updates and were launched with a new design language. In addition, new product boxes were also introduced. A new collection of workout clothes from Zinzino Health Club was also launched. The purpose of all the new the marketing material is to make it more communicative and to follow Zinzino's new graphic profile. In addition, Zinzino's Brand Book was launched. A clear, strong brand raises awareness of the company and contributes to increased turnover. Zinzino's Brand Book provides the company's employees and distributors with guidelines on how Zinzino's brand and values should be communicated to the outside world. The Brand Book sets out guidelines that express the common values of the company and distributors, how Zinzino should be experienced and where the company will continue its journey in the future.



### **LAUNCH OF ENERGY BAR – TASTY AND HEALTHY**

In the first quarter the company launched the new product, Zinzino Energy Bar – a healthy snack that is suitable before or after training or when you are on the go. Zinzino Energy Bar provides long-lasting energy and fibre without creating a craving for sugar.

Zinzino Energy Bar is a unique mix of almonds, dates, chia, quinoa, pumpkin seeds, sesame seeds and inulin, all of which provide a high percentage of fibre and energy to the body without added sugar. The Energy Bar is entirely gluten free and as the ingredients are certified vegan, the contents are therefore also lactose-free.

The product complies with IOC and WADA guidelines, which means it doesn't contain any prohibited ingredients. This new 100% vegan product is an additional stage in the Zinzino vision to take responsibility for people's health and wellbeing.



### **MOVING TO NEW PREMISES IN AUGUST**

Over several years, Zinzino's organisation has grown in pace with the business. In August, the headquarters moved to new, purpose-built premises nearby, to accommodate the organisation and provide additional room for expansion. The new office allows all our staff to have their workstations on the same floor, contributing to increased efficiency and better internal communication within the company.



### **WAREHOUSE IN FRANCE CONTRIBUTES TO POSITIVE SALES DEVELOPMENT IN CENTRAL EUROPE**

In April 2018, Zinzino commissioned its new warehouse in Farébersviller in north-eastern France, strategically located in a central position in Europe, in collaboration with logistics partner Katoen Natie and the carrier GLS. This has led to shorter delivery times to the key emerging markets for Zinzino in Central Europe. Short lead times in the logistics chain are important for driving growth, and especially important in newly established markets to achieve high customer satisfaction. Through the collaboration with GLS and the new warehouse, Zinzino can ensure that all customers in this rapidly growing region will have their products delivered to them quickly and securely.

### **ZINZINO GROWTH COMPANY OF THE YEAR IN DIRECT TRADE IN SWEDEN FOR SECOND YEAR IN A ROW**

In competition with other major direct sales companies in Sweden such as Oriflame, Mary Kay and Forever Living, Zinzino was chosen as the growth company of the year in Sweden for the second year in a row. It is a result of the solid work that the Swedish sales force made during the year in combination with the company's support in the important home market. Direct Selling Sweden is the trade association for companies dealing with direct sales/direct trade.

### **PROCESS TOWARDS ACCOUNTING STANDARD IFRS INITIATED**

The board of directors has decided that the company should replace the current standard K3 with the International Financial Reporting Standards (IFRS). The company aims to make Q1 2019 the first reporting period and the first financial report in accordance with IFRS.

# SUCCESSFUL INVESTMENT IN GROWTH AND E-COMMERCE

During 2018, Zinzino invested in and developed e-commerce solutions through smart payment methods and faster delivery of goods to the customer. We also launched a sales tool for marketing in social media for distributors. In addition, a new warehouse was opened in central Europe, which has resulted in the customers and distributors in the region getting their deliveries significantly faster and at a much lower cost. Together with the solid effort from the distributor organisations in the region, these were contributing factors to the positive sales trend in Central Europe over the past year.

## SWEDEN

The Swedish home market continued its strong advancement and became the largest market in sales in 2018. The total revenue increased by 11% to SEK 113.2 (102.3) million in total revenue, of which SEK 3.1 (3.7) million was attributable to the parent company Zinzino Nordic AB. This corresponded to 19% (19%) of the group's total revenue. The experienced Swedish sales organisation has built up a large customer base through solid and systematic work with great emphasis on the Health range in the product mix. The structured work of the experienced distributors, with long-term customer focus, has resulted in sustainable growth for the important Swedish market.

SEK Thousand	
Growth compared to the prior year	11%
Share of Zinzino's total sales	19%
Net sales	101,997
Other revenue	11,191
<b>Total revenue</b>	<b>113,188</b>

ZINZINO HEALTH 93%

ZINZINO COFFEE 7%

## NORWAY

In terms of sales, the important Norwegian market had a slightly tougher 2018 where total revenue decreased by 12% (-3%) to SEK 92.7 (105.3) million. The country continues to have many distributors and customers, but the activity among distributors decreased during the year. The reason for the reduced activity is complex, and depends on how well the distributors perform with the product mix and the sales tools the company offers. Zinzino is therefore actively working to reverse the negative trend by making major investments in the form of development of digital platforms and the brand and by supporting strategically important distributors. This is expected to help reverse the trend in this very important sales market for Zinzino.

SEK Thousand	
Growth compared to the prior year	-12%
Share of Zinzino's total sales	16%
Net sales	83,528
Other revenue	9,154
<b>Total revenue</b>	<b>92,682</b>

ZINZINO HEALTH 84%

ZINZINO COFFEE 16%



## DENMARK

The Danish market developed positively in 2018. Total revenue increased by 8% to SEK 73.4 (68.2) million. This corresponded to 13% (13%) of the total revenue in the group. In 2018, the Danish sales organisation increased its activities and worked in a structured and systematic way with the product mix. This resulted in increased sales growth over the past year. In addition, the strategically important Danish distributors have made a significant contribution to sales growth in several of the newly started markets in Europe described later in the section.

### SEK Thousand

Growth compared to the prior year	8%
Share of Zinzino's total sales	13%
Net sales	66,877
Other revenue	6,496
Total revenue	73,373

ZINZINO HEALTH 91%

ZINZINO COFFEE 9%



## FINLAND

In 2018, Finland continued to be the third largest market for Zinzino, but the reduced distributor activity contributed to a reduction in revenue by 11% and amounted to SEK 76.5 (86.3) million, corresponding to 13% (16%) of the group's total sales. Zinzino is therefore actively working to reverse the negative trend in the Finnish market by making large Investments in the form of developing digital platforms, the brand and by supporting strategically important distributors. Special investments are also being made towards the social media platforms for the Finnish market.

### SEK Thousand

Growth compared to the prior year	-11%
Share of Zinzino's total sales	13%
Net sales	67,351
Other revenue	9,146
Total revenue	76,497

ZINZINO HEALTH 90%

ZINZINO COFFEE 10%



## ICELAND

In Iceland, the total revenue in 2018 amounted to SEK 13.5 (15.1) million, corresponding to a decrease of 10% compared with the previous year. In addition, the Icelandic target corresponded to 2% (3%) of the total revenue. The market has experienced lower Partner activity for several years, which has hampered sales growth in the last few years. The work to stimulate the market with attractive campaigns and sales events has been ongoing and during the last six months has seen some results as the Partner activity has increased again and the sales reduction in the market has halted.

### SEK Thousand

Growth compared to the prior year	-10%
Share of Zinzino's total sales	2%
Net sales	11,852
Other revenue	1,682
<b>Total revenue</b>	<b>13,534</b>

**ZINZINO HEALTH 69%**

**ZINZINO COFFEE 31%**



## ESTONIA

Estonia was perhaps the market that was hit hardest by the change in the business system in 2015/2016 and has since found it difficult to recover. The market has suffered from ever lower distributor activity and fewer active customers. During 2018, there was some recovery and increased activity on the market so the decrease in revenue stopped at 16% to SEK 10.4 (12.3) million, which also corresponded to 2% (2%) of the group's total revenue. Zinzino continues to support the Estonian market through market support and targeted campaigns to stimulate distributor activity and sales growth. In 2018, a collaboration was conducted within the Zinzino's sponsorship concept with the Estonian Olympic-qualifying discus thrower Gerd Kanter.

### SEK Thousand

Growth compared to the prior year	-16%
Share of Zinzino's total sales	2%
Net sales	9,365
Other revenue	1,004
<b>Total revenue</b>	<b>10,369</b>

**ZINZINO HEALTH 75%**

**ZINZINO COFFEE 25%**



## LITHUANIA

During 2018, the Lithuanian sales organisation continued to be active working systematically on Zinzino's concept. Revenue in 2018 was in line with the previous year and amounted to SEK 12.9 (12.9) million and corresponded to 2% (2%). Zinzino continues to support the sales organisation in Lithuania, mainly through marketing support and customer support. With these methods, Zinzino is predicting growth in the Baltics and in Lithuania in 2019, mainly through increased distributor activity and increased focus on Health in the product mix.

### SEK Thousand

Growth compared to the prior year	0%
Share of Zinzino's total sales	2%
Net sales	11,632
Other revenue	1,242
<b>Total revenue</b>	<b>12,874</b>

ZINZINO HEALTH 89%

ZINZINO COFFEE 11%



## LATVIA

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. Total revenue in 2018 rose by 51% to SEK 21.7 (14.4) million, which corresponded to 4% (3%) of total revenue. The distributor organisation in Latvia works in an active and structured way, which has resulted in sustained growth for several years.

### SEK Thousand

Growth compared to the prior year	51%
Share of Zinzino's total sales	4%
Net sales	19,379
Other revenue	2,363
<b>Total revenue</b>	<b>21,742</b>

ZINZINO HEALTH 86%

ZINZINO COFFEE 14%



## GERMANY

The sales growth in Germany has been driven by an experienced sales organisation which has taken Zinzino's Balance concept to new levels by focusing strongly on the benefits of the products. Revenues for the important German market rose by 96% to SEK 27.3 (13.9) million in 2018, which corresponded to 5% (3%) of total revenue. Zinzino believes that the positive trend will continue in Germany and the company will continue to invest considerable resources in order to further stimulate the market. Several measures have been implemented during the year, such as the improvement of digital sales tools and the launch of several payment solutions tailored to the local German market. In addition, Zinzino has appointed a local sales manager Germany to further stimulate the sales growth in the country.

### SEK Thousand

Growth compared to the prior year	96%
Share of Zinzino's total sales	5%
Net sales	25,671
Other revenue	1,601
<b>Total revenue</b>	<b>27,272</b>

ZINZINO HEALTH

100%



## AUSTRIA

The Austrian market was started in 2017 and has been showing good sales development since its inception. Total revenue for 2018 increased by 91% and was SEK 6.4 (3.4) million, which also corresponded to 1% (1%) of the group's total revenue. The experienced Austrian distributor organisation works actively and structured in close collaboration with the German organisation with a strong focus on the benefits of the products. Just as in other countries in the DACH region, Zinzino sees great opportunities for continued growth in Austria in 2019.

### SEK Thousand

Growth compared to the prior year	91%
Share of Zinzino's total sales	1%
Net sales	6,069
Other revenue	375
<b>Total revenue</b>	<b>6,444</b>

ZINZINO HEALTH

100%



## SWITZERLAND

The Swiss market has shown good development in 2018, like other markets in the DACH region. Total revenue increased by 321% to SEK 4.9 (1.2) million, corresponding to 1% (0%) of the group's total revenue. The market is relatively new and Zinzino is still making local adaptations, such as opening a local bank and support in French and Italian from the head office in Gothenburg. The Swiss Sales organisation works in an active and structured way in cooperation with the other neighbouring organisations in the DACH area.

### SEK Thousand

Growth compared to the prior year	321%
Share of Zinzino's total sales	1%
Net sales	4,617
Other revenue	251
Total revenue	4,868

ZINZINO HEALTH 100%



## NETHERLANDS

The positive sales development continued in the Netherlands in 2018. Revenue increased by 59% compared with the previous year to SEK 6.7 (4.2) million, which corresponds to 1% (1%) of the group's total revenue. Zinzino has conducted operations in the Netherlands for a few years and has attracted several talented distributors, who contributed with good customer growth. This is now producing more positive sales results since the market has been stable for a long time. The company also cooperated with the football club SC Heerenveen as part of its multinational sponsorship concept.

### SEK Thousand

Growth compared to the prior year	59%
Share of Zinzino's total sales	1%
Net sales	6,359
Other revenue	384
Total revenue	6,743

ZINZINO HEALTH 100%



## POLAND

There was a breakthrough in the Polish market in 2018. Sales growth took off and total revenue increased by 124% to SEK 3.9 (1.8) million, corresponding to 1% (0%) of the group's total revenue. Despite major barriers to establishment where Zinzino had to tailor the remuneration model for distributors, it has succeeded in attracting several talented Partners and continued to build a long-term sales network. This is mainly through synergies with the Hungarian market and its skilled distributor organisation.

### SEK Thousand

Growth compared to the prior year	124%
Share of Zinzino's total sales	1%
Net sales	3,776
Other revenue	165
<b>Total revenue</b>	<b>3,941</b>

**ZINZINO HEALTH 100%**



## HUNGARY

The Hungarian market had the very best sales growth among the various markets in 2018. Total revenue increased by 2,158% to SEK 20.3 (0.9) million, corresponding to 3% (0%) of the group's total revenue. In the same way as other growing markets, the Hungarian market is driven by dedicated distributors who work in a structured and active way. In Central Europe, the average age is generally higher for distributors and many have a great deal of experience in direct sales and/or a high level of education. The common factor is that they have a wide network of contacts across the borders to neighbouring countries in the region. The work is conducted with a strong focus on Zinzino's Balance concept, which has been very positively received from the rapidly growing group of Hungarian customers. The strong sales growth in Hungary and the other neighbouring markets have continued into 2019.

### SEK Thousand

Growth compared to the prior year	2,158%
Share of Zinzino's total sales	3%
Net sales	19,454
Other revenue	864
<b>Total revenue</b>	<b>20,318</b>

**ZINZINO HEALTH 100%**



## ROMANIA

The Romanian market has developed positively since the sale start in 2017. Total revenue for the past year rose by 161% to SEK 2.6 (1.0) million. This was despite the fact that there were certain barriers to establishment regarding product registration and company form, which forced Zinzino to rebuild the sales model on the market during 2018. The company continues to work with the registration to adapt it further to the market so that it achieves the same excellent growth as the neighbouring countries had during the past year.

### SEK Thousand

Growth compared to the prior year	161%
Share of Zinzino's total sales	0%
Net sales	2,431
Other revenue	122
Total revenue	2,553

**ZINZINO HEALTH 100%**



## SPAIN

The Spanish market continued to develop in 2018. Total revenue increased by 20% to SEK 5.3 (4.4) million, corresponding to 1% (1%) of the group's total revenue. The active and committed distributor organisation in Spain works closely with Italian colleagues and enjoys great synergies as a result of this cooperation. Zinzino contributes to their success through support and market measures.

### SEK Thousand

Growth compared to the prior year	20%
Share of Zinzino's total sales	1%
Net sales	4,911
Other revenue	400
Total revenue	5,311

**ZINZINO HEALTH 100%**



## EU

Trends in other countries in the EU area were positive overall in 2018. Total revenue increased by 58% to SEK 9.4 (6.0) million, corresponding to 15 (1%) of total revenue. The countries with the most positive development in 2018 were Czech Republic, Slovakia and Italy. These markets will be expanded based on earlier concepts and have increased establishment in 2019. The first of these was the Italian market, which had a sales start in March under its own flag. The common factor for these three growing markets is that they enjoy synergies through cooperation with the distributor organisations in the neighbouring markets.

### SEK Thousand

Growth compared to the prior year	58%
Share of Zinzino's total sales	2%
Net sales	8,630
Other revenue	775
Total revenue	9,405

**ZINZINO HEALTH 100%**

 USA

Total revenue for the US market decreased by 12% and amounted to 20.2 (23.0) for 2018. This corresponded to 3% (4%) of the group's total revenue. The US market is strategically important for Zinzino and has great potential. For this reason, several digital investments targeting North America were implemented in 2018 to further stimulate sales growth. This work produced several positive signals during the second half of the year when sales turned upwards again for the US. Zinzino will continue to support the sales organisation by implementing several strategic measures to further align the operations for the US. One part of this will be the recruitment of key personnel with core competence from growth companies in the direct sales industry.

SEK Thousand	
Growth compared to the prior year	-12%
Share of Zinzino's total sales	3%
Net sales	20,158
Other revenue	11
<b>Total revenue</b>	<b>20,169</b>

ZINZINO HEALTH 100%

 CANADA

The Canadian market has a challenging regulatory situation in terms of registering products within the health and wellbeing sectors. This means that only a few of Zinzino's products have been available for sale in 2018, which has slowed sales growth in Canada. The modest sales for 2018 amounted to SEK 0.7 (0.9) million. Zinzino is continuing to work with the processes for registering the products and is trying to stimulate distributor activity in 2019.

SEK Thousand	
Growth compared to the prior year	-13%
Share of Zinzino's total sales	0%
Net sales	733
Other revenue	10
<b>Total revenue</b>	<b>743</b>

ZINZINO HEALTH 100%



# SALES BY MARKET

## – A COMPARISON BETWEEN THE COUNTRIES (SEK THOUSAND)

COUNTRY / MARKET	Sweden	Norway	Denmark	Finland	Iceland	Estonia	Lithuania	Latvia	Germany	Austria	Switzerland
Net sales	101,997	83,528	66,877	67,351	11,852	9,365	11,632	19,379	25,671	6,069	4,617
Other revenue	11,191	9,154	6,496	9,146	1,682	1,004	1,242	2,363	1,601	375	251
Health share	93%	84%	91%	90%	69%	75%	89%	86%	100%	100%	100%
Coffee share	7%	16%	9%	10%	31%	25%	11%	14%			
Faun share											
Growth compared to the prior year	11%	-12%	8%	-11%	-10%	-16%	0%	51%	96%	91%	321%
Share of the group's total sales	19%	16%	13%	13%	2%	2%	2%	4%	5%	1%	1%

COUNTRY / MARKET	Netherlands	Poland	Hungary	Romania	Spain	EU	United States	Canada	Faun		Total
Net sales	6,359	3,776	19,454	2,431	4,911	8,630	20,158	733	63,551		538,341
Other revenue	384	165	864	122	400	775	11	10	-		47,236
Health share	100%	100%	100%	100%	100%	100%	100%	100%			91%
Coffee share											9%
Faun share									100%		
Growth compared to the prior year	59%	124%	2,158%	161%	20%	58%	-12%	-13%	-2%		11.0%
Share of the group's total sales	1%	1%	3%	0%	1%	2%	3%	0%	11%		100%
										<b>Total</b>	<b>585,577</b>

\*Included with other operating revenues in pages 10-11

# OUR GROWTH CONTINUES

In 2018, Zinzino has continued to expand its operations to more countries and regions

Zinzino has actively worked for several years to expand its operations to new countries. The company has developed an effective establishment process both in terms of costs and time, which has helped the company expand its sales to its current 33 markets. During 2018, the establishment process has resulted in several new successful launches.

## ZINZINO EXPANDS OPERATIONS IN CENTRAL EUROPE AFTER SUBSTANTIAL SALES GROWTH IN THE REGION

Sales growth has been very positive in several eastern European countries since the start of sales in the summer of 2016. In particular, the Hungarian market has increased in turnover and, in a very short time, the country has grown into one of Zinzino's strongest markets in terms of sales. The country's strategic position in central Europe has contributed to the significant synergies between the sales organisations in the regions countries. These synergies have resulted in sales now also growing rapidly in the neighbouring countries of Romania, Czech Republic and Slovakia. This is why Zinzino is deepening its establishment in these countries through local registration, adaptation of replacement models based on local conditions and currency conversion. In addition, the head office in Gothenburg has provided increased resources with support in both Hungarian and Romanian.

## BENVENUTO ITALIA!

Sales on the Italian market have steadily increased throughout 2018 but really picked up the pace in the last quarter and have been a major contributor to the sales growth in southern Europe. In the last quarter of 2018, Zinzino created a new subsidiary in the country and began collaboration with industry consultants, who will assist with a locally-adapted replacement model for the sales force which is very important for the strictly regulated Italian market.

## EXPANSION INTO INDIA

In 2018, Zinzino started an establishment process in India. As with previous set-ups, the process is being carried out together with Business Sweden, which has experience in these kinds of processes. The process involves establishing a company, registering products and developing sales networks. It is estimated that the process will take 18–24 months and sales are expected to begin during the final quarter of 2019.

## NEW WAREHOUSE IN FRANCE

In April 2018, Zinzino commissioned its new warehouse in Farébersviller in north-eastern France, strategically located in a central position in Europe, in collaboration with logistics partner Katoen Natie and the carrier GLS. This has led to shorter delivery times to the key emerging markets for Zinzino in central Europe. Short lead times in the logistics chain are important for driving growth, and especially important in newly established markets to achieve high customer satisfaction. Through the collaboration with GLS and the new warehouse, Zinzino can ensure that all customers in this rapidly growing region will have their products delivered to them quickly and securely.

## SALES LAUNCH IN AUSTRALIA

During 2018, Zinzino started another establishment journey by initiating a company formation process in Australia. The process has followed the company's establishment model and the start of sales took place in April 2019. The existing sales organisation has many entrances in the Australian market, which means that Zinzino is looking forward to the sales development with confidence in this great, exciting market!



# FAUN PHARMA

## Production validation is in the figures

Production at Faun is complex. There is more to making complex production efficient than running the machines as fast as you can. The process starts with the purchase of materials and is followed by two to four main production steps before delivery to our customers stores. In efficient production, all these steps need to flow smoothly. We have worked systematically to improve all processes and their interactions since Zinzino bought the factory in 2014.

Faun has great expertise in raw material procurement and our suppliers describe us as a stable and reliable customer. It has opened up opportunities for better supplier contacts and access to rare, valuable raw materials.

Knowledge is the key to efficient production! In recent years, we have implemented targeted measures to recruit key competences as well as systematically developing existing skills to meet new needs and constantly changing demands from our customers.

We have almost tripled our production volume in 5-6 years. Larger volumes require detailed planning. We have invested a great deal of energy into these improvement measures and have therefor taken a major step in the right direction. Planning is not only important in itself, it is also the basis for raw materials purchasing, financial planning, recruitment and training of staff.

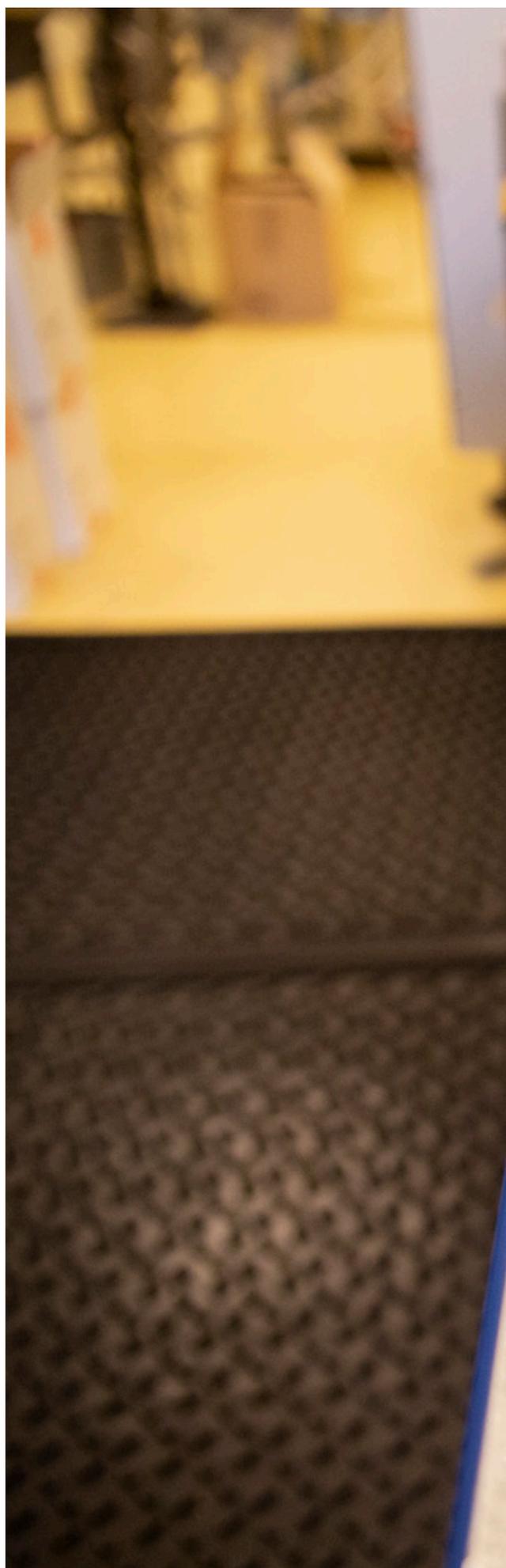
The process and procedures need to be fine-tuned machinery and tools maintained and available at short notice. In this area, we have carried out extensive work with detailed process descriptions and risk analyses. Machinery and technical equipment have been checked for existing competence and maintained according to plan. We have also acquired new machines. The latest addition is a mixer for tablet powder that enables us to triple the batches of Xtend and Viva while cutting the production time in half.

There is an old saying, which goes "The proof of the pudding is in the eating". A pudding can be well made and based on the best recipe but if nobody eats it, how good can it really be? Production validation is carried out using figures and measurement results. We have created a system in which we measure and monitor all key parameters in production. We have set standards and all deviations have been recorded and improvements implemented.

An important part of the improvement process in Faun has been DNV-GL. Faun has a quality assurance system according to ISO 9001. This means that we have annual reviews where we ensure the status and increased standards from year to year. Although ISO 9001 is best known as a "quality standard", it is much more than just production quality. It covers all key processes from product development and sales to delivery and logistics.

We are convinced that this makes Faun a better and more efficient company; a company that continuously strives to improve its various production processes.

**Geir Smolan**, MD Faun





**FAUN**<sup>®</sup>



# IT BEGAN WITH A GOOD CUP OF COFFEE...

## ZINZINO = INSPIRE CHANGE IN LIFE

- An agreement was signed with Rombouts which means that Zinzino will become the exclusive distributor in the markets in northern Europe.
- In May, Zinzino launched the 123spresso machine, manufactured by the French-Belgian coffee house.
- The Norwegian and Swedish markets were the first to open. The Danish market opened in the autumn of 2005.

## AN OFFICE IN SWEDEN'S SECOND LARGEST CITY

- We employ more staff in customer services in Gothenburg when we continue to focus on sales growth in Scandinavia.

## A GOOD YEAR FOR GOOD COFFEE

- In September 2009 we open in Iceland officially as our sixth market.
- Zinzino launched the first semi-automatic machine, which is also the first one with Zinzino's name on it.
- The fully automatic SoPod machine was also launched together with the Zinzino machine.

## A NEW PART OF EUROPE AND A NEW CEO. AT THE SAME TIME.

- The Baltic markets: Estonia, Latvia and Lithuania welcomed into the Zinzino family.
- Zinzino also welcomes Dag Bergheim Pettersen as the new CEO.



2005

2006

2007

2008

2009

2010

2011

2012



## FIRST WE TOOK SWEDEN AND NORWAY - THEN WE TOOK FINLAND AND THE FAROE ISLANDS

- The Finnish market was launched in 2006 and became our fourth Zinzino country.
- The Faroe Islands really belong to Denmark, but were opened as a separate market in the autumn of 2006.



## PREPARING TO ESTABLISH MORE MARKETS

- A new machine, Oh Espresso, is launched in four different colours.
- The new machine is an immediate success and sales increase.
- We start a pre-launch in Iceland. Zinzino has now established efficient routines for launching in new markets and the company will continue to grow.

AKTIEFORGET

BioActive Foods AS

## BY PUBLIC DEMAND ANYONE CAN NOW INVEST IN OUR COMPANY

- The company is opened for trading on the Aktietorget trading platform. The first two trading weeks result in an increase in share price of over 20%. During the autumn, the new machine Oh Disco was launched. It is a small (by 2010 standards) fully automatic machine in modern white with LED lights which change colour.

## A BALANCED YEAR!

- Zinzino bought 6% of the Norwegian company BioActive Foods AS and gains exclusivity to market their products and concepts. This marks the beginning of a new era and Zinzino sets out on its journey towards becoming a wellness and health company. Zinzino's Balance concept was born.

# ...THE JOURNEY TOWARDS 1 MILLION CUSTOMERS CONTINUES

## ACROSS THE SEA AND TO THE STARS.

- We open for pre-launch in USA and Zinzino's Balance concept. Sales start and an office is opened in Jupiter, Florida, where our US customer service teams are based.
- An incredible growth year. In the fourth quarter, there was growth of more than 100%.



2013

2014

## ONE OF THE 25 LARGEST AND MOST TRANSFORMED COMPANIES.

- Zinzino increased its ownership of Faun Pharma AS in 2015 by 13.8% and now owns 98.8% of the company.
- The espresso machine Ek-Oh was launched.
- Zinzino Coffee was launched as the company's own trademarked product.
- Zinzino LeanShake was launched - a new product within Zinzino Health.
- Zinzino became one of the 25 largest and most traded companies on Nasdaq's First North and thus qualifies as "First North Top 25".
- Zinzino opens up for sales in Canada.



2015

2016

## INCREASED GROWTH AND FOCUS ON E-COMMERCE

- Zinzino Balance Oil Vegan is introduced – new product in the Zinzino Health segment.
- Zinzino Viva is launched – new product in the Zinzino Health segment.
- Launch of the Go Core education app.
- New payment solutions for Germany via GiroPay and SEPA direct debit.
- Zinzino welcomes Geir Smoland as new CEO of Faun Pharma.



2017

2018

2019



## THE BELL RINGS AT NASDAQ!

- In October Zinzino launched Xtend - our immune product which is designed to renew your skin, increase your energy and improve your leg and joint function.
- In October Zinzino bought 85% of Faun Pharma AS - a modern and fully-equipped factory in Norway with solid experience in product development. It is here that Zinzino will locate its research, product development and production.
- In December we were formally approved for listing on Nasdaq First North.
- Zinzino acquired BioActive Foods AS and is now sole owner with 100% of the shares. The increased control ensures growth and expansion for the Balance concept.



## THANKS! 100,000 TIMES!

- Faun Pharma AS is certified with ISO9001: 2008 - a quality certification which ensures that high-quality goods are produced, this opens up new sales channels.
- Zinzino opens for sales of the Zinzino Health products in Germany and Poland.
- Zinzino expands and opens for pre-launch in all EU countries.
- Zinzino SkinSerum with 24-hour youth formula launched.
- We reach an important milestone – 100,000 customers!



## OUR JOURNEY CONTINUES...

- Zinzino launches in Hungary and Romania as separate markets after amazing sales development in the region.
- Zinzino's brand book launched.
- Zinzino's digital journey continues and, in order to achieve success with this, the company invests increased resources into digital development by more than 100%.

# PRODUCT NEWS

Effective in-house product development resulted in several launches and updates of products in 2018

## ENERGY BAR

Our amazingly tasty Energy Bar is a healthy snack which is perfect to take with you on when you are on the go or in conjunction with training. It's packed with almonds, dates and a handful of super seeds such as chia, quinoa, pumpkin seeds and sesame seeds - and also fibre from inulin for maximum effect.

## UPDATED BALANCETEST

Instead of the two paper tabs on the previous design, the blood droplets should now be directed towards the two circles marked on the test card. This allows an automated and faster process in the laboratory.

## UPDATED BALANCEOIL AQUAX

Our fourth generation of AquaX has been developed to give you an even better experience! It now contains a new and improved version of the Aquacelle Matrix, an emulsifier that allows oil to be included in the mixture. It now works even more effectively, which means better taste and sensation in the mouth as well as better absorption in the body.

## UPDATED PROTECT

In addition to the 1.3-1.6 beta-glucans (Wellmune®) extracted from baker's yeast, Protect now also contains vegan vitamin D3, which increases the immune response. So the product is vegan, gluten free and GMO free!

## SKIN SERUM 10X5ML

Zinzino Skin Serum is a 24-hour Youth Formula for the face and neck. It moisturises and evens out the skin and improves its elasticity and resilience. It is now also available as 10x5ml, which is perfect for travelling, to give as a gift or to a potential customer.

## XPRESS'OH

Our new espresso machine has a modern look that fits into any kitchen and in any other places where you want to enjoy great coffee. Xpress'Oh works with a pressure of 16 bar and has two easily programmable buttons to make a small and a large espresso, in exactly the size you want it. Just insert in your favourite coffee pod and press the button and the machine will make a perfect espresso for you.



# ZINZINO'S PRODUCT SEGMENTS

Zinzino offers customers products centred on health, quality and the environment. We continually strive to improve, to develop and to stay at the leading edge with our product selection



## BALANCE

The products in the Zinzino's Balance segment contribute to a normal brain function, normal cardiac function and a normal immune system. The products contain extra virgin olive oil with high content of polyphenols which in studies shows great ability to increase EPA and DHA in the body. These are natural supplements that help you increase the levels of essential Omega-3 fatty acids in your body and help you adjust your Omega 6:3 ratio in just 120 days.

## SKIN CARE

This segment consists of Zinzino Skin Serum in the sizes 30ml, 50ml and 10x5ml. Skin Serum is an advanced skin care product that protects, repairs and rebuilds your skin's extracellular matrix, ECM, which is found in both the epidermis and the skin (dermis) and makes it firm and elastic. Skin Serum is a 24-hour youth formula for the face and neck. It moisturises and evens out the skin and improves its elasticity and resilience. It reduces fine lines and the appearance of wrinkles.

## WEIGHT CONTROL

Zinzino's Weight Control segment is perfect for those who want to lose weight, build muscle or get a balanced intestinal flora. The products in this segment have a high proportion of protein and fibre, which make you feel full for longer, while at the same time having low sugar content. By combining the products according to your needs, you have a better chance of achieving your goals.

## COFFEE

Zinzino's coffee segment includes products developed from the finest Arabica and Robusta beans to produce the very best taste. The coffee machines are high quality and make espresso just the way you want it. Insert your favourite pod and press the button, the machine will brew an espresso with the perfect crema for your taste. This segment also offers a variety of espresso accessories.

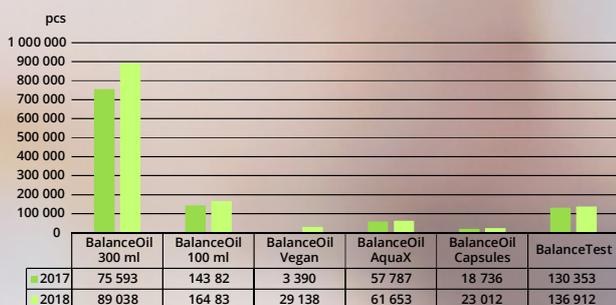
## IMMUNE & BRAIN

This segment contains products with important vitamins and other nutrients that contribute to a normal immune system and can improve mood and increase your well-being in different ways. These products extend the concept of "being in balance" and can bring small improvements to life-changing results.

# SALES DEVELOPMENT BY PRODUCT SEGMENT 2018

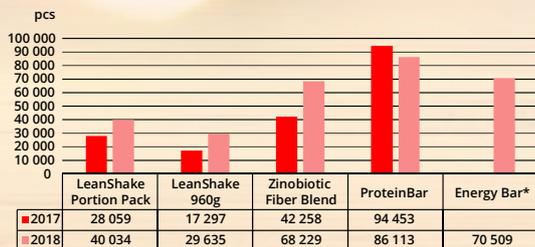
## BALANCE

In 2018, the number of Balance units sold increased by 18% to 1,305,927 (1,110,025). Balance is the company's largest product area and the basis of the company's strategic brand processes. The company's BalanceTest is the first product that is presented to a new customer and the central item in the sales process. In collaboration with the independent lab Vitas, Zinzino has carried out over 280,000 analyses of BalanceTests since its launch, and the concept has been a strong contributing cause of the good sustained growth levels in the product area over the last five years.



## WEIGHT CONTROL

Weight Control increased by 62%, to 294,520 (182,067 units). Healthy and tasty Protein Bars and Energy Bars are products that are in time and in line with the global health trend. The products were exclusively the reason for the increase in the area in 2018 and Zinzino is predicting further sales increases in Protein Bars and Energy Bars in 2019.

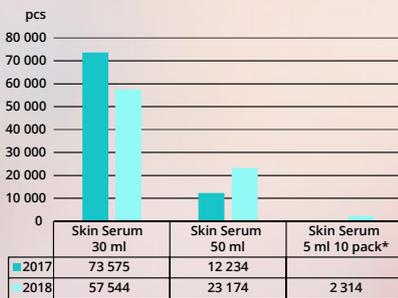


\* launched in 2018



## SKIN CARE

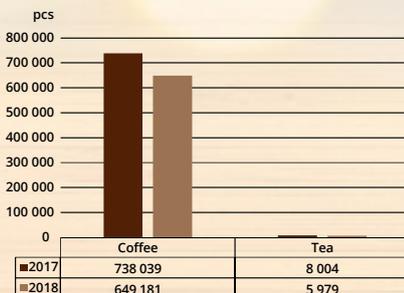
Skin Care decreased by 3% to 83,032 (85,809) units sold, mainly due to the fact that in 2018 the Skin Serum was launched in a larger 50 ml pack. Skin Care is a product area where the company is at the forefront, and where it will increase its focus over the coming year through more targeted activity such as films on social media. These are measures which the company expects will generate more growth in Skin Care for 2019.



\* launched in 2018

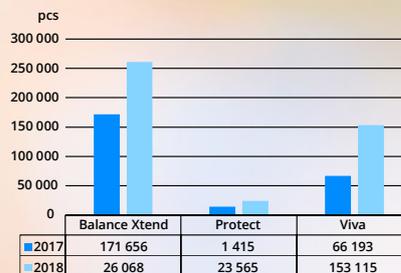
## COFFEE

Beverages dropped by 12% to 655,160 (746,043) units sold. Zinzino launched a new coffee machine in October with the new Xpress'Oh. This could increase new sales and as a result slow down the decline in sales. The company has had less focus on the coffee segment and chosen not to launch it on the new markets, due to the generally lower gross margins in this product area. This has contributed significantly to the decline in sales in Beverages.



## IMMUNE & BRAIN

Immune & Brain grew by 74% to 437,363 (252,005) units sold. Zinzino has developed the Xtend and Viva products, both of which are products at the cutting edge in their respective area of dietary supplements. Xtend is a multivitamin with approved health claims. Viva helps the user to relax and sleep better. Zinzino has invested considerable resources in product training, information and product films, measures which generated increased sales in 2018.



## INFORMED CHOICE

Informed Choice® is a guarantee that Zinzino's registered products do not contain any of the 270+ substances banned by WADA (World Anti-Doping Agency). The certification is also a guarantee that the content of the product actually corresponds to the description on the label, and that the products tested do not contain harmful levels of pollutants. For more information see [www.informed-choice.org](http://www.informed-choice.org)



# WHAT DO OUR CUSTOMERS **THINK?**

## *Christoffer B. Tomren - Partner and Balance and Viva customer*



I first came across Zinzino 7 years ago, when someone I knew was talking so positively about Zinzino's products. Since then I have been a loyal customer and user of Zinzino BalanceOil and Viva every day. My first BalanceTest showed a balance of 9.7:1 between Omega-6 and Omega-3. My second BalanceTest came back 2.3:1.

Since I have a demanding day job as a salesperson, where I have to perform every day, both BalanceOil and Viva have really helped me with my focus and contributed to giving my body more energy. In addition, I train Crossfit many times a week and I feel that recovery time is faster and that I feel much more refreshed now when I wake up in the morning than I did before.

*I feel much more refreshed now when I wake up in the morning.*

## *Kent Fjordland - Partner and Balance customer*



I have worked as a therapist for more than 30 years and I have used Omega-3 supplements for just as long. After my first BalanceTest, which showed 7.1:1 between Omega-3: And Omega-6, I became a customer of Zinzino and I use their BalanceOil, a product that balances my blood lipids.

After having taken the oil for 4 months, I took my second test, which showed 2.3:1. I am now delighted to be able to offer all my clients the best option with proven effects.

My favourite is vegan oil, which is based on cultivated algae and an extra-fine olive oil and a daily dose of vitamin D.

# ZINZINO HEALTH CHALLENGE

The Health Challenge concept is in its third year! We give our customers and employees the best opportunities to achieve their health goals by offering great products. By doing so, they are able to turn bad habits around and achieve a healthier lifestyle



Photographer Gabriel Remäng

We continue to organise the Health Challenge, an annual competition beginning in January and ending in June of the following year, where the winners are celebrated on stage during the Leader School in late June. We are also continuing with the fourth category, Fitness Challenge, which is about building muscle and shaping the body. With our LeanShake kits, our customers find it easier to reach their goals. This meal replacement has a low-calorie content but high energy value and protein content, which are fundamental to the concept. With LeanShake and Zinobiotic, Zinzino offers an individually tailored plan offering all customers the opportunity to reach their goals.

## SOCIAL MEDIA

In a move to motivate our customers to implement the plan and achieve their individual goals, the Zinzino community uses the hashtag #ZINZINOHEALTHCHALLENGE in social media, and it has continued to have a major impact.

for example, it has recently become generally accepted to measure around the waist, as this is seen to be the most reliable way of seeing progress when you want to reduce an unhealthy level of weight.

## PACKAGE SOLUTIONS

Zinzino offers well-adapted package solutions of LeanShake based on how many kilos of weight the customer wants to lose. If you want to lose weight using our Radical 3-week weight loss programme or join the Fitness Challenge, you will always find the programme to suit you. The packages also include measuring tapes to measure your waist size and a ShakeBottle for mixing LeanShake. Instead of measuring your BMI (Body Mass Index),

## STAFF AND HEALTH CLUB

Every day, Zinzino employees have the opportunity to take part in lunch-time training sessions in the gym at the office. The sessions vary from high intensity training to yoga. Many employees take the opportunity to train during their lunch break so they come back to their desks with loads of energy.

Find the joy of training TOGETHER!



Photographer Lisa Forsell



Photographer Lisa Forsell



Photographer Lisa Forsell

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# IB NIELSEN

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When something is such a big part of your life, it is easy to stay motivated

Before Zinzino, Ib Nielsen worked as an alarm technician selling and installing alarm systems. In October 2005 he was introduced to Zinzino by a close friend.

*"In 2004 my wife, Lene, gave birth to our third child and we started discussing what we wanted our future life to look like. Like most parents, we wanted to spend more time with our children and Lene wanted to continue to stay at home with them. When the opportunity with Zinzino came along in 2015, I decided to have an extra income and that, within a year, we could meet our common dream."*

After working with Zinzino for 1 year, Ib earned enough to enable Lene to be at home and they reached their first goal. Ib started working with Zinzino full time at the beginning of 2009 and went from 500 to 1,000 customers in just 4 months.



*"I have worked full time with Zinzino for 10 years and it has given us a lot. Friendship, happiness, travel and better financial opportunities, but the most important thing is that it has given us more freedom."*

Ib works a lot from home but travels frequently to different countries because he likes to work with people from all over the world.

*"I focus on 3 things in my life: my family, Zinzino and sports and the best thing for me is combining them. I can work with Zinzino when I play golf and when I go on business trips abroad I can often bring my family."*



He is really passionate about helping friends and other people to believe in themselves and to help them find a way to change their lives. Ib is motivated by working with people he cares about and by being involved in making Zinzino a global company.

*“When something is such a big part of your life, it is easy to stay motivated. I love what I do, and I love to make a difference in other people’s lives. If you want to get more out of life, Zinzino gives you an incredible opportunity when you find friendship and freedom for yourself at the same time.”*

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**2018 winner of  
the award  
“Heart of Zinzino”**

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# CORPORATE SOCIAL RESPONSIBILITY

## OUR COWORKERS AND THE WORLD AROUND US

Zinzino is an international business which strives to be multifaceted, open and non-discriminatory at all levels. A total of ten different nationalities are working at our headquarters in Gothenburg today. We have a familiar, personal and close community with one another, our customers, partners and suppliers and we “live” our personnel handbook in our everyday lives.

## GIVING BACK

We want to make a positive difference in children's lives all over the whole world. Zinzino provides support to aid organisations such as Glocal Aid in order to help boys and girls to get out of poverty and receive an education. Zinzino in recent years has supported a school in Karwi, India. By offering a scholarship, Glocal Aid and Zinzino are working with a local primary school and secondary school to offer sponsored education for children and young people. Without this sponsorship, these children would not be able to go to school. We are very happy and proud to help finance this important work.

So far, 405 children have been sponsored through our programme, and our goal is to help more than 2000 children over the next three years! Scan the QR code below and watch the video about Zinzino and Glocal Aid's work in Karwi, India!

## OUR PRODUCTS

For our coffee and tea products, we have chosen to collaborate with Rombouts & Malongo which was the first coffee roaster to start up a collaboration with Fairtrade (1992). The roasting facility is located in Nice, France, and is ISO1400 environmentally certified. As a result, the roasting facility buys coffee from small coffee plantations where they don't use chemical fertilisers or pesticides. From the completed coffee blends Zinzino chose 4 which were Fairtrade and Organically certified, and 2 which were only Fairtrade certified. Our tea selection consists of 4 varieties which are organic and 2 which are only Fairtrade certified. Fairtrade is an independent product labelling which creates conditions for growers and employees in developing countries to improve their working and living conditions. Zinzino is also a member of the Fairtrade alliance in Scandinavia.

For the Balance products we have chosen to collaborate with Icelandic Lysi ehf. They produce our BalanceOil which contains a unique combination of fish oil and olive oil. Lysi ehf has a strict environmental policy which includes only using fish oil from fish populations that are not threatened and are approved by IUCN.

## OUR ENVIRONMENT - TRANSPORT AND RECYCLING

Every month we send approximately 50,000 packages around Europe. We use Postnord, Bring, GLS, DHL and Posti for our deliveries. They are some of the Nordic region's largest logistics and postal operators and are working actively to reduce environmental impact, decrease discharge and emissions. GLS works to reduce discharge and emissions using environmentally friendly vehicles and optimised route planning.

We are particularly proud of our improved environmentally friendly coffee pods. The use of coffee capsules has boomed since coffee machines for home use became increasingly common. In most cases the capsules are made of metal or plastic - materials which burden the environment. Our pods consist of an environmentally friendly material that can be composted.

We comply with our responsibility as a producer of *electronics for collection of used-up products* by being affiliated with Elkretsen Sweden, Elreturen in Norway and Denmark and Elker in Finland.



Scan the QR code on the next page and watch the video about Zinzino and Glocal Aid's work in Karwi, India!



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***So far, 405 children have been sponsored through our programme, and our goal is to help more than 2000 children over the next three years!***

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**IN RECENT YEARS THE FOLLOWING PROJECTS HAVE RECEIVED ONE MILLION SEK EACH:**

**2012** - Stop female genital cutting among the Maasai people in Kenya.

**2013** - A local micro finance project in Kenya in order to increase the local businesses in which women can build up agriculture and help their children go to school with food and medicines.

**2014** - Continued support of the project in Kenya.

**2015** - Development of a school for children and young people, Karwi U.P.I, India

**2016** - 295 students sponsored to go to school, Karwi U.P.I, India

**2017** - 405 students sponsored to go to school, Karwi U.P.I, India  
Development of an elementary school in Kukurah, Bihar, India

**2018** - 500 students sponsored to go to school in Karwi, U.P.I, India  
120 students sponsored to go to school in Kukurah, Bihar, India

# WHY DIRECT SALES?

## AN EFFICIENT DISTRIBUTION MODEL

Direct sales differ from more widespread distribution models in an extremely important way. First and foremost, of course, it deals with getting good products and services to the consumer, but it also deals with offering an arena for entrepreneurial people to independently build a business operation with low startup costs and low operating costs.

Direct sales consultants are self-employed but work together with a direct sales company. Consultants create strong personal relationships with potential customers, primarily through personal meetings and demonstrations of products. In these times of social media and networking, direct sales has become a marketing strategy which has shown itself to be more efficient for many companies and product lines than traditional advertising and display would be.

Millions of people all over the world have chosen to become a part of the direct sales business because they want to enjoy the company's services and products and buy them with good discounts. Some also want to market these products and services to their friends and family and to earn a commission for the sales. The most successful direct sellers can take the step of expanding through building a team.

Nine out of ten direct sellers work part-time. It is an opportunity for stressed parents, caregivers, professional workers and others to obtain more flexibility and balance in their lives. When advances in technology create a new world economy which is built on entrepreneurial spirit and independent work it is important to remember that direct sales has been such an arena for a long time, long before the internet came. Direct sales has a long history both of contributing to the world's economy and of supporting the millions of people in the industry.

## ZINZINO – A PROUD MEMBER OF MANY DIRECT TRADING ASSOCIATIONS

Zinzino is a member of the Swedish direct trading association Direct Selling Sweden and has for many years worked actively for an open and honest direct sales sector. Zinzino is also a member of the national direct trading associations in Norway, Finland, Denmark, Estonia, Latvia, Lithuania and Holland. Zinzino applies to the direct trading associations in all the new markets which it opens and is today a probationary member in the United States, Germany and Poland.

To be a member in Direct Selling Sweden is a mark of quality for Zinzino as a company. The association's principal tasks are to protect the consumer, to work for good business ethics, and to work for a good reputation both for direct sales as a form of distribution and for those engaged in it. They will also work to have the ethical rules of the business known and applied, and so that sellers and distributors will be well trained. DSS is the reference organisation for all legislation which affects direct trading.

For more information, visit their website:  
[www.directsellingsweden.se](http://www.directsellingsweden.se)



## What is direct sales?

Direct sales is a distribution model which is used by large global trademarks, but also by small entrepreneurial companies, to market products and services to consumers.





# BOARD OF DIRECTORS



**HANS JACOBSSON** CHAIRMAN

Born: 1967

Holds a Master of Business Administration degree. Works as CFO at Nowa communication. Former CEO of Rootfruit Scandinavia AB, finance director and logistics director for General Mills Scandinavia AB, Partner in CR&T Ventures (a risk capital company in the Bure sphere) and Investment Manager in Investment AB Bure.

Has extensive experience in mergers and acquisitions, IPOs and structural transactions. In addition he has comprehensive competence in food and consumer products.

Hans Jacobsson has been a member of the board of directors since 2007 and has served as Chairman since 2009.

**Number of shares:** 450,999 B shares



**STAFFAN HILLBERG** BOARD MEMBER

Born: 1964

Studied Electrotechnology at Chalmers and has an MBA from INSEAD. CEO of Wood & Hill Investment AB. Has extensive experience from international operational positions and from the financial sector.

Former CEO of Heliospectra AB and Yield AB, former Managing Partner of MVI, partner in CR&T Ventures AB (risk capital company in the Bure sphere), CEO of AppGate AB, CEO of Bonnier online, chief of Bonnier Medialab, product chief for Apple Computer Inc in France and the United States.

Staffan Hillberg has been a member of the company's board of directors since 2007.

**Number of shares:** 201,324 B shares



**GABRIELE HELMER** BOARD MEMBER

Born: 1977

Gabriele Helmer, born and raised in Germany, holds a Master of Business Administration degree from the Umeå School of Business. She has worked as CMO at Zinzino since March 2019 and was previously marketing manager for Specsavers Sverige AB and General Mills Nordic.

Gabriele previously worked as an Account Director at the advertising agency Valentin&Byhr. She has also worked in various marketing positions at Beiersdorf in the Nordic countries and Germany. Gabriele has extensive expertise in Fast Moving Consumer Goods (FMCG) and the Retail sector, as well as excellent experience of strategic marketing, brand and innovation management, and market research.

Gabriele Helmer has been a member of the company's board of directors since 2017.

**Number of shares:** 3,150 B shares  
+30,000 subscription options



**PIERRE MÅRTENSSON** BOARD MEMBER

Born: 1972

Pierre Mårtensson holds a Master of Business Administration degree from BI Norwegian Business School and has long and deep experience from having worked internationally in global companies.

Pierre Mårtensson comes most recently from Pixi Beauty Singapore and has previously worked in the Oriflame group, as CEO for the Chinese market with responsibility for 17 offices. He has also been CEO for Lux Singapore and South Africa and before that Pierre worked for three years at Zonavi AS, the interactive business unit for TV in Telenor AS, and for two years in the management consulting business.

Pierre Mårtensson has been a member of the company's board of directors since 2015.

**Number of shares:** 0  
+100,000 subscription options

# MANAGEMENT TEAM



## **DAG BERGHEIM PETERSEN**

CEO  
Born: 1970

Has held management positions in El-giganten, Alcatel and as Senior Vice President in Telia-Sonera's subsidiary NetCom. Dag has extensive experience in strategic leadership in growing companies and has been employed as CEO of Zinzino since 2012.

Number of shares: 1,460,488 B shares



## **FREDRIK NIELSEN**

CFO  
Born: 1977

Fredrik Nielsen holds a Master of Business Administration degree and has broad experience in management positions in the financial area. Employed at Zinzino since 2009, before that he was chief financial officer at Gymnasium Sportcenter AB.

Number of shares: 45,000 B shares  
+ 15,000 subscription options



## **DANIEL VENNERSTRAND**

CTO  
Born: 1976

Daniel Vennerstrand has a Master's degree in Computer Engineering and since 2001 has worked with systems development and management of software development in product companies. Daniel comes most recently from Intermail where he worked as development manager. Employed at Zinzino since April 2018.

Number of shares: 0



## **JAKOB SPIJKER**

Business Development / CCO  
Born: 1968

Jakob Spijker has held various roles in logistics, transport and warehousing, both in Sweden and in the Netherlands. Employed at Zinzino since 2012. Before that he was responsible for logistics at Mediatec Solutions AB.

Number of shares: 15,000 B shares  
+ 10,000 subscription options



## **KATRIIN LANEEP**

Head of Support  
Born: 1973

Katriin has many years of experience in customer service and more than 10 years of experience in the direct sales industry. She joined Zinzino 2012 as a support employee and then advanced to both Director Support and Leader Council Support. Most recently, she has worked as head of Partner Support before she was promoted to Head of Support.

Number of shares: 0



## **HENRIK HAMMARGREN**

Head of Business Control  
Born: 1980

Henrik Hammargren has an MBA and since 2006 has worked as a controller in senior positions at several companies, including Autoliv, Elanders and Resia. Employed at Zinzino since November 2018.

Number of shares: 0



**HELENA BYSTRÖM**

Logistics manager  
Born: 1975

Helena Byström is a civil engineer in industrial finance and has worked since 2001 with logistics at a number of different companies, among them Flextronics, Sonoform, and Volvo Trucks. Employed at Zinzino since August 2013.

Number of shares: 10,223 B shares



**HENRIK SCHULTZ**

Product Manager  
Born: 1961

Henrik Schultz has worked for a long time in management positions for various international and commercial companies. He has a good foundation in that he has a Master of Business Administration degree and has held positions such as sales chief, marketing chief and CEO. Henrik joined Zinzino in 2007 from Libro Gruppen AB.

Number of shares: 64,490 B shares

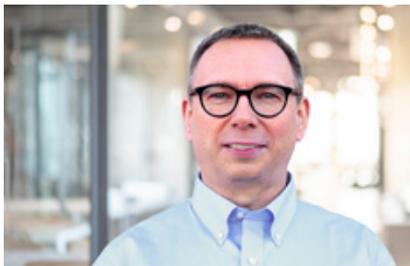


**MICHAEL PERRY**

COO USA  
Born: 1953

Michael Perry has long experience in management positions in various companies. He has an MBA and has been, among other things, sales chief, operations chief and CEO and has long experience in direct sales. Michael was employed by Zinzino LLC in March 2013 as COO for the American market.

Number of shares: 0  
+ 100,000 subscription options



**GEIR SMOLAN**

Managing Director FAUN  
Born: 1961

Geir has a Master's degree in chemistry and extensive experience of working with management systems for quality as well as for food safety and health and safety. He has also written several books in these areas. Geir joined Zinzino as Quality Manager in 2014 and took over as MD of Faun Pharma in September 2017.

Number of shares: 0  
+ 50 000 subscription options



# FINANCIAL INFORMATION

# CORPORATE GOVERNANCE REPORT

A Corporate Governance Report deals with how rights and obligations are allocated between the company's organs in accordance with applicable law, rules and processes. Corporate governance deals with the systems for decision making and the structure through which the shareholders directly or indirectly govern the company.

Zinzino AB is a Swedish publicly-held limited liability company listed on Nasdaq OMX First North in Stockholm. Zinzino AB provides here its corporate governance report relating to 2018.

## THE CODE OF CONDUCT

The company has no legislatively imposed obligation to apply the Swedish Code of Corporate Governance since the company is not of the size for which the code must be followed. Despite this, the company has established a compensation committee, an auditing committee and a nominating committee.

## EXTERNAL REGULATORY STRUCTURE

Swedish Companies Act  
Swedish and International Reporting Act  
Nasdaq OMX First North's rules for Issuers  
The Swedish Securities Council's Statements

## INTERNAL REGULATORY STRUCTURE

Articles of Association  
The board of directors' Rules of Procedure  
CEO instruction  
Attestation rules

## ALLOCATION OF RESPONSIBILITIES

The shareholders exercise their influence over Zinzino AB at the annual meeting of shareholders and at other meetings of shareholders. The meeting of shareholders is the company's highest decision-making body. The responsibility for the company's organisation and management rest on the board of directors and the chief executive officer in accordance with the Swedish Companies Act, other laws and regulations, First North's regulatory structure for issuers, the articles of association and the board of directors internal governance instrument.

## SHAREHOLDERS

Zinzino AB was listed on Nasdaq OMX First North on 11 December 2014. This meant a listing change from Aktietorget where Zinzino AB had been listed for trading since 2010. The total number of shares is 32,580,025 of which 5,113,392 are A shares (1 vote) and 27,466,633 B shares (0.1 vote). At the end of the year the company had 1,858 (1,844) owners, excluding some foreign account customers. The largest owners were Örjan Saele with company and family with 47.88% of the votes and 29.23% of the capital and Peter Sörensen with company 25.17% of the votes and 10.71% of the capital. Information for the shareholders is available on Zinzino's website: [www.zinzino.se](http://www.zinzino.se).

## ARTICLES OF ASSOCIATION

The company's articles of association describe, among other things, the company's business, the number of members of the board of directors and auditors, how notices must be given for the annual meeting of shareholders, treatment of issues during the annual meeting of shareholders, and where the meeting is to be held. The articles of association contain no limitations relating to how many votes each shareholder may cast at an annual meeting of shareholders. The currently applicable articles of association, which were adopted at the Annual Meeting of Shareholders on 9 May 2011, can be found on the company's website: [www.zinzino.se](http://www.zinzino.se).

## THE ANNUAL MEETING OF SHAREHOLDERS

It is at the annual meeting of shareholders, and at any extra meetings of shareholders, where all shareholders can exercise their right to vote and decide on issues which affect the company and its business. The annual meeting of shareholders, which is held within six months after the end of the financial year, makes decisions on confirming of the profit/loss statement and balance sheet, disposition of the year's profit or loss and decisions on dividends, freedom from liability for the board of directors and the chief executive officer. Moreover, the board of directors is elected and the board members' remuneration is established. In addition, auditors are chosen and the annual meeting of shareholders decides upon their remuneration. Other legally required matters are also dealt with as well as decisions being made on guidelines for compensation to members of the management. In addition to these things, decisions will be made on other proposals from the board of directors and the shareholders. All of the shareholders who are registered in the share register as of the meeting's date and who have timely registered their participation in conformity with the provisions thereon in the articles of association have the right to participate in the meeting and to vote for their shareholdings. Shareholders may be represented by one or more proxies.

## ANNUAL MEETING OF SHAREHOLDERS 2018

The annual meeting of shareholders for 2018 was held on Wednesday 15 May. At the meeting, the shareholders present in person or by proxy represented 72% of the votes and 36% of the capital. Hans Jacobsson was appointed chair of the meeting. Some of the decisions that the meeting made are the following:

- To confirm the profit/loss statements and balance sheets of the parent company and the group.
- To pay out a dividend for the 2017 financial year of SEK 0.45 per share and to transfer into a new account the remainder of the retained earnings.
- To grant the board of directors and the CEO freedom from liability
- That board of directors remuneration for the period until the next annual meeting of shareholders is to be paid in conformity with the proposals put forward for decision, in the amount of SEK 181,000 for the chairman and SEK 103,000 for each of the other board members appointed by the annual meeting.
- The meeting decided to re-elect Hans Jacobsson as chairman of the board. The meeting also decided to re-elect the board members Gabriele Helmer, Staffan Hillberg and Pierre Mårtensson.
- The meeting decided to appoint Öhrlings Pricewaterhouse-Coopers AB as the auditing firm with Fredrik Göransson as auditor in charge.
- The meeting decided to appoint Örjan Saele, Peter Sörensen and Hans Jacobsson (convener) to the nominating committee in advance of the next annual meeting of shareholders.
- The meeting decided, in conformity with the proposals put forward by the board of directors, to authorise the board of directors in the period until the next annual meeting of shareholders, on one or more than one occasion, to make decisions on preference issuance of B shares, convertible and/or subscription options. The board will be able to decide on preference issuance with or without provisions on set-off or otherwise with conditions.
- The meeting decided, in conformity with the proposals put forward by the board of directors, that in the period until the next annual meeting of shareholders, on one or more than one occasion, to make decisions on new issuance at market terms of B shares, convertible and/or subscription options with departure from the shareholders' right of preference, with or without provisions on in kind and/or set-off or otherwise with conditions. The board of directors may not, however, make decisions which mean that in total more than 3,000,000 B shares will be issued.

## ANNUAL MEETING OF SHAREHOLDERS 2019

The annual meeting of shareholders of Zinzino AB (publ) will be held on 22 May at 13.30 p.m. in the company's offices at Hulda Mellgrens Gata 5 in Gothenburg. For further information on the annual meeting of shareholders for 2019 refer to the company's homepage [www.zinzino.com](http://www.zinzino.com)

## NOMINATING COMMITTEE

The nominating committee of Zinzino has the task of presenting proposals for the number of members of the board of directors, election of members of the board of directors including the chairman, compensation to the members of the board of directors, making proposals for the process of appointing a new nominating committee and in general following what applies from the Swedish Code of Corporate Governance. The nominating committee must be appointed by the regular annual meeting of shareholders and must itself appoint from among its members a chairman for the nominating process. The nominating committee for the annual meeting of shareholders for 2019 consists of the nominating committee's chairman Örjan Saele with a total (including those closely related) of 47.86% of the votes and Peter Sörensen with (including those closely related) 25.17% of the votes, as well as Hans Jacobsson, chairman of the board of directors of Zinzino AB and convener of the nominating committee, with his own (including those closely related) ownership of 0.57% of the votes. The nominating committee represents an ownership interest which at the end of the year was 73.60% of the votes in the company.

The nominating committee's tasks include:

- Evaluating the composition and work of the board of directors.
- Making nominations to the annual meeting regarding election of members of the board of directors and of the chairman of the board of directors.
- Nominating the external auditors.
- Putting forward proposals relating to remuneration for the board of directors and auditor.

The nominating committee has had 3 meetings as well as a number of mail and telephone contacts. The nominating committee's complete proposals and reasons for the annual meeting of shareholders for 2019 will be presented on the company's homepage [www.zinzino.com](http://www.zinzino.com) well in advance of the annual meeting of shareholders taking place. Shareholders who want to present proposals to the nominating committee can do so via e-mail to:

[aktier@zinzino.com](mailto:aktier@zinzino.com) or by mail to the company's headquarters.

So that the nominating committee will be able to take into account incoming views in its proposals to the annual meeting of shareholders, the proposals to the nominating committee must have been presented at latest one month before the annual meeting of shareholders.

## THE BOARD OF DIRECTORS AND ITS WORK

The board of directors is responsible for Zinzino AB's organisation and management. The board of directors must provide effective support for and control of the management's work. The board of directors has adopted rules of procedure which contain rules and guidelines for its work. The rules of procedure govern, among other things, the number of regular meetings of the board of directors, which matters must be dealt with at regular meetings of the board of directors, and the duties incumbent upon the chairman of the board of directors. The board of directors must, in accordance with the articles of association, consist of at least three and at most ten members and at most ten deputies. At the annual meeting of shareholders on 15 May 2018 it was established that the board of directors is to have four members elected at the meeting, without deputies. At the annual meeting of shareholders on 15 May 2018, until the time for the next annual meeting of shareholders which will take place on 22 May 2019, the members of the board of directors Hans Jacobsson, Staffan Hillberg, Pierre Mårtensson and Gabriele Helmer were re-elected. Hans Jacobsson

was re-elected as the new chairman. More information on the board of directors is presented on page 45. The group's chief executive officer, Dag Bergheim Pettersen, participates in all meetings of the board of directors to present reports. The same is true of the group's CFO, Fredrik Nielsen. Other employees of the group participate at times in the meetings of the board of directors to present reports on specific questions.

## THE INDEPENDENCE OF THE BOARD OF DIRECTORS IN RELATION TO THE COMPANY AND THE COMPANY'S MANAGEMENT

The Swedish Code of Corporate Governance says that the majority of the members of the board of directors elected at the company's annual meeting must be independent in relation to the company and the company's management. In order to determine a member's independence, an overall assessment must be made of all the circumstances which may give rise to a question as to the member's independence in relation to the company or the company's management, in which the following circumstances must be taken into account in making the assessment:

- whether the member is chief executive officer or during the most recent five years has been chief executive officer of the company or of a closely related company,
- whether the member is employed or during the most recent three years has been employed in the company or in a closely related company,
- whether the member receives or will receive not insignificant compensation for advice or services in addition to the board of directors assignment from the company or a closely related company or from any person in the company's management,
- whether the member has or during the most recent year has had extensive business connections or other extensive financial dealings with the company or a closely related company in the capacity of customer, supplier or collaboration partner, either himself or herself or by belonging to the company's management or the board of directors or by being a large owner in another company which has such a business relationship with the company,
- whether the member is or during the most recent three years has been an owner of, or as an employee has participated in the audit of the company with, the company's or a closely related company's current auditors or the previous auditors.
- Both the chief executive officer and a so-called working chairman of the board of directors can thus not be included in the board of directors if the latter is also part of the company's management. A member of the board of directors can, however, be employed and receive a salary from the company without being considered part of the company's management. An example of such a member of the board of directors could be a honorary chairman or a member of the board of directors who functions as an "ambassador" for the company or has some other similar assignment,
- whether the member belongs to the company management in another company if a member of the board of directors in that company belongs to the company management in the company, or if the member has a close blood or family relationship with a person in the company management or any other person who is mentioned in the foregoing paragraphs, if that person's direct or indirect dealings with the company are of such an extent and significance that they justify the member of the board of directors not being regarded as independent.

Closely related company means a company in which the company directly or indirectly holds at least 10 percent of the shares or participations or votes or a financial interest which provides a right to at least ten percent of the returns. If the company owns more than 50 percent of the shares or participations or votes in another company the company is considered indirectly to hold the latter

company's holdings in other companies. At least two of the members of the board of directors who are independent in relation to the company and the company's management must also be independent in relation to the company's largest shareholder. In order to determine a member's independence, the scope of the board of directors member's direct and indirect relationship with the largest owner must be taken into account in making the assessment. A member of the board of directors who is employed or a member of the board of directors in a company which is an even larger owner shall not be regarded as independent. Large shareholder means an owner who directly or indirectly controls ten percent or more of the shares or votes in the company. If a company owns more than 50 percent of the shares or participations or votes in another company the first-named company is considered to indirectly control the latter company's ownership in other companies. At Zinzino, the number of board of directors members elected at the annual meeting who are independent of the company have 100% of the members. The number of board of directors members elected at the annual meeting of shareholders who are independent of the company's largest owner is also 100%. The nominating committee has the task of proposing further members of the board of directors, so that the company will comply with the Swedish Corporate Governance Code for listed companies.

### BOARD OF DIRECTORS MEETINGS

During 2018 the board of directors held 8 meetings recorded in minutes and during the year devoted special attention to strategic, financial questions as well as to questions relating to acquisitions, internal controls and large investment matters.

#### Members attendance at the board of directors meetings

Hans Jacobsson	Chairman	8/8
Staffan Hillberg	Member	7/8
Pierre Mårtensson	Member	8/8
Gabriele Helmer	Member	7/8

### INFORMATION FOR THE BOARD OF DIRECTORS

The board of directors' work follows the rules of procedure and the board of directors receives information from the management in the form of business activity reports in accordance with the CEO's instruction. The company's auditors report their observations from their review of the closing of the books and their assessment of the company's internal routines and controls to the board of directors.

### INTERNAL CONTROL AND RISK MANAGEMENT

The board of directors will use the rules of procedure and instructions for its own and the chief executive officer's work for the purpose of dealing with the risks of the business in an effective way. The responsibility for maintaining an effective control environment and internal control relating to financial reporting is delegated to the chief executive officer. For external communication there are guidelines which ensure that correct information is distributed to the market. In conjunction with the issuance of reports, the board of directors always meets at a regular meeting or by telephone and before publication formally approves the proposed report which the management has produced.

### THE AUDIT COMMITTEE

The task of the Audit Committee is to specifically keep watch over and follow up questions relating to the company's internal controls, accounting principles, risk management, financial reporting and audit. In addition, the Audit Committee must prepare questions relating to choice of auditor, compensation of the auditors as well ensure a qualified independent review of the company. The Audit Committee consists of the board of directors member Gabriele Helmer and the board of directors chairman Hans Jacobsson. The group's auditors and the group's CFO make reports to the audit committee.

### THE COMPENSATION COMMITTEE

The Compensation Committee has as its principal task to be responsible for salaries, pension compensation, bonus programmes and other benefits for the chief executive officer and other members of the management. The committee must also deal with and provide advice concerning long-term incentive programmes. The current Compensation Committee consists of the chairman of the board of directors Hans Jacobsson and Staffan Hillberg.

### EXECUTIVE MANAGEMENT

The group's management team is led by the chief executive officer (CEO) and consists of ten management people. Information on the group's executive management can be found on page 46-47 of this annual report.

### THE CHIEF EXECUTIVE OFFICER

The chief executive officer (CEO) is responsible for the ongoing management of the company and the group being conducted in accordance with the board of directors' guidelines and directions. The chief executive officer leads the group's work and makes decisions in consultation with others in the management.

### COMPENSATION

The remuneration of the board of directors is decided by the annual meeting of shareholders. A compensation committee appointed from within the board of directors must prepare guidelines relating to salaries and other employment conditions for the chief executive officer and other persons in the management and place before the board of directors proposals for decisions on such questions. The board of directors makes decisions on salary and other compensation for the chief executive officer. The chief executive officer will make decisions on salaries and other compensation to other people in the management in accordance with the board of directors' guidelines. Other people in the management means six people who together with the chief executive officer constitute the group's management. Zinzino AB must offer market terms and competitively robust conditions for the purpose of making it possible to attract and retain competent persons in the management.

The compensation is made up of a fixed base salary, variable compensation calculated on goals established in advance, other benefits, pension and financial instruments in the form of subscription options. The division between fixed and variable compensation must stand in proportion to the responsibilities and authority of the person in the management. For the chief executive officer and other people in the management the variable compensation can amount to at most 50% (CEO) and 8.3% (other group management) of fixed salary.

Pension provisions must be defined contribution pension solutions. Termination notice periods from the Company's side must not exceed 6 months. During the notice of termination period of a maximum of 6 months full salary and employment benefits will be paid.

Decisions on share-related and share-price-related incentive programmes are made at the meeting of shareholders. In individual cases and if special reasons exist the board of directors may depart from the guidelines mentioned above.

### AUDITING

Zinzino's appointed auditors are Öhrlings PricewaterhouseCoopers AB (PwC) with Fredrik Göransson as auditor in charge. Fredrik Göransson is an authorised public accountant and has been Zinzino's auditor since the annual meeting of shareholders in 2018. Fredrik has audit assignments in areas such as Bulten AB (publ), VBG Group AB (publ), HMS Networks AB (publ), Bufab AB (publ) and PowerCell Sweden AB (publ). The audit of the year's closing of the books is carried out in January-February. The audit of the year's annual report is carried out in March and April. Within the framework of the audit, an evaluation of internal procedures and control systems is carried out during the year. The conclusions of the audit are reported to the group's CEO, CFO and board. In addition to the audit assignment, Zinzino has used PwC AB to advise on accounting matters and tax issues.

### INTERNAL AUDIT

The group has not had a separate internal audit function during the business year. Parts of the board of directors and the CFO have devoted special attention to these questions.

### INVESTOR RELATIONS

The company's CEO is responsible for the contacts with the shareholders. Zinzino AB informs the shareholders via the annual report, the year-end report, the interim reports and press releases and the company's website. In addition, the company has participated in several public investor meetings under the direction of, among others, Aktiespararna.

# OWNERSHIP & SHARE PERFORMANCE

## FIVE REASONS TO INVEST IN ZINZINO:

### 1. WITH CLEAR STRATEGY AND A BUSINESS MODEL WHICH GENERATES GROWTH

Zinzino is a leading direct sales company operating today in Europe and North America with ongoing establishment processes in areas such as Australia and India. The company's strategy is profitable growth in new and existing markets. The business model has for many years generated growth and will continue to do so in the future as well. As a result of the structure of the business model, combined with the digital market tools that the company has developed in recent years, the growth rate is expected to increase through increased sales in existing and new markets in the coming years. Finally, growth can also be generated through acquisitions.

### 2. JOIN US AND IMPROVE THE HEALTH SITUATION IN THE WORLD

Our product concept is to give health back to the world. Our goal is to get the best out of people with enthusiasm, encouragement and masses of energy. We are the most customer focused direct sales company in the world. Our most important product concept, Balance, is showing continued growth and we currently have over 285,000 test results, based on the blood tests in our database. We are the company that has done most fat analyses in the world.

### 3. PRODUCT DEVELOPMENT AT THE LEADING EDGE

Through efficient product development in-house the company has developed a number of new products in health in which it owns its own important intellectual property rights. The newly developed products are manufactured in our own production facility which means that we have 100% quality control. Zinzino's strategy in the coming years includes continued product development at the leading edge.

### 4. STRONG MARKET POSITION AND DISTRIBUTION

Zinzino has strong sales organisations in its principal markets with good relationships with its customer base. The broad product portfolio attracts new customer groups and thereby generates growth. By means of updated IT platforms and logistical solutions, Zinzino is well equipped for the anticipated sales growth in coming years.

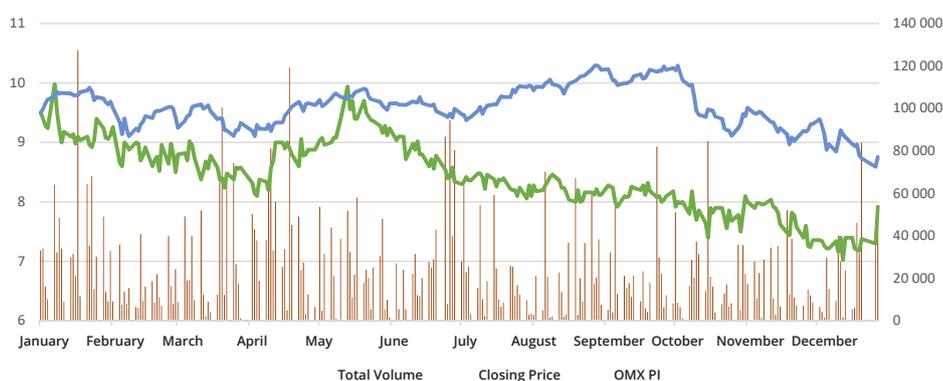
### 5. ATTRACTIVE CASH FLOW ALLOWS FOR INCREASED DIVIDENDS AND PROVIDES GOOD YIELDS

Zinzino's business has a very strong cash-generating capability. Efficient management of operating capital in combination with investments which quickly create revenues and margin improvements generate a strong cash flow. As a result, a share dividend can be paid in conformity with the goal of at least 50% of the free cash flow.

## LARGEST SHARE HOLDINGS AS OF 31/12/2018

Owner	Number of A shares	Number of B shares	Total number of shares	Percent of votes	Percent of capital
Örjan Saele via company and family	3,123,397	6,399,399	9,522,796	47.88%	29.23%
Peter Sörensen via company	1,809,995	1,680,662	3,490,657	25.17%	10.71%
Other owners	180,000	19,386,572	19,566,572	26.95%	60.06%
<b>Total</b>	<b>5,113,392</b>	<b>27,466,633</b>	<b>32,580,025</b>	<b>100.00%</b>	<b>100.00%</b>

## SHARE PRICE DEVELOPMENT 2018 ZINZINO B SHARES (SEK) 01/01/2018 – 31/12/2018



During 2018 a total of 6,322,364 (4,572,669) shares were traded in 5,128 (5,725) trades. The year's first trade closed at SEK 8.96 and the year's last at SEK 7.92. The year's top price was reached on 14/05/2018 with a trade at SEK 13.35. The lowest price was SEK 6.86 which was reached on 21/12/2018.

## OWNERSHIP AND SHARE PERFORMANCE

Since 11 December 2014, Zinzino AB has been listed on Nasdaq OMX First North. This meant a listing change from Aktietorget where Zinzino AB had been listed for trading since 2010. As of the balance sheet date, the share price was SEK 7.92 (9.00) which means a market value for Zinzino AB's listed B shares as of 31/12/2018 amounted to SEK 217.5 (293.2) million.

In 2018, a total of 6,322,364 (4,572,669) shares were traded distributed over 5,128 (5,725) trades. At the end of the year, the company had 1 858 (1 844) shareholders excluding certain foreign custodian customers.

## SHARE CAPITAL

The share capital as of 31/12/2018 was divided into 32,580,025 shares, of which 5,113,392 are A shares (1 vote) and 27,466,633 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](http://nasdaqomxnordic.com), with ISIN-code SE0002480442.





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# OPTIONS PLANS & DIVIDEND POLICY

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## **OPTIONS PROGRAMME**

The company, as of the report date, has three outstanding options programmes. The first options programme will expire on 31 May 2019 at an exercise price of SEK 16 and will cover 600,000 options. The second options programme also includes 600,000 options, but at an exercise price of SEK 26. That options programme expires on 31 May 2020. The third options programme includes 500,000 options at an exercise price of SEK 14. The third options programme also expires on 31 May 2020. If all the options outstanding on 31/12/2018 are exercised for new subscriptions of 1,700,000 shares, the share capital dilution will be approximately 5%.

## **DIVIDEND POLICY AND PROPOSED DIVIDEND**

The board of directors has carried out a general change in the group's dividend policy. This consisted of distributing at least 50% of the free cash flow provided the solidity and liquidity permit this. In connection with this, the board of directors has performed a strategic review and drawn up a plan to work actively on the group's balance sheet. This has created room for increased share dividends in 2019. Therefore, in the annual meeting of shareholders in 2019, the board of directors will propose an ordinary dividend of SEK 0,50 (0,45) per share and an additional dividend of SEK 0,20 (-) at the same dividend event, corresponding to a total increase of 56% compared with the previous year.

## **INSIDERS (MARKET ABUSE)**

Zinzino follows Swedish Financial Supervisory Authority's directive regarding correct presentation of information. The company publishes information about the company which could affect the share price and for a logbook of any financial report or press release where the information could be considered as affecting the share price and where the requirements for postponement of publication are met. The logbook is a list of people who are employed or have assignments for the company and who have access to inside information relating to the company in the present case. This can involve insiders, but also people who have received insider information.

People with management positions in Zinzino and people or legal entities which are closely associated with them have an obligation to inform Zinzino and the Swedish Financial Supervisory Authority of every transaction related to changes in their holdings of Zinzino shares when the total amount reaches the equivalent of 5,000 Euros during a calendar year, in conformity with the European Parliament's and the Council's regulations on market abuse.

Furthermore, a 30-day stock-trading ban exists for all people in an insider position ahead of sensitive quarterly reporting.

# MANAGEMENT REPORT

The board of directors and CEO of Zinzino AB, 556733-1045, hereby submit this Annual Report and consolidated financial statements for financial year 01/01/2018 to 31/12/2018

The year's profit and financial position of the group and the parent company are reported in the management report and in subsequent income statements, a report on total profit/loss, balance sheets, reports on changes in equity capital and cash flow analyses, with accompanying notes and comments. The group's income statement and balance sheet will be presented for approval by the annual meeting of shareholders on 22 May 2019.

## OWNERSHIP AND HISTORY

The company's business was started in the autumn of 2007. The company's principal business is to own and develop companies in direct marketing and related businesses.

During 2009 Zinzino Nordic AB was acquired, which was accomplished in part through a directed issuance in kind to the owners of Zinzino Nordic AB and in part through a subscription to shares in a preference issuance which Zinzino Nordic carried out in December 2009.

Through this, Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. As of 31/12/2018 the ownership share in Zinzino Nordic AB was 93% of the capital and 97% of the votes.

In addition to Zinzino Nordic AB, the following previously wholly-owned companies are included in the group: Zinzino OÜ in Estonia, Zinzino UAB in Lithuania, SIA Zinzino in Latvia, Zinzino Ehf on Iceland, Zinzino LLC in Florida, United States, Zinzino SP. Z o o in Poland, Zinzino BV in the Netherlands, Zinzino Canada Corp in Canada and Zinzino S.RL in Romania, the Norwegian research company Bioactive Foods AS. In 2018, the establishment processes was undertaken for new subsidiaries in India and Australia. These two companies have not yet been fully operational and Zinzino did not operate in any of the markets at the date of the financial statement.

Zinzino also owns 98.8% and has full control of the Norwegian production company Faun Pharma AS. This company was acquired in two stages in 2015 and 2016.

Zinzino Nordic owns 100% of the companies Zinzino Sverige AB, Zinzino OY (Finland), Zinzino AS (Norway) and Zinzino ApS (Denmark), as well as the dormant Swedish subsidiaries PG Two AB, Poxian AB and 2Think AB.

## FINANCIAL OVERSIGHT

### Revenues

Total revenues during the business year increased by 8% to SEK 585.6 (540.3) million. The profit after financial items was SEK 9.9 (0.8) million. The net turnover was SEK 538.3 (495.1) million divided between the Zinzino Health and Zinzino Coffee product ranges, as well as the Faun Pharma production unit's sales to external customers.

The product segment Health increased by 13% to SEK 427.3 (379.6) million which corresponded to 73% (70%) of the total revenues for 2018.

In 2018, the number of Balance units sold increased by 18% to 1,305,927 (1,110,025). Balance is the company's largest product area and is presented first on initial contact with the Zinzino brand. It represents the basis of the company's strategic branding process. The company's BalanceTest is the first product that is presented to a new customer and the central item in the sales process. In cooperation with the independent laboratory Vitas, Zinzino has performed more than 280,000 analyses with BalanceTest since the start, and the concept has been a strong contributory factor in the positive growth in the product area in the last five years.

Immune & Brain grew by 8% to 113,689 (105,186) units sold. Zinzino has developed the Xtend and Viva products, both of which are products at the cutting edge in their respective area of supplements. Xtend boosts the immune response in a completely natural way. Viva allows those who use the product to relax and sleep better. Zinzino has invested considerable resources in product training, information and product films, measures which generated increased sales in 2018.

Weight Control increased by 62%, to 294,520 (182,067 units). Healthy and nutritious Protein Bars and Energy Bars are products that are timely and in line with the global wellness trend. The products were exclusively the reason for the increase in the area in 2018 and Zinzino is predicting further sales increases in Protein Bars and Energy Bars in 2019.

Skin Care decreased by 3% to 83,032 (85,809) units sold, mainly due to the fact that in 2018, the Skin Serum was launched in a larger 50 ml pack. Skin Care is a product area where the company is at the forefront, and where the it will increase its focus over the coming year through more targeted activity such as films on social media. Measures which the company expects will generate more growth in Skin Care for 2019.

The product segment Coffee fell by 8% and amounted to SEK 43.1 (44.8) million, which corresponded to 7% (9%) of the total revenue. The number of units sold within the segment, also known as Beverages, decreased by 12% to 746,043 (655,160) units sold. Zinzino launched a new Xpress'OH coffee machine in October and there predicts that it could increase new sales and thus slow the sales decline. The company has had less focus on the coffee segment and chosen not to launch it on the new markets, due to the generally lower gross margins in this product area. It has greatly contributed to the decline in sales in Beverages.

Faun Pharma reduced the external revenue by 2% to 63.6 (64.7), corresponding to 11% (12%) of total revenue. The increased share of internal production was the main underlying factor to the reduction in revenue in 2018.

Freight and other revenue amounted to SEK 51.6 (49.2) million, which represented the remaining 9% (10%) of total revenue.

### Sales development by region 2018

In the Nordic countries, total revenue decreased by 2% to SEK 432.8 (442.0) million following good growth in Sweden and Denmark

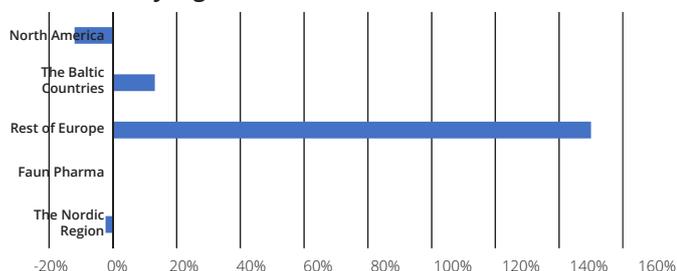
but decreased revenue in Norway, Finland and Iceland. This happened after reduced distributor activity in these countries in the quarter. The reason for the decreased activity is complex, but a common feature of the different countries is how well the distributors are performing with the product mix and sales tools the company offers. Norway and Finland have been key growth markets for the company for a long time and Zinzino is therefore working actively to reverse the negative trend by making big investments in the form of developing digital platforms and brand, as well as by supporting strategically important distributors. This is expected to help reverse the trend of these very important markets in terms of sales for Zinzino. The company believes that the good growth will continue both in the domestic market and in Denmark based on the active and structured way that the Swedish and Danish sales organisations carry out Zinzino's concept. This development of sales was shown by the two countries at the beginning of 2019. In Norway and Finland the company predicts that the sales decline will ease up at the beginning of 2019. Zinzino supports the local highly-motivated distributors to turn the sales trend around.

In the Baltic countries, the total revenue for the region increased by 12% to SEK 45.0 (39.7) million. Behind the increase in sales was primarily the good growth in Latvia. 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. Zinzino continues to support sales organisations in the Baltic countries through marketing automation and customer support and predicts increased growth in the Baltic countries in 2019, mainly through increased distributor activity in Estonia and Lithuania.

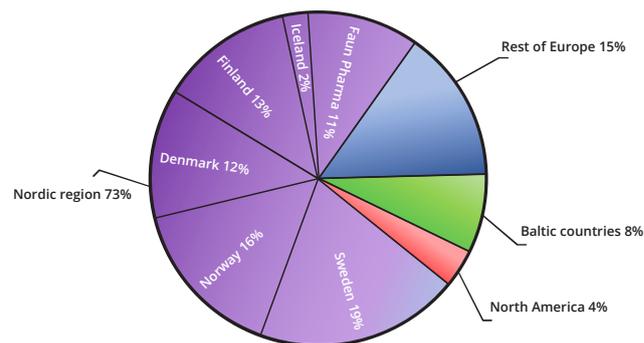
In Europe, revenue rose a total of 150% to SEK 86.9 (34.8) million, mainly driven by developments in Hungary and Germany. These countries have rapidly grown on many established markets and accounted for a significant proportion of total sales outside the Nordic countries in 2018. The skilled sales organisation in Hungary works in a dedicated and structured way and has major cross-border contacts. This has in turn led to several nearby markets such as the Czech Republic, Slovakia, Poland, Switzerland and Austria also moving strongly ahead in 2018. Even in Germany the good sales growth continued in 2018. Southern Europe also saw continued good sales growth in the year, primarily driven by strong growth in the Italian market where distributor activity has been very high in 2018. For this reason, at the beginning of 2019, Zinzino established a new subsidiary in Italy.

In North America, revenue decreased by 12% to SEK 20.9 (23.8) million primarily following a weak first half of the year with declining sales. The market bounced back in the second half of the year with growth in the last quarter. Zinzino will continue to support the sales organisation by implementing several strategic measures to further adapt the business for the North American market. Part of this will be the recruitment of key personnel with core expertise from growth companies within the direct sales industry.

#### Growth by region 2018 vs 2017



#### Geographic distribution of sales



The Nordic markets represented almost 74% (82%) of sales. Sweden remained the largest market in terms of sales, followed by Norway. The Baltic countries accounted for 8% (7%) of the total sales. The rest of Europe was the second largest region, accounting for 15% (6%) where Germany and Hungary accounted for the largest share of sales but where many of the new starter markets continue to take shares of total sales. North America accounted for the remaining 4% (4%) of total revenue.

#### Costs and profit

Gross profit was SEK 191.8 (159.8) million and the gross profit margin was 32.7% (29.6%). Behind the gross profit improvement was mainly improved cost control during the year, the increasing proportion of Zinzino Health in the sales mix and the subsidiary Faun Pharma's improved gross profit margin on external sales.

EBITDA for 2018 amounted to SEK 22.1 (11.1) million and the operating margin before depreciation and amortisation to 3.8% (2.1%). Operating profit amounted to SEK 10.1 (1.0) million and the operating margin was 1.7% (0.2%).

Profit before tax in 2018 totalled SEK 9.9 (0.8) million and net profit was SEK 6.9 (-0.8) million.

Thanks to the increased gross profit, the company was able to bear the larger cost base that was generated by growing group, development and establishment processes on new markets, along with GDPR adaptation, that took place over the year. Although a cost-intensive fourth quarter had some effect on profitability, the company has delivered sharply improved results at all levels for 2018, compared with the previous year.

#### Depreciation/amortisation

For 2018 total depreciation and amortisation and write-downs were SEK 12,012 (10,124) thousand. This is divided into SEK 846 (783) thousand tangible fixed assets, SEK 6,246 (4 421) thousand intangible fixed assets, SEK 4,904 (4,904) goodwill and trademark protection and other write-downs 16 (16).

#### Inventories

The group's total inventories at the balance sheet date amounted to SEK 64.7 (52.9) million. Behind this increase was mainly that the company decided to increase the overall inventory levels in France as a result of increased sales in central and southern Europe.

#### Financial position

At year-end 2018/2019, the group had equity of SEK 71.5 (80.3) million, corresponding to SEK 2.20 (2.47) per share (before dilution). On the balance sheet date, cash totalled SEK 45.5 (48.4) million. The group's equity/assets ratio was SEK 36 (44) million. Cash flow for the year amounted to SEK -3.0 (25.3) million.

The assessment of the board of directors is that the company's balance sheet is strong without any interest-bearing liabilities and that liquid assets are at a satisfactory level. The board of directors' assessment is that the group's positive cash flow from the ongoing business will secure the liquidity in the group for the foreseeable future and will also make possible an increased dividend for the past financial year subject to decisions at the annual meeting of shareholders. The board of directors proposes a dividend for 2018 to shareholders of SEK 0.70 per share by an ordinary dividend of SEK 0.50 (SEK 0.45) and a special dividend of SEK 0.20 (-) in the same dividend period.

## **SIGNIFICANT EVENTS DURING THE YEAR**

### **Strategic investment in IT and marketing with a focus on the USA**

During 2018, Zinzino has continued the strategic process of developing digital marketing tools, with the highest focus on the North American market. Among other things, Zinzino has initiated a partnership with the American company Naxum, which provides a state of the art sales support platform for marketing within social media.

The first version of the new sales support tool was launched in conjunction with the Zinzino's annual event in Stockholm under the name Zinzino Hub. Zinzino Hub enables Zinzino's distributors to increase their sales by linking contacts via social media channels and lets them easily follow up on the contacts that have responded to the message. It is also possible for those who receive the information to directly register as customers and to purchase products.

Zinzino believes that the new digital tool for the sales force will be a new, powerful and modern aid in the marketing efforts, especially for the important North American market.

In addition, a new email system with a fresh design has been implemented for more flexible and customised communication to customers. The new modern portal makes the information flow intuitive and effective between the company and its stakeholders. Zinzino will also focus on developing automated email based on one-time events, which means that all Customers and Partners will receive personalised and relevant information, presented in a modern way with stylish design.

Several new films have also been presented during the year; these include the important Business Presentation Movie, for new partners, which is now available in 15 different languages.

In addition, Zinzino has launched additional new local payment solutions for central Europe to give the growing customer base in the region more payment options which are better adapted to the local payment culture in the countries in the region. It has also launched a check-out process with a visually appealing design in the e-commerce store.

Zinzino's IT organisation expanded significantly during 2018, resulting in an increase in the requirements for structure and a greater focus on routines and tools. In the last six months, working routines in Zinzino's IT department have therefore switched to an agile approach, and 2019 will see us continue to deliver several large projects.

### **Update of brand and marketing material based on a new colour concept**

During 2018, Zinzino worked strategically on developing the brand. Among other things, the company's important presentation tools InfoZinzino and Customer Presentation were given major updates and were launched with a new design language.

In addition, new product boxes were also launched with in brand's violet colour. A new collection of workout clothes from Zinzino Health Club was also launched. The purpose of all new the marketing material is to make it more communicative and to follow Zinzino's new graphic profile. In addition, Zinzino's Brand Book was launched. A clear, strong brand raises awareness of the company and contributes to increased turnover. Zinzino's Brand Book provides the company's employees and distributors with guidelines on how Zinzino's brand and values should be communicated to the outside world. Our Brand Book sets out guidelines that express the common values of the company and distributors, how Zinzino should be experienced and where the company will continue its journey in the future.

### **Warehouse in France contributes positively to sales development in central Europe**

In April 2018, Zinzino commissioned its new warehouse in Farébersviller in north-eastern France, strategically located in a central position in Europe, in collaboration with logistics partner Katoen Natie and the carrier GLS. This has led to shorter delivery times to the key emerging markets for Zinzino in central Europe. Short lead times in the logistics chain are important for driving growth, and especially important in newly established markets to achieve high customer satisfaction. Through the collaboration with GLS and the new warehouse, Zinzino can ensure that all customers in this rapidly growing region will have their products delivered to them quickly and securely.

### **Zinzino expands operations in central Europe after substantial sales growth in the region.**

Sales growth has been very positive in several eastern European countries since the start of sales in the summer of 2016. In particular, the Hungarian market has increased in turnover and, in a very short time, the countries has grown into one of Zinzino's strongest markets in terms of sales. The country's strategic position in central Europe has contributed to the significant synergies between the sales organisations in the region's countries. These synergies have resulted in sales now also growing rapidly in the neighbouring countries of Romania, Czech Republic and Slovakia. This is why Zinzino is deepening its establishment in these countries through local registration, adaptation of replacement models based on local conditions and currency conversion. In addition, the head office in Gothenburg has provided increased resources with support in both Hungarian and Romanian.

### **Process towards the accounting standard IFRS initiated**

The board of directors has decided that the company should replace the current standard K3 with the International Financial Reporting Standards (IFRS). The company aims to make Q1 2019 the first reporting period and the first financial report in accordance with IFRS.

## **BUSINESS MODEL AND MARKETING STRATEGY**

The core of Zinzino's business is marketing and sales. The company's network of independent sellers and sales teams markets Zinzino's products and services to the consumer, while much of the company's own marketing is directed at developing and providing sellers with the tools they need.

Marketing consists primarily of providing product information, promotional materials, basic training materials and an effective flow of information via the web, social media and e-mail. In 2018, the measures described above have been taken to develop the tools for Zinzino's sales organisation. The process continues into 2019.

The company's management is having a close dialogue with the so-called "leadership council" which consists of representatives from the sales network, which is much appreciated by both sides, and the dialogue consistently shows itself to be a recipe for success. An ever more important part of Zinzino's strategy is its internal product development. The health sector product development expertise acquired by the company through the acquisition of Bioactive Foods AS and Faun Pharma AS allows the company to focus on internal product development to a much greater extent than before. This means that the company is less dependent on its suppliers to design attractive products for the company's salesforce. By means of efficient product development, the company has launched a new product in 2018 and more new launches will be carried out during 2019.

## **ORGANISATION AND EFFICIENCY**

In 2018, Zinzino has continued to increase the number of resources within the organisation to more efficiently operate the digital development going forward. A new CTO has also been employed as project manager for both the IT department and marketing department, in order to streamline the development processes throughout the company.

In addition, both these departments have been expanded with further resources in accordance with the strategic development plan that Zinzino is following. It has also recruited a new Controller Manager to strengthen the company's economic function in respect of analysis and internal control. The workforce increased by a total of 10 employees in the group during 2018.

## **FINANCIAL FORECAST FOR 2019**

The board of directors of Zinzino forecasts that the revenue for 2019 will be SEK 630-680 (585) million. The operating margin before depreciation/amortisation is calculated to exceed 4.0% (3.8%).

The target for average growth in sales at Zinzino for the period 2019–2021 is a minimum of 15% and operating margin before depreciation/amortisation will increase to >5%. The dividend policy will be at least 50% of the free cash flow, as long as liquidity and the equity/assets ratio permit. Zinzino's clear ambition of achieving an SEK 1 billion turnover no later than 2022 remains.

## **RISKS AND EXTERNAL FACTORS AFFECTING GROWTH IN ZINZINO**

The board of directors continuously discuss external risks for Zinzino's expansion. The greatest risks are found within its own organisation's capacity to manage costs during a period of strong growth. The board of directors has also identified the following risks:

### **Risks related to purchases**

The planning of purchases is a challenge during rapid expansion. The management is therefore working actively with purchase forecasts and inventory optimisation in order to meet the challenge in an efficient way and to avoid unnecessary capital commitments to inventory.

### **Risks related to fluctuations in raw materials prices**

Zinzino's product selection is based to a large extent on raw materials such as fish oil, olive oil and coffee. Sharply increasing raw material prices can entail increased costs for Zinzino. Although Zinzino continuously monitors and works to reduce its exposure a change of the price of one or more essential raw materials could materially affect Zinzino's business, profit and financial position. The diversification of Zinzino's product range which has taken place in recent years has spread Zinzino's risk in relation to price changes on many raw materials.

### **Risks related to suppliers**

A large part of Zinzino's purchases are made from a small number of suppliers. Zinzino is dependent on these suppliers and on these suppliers being able to produce goods at the pace which Zinzino's turnover requires.

If the collaboration with any of the suppliers, or the rights resulting from such a collaboration, were to cease without Zinzino being able to replace the products with others without increased costs, this could affect Zinzino's turnover and product selection for some period of time. Zinzino is also dependent on the quality of the products it purchases being good. If the suppliers are deficient in their undertakings with respect to Zinzino, this can lead to serious negative consequences for Zinzino. In order to continue being a competitive company, Zinzino is, in addition, largely dependent on its suppliers' willingness to collaborate in product development or, where possible, to find new alternative collaborators for product development. Inflexibility and unwillingness, or difficulty in finding alternative collaborators, can impede product development which could affect Zinzino negatively.

Through the acquisitions of Bioactive Foods AS and Faun Pharma Zinzino has acquired full control of the production chain from the raw material to the finished product and also of the further development of Zinzino Health and thereby eliminated a large part of the risk.

### **Risks related to compliance and establishment in foreign markets**

Establishment in new countries and regions can carry with it risks which are difficult to foresee. Oversight and control to comply with local legislation relating to local taxes, product registrations and consumer legislation in various countries is becoming an ever greater challenge for governance from the headquarters in Gothenburg.

In order to provide for these risks, the company is working continuously to keep track of changes in the local legislation in the various countries and to maintain collaboration with local lawyers and consultants so as to strive always for 100% compliance with local legislation in all markets where Zinzino is established today. In addition, the possibility of finding the right partners for the business can affect foreign establishment.

Given that Zinzino's business is already established in a number of foreign markets, Zinzino has created well-established routines and strategies for successful foreign establishments. Establishment in a new market is done through low-cost investment for the purpose of minimising risk.

### **Risks related to IT**

The change of business system shows how exposed the company is to interference in its IT operations and how important control of the many IT-intensive processes is. For that reason the company has continued during the year to expand its internal IT function with more employees. Prioritising IT resources in conjunction with high growth is a challenge for Zinzino but Zinzino is working to optimise and allocate its resources in the best way. Through the enlarged IT department the processes of development have been made more efficient, something which is of the utmost importance in connection with the expansion of the business.

### **Risks related to currencies and the interest rate situation**

Zinzino has its revenues in a variety of different currencies, of which NOK, EUR and USD are the largest. At the same time, Zinzino has the largest part of its costs in SEK, NOK, EUR and USD as relates to operating costs and purchases of goods. Zinzino is thus

exposed to currency risks when the different currencies fluctuate. Zinzino does not forward purchase or hedge its currency flows, but instead works actively with currency flow forecasts and currency exchange on favourable occasions.

In addition, the amounts of the different currencies on the revenue and costs sides mean that the currency movements cancel each other out and that the currency risk thereby becomes lower. The banks' negative interest rate strategies have also affected the group adversely and have resulted in the company having to work ever more actively with cash management in order to minimise interest costs.

### **Risks relating to competitors**

Zinzino has identified two types of competitors as those which can principally have a negative effect on Zinzino's business: one is other direct sales companies which create a risk that Zinzino's partners and/or employees may choose to join them instead of Zinzino and the other is other companies which compete with products that are the same as or similar to Zinzino's products. In addition, the competitors' innovation and product development constitute a risk for Zinzino's business.

The board of directors of Zinzino, however, considers that the product line in Zinzino Health, with BalanceOil in combination with blood tests as the foremost product, together with Rombouts & Malongo's product programme, is sufficient for Zinzino to be able to continue to be a competitive and attractive company. In addition to this, Zinzino today has very efficient product development in-house which continuously produces attractive new products in health for Zinzino's partners and customers. Beyond this, the company is working with attractive compensation plans and is offering part ownership or other types of incentive programs in order to ensure that Zinzino's partners and employees do not choose to leave for other direct sales companies instead of Zinzino.

# RESULTS AND FINANCIAL POSITION

Amounts in SEK thousand	The group		The parent company	
	2018	2017	2018	2017
Net sales	538,341	495,059	5,371	3,810
Total revenue	585,577	540,322	5,382	3,810
Operating profit	10,120	970	1,267	909
Net profit	6,928	-845	8,688	707
Operating margin	1.73%	0.18%	23.54%	23.86%
Net margin	1.18%	-0.16%	161.43%	18.56%
Return on equity capital	9.69%	-1.05%	29.22%	1.98%
Balance sheet total	197,643	180,856	87,208	86,358
Equity capital	71,515	80,332	29,733	35,707
Equity/assets ratio	36%	44%	34%	41%

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

## KEY NUMBERS DEFINITIONS:

Operating margin	$\text{Operating profit} / \text{Total revenues}$
Profit margin	$\text{Net profit} / \text{Total revenues}$
Return on equity capital	$\text{Net profit} / \text{Equity capital}$
Equity/assets ratio	$\text{Equity capital} / \text{Balance sheet total}$

## PROPOSAL FOR THE DISPOSITION OF PROFITS (SEK)

The annual meeting has the following at its disposal:

Zinzino AB	SEK
Share premium reserve	22,138,036
Retained earnings	-5,816,424
Profit/loss for the year	8,688,570
<b>SEK</b>	<b>25,010,182</b>

The board of directors proposes that the retained earnings be dealt with so that:

Zinzino AB	SEK
A dividend will be paid to the shareholders of 0.70 SEK per share	22,806,018
Carried forward into a new statement	2,204,164
<b>Total</b>	<b>25,010,182</b>

The board believes that the proposed dividend will not prevent the company from meeting its obligations in the short and long term, or prevent it from making necessary investments. The proposed dividend can thereby be justified with reference to that which is stated in Chapter 17 Section 3 § 2-3 of the Companies Act (precautionary principle).

Regarding the company's reported results for the accounts, the status per closing day, financing and capital management during the year, refer to the accompanying financial statements.

# INCOME STATEMENT

Divided by type of cost	Note	The group	
		01/01/2018 31/12/2018	01/01/2017 31/12/2017
Amounts in SEK thousand			
Net sales	3, 4	538,341	495,059
Other revenue	5	47,236	45,263
<b>Total revenues</b>		<b>585,577</b>	<b>540,322</b>
<b>Operating costs</b>			
Goods		-131,807	-134,877
Direct costs relating to goods sold		-262,009	-245,695
Other external costs	6, 7	-95,902	-80,522
Staff costs	8	-72,170	-66,886
Depreciation/amortisation and write-downs	10	-12,012	-10,124
Other operating costs	5	-1,557	-1,248
<b>Total costs</b>		<b>-575,457</b>	<b>-539,352</b>
<b>OPERATING PROFIT</b>		<b>10,120</b>	<b>970</b>
<b>Profit from financial investments</b>			
Interest revenues		71	138
Interest costs		-247	-289
<b>Total financial items</b>		<b>-176</b>	<b>-151</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>9,944</b>	<b>819</b>
<b>PROFIT/LOSS BEFORE TAX</b>		<b>9,944</b>	<b>819</b>
Tax on the year's profit	11	-3,016	-1,664
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>6,928</b>	<b>-845</b>
Attributable to:			
The parent company's owners		6,359	-1,124
Minority interests		569	279

# INCOME STATEMENT

Divided by type of cost	Note	The parent company	
		01/01/2018 31/12/2018	01/01/2017 31/12/2017
Amounts in SEK thousand			
Net sales	3, 4	5,371	3,810
Other revenue	5	11	-
<b>Total revenues</b>		<b>5,382</b>	<b>3,810</b>
<b>Operating costs</b>			
Other external costs	6, 7	-3,882	-2,847
Depreciation/amortisation and write-downs	10	-233	-16
Other operating costs	5	-	-38
<b>Total costs</b>		<b>-4,115</b>	<b>-2,901</b>
<b>OPERATING PROFIT</b>		<b>1,267</b>	<b>909</b>
<b>Profit from financial investments</b>			
Interest revenues		-	-
Interest costs		-	-2
Anticipated dividend		7,700	-
<b>Total financial items</b>		<b>7,700</b>	<b>-2</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>8,967</b>	<b>907</b>
<b>PROFIT BEFORE TAX</b>		<b>8,967</b>	<b>907</b>
Tax on the year's profit	11	-279	-200
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>8,688</b>	<b>707</b>

# BALANCE SHEET

Amounts in SEK thousand	The group		
	Note	31/12/2018	31/12/2017
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Intangible fixed assets</b>	12	-	-
Goodwill		28,743	33,647
Intangible fixed assets		19,272	19,225
<b>Total intangible fixed assets</b>		<b>48,015</b>	<b>52,872</b>
<b>Tangible fixed assets</b>			
Inventories, tools and installations	13	4,623	3,036
<b>Total tangible fixed assets</b>		<b>4,623</b>	<b>3,036</b>
<b>Financial fixed assets</b>			
Deferred tax claims	15	188	2,481
Other long-term receivables		178	175
<b>Total financial fixed assets</b>		<b>366</b>	<b>2,656</b>
<b>TOTAL FIXED ASSETS</b>		<b>53,004</b>	<b>58,564</b>
<b>CURRENT ASSETS</b>			
<b>Inventories, etc.</b>			
Finished goods and goods		55,913	46,605
Advances to suppliers		8,771	6,342
<b>Total inventories</b>		<b>64,684</b>	<b>52,947</b>
<b>Current receivables</b>			
Accounts receivable		8,395	4,947
Other receivables		10,146	6,497
Pre-paid costs and accrued revenues	16	13,461	8,358
Tax claims		2,494	1,124
<b>Total short-total receivables</b>		<b>34,496</b>	<b>20,926</b>
<b>Cash and bank balances</b>		<b>45,459</b>	<b>48,419</b>
<b>TOTAL CURRENT ASSETS</b>		<b>144,639</b>	<b>122,292</b>
<b>TOTAL ASSETS</b>		<b>197,643</b>	<b>180,856</b>

# BALANCE SHEET

Amounts in SEK thousand	Note	The group	
		31/12/2018	31/12/2017
<b>EQUITY CAPITAL AND LIABILITIES</b>			
<b>EQUITY CAPITAL</b>			
Share capital	17	3,258	3,258
Other contributed capital		11,302	12,804
Other equity capital including the year's profit		50,031	57,380
<b>Equity capital referable to the parent company's owners</b>		<b>64,591</b>	<b>73,442</b>
Minority interests		6,924	6,890
<b>TOTAL EQUITY CAPITAL</b>		<b>71,515</b>	<b>80,332</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Other long-term liabilities		581	573
<b>Total long-term liabilities</b>		<b>581</b>	<b>573</b>
<b>Current liabilities</b>			
Supplier liabilities		30,029	18,621
Tax liabilities		383	71
Other liabilities	19	72,969	58,613
Accrued costs and deferred revenues	20	22,166	22,646
<b>Total current liabilities</b>		<b>125,547</b>	<b>99,951</b>
<b>TOTAL LIABILITIES</b>		<b>126,128</b>	<b>100,524</b>
<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>		<b>197,643</b>	<b>180,856</b>

# BALANCE SHEET

Amounts in Thousand SEK	Note	The parent company	
		31/12/2018	31/12/2017
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Intangible fixed assets</b>	12	-	-
Intangible fixed assets		1,465	1,084
<b>Total intangible fixed assets</b>		<b>1,465</b>	<b>1,084</b>
<b>Financial fixed assets</b>			
Shares in subsidiaries	14	82,981	82,893
Deferred tax claims	15	181	460
<b>Total financial fixed assets</b>		<b>83,162</b>	<b>83,353</b>
<b>TOTAL FIXED ASSETS</b>		<b>84,627</b>	<b>84,437</b>
<b>CURRENT ASSETS</b>			
<b>Current receivables</b>			
Accounts receivable		149	-
Other receivables		307	41
Pre-paid costs and accrued revenues	16	1,088	1,586
<b>Total short-total receivables</b>		<b>1,544</b>	<b>1,627</b>
<b>Cash and bank balances</b>		<b>1,037</b>	<b>294</b>
<b>TOTAL CURRENT ASSETS</b>		<b>2,581</b>	<b>1,921</b>
<b>TOTAL ASSETS</b>		<b>87,208</b>	<b>86,358</b>

# BALANCE SHEET

Amounts in Thousand SEK	The parent company		
	Note	31/12/2018	31/12/2017
<b>EQUITY CAPITAL AND LIABILITIES</b>			
<b>EQUITY CAPITAL</b>			
<b>Restricted equity</b>			
Share capital	17	3,258	3,258
Fund for development expenditures		1,465	1,084
<b>Total restricted equity</b>		<b>4,723</b>	<b>4,342</b>
<b>Unrestricted equity</b>			
Retained earnings		16,322	30,658
Profit/loss for the year		8,688	707
<b>Total equity</b>		<b>25,010</b>	<b>31,365</b>
<b>TOTAL EQUITY CAPITAL</b>		<b>29,733</b>	<b>35,707</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Long-term liabilities to group companies		15,476	15,476
Other long-term liabilities		730	730
<b>Total long-term liabilities</b>		<b>16,206</b>	<b>16,206</b>
<b>Current liabilities</b>			
Supplier liabilities		5	146
Liabilities to group companies		40,505	33,837
Other liabilities	19	225	36
Accrued costs and deferred revenues	20	534	426
<b>Total current liabilities</b>		<b>41,269</b>	<b>34,445</b>
<b>TOTAL LIABILITIES</b>		<b>57,475</b>	<b>50,651</b>
<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>		<b>87,208</b>	<b>86,358</b>

# REPORT ON EQUITY CAPITAL

<b>GROUP EQUITY CAPITAL</b>	<b>Note</b>	<b>Share capital</b>	<b>Other contributed capital</b>	<b>Revaluation fund</b>	<b>Actual currency exchange differences</b>	<b>Retained earnings, etc.</b>	<b>Total</b>	<b>Minority interests</b>	<b>Total equity capital</b>
<b>Equity capital 01/01/2018</b>		<b>3,258</b>	<b>12,804</b>	<b>0</b>	<b>182</b>	<b>57,198</b>	<b>73,442</b>	<b>6,890</b>	<b>80,332</b>
Amortisation of own reprocessing development expenditures		-	-1,502	-	-	1,502	-	-	-
Profit/loss for the year		-	-	-	-	6,359	6,359	569	6,928
Change minority		-	-	-	-	-	-	-535	-535
Subscriptions for shares on subscription options	17	-	-	-	-	-	-	-	-
Dividend to shareholders		-	-	-	-	-14,661	-14,661	-	-14,661
Currency exchange differences upon conversion of foreign subsidiaries		-	-	-	-549	-	-549	-	-549
<b>Equity capital 31/12/2018</b>		<b>3,258</b>	<b>11,302</b>	<b>0</b>	<b>-367</b>	<b>50,398</b>	<b>64,591</b>	<b>6,924</b>	<b>71,515</b>

<b>PARENT COMPANY'S EQUITY CAPITAL</b>	<b>Note</b>	<b>Share capital*</b>	<b>Fund for dev. expenditures*</b>	<b>Premium share reserve</b>	<b>Retained earnings, etc.</b>	<b>Total equity capital</b>
<b>Equity capital 01/01/2018</b>		<b>3,258</b>	<b>1,084</b>	<b>36,799</b>	<b>-5,435</b>	<b>35,706</b>
Profit/loss for the year		-	-	-	8,688	<b>8,688</b>
Own reprocessing development expenditures		-	381	-	-381	-
Dividend to shareholders		-	-	-14,661	-	<b>-14,661</b>
*Restricted equity						
<b>Equity capital 31/12/2018</b>		<b>3,258</b>	<b>1,465</b>	<b>22,138</b>	<b>2,872</b>	<b>29,733</b>

# CASH FLOW ANALYSIS

Amounts in SEK thousand	Note	The group		The parent company	
		01/01/2018 31/12/2018	01/01/2017 31/12/2017	01/01/2018 31/12/2018	01/01/2017 31/12/2017
<b>Operating activities</b>					
Operating profit		10,120	970	1,267	909
Adjustment for items which are not included in the case flow	9	13,569	11,372	222	54
		<b>23,689</b>	<b>12,342</b>	<b>1,489</b>	<b>963</b>
Interest received		69	138	-	-
Interest paid		-214	-289	-	-2
Tax paid		89	27	-	-
<b>Cash flow from the ongoing business before changes in operating capital</b>					
		<b>23,633</b>	<b>12,218</b>	<b>1,489</b>	<b>961</b>
Cash flow from changes in operating capital					
Increase(-)/Decrease(+) in inventories		-11,737	10,571	-	-
Increase(-)/Decrease(+) in current receivables		-13,570	2,985	83	-1,418
Increase(+)/Decrease(-) in current liabilities		22,109	12,427	14,518	7,800
<b>Cash flow from operating activities</b>					
		<b>20,435</b>	<b>38,201</b>	<b>16,090</b>	<b>7,343</b>
<b>Investment activity</b>					
Acquisition of intangible fixed assets	12	-6,236	-4,223	-598	-
Acquisitions of subsidiaries and other financial fixed assets	14	-88	-116	-88	-104
Acquisition of tangible fixed assets	13	-2,410	-609	-	-
<b>Cash flow from investment activities</b>					
		<b>-8,734</b>	<b>-4,948</b>	<b>-686</b>	<b>-104</b>
<b>Financing activities</b>					
Release of options		-	150	-	150
Dividend paid to the parent company's shareholders		-14,661	-8,145	-14,661	-8,145
<b>Cash flow from financing activities</b>					
		<b>-14,661</b>	<b>-7,995</b>	<b>-6,961</b>	<b>-7,995</b>
<b>CASH FLOW FOR THE YEAR</b>					
		<b>-2,960</b>	<b>25,258</b>	<b>743</b>	<b>-756</b>
<b>Liquid assets at the start of the year</b>					
		<b>48,419</b>	<b>23,323</b>	<b>294</b>	<b>1,047</b>
Exchange difference in liquid assets			-162		3
<b>Liquid assets at the end of the year</b>					
		<b>45,459</b>	<b>48,419</b>	<b>1,037</b>	<b>294</b>
<b>Change in liquid assets</b>					
		<b>-2,960</b>	<b>25,258</b>	<b>743</b>	<b>-756</b>

# NOTES

## NOTE 1 SIGNIFICANT ACCOUNTING AND VALUATION PRINCIPLES

Zinzino AB (publ), corporate ID number 556733-1045 is a registered Swedish publicly-held limited liability company with its headquarters in Gothenburg. The group report for the financial year from 1 January to 31 December consists of the parent company and its Swedish and foreign subsidiaries.

### **Financial year**

The closing of the books covers financial information for the Zinzino group for the period 1 January to 31 December.

### **Business activities**

The group's business activities consist mainly of the sale of

- sale of health products
- sale of coffee, coffee machines and accessories
- manufacture of health products
- research and development of health products

### **Accounting principles**

The annual report and the group report have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general advice BFNAR 2012:1 Annual report and consolidated accounts. The accounting principles are unchanged as compared to the prior year.

**Below is a summary of important accounting principles.**

## REVENUE REPORTING AND COST REPORTING

### **Net turnover**

Net turnover is revenue from delivery of goods, after deduction of rebates and the like, exclusive of value added tax and after elimination of the group's internal sales. Sales of goods are reported when a group entity has delivered the goods to the customer, the financial advantages and risks which are linked with the goods have been transferred to the customer.

### **Other revenue**

Revenues attributable to freight revenues for goods to the customer, reminder fees paid by the customer, and currency profits are regarded as other revenues.

### **Goods**

Costs of goods sold also include domestic costs for sold goods such as customs costs, excise taxes, and packaging for outgoing freight for goods.

### **Direct costs relating to goods sold**

Direct costs which affect sold goods refers to freight costs and commissions to the sellers.

### **Other external costs**

Costs which relate to the normal operation but which cannot be attributed to any other item in the income statement.

### **Personnel costs**

Costs which have a direct connection with the company's employees, such as wages, reimbursements, pension costs, social security contributions and training.

### **Depreciation/amortisation**

Depreciation and amortisation of tangible and intangible assets are reported in the same item.

### **Write-down**

Write-down of intangible and tangible assets is reported in those cases where write-down exists after write-down testing.

### **Interest**

Interest revenues are reported as they are earned. Interest costs are reported as they are incurred.

### **Income tax**

Reported as the group's tax cost or tax revenue is current tax, change in deferred tax and tax referable to profit shares in affiliated companies.

Current tax is the tax which is calculated on the taxable profit for the period in accordance with the tax regulations in each country. The deferred tax is estimated with a starting point in taxable or deductible temporary differences between reported and taxable values of assets and liabilities, respectively. Loss deductions are taken into account only to the extent it is probable that the loss deduction can be utilised within the foreseeable future.

Valuation of all tax liabilities/tax claims is shown at nominal amounts and is done in conformity with applicable tax rules and tax rates.

## PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES

Assets and liabilities are reported, unless otherwise stated, in the amounts by which they were acquired or incurred.

### **Goodwill**

Goodwill arises upon acquisition of subsidiaries and represents the amount by which all of the consideration transferred together exceeds the actual value of the net of identifiable assets and liabilities. Goodwill is written off linearly over 10 years.

### **Intangible and tangible fixed assets**

Fixed assets are valued at acquisition value with a deduction for accumulated depreciation and amortisation. Depreciation and amortisation are taken systematically over the asset's expected useful life in accordance with the list below:

Inventories, tools and installations	5 years
Intangible fixed assets	3-5 years

**Deferred tax claims**

Pursuant to K3 deferred tax claims are to be reported on their own line in the balance sheet. Deferred tax is the tax effect which arises on the basis of a revenue or cost being reported in the report in one year but included in the tax declaration in another year. Loss carryforwards which will be utilised in coming tax filings are reported in this item.

**Other long-term securities holdings**

Long-term receivables which do not relate to affiliated or group companies are reported in this item.

**Shares in subsidiaries**

The parent company's shares in the subsidiaries are reported in this item.

**Inventories**

Goods which have been acquired for resale to the subsidiaries as well as advances for goods which have not yet been delivered. The goods inventory is valued in accordance with the lowest value principle and the first in - first out (FIFO) method. This means that the goods inventory is stated at the lower of acquisition value pursuant to the FIFO method or actual value.

**Accounts receivable**

The receivables which arise in connection with sales to external customers.

**Receivables from group companies**

The parent company's receivables from group companies.

**Other receivables**

This includes, for example, value added tax receivables and receivables from card companies.

**Pre-paid costs and accrued revenues**

Pre-paid costs which during the financial year constitute costs for the following financial year. Accrued revenues are revenues during the year which will be income in coming years.

**Cash and bank balances**

This reports cash and balances in bank accounts. Holdings in foreign bank accounts are reported at the rate of exchange on the balance sheet date.

**Share Capital**

Share capital is the parent company's share capital which is registered with the Swedish Companies Registration Office. Capital which has been contributed in conjunction with a new issuance that has not yet been registered is reported as Other contributed capital.

**Retained earnings or loss carried forward and the year's profit or loss**

Relates to the accumulated profit or loss from the prior year as well as the year's profit or loss.

**Minority interests**

The part of the equity capital which is attributable to the group's minority.

**Long-term liability to group companies**

The parent company's long-term liability to group companies.

**Supplier liabilities**

Liabilities referable to purchases from external suppliers.

**Short-term liability to group companies**

The parent company's short-term liability to group companies.

**Cheque account credit**

Utilised part of cheque account credit.

**Other liabilities**

Reported here are, for example, value added tax liability, liabilities relating to the personnel's wages, and commission liability.

**Accrued costs and deferred revenues**

Costs which relate to the financial year but which will be settled in later years are treated as accrued costs. Revenues which are invoiced during the financial year but where the performance will be carried out in later years are treated as deferred revenues.

**Group report**

Zinzino AB prepares the group report. The companies in which Zinzino AB holds the majority of the shares are classified as subsidiaries and are consolidated in the group report. Information on the subsidiaries appears in note 14.

Subsidiaries in other countries prepare their annual reports in foreign currency. Upon consolidation, the items in the balance sheet and income statement are recalculated to the rate of exchange on the balance sheet date or the spot rate, respectively, on which the business event occurred. The currency exchange differences which arise are reported in accumulated currency exchange differences in the group's equity capital. Dealings between group companies are eliminated in their entirety.

**KEY NUMBERS DEFINITIONS****Gross margin**

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

**Operating margin before depreciation**

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

**Operating margin**

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

**Net margin**

The period's profit as a percentage of the period's net sales.

**Profit per share**

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

**Equity per share**

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

**Equity/assets ratio**

Equity capital in percent of the balance sheet total.

## NOTE 2 ESTIMATES AND ASSESSMENTS

The following estimates and assessments have been made:

- In assessing whether the group's leasing agreements are financial or operational, the assessment has been made based on the form of the agreement. The agreement relating to rental of premises is assessed as operational when the group is not exposed to any risk after the contract has expired. Leasing agreements for office inventories and telephone exchanges are assessed as operational when the equipment can be returned after the term for it has expired. The group's leasing agreements for cars are seen as financial since the group is responsible for the risk of residual value. When the value of these contracts is assessed to be of lesser value they remain operational. The differences between residual value and the value the cars have at redemption are assessed as very low and therefore the risk for the group such as leasing agreements is based on this.
- Intangible fixed assets are valued according to their acquisition value with continual depreciations. No valuation problem is considered to exist.

## NOTE 3 THE NET TURNOVER DIVISION IN BUSINESSES AND GEOGRAPHIC MARKETS

Division into segments is based on the group's internal reporting structure, which is based on sales by geographic area. The net turnover is divided among the businesses as follows:

Thousand SEK	The group		The parent company	
	2018	2017	2018	2017
Zinzino Coffee	43,090	44,776	-	-
Zinzino Health	427,194	381,434	-	-
Event tickets	4,505	4,156	-	-
Other, including Faun's sales to companies outside of the group	63,552	64,693	5,371	3,810
<b>Total</b>	<b>538,341</b>	<b>495,059</b>	<b>5,371</b>	<b>3,810</b>

The net turnover is divided among the geographic markets as follows:

Thousand SEK	The group		The parent company	
	2018	2017	2018	2017
Nordic region	395,155	403,389	5,371	3,810
Baltic countries	40,376	35,485	-	-
Rest of Europe	81,919	32,935	-	-
North America	20,891	23,250	-	-
<b>Total</b>	<b>538,341</b>	<b>495,059</b>	<b>5,371</b>	<b>3,810</b>

## NOTE 4 PURCHASES AND SALES BETWEEN GROUP COMPANIES AND OTHER CLOSELY RELATED PARTIES

SEK Thousand	The group		The parent company	
	2018	2017	2018	2017
Sales to group companies	-	-	5,371	3,810
Commission costs to closely related parties with significant influence*	21,457	25,660	-	-
Commission costs to closely related parties with significant influence**	3,559	4,377	-	-
Consultancy fees to board members***	126	9	126	9
Purchases of goods from closely related parties with significant influence*	559	735	-	-
<b>Total</b>	<b>25,701</b>	<b>30,782</b>	<b>5,497</b>	<b>3,819</b>

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

\*\* Relates to sales commissions to Oh Happy Day, which is controlled by Peter Sörensen and which, through the company's shareholding in Zinzino AB, is defined as a person with significant influence. As of the balance sheet date, the liability to Saele Invest and Consulting AS for commission is SEK 843 (952) thousand in the group and to Oh Happy Day is SEK 68 (0) thousand in the group. In the parent company, the liability is SEK 0 (0) thousand.

\*\*\* Board member Pierre Mårtensson has received consultancy fees for market analysis and strategy work in addition to board of directors remuneration.

## NOTE 5 CURRENCY EXCHANGE DIFFERENCES

Thousand SEK	The group		The parent company	
	2018	2017	2018	2017
Currency exchange rate profits	12,680	9,639	82	32
Currency exchange rate losses	-14,237	-10,887	-71	-70
<b>Total</b>	<b>-1,557</b>	<b>-1,248</b>	<b>11</b>	<b>-38</b>

## NOTE 6 OPERATIONAL LEASING AGREEMENTS

SEK Thousand	The group		The parent company	
	2018	2017	2018	2017
Future minimum lease fees:				
Payable within one year	8,492	6,313	-	-
Payable later than one year but within five years	18,290	9,890	-	-
Payable later than five years	898	-	-	-
<b>Total</b>	<b>27,680</b>	<b>16,203</b>	<b>-</b>	<b>-</b>

	The group		The parent company	
	2018	2017	2018	2017
Leasing fees written off during the year	8,745	7,099	-	-
<b>Total</b>	<b>8,745</b>	<b>7,099</b>	<b>-</b>	<b>-</b>

The group's operational leasing agreements consist of rental of premises, rental of production machines, leasing of office inventories and telephone exchanges as well as cars. The agreements on rental of premises run for five years or 10 years, respectively, with the possibility of extension by 36 months or 60 months per time, respectively. Agreements for leasing of office inventory and telephone exchanges run for five years with automatic extensions of one year at a time until the agreement is terminated. The leasing agreements for cars run for three years with the possibility of purchase after the agreement expires.

## NOTE 7 REMUNERATION TO AUDITORS

SEK Thousand	The group		The parent company	
	2018	2017	2018	2017
<b>PricewaterhouseCoopers AB</b>				
Audit assignment	452	260	250	110
Other services	74	-	50	-
<b>PricewaterhouseCoopers AS (NO)</b>				
Audit assignment	352	347	-	-
Other services	-	-	-	-
<b>PricewaterhouseCoopers Aps (DK)</b>				
Audit assignment	83	68	-	-
Other services	-	-	-	-
<b>PricewaterhouseCoopers Oy (FI)</b>				
Audit assignment	26	42	-	-
<b>PricewaterhouseCoopers Ehf (IS)</b>				
Auditing work beyond the auditing assignment	7	18	-	-
<b>Alden Audit OÜ (EST)</b>				
Audit assignment	-	21	-	-
<b>SIA Potapoviča un Andersone (LET)</b>				
Auditing work beyond the auditing assignment	12	11	-	-
<b>Total</b>	<b>1,006</b>	<b>767</b>	<b>300</b>	<b>110</b>

# NOTE 8

## EMPLOYEES AND PERSONNEL COSTS

SEK Thousand

### Salaries and other compensation

	The group		The parent company	
	2018	2017	2018	2017
<b>Salaries and compensation</b>	52,132	50,920	-	-
- of which to the board of directors and CEO	3,511	3,371	-	-
- of which bonuses	515	332	-	-
<b>Social security contributions pursuant to law and agreements</b>	16,895	14,398	-	-
- of which to the board of directors and CEO	923	499	-	-
Of which pension costs	3,836	2,085	-	-
- of which to the board of directors and CEO	320	370	-	-
<b>Total</b>	<b>69,027</b>	<b>65,318</b>	-	-

### Salaries and other compensation divided by country

	The group		The parent company	
	2018	2017	2018	2017
<b>Sweden</b>				
Salaries and compensation	31,675	29,041	-	-
- of which to the board of directors and CEO	3,158	3,069	-	-
<b>Total Sweden</b>	<b>31,675</b>	<b>29,041</b>	-	-
<b>Norway</b>				
Salaries and compensation	16,047	18,992	-	-
- of which to the board of directors and CEO	353	302	-	-
<b>Total Norway</b>	<b>16,047</b>	<b>18,992</b>	-	-
<b>Finland</b>				
Salaries and compensation	680	624	-	-
- of which to the board of directors and CEO	-	-	-	-
<b>Total Finland</b>	<b>680</b>	<b>624</b>	-	-
<b>Lithuania</b>				
Salaries and compensation	22	21	-	-
- of which to the board of directors and CEO	-	-	-	-
<b>Total Lithuania</b>	<b>22</b>	<b>21</b>	-	-
<b>Latvia</b>				
Salaries and compensation	1,487	938	-	-
- of which to the board of directors and CEO	-	-	-	-
<b>Total Latvia</b>	<b>1,487</b>	<b>938</b>	-	-
<b>Germany</b>				
Salaries and compensation	171	0	-	-
- of which to the board of directors and CEO	-	-	-	-
<b>Total Germany</b>	<b>171</b>	<b>0</b>	-	-
<b>United States</b>				
Salaries and compensation	2,050	1,304	-	-
- of which to the board of directors and CEO	-	-	-	-
<b>Total United States</b>	<b>2,050</b>	<b>1,304</b>	-	-
<b>Total</b>	<b>52,132</b>	<b>50,920</b>	-	-

### Terms and conditions for the chief executive officer

Notice of termination from the company's side is six months. Notice of termination from the chief executive officer's side is six months. Monthly salary is SEK 166 thousand and pension terms and conditions are in accordance with the company's general terms and conditions. Bonus for 2018 to the chief executive officer was SEK 796 thousand. The salary was paid by Zinzino Nordic AB and Zinzino AS.

### The median number of employees

	The group		The parent company	
	2018	2017	2018	2017
Women	79	73	-	-
Men	46	49	-	-
<b>Median number of employees</b>	<b>125</b>	<b>122</b>	<b>-</b>	<b>-</b>

During the year 1,817 (1,983) private persons in the sales force have received compensation in the form of wages in Sweden. Because of the fact that Zinzino entirely lacks the capacity to affect the design and extent of their working hours, and the fact that their eventual compensation is only paid as a commission on the turnover which they generate, a conversion to the number of full-time employees is not possible.

These have been paid wages of SEK 6,322 (5,898) thousand in the group.

### Gender distribution in company management

	The group		The parent company	
	2018	2017	2018	2017
Members of the board of directors	39	39	4	4
- of which women	2	2	1	1
- of which men	37	37	3	3
Chief executive officer	1	1	1	1
- of which women	-	-	-	-
- of which men	1	1	1	1
Other persons in the management	9	9	7	6
- of which women	2	2	2	1
- of which men	7	7	5	5
Total number of women	4	4	3	2
Total number of men	45	45	9	9
<b>Total</b>	<b>49</b>	<b>49</b>	<b>12</b>	<b>11</b>

## NOTE 9 ADJUSTMENT FOR ITEMS WHICH ARE NOT INCLUDED IN THE CASH FLOW

SEK Thousand	The group		The parent company	
	2018	2017	2018	2017
Depreciation and amortisation / write-downs	12,012	10,124	233	16
Currency exchange rate profits	-12,680	-9,639	-82	-32
currency exchange rate losses	14,237	10,887	71	70
<b>Total items not included in the cash flow</b>	<b>13,569</b>	<b>11,372</b>	<b>222</b>	<b>54</b>

# NOTE 10

## DEPRECIATION AND AMORTISATION AND WRITE-DOWNS

SEK Thousand

### Depreciation and amortisation according to plan

	The group		The parent company	
	2018	2017	2018	2017
Intangible fixed assets	6,246	4,421	217	-
Inventories	846	783	-	-
Goodwill	4,904	4,904	-	-
Trademark protection	16	16	16	16
<b>Total depreciation and amortisation according to plan</b>	<b>12,012</b>	<b>10,124</b>	<b>233</b>	<b>16</b>

Write-down of intangible fixed assets

	-	-	-	-
<b>Total Depreciation and amortisation and write-downs</b>	<b>12,012</b>	<b>10,124</b>	<b>233</b>	<b>16</b>

# NOTE 11

## TAX

SEK Thousand

	The group		The parent company	
	2018	2017	2018	2017
Current tax	-726	-184	-	-
Deferred taxes which have been incurred or reversed during the period	-2,290	-1,480	-279	-200
<b>Tax on the year's profit</b>	<b>-3,016</b>	<b>-1,664</b>	<b>-279</b>	<b>-200</b>
Reported profit before tax	9,944	819	8,967	907
Tax calculated at the applicable tax rate (22%)	-2,188	-180	-1,973	-200
Tax effects of non-deductible costs	-42	-133	-	-
Effect of foreign tax rates	279	-227	-	-
Effect of goodwill amortisation	-1,079	-1,079	-	-
Effect of loss carryforwards	-	-	1,694	-
Other	14	-45	-	-
<b>Reported tax cost</b>	<b>-3,016</b>	<b>-1,664</b>	<b>-279</b>	<b>-200</b>

## NOTE 12 INTANGIBLE FIXED ASSETS

SEK Thousand

The group	Goodwill	Software	Other intangible assets	Total
<b>Accumulated acquisition value</b>				
Opening balance 1 January 2018	49,042	26,532	4,034	79,608
Conversion differences	-	-	59	59
Earned Value	-	5,638	598	6,236
<b>Closing balance 31 December 2018</b>	<b>49,042</b>	<b>32,170</b>	<b>4,691</b>	<b>85,903</b>
<b>ACCUMULATED DEPRECIATION AND AMORTISATION</b>				
Opening balance 1 January 2018	-15,395	-9,936	-1,405	-26,736
Conversion differences	-	-	-2	-2
The year's depreciation and amortisation	-4,904	-5,457	-789	-11,150
<b>Closing balance 31 December 2018</b>	<b>-20,299</b>	<b>-15,393</b>	<b>-2,196</b>	<b>-37,888</b>
<b>BOOK VALUE 31 DECEMBER 2017</b>	<b>33,647</b>	<b>16,596</b>	<b>2,629</b>	<b>52,872</b>
<b>BOOK VALUE 31 DECEMBER 2018</b>	<b>28,743</b>	<b>16,777</b>	<b>2,495</b>	<b>48,015</b>

The parent company

	Patent	Total
<b>Accumulated acquisition value</b>		
Opening balance 1 January 2018	1,084	1,084
Earned Value	598	598
Closing balance 31 December 2018	1,682	1,682

**ACCUMULATED DEPRECIATION AND AMORTISATION**

Opening balance 1 January 2018	-	-
The year's depreciation and amortisation	-217	-217
<b>Closing balance 31 December 2018</b>	<b>-217</b>	<b>-217</b>

**BOOK VALUE 31 DECEMBER 2017**

**1,084**

**1,084**

**BOOK VALUE 31 DECEMBER 2018**

**1,465**

**1,465**

## NOTE 13 INVENTORIES, TOOLS AND INSTALLATIONS

SEK Thousand

	The group		The parent company	
	2018	2017	2018	2017
Opening acquisition values	7,097	6,532	-	-
Conversion differences	102	-44	-	-
Acquisitions during the year	2,367	609	-	-
Disposals for the year	-24	-	-	-
<b>Closing acquisition values</b>	<b>9,542</b>	<b>7,097</b>	<b>-</b>	<b>-</b>
Opening depreciation and amortisation	-4,061	-3,210	-	-
Conversion differences	-20	-68	-	-
Disposals for the year	8	-	-	-
The year's depreciation and amortisation	-846	-783	-	-
<b>Closing accumulated depreciation and amortisation</b>	<b>-4,919</b>	<b>-4,061</b>	<b>-</b>	<b>-</b>
<b>Closing residual value according to plan</b>	<b>4,623</b>	<b>3,036</b>	<b>-</b>	<b>-</b>

## NOTE 14 SHARES IN SUBSIDIARIES

### SEK Thousand

	The parent company	
	2018	2017
Opening acquisition value	82,893	82,789
Acquisition of shares in Zinzino Nordic	88	104
<b>Closing book value</b>	<b>82,981</b>	<b>82,893</b>

Name of subsidiary	Share in %	Voting rights share in %	Reg. No.	Headquarters	2018 Book value	2017 Book value
Zinzino Nordic AB	93%	98%	556646-5893	Gothenburg	20,805	20,717
Zinzino OÜ	100%	100%	12057494	Tallinn	-	-
Zinzino UAB	100%	100%	302606327	Vilnius	26	26
Zinzino SIA	100%	100%	40103529390	Riga	25	25
Zinzino Ehf	100%	100%	580511-0660	Reykjavik	28	28
Zinzino LLC	100%	100%	90-0992153	Jupiter, FL	-	-
Zinzino B.V.	100%	100%	854221712	s-Gravenhage	-	-
Zinzino Sp z o. o.	100%	100%	701-04-26-537	Warsaw	8	8
Faun Pharma AS	99%	99%	883370112	Vestby	11,653	11,653
BioActive Foods AS	100%	100%	996740498	Vestby	50,203	50,203
Zinzino Canada Corp	100%	100%	817988520BC0001	Vancouver BC	-	-
Zinzino GmbH	100%	100%	127/143/40172	Lindau am Bodensee	233	233
Zinzino Direct Sales S.R.L.	100%	100%	RO 38081630	Bucharest	-	-
<b>Total</b>					<b>82,981</b>	<b>82,893</b>

### Subsidiaries wholly owned by Zinzino Nordic AB:

Specification of subsidiary	Share in %	Voting rights share in %	Reg. No.	Headquarters
Zinzino Sverige AB	100%	100%	556646-5869	Gothenburg
Zinzino ApS	100%	100%	27266940	Copenhagen
Zinzino AS	100%	100%	986028269	Oslo
Zinzino Oy	100%	100%	1825505-2	Helsinki
Poxian AB	100%	100%	556655-2658	Gothenburg
PGTwo AB	100%	100%	556639-0513	Gothenburg
2Think	100%	100%	556667-3983	Gothenburg

## NOTE 15 DEFERRED TAX CLAIMS

### SEK Thousand

	The group		The parent company	
	2018	2017	2018	2017
Tax effect of loss carryforwards	188	2,481	181	460
<b>Total</b>	<b>188</b>	<b>2,481</b>	<b>181</b>	<b>460</b>

## NOTE 16 PRE-PAID COSTS AND ACCRUED REVENUES

SEK Thousand	Group		The parent company	
	2018	2017	2018	2017
Pre-paid rental costs	569	528	-	-
Pre-paid other costs	4,581	3,429	417	1,586
Pre-paid cost for sales conference	5,480	3,100	-	-
Debit card receivables	2,831	1,301	-	-
<b>Total</b>	<b>13,461</b>	<b>8,358</b>	<b>417</b>	<b>1,586</b>

## NOTE 17 SHARE CAPITAL

Of the company's total number of shares, 32,580,025, 5,113,392 are A shares.

### The development of the share capital

Year	Event	Change in the number of shares	Total number of shares	Change in the share capital	Total share capital
2007	Formation of company	37,000,000	37,000,000	100,000	100,000
2007	New issuance	37,803,188	74,803,187	102,069	202,069
2008	Bonus issue	-	-	545,963	748,032
2008	New issuance	12,476,963	87,280,150	124,770	872,802
2009	New issuance	135,022,681	222,302,831	1,350,227	2,223,029
2010	New issuance	48,524,869	270,827,700	485,248	2,708,277
2010	Reverse split	-243,744,930	27,082,770	-	2,708,277
2014	Subscription options	2,425,917	29,508,687	242,592	2,950,869
2015	Subscription options	1,391,338	30,900,025	139,134	3,090,003
2016	Subscription options	150,000	31,050,025	15,000	3,105,003
2016	Subscription options	1,530,000	32,580,025	153,000	3,258,003

## NOTE 18 CHEQUE ACCOUNT CREDIT

The amount granted in the bank overdraft facility for the group is SEK 15,000 (15,000) thousand and for the parent company SEK 0 (0) thousand. Utilised overdraft facility is SEK 0 (0) thousand.

## NOTE 19 OTHER LIABILITIES

SEK Thousand	The group		The parent company	
	2018	2017	2018	2017
Value added tax liability	4,216	3,999	187	-
Personnel withholding tax	1,492	880	-	-
Statutory social security contributions	1,803	1,657	-	-
Commission liability	59,717	47,032	-	-
Unidentified payments	3,882	2,754	-	-
Other liabilities	1,869	2,291	36	36
<b>Total</b>	<b>72,979</b>	<b>58,613</b>	<b>223</b>	<b>36</b>

## NOTE 20 ACCRUED COSTS AND DEFERRED REVENUES

SEK Thousand	The group		The parent company	
	2018	2017	2018	2017
Accrued wage-related costs	9,945	8,667	-	-
Accrued commission	8,120	9,333	-	-
Accrued product expenses	1,309	-	-	-
Accrued customer costs	-	1,226	-	-
Other accrued costs	2,792	3,420	534	427
Deferred revenues	245	-	-	-
<b>Total</b>	<b>22,166</b>	<b>22,646</b>	<b>534</b>	<b>427</b>

## NOTE 21 SECURITY PROVIDED AND CONTINGENT LIABILITIES

SEK Thousand	The group		The parent company	
	2018	2017	2018	2017
Security provided	15,463	15,461	NONE	NONE
Contingent liabilities	NONE	NONE	NONE	NONE

The group has floating charges of SEK 15,000 (15,000) thousand and customs guaranties totalling SEK 363 (361) thousand. Restricted bank assets are SEK 100 (100) thousand and relate to bank guaranties to suppliers.

## NOTE 22 PROPOSAL FOR DISPOSITION OF PROFIT

The annual meeting has the following at its disposal:

Zinzino AB	SEK
Share premium reserve	22,138,036
Retained earnings	-5,816,424
Profit/loss for the year	8,688,570
<b>SEK</b>	<b>25,010,182</b>

The board of directors proposes that the retained earnings be dealt with so that:

Zinzino AB	SEK
A dividend will be paid to the shareholders of 0.7 SEK per share	22,806,018
Carried forward into a new statement	2,204,164
<b>Total</b>	<b>25,010,182</b>



# ZINZINO



ANNUAL REPORT **2018**

# GOTHENBURG, 29 APRIL 2019

Hans Jacobsson  
Chairman of the board of directors

Pierre Mårtensson  
Director

Gabriele Helmer  
Director

Staffan Hillberg  
Director

Dag Bergheim Pettersen  
Chief Executive Officer

Our auditor's report was submitted on 30 April 2019.  
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson  
Certified Public Accountant



# AUDITOR'S REPORT

To the meeting of shareholders in Zinzino AB, Reg. No. 556733-1045

## REPORT ON THE ANNUAL REPORT AND GROUP ACCOUNTS

### Statements

We have performed an audit of the annual report and the group report for Zinzino AB for the year 2018. The company's annual report and the group accounts are included in pages 54–81 of this document.

It is our understanding that the annual report and group accounts have been drawn up in accordance with the Annual Accounts Act and in all material respects provides an accurate picture of the financial position of the parent company and the group as of 31 December 2018 and of their financial results and cashflow for the year in accordance with the Annual Accounts Act. The administration report is consistent with the annual report and group accounts.

We therefore recommend that the shareholders' meeting confirm the profit and loss account for the parent company and the group.

### Basis for the statements

We have conducted the audit in accordance with the International Standards on Auditing (ISA) and good auditing practice in Sweden.

Our responsibility according to these standards is described in greater detail in the section the Auditor's responsibility. We are independent in relation to the parent company and the group in accordance with generally accepted auditing standards in Sweden and have in addition complied with our professional ethical responsibilities pursuant to these requirements.

We consider that the auditing evidence we have received is sufficient and appropriate as a basis for our statements.

### Information other than the annual accounts and consolidated financial statements

This document also contains information other than the annual report and group accounts. This information can be found on pages 1-53. The board of directors and the CEO have responsibility for this other information.

Our statement regarding the annual accounts and consolidated accounts does not include this information and we make no statement of confirmation regarding this other information. In connection with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and group accounts.

This review also takes into account the knowledge we have otherwise acquired during the audit and assesses whether the information in general seems to contain material misstatement.

If, based on the work done on in relation to this information, we conclude that the other information contains a material misstatement, we are obliged to report this. We have nothing to report in this respect.

### The board of directors' and the chief executive officer's responsibilities

The board of directors and managing directors are responsible for ensuring that the annual report and group accounts are drawn up and that they provide a fair picture in accordance with the Annual Accounts Act. The board of directors and the chief executive officer are also responsible for the internal controls which they adjudge to be necessary for preparing an annual report and a group report which do not contain any material errors, whether due to fraud or to mistake.

In the preparation of the annual report and the group report the board of directors and the chief executive officer are responsible for the assessment of the company's and the group's capacity to continue the business. Where applicable, they give notice of any circumstances which can affect the capacity to continue operations and to declare the business a going concern. The assumption of continued operation, however, is not applied if the board of directors and the chief executive office intend to liquidate the company, terminate the business or do not have any realistic alternative to doing one of these.

### The auditor's responsibility

Our goal is to reach a reasonable degree of certainty as to whether the annual report and the group report as a whole do not contain any material errors, whether due to fraud or to mistake, and to provide an audit report which contains our statements. Reasonable certainty is a high degree of certainty, but is no guaranty that an audit which was performed in accordance with ISA and generally accepted auditing standards in Sweden will always discover a material error if such exists. Errors can arise on the basis of fraud or of mistake and are considered to be material if individually or collectively they may reasonably be expected to affect the financial decisions which users make on the basis of the annual report or the group report.

A further description of our responsibility for auditing the annual accounts and the group accounts can be found on the Swedish Inspectorate of Auditors' website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is a part of the audit report.

## **REPORT ON OTHER REQUIREMENTS PURSUANT TO LAW AND OTHER REGULATIONS**

### **Statements**

In addition to our audit of the annual report and the group report we have also performed an audit of the board of directors and the chief executive officer's management of Zinzino AB for the year 2018 as well as the proposal for dispositions relating to the company's profit and loss.

We recommend that the meeting of shareholders disburse the profit in accordance with the proposal in the management report and grant the members of the board of directors and the chief executive officer freedom from liability for the financial year.

### **Basis for the statements**

We have performed the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility pursuant to these is described in greater detail in the section the auditor's responsibility. We are independent in relation to the parent company and the group in accordance with generally accepted auditing standards in Sweden and have in addition complied with our professional ethical responsibilities pursuant to these requirements.

We consider that the auditing evidence we have received is sufficient and appropriate as a basis for our statements.

### **The board of directors and the chief executive officer's responsibilities**

It is the board of directors which have the responsibility for the proposal relating to the disposition of the company's profits or losses. Proposals regarding distribution include an assessment of whether the distribution is defensible when considering the requirements which the nature of the company and group's operations, scope and risks impose on the size of the parent company and group's own equity, consolidation requirements, liquidity and general status.

The board of directors is responsible for the company organisation and for the management of the company's affairs. This includes continuous assessment of the company and group's financial situation, and ensuring the company's organisation is such that the

accounting, asset management and the company's financial affairs in general is under control. The chief executive officer must conduct the ongoing management in conformity with the board of directors' guidelines and instructions and, among other things, take those actions which are necessary so that the company's bookkeeping will be conducted in agreement with the law and so that the financial management will be conducted in a satisfactory way.

### **The auditor's responsibility**

Our goal with regard to the auditing of the administration, and hence to our conclusions regarding exemption from responsibility, is to acquire auditing evidence so as to be able to assess whether a member of the board or the managing director has in any considerable respect:

- has taken any action or been guilty of any omission which may give rise to a liability for damages against the company
- traded in contravention of the Swedish Companies Act, the Annual Accounts Act or the Swedish Companies Ordinance.

Our goal as relates to the audit of the proposal for dispositions of the company's profit or loss, and thus our statement about that, is to determine with a reasonable degree of certainty whether the proposal is compatible with the Swedish Companies Act.

Reasonable certainty is a high degree of certainty, but no guarantee that an audit which has been performed in accordance with generally accepted auditing standards in Sweden will always discover acts or omissions which may lead to a liability to reimburse the company, or that a proposal for dispositions of the company's profit or loss is not compatible with the Swedish Companies Act.

A further description of our responsibility for auditing the management can be found on the Swedish Inspectorate of Auditors' website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is a part of the audit report.

Gothenburg, 30 April 2019  
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson  
Certified Public Accountant

