

ZINZINO



ANNUAL REPORT **2019**

THIS IS ZINZINO

Zinzino AB (publ.) is a direct sales company that operates throughout Europe, Australia and North America. Zinzino markets and sells products in two product lines: Zinzino Health, with a focus on long-term health, and Zinzino Coffee, consisting of espresso machines, coffee and tea.

Zinzino owns the Norwegian research company BioActive Foods AS and the production unit Faun Pharma AS. Zinzino has just over 130 employees. The company is based in Gothenburg, with additional offices in Helsinki, Riga, Oslo, Adelaide (Australia) and Florida (USA). Zinzino is a publicly-held limited liability company and its shares are listed on Nasdaq First North.

Annual general meeting

The 2020 annual general meeting will be held on 15 May at 2:30 pm at the company's offices on Hulda Mellgrens Gata 5 in Västra Frölunda. Shareholders can contact the nominating committee with proposals for board members or other motions to the annual general meeting. The proposals must be sent to the nomination committee's chair via shares@zinzino.com no later than 1 May 2020.

The nominating committee's proposals for board members, the board's fees and auditors are presented in the notice of the annual general meeting. For further information on the annual general meeting, please refer to the company's website www.zinzino.com.

Report calendar:

The interim report for Q1 2020 will be published on 14/05/2020

The interim report for Q2 2020 will be published on 28/08/2020

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

The year-end report for Q4 2020 will be published on 26/02/2021



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This Annual Report is in all respects a translation of the original Swedish Annual Report. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

GROUP STRUCTURE

ZINZINO AB



FINANCIAL SUMMARY (SEK MILLION)

Key group figures	2019	2018	2017	2016	2015
Total revenue	770.6	576.6	540.3	478.9	443.8
Net turnover	710.8	532.9	495.1	436.1	388.7
Sales growth	34%	7%	13%	7%	24%
Gross profit	232.3	182.8	159.8	153.8	149.3
Gross profit margin	30.1%	31.7%	29.6%	32.1%	33.6%
Operating profit before depreciation and amortisation	33.5	23.7	11.1	23.0	25.6
Operating margin before depreciation and amortisation	4.4%	4.1%	2.1%	4.8%	5.8%
Operating profit	14.8	6.4	1.0	14.0	18.5
Operating margin	1.9%	1.1%	0.2%	2.9%	4.2%
Profit/loss before tax	13.9	5.7	0.8	13.9	17.6
Net profit	11.3	4.7	-0.8	9.7	9.7
Net margin	1.5%	0.8%	-0.2%	2.0%	2.2%
Net earnings per share after tax before dilution, SEK	0.33	0.13	neg	0.31	0.32
Net earnings per share after tax at full dilution, SEK	0.32	0.13	neg	0.29	0.29
Cash flow for the period	71.3	29.8	25.3	-3.5	-16.2
Cash and cash equivalents	76.8	45.5	48.4	23.3	26.9
Equity/assets ratio	13%	20%	44%	50%	56%
Equity per share before dilution, SEK	1.24	1.55	2.47	2.82	2.88
Number of issued shares on average for the period	32,580,025	32,580,025	32,580,025	31,359,861	30,659,402
Average number of issued shares for the period with full dilution	32,846,326	32,580,025	34,081,395	33,780,025	33,454,470

Information regarding the years 2015–2017 is based on old accounting principles.

A man in a blue suit and orange tie is speaking at a podium. He is wearing a headset microphone and has his hands clasped in front of him. A glass of water and a pair of glasses are on the podium. The background is a stage with blue and green lighting.

“We still aim for more than 30% growth to deliver a turnover of more than 1 billion SEK in 2020”

VERY STRONG GROWTH OF 34% IN 2019

The last quarter ended with a very strong growth of an entire 52%, meaning that the year as a whole had an increase of 34%. We are, of course, very pleased with the positive trend from the beginning of 2019 to the end of the year. It gives good reason for optimism and increased faith for 2020 despite the Covid-19 pandemic.

We are aiming for more than 30% growth and sales of more than 1 billion SEK in 2020. At the same time, our profitability will be even better than previous years. The ambitious target for sales and profitability is a result of the strong growth, which lets us create economies of scale in the future, which will have a positive impact on profitability.

COVID-19

The world is shaking and changing extremely rapidly in times of the Covid-19 pandemic. We have taken responsible pre-cautions regarding all our employees, and most of our staff work from home until the authorities says otherwise and the pandemic slows down. Most of our business runs online and the majority of our work can be done without travelling. We are adjusting and changing all our activities towards sales and customers online to keep up the growth. We are particularly cautious when it comes to our own manufacturing plant and have filled our warehouses with necessary goods so our customers and partners can receive their products as long as the transportation is working. We have done everything in our power to protect our co-workers, customers, partners and our business from the pandemic. We stay updated and follow the news and regulations from authorities closely in order to protect ourselves.

The virus will have an impact on us in different ways: travels, production, product deliveries, transportation, events, expenses and more. But in the time of writing our sales have not been falling because of the Covid-19, and we all know from the past that times of crisis lead to new inventions.

We have a strong culture and have been running part of our sales from home-offices and online for several years. This gives us a strong conviction that Zinzino will emerge stronger from these times. We are using the situation to implement better online sales strategies that give us advantages into the future, but we are still planning for the worst and hoping for the best!

E-COMMERCE

In recent years we have invested significantly to create growth and achieve increased customer satisfaction in order to reach our overall goals and ambitions. In 2019, we implemented a major digital shift. It is incredibly important for us to become proficient online, with all that this means: website, payment systems and branding in social media.

We feel confident that as we establish ourselves in more countries globally, we are equipped with unique products within the preventive health sector, and we will succeed with help from our incredible online tools. In the third quarter, we launched a new website with a completely new look in combination with improved payment solutions. We also launched a global online store for customers all over the world. In addition to this we have upgraded our online social media profile with amazing content to strengthen our brand experience. We are constantly working to improve e-commerce and are launching a brand new and updated Zinzino test site in 2020 that will propel our brand in test-based food supplements to new heights.

NEW MARKETS

We launched Australia in early April 2019, which has been a huge success, and this is just the beginning of our entry into Asia Pacific. I expect a lot from the Asian market, and we acquired VMA Life which is a company with operations in Hong Kong, Thailand, Taiwan, Singapore and Malaysia. This is truly exciting. In addition, we are working internally with major markets such as Russia, Ukraine, South Africa and India, which will be launched within the next 18 months.

During 2019 and the beginning of 2020 we have increased our marketing efforts significantly, which has generated a rapid sales growth. We are also attracting more attention from new distributors who would like to join Zinzino. With increased revenues and greater financial muscle, we have been able to hire several talented employees who can help us increase the growth and pace of product development. We have an extremely scalable business model and will work hard towards a profitable growth journey over the next few years.

"Profitable growth is our financial goal towards which we are working through our long-term strategic plans."

Dag Bergheim Pettersen, CEO Zinzino

Inspire Change in Life

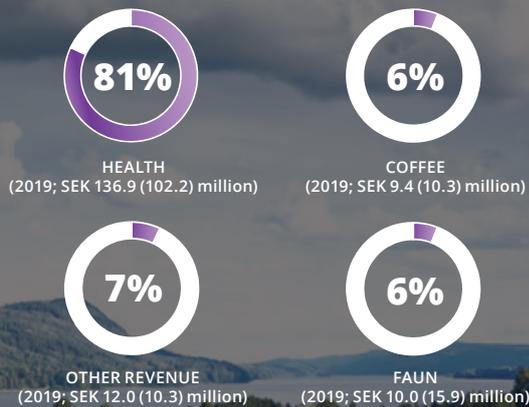
THE PAST YEAR 2019

Q1

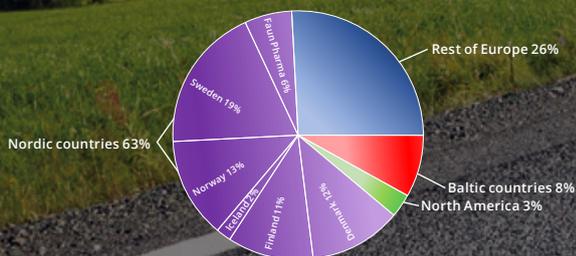
At the beginning of 2019, Zinzino launched a new sales campaign that proved to be very successful in terms of good sales growth and the large number of new distributors and customers added during the quarter. The campaign was aimed at distributor organisations to stimulate activity and the ability to attract new distributors. Following the successful outcome, it was decided to extend the offer throughout 2019. Based on the campaign, total revenues increased by 21% to SEK 168.3 (156.2) million for the first quarter. EBITDA amounted to SEK 11.8 (12.7) million. The first quarter of 2019 was Zinzino's first financial report in accordance with IFRS.

Sales
SEK million **168.3** (138.7)

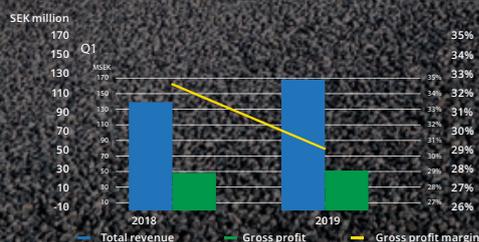
Revenues



Geographic distribution of sales



Sales and Gross Profit

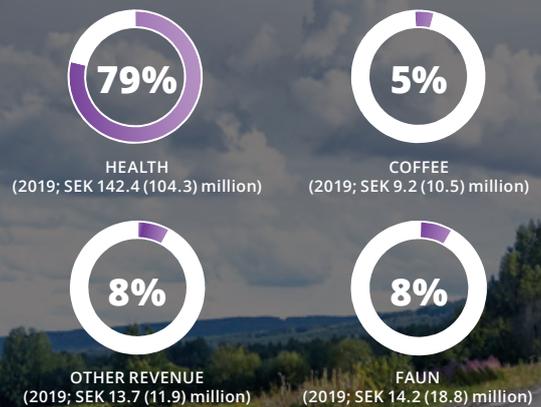


Q2

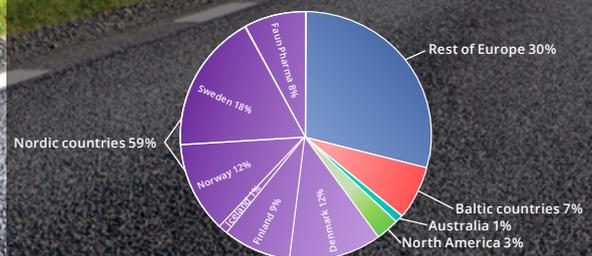
During the second quarter, the positive sales growth continued and total revenue increased by 23% to SEK 179.5 (145.5) million. EBITDA earnings increased to SEK 11.0 (9.4) million, compared with the second quarter of 2018. In addition, a very successful sales start was carried out in Australia, where sales gained immediate momentum with many new distributors and customers. Zinzino also continued the digital development which included the completion of the new communications portal that handles the company's communications to both distributors and customers. In addition, the new product Essent, the next generation capsule-based Omega-3 food supplement, was launched.

Sales
SEK million **179.5** (145.5)

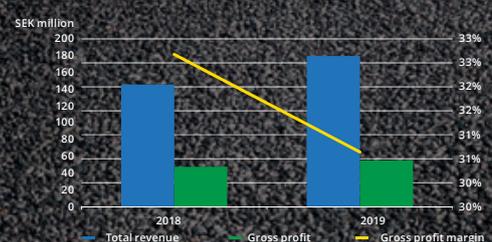
Revenues



Geographic distribution of sales



Sales and Gross Profit



Q3

Sales growth increased during the third quarter as total revenue rose by 36% to SEK 186.5 (136.7) million. EBITDA amounted to SEK 4.4 (5.8) million compared with the third quarter of 2018 and this meant that the board of directors for the second time during the year had to write up the full-year forecast. An update of the website with modern design reflecting the company's brand was launched. The shopping experience was made faster, easier and more fun, while it was much easier to find products and information. The mobile buying experience was also improved so that the entire process became consistent regardless of platform. In addition, the beginning of a very successful partnership with the American education platform Life Leadership community began.

Sales
SEK million **186.5** (136.7)

Revenues



HEALTH
(2019; SEK 153.6 (101.3) million)



COFFEE
(2019; SEK 6.9 (9.8) million)

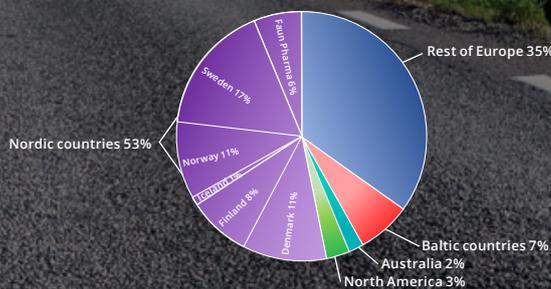


OTHER REVENUE
(2019; SEK 14.4 (11.8) million)

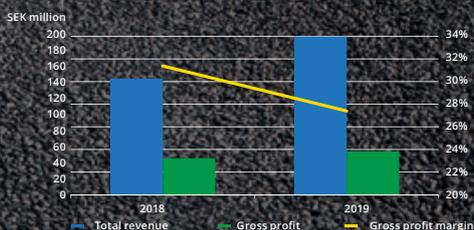


FAUN
(2019; SEK 11.6 (13.8) million)

Geographic distribution of sales



Sales and Gross Profit



Q4

The year ended with a full 52% growth in sales compared to the final quarter of last year. Total revenues increased to SEK 236.3 (155.7) million and EBITDA to SEK 6.3 (-3.6) million. During the quarter, Zinzino's annual event was held in Globen, Stockholm, with over 3,000 distributors from more than 30 countries attending. In addition, a letter of intent was signed regarding the acquisition of VMA Life in Southeast Asia with the aim of increasing the geographical expansion to Singapore, Hong Kong, Thailand and Taiwan. In addition, work on the new modern packaging design and development of the new test page continued.

Sales
SEK million **236.3** (155.7)

Revenues



HEALTH
(2019; SEK 188.3 (116.6) million)



COFFEE
(2019; SEK 9.5 (11.9) million)

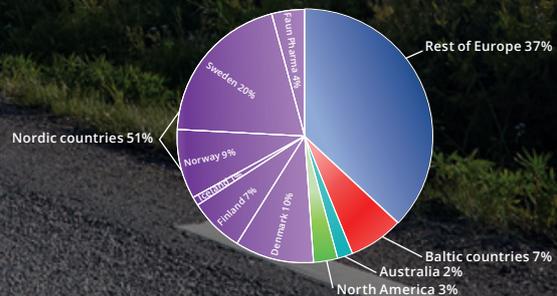


OTHER REVENUE
(2019; SEK 28.9 (12.1) million)



FAUN
(2019; SEK 9.6 (15.1) million)

Geographic distribution of sales



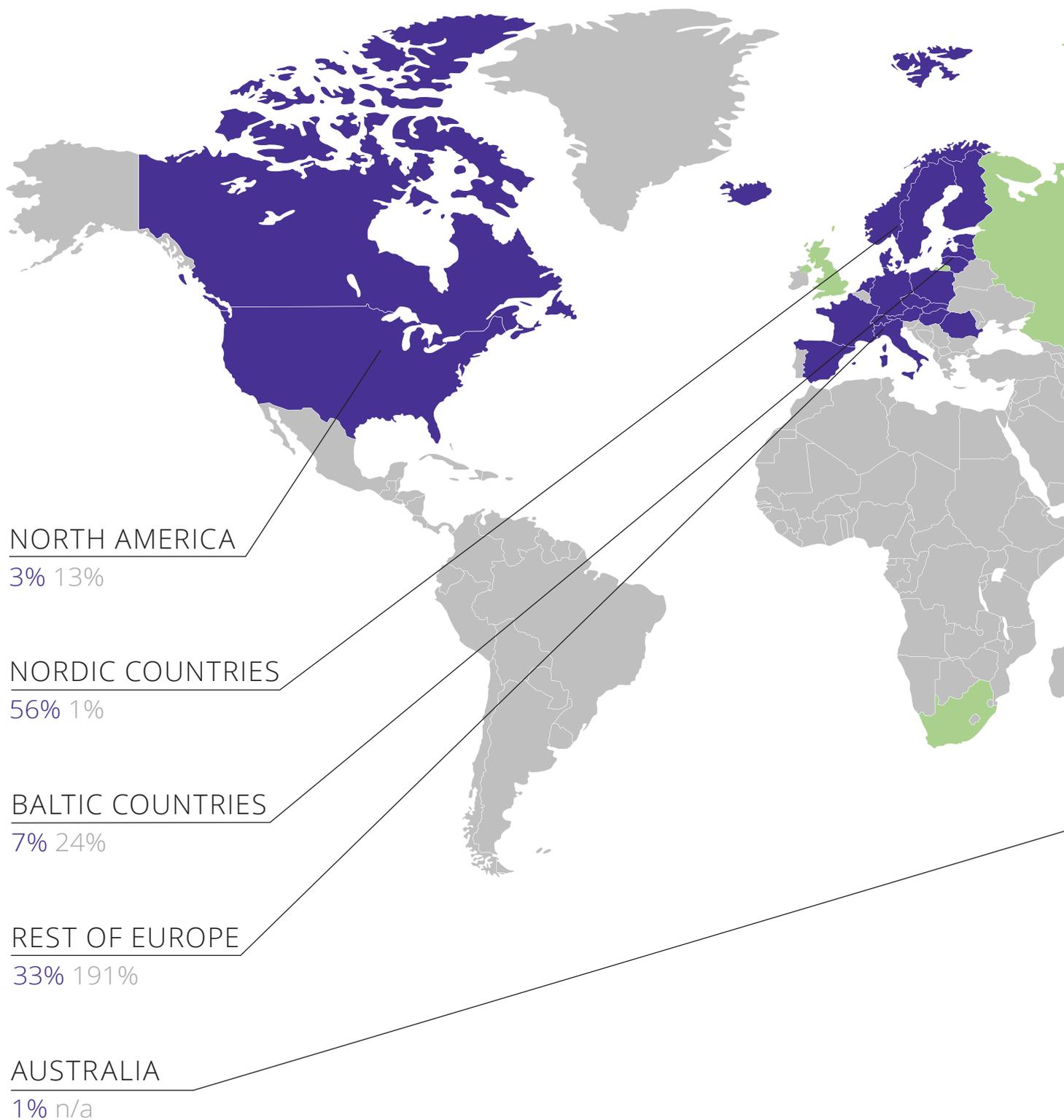
Sales and Gross Profit

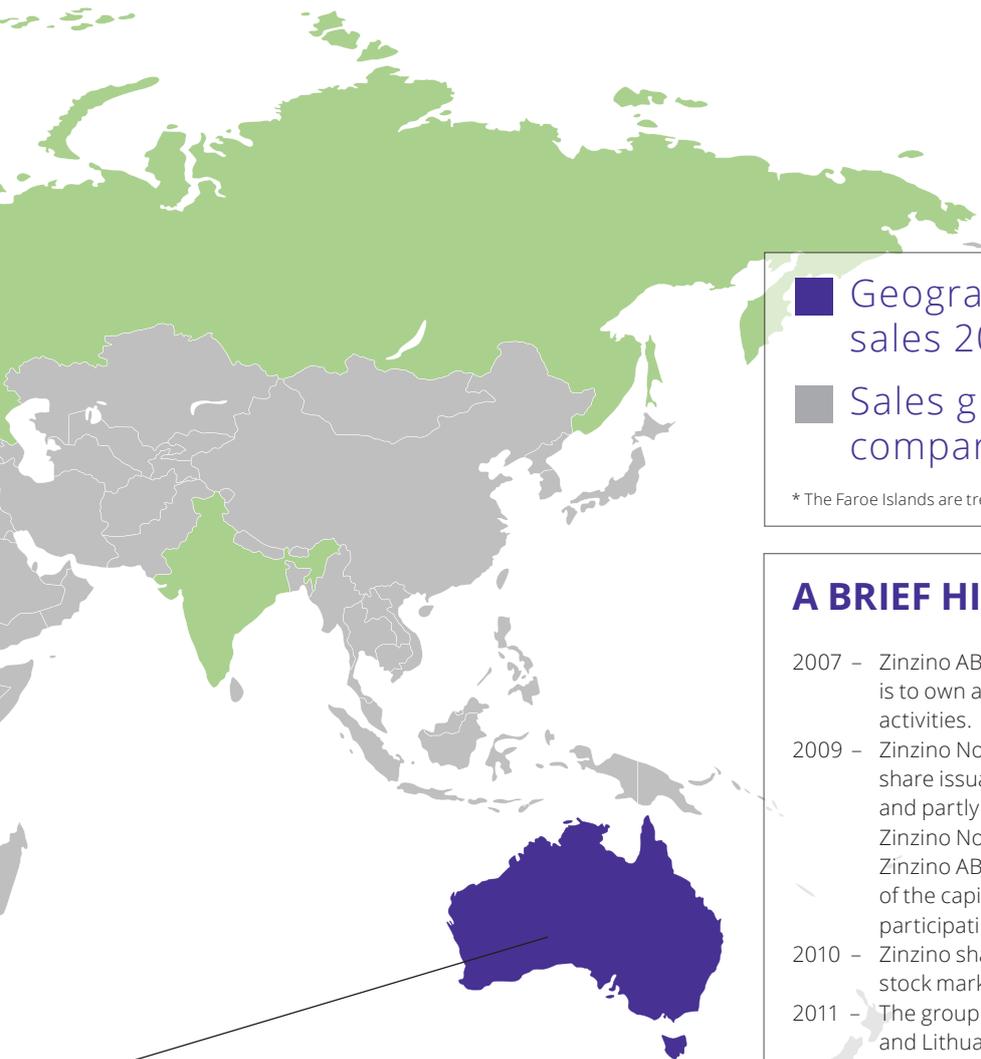


GEOGRAPHIC DISTRIBUTION & SALES GROWTH PER REGION

The geographic distribution of sales in 2019 and sales growth compared to the previous year appear in the following chart

- Open markets
- Undergoing opening process





■ Geographic distribution of sales 2019

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

SALES BY REGION

A common feature of Zinzino's emerging markets is that they are run by committed distributors working in a structured and active way. In central Europe the average age of dealers is generally higher, and many have extensive experience in direct sales and/or have a high level of education. Their common characteristic is that they have a wide cross-border contact network to neighbouring countries in the region. Work is carried out with a strong focus on Zinzino's Balance concept, which has been positively received by a large number of new customers in Zinzino's new markets. The company is implementing a series of measures to stimulate sales growth in the various markets.

NORDIC COUNTRIES

The Nordic countries increased their total revenue by 1% to SEK 429.2 (424.5) million. In Sweden, the positive trend continued with positive sales growth and a high level of distributor activity in 2019. Performance on the Danish market also continued to be positive, although with slightly lower sales growth than in Sweden. In Norway and Finland, there was a downward trend during the first half of the year, but this trailed off during the latter part of the year following increased distributor activity in both markets. In Iceland, distributor activity was consistently low during the year resulting in weak sales. Faun Pharma, the group's subsidiary and manufacturing unit, had a much higher proportion of internal production in 2019 in general, a natural consequence of the increased growth rate in other parts of the group. As a result, external sales in the manufacturing unit were lower compared to 2018, which also contributed to the region's modest growth compared to the corresponding period the previous year.

SEK million

Growth compared to the prior year	1%
Share of Zinzino's total sales	56%
Net turnover	388.2
Other revenue	41.0
Total revenue	429.2

ZINZINO HEALTH 71%

ZINZINO COFFEE 7%

ZINZINO OTHER 11%

ZINZINO FAUN 11%

BALTIC COUNTRIES

In the Baltic countries, revenues increased by a total of 24% to SEK 55.0 (44.5) million during the year. 2019 trend was generally positive in the Baltic countries with strong sales growth in Latvia, where Zinzino's distributors have long focused on customer growth, combined with increased growth in Lithuania and Estonia. Distributor activity increased thanks to the distributor campaigns launched at the beginning of the year which the distributors in Lithuania and Latvia responded particularly well to. With the higher level of distributor activity, new sales in Lithuania and Latvia were at very high levels in 2019 compared to the previous year and in general, even compared to several years ago.

SEK million	
Growth compared to the prior year	24%
Share of Zinzino's total sales	7%
Net turnover	49.5
Other revenue	5.5
Total revenue	55.0

ZINZINO HEALTH 81%

ZINZINO COFFEE 9%

ZINZINO OTHER 10%

REST OF EUROPE

Among the other countries in Europe, growth was very good in 2019 and the region's total revenues rose by 191% to 252.3 (86.7) million. Growth was very strong in the central European markets of Hungary, Poland, Czech Republic and Slovakia driven by a common cluster of distributors working in an organised way across national borders which contributed to increased dynamics that drove sales growth. There was also positive growth in Germany and Austria, where the experienced distributor organisation run its operations in a similar way with good results. Also positive growth in the UK and Ireland, mainly during the second half of 2019. Increased distributor activity in Italy, Greece and Cyprus contributed to the growth in Southern Europe during the year, where above all Greece and Cyprus had positive growth during the latter part of the year.

SEK million	
Growth compared to the prior year	191%
Share of Zinzino's total sales	33%
Net turnover	239.5
Other revenue	12.8
Total revenue	252.3

ZINZINO HEALTH 95%

ZINZINO OTHER 5%

NORTH AMERICA

In 2019, Zinzino implemented a number of different strategic measures to stimulate distributor activity in North America. During the year, a new Chief Operating Officer was appointed for the North American market with solid expertise and core competence from growth companies within the direct sales industry. Zinzino is also continuing its efforts to develop websites and interfaces for distributors to meet the high demands from the North American distributor level. An important step in these efforts is the new website launched with design and function adapted for the North American market. In addition, a collaboration was launched with lifestyle company Life Leadership to add another important sales channel to the North American market. Overall, these investments implemented by Zinzino have stimulated distributor activity, which has been so important to achieve growth in this strategically important market for Zinzino. As a result, total revenues increased by 13% to SEK 23.6 (20.9) million.

SEK million	
Growth compared to the prior year	13%
Share of Zinzino's total sales	3%
Net turnover	23.3
Other revenue	0.3
Total revenue	23.6

ZINZINO HEALTH 99%

ZINZINO OTHER 1%

AUSTRALIA

Australia started sales in April 2019 and the performance the rest of the year has been very positive. Accumulated up to the end of 2019, revenues amounted to SEK 10.5 million, of which more than 50% was generated during the last quarter of the year. The successful establishment in Australia was the start of Zinzino's expansion in Asia Pacific. The company has built an active plan for maximum sales growth and for how Zinzino should attract new distributors and customers in the region.

SEK million	
Growth compared to the prior year	n/a
Share of Zinzino's total sales	1%
Net turnover	10.2
Other revenue	0.3
Total revenue	10.5

ZINZINO HEALTH 98%

ZINZINO OTHER 2%



SALES PER REGION

– A COMPARISON BETWEEN REGIONS (SEK MILLION)

COUNTRY/MARKET	Nordic countries	Baltic countries	Rest of Europe	North America	Australia
Net turnover	388.2	49.5	239.5	23.3	10.2
Other revenue	41.0	5.5	12.8	0.3	0.3
Health share	71%	81%	95%	99%	98%
Coffee share	7%	9%	-	-	-
Other shares	11%	10%	5%	1%	2%
Faun share	11%	n/a	n/a	n/a	n/a
Growth compared to the prior year	1%	24%	191%	13%	n/a
Share of the group's total sales	56%	7%	33%	3%	1%
				Total	770.6

OUR GROWTH CONTINUES



Story Bridge in Brisbane, Australia.

EXPANDED OPERATIONS IN THE CZECH REPUBLIC AND SLOVAKIA FOLLOWING FAVOURABLE SALES PERFORMANCE

Since the start of sales in summer 2016, sales performance has been very positive in several central European countries. Above all, the Hungarian market has increased in turnover and the country has very quickly grown into an important sales market. The country's strategic position in central Europe has contributed to the synergistic effects between the sales organisations in the region's countries. These synergies have now resulted in sales in 2019 also rapidly increasing in the two neighbouring countries of the Czech Republic and Slovakia. This means a localised website, marketing materials and payment solutions.

ITALY BECOMES AN OFFICIAL MARKET

Zinzino completed a solid establishment process to form a new subsidiary in the Italian market. Sales on the Italian market have increased steadily and have made a major contribution to the sales growth in southern Europe. Thanks to strong collaboration with local industry consultants, a locally adapted remuneration model for the sales force has been created. The Italian market is very important for direct sales but at the same time heavily regulated. Therefore, it was important that the establishment be carried out in an optimal way.

SALES LAUNCH IN AUSTRALIA

In early April, the sales launch for the Australian market took place. Operations are conducted through a newly established subsidiary Zinzino PTY based in Sydney. In order to market Zinzino in Australia, a cooperation has been initiated with an industry consultant who will take on local operational responsibility for the first 18 months. A local distribution centre and customer support office in Adelaide have also been established, which also have an online marketing function, all to meet the rapidly growing customer base in the country.

THE ACQUISITION OF VMA LIFE IN SINGAPORE

In early April 2020, Zinzino signed the final acquisition agreement with VMA Life, a direct sales company in health and beauty.

VMA is operating in Malaysia, Thailand, Taiwan, Hong Kong and Singapore. Through the collaboration, Zinzino's products and business model are expected to increase sales as early as 2020. According to the letter of intent, Zinzino shall, upon entry, pay a fixed purchase price of USD 0.4 million paid 50% in cash and 50% in shares. Then additional purchase prices will be based on sales developments during 2020–2023. The total contingent consideration is estimated at approximately USD 1 million. The acquisition is financed with own cash and additional purchase price will be generated through profits from VMA Life.

MULTIPLE NEW GLOBAL ESTABLISHMENT PROCESSES INITIATED

During the year, Zinzino continued to work on establishment in the UK, India, Russia, South Africa, Greece, Cyprus and Hong Kong. Following multiple implemented establishment processes in recent years, the company has learned the importance of ensuring thorough preparatory work and adapting to the local conditions in each market. Zinzino will continue to develop "best practices" through the experiences the company has during the establishment processes to adapt its operations in order to achieve rapid growth in the new markets in 2020. According to the current forecast, Zinzino will open the UK and then Hong Kong provisionally during the second respectively third quarter 2020.

Zinzino is working long-term and investing considerable resources in the development of IT systems and marketing tools, which generate growth in both the short and the long term. When the company implements an expansion into a new market, this occurs mainly when the company's market analysis shows that there are good opportunities to establish an effective sales organisation locally. This is primarily achieved via contacts to the already-established sales organisations in neighbouring markets. This is precisely what is behind the good sales performance of the relatively newly-established markets in central and southern Europe. These contacts can occasionally also carry across continents, which has been behind the launch in Australia and the ongoing new establishment project in India.

SIGNIFICANT EVENTS DURING THE YEAR



BalanceOil+

FIRST FINANCIAL REPORT ACCORDING TO IFRS

The Company's Q1 report 2019 was the first financial report in which the Company changed regulations from K3 to IFRS with the transition date on 1 January 2018. The effect of the change meant that the comparative figures for each quarter and the full year 2018 were converted to IFRS. A description and quantification of transition effects can be found in the company's Q1 report 2019 and in the notes section of the annual report.

NEW POWERFUL SALES CAMPAIGN STIMULATED GROWTH DURING THE YEAR

At the beginning of 2019, Zinzino launched a new sales campaign that proved to be very successful with good sales growth and a large number of new distributors and customers added during the year. The campaign was aimed at the distribution organisations to stimulate activity and the ability to attract new distributors but where bonuses were only activated when the distributor signed up a certain number of new customers with completed subscription obligations in 2019. After the successful outcome at the beginning of the year, Zinzino chose to extend the offer indefinitely.

NEW AND MODERN PACKAGING DESIGN

During the autumn, Zinzino focused on developing a new and modern packaging design for the company's health products. The new packaging design will create a premium feel and stand for Scandinavian minimalism. The design consists of a molecular pattern that symbolises science-based food supplements. The launch of the new packaging design will take place in 2020.

LAUNCH OF ESSENT - NEXT GENERATION FOOD SUPPLEMENT

During the second quarter, Zinzino launched Essent - the next-generation Balance supplement. The product comes in individually packed soft gel capsules. It is an ultra-pure, molecularly tested polyphenol omega supplement based on all-natural ingredients that adjust and maintain the 6:3 balance safely while protecting cells from oxidation damage as well as helping maintain normal functioning of the brain, heart and immune system. The biggest difference compared to previous capsule products is that the daily dose is just 2-3 capsules per day, compared to 8-12 capsules, depending on body weight. The product will be a very important tool in the North American market, where customers prefer capsules rather than liquid Omega-3 products. In addition to the launch of Essent, Zinzino launched a new flavour, BalanceOil Grapefruit Lemon Lime as well as a new Viva sample pack, a completely natural supplement that works on several levels to help improve mood and well-being.

NEW COLLABORATION IN THE NORTH AMERICAN MARKET WITH LIFE LEADERSHIP

Zinzino began a collaboration with the American Life Leadership Community in autumn. Through the collaboration, Life Leadership's customers gain access to the next generation of test-based dietary supplement products from Zinzino. Life Leadership is a US-based mobile-adapted shopping platform and peer-to-peer network which, through its digital solution, helps customers "Earn and Learn". Their "Life App" application helps consumers earn bonuses on their daily purchases while developing financial knowledge and skills. In addition, the Life App, through its tools and educational courses, helps to develop many other skills that are important in life. Through Life Leadership's mobile-adapted shopping platform and peer-to-peer network, Life Leadership offers Zinzino's products to its growing customer base.

FOCUS ON CONTINUED DIGITAL DEVELOPMENT

NEW COMMUNICATION PORTAL AND MODERN PAYMENT PLATFORM

During the first quarter, all markets were moved to the new portal, which handles the company's communications to both distributors and customers. During the second quarter, e-mail was automated based on individual events, which meant that all customers and distributors received personal and relevant information presented in a modern way with stylish design. In addition, the new modern payment platform was linked to more markets. This entails more local payment options in the various markets, increased transactions rates, increased security but also reduced costs for the company.

LAUNCH OF NEW ZINZINO MOBILE APP

Zinzino launched a new mobile app shortly after the beginning of the year, an addition to the Zinzino Hub, a digital prospecting tool for distributors. The service is available in English with various capture pages for the most important Zinzino products and facilitates distributors' recruitment. It is also a great tool for easily sharing Zinzino-related content with image and text on social media platforms. Through active use of the Zinzino Mobile App, distributors can earn Activity points which can then be used at Zinzino's corporate event.

NEW WEBSITE LAUNCH

During the third quarter, a completely new design and a number of new features were launched on the website. The website was given a new modern design that reflects the company's brand. A new navigation was launched and the flows around product selection were simplified. The launch includes a quick, easy and enjoyable shopping experience that makes it easier to find products and information. The mobile experience has been improved, enabling customers and distributors to have a consistent shopping experience on all the devices they use. This launch is the first step in a continuous improvement process to take the web experience to the next level.

INCREASED FOCUS ON SOCIAL MEDIA AND NEW PARTNER TOOLS

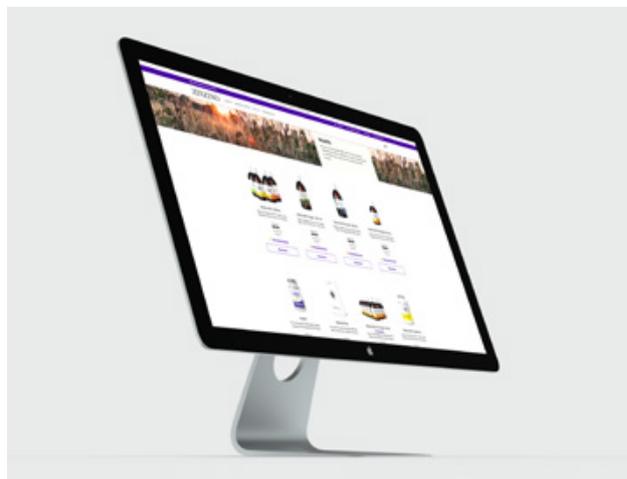
During the year, Zinzino focused on developing a social media strategy with initial focus on Instagram and Facebook. The new content and channel strategy involved creating inspiring and engaging content that targets both customers and distributors. As part of the work, social media images were created for distributors as well as other digital tools for an enhanced digital presence. Another project the company has been working on in the market area was the launch of updated Marketing Rules & Ethics, a document that provides distributors guidance with more specific instructions on how they as a distributor can work with social media, among other things. In 2020, a Partner Newsletter was launched in five different languages, distributed weekly by e-mail.

PARTNER RECOGNITION

Giving recognition to the company's distributors is an important part of Zinzino's culture. For this reason, the company developed a new Recognition programme consisting of films, diplomas and exclusive trophies for the title of "Crown" and above. In 2020, Zinzino will continue to develop the project with the aim of showing gratitude to the company's distributors for the fantastic work they are doing.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

During the first quarter of 2020, a global outbreak of Covid-19 occurred. So far during the global pandemic, Zinzino has seen increased sales growth. At the same time, logistics have been adversely affected, mainly due to regulatory measures regarding working hours from the French government, which has impaired the delivery capacity of the French warehouse in Faberville, which supplies the main markets in central Europe. In addition, transport has been further delayed following increased border checks in Europe. A number of revenue-stimulating campaigns aimed at the distributor organisation have also been launched, which have affected profitability in the group in the short term. Group management has taken the necessary measures to reduce the consequences of the Covid-19 pandemic for Zinzino and its employees. Staff have been given teleworking capability and logistics have been redirected to Trollhättan.



New look at zinzino.com



The new Recognition trophies

FAUN PHARMA

THE EXCEPTIONAL GROWTH OF ZINZINO INFLUENCES OUR DAILY LIFE IN MANY WAYS.

Faun is known by distributors as “the factory”. Zinzino bought the contract manufacturer of food supplements in late 2014. A new management was hired and substantial work was undertaken to make Faun a truly great factory to be able to fully serve the Zinzino expansion.

Last autumn, when Faun’s management gathered for the annual strategy and planning meeting, we made a summary of Faun’s strengths and weaknesses: a so-called SWOT analysis. On top of our list of strengths came being part of Zinzino. A steady flow of ever increasing orders is of course one of the things this strength consists of. But being a part of the energetic and creative Zinzino culture is just as important.

I have been with Faun for almost as long as Zinzino has owned the factory. I have seen us go from our first order of Xtend, to Zinzino products making up half the volume. I have stopped having to apologise to numerous groups of Zinzino distributors touring the factory for not being able to show the packaging of a Zinzino product and for the fact that “we currently only package three Zinzino products”. It’s very exciting to now be able to show how far we have come with producing more Zinzino products in larger volumes.

During these last five years, we have undertaken significant streamlining of production in order to maintain a healthy business. We are now gradually increasing the number of staff as volume increases. However, what is rising even faster is revenue, which has tripled, and revenue per employee, which has doubled.

All staff growth is in production. Administration has been halved and remains that way. But what pleases me the most is that no one is leaving us, unless it is for a very good reason, such as moving to another country or joining Zinzino full time. We have managed to create a healthy culture with a focus on quality and fulfilling our customers’ high expectations. See for yourself in this happy team photo!

As this is written, the world is being hit hard by the Covid-19 pandemic. I am deeply impressed by the great vitality, endless effort and sheer will to overcome the obstacles at Faun.

Faun has loyal customers who all have different needs and expectations. This leads to different challenges and experiences for the company, increases our competence and leads to variation in our daily routines. We can see that customer satisfaction is growing. Insufficient customer service is simply not an option.

The exceptional growth of Zinzino influences our daily life in many ways. It brings challenges, but mostly joy. With exceptional raw materials and often complex manufacturing processes, as well as very demanding customers, Zinzino products can be challenging at times. But to succeed with complex products and deliver large orders in flawless condition on time is extremely satisfying.

In 2020, we aim to improve in every field from customer service and product development all the way to delivery. We are welcoming some major upgrades to the factory as well as the continued training of all staff.

And last but not least, we are welcoming more groups of new and experienced partners from all over the world for a factory tour. We are proud to be part of Zinzino and look forward to the next step in this exciting journey.

Geir Smolan, MD Faun





IT ALL STARTED WITH A GOOD CUP OF COFFEE...



ZINZINO = INSPIRE CHANGE IN LIFE

- An agreement is signed with Rombouts which means that Zinzino will become the exclusive distributor in northern European markets.
- In May, Zinzino launches the 123 Spresso machine, manufactured by the French-Belgian coffee house.
- The Norwegian and Swedish markets are the first to open. The Danish market opens in the autumn of 2005.

2005

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

- The Finnish market launches in 2006 and becomes our fourth Zinzino country.
- While the Faroe Islands technically belong to Denmark, they are opened as a separate market in the autumn of 2006.

2006



AN OFFICE IN SWEDEN'S SECOND LARGEST CITY

- We hire more customer service staff in Gothenburg as we continue to focus on sales growth in Scandinavia.

2007



PREPARING TO ESTABLISH MORE MARKETS

- A new machine, Oh Expresso, 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 procedures for launching in new markets and the company will continue to grow.

2008



A GOOD YEAR FOR GOOD COFFEE

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

2009



DUE TO PUBLIC DEMAND, ANYONE CAN NOW INVEST IN OUR COMPANY

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

2010

AKTIE TORGET

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

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

2011



A BALANCED YEAR!

- Zinzino buys 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 is born.

2012

BioActive Foods AS

ACROSS THE SEA AND TO THE STARS

- We open for pre-launch in the US 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, we witness growth of over 100%.

2013



...THE JOURNEY TOWARDS 1 MILLION CUSTOMERS CONTINUES



OUR JOURNEY CONTINUES...

2020

FIRST FINANCIAL REPORT ACCORDING TO IFRS

- The company's Q1 report in 2019 was the first financial report in which Zinzino changed regulations from K3 to IFRS.
- Zinzino opens a Global webshop to reach customers worldwide.
- Focus on social media and a new concept in Recognition
- New collaboration in the North American market with Life Leadership



2019

INVESTING IN DIGITAL DEVELOPMENT

- Zinzino launches in Hungary and Romania as separate markets after amazing sales development in the region.
- Zinzino's brand book is 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%.



2018

INCREASED GROWTH AND FOCUS ON E-COMMERCE

- Zinzino Balance Oil Vegan is introduced – a new product in the Zinzino Health segment.
- Zinzino Viva is launched – a 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

THANKS! 100,000 TIMES!

- Faun Pharma AS becomes ISO 9001:2008 certified (a quality certification that ensures high-quality goods are produced), which opens up new sales channels.
- Zinzino opens for sales of Zinzino Health products in Germany and Poland.
- Zinzino expands and opens for pre-launch in all EU countries.
- Zinzino Skin Serum with 24-hour youth formula is launched.
- We reach an important milestone – 100,000 customers!



2016

ONE OF THE 25 LARGEST AND MOST TRADED COMPANIES

- Zinzino increases its ownership of Faun Pharma AS in 2015 by 13.8% and now owns 98.8% of the company.
- The Ek'Oh espresso machine is launched.
- Zinzino Coffee is launched as the company's own trademarked product.
- Zinzino LeanShake is launched – a new product within Zinzino Health.
- Zinzino becomes 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

THE BELL RINGS AT NASDAQ!

- In October Zinzino launches Xtend – our immune product which is designed to renew your skin, increase your energy and improve your bone and joint function..
- In October Zinzino buys 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 are formally approved for listing on Nasdaq First North.
- Zinzino acquires BioActive Foods AS and is now sole owner with 100% of the shares. The increased control ensures growth and expansion for the Balance concept.



2014

PRODUCT NEWS

ALL-NATURAL PRODUCTS

In 2019, Zinzino focused on meeting consumer demands for products that are free of GMO, soy, gluten, etc. and are vegan whenever possible. Now is the time to step things up and take the lead within the food supplement industry by going all-natural. This means a shift to vitamins derived from natural sources such as acerola berries (for vitamin C) or buckwheat (for various B vitamins), as well as minerals from nature, while keeping all the phytonutrients.

The process started with Zinzino's best-selling BalanceOil and Xtend, which were given a brand-new packaging design to enhance the premium feel that also represents Scandinavian minimalism. The design consists of a molecular pattern that symbolises science-based supplements. You can read more about the new BalanceOil+ and Xtend+ below.

BALANCEOIL+

BalanceOil+ is an all-natural flavoured Polyphenol Omega Balance food supplement range with Polyphenol protection, high in Omega-3, vitamin D₃ and Olive Polyphenols. It safely adjusts and maintains EPA + DHA levels and the Omega-6:3 balance in your body while protecting your cells from oxidation.

BalanceOil+ will be launched in the 100% natural flavours Lemon, Grapefruit Lemon Lime, Vanilla, and Orange Lemon Peppermint. Zinzino's current bestseller, BalanceOil Orange Lemon Mint, contains a mint flavour that is not all-natural, making the original version not 100% all-natural. The original product will remain in the assortment for purchase.

XTEND+

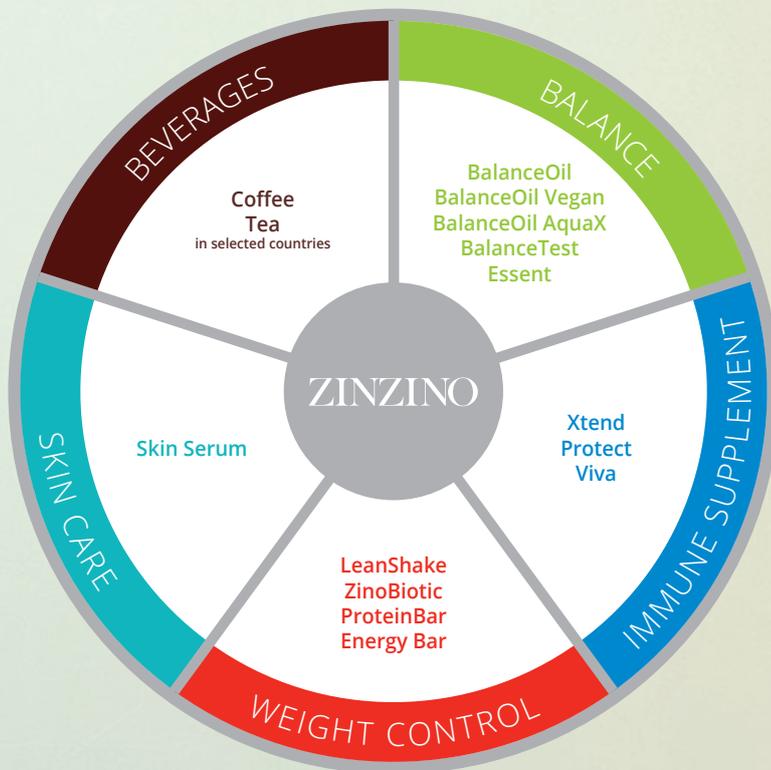
After extensive work, Zinzino has managed to replace inactive ingredients such as anti-caking and bulking agents needed in the production process (called excipients) with natural alternatives derived from coconut, rice, corn and potato. Overall, Zinzino has managed to reduce the number of excipients used by 60%.

Natural ingredients take up more space so the formulation has changed slightly. With a premium formulation on hand, Zinzino decided to upgrade the product from tablets to plant-based capsules.

The current version of Xtend is one of the bestselling and highly valued Zinzino products. That's why Zinzino intend to keep selling it, while offering the new Xtend+ as an all-natural option.



PRODUCT SEGMENT



BALANCE

The products in Zinzino Balance contribute to normal brain function, normal cardiac function and a normal immune system. The products contain extra virgin olive oil with a high content of polyphenols, which in studies shows a 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.

WEIGHT CONTROL

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

IMMUNE SUPPLEMENT

Immune Supplement 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 produce small improvements with life-changing results.

SKINCARE

This product group consists of Zinzino Skin Serum in the sizes 30 ml, 50 ml and 10 x 5 ml. Skin Serum is an advanced skincare 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.

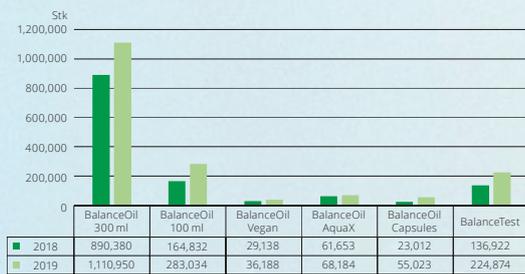
COFFEE

Zinzino's coffee includes products developed from the finest Arabica and Robusta beans to produce the very best taste. The coffee machines are of 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.

SALES PRODUCT SEGMENT

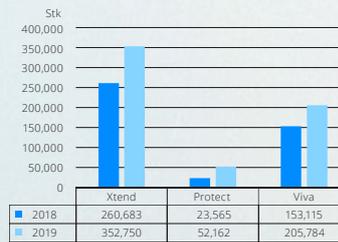
BALANCE

In 2019, the number of Balance units sold increased by 36% to 1,778,253 (1,305,937). Balance is the company's largest product area and the basis of the company's strategic brand processes. The increase was mainly due to the large number of new customers and distributors added so far during the year and who selected BalanceOil in different variants such as the starter pack and in subscription form. The company's BalanceTest is the first to be presented to a new customer and central to the initial sales process.



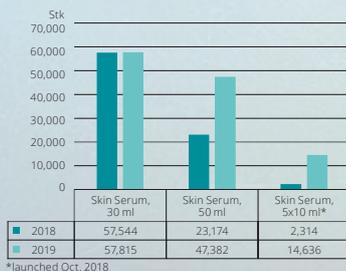
IMMUNE SUPPLEMENT

Immune Supplement increased 40% to 610,696 (437,636) units sold. Zinzino developed the Xtend and Viva products, both of which are products at the cutting edge in their respective area of 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 2019.



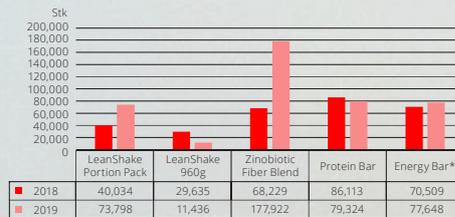
SKIN CARE

Skin Care increased by 44% to 119,833 (83,032) units sold. All of the supplementary products to BalanceOil demonstrate good growth and it indicates that Zinzino's product strategy is being well received by both the distribution network and customers. 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.



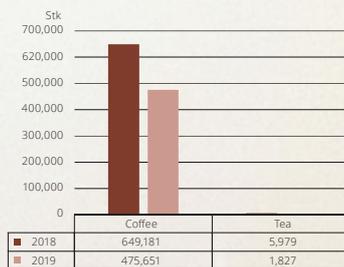
WEIGHT CONTROL

Weight Control increased by 43%, to 420,128 (294,520) units. Healthy and tasty Protein Bars and Energy Bars are products that are timely and in line with global health trends.



BEVERAGES

Beverages declined by 27% to 477,478 (655,160) units sold, showing that the trend of reduced sales of Zinzino Coffee continues, mainly due to the fact that these products have not been launched on the markets that have newly opened in the last few years. Zinzino Coffee is now only sold in the Nordic and Baltic countries.



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





A MULTICULTURAL ZINZINO

That Zinzino is an international company is reflected in a multicultural organisation and work environment.

Distributors and customers in the field as well as at the head office in Västra Frölunda, Gothenburg speak a variety of languages. The support department buzzes with languages, where employees constantly communicate with both distributors and customers from all over the world. The distributors at Zinzino often work cross-border, which is one of the reasons for the successful expansion the business has undergone through the years.

A WORK ENVIRONMENT THAT PROMOTES HEALTH AND WELL-BEING

The multicultural work environment contributes to Zinzino being an attractive workplace. The knowledge and understanding of multiple cultures provide tools for creating strategies that facilitate inclusion and integration in a society that is becoming increasingly multi-faceted. Awareness of how communication dynamics work in such an environment enables integration that emphasises well-being, health and democracy. Zinzino has

a work environment where employees from different places exchange experiences and knowledge, which increases understanding and creates a sense of belonging, loyalty and contributes to health and well-being.

HEALTH AND EXERCISE A COMMON DENOMINATOR

Working out and enjoying working out together are also an important part of Zinzino. Every day, employees at the head office are offered the opportunity to participate in lunchtime work outs in the gym. The sessions vary from high intensity training to yoga. Many take the opportunity to work out during the lunch break and come back to their desks full of energy.

During the events and trips arranged for or by distributors, health is at the core. In principle, some form of common exercise or challenge is always offered. The 2019 "Leader School" event in Oslo included a sprint competition organised among the participants to raise money for charitable purposes. Customers are also encouraged to exercise. They are offered health challenges for weight loss and/or fitness, i.e. to shape the body by building muscle with individually tailored plans where, among other things, the products LeanShake and ZinoBiotic can play a significant role.



During one of the 2019 joint trips "Ambassador Trip", Zinzino's distributors participated in a yoga training session.



Lunchtime workout in the gym.



The Sprint Challenge at LeaderSchool.

JUTTA BULCKE

Before Zinzino, Jutta Bulcke was a full-time communication coach and psychological consultant with her own practice. Now she and her two sons are working together to bring Zinzino to the world.

"In recent years my clients have been mostly children and adolescents. Vibecke Steinsvik Parr met me when I was looking for aids to improve my clients' health. In September 2015 she introduced me to the Zinzino concept to use in my practice."

Jutta began her journey with Zinzino at the event in Stockholm in 2015. She decided to bring Zinzino to Germany and to launch the opening of the German market from Warnemünde in 2016.

"With the clients in my practice, my family and myself, I observed sensational health improvements after a short time by supplementing our diets with Zinzino products. This gave me the assurance that everyone needs this concept to get in balance."

IN 2016 JUTTA DECIDED TO WORK FULL-TIME WITH ZINZINO

At the end of 2016, Jutta closed her practice and now works exclusively with Zinzino. She thus followed her vision of helping people to live their dreams and have a better life.

"Working with Zinzino gives me the financial freedom and the opportunity to do the things that I enjoy most (giving seminars and training courses, travelling, etc.) and in doing so, to use my greatest strength – connecting people. My two sons, Maximilian and Alexander, are now also full-time Zinzino partners. We're working together to bring Zinzino to the world."

Zinzino gives Jutta the freedom to organise her everyday life independently and to align her job to her family's needs.

"As a mother and grandmother of two, it often means being flexible at short notice. My job with Zinzino makes this possible."



ZINZINO HAS GIVEN JUTTA AND HER FAMILY THE ABILITY TO COMBINE FAMILY WITH WORK AND A STABLE INCOME

Jutta's personal breakthrough with Zinzino came when she experienced the results of the products and had a personal conversation with Örjan Saele.

"He gave me the assurance that I would work with Zinzino in the long term. I feel that I have reached where I want to be with Zinzino. Everything I've learned in my life can be applied and improved here. I was particularly impressed by the careful handling of international/national partners at Zinzino, regardless of their rank. At Zinzino, people are respected and their personal development is promoted through the training programme. I have developed some very valuable friendships over the years. For me, Zinzino is a company with a heart."

Jutta thinks that Zinzino gives everyone the opportunity to combine family and work with a secure income.



"Zinzino's concept is based on network marketing, which offers the possibility of increasing working hours for the benefit of all. After many years of working in gastronomy, with Zinzino my son Maximilian can provide for his family's livelihood and put his son to bed in the evening. At 21, Alexander had the freedom to build a future that would enable him to develop financially and personally. In the current situation, Zinzino can serve as a second income to ensure one's livelihood."

Jutta inspires and helps others at Zinzino by offering a wide range of options for training, participation in trade fairs and coaching. She introduces Zinzino to people from Warnemünde to Germany, Austria and beyond.

"As a modern company, Zinzino keeps up with the times. Thanks to the international and digital meeting culture, it's possible to work from anywhere. With its business plan up to 2050, Zinzino also makes it clear that it is a trend company with a great future."

"As a mother and grandmother of two, it often means being flexible at short notice. My job with Zinzino makes this possible."

CORPORATE SOCIAL RESPONSIBILITY

OUR EMPLOYEES AND OUR ENVIRONMENT

Zinzino is an international business that strives to be multi-faceted, open and non-discriminatory at all levels. A total of ten different nationalities currently work at our headquarters in Gothenburg. We have an informal, personal and close community with one another, our customers, partners and suppliers and we "live" our personnel manual in our everyday lives.

GIVING BACK

We want to make a positive difference in children's lives all over the world. Zinzino provides support to aid organisations such as Glocal Aid in order to help boys and girls get out of poverty and receive an education.

In recent years, Zinzino has supported two schools: one in Karwi, Uttar Pradesh and the other in Kukurah, Bihar. By offering sponsorship, Glocal Aid and Zinzino work with a local primary and secondary school to offer children and young people an education. 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, 620 children have been sponsored through our programme and our goal is to help more than 2,000 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 Balance products, we have chosen to collaborate with Icelandic LÝSI Hf. They produce our BalanceOil which contains a unique combination of fish oil and olive oil. LÝSI Hf. has a strict environmental policy which includes using only fish oil from non-endangered fish populations that are approved by the International Union for Conservation of Nature (IUCN).

Zinzino is a member of the Fairtrade alliance in Scandinavia. Fairtrade is an independent product certification that creates conditions for growers and employees in developing countries to improve their working and living conditions.

For our coffee products, we have chosen to collaborate with Rombouts and Malongo, which was the first coffee roaster to start a collaboration with Fairtrade (1992). The roasting facility in Nice, France, is ISO 14000 environmentally certified.

OUR ENVIRONMENT – TRANSPORT AND RECYCLING

Each month we send approximately 80,000 packages all over Europe, Asia and North and South America. We use PostNord, Deutsche Post, UPS, Bring, GLS, DHL and Posti for our deliveries. They are some of the world's largest logistics and postal operators and are working actively to reduce environmental impact, decrease discharge and emissions. All of them work to reduce discharge and emissions using environmentally friendly vehicles and optimised route planning.

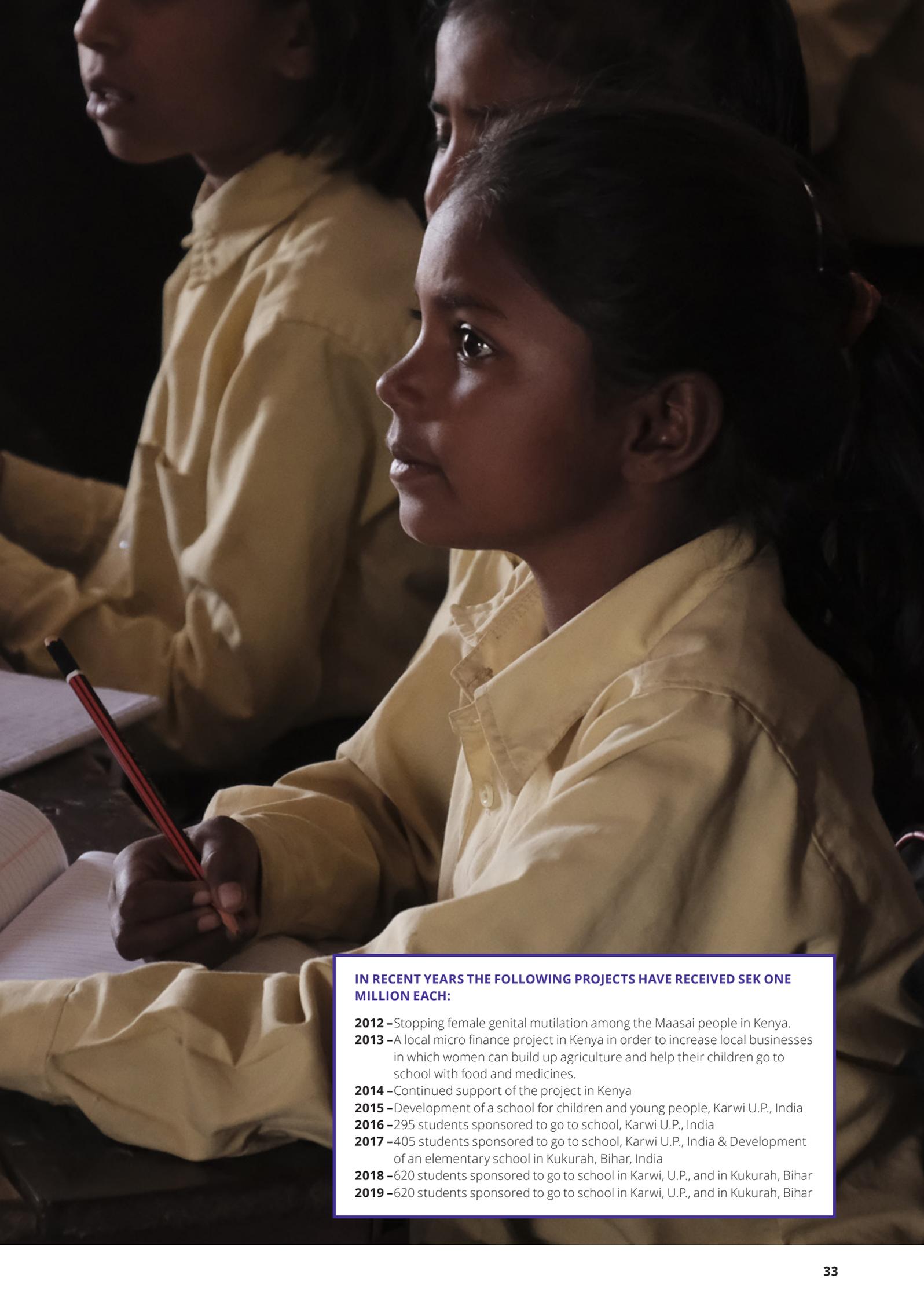
We are particularly proud of our improved environmentally friendly coffee pods. The use of coffee capsules has boomed since coffee machines for home use became increasingly common. In most cases the capsules are made of metal or plastic materials that burden the environment. Our pods consist of an environmentally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

We comply with our responsibility as a producer of electronics to collect used products by being affiliated with El-Kretsen Sweden, Elreturen in Norway and Denmark, and Elker in Finland.

"So far, 620 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 on the next page and watch the video about Zinzino and Glocal Aid's work in Karwi, India!



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

2012 – Stopping female genital mutilation among the Maasai people in Kenya.

2013 – A local micro finance project in Kenya in order to increase 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., India

2016 – 295 students sponsored to go to school, Karwi U.P., India

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

2018 – 620 students sponsored to go to school in Karwi, U.P., and in Kukurah, Bihar

2019 – 620 students sponsored to go to school in Karwi, U.P., and in Kukurah, Bihar

WHY DIRECT SALES?

AN EFFICIENT DISTRIBUTION MODEL

Direct sales differ from more widespread distribution models in an extremely significant way. First and foremost, of course, it has to do with getting good products and services to the consumer, but also offering an arena for entrepreneurial-minded people to build an independent business operation with low start-up and 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 this era of social media and networking, direct sales have become a marketing strategy that has proven to be more efficient for many companies and product lines than traditional advertising and display.

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 at good discount prices. Some also want to market these products and services to their friends and family and earn a commission for the sale. The most successful direct sellers can take the step of expanding by building a team.

Nine out of ten direct sellers work part-time. It's an opportunity for busy parents, caregivers, professional workers and others to have more flexibility and balance in their lives. While advances in technology are creating a new world economy that is built on an entrepreneurial spirit and independent work, it's important to remember that direct sales have been such an arena for a long time, long before the arrival of the internet. Direct sales have a long history of both contributing to the world economy and supporting 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 worked actively for many years 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 for membership of the direct trading associations in all new markets in which it opens and is today a probationary member in the United States, Germany, Switzerland 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 promote good business ethics, and to ensure a good reputation both for direct sales as a form of distribution and for those engaged in it. They also work on ensuring that the ethical rules of the business are known and applied, and that sellers and distributors receive proper training. DSS is the reference organisation for all legislation affecting direct trading.

For more information, visit their website:
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.





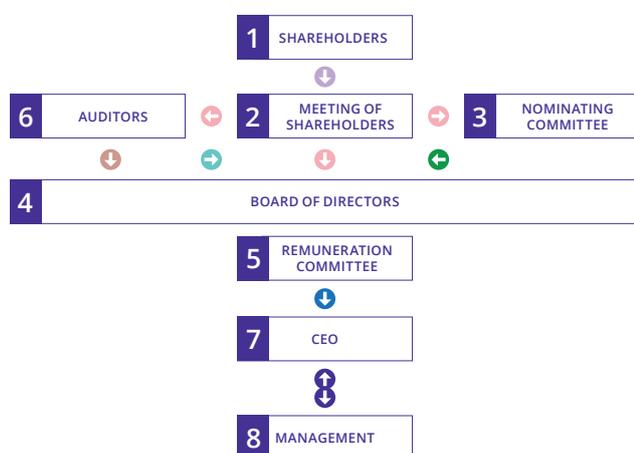
FINANCIAL INFORMATION

CORPORATE GOVERNANCE REPORT

Corporate Governance refers to how rights and obligations are allocated between the company's bodies 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 public limited company based in Gothenburg. Shares have been listed on Nasdaq OMX First North since 11 December 2014. In a limited company like Zinzino, governance, management and control are distributed among the shareholders, the board of directors, the CEO and the company management in accordance with applicable laws, rules and instructions.

Zinzino AB provides here its corporate governance report relating to 2019.



<ul style="list-style-type: none"> ● Votes ● Election ● Information Favourable ● Information ● Proposals to the board of directors, auditor and nominating committee ● Compensation structure 	<p>External control instruments Important external control instruments that form the framework for the company's corporate governance are:</p> <ul style="list-style-type: none"> • Swedish Companies Act • Swedish Annual Accounts Act • Nasdaq Stockholm regulations • Swedish Code of Corporate Governance <p>Internal control instruments Important internal control documents are:</p> <ul style="list-style-type: none"> • Articles of Association • Rules of procedure for the board of directors • Instructions for the CEO, audit committee, remuneration committee and financial reporting • Policies
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BASIS FOR GOVERNANCE

The basis for the governance is the articles of association, the Companies Act, Nasdaq OMX First North's Rules for Issuers, the Swedish Code of Corporate Governance, and other applicable laws and regulations. The Company has no statutory obligation to apply the Swedish Code of Corporate Governance as the Company is not currently large enough for the code to be invoked, but the Company intends to apply for admission to First North Premier in 2020. For this reason, Zinzino intends to apply the Code fully in conjunction with the 2020 annual general meeting. The Company has for several years established both a nominating committee and remuneration committee. Since the listing, the company has not had any violations either against Nasdaq OMX First North's issuers regulations or against good practice in the stock market.

SHARES AND 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 Class A shares (1 vote) and 27,466,633 Class B shares. At the end of the year the company had 2,555 (1,844) owners, excluding some foreign account customers. The largest owners (see page 37 for definition) were Örjan Saele with company and family with 47.88% of the votes and 29.23% of the capital and Peter Sörensen with company with 25.17% of the votes and 10.71% of the capital. Information for the shareholders is available on Zinzino's website: zinzino.com.

ARTICLES OF ASSOCIATION

The company's articles of association describe, among other things, the company's operations, the number of board members and auditors, how the annual general meeting is convened, handling of matters during the annual general meeting and where the general meeting is to be held. The articles of association contain no limitations relating to how many votes each shareholder may cast at an annual general meeting. The currently applicable articles of association, which were adopted at the annual general meeting on 9 May 2011, can be found on the company's website: zinzino.com.

ANNUAL GENERAL MEETING

It is at the annual general meeting, and at any annual general meeting, where all shareholders can exercise their right to vote and decide on issues which affect the company and its business. The annual general meeting, 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, allocation 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. The meeting also decides how the nominating committee shall be appointed. 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 executives. In addition to these things, decisions will be made on other proposals from the board of directors and the shareholders. Notice of the meeting of shareholders shall be made through advertising in the Post- och Inrikes Tidningar [government newspaper and gazette of Sweden] and by keeping the notice available on the company's website (www.zinzino.com). That notice has been made shall at the same time be announced in Dagens Industri. 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 GENERAL MEETING 2019

The 2019 annual general meeting took place on Wednesday, 22 May. At the annual general meeting, shareholders attended in person or through proxy and represented 52% of the votes and 38% 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 distribute SEK 0.70 per share for the 2018 financial year through an ordinary dividend of SEK 0.50 per share and an additional dividend of SEK 0.20 per share at the same dividend date.
- To grant the board of directors and the CEO discharge 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 190,000 for the chairman and SEK 108,000 for each of the other board members appointed by the annual meeting.
- The meeting resolved to re-elect Hans Jacobsson as chairman of the board. The meeting resolved to re-elect board members Staffan Hillberg and Pierre Mårtensson as well to newly elect Ingela Nordenhav.
- The meeting resolved to appoint Fredrik Göransson, PwC AB as the company's auditor.
- The meeting resolved to appoint Örjan Saele, Peter Sörensen and Hans Jacobsson (convener) to the nominating committee until the next annual general meeting.
- The meeting resolved to issue 800,000 subscription options in accordance with the board's resolution proposal.
- The meeting resolved, 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 general meeting, 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 GENERAL MEETING 2020

Zinzino AB (publ)'s annual general meeting will be held on 15 May 2020 at 2:30 p.m. in the company's offices at Hulda Mellgrens gata 5 in Gothenburg. For further information on the 2020 annual general meeting, please refer to the company's homepage 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 the provisions of the Swedish Code of Corporate Governance. The nominating committee shall be appointed by the ordinary annual general meeting and must appoint a chairman for the nominating process from among its members. The nominating committee for the annual general meeting for 2020 consists of the nominating committee's chairman Örjan Saele with a total (including those closely related) of 47.9% of the votes and Peter Sörensen with those closely related 25.2% 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 0.46% 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 PROCESS

- By 15 October, the Chairman of the Board shall summon the two largest shareholders of the company. If any of these waive their right to appoint a member to the nominating committee, the next shareholder/owner group shall be provided the opportunity in order of proportion to appoint a member to the nominating committee.
- The composition of the nominating committee shall be published no later than six months before the annual general meeting.
- The chairman of the board of directors convenes the first meeting of the nominating committee. However, the chairman of the board of directors shall not be appointed chairman of the nominating committee.
- If it becomes known that any of the shareholders who appointed a member of the nominating committee as a result of changes in the shareholder's ownership or as a result of changes in other shareholders' holdings no longer belongs to the largest shareholders, the member appointed by the shareholder, if the nominating committee so decides, will resign and be replaced by a new member appointed by the shareholder who at the time is the largest registered shareholder who has not already appointed a member of the nominating committee. If the registered ownership conditions are otherwise substantially changed prior to the completion of the

nominating committee's assignment, if the nominating committee so decides, a change in the composition of the nominating committee must be made in accordance with the principles stated above.

- The nominating committee's term of office extends until a new nominating committee is appointed.
- The chairman of the board of directors annually presents an evaluation of the board of director's work during the year to the nominating committee, which forms the basis for the nominating committee's work together with the requirements in the Swedish Code of Corporate Governance and the company-specific requirements at Zinzino. The nominating committee's proposals are published in the notice of the annual general meeting, on the company's website and during the annual general meeting.

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 two meetings as well as a number of email and phone contacts. No fees were paid for the work of the nominating committee. The nominating committee's complete proposals and reasons for the annual general meeting for 2020 will be presented on the company's website www.zinzino.com well in advance of the annual meeting taking place. Shareholders who want to present proposals to the nominating committee can do so via e-mail to 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, the proposals to the nominating committee must have been presented at latest one month before the annual general meeting.

THE BOARD OF DIRECTORS

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 ordinary meetings of the board of directors, and the duties incumbent upon the chairman of the board of directors. The current rules of procedure and the CEO's instructions were adopted at the statutory board meeting on 22 May 2019. 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 general meeting on 22 May 2019, it was established that the board of directors is to have four members elected at the meeting, without deputies. At the annual general meeting on 22 May 2019, until the time for the next annual general meeting which will take place on 15 May 2020, the members of the board of directors Hans Jacobsson, Staffan Hillberg, and Pierre Mårtensson were re-elected. Ingela Nordenhav was elected as a new board member as Gabriele Helmer declined re-election. Hans Jacobsson was re-elected as the new chairman.

More information on the board of directors is presented on page 39. 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

At Zinzino, the number of board of directors members elected at the annual meeting who are independent of the company is 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%. One member of the board of directors is a woman, but in accordance with the Code, the nominating committee intends to strive for a more even gender distribution on the board.

THE BOARD OF DIRECTORS' WORK AND RESPONSIBILITY

The board of directors determines the company's goals, strategies, budget and business plan. The board of directors is responsible for the company's organisation and management and shall ensure the quality of financial reporting and internal control. In addition, the board of directors shall consider and approve financial reports and establish important policies and regulatory systems. The board of directors shall also take major decisions outside the current administration such as investments and changes. The board of directors shall monitor operations based on goals and guidelines. The work is governed by the Swedish Companies Act, the Articles of Association, the Code and the board of directors' rules of procedure.

The board of directors shall hold a statutory meeting annually after the annual general meeting. At the statutory board meeting, among other things, the company's signatories must be established and the board of directors' rules of procedure reviewed and adopted. The board of directors' meetings normally deal with the company's financial situation and issues of greater importance to the Company. The CEO reports on business plans and strategic issues on a continuous basis. According to the board of directors' rules of procedure, the board has a quorum when at least three members are present.

BOARD OF DIRECTORS MEETINGS

In 2019, the board of directors held 9 minuted meetings. The attendance frequency of the board members is shown in the table below. Each meeting followed an agenda and decision material was sent to the board of directors prior to each board meeting. The CEO, CFO and certain other executives in the company attended board meetings to present matters.

Evaluation of the work of the board of directors was conducted in February–March 2020 and presented in writing to the board of directors and the nominating committee during March and then orally to the board of directors on 1 April 2020. The board of directors' evaluation of the CEO Dag Bergheim Pettersen was also carried out in March 2020.

Members' attendance at the board of directors' meetings

Hans Jacobsson chairman 9/9
Staffan Hillberg member 7/9
Pierre Mårtensson member 9/9
Gabriele Helmer member 2/4
Ingela Nordenhav member 5/5

REMUNERATION TO BOARD MEMBERS

Remuneration and other benefits to the board and the chairman of the board are decided by the company's shareholders at the meeting of shareholders. At the annual general meeting on 22 May 2019, it was resolved to pay SEK 190,000 to Hans Jacobsson who was elected chairman of the board and SEK 108,000 to other board members Staffan Hillberg, Pierre Mårtensson and Ingela Nordenhav. It was further decided that no compensation should be paid for committee work. During fiscal year 2019, total remuneration to the board of directors amounted to SEK 504,000 million and was distributed in accordance with the table on page 79, note 7.

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 financial statements and their assessment of the company's internal procedures and controls to the board of directors.

THE BOARD COMMITTEE

THE REMUNERATION COMMITTEE

In accordance with the Code, the members of the remuneration committee must be independent in relation to the company and its management. The remuneration committee of the board of directors shall continuously evaluate the remuneration to the management based on prevailing market conditions. The current remuneration committee consists of the chairman of the board Hans Jacobsson and Staffan Hillberg, both of whom are considered independent in relation to the company and its management. The members of the remuneration committee are appointed annually by the board of directors. The remuneration committee's main tasks are to (a) prepare and propose decisions regarding remuneration and other terms of employment for the company's executives, (b) monitor and evaluate remuneration structures, remuneration levels and programmes for various remuneration programmes for executives and (c) monitor and evaluate the outcome of variable remuneration and the company's compliance with the remuneration guidelines adopted by the meeting of shareholders. After the 2019 annual general meeting, the remuneration committee has had two meetings up to the reporting date.

THE REMUNERATION COMMITTEE MEETINGS

Hans Jacobsson 2/2
Staffan Hillberg 2/2

THE AUDIT COMMITTEE

Zinzino is derogating from the Code by not setting up an audit committee. Matters regarding the audit are discharged by the board of directors in accordance with the Companies Act, Chapter 8, § 49a, second paragraph. The board of directors has so far made the assessment that Zinzino is not served by a special audit committee, taking into account the size of Zinzino where the issues are best handled by the entire board of directors. However, considering the company's rapid global expansion and growth, the board of directors intends to set up a separate audit committee on the board of directors at the next statutory board meeting.

AUDITING

Zinzino's elected auditors are PricewaterhouseCoopers AB (PwC) with Fredrik Göransson as the principal auditor. 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 financial statements is carried out in January–February. The audit of the year's annual report is carried out in March and April.

As part of the audit, an evaluation of internal procedures and control systems is carried out on an ongoing basis 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 for advice on accounting and tax matters.

CEO AND BUSINESS MANAGEMENT

The board of directors appoints the CEO. The CEO leads the company, manages the ongoing administration and is responsible for ensuring that the board of directors receives the information required for its commitments. The CEO is not a member of the board of directors. The CEO presents reports to the board of directors and participates in meetings, except when the CEO himself is being evaluated, when the board of directors meets the auditor without the company management or if the board of directors so decides. The division of responsibilities between the board of directors and the CEO is described in a written CEO instruction that is subject to annual revision. The CEO appoints members of the management team. The management team is to conduct business operations and monitor developments. At the beginning of 2019, the management team consisted of Dag Bergheim Pettersen (CEO), Fredrik Nielsen (CFO), Henrik Hammargren (HBC), Jakob Spijker (COO), Daniel Wennerstrand (CTO), Helena Byström (Chief Logistics Manager) Henrik Schultz (Product Manager) and Katriin Laanep (Head of Support).

In 2019, Helena Byström, Chief Logistics Manager, left the company. At the same time, Gabriele Helmer resigned from the board of directors at the annual general meeting to take up the position as CMO at Zinzino.

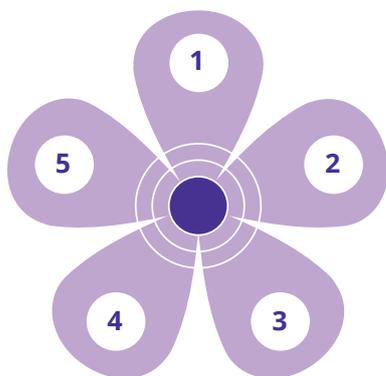
COMPENSATION

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 shall prepare guidelines relating to salaries and other employment conditions for the chief executive officer and other executives and submit proposals to the board of directors 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 executives in accordance with the board of directors' guidelines. Other executives refer to seven persons who together with the CEO constitute the group management. Zinzino AB shall offer competitively robust terms for the purpose of making it possible to attract and retain competent executives. 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 distribution between fixed and variable remuneration shall be proportionate to the responsibilities and powers of the executive. For the chief executive officer and other executives the variable compensation amounts to at most 50% (CEO) and 8.3% (other group management) of fixed salary.

Pension terms shall be defined contribution pension solutions. Notice of termination on the part of the company shall 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.

INTERNAL CONTROL, RISK MANAGEMENT AND INVESTOR RELATIONS

According to the Companies Act and the Code, the board of directors is required to ensure that Zinzino has satisfactory internal controls to keep informed of Zinzino's internal control system and to assess how well the system works. Zinzino's work with internal control can be divided into the control environment, risk assessment, control activities, information as well as communication and follow-up. 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 effectively managing the risks of the business. 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 an ordinary meeting or by telephone and before publication formally approves the proposed report which the management has produced.



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| <ol style="list-style-type: none"> 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communication 5. Follow-up |
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CONTROL ENVIRONMENT

To support reliable reporting, Zinzino takes as its starting point the company's organisational structure, policies and instructions adopted by the board of directors and company management.

CONTROL ACTIVITIES

The group's business processes include financial controls to avoid mistakes. To enter into agreements, pay invoices and similar, employees must follow defined decision paths and authorisation rights.

RISK ASSESSMENT

The board of directors has the ultimate responsibility for the risk assessment and annually assesses risks and seeks to achieve a high level of awareness of risks among employees. Identified risk areas are primarily financial reporting, operational risks and legal risks.

INFORMATION AND COMMUNICATION

Zinzino has been listed since 2010 (at the time on the Aktietorget stock market) and has long experience in financial external communication. Zinzino has an organisation and procedures to ensure that the financial reporting is accurate. The work is guided by internal control documents that define who should do what to ensure that the right information reaches interested parties correctly. Zinzino has an information policy to ensure good quality of external and internal information and that it meets the stock market's requirements for disclosure. The purpose is to convey information externally and internally in a trustworthy manner so that Zinzino's knowledge and confidence is maintained and developed. The control document contains procedures for press releases, financial reports, meetings, issues, website, registration of insiders, management of logbook and so on. All reports and press releases are published simultaneously with the publication on Zinzino's website.

FOLLOW-UP

The board of directors monitors the internal control to ensure that deficiencies are rectified and that good proposals are realised, e.g. by evaluating the management team's information.

INTERNAL AUDIT

Zinzino did not have a separate internal audit function during the financial year. Parts of the board of directors and the CFO have devoted special attention to these issues. The board of directors annually evaluates the need to set up an internal audit function.



BOARD OF DIRECTORS



HANS JACOBSSON CHAIRMAN

Born: 1967

Holds a Master of Business Administration. Works as CFO at Nowa Communication. Former CEO of Rootfruit Scandinavia AB, finance 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: 363,156 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 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



PIERRE MÅRTENSSON BOARD MEMBER

Born: 1972

Pierre Mårtensson has a Master of Business Administration from the Norwegian School of Management and has extensive and successful experience in growing companies internationally.

Through his company, The Scale Factory, Pierre is currently working to commercialise businesses into the Asian markets, in addition to his role as venture partner for the venture capital company Antler.

Previously, Pierre has held leading positions in a number of global companies such as Managing Director in China for direct sales company Oriiflame; EVP Asia for the cosmetics company, Pixi Beauty; SVP & Head of Expansion for the advertising technology company Tapad; and Managing Director Singapore and South Africa for Lux International.

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

Number of shares: 0
+100,000 subscription options



INGELA NORDENHAV BOARD MEMBER

Born: 1972

Ingela has an engineering degree from Chalmers University of Technology and has a long career at Volvo Cars and Trucks behind her.

Her most recent position was as global marketing manager at Volvo Trucks where, among other things, she was in charge of image and digitalisation development. She has previous experience in both product development, quality, sales and after-market. She has lived and worked abroad on two occasions, in the Netherlands and the United States.

Ingela has extensive experience in global work, strategic business management and business development. She has a broad cross-functional understanding with her main expertise in customer experience, marketing and brand development. Since the beginning of the year, she has operated her own consulting company with an emphasis on strategic marketing.

Ingela Nordenhav has been a member of the company's board of directors since 2019.

Number of shares: 0

GROUP MANAGEMENT



DAG BERGHEIM PETERSEN
CEO
Born: 1970

Has held management positions at Elgiganten, Alcatel and as senior vice president at TeliaSonera's subsidiary NetCom. Dag has extensive experience in strategic leadership in growing companies and has been CEO of Zinzino since 2012.

Number of shares: 1,466,081 B shares



JAKOB SPIJKER
Business Development/COO
Born: 1968

Jakob has a background in logistics in both his home country, the Netherlands, as well as in Sweden. He has been employed at Zinzino since 2012 and Jakob's role as COO also includes business development and global logistics responsibilities.

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



GABRIELE HELMER
CMO
Born: 1977

Gabriele Helmer holds a Master's in Business Administration and International Marketing. Since 2001 she has worked in various marketing positions at international organisations such as Lufthansa, Beiersdorf, General Mills and Specsavers. Gabriele also has experience in the advertising industry and has previously been a board member of Zinzino. Employed at Zinzino since March 2019.

Number of shares: 3,150 B shares
+50,000 subscription options



FREDRIK NIELSEN
CFO
Born: 1977

Fredrik Nielsen holds a Master of Business Administration 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



HENRIK HAMMARGREN
Head of Business Control
Born: 1980

Henrik Hammargren holds a BA in Business Administration and Management and since 2006 has worked as a controller in senior positions at a number of companies, including Autoliv, Elanders and Resia. Employed at Zinzino since November 2018.

Number of shares: 0
+ 35,000 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 worked as Head of Partner Support before she was promoted to Head of Support.

Number of shares: 0



DANIEL VENNERSTRAND
CTO
Born: 1976

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

Number of shares: 0
+35,000 subscription options



HENRIK SCHULTZ
Product Manager
Born: 1961

Henrik Schultz has worked for many years in management positions for various international and commercial companies. He has a good foundation with a Master of Business Administration 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

SALES MANAGEMENT



GEIR SMOLAN
MD FAUN
Born: 1961

Geir holds a master's degree in chemistry and extensive experience 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
+ 100,000 subscription options



ROBERT W. HORKINGS
COO Australia
Born: 1962

Robert joined Zinzino Pty Ltd in March 2019 as the COO for the Australian market. Robert's career history includes joining his first direct sales company in 1998, creating one of the most successful teams within the company organisation consisting of over 100,000 active members. Prior to direct sales, he was an information technology corporate executive and is highly skilled in new business development, networking and relationship-building.

Number of shares: 0
+ 70,000 subscription options



TOMASZ STANISLAWSKI
EEB Sales Director
Born: 1963

Tomasz Stanislawski provides Zinzino with over 25 years of experience in direct selling and networking marketing in the field of the health wellness and consumer products. His professional career includes working for several leading companies, such as Herbalife, Vision International, PartyLite, Vemma, ForeverGreen and most recently Vabo-N. His extensive professional experience includes developing and strengthening operations, sales, marketing, business development, social media and international expansion. Along with his experience in direct selling, Tomasz earned a Master's in Trade from the Warsaw School of Economics and speaks three languages: English, Russian and Polish.

Number of shares: 0
+ 30,000 subscription options



STEVE MORLEY
Sales Director UK & Ireland
Born: 1972

Steve has been in the industry for 30 years, working in corporate for Amway, Nu Skin and Tiens in senior European roles. Since 2012, Steve has had his own direct sales consultancy company in Asia, working to help companies launch in Asia.

Steve had many offers to work back in Europe, but only Zinzino appealed to him.

Number of shares: 0



ANDREAS BLESSING
Sales Manager DACH
Born: 1964

Andreas Blessing holds a Master's in Business Economics. He has over 30 years of experience in coaching people and teams as well as high performance business in professional sports. He has been working in the field of direct sales for over 25 years both in the field and in management where he was successfully in charge of the DACH region for two companies before Zinzino. Andreas is very results-oriented but likes to have fun at the same time. He joined Zinzino in 2018.

Number of shares: 200 B shares

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 currently operating in Europe, North America and Australia with ongoing establishment processes in Asia and India, among others. 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. HELP IMPROVE THE HEALTH OF 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 good growth and we currently have over 475,000 test results, based on our blood tests in our database. We are the company that has done the 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. Through an updated IT platform and logistics system, Zinzino is well equipped for the expected sales growth in the coming years.

5. ATTRACTIVE CASH FLOW ENABLES INCREASED STOCK DIVIDENDS AND GIVES A GOOD DIRECT RETURN

Zinzino's business has a very strong cash-generating capability. Effective management of working capital combined with investments that quickly generate revenue and marginal improvements generate a strong cash flow. Thus, dividends can be distributed in accordance with the target of at least 50 per cent of the free cash flow.

LARGEST SHAREHOLDINGS AS OF 31/12/2019

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	6,439,159	9,562,556	47.93%	29.35%
Peter Sörensen via company	1,809,995	1,680,662	3,490,657	25.17%	10.71%
Other owners	180,000	19,346,812	19,526,812	26.90%	59.93%
Total	5,113,392	27,466,633	32,580,025	100.00%	100.00%

SHARE PRICE DEVELOPMENT 2019 ZINZINO B SHARES (SEK) 01/01/2019 – 31/12/2019



During 2019, a total of 6,218,930 (6,322,364) shares were traded in 11,829 (5,128) trades.

The year's first trade closed at SEK 7.92 and the year's last at SEK 23.2.

The year's top price was reached on 13/12/2019 with a trade at SEK 27.5. The lowest price was SEK 7.00 which was reached on 08/01/2019.

OWNERSHIP AND SHARE PERFORMANCE

Zinzino AB has been listed on Nasdaq OMX First North since 11 December 2014. This meant a move from the Aktietorget exchange where Zinzino had been listed for trading since 2010. As of the balance sheet date, the share price was SEK 23.2 (7.92) million which means a market value for Zinzino AB's listed B shares as of 31/12/2019 amounted to SEK 637.2 (217.5) million.

In 2019, a total of 6,281,930 (6,322,364) shares were traded distributed over 11,829 (5,128) trades. At year-end, the company had 2,555 (1,858) shareholders, excluding certain foreign custodial customers.

SHARE CAPITAL

As of 31/12/2019, the share capital was divided among 32,580,025 shares, of which 5,113,392 are A shares (one vote) and 27,466,633 are B shares (0.1 vote). The share's quota value is SEK 0.10. The company's B shares are traded on Nasdaq Omx First North, nasdaqomxnordic.com, with ISIN code SE0002480442.





OPTIONS PROGRAMME & DIVIDEND POLICY

OPTIONS PROGRAMME

The company, as of the report date, has three outstanding options programmes. The first options programme expires on 31 May 2020 at an exercise price of SEK 26 and will cover 600,000 options. The second options programme will cover 500,000 options at an exercise price of SEK 14. The second options programme also expires on 31 May 2020. The third options programme will cover 800,000 options at an exercise price of SEK 18. The third options programme expires on 31 May 2024.

If all the options issued as of 31/12/2019 are exercised for new subscriptions of 2,000,000 shares, the share capital dilution will be approximately 6%.

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 equity/assets ratio and liquidity so permit. In connection with this, the board of directors has performed a strategic review and drawn up a plan to actively work on the group's balance sheet. This has created room for increased share dividends in 2020. The board of directors will thus propose to the 2020 Annual General Meeting an ordinary dividend of SEK 55 (50) per share and a special dividend of SEK 15 (20) for the same dividend period.

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 other persons 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 Council's regulations on market abuse. Furthermore, a 30-day stock-trading ban exists for all persons 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 01/01/2019 to 31/12/2019.

The profit and financial position for the group and the parent company for the year 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 statement, with accompanying notes and comments. The group's income statement and balance sheets will be presented for approval by the annual general meeting on 15 May 2020.

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 activities.

In 2009 – Zinzino Nordic AB was acquired, partly through a directed share issuance in kind to the owners of Zinzino Nordic AB and partly through a subscription in the rights issuance that Zinzino Nordic AB carried out in December 2009. Through this, Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. As of 31/12/2019, the ownership interest in Zinzino Nordic was 97% of the votes and 93% of the capital.

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 in Iceland, Zinzino LLC in Florida, United States, Zinzino Sp. z o.o in Poland, Zinzino BV in the Netherlands, Zinzino Canada Corp in Canada, Zinzino GmbH in Germany, Zinzino S.R.L in Romania, Zinzino PTY in Australia, Zinzino India and the Norwegian research company Bioactive Foods AS. In 2019 new subsidiaries were formed in Italy and Russia. The Russian company and the Indian company have not been put into full operation and Zinzino did not conduct any business as of the closing date in any of the markets.

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 34% to SEK 770.6 (576.6) million. The profit after financial items was SEK 13.9 (5.7) million.

Net sales amounted to SEK 710.8 (532.9) million and were broken down by Zinzino Health, Zinzino Coffee, the production unit Faun Pharma's sales to external customers and revenue from Event/other services. Other income mainly concerned freight revenue related to product sales and amounted to SEK 57.1 (42.5) million. Capitalised work amounted to SEK 2.7 (1.2) million.

The Zinzino Health product segment increased by 47% to SEK 621.2 (422.4) million and represented 81% (73%) of total revenue. The Zinzino Coffee product segment decreased by 18% to SEK 35.0 (42.5) million, which corresponded to 5% (7%) of total revenue. Faun Pharma AS' external sales decreased by 29%, after a higher proportion of internal production during the year and amounted to SEK 45.4 (63.6) million, corresponding to 6% (11%) of total revenues. Other revenues amounted to SEK 69.0 (48.1) million, corresponding to the remaining 8% (8%) of revenue for 2019.

The Nordic countries increased their total revenue by 1% to SEK 429.2 (424.5) million. High distributor activity in Sweden and Denmark throughout the year has generated increased sales. The trend has been more positive in Norway and Finland during the year when the downturn came to a halt during the fourth quarter following increased distributor activity in both markets. However, the negative trend in Iceland continued with consistently low distributor activity during the year. Faun Pharma, the group's subsidiary and manufacturing unit, had a much higher proportion of internal production in 2019 in general, a natural consequence of the increased growth rate in other parts of the group.

As a result, external sales in the manufacturing unit were lower compared to 2018, which also contributed to the region's modest growth compared to the corresponding period the previous year.

In the Baltic countries, revenues increased by a total of 24% to SEK 55.0 (44.5) million during the year. The trend has been generally positive in the Baltic countries with strong sales growth in Latvia combined with increased growth in Lithuania and Estonia. Distributor activity has increased thanks to the distributor campaigns that were launched during the year to which distributors in Lithuania and Latvia responded particularly well. With the higher level of distributor activity, new sales in Lithuania and Latvia were at very high levels in 2019 compared to the previous year and in general, even compared to several years ago.

The very best sales growth in the group during the past year was provided by countries from the rest of Europe. Total revenues in the region increased by 191% to SEK 252.3 (86.7) million. There was very strong growth in eastern Europe with Hungary, Poland, the Czech Republic and Slovakia at the lead, as well as the DACH region and Holland. In the second half of 2019, sales growth also increased in southern Europe, primarily in Greece and Cyprus as well as in the UK/Ireland. What they all have in common is distributors collaborating across borders, which led to a higher level of activity and fueled sales.

Revenues in North America in 2019 amounted to SEK 23.6 (20.9) million, which represented 13% growth compared to the corresponding period last year. It indicates that the measures taken by Zinzino to stimulate the strategically important region have begun to generate results. For quite some time, Zinzino has been implementing a number of strategic measures to stimulate distributor activity in North America. In 2019, a new Chief Operating Officer was appointed for the North American market with solid expertise and core competence from growth companies within

the direct sales industry. Zinzino is also continuing its efforts to develop websites and interfaces for distributors to meet the high demands from the North American distributor level. An important step in these efforts is the new website launched with design and function adapted for the North American market. In addition, a collaboration with the American lifestyle company Life Leadership was initiated, as described earlier in the report. Overall, these investments implemented by Zinzino have stimulated distributor activity, which has been so important to achieve growth in this strategically important market for Zinzino.

Australia started sales in April 2019 and the performance the rest of the year has been very positive. Accumulated up to the end of 2019, revenues amounted to SEK 10.5 million, of which more than 50% was generated during the last quarter of the year. The successful launch in Australia was the start of Zinzino's expansion in Asia and Oceania where the company has established an active plan for maximum sales growth and how Zinzino should attract new distributors and customers in the region.

In 2019, the Nordic countries continued to account for most of the company's revenues, even though the share fell to 56% (74%) of total sales. The Baltic countries reduced their share to 7% (8%). The rest of Europe continued to increase its share of total revenue and accounted for 33% (15%) during 2019, mainly through the favourable sales development in the central European countries. North America accounted for 3% (4%) of total revenue and Australia the remaining 1% (n/a%) of revenue.

In 2019, the number of Balance units sold increased by 36% to 1,778,253 (1,305,937). The increase was mainly due to the large number of new customers and distributors added so far during the year and who selected BalanceOil in different variants such as the starter pack and in subscription form. Balance is the company's largest product area and is what is presented first upon 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 collaboration with the independent lab Vitas, Zinzino has carried out over 475,000 (280,000) analyses of BalanceTest since its launch, and the concept has been a strong contributing cause for the positive sustained growth levels in the product area over the last five years.

Immune Supplement increased 40% to 610,696 (437,636) units sold. Zinzino 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 2019. Weight Control increased by 43%, to 420,128 (294,520) units, primarily through the increase of Zinzino Energy Bar and Fiber Blend, Zinzino's product for better intestinal flora.

Skin Care increased by 44% to 119,833 (83,032) units sold. All of the supplementary products to BalanceOil demonstrate good growth and it indicates that Zinzino's product strategy is being well received by both the distribution network and customers.

Beverages declined by 27% to 477,478 (655,160) units sold, showing that the trend of reduced sales of Zinzino Coffee continues, mainly due to the fact that these products have not been launched in the markets that have newly opened in the last few years. Zinzino Coffee is now only sold in the Nordic and Baltic countries. The company focused less on Beverages and chose not to launch it in the new markets due to the generally lower gross margins in the product area.

Costs and profit

Gross profit amounted to SEK 232.3 (182.8) million and gross profit margin to 30.1% (31.7%). The main reason for the decline in gross profit was temporary increased remuneration levels to the company's distributors in 2019 due to the good sales growth in Europe and Australia.

EBITDA increased to SEK 33.5 (23.7) million and the operating margin before depreciation was 4.4% (4.1%). The main reasons for the improvement in profits were economies of scale and increased efficiency in logistics and event operations. The economies of scale also enabled the group to sustain the increased costs in sales, establishment and digitisation.

Operating profit amounted to SEK 14.8 (6.4) million and the operating margin was 1.9% (1.1%). Profit before tax totalled SEK 13.9 (5.7) million and net profit was SEK 11.3 (4.7) million.

Depreciation/amortisation

For 2019 total depreciation and amortisation and write-downs were SEK 18.8 (17.3) million. These are divided into SEK 1.1 (0.9) million tangible fixed assets, SEK 17.6 (16.4) million intangible fixed assets. Of this, 10.4 (10.5) is amortisation of leases in accordance with IFRS 16.

Inventories

The group's combined inventories at the balance sheet date were SEK 88.9 (64.7) million. The increase was mainly due to the company deciding to increase the general inventory levels in the European central warehouse in France as a result of the increased sales in the Central Europe, but also due to the company building up the inventory level in Australia to ensure efficient deliveries to the growing customer base in the country.

Financial position

At year-end 2019/2020, the group had equity of SEK 40.3 (50.4) million, corresponding to SEK 1.24 (2.55) per share (before dilution). On the balance sheet date, cash totalled SEK 76.8 (45.5) million. The group's equity/assets ratio was SEK 13% (20%) million. Cash flow for the year amounted to SEK 31.4 (-3.0) 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 2019 to shareholders of SEK 0.7 per share through an ordinary dividend of SEK 0.55 (SEK 0.5) and a special dividend of SEK 0.15 (SEK 0.2) in the same dividend period.

SIGNIFICANT EVENTS DURING THE YEAR

First financial report according to IFRS

The Company's Q1 report 2019 was the first financial report in which the Company changed regulations from K3 to IFRS with the transition date on 1 January 2018 (see note 33 for the transition effects). The effect of the change meant that the comparative figures for each quarter 2018 and the full year 2018 were converted to IFRS. A description and quantification of transition effects can be found in the company's Q1 report 2019 and in the notes section of the annual report.

Powerful sales campaign stimulated sales growth

At the beginning of the year, Zinzino launched a new sales campaign that proved to be very successful in terms of good sales growth and the large number of new distributors and customers added during the year. The campaign was aimed at the distribution organisations to stimulate activity and the ability to attract new distributors but where bonuses were only activated when the distributor signed up a certain number of new customers with completed subscription obligations in 2019. After the successful outcome at the beginning of the year, Zinzino chose to extend the offer indefinitely.

New communications portal

Zinzino developed a new portal that handles the company's communications to both distributors and customers. It automates e-mail based on individual events, which means that all customers and distributors received personal and relevant information presented in a modern way with stylish design. The new portal has been linked to all markets.

Launch of new website

During the year, a completely new design and a number of new features were launched on the website. The site was given a modern design that reflects the company's brand. A new navigation was launched and the flows around product selection were simplified. The launch includes a quick, easy and enjoyable shopping experience that makes it easier to find products and information. The mobile experience has been improved, enabling customers and distributors to have a consistent shopping experience on all the devices they use. This launch is the first step in a continuous improvement process to take the web experience to the next level.

Development of a new test site

Since the introduction of its Balance concept, Zinzino has conducted over 500,000 blood tests. Zinzino's distributors and customers can access their test results by logging on to Zinzinotest.com. The blood test is an important part of Zinzino's product portfolio and in order to improve its quality, Zinzino is now developing a new test site with improved design, more information and new tools and functions. The new test site will be user-friendly and intuitive. The design will be in line with the company's other digital solutions. The launch will be during the first half of 2020.

Focus on social media and a new concept in Recognition

During the year, Zinzino focused on developing a social media strategy with initial focus on Instagram and Facebook. The new content and channel strategy involved creating inspiring and engaging content that targets both customers and distributors. Another project the company has been working on in the market area was Marketing Rules & Ethics with instructions on how distributors can work with e.g. social media. Giving recognition to the company's distributors is an important part of Zinzino's culture. For this reason, the company developed a new Recognition programme consisting of films, diplomas and trophies for the title of "Crown" and above.

Launch of Essent - next generation

Omega-3 supplement

During the year, Zinzino launched Essent - the next-generation Balance supplement. The product comes in individually packed soft gel capsules. It is an ultra-pure, molecularly tested polyphenol omega supplement based on all-natural ingredients that adjust and maintain the 6:3 balance safely while protecting cells from oxidation damage as well as helping maintain normal functioning of the brain, heart and immune system. The biggest difference compared to previous capsule products is that the daily dose is just 2-3 capsules per day, compared to 8-12 capsules, depending on body weight. The product will be a very important tool in the North American market, where customers prefer capsules rather than liquid Omega-3 products. In addition to the launch of Essent, Zinzino launched a limited edition - BalanceOil Grapefruit Lemon Lime and a new sample pack of the well-being supplement Viva, which is Zinzino's natural dietary supplement that promotes well-being on many levels, both physical and emotional.

Collaboration with Life Leadership in North America

Zinzino began a collaboration with the American Life Leadership Community in autumn. Through the collaboration, Life Leadership's customers gain access to the next generation of test-based nutritional products from Zinzino. Life Leadership is a US-based mobile-adapted shopping platform and peer-to-peer network which, through its digital solution, helps customers "Earn and Learn". Their "Life App" application helps consumers earn bonuses on their daily purchases while developing financial knowledge and skills. In addition, "Life App" through its tools and educational courses, helps to develop many other skills that are important in life. Through Life Leadership's mobile-adapted shopping platform and peer-to-peer network, Life Leadership offers Zinzino's products to its growing customer base.

Development of a new and modern packaging design

During the autumn, Zinzino focused on developing a new and modern packaging design for the company's health products. The new packaging design will create a premium feel and stands for Scandinavian minimalism. The design consists of a molecular pattern that symbolises science-based food supplements. The launch of the new packaging design will take place during the first half of 2020.

SIGNIFICANT EVENTS AFTER REPORTING DATE

Effects of Covid-19

During the first quarter of 2020, a global outbreak of Covid-19 occurred. So far during the global pandemic, Zinzino has seen increased sales growth. At the same time, logistics have been adversely affected, mainly due to regulatory measures regarding working hours from the French government, which has impaired the delivery capacity of the French warehouse in Faberville, which supplies the main markets in central Europe. In addition, transport has been further delayed following increased border checks in Europe. A number of revenue-stimulating campaigns aimed at the distributor organisation have also been launched, which have affected profitability in the group in the short term. Group management has taken the necessary measures to reduce the consequences of the Covid-19 pandemic for Zinzino and its employees. Staff have been given teleworking capability and logistics have been redirected to Trollhättan.

Acquisition of VMA Life in Singapore

In early April 2020, Zinzino signed the definitive acquisition agreement with VMA Life, a direct sales company in health and beauty. VMA operates in Malaysia, Thailand, Taiwan, Hong Kong and Singapore. Through the collaboration, Zinzino's products and business model are expected to increase sales as early as 2020. According to the signed agreement, Zinzino shall, upon entry, pay a fixed purchase price of USD 0.4 million, divided between 50% cash and 50% newly issued Zinzino shares. Then contingent additional consideration will be based on sales developments during 2020–2023. The total additional consideration amounts to a maximum of USD 1.15 million, divided between 50% cash and 50% shares. The acquisition is financed with own cash and the total additional consideration will be generated through profits from VMA Life.

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 2019, the measures described were taken with a major focus on the digital environment to develop the tools for Zinzino's sales organisation. The process continues into 2020.

Zinzino is working long-term and investing considerable resources in the development of IT systems and marketing tools, which generate growth in both the short and the long term. When the company implements an expansion into a new market, this occurs mainly when the company's market analysis shows that there are good opportunities to establish an effective sales organisation locally. This is primarily achieved via contact to the already-established sales organisations in neighbouring markets. This is precisely the reason for the good sales performance of the relatively newly-established markets in central and southern Europe. These contacts can occasionally also carry across continents, which has been behind the launch in Australia and the ongoing new establishment project in India.

The company's management also maintains a close dialogue with the so-called "Leader Council", which consists of representatives of the sales network, which is highly regarded by both sides, and the dialogue has been beneficial to the company's development in recent years.

An important part of Zinzino's strategy is also the 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. Thanks to its efficient product development, the company launched a new product in 2019 and more launches will be carried out during 2020.

ORGANISATION AND EFFICIENCY

In 2019, Zinzino continued to expand the organisation to more efficiently operate the digital development going forward. The company appointed a new Marketing Manager and Designer, but has also increased resources for the support departments to increase the service level for the growing central European markets. The company also increased resources for the IT department with additional expertise to further speed up the pace of development. The number of employees in the group at the end of the year totalled 134 (126) people, of which 79 (76) were women. In addition, there were 10 (2) people, of which 2 (0) women, employed on consultancy contracts.

2020 FORECAST AND FINANCIAL GOALS

The board of directors forecasts that the total revenue is expected to exceed SEK 1,000 (771) million. The operating margin before depreciation/amortisation is calculated to exceed 4.5%.

The average growth in sales at Zinzino for the period 2020–2022 will be a minimum of 20% 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.

RISKS AND EXTERNAL FACTORS AFFECTING GROWTH AT ZINZINO

The board of directors continuously discusses external risks for Zinzino's expansion. The greatest risks continue to be found within its own organisation's capacity to manage costs during a period of strong growth, to find competent resources both internally and among the distributors during rapid expansion and then effectively manage to transfer knowledge to them. 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 also 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 has thereby eliminated a large part of the risk.

Risks related to compliance and establishment in foreign markets

Establishment in new countries and regions can entail risks that are difficult to predict. Oversight and control to comply with local legislation relating to local taxes, product registrations and consumer legislation in various countries are becoming an ever greater challenge for governance by the headquarters in Gothenburg. In order to provide for these risks, the company works 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 always strive for 100% compliance with local legislation in all markets where Zinzino is currently established.

In addition, the possibility of finding the right partners for the business can affect foreign establishment. Given that Zinzino's business is already established on a number of foreign markets, the company has created procedures and strategies for successful establishment abroad. Establishment on a new market takes place through low-cost investment for the purpose of minimising risk.

Risks related to IT

Previous experience with changing business systems 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 the company is working to optimise and allocate its resources in the best way.

Through the expanded 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. It has generated cost savings in 2019 with the expectation of further cost savings in the coming years.

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 expense 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 Zinzino Health product line with BalanceOil, in combination with blood tests as the foremost product is sufficient for Zinzino to be able to continue to be a competitive and attractive company. In addition to this, Zinzino currently has very efficient in-house product development which continuously produces attractive new products in health for Zinzino's partners and customers. Beyond this, the company is working with attractive compensation plans. In addition, the company is offering part ownership or other types of incentive programmes in order to ensure that Zinzino's partners and employees do not choose to join competing direct sales companies.

Risks related to unexpected events in the outside world

The global outbreak of the Covid-19 virus in recent months and its impact on the outside world shows that Zinzino needs to have good adaptability to quickly manage external factors that negatively impact the business. However, the board of directors believes that Zinzino has handled the Covid-19 crisis well with a rapid change in logistics, routines for home offices and well-communicated instructions to the distributor organisations, which has enabled the company to handle the crisis with good results.

RESULTS AND FINANCIAL POSITION

Amounts in SEK thousands	Group		Parent company	
	2019	2018	2019	2018
Net sales	710,777	532,932	7,670	5,371
Total revenue	770,555	576,613	10,029	5,382
Operating profit	14,778	6,406	3,036	1,267
Net profit	11,301	4,662	22,332	8,688
Operating margin	1.9%	1.1%	30.3%	23.5%
Net margin	1.5%	0.8%	222.7%	161.4%
Return on equity	28.1%	9.3%	76.3%	29.2%
Balance sheet total	306,650	257,711	105,628	87,208
Equity	40,288	50,368	29,260	29,733
Equity/assets ratio	13.1%	19.5%	27.7%	34.0%

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

KEY FIGURE DEFINITIONS

Operating margin	Operating profit/Total revenues
Net margin	Net profit/Total revenues
Return on equity	Net profit/Equity
Equity/assets ratio	Equity/Balance sheet total

PROPOSAL FOR THE ALLOCATION OF PROFITS (SEK)

The annual meeting has the following at its disposal:

Zinzino AB	SEK
Retained earnings	2,540,536
Profit/loss for the year	22,332,293
SEK	24,872,829

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 SEK 0.70 per share	22,806,018
Will be carried forward	2,066,811
Total	24,872,829

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 thus be justified with regard to the provisions in Chapter 17 § 3 para 2-3 of the Companies Act (the precautionary rule).

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.



GROUP REPORT

COMPREHENSIVE PROFIT/LOSS

Amounts in SEK thousands	Note	Financial year	
		2019	2018
Operating revenues			
Net sales	5	710,777	532,932
Other operating revenues	8, 12	59,778	43,681
TOTAL		770,555	576,613
Operating costs			
Raw materials and consumables	17	-152,300	-131,807
Trading costs		-385,952	-262,009
Other external costs	6	-115,806	-85,366
Personnel costs	7	-82,968	-72,170
Depreciation/amortisation and write-downs of tangible fixed assets and intangible assets	14, 15	-18,751	-17,298
Other operating costs	9, 12	-	-1,557
TOTAL		-755,777	-570,207
OPERATING PROFIT		14,778	6,406
Financial income	10	61	71
Financial costs	10	-954	-821
Financial items - net		-893	-750
PROFIT/LOSS BEFORE TAX		13,886	5,656
Income tax	11	-2,584	-994
Profit/loss for the year		11,301	4,662
Other comprehensive profit/loss			
Items that may be reclassified to profit/loss for the year			
Currency exchange differences upon conversion of foreign subsidiaries		1,421	-159
Other comprehensive profit/loss for the year, after tax		1,421	-159
TOTAL COMPREHENSIVE PROFIT/LOSS FOR THE YEAR		12,722	4,503

The notes on pages 68-99 form an integral part of these consolidated financial statements

Profit/loss for the period attributable to:	2019	2018
Parent company's shareholders	10,662	4,093
Non-controlling interest	640	569
TOTAL	11,301	4,662
Total comprehensive profit/loss for the period attributable to:	2019	2018
Parent company's shareholders	12,082	3,929
Non-controlling interest	640	574
TOTAL	12,722	4,503

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

Amounts in SEK	2019	2018
Earnings per share before dilution	0.33	0.13
Earnings per share after dilution	0.32	0.13

GROUP BALANCE SHEET

Amounts in SEK thousands	Note	31/12/2019	31/12/2018	01/01/2018
ASSETS				
Fixed assets				
Intangible assets				
Goodwill	15	33,513	31,762	30,837
Other intangible assets	15	16,969	19,272	19,225
Total intangible assets		50,482	51,034	50,062
Intangible fixed assets				
Equipment, tools and installations	14	5,951	4,623	3,036
Total tangible fixed assets		5,951	4,623	3,036
Right-of-use assets	16	43,817	50,233	40,351
Financial assets				
Other long-term receivables		264	178	175
Total financial fixed assets		44,080	50,411	40,526
Deferred tax claims	24	7,689	7,004	7,275
Total fixed assets		108,203	113,072	100,899
CURRENT ASSETS				
Inventories				
Finished goods and goods for resale	17	88,864	64,684	52,947
Total inventories		88,864	64,684	52,947
Current receivables				
Accounts receivable	19	4,342	8,395	4,947
Other receivables	20	17,910	10,146	6,497
Pre-paid costs and accrued revenues	21	10,386	13,461	8,358
Tax receivables		108	2,494	1,124
Cash and cash equivalents	22	76,837	45,459	48,419
Total short-total receivables		109,583	79,955	69,345
Total current assets		198,447	144,639	122,292
TOTAL ASSETS		306,650	257,711	223,191

GROUP BALANCE SHEET

CONTINUED

Amounts in SEK thousands	Note	31/12/2019	31/12/2018	01/01/2018
EQUITY AND LIABILITIES				
EQUITY				
Share capital	23	3,258	3,258	3,258
Other contributed capital		12,804	12,804	12,804
Reserves		1,440	18	182
Other equity including the year's profit		15,520	27,066	37,586
Equity attributable to parent company shareholders		33,022	43,146	53,830
Non-controlling interest		7,266	7,222	6,696
Total equity		40,288	50,368	60,526
LIABILITIES				
Long-term liabilities				
Other liabilities	25	1,530	581	573
Leasing liabilities	16	33,087	41,268	30,681
Total long-term liabilities		34,617	41,849	31,254
Current liabilities				
Accounts payable		35,658	30,029	18,621
Tax liabilities		2,614	383	71
Leasing liabilities	16	10,730	9,193	9,670
Other current liabilities	26	101,077	72,969	58,613
Accrued costs and deferred revenues	27	81,666	52,920	44,436
Total current liabilities		231,745	165,494	131,411
Total liabilities		266,362	207,343	162,665
TOTAL EQUITY AND LIABILITIES		306,650	257,711	223,191

The notes on pages 68-99 form an integral part of these consolidated financial statements

GROUP REPORT

CHANGES IN EQUITY

Amounts in SEK thousands	Attributable to Parent Company shareholders				Total	Non-controlling interest	Total equity
	Share capital	Other contributed capital	Reserves	Retained earnings including profit/loss for the year			
Opening balance 01/01/2018	3,258	12,804	182	37,586	53,830	6,696	60,526
Profit/loss for the year				4,093	4,093	569	4,662
Other comprehensive profit/loss for the period			-164		-164	5	-159
Transactions with shareholders							
Share repurchase				50	50	-50	-
Change of the minority				-2	-2	2	-
Dividends				-14,661	-14,661		-14,661
Closing balance 31/12/2018	3,258	12,804	18	27,066	43,146	7,222	50,368
Opening balance 01/01/2019	3,258	12,804	18	27,066	43,146	7,222	50,368
Profit/loss for the year				10,662	10,662	640	11,301
Other comprehensive profit/loss for the period			1,419		1,419	2	1,421
Transactions with shareholders							
Share repurchase				3	3	-3	0
Change of the minority				595	595	-595	0
Dividends				-22,806	-22,806		-22,806
Closing balance 31/12/2019	3,258	12,804	1,440	15,520	33,022	7,266	40,288

GROUP REPORT

CASH FLOW STATEMENT

Amounts in SEK thousands	Note	Financial year	
		2019	2018
Cash flow from operating activities			
Operating profit		14,778	6,406
Adjustment for items which are not included in the cash flow	32	19,611	18,887
Interest received		390	69
Interest paid		-1,125	-788
Income tax paid		-78	89
Cash flow from operating activities before changes in operating capital		33,576	24,663
Cash flow from changes in operating capital			
Increase(+)/Decrease(-) in inventories		-24,180	-11,737
Increase(+)/Decrease(-) in operating receivables		1,750	-13,570
Increase(+)/Decrease(-) in operating liabilities		60,120	30,420
Total change in operating capital		37,690	5,113
Cash flow from operating activities		71,266	29,776
Cash flow from investment activities			
Investments in intangible fixed assets		-4,458	-6,236
Investments in financial fixed assets		-183	-88
Investments in tangible fixed assets		-2,415	-2,410
Cash flow from investment activities		-7,056	-8,734
Cash flow from financing activities			
Amortisation of leasing liabilities		-10,975	-9,341
Issuance of options	34	949	-
Dividends		-22,806	-14,661
Cash flow from financing activities		-32,832	-24,002
CASH FLOW FOR THE PERIOD		31,378	-2,960
Liquid assets at the start of the year		45,459	48,419
LIQUID ASSETS AT THE END OF THE YEAR		76,837	45,459
Increase/decrease in liquid assets		31,378	-2,960

The notes on pages 68-99 form an integral part of these consolidated financial statements.



PARENT COMPANY FINANCIAL REPORTS

Amounts in SEK thousands	Note	Financial year	
		2019	2018
Net sales	5	7,670	5,371
Other operating revenues	8, 12	2,359	11
Gross profit		10,029	5,382
Other external costs	6	-6,640	-3,882
Depreciation/amortisation of tangible and intangible fixed assets	14, 15	-353	-233
Operating profit		3,036	1,267
Net interest income	10, 12	19,942	7,700
Total profit/loss from financial items		19,942	7,700
PROFIT/LOSS BEFORE TAX		22,978	8,967
Tax on the year's profit	11	-646	-279
PROFIT/LOSS FOR THE YEAR		22,332	8,688

There are no items in the parent company reported as other comprehensive profit/loss, so the total comprehensive profit/loss matches the profit/loss for the year.

The notes on pages 68-99 form an integral part of these consolidated financial statements.

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousands	Note	31/12/2019	31/12/2018	01/01/2018
ASSETS				
Fixed assets				
Intangible assets		-	-	-
Other intangible assets	15	1,129	1,465	1,084
Total intangible assets		1,129	1,465	1,084
Financial fixed assets				
Shares in subsidiaries	13	83,157	82,982	82,893
Deferred tax claims	24	-	181	460
Total financial fixed assets		83,157	83,163	83,353
Total fixed assets		84,286	84,628	84,437
Current assets				
Other receivables	20	-	-	41
Receivables from group companies		16,459	1,126	-
Pre-paid costs and accrued revenues	21	2,710	417	1,586
Cash and cash equivalents	22	2,173	1,037	294
Total short-term receivables		21,342	2,580	1,921
Total current assets		21,342	2,580	1,921
TOTAL ASSETS		105,628	87,208	86,358

PARENT COMPANY BALANCE SHEET

CONTINUED

Amounts in SEK thousands	Note	31/12/2019	31/12/2018	01/01/2018
EQUITY AND LIABILITIES				
EQUITY				
Restricted equity				
Share capital		3,258	3,258	3,258
Fund for development expenditures		1,129	1,465	1,684
Unrestricted equity				
Share premium reserve		-	22,138	36,799
Retained earnings (including profit/loss for the year)		24,873	2,872	-5,435
Total equity		29,260	29,733	35,706
LIABILITIES				
Long-term liabilities				
Other liabilities	25	1,530	730	730
Liabilities to group companies		15,476	15,476	15,476
Total long-term liabilities		17,006	16,206	16,206
Current liabilities				
Accounts payable		718	5	146
Liabilities to group companies		56,681	40,505	33,837
Tax liabilities		465	-	-
Other liabilities	26	255	225	36
Accrued costs and deferred revenues	27	1,244	534	427
Total current liabilities		59,362	41,269	34,446
Total liabilities		76,368	57,475	50,652
TOTAL EQUITY AND LIABILITIES		105,628	87,208	86,358

PARENT COMPANY REPORT

CHANGES IN EQUITY

Amounts in SEK thousands	Restricted equity		Unrestricted equity		Total equity
	Share capital	Fund for development expenditures	Share premium reserve	Retained earnings incl. profit/loss for the year	
Opening balance 01/01/2018	3,258	1,084	36,799	-5,435	35,706
Profit/loss for the year	-	-	-	8,688	8,688
Reversal of internally generated intangible assets	-	-217	-	217	-
Internally generated intangible assets	-	598	-	-598	-
Dividends	-	-	-14,661	-	-14,661
CLOSING BALANCE 31/12/2018	3,258	1,465	22,138	2,872	29,733
Opening balance 01/01/2019	3,258	1,465	22,138	2,872	29,733
Profit/loss for the year	-	-	-	22,332	22,332
Reversal of internally generated intangible assets	-	-336	-	336	-
Dividends	-	-	-22,138	-667	-22,805
CLOSING BALANCE 31/12/2018	3,258	1,129	-	24,873	29,260

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK thousands	Note	Financial year	
		2019	2018
Cash flow from operating activities			
Operating profit		3,036	1,267
Adjustment for items which are not included in the cash flow	32	244	222
Interest received		55	-
Interest paid		-4	-
Income tax paid		-	-
Cash flow from operating activities before changes in operating capital		3,331	1,489
Cash flow from changes in operating capital			
Change in inventories		-	-
Change in current liabilities		30,629	14,518
Change in current receivables		-10,643	83
Total change in operating capital		19,986	14,601
Cash flow from operating activities		23,317	16,090
Cash flow from investment activities			
Acquisition of intangible fixed assets		-	-598
Acquisition of subsidiaries and other financial fixed assets		-176	-88
Acquisition of tangible fixed assets		-	-
Cash flow from investment activities		-176	-686
Cash flow from financing activities			
Option proceeds	34	800	-
Dividend paid to the parent company's shareholders		-22,805	-14,661
Cash flow from financing activities		-22,005	-14,661
CASH FLOW FOR THE YEAR		1,136	743
Liquid assets at the start of the year		1,037	294
Exchange difference in liquid assets		-	-
LIQUID ASSETS AT THE END OF THE YEAR		2,173	1,037
Change in cash and cash equivalents		1,136	743

NOTES

NOTE 1 GENERAL INFORMATION

Zinzino AB (publ) ("Zinzino"), org. No. 556733-1045 is a parent company registered in Sweden and based in Gothenburg with the address Hulda Mellgrens Gata 5, 421 32 Västra Frölunda, Sweden.

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

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

The main accounting principles applied when preparing the consolidated financial statements are set out below. These principles have been consistently applied to all periods presented, unless otherwise specified.

NOTE 2.1

Basis for preparation of the report

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

These consolidated financial statements have been prepared using the cost method. Historic financial information has been converted from 1 January 2018, which is the date of transition to IFRS accounting. Explanations for the transition from previously applied accounting principles to IFRS and the effects that the transition has had on statements of comprehensive profit/loss and equity are set out in Note 33.

Preparing reports in accordance with IFRS requires the application of a number of significant estimates for accounting purposes. In addition, the management is also required to make certain assessments when applying the group's accounting principles. The areas that involve a high level of assessment which are complex or those areas where the assumptions and estimates are of material importance for the consolidated financial statements are set out in Note 2.

The parent company applies RFR 2, Accounting for legal persons and the Annual Accounts Act. The application of RFR 2 means that in the interim report for the legal person, the parent company applies all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Security Act and with regard to the relationship between accounting and taxation.

At the same time as making the transition to accounting in accordance with IFRS in the consolidated financial statements, the parent company has made a transition to apply RFR 2. The transition from previously applied accounting principles to RFR 2 has not had any effects on the income statement and balance sheet, equity or cash flow for the parent company.

Preparing reports in accordance with RFR 2 requires the application of a number of significant estimates for accounting purposes. In addition, the management is also required to make certain assessments when applying the parent company's accounting principles.

The areas that involve a high level of assessment, which are complex or those areas where the assumptions and estimates are of material importance for the annual report are set out in Note 3 to the consolidated financial statements.

Items affecting comparability

Items affecting comparability are reported separately in the financial statements when this is necessary to explain the group's results. "Items affecting comparability" means significant revenue or expense items that are reported separately due to the significance of their nature or amount.

The parent company applies different accounting principles to the group in the cases specified below:

Formats

The income statement and balance sheet follow the format of the Annual Accounts Act. The statement of changes in equity also follows the group's format but must include the columns specified in the Annual Accounts Act. In addition, this means that there is a difference in terms compared with the consolidated financial statements, mainly regarding financial income and expenses and equity.

Shares in subsidiaries

Shares in subsidiaries are reported at acquisition value less any write-downs. The acquisition value includes acquisition-related costs and any additional consideration. When there is an indication that shares in subsidiaries have reduced in value, a calculation of the recoverable value is made. If this is lower than the reported value, a write-down is carried out. Write-downs are reported in the item "Profit/loss from shares in group companies".

Financial instruments

IFRS 9 is not applied in the parent company. Instead, the parent company applies the points set out in RFR 2 (IFRS 9 Financial Instruments, p. 3-10). Financial instruments are valued at acquisition value. In subsequent periods, financial assets acquired with the intention of being held in the short term will be reported according to the lowest value principle at the lower of acquisition value and market value.

When calculating the net sales value of receivables recognised as current assets, the principles for impairment testing and loss-risk provisions in IFRS 9 are applied. For a receivable that is reported at amortised cost at group level, this means that the loss-risk provision that is recognised in the group in accordance with IFRS 9 should also be included in the parent company.

NOTE 2.1.1

New and amended standards published but not yet in force

None of the IFRS or IFRIC interpretations published but not yet in force is expected to have a material impact on the group.

NOTE 2.2

Consolidated financial statements

NOTE 2.2.1

Basic accounting principles

Subsidiaries

Subsidiaries are all companies over which the group has controlling influence. The group controls a company when it is exposed to, or has the right to, variable returns from its holding in the company and is able to influence the return through its influence in the company. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases.

The cost method is used for accounting for the group's business combinations. The purchase price for the acquisition of a subsidiary is the fair value of the assets transferred, liabilities that the group incurs to previous owners of the acquired company and the shares issued by the group. The purchase price also includes the fair value of all liabilities that result from an agreement on contingent consideration. Identifiable acquired assets and liabilities assumed in a business combination are initially valued at fair values on the acquisition date. For each acquisition, i.e. acquisition by acquisition, the group determines whether non-controlling holding in the acquired entity is reported at fair value or at the holding's proportional share in the reported value of the identifiable assets of the acquired entity.

Acquisition-related costs are expensed when they arise and are reported in the item "Other operating expenses" in the consolidated statement of comprehensive profit/loss.

Goodwill is initially valued as the amount by which the total purchase price and any fair value for non-controlling interests on the acquisition date exceed the fair value of identifiable acquired net assets. If the purchase price is less than the fair value of the acquired company's net assets, the difference is reported directly in profit/loss for the period.

Intercompany transactions, balance sheet items, income and expenses on transactions between group companies are eliminated. Gains and losses resulting from intercompany transactions that are reported in assets are also eliminated. The accounting principles for subsidiaries have been changed, where appropriate, to ensure consistent application of the group's principles.

NOTE 2.3

Segment reporting

A business segment is part of a company which carries out business activities from which it can obtain revenue and incur costs, the contribution of which is regularly reviewed by the

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

The strategic steering group assesses the operations based on the two business segments Zinzino and Faun. The steering group mainly uses adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the business segment profit/loss.

NOTE 2.4

Translation of foreign currency

NOTE 2.4.1

Functional currency and reporting currency

The different entities in the group have the local currency as the functional currency, where the local currency is defined as the currency used in the primary economic environment where the respective entity is mainly active. The consolidated financial statements use Swedish kronor (SEK), which is the parent company's functional currency and the group's reporting currency.

NOTE 2.4.2

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rates that apply on the transaction date. Exchange rate gains and losses arising from the payment of such transactions and the translation of monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are reported in the operating profit of the statement of comprehensive profit/loss.

Foreign exchange gains and losses related to loans and liquid assets are recognised in the statement of comprehensive profit/loss as financial income or expenses. All other exchange rate gains and losses are reported in the item "External operating expenses" and "Other income" in the statement of comprehensive profit/loss.

NOTE 2.4.3

Translation of foreign group companies

The profit/loss and financial position of all group companies that have a functional currency that is different from the reporting currency are translated into the group's reporting currency. Assets and liabilities for each of the balance sheets are translated from the functional currency of the foreign operation to the group's reporting currency, Swedish kronor, at the exchange rate on the balance sheet date. Revenue and expenses for each of the income statements are translated into Swedish kronor at the average rate at the time of each transaction. Translation differences arising from currency translation of foreign operations are reported in other comprehensive income. Accumulated gains and losses are reported in profit/loss for the period when the foreign operation is sold in whole or in part.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of these operations and are translated at the rate on the balance sheet date.

NOTE 2.5

Revenue recognition

The group's principles for reporting revenue from contracts with customers are shown below.

NOTE 2.5.1

Sales of goods

The group manufactures and sells goods within the two business segments Zinzino and Faun. Zinzino is the main business of the group which in turn has two product areas: Zinzino Health with the product groups Balance, Weight control, Immune Supplements and Skin Care as well as Beverages in which Zinzino's coffee products are included.

The business segment Zinzino also includes other revenues that are consistent with the sales above and comprise freight revenues, event revenues and reminder fees. All sales within the business segment Zinzino are made via direct sales. This means that Zinzino does not have any dealers or intermediaries but sells directly to the end customer. Sales are also made to the group's independent distributors according to the same model.

Net sales have, where appropriate, been reduced by the value of discounts and goods returned. Revenue from sales is recognised when the control of the goods is transferred and there are no unfulfilled commitments that can affect the customer's approval of the goods. Delivery is made when the goods have been transported to the specific location, the risks of obsolete or lost goods have been transferred to the customer and the customer has either accepted the goods in accordance with the contract, the time-period for objections to the contract has expired or the group has objective evidence to show that all acceptance criteria have been met. No financing component is deemed to exist at the time of sale. The goods are often sold with volume discounts based on accumulated sales over a 12-month period. Revenue from the sale of the goods is reported based on the price in the agreement, less calculated volume discounts. Historical data is used to estimate the expected value of the discounts and revenue is reported only to the extent that it is very likely that a significant reversal will not occur. A liability (which is included in the item Accrued costs and deferred revenues) is reported for expected volume discounts in relation to sales up to the balance sheet date. A receivable is recognised when the goods have been delivered, as this is the time when the compensation becomes unconditional (i.e. only the passage of time is required for payment to be made). Revenue from the sale of freight and other revenue is reported according to the same principle.

The parent company's reported net sales refer to revenues from the sale of services to subsidiaries in the group and are reported in the period in which the services are delivered.

The same principle applies to the Faun business segment, sales are recognised when the control of the goods is transferred to the customer and on the other conditions as above.

NOTE 2.5.2

Interest revenues

Interest revenues are recognised with the application of the effective interest method.

NOTE 2.6

Leasing

The group leases premises, vehicles, product equipment, telephone switchboard and office supplies. The leases are reported as rights of use and an equivalent liability on the date on which the leased asset is available for use by the group.

Each leasing payment is divided between the amortisation of the debt and the financial cost. The financial cost must be distributed over the leasing period so that each accounting period is charged with an amount equal to a fixed interest rate for the liability in each period. The right of use is amortised on a linear basis over the shorter of the asset's useful life and the duration of the lease.

Assets and liabilities arising from leases are initially reported at present value. Since this is the first IFRS report, all rights of use have been valued at the value of the leasing liability, with adjustment for prepaid leasing fees attributable to the contracts as at 1 January 2018.

Leasing liabilities include the present value of the following leasing payments:

- fixed fees
- variable leasing fees based on an index

Leasing payments are discounted at the marginal loan rate of 2.75%.

Assets with rights of use are valued at acquisition value and include the following:

- the initial valuation of the leasing liability,
- payments made at or before the time when the leased asset is made available to the lessee,

Leases of lesser value are expensed on a linear basis in the statement of comprehensive income.

Options to renew or terminate leases.

The majority of the group's leases related to properties include options to renew the lease. Terms used to maximise flexibility in managing leases.

In order to optimise the leasing costs during the lease period regarding the rental of machines, the group guarantees the residual value.

NOTE 2.7

Employee benefits

NOTE 2.7.1

Current benefits

Liabilities for salaries and remuneration, including non-monetary benefits and paid absences, which are expected to be settled within 12 months after the end of the accounting year, are reported as current liabilities at the undiscounted amount expected to be paid when the liabilities are settled. The cost is recognised as the services are performed by the employees. The liability is recognised as an obligation related to employee benefits in the statement of financial position.

NOTE 2.7.2

Post-employment benefits

The group companies only have defined contribution pension plans. A defined contribution pension plan is a pension plan where the group pays fixed fees to a separate legal entity. The group does not have any legal or constructive obligations to pay any additional fees if this legal entity does not have sufficient assets to pay all employee benefits associated with the employee's service during current or previous periods. The fees are recognised as an expense in the profit/loss for the period as they are earned by the employee providing services to the company during the period.

NOTE 2.8

Current and deferred income tax

The tax expense for the period includes current and deferred tax. Tax is recognised in the statement of comprehensive income, except when the tax relates to items recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income and equity. Current tax is calculated on the taxable profit for the period according to the applicable tax rate. The current tax expense is calculated on the basis of the fiscal rules decided or effectively decided on the balance sheet date in the countries in which the parent company and its subsidiaries operate and generate taxable income. The management regularly evaluates the claims made in tax returns in respect of situations where the applicable taxation rules are subject to interpretation. When the management deems it appropriate, it makes provisions for amounts likely to be paid to the tax authorities.

Deferred tax is reported on all temporary differences arising between the tax value of assets and liabilities and their reported amounts in the consolidated financial statements. However, deferred tax liability is not recognised if it arises as a result of the initial recognition of goodwill. Deferred tax is also not recognised if it arises as a result of a transaction which constitutes the initial recognition of an asset or liability that is not a business combination and which, at the time of the transaction, does not affect the reported or taxable profit/loss. Deferred income tax is calculated on the basis of tax rates (and tax laws) that have been decided or announced at the balance sheet date and are expected to apply when the affected deferred tax asset is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that there will be future tax surpluses available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes charged by the same tax authority and relate to either the same tax entity or different tax entities, where there is an intention to settle the balances through net payments.

NOTE 2.9

Intangible assets

NOTE 2.9.1

Goodwill

Goodwill arises when subsidiaries are acquired and refers to the amount of the purchase price, any non-controlling interest in the acquired company and the fair value on the acquisition date of the previous equity interest in the acquired company which exceeds the fair value of identifiable acquired net assets. If the amount is less than the fair value of the acquired subsidiary's net assets, in the event of an acquisition at a low price, the difference is recognised directly in the statement of comprehensive income.

In order to test the need for write-downs, goodwill acquired in a business combination is allocated to cash-generating entities or groups of cash-generating entities that are expected to benefit from synergies from the acquisition. Each entity or group of entities to which goodwill has been allocated corresponds to the lowest level of the group on which the goodwill in question is monitored in the internal control. Goodwill is monitored at the business segment level.

Goodwill tested for impairment annually or more frequently if events or changes in conditions indicate a possible impairment. The reported value of the cash-generating entity to which the goodwill is attributed is compared with the recoverable value, which is the higher of the value in use and the fair value less the selling expenses. Any impairment is recognised immediately as an expense and is not reversed.

NOTE 2.9.2

Other intangible assets

Other intangible assets consist of the sub-items software, patent, Brand Book and other marketing material. The accounting policies for these sub-items are shown below.

Capitalised expenditure for development work

Costs for maintenance are expensed when they arise. Development costs that are directly attributable to software development, Brand Book and other market materials controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically possible to finalise them so that they can be used,
- the company's intention is to finalise them and to use or sell them,
- there are conditions to use or sell them, it can be shown how they generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell them are available, and
- the expenditure related to them during their development can be measured reliably.

Directly attributable expenses that are capitalised as part of development work include expenditure on employees and external consultants.

Other development costs which do not meet these criteria are expensed when they arise. Development costs that were previously expensed are not reported as assets in the subsequent period.

Capitalised development costs are reported as intangible assets and amortised from the time when the asset is ready for use.

Patents

Patents acquired separately are reported at acquisition value. Patents have a definite useful life and are reported at acquisition value less accumulated amortisation and write-downs. The estimated useful life amounts to 5 years, which corresponds to the estimated time they will generate cash flow.

Software

Software that was acquired separately is reported at acquisition value. The software is recognised in subsequent periods at cost less accumulated amortisation and write-downs. The estimated useful life amounts to 3-5 years, which corresponds to the estimated time they will generate cash flow.

Useful lives of the group's intangible assets

Capitalised expenditure for development work	3-5 years
Patent	5 years
Software	3-5 years

NOTE 2.10

Intangible fixed assets

Tangible fixed assets are reported at acquisition value less depreciation and any write-downs. The acquisition value includes expenditure directly attributable to the acquisition of the asset and putting it into place and into a condition to be used in accordance with the purpose of the acquisition.

Additional expenditure is added to the reported value of the asset or is recognised as a separate asset, as appropriate, only when it is probable that the future financial benefits to the group associated with the asset and the acquisition value of the asset can be measured reliably. The acquisition value of a replaced part is removed from the balance sheet. All other forms of repairs and maintenance are recognised as expenses in the statement of comprehensive income during the period in which they arise.

Depreciation of assets, in order to allocate their acquisition value down to the estimated residual value over the estimated useful life. For tangible fixed assets held under financial leases, depreciation is carried out over the shorter of the useful life or leasing period.

The useful life periods are as follows:

Equipment, tools and installations 5 years

The residual and useful lives of the assets are tested at the end of each reporting period and adjusted as necessary.

See the accounting principles for leasing above for the amortisation periods for rights-of-use assets. The reported value of an asset is immediately written down to its recoverable amount if the reported value of the asset exceeds its estimated recoverable amount.

Gains and losses on the disposal of an item of a tangible fixed asset are determined by comparing the sales revenue and the carrying amount and are recognised in the items "Other operating revenues" and "Other operating costs" in the statement of comprehensive income.

NOTE 2.11

Write-downs of non-financial assets

Intangible assets that have an indefinite useful life (goodwill) or intangible assets that are not ready for use (capitalised expenditure for development work) are not amortised but are tested annually for the need for any write-downs. Assets that are amortised are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

A write-down is done by the amount that the asset's reported value exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less the selling costs and its value in use. When assessing the need for write-downs, assets are grouped at the lowest levels where there are essentially independent cash flows (cash-generating entities). For assets (other than goodwill) that have previously been written down at every balance sheet date, there should be a review of whether a reversal should be made.

NOTE 2.12

Financial instruments

NOTE 2.12.1

Initial recognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual terms of the instrument. The purchase and sale of financial assets are reported on the trade date, the date on which the group commits to buy or sell the asset.

Financial instruments are reported at the time of initial recognition at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial asset or financial liability, such as fees and commissions.

NOTE 2.12.2

Classification

The group classifies its financial assets and liabilities in the amortised cost category.

Financial assets at amortised cost

The classification of investments in debt instruments depends on the group's business model for managing financial assets and the contractual terms for the cash flows of the assets. The group only reclassifies debt instruments in cases where the group's business model for the instruments changes.

Assets held for the purpose of collecting contractual cash flows and where these cash flows are only capital amounts and interest are valued at amortised cost. The carrying amount of these assets is adjusted with any expected credit losses reported (see write-down below). Interest revenue from these financial assets is reported using the effective interest method and is included in financial income.

The group's financial assets that are valued at amortised cost are comprised of the items other long-term receivables, customer receivables, other receivables, accrued revenue and cash and cash equivalents.

Financial liabilities at amortised cost

The group's financial liabilities are classified as subsequently valued at amortised cost using the effective interest method. Financial liabilities consists of long-term and current leasing liabilities, other long-term liabilities, accounts payable and current liabilities.

NOTE 2.12.3

Reversal of financial instruments

Reversal of financial assets

Financial assets, or a part of them, are removed from the statement of financial position when the contractual rights to receive cash flows from the assets have expired or have been transferred and either (i) the group transfers essentially all risks and benefits associated with ownership or (ii) the group does not transfer or retains essentially all the risks and benefits associated with ownership and the group has not retained control of the asset.

Reversal of financial liabilities

Financial liabilities are removed from the statement of financial position when the obligations have been settled, cancelled or otherwise terminated. The difference between the reported value of a financial liability (or part of a financial liability) that has been extinguished or transferred to another party and the consideration paid, including any transferred assets that are not cash or liabilities that have been assumed are reported in the statement of comprehensive income.

Where the terms of a financial liability are renegotiated, and not derecognised from the statement of financial position, a gain or loss is reported in the statement of comprehensive income. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

NOTE 2.12.4

Settlement of financial instruments

Financial assets and liabilities are only offset and accounted for with a net amount in the statement of financial position when there is a legal right to offset the amounts reported and an intention to settle them by a net amount or at the same time to realise the asset and settle the debt. The legal right may not depend on future events and it must be legally binding on the company and the counterparty in both the normal business and in cases of suspension of payments, insolvency or bankruptcy.

NOTE 2.12.5

Write-downs of financial assets

Assets recognised at amortised acquisition value
The group assesses the future expected loan losses that are linked to assets recognised at amortised acquisition value. The group reports a credit reserve for such expected credit losses at each reporting date. For account receivables, the group applies the simplified approach to the credit reserve, i.e. the reserve will correspond to the expected loss over the entire life of the account receivable. To measure the expected credit losses, customer receivables have been grouped based on allocated credit risk properties and overdue days. The group uses forward-looking variables for expected loan losses. Expected credit losses are reported in the group's statement of comprehensive profit/loss in the item "Other external expenses".

NOTE 2.13

Inventories

The acquisition value of inventories is calculated by applying the first in, first out (FIFO) method and includes expenses incurred in the acquisition of inventory assets and to get them to their current location and in their current state.

NOTE 2.14

Accounts receivable

Accounts receivable are amounts attributable to customers in respect of goods or services sold which are carried out in the operating activities. Accounts receivable are classified as current assets. Accounts receivable are initially reported at the transaction price. The group holds accounts receivable for the purpose of collecting contractual cash flows so they are valued at the subsequent accounting dates at amortised acquisition value applying the effective interest method.

NOTE 2.15

Cash and cash equivalents

Cash and cash equivalents include both the statement of financial position and the statement of cash flows, cash and bank balances.

NOTE 2.16

Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issuance of new ordinary shares are recognised, net after tax, in equity as a deduction from the proceeds.

NOTE 2.17

Accounts payable

Accounts payable are financial instruments and relate to obligations to pay for goods and services that have been acquired in the operating activities from suppliers. Accounts payable are classified as current liabilities if they fall due within one year. If not, they are reported as long-term liabilities.

Liabilities are initially recognised at fair value and subsequently at amortised acquisition value using the effective interest method.

NOTE 2.18

Cash flow analysis

The cash flow statement is prepared using the indirect method. The reported cash flow only includes transactions that involve cash payments.

NOTE 2.19

Earnings per share

(i) Earnings per share before dilution

Earnings per share before dilution are calculated by dividing:

- earnings attributable to the parent company's shareholders
- by a weighted average number of outstanding ordinary shares during the period.

(ii) Earnings per share after dilution

To calculate earnings per share after dilution, the amounts used to calculate earnings per share before dilution are adjusted by taking into account:

- the effect after tax of dividends and interest expenses on potential ordinary shares, and
- the weighted average of the additional ordinary shares that would have been outstanding in the event of a conversion of all potential ordinary shares.

NOTE 2.20

Dividends

The dividend to parent company shareholders is recognised as a liability in the group's financial statements in the period when the dividend is approved by the parent company's shareholders.

NOTE 3 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

Financial risk factors

Through its operations, the group is exposed to a variety of financial risks such as various market risks, credit risk, liquidity risk and refinancing risk.

The group strives to minimise potential adverse effects on the group's financial results. The objective of the group's financial operations is to:

- ensure that the group can fulfil its payment obligations;
- manage financial risks;
- ensure access to the necessary funding; and
- optimise the group's net interest income/expense.

The group's risk management is managed by a central finance department that identifies, evaluates and hedges financial risks in close cooperation with the group's operating units.

Responsibility for managing the group's financial transactions and risks is centralised in Zinzino Nordic and the Parent Company.

(a) Market risk

Currency risk is the risk of fluctuations in the value of a financial instrument due to changes in exchange rates. This risk is related to changes in expected and contracted payment flows (transaction exposure) and revaluation of assets and liabilities in foreign currency (translation exposure). Zinzino is a global company with sales in approximately 35 markets. This means that the company is affected by fluctuations in exchange rates. The goal is to minimise the impact of these changes where practicable. The biggest impact is changes in EUR, USD, DKK and NOK.

Transaction exposure

Transaction exposure arises mainly in the purchase of goods, primarily in EUR, USD, DKK and NOK, and in transactions between Zinzino Nordic and the group's sales companies and local VAT registrations in other countries. These, in turn, sell the products to their customers in the local market, usually in the local currency. In some countries, there may be transaction exposure due to sales to external customers in other currencies than the local one. Currency exposure and risk are significantly reduced by the fact that purchases and sales in foreign currency can be largely netted against each other.

If the Swedish krona had weakened/strengthened by 5% in relation to other currencies, with all other variables constant, the recalculated profit after tax for the financial year 2019 would have been SEK 2,779,000 lower/higher (2018: SEK 4,748,000) as a result of the group's net flows in foreign currency. No hedging of net flows occurs.

Translation exposure

The consolidated financial statements are also affected by translation effects when translating assets and liabilities in foreign currency at the closing date. In 2019, these translation effects did not have any significant impact on the group's earnings.

Effect of transaction exposure on operating profit of a 5% weaker SEK



Net currency flows SEK (thousands)	2019	2018
CHF	7,911	3,835
DKK	37,834	37,211
EUR	102,664	52,521
ISK	8,758	13,201
NOK	-68,392	16,050
PLN	5,442	1,858
USD	-40,120	-28,724
Other*	1,483	-988

*Consists of 9 different currencies

(b) Credit risk

Credit risk is managed at group level, with the exception of credit risk regarding outstanding accounts receivable. Zinzino's business model is based on prepayments, which eliminates credit risk related to accounts receivable. The accounts receivable in the group are allocated entirely to the production unit Faun Pharma, which is responsible for monitoring and analysing the credit risk for each new customer. Individual risk limits are determined based on internal or external credit assessments in accordance with the limits set by the board of directors. The use of credit limits is regularly monitored by the group's central finance department. No credit limits were exceeded during the reporting period and management does not expect any losses as a result of non-payment by these counterparties. The group's calculation of expected loan losses on accounts receivable come to insignificant amounts and thus no adjustment has been made in the accounts.

(c) Liquidity risk

Through careful liquidity management, the group ensures that sufficient cash is available to meet the needs of operating activities. Management follows rolling forecasts for the group's liquidity reserve (including unutilised credit facilities) and cash and cash equivalents based on expected cash flows. The analysis is performed by the group's central finance department. The group's good cash flow combined with the lack of liabilities to credit institutions and unutilised credit facilities of SEK 15 million will ensure the group's liquidity for a long time to come.

(d) Refinancing risk

Refinancing risk is defined as the risk of difficulties arising in refinancing the group, that financing cannot be obtained, or that it can only be obtained at increased costs. The risk is limited by the group's good cash flow from operating activities and liquid reserves.

As of 1 January 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Reported value
Financial liabilities							
Leasing liabilities	92	1,701	559	12,423	25,577	43,663	40,351
Accounts payable	18,621	-	-	-	-	18,621	18,621
Other liabilities	52,077	-	-	-	-	52,077	52,077
Accrued expenses	9,333	-	-	-	-	9,333	9,333
TOTAL	80,123	1,701	559	12,423	25,577	123,694	120,382

As of 31 December 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Reported value
Financial liabilities							
Leasing liabilities	36	190	437	36,748	12,822	53,545	50,233
Accounts payable	30,029	-	-	-	-	30,029	30,029
Other liabilities	65,458	-	-	-	-	65,458	65,458
Accrued expenses	8,120	-	-	-	-	8,120	8,120
TOTAL	103,643	190	437	36,748	12,822	157,152	153,840

As of 31 December 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total contractual cash flows	Reported value
Financial liabilities							
Leasing liabilities	30	189	2,522	9,334	31,741	44,854	43,817
Accounts payable	35,658	-	-	-	-	35,658	35,658
Other liabilities	94,033	-	-	-	-	94,033	94,033
Accrued expenses	14,331	-	-	-	-	14,331	14,331
TOTAL	144,052	189	2,522	9,334	31,741	188,876	187,839

NOTE 4 SEGMENT INFORMATION

Description of segments and main activities:

A business segment is part of a company which carries out business activities from which it can obtain revenue and incur costs, the contribution of which is regularly reviewed by the company's highest executive decision-maker, and for which there is independent financial information. The company's reporting of business segments is in line with the internal reporting to the highest executive decision-maker. The highest executive decision-maker is the position that assesses the earnings of the business segment and decides on the allocation of resources. The CEO is the highest executive decision-maker together with the group CFO and the controller manager. Together, they form the strategic steering group at Zinzino.

The strategic steering group assesses the operations based on the two business segments Zinzino and Faun. The steering group mainly uses profit/loss before financial items in the assessment of business segment earnings.

Segment reporting is divided based on the main segment of the business "Zinzino", which includes the product areas Health, Coffee and Other revenue. The product area Health includes the sub-areas of Balance, Immune & Brain, SkinCare and Weight Control. The product area Coffee is also called Beverages and includes espresso machines, coffees, teas and accessories. The other revenue consists mainly of freight and reminder fees.

All sales are made via the Zinzino's website www.zinzino.com with the help of the company's independent sales organisation, which goes under the names of distributors or partners.

The second segment refers to the Norwegian production unit Faun Pharma AS, known as "Faun", which conducts production and sales to external customers that are not subject to Zinzino's standard sales concept. Sales from Faun comprise exclusively contract production of food supplements to different customers. The largest external customers include Life and Protein-fabrikken AS.

Segment revenues and earnings

Total revenues and earnings before financial items is the result metric reported to the strategic steering group at Zinzino. An analysis of the group's revenues and earnings for the two reporting operating segments is set out below:

Zinzino

Faun

The strategic steering group mainly uses adjusted earnings before interest and tax and operating earnings (see below) to assess the business segment profit/loss.

Jan-Dec 2019	Zinzino	Faun	Group elimination	Total Group
Segment information				
Net sales	665,113	101,111	-55,447	710,777
Other revenue	57,116	-	-	57,116
Own work capitalised	2,662	-	-	2,662
Goods for resale and other direct costs	-525,294	-68,406	55,447	-538,252
Gross profit	199,598	32,705	-	232,303
External operating expenses	-109,977	-5,829	-	-115,806
Personnel costs	-64,194	-18,774	-	-82,968
EBITDA	25,427	8,102	-	33,530
Depreciation/amortisation	-13,775	-4,976	-	-18,751
Operating profit	11,652	3,126	-	14,778
Jan-Dec 2018	Zinzino	Faun	Group elimination	Total Group
Segment information				
Net sales	469,382	92,906	-29,355	532,932
Other revenue	42,505	-	-	42,505
Own work capitalised	1,176	-	-	1,176
Goods for resale and other direct costs	-357,825	-65,346	29,355	-393,816
Gross profit	155,238	27,559	-	182,797
External operating expenses	-81,325	-5,598	-	-86,923
Personnel costs	-53,933	-18,237	-	-72,170
EBITDA	19,980	3,724	-	23,704
Depreciation/amortisation	-12,482	-4,816	-	-17,298
Operating profit	7,498	-1,092	-	6,406

NOTE 5 NET TURNOVER

Net turnover is broken down by country, based on where the customers are located. Sales are recognised as revenue when control of the goods is transferred, which occurs when the risk is transferred according to the applicable delivery terms. All contracts have an original expected term of no more than one year. In accordance with the rules in IFRS 15, no disclosure has been made of the transaction price for these unfulfilled obligations. The company's contractual liabilities are specified in Note 27 and amount to SEK 35,931,000.

Net turnover is broken down by country as follows:	Group		Parent company	
	2019	2018	2019	2018
Sweden	116,159	102,805	7,670	5,371
Hungary	76,460	19,454	-	-
Germany	56,095	25,671	-	-
Norway	119,441	128,905	-	-
Finland	58,936	67,351	-	-
Denmark	76,960	66,877	-	-
All other countries	206,726	121,869	-	-
TOTAL	710,777	532,932	7,670	5,371

NOTE 6 REMUNERATION TO AUDITORS

	Group		Parent company	
	2019	2018	2019	2018
PricewaterhouseCoopers AB				
Audit assignment	977	987	434	300
Auditing work beyond the auditing assignment	-	7	-	-
Other services	167	-	167	-
SIA Potapoviča un Andersone (LET)				
Auditing work beyond the auditing assignment	-	12	-	-
TOTAL	1,144	1,006	601	300

NOTE 7

REMUNERATION TO EMPLOYEES

	Group		Parent company	
	2019	2018	2019	2018
Salaries and other compensation	63,146	56,280	-	-
Social security contributions	13,585	11,040	-	-
Pension costs - defined contribution plans	4,025	3,574	-	-
Total	80,756	70,894	-	-

Salaries and other compensation as well as social security contributions	2019			2018		
	Salaries and other compensation (of which bonuses)	Social security costs (of which pension costs)		Salaries and other compensation (of which bonuses)	Social security costs (of which pension costs)	
<i>Parent company</i>						
Board members, CEOs and other senior executives	-	-	-	-	-	-
Other employees	-	-	-	-	-	-
<i>Group companies</i>						
Board members, CEOs and other senior executives	10,237	5,518	(1,403)	8,049	4,653	(1,297)
Of which bonuses	1,086	203	(-)	768	147	(-)
Other employees	52,908	12,091	(2,622)	48,231	9,960	(2,277)
Group total	63,145	17,609	(4,025)	56,280	14,614	(3,574)

Average number of employees by geographical breakdown by country	2019		2018	
	Average number	Of which men	Average number	Of which men
<i>Parent company</i>				
	-	-	-	-
<i>Group companies</i>				
Sweden	91	29	82	25
Norway	28	21	31	17
Finland	2	-	2	-
Latvia	6	3	5	3
Germany	1	1	1	1
USA	4	1	4	-
Australia	2	1	-	-
Group total	134	56	125	46

Employees in Sweden receive their salaries paid through the subsidiary Zinzino Nordic AB

Gender distribution in the group (including subsidiaries) for board members and other senior executives	2019		2018	
	Number on the balance sheet date	Of which men	Number on the balance sheet date	Of which men
<i>Parent company</i>				
Members of the board of directors	4	3	4	3
CEOs and other senior executives	8	6	8	6
<i>Group companies</i>				
Members of the board of directors	44	42	39	37
CEOs and other senior executives	10	8	10	8
Group total	54	50	49	45

Compensation and other benefits 2019	Base salary/ Board fees	Variable compensation	Other benefits	Pension costs	Consultant fees	Total
Board chair Hans Jacobsson	186	-	-	-	-	186
Board member Staffan Hillberg	106	-	-	-	-	106
Board member Pierre Mårtensson	106	-	-	-	-	106
Board member Ingela Nordenhav*	63	-	-	-	-	63
Board member Gabriele Helmer*	43	-	-	-	-	43
CEO Dag Bergheim Pettersen	1,985	796	137	309	-	3,227
Other senior executives (8 persons **)	6,267	290	380	1,094	-	8,032
Total	8,756	1,086	517	1,403	-	11,762

* Not present full year 2019

** Of which one not present full year 2019

Compensation and other benefits 2018	Base salary/ Board fees	Variable compensation	Other benefits	Pension costs	Consultant fees	Total
Board chair Hans Jacobsson	181	-	-	-	-	181
Board member Staffan Hillberg	103	-	-	-	-	103
Board member Pierre Mårtensson	103	-	-	-	126	229
Board member Ingela Nordenhav	-	-	-	-	-	-
Board member Gabriele Helmer	103	-	-	-	-	103
CEO Dag Bergheim Pettersen	1,988	541	185	606	-	3,320
Other senior executives (7 persons)	4,506	227	310	691	-	5,734
Total	6,984	768	495	1,297	126	9,670

Board member Pierre Mårtensson has, in addition to board fees, received SEK 0 (2018: SEK 126,000) for market analysis and strategy work in Asia for Zinzino AB.

Other benefits include company cars, urban tolls and fuel.

Guidelines

Fees are paid to the board chair and members of the board as approved by the annual general meeting 22/05/2019, at SEK 190,000/year to the board chair and SEK 108,000/year to other members. For other members of the board who receive their salary through employment in any group company, board fees have not been paid.

As regards remuneration to the management, the general meetings will decide on the following guidelines. Remuneration to the CEO and other senior executives will consist of base salary, variable compensation, other benefits, pensions, etc. Other senior executives refer to the 7 persons who together with the CEO constitute the group management.

The distribution between fixed and variable compensation shall be proportionate to the responsibilities and powers of the executive. For the CEO, the variable compensation is maximised at 50% of the base salary. For other senior executives, variable compensation is maximised at 8.3% of the base salary. The variable compensation is based on the outcome regarding individually set goals.

Pension benefits as well as other benefits to the CEO and other senior executives are paid as part of the total remuneration.

Pension

- The retirement age for the CEO is 65 years. The pension premium shall amount to a maximum of 30% of the pensionable salary. Pensionable salary refers to the base salary. For other senior executives, the retirement age is also 65 years.
- The pension agreement states that the pension premium shall amount to a maximum of 30% of the pensionable salary.
- No pension commitments have been made for board members who do not have permanent employment in any group company.

Termination

A mutual notice period of 6 months applies between the company and the CEO. In the event of termination by the company, the salary is paid for 6 months even if the CEO is exempted from work.

A mutual notice period of 3 months applies between the company and other senior executives.

NOTE 8 OTHER OPERATING REVENUES

	Group		Parent company	
	2019	2018	2019	2018
Freight revenue	46,751	38,916	-	-
Service and reminder fees	2,772	3,354	-	-
Reimbursement of establishment costs Australia	2,358	-	2,358	-
Capitalisation own work	2,661	1,176	-	-
Other revenue	5,235	236	1	11
Total	59,778	43,681	2,359	11

NOTE 9 OTHER OPERATING COSTS

	Group		Parent company	
	2019	2018	2019	2018
Currency exchange rate losses	-	-1,557	-	-
Total	-	-1,557	-	-

NOTE 10 FINANCIAL INCOME AND FINANCIAL EXPENSES

	Group		Parent company	
	2019	2018	2019	2018
Interest revenues	61	71	55	-
Interest expenses for leasing liabilities and other financial expenses	-954	-821	-4	-
Currency exchange rate losses	-	-	-91	-
Anticipated dividend group companies	-	-	19,982	7,700
Financial items - net	-893	-750	19,942	7,700

NOTE 11 INCOME TAX

	Note	Group		Parent company	
		2019	2018	2019	2018
Current tax					
Current tax on profit for the year		-3,269	-723	-646	-279
Adjustments for previous years		-	-	-	-
Total current tax		-3,269	-723	-646	-279
Deferred tax					
	24				
Origination and reversal of temporary differences		685	-271	-	-
Total deferred tax		685	-271	-	-
Total income tax		-2,584	-994	-646	-279

The income tax on the group's profit before tax differs from the theoretical amount that would have been obtained when using the Swedish tax rate for the profit of the consolidated companies as follows:

		Group		Parent company	
		2019	2018	2019	2018
Profit/loss before tax					
Income tax calculated according to tax rate in Sweden (2019: 21.4%, 2018: 22%)		13,886	5,656	22,978	8,967
Tax effects of:					
Effect of non-valued loss carryforwards		448	-	-	-
Non-taxable revenue		-	-	4,276	1,694
Non-deductible expenses		-170	-42	-5	-
Effect of foreign tax rates		12	279	-	-
Other		98	13	-	-
Income tax		-2,584	-994	-646	-279

The weighted average tax rate for the group was 19% (2018: 17%). In 2018, it was decided that the corporate tax rate in Sweden should be reduced in two steps. The corporate tax rate was lowered from 22.0 percent to 21.4 percent for the financial year beginning 1 January 2019 or later. In the next step, the corporate tax rate will be lowered to 20.6 percent from the financial year beginning 1 January 2021.

NOTE 12 EXCHANGE RATE DIFFERENCES - NET

Exchange rate differences have been reported in the statement of comprehensive profit/loss as follows:

	Note	Group		Parent company	
		2019	2018	2019	2018
Other operating revenues	8	1,017	-	-	11
Other operating costs	9	-	-1,557	-	-
Financial items - net	10	-	-	-91	-
Total		1,017	-1,557	-91	11

NOTE 13 INVESTMENTS IN SUBSIDIARIES

The group had the following subsidiaries on 31 December 2019

Name of subsidiary	Share in %	Share of voting rights in %	Org. No.	Headquarters	Book value		
					31/12/2019	31/12/2018	31/12/2017
Zinzino Nordic AB	93%	93%	556646-5893	Gothenburg	20,807	20,806	20,717
Zinzino OÜ	100%	100%	12057494	Tallinn	-	-	-
Zinzino UAB	100%	100%	302606327	Vilnius	26	26	26
Zinzino SIA	100%	100%	40103529390	Riga	25	25	25
Zinzino Ehf	100%	100%	580511-0660	Reykjavik	28	28	28
Zinzino LLC	100%	100%	90-0992153	Jupiter, FL	-	-	-
Zinzino B.V.	100%	100%	854221712	The Hague	-	-	-
Zinzino Sp z o. o.	100%	100%	701-04-26-537	Warsaw	8	8	8
Faun Pharma AS	99%	99%	883370112	Vestby	11,653	11,653	11,653
BioActive Foods AS	100%	100%	996740498	Vestby	50,203	50,203	50,203
Zinzino Canada Corp	100%	100%	817988520BC0001	Vancouver, BC	-	-	-
Zinzino GmbH	100%	100%	127/143/40172	Linau am Bodensee	233	233	233
Zinzino Direct Sales S.R.L.	100%	100%	RO38081630	Bucharest	-	-	-
Zinzino Italia S.R.L.	100%	100%	PT-194277	Pistoia	104	-	-
Zinzino India	100%	100%	U74999D-L2018FTC341732	New Delhi	70	-	-
					83,157	82,982	82,893

Subsidiaries wholly owned by Zinzino Nordic AB

Specification of subsidiary	Share in %	Share of voting rights in %	Org. No.	Headquarters
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
2 Think	100%	100%	556667-3983	Gothenburg

NOTE 14

INTANGIBLE FIXED ASSETS

All tangible fixed assets in the Group are found in Zinzino Nordic, Faun Pharma, BioActive Foods and Zinzino LLC.

	Group		Parent company	
	Equipment, tools and installations	Total	Equipment, tools and installations	Total
As of 1 January 2018				
Acquisition value	7,097	7,097	-	-
Accumulated depreciation	-4,061	-4,061	-	-
Reported value	3,036	3,036	-	-
Financial year 2018				
Opening carrying value	3,036	3,036	-	-
Acquisitions during the year	2,449	2,449	-	-
Disposals and withdrawals	-16	-16	-	-
The year's depreciation	-846	-846	-	-
Closing carrying value	4,623	4,623	-	-
As of 31 December 2018				
Acquisition value	9,542	9,542	-	-
Accumulated depreciation	-4,919	-4,919	-	-
Reported value	4,623	4,623	-	-
Financial year 2019				
Opening carrying value	4,623	4,623	-	-
Acquisitions during the year	2,694	2,694	-	-
Disposals and withdrawals	-152	-152	-	-
The year's depreciation	-1,214	-1,214	-	-
Closing carrying value	5,951	5,951	-	-
As of 31 December 2019				
Acquisition value	9,973	9,973	-	-
Accumulated depreciation	-4,022	-4,022	-	-
Reported value	5,951	5,951	-	-

NOTE 15

INTANGIBLE FIXED ASSETS

	Group				Parent company	
	Goodwill	Software	Other intangible assets	Total	Other intangible assets	Total
As of 1 January 2018						
Acquisition value	30,837	26,532	4,034	61,403	1,084	1,084
Accumulated depreciation	-	-9,936	-1,405	-11,341	-	-
Reported value	30,837	16,596	2,629	50,062	1,084	1,084
Financial year 2018						
Opening carrying value	30,837	16,596	2,629	50,062	1,084	1,084
Acquisitions during the year	-	5,638	657	7,220	598	598
Translation differences	925	-	-	-	-	-
Disposals and withdrawals	-	-	-	-	-	-
The year's depreciation	-	-5,457	-791	-6,248	-217	-217
Closing carrying value	31,762	16,777	2,495	51,034	1,465	1,465
As of 31 December 2018						
Acquisition value	31,762	32,170	4,691	68,623	1,682	1,682
Accumulated depreciation	-	-15,393	-2,196	-17,589	-217	-217
Reported value	31,762	16,777	2,495	51,034	1,465	1,465
Financial year 2019						
Opening carrying value	31,762	16,777	2,495	51,034	1,465	1,465
Acquisitions during the year	-	4,457	116	6,324	-	-
Translation differences	1,751	-	-	-	-	-
Disposals and withdrawals	-	-	-	-	-	-
The year's depreciation	-	-5,899	-977	-6,876	-336	-336
Closing carrying value	33,513	15,335	1,634	50,482	1,129	1,129
As of 31 December 2019						
Acquisition value	33,513	36,627	4,807	74,947	1,682	1,682
Accumulated depreciation	-	-21,292	-3,173	-24,465	-553	-553
Reported value	33,513	15,335	1,634	50,482	1,129	1,129

Impairment testing for goodwill

The CEO monitors goodwill at the group level. The company has made the assessment that the entire group's goodwill is allocated to the Zinzino business segment.

The recoverable amount of goodwill has been determined based on calculations of value in use. The CEO has assessed that sales growth, EBITDA margin, discount rate and long-term growth are the most important assumptions in the impairment testing. Calculations of value in use are based on estimated future pre-tax cash flows based on financial budgets approved by the company management and covering a five-year period. The calculation is based on management experience and historical data. The long-term sustainable growth rate has been assessed on the basis of industry forecasts.

Key assumptions used for calculating value in use:

Business segment Zinzino	31/12/2019	31/12/2018	01/01/2018
Pre-tax discount rate*	10.6%	10.4%	10.2%
Long-term growth rate**	2%	2%	2%

The cash flows forecast after five years are based on a more conservative growth rate of 2 (2) per cent per year. A growth rate of 2 percent is lower than expected growth for the market, which is expected to grow by 10-20 percent per year.

*Discount rate before tax used in the present value calculation of estimated future cash flows.

**Weighted average growth rate used to extrapolate cash flows beyond the budget period.

Sensitivity analysis for goodwill:

The recoverable value exceeds the carrying values of goodwill with a margin. This also applies to the assumption that:

- the discount rate before tax had been 4 (31/12/2018: 1) percentage point higher,
- the estimated growth rate for extrapolating cash flows beyond the five-year period was 1 (31/12/2018: 1) percentage points lower.

The most significant assumptions, in addition to the discount rate and long-term growth, are EBITDA margin and sales growth.

A change of these two assumptions, individually, by 1 respectively 5 percentage points would not result in any impairment.

NOTE 16 LEASING

The effects on the group's financial report on the application of IFRS 16 as of 1 January 2018 are explained below. Reclassification and adjustments arising from the new leasing rules are therefore reported in the opening balance sheet as of 1 January 2018. The new accounting principles are described in note 33.

In the transition to IFRS 16, the group recognises leasing liabilities attributable to leases that were previously classified as operating leases. These liabilities have been valued at the present value of future minimum lease payments. In the calculation, the lessee's marginal loan interest rate as of 1 January 2018 was used. On average, this amounts to 2.75% at the time of transition. All rights of use are valued at the transition as of 1 January 2018 at an amount corresponding to the leasing liability adjusted for prepaid leasing fees attributable to the lease as of 31 December 2018. In the transition, the following relief rules were applied:

- The use of a uniform discount rate for a portfolio of leases of a similar nature,
- The reporting of operating leases with a leasing period shorter than 12 months from 1 January 2018 as a short-term lease,
- Exclusion of initial direct costs in calculating the utility asset at the date of initial implementation, and
- Historical information has been used in the assessment of the length of a lease where there are options to renew or terminate a contract.

Valuation of the leasing liability

2018

Plus/Minus: agreements that have been revalued as leasing agreements

40,351

Leasing liability reported as of 1 January 2018

40,351

Of which:

01/01/2018

Current leasing liabilities

9,670

Long-term leasing liabilities

30,681

Total leasing liabilities

40,351

Adjustments reported in the balance sheet 1 January 2018 and effects on earnings and cash flow 2018

No leases have previously been classified as operating leases. The group reports Right-of-Use Assets amounting to SEK 40.4 million as of 1 January 2018.

Accounting of depreciation of assets with rights of use instead of leasing fees has had a positive impact on operating profit of SEK 10.3 million. Interest on leasing liabilities has had a negative impact on net financial income/expense of SEK 0.56 million. Profit before tax was negatively impacted by SEK 0 million due to IFRS 16. As the main payment is reported as financing activities, cash flow from financing activities decreases with a corresponding increase in cash flow from operating activities. The interest portion of the leasing fee remains cash flow from operating activities and is included in net financial income/expense. The group recognises a right of use in the balance sheet and a leasing liability at the present value of future lease payments. The leased asset is depreciated on a linear basis over the lease period or over the useful life of the underlying asset if it is considered reasonably certain that the group will acquire ownership at the end of the lease period. Leasing costs are reported as depreciation in operating profit and interest expense in net financial income/expense. If the lease is considered to include a low value asset or has a lease period that ends within 12 months, or includes service components, these lease payments are recognised as operating expenses in the income statement over the lease period.

As of 1 January 2018, leased assets are reported in a separate item in the balance sheet called Right-of-Use Assets. Information about these leases and short-term leases and leases of lesser value are presented below.

Reported amounts in the balance sheet

The following amounts related to leases are reported in the balance sheet

	31/12/2019	31/12/2018	01/01/2018
Assets with right of use			
Offices	40,130	46,554	36,628
Vehicles	1,165	172	580
Other	2,522	3,507	3,143
Total	43,817	50,233	40,351
Leasing liabilities	31/12/2019	31/12/2018	01/01/2018
Long term	33,087	41,268	30,681
Current	10,730	9,193	9,670
Total	43,817	50,461	40,351

Reported amounts in the income statement

The following amounts related to leases are reported in the income statement

	2019	2018
Depreciation on rights of use		
Offices	8,557	7,519
Vehicles	286	148
Other	1,437	1,200
Total	10,281	8,867
	2019	2018
Interest expenses (included in financial expenses)	560	554
	2019	2018
Expenses attributable to short-term leases (included in external costs)	236	-
Expenses attributable to leases for which the underlying asset is of low value that are not short-term leases (included in external costs)	12	12

No significant variable lease payments that are not included in the leasing liability have been identified.
The total cash flow for leases in 2019 and 2018, respectively, was SEK 10,975 million and SEK 9,341 million.

NOTE 17 INVENTORIES

The cost of inventories recognised as expense is included in the item raw materials and consumables in the statement of comprehensive profit/loss and amount to SEK 115,797,000 (2018: SEK 83,160,000). The value of the group's stock as of 31/12/2019 is SEK 88,864,000 (31/12/2018: SEK 64,684,000). Impairment of inventories to the net realisable value amounts to SEK 1,937,000 (2018: SEK 0). The impairment has been reported in the statement of comprehensive profit/loss as raw materials and consumables.

NOTE 18 FINANCIAL INSTRUMENTS BY CATEGORY

01/01/2018	Financial assets valued at amortised acquisition value	Total
Assets in the balance sheet		
Other long-term receivables	175	175
Accounts receivable	4,947	4,947
Other current receivables	6,280	6,280
Accrued revenue	-	-
Cash and cash equivalents	48,419	48,419
Total	59,821	59,821

01/01/2018	Financial liabilities are valued at amortised acquisition value	Total
Liabilities in the balance sheet		
Other long-term liabilities	-	-
Accounts payable	18,621	18,621
Other current liabilities	52,077	52,077
Accrued expenses	9,333	9,333
Total	80,031	80,031

31/12/2018	Financial assets valued at amortised acquisition value	Total
Assets in the balance sheet		
Other long-term receivables	178	178
Accounts receivable	8,395	8,395
Other current receivables	8,516	8,516
Accrued revenue	-	-
Cash and cash equivalents	45,459	45,459
Total	62,548	62,548

31/12/2018	Financial liabilities are valued at amortised acquisition value	Total
Liabilities in the balance sheet		
Other long-term liabilities	-	-
Accounts payable	30,029	30,029
Other current liabilities	65,458	65,458
Accrued expenses	8,120	8,120
Total	103,607	103,607

31/12/2019	Financial assets valued at amortised acquisition value	Total
Assets in the balance sheet		
Other long-term receivables	264	264
Accounts receivable	4,342	4,342
Other current receivables	17,465	17,465
Accrued revenue	-	-
Cash and cash equivalents	76,837	76,837
Total	98,908	98,908

31/12/2019	Financial liabilities are valued at amortised acquisition value	Total
Liabilities in the balance sheet		
Other long-term liabilities	-	-
Accounts payable	35,658	35,658
Other current liabilities	94,033	94,033
Accrued expenses	14,331	14,331
Total	144,022	144,022

NOTE 19 ACCOUNTS RECEIVABLE

	Group			Parent company		
	31/12/2019	31/12/2018	01/01/2018	31/12/2019	31/12/2018	01/01/2018
Accounts receivable	4,448	8,395	4,947	-	-	-
Minus: reservation for expected credit losses	-106	-	-	-	-	-
Accounts receivable - net	4,342	8,395	4,947	-	-	-
Amounts reported, per currency, for the group accounts receivable are as follows:						
	31/12/2019	31/12/2018	01/01/2018	31/12/2019	31/12/2018	01/01/2018
SEK	-	-	-	-	-	-
NOK	4,342	8,395	4,947	-	-	-
Total	4,342	8,395	4,947	-	-	-

The fair value of accounts receivable corresponds to its reported value, since the discount effect is not material. No accounts receivable have been provided as security for any debt.

NOTE 20 OTHER RECEIVABLES

	Group			Parent company		
	31/12/2019	31/12/2018	01/01/2018	31/12/2019	31/12/2018	01/01/2018
Tax account	445	-	-	-	-	-
Credit card sales receivables	17,217	8,199	4,531	-	-	-
Other receivables	248	1,947	1,966	-	-	41
Total	17,910	10,146	6,497	-	-	41

NOTE 21 PRE-PAID COSTS AND ACCRUED REVENUES

	Group			Parent company		
	31/12/2019	31/12/2018	01/01/2018	31/12/2019	31/12/2018	01/01/2018
Pre-paid rental costs	451	569	528	-	-	-
Credit card receivables	-	2,831	1,301	-	-	-
Pre-paid cost for sales conference	3,279	5,480	3,100	-	-	-
Pre-paid other expenses	6,656	4,581	3,429	2,710	417	1,586
Total	10,386	13,461	8,358	2,710	417	1,586

NOTE 22 CASH AND CASH EQUIVALENTS

	Group			Parent company		
	31/12/2019	31/12/2018	01/01/2018	31/12/2019	31/12/2018	01/01/2018
Bank balances	76,837	45,459	48,419	2,173	1,037	294
Total	76,837	45,459	48,419	2,173	1,037	294

NOTE 23 SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

Of the company's number of shares, 32,580,025, 5,113,392 constitute 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	Warrants	2,425,917	29,508,687	242,592	2,950,869
2015	Warrants	1,391,338	30,900,025	139,134	3,090,003
2016	Warrants	150,000	31,050,025	15,000	3,105,003
2016	Warrants	1,530,000	32,580,025	153,000	3,258,003

NOTE 24 DEFERRED TAX

Deferred tax claims	Group			Parent company	
	Loss carry-forwards	Deferred revenue	Total	Loss carry-forwards	Total
As of 1 January 2018	2,481	4,794	7,275	460	460
Reported in the statement of comprehensive profit/loss	-2,293	2,022	-271	-279	-279
As of 31 December 2018	188	6,816	7,004	181	181
Increase through business acquisitions					
Reported in the statement of comprehensive profit/loss	-188	873	685	-181	-181
As of 31 December 2019	-	7,689	7,689	-	-

Unutilised loss carryforwards for which no deferred tax claims have been reported amount to SEK 13,754,000 as of 31/12/2019 and SEK 15,271,000 as of 31/12/2018. The loss carryforwards do not mature at any time.

NOTE 25 OTHER LONG-TERM LIABILITIES

	Group			Parent company		
	31/12/2019	31/12/2018	01/01/2018	31/12/2019	31/12/2018	01/01/2018
Other long-term liabilities	1,530	581	573	1,530	730	730
Total	1,530	581	573	1,530	730	730

NOTE 26 OTHER CURRENT LIABILITIES

	Group			Parent company		
	31/12/2019	31/12/2018	01/01/2018	31/12/2019	31/12/2018	01/01/2018
Value added tax liability	4,109	4,216	3,999	219	187	-
Personnel withholding tax	1,374	1,492	880	-	-	-
Statutory social security contributions	1,561	1,803	1,657	-	-	-
Commission liability	91,949	59,717	47,032	-	-	-
Unidentified payments	1,115	3,882	2,754	-	-	-
Other liabilities	969	1,859	2,291	36	38	36
Total	101,077	72,969	58,613	255	225	36

NOTE 27 ACCRUED COSTS AND DEFERRED REVENUES

	Group			Parent company		
	31/12/2019	31/12/2018	01/01/2018	31/12/2019	31/12/2018	01/01/2018
Accrued cost of goods	-	1,309	-	-	-	-
Accrued discount	14,199	-	-	-	-	-
Accrued wage-related costs	11,455	9,945	8,667	-	-	-
Accrued commission	14,331	8,120	9,333	-	-	-
Accrued customer costs	-	-	1,226	-	-	-
Deferred revenues	35,931	30,754	21,790	-	-	-
Other items	5,750	2,792	3,420	1,243	534	427
Total	81,666	52,920	44,436	1,243	534	427

NOTE 28 SECURITY PROVIDED AND CONTINGENT LIABILITIES

As of 31 December 2019, the group had security provided and contingent liabilities from

	Group		Parent company	
	2019	2018	2019	2018
Security provided	15,463	15,463	none	none
Contingent liabilities	none	none	15,140	15,140

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

Contingent liabilities in the parent company refer to the guarantee commitments for subsidiaries.

NOTE 29

TRANSACTIONS WITH CLOSELY RELATED PARTIES

The following transactions have been made with related parties:

	Group		Parent company	
	2019	2018	2019	2018
(a) Sales of goods and services				
Saele Invest and Consulting AS	-	-	-	-
Oh Happy Day ***	2,538	-	2,538	-
Total	2,538	-	2,538	-
(a) Purchase of goods and services				
Saele Invest and Consulting AS *	25,896	22,016	-	-
Oh Happy Day **	4,764	3,559	-	-
Consultancy fees to board members ****	-	126	-	-
Total	30,660	25,701	-	-

	Group			Parent company		
	31/12/2019	31/12/2018	01/01/2018	31/12/2019	31/12/2018	01/01/2018
Receivables and liabilities at the end of the year as a result of the sale and purchase of goods and services						
<i>Receivables from closely related parties</i>						
Saele Invest and Consulting AS	-	-	-	-	-	-
Oh Happy Day	-	-	-	-	-	-
<i>Liabilities to closely related parties</i>						
Saele Invest and Consulting AS	548	847	-	-	-	-
Oh Happy Day	0	68	-	-	-	-
Total	548	914	-	-	-	-

There are no loans to or from closely related parties within the group.

The group has no provisions for bad debt receivables attributable to closely related parties. The group has also not reported any costs relating to bad debt receivables from related parties during the period. No security is provided for the receivables. Receivables from closely related parties are derived from establishment costs and are due 3 months after the date of sale. The liabilities to closely related parties are largely derived from commission liability and fall due 3 months after the date of purchase.

As of 31/12/2019, the debt to Saele Invest AS relating to sales commissions amounts to SEK 548,000 (0) and to Oh Happy Day ApS to SEK 0 (68,000) in the group. All sales commissions paid to closely related parties with significant influence are calculated on the same commission plan and under the same terms as for all other distributors within Zinzino's global sales organisation. Remuneration to senior executives is shown in Note 7.

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

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

*** Compensation according to agreement for 75% of the company's establishment costs in Australia 2019 from Oh Happy Day ApS. The receivable from the company as of 31/12/2019 amounts to SEK 2,358,000 (0).

**** Board member Pierre Mårtensson has, in addition to board fees, received consulting fees for market analysis and strategy work.

NOTE 30 EARNINGS PER SHARE

	2019	2018
SEK		
Earnings per share before dilution	0.33	0.13
Earnings per share after dilution	0.32	0.13
Earnings metric used in the calculation of earnings per share		
Earnings attributable to shareholders of the parent company used in the calculation of earnings per share before and after dilution	-	-
Earnings attributable to the parent company's shareholders, SEK thousands	10,662	4,093
Number		
Weighted average number of ordinary shares in calculating earnings per share before dilution	32,580,025	32,580,025
Adjustment for calculation of earnings per share after dilution	-	-
Options		
Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating earnings per share after dilution	32,846,326	32,580,025

NOTE 31 CHANGES IN LIABILITIES PERTAINING TO FINANCING ACTIVITIES

	01/01/2018	Cash flow	Cash flow	Non-cash items		31/12/2018
				New leases	Currency	
Leasing liabilities	40,351	-	-9,341	18,527	925	50,461
Total	40,351	-	-9,341	18,527	925	50,461

	01/01/2019	Cash flow	Cash flow	Non-cash items		31/12/2019
				New leases	Currency	
Leasing liabilities	50,233	-	-10,975	3,410	920	43,817
Total	50,233	-	-10,975	3,410	920	43,817

NOTE 32 ADJUSTMENT FOR ITEMS WHICH ARE NOT INCLUDED IN THE CASH FLOW

	Group		Parent company	
	2019	2018	2019	2018
Depreciation/amortisation	18,751	17,298	353	233
Other	860	1,589	-109	-11
Total	19,611	18,887	244	222

NOTE 33

EFFECTS FROM THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The accounting principles found in Note 2 have been applied when the consolidated financial statements of the Zinzino Group were prepared as of 31 December 2019 and for the comparative information presented as of 31 December 2018, as well as in the preparation of the report on the period's opening financial position (opening balance sheet) as of 1 January 2018 (the group's date of transition to IFRS).

When the balance sheet as of 1 January 2018 and the balance sheets as of 31 December 2018 were prepared in accordance with IFRS, the amounts reported in previous annual reports in accordance with BFNAR 2012:1 Annual Report and Consolidated Financial Statements (K3) were adjusted.

An explanation of how the transition from previously applied accounting principles to IFRS has affected the group's results and position is shown in the tables below and in the notes pertaining to them.

Choices made at the time of the transition to accounting in accordance with IFRS

The transition to IFRS is reported in accordance with IFRS 1 the first-time IFRS is applied. The general rule is that all applicable IFRS and IAS standards which have entered into force and been approved by the EU as at 31 March 2019 must be applied with retroactive effect. However, IFRS 1 also includes transitional provisions that give companies a certain choice.

Below are the exemptions allowed by IFRS from the full retroactive application of all the standards that Zinzino has chosen to apply in the transition from previously applied accounting principles to IFRS.

Exemption for business combinations

The standard IFRS 1 First-time adoption of IFRS, which regulates how to make a transition to IFRS, offers the possibility to apply the principles of IFRS 3, Business combinations, either with forward effect from the date of transition to IFRS or from a specific time before the transitional period to IFRS.

This provides relief from a full retroactive application that would require recalculation of all business combinations before the transitional period to IFRS. Zinzino has chosen to apply IFRS 3 as of 1 January 2018. Business combinations that took place before this date have therefore not been recalculated in accordance with IFRS 3.

Exception for accumulated translation differences

IFRS 1 allows accumulated translation differences reported in equity to be reset to zero in the transition period to IFRS. This represents a relief compared to setting cumulative translation differences in accordance with IAS 21, Effects of changes in exchange rates, from the time when a subsidiary or associated company was established or acquired. Zinzino has chosen to reset all cumulative translation differences in the translation reserve and to reclassify these as retained earnings at the time of the transition to IFRS as at 1 January 2018.

The following tables present and quantify the effects of the management on the group's statements of comprehensive income and financial position at the time of the transition to IFRS for the group. The transition is not deemed to have any material effect on the group's statement of cash flows other than the depreciation/amortisation that is recovered.

The main impact of the report is:

- Recovery of previous year's amortisation of goodwill and revaluation to the currency item is attributable to, see Note A below
- Capitalised lease, see Note B below
- Revenue adjustments as a result of IFRS 15, see Note C below

	Note	Previous Accounting Princ. 171231	Effect of transition to IFRS	IFRS 180101
Assets				
Fixed assets				
Goodwill	A	33,647	-2,810	30,837
Other intangible fixed assets		19,225	-	19,225
Equipment, tools and installations		3,036	-	3,036
Right-of-Use Assets	B	-	40,351	40,351
Financial fixed assets	B, C	2,656	4,794	7,450
Total Fixed Assets		58,564	42,335	100,899
Current assets				
Inventories		52,947	-	52,947
Current Receivables		12,568	-	12,568
Pre-paid costs and accrued revenues		8,358	-	8,358
Cash and cash equivalents		48,419	-	48,419
Total Current Assets		122,292	-	122,292
Total assets		180,856	42,335	223,191

	Note	Previous Accounting Princ. 171231	Effect of transition to IFRS	IFRS 180101
Equity and Liabilities				
Equity				
Share capital		3,258	-	3,258
Other contributed capital		12,804	-	12,804
Retained earnings including profit/loss for the period	A, B, C	57,380	-19,612	37,768
Equity attributable to the parent company's owners		73,442	-19,612	53,830
Minority interests		6,890	-194	6,696
Total equity		80,332	-19,806	60,526
Liabilities				
Long-term Liabilities				
Leasing liabilities	B	-	30,681	30,681
Other long-term liabilities		573	-	573
Total Long-term Liabilities		573	30,681	31,254
Current Liabilities				
Accounts payable		18,621	-	18,621
Tax liabilities		71	-	71
Leasing liabilities	B	-	9,670	9,670
Other current liabilities		58,613	-	58,613
Accrued costs and deferred revenues	C	22,646	21,790	44,436
Total Current Liabilities		99,951	31,460	131,411
Total Equity and Liabilities		180,856	42,335	223,191

	Note	Previous Accounting Princ. 181231	Effect of transition to IFRS	IFRS 181231
Assets				
Fixed assets				
Goodwill	A	28,743	3,019	31,762
Other intangible fixed assets		19,272	-	19,272
Equipment, tools and installations		4,623	-	4,623
Right-of-Use Assets	B	-	50,233	50,233
Financial fixed assets	B, C	366	6,816	7,182
Total Fixed Assets		53,004	60,068	113,072
Current assets				
Inventories		64,684	-	64,684
Current receivables		21,035	-	21,035
Pre-paid costs and accrued revenues		13,461	-	13,461
Cash and cash equivalents		45,459	-	45,459
Total Current Assets		144,639	-	144,639
Total Assets		197,643	60,068	257,711

	Note	Previous Accounting Princ. 181231	Effect of transition to IFRS	IFRS 181231
Equity and Liabilities				
Equity				
Share capital		3,258	-	3,258
Other contributed capital		12,804	-	12,804
Retained earnings including profit/loss for the period	A, B, C	48,529	-21,445	27,084
Equity attributable to the parent company's owners		64,591	-21,445	43,146
Minority interests		6,924	298	7,222
Total Equity		71,515	-21,147	50,368
Liabilities				
Long-term Liabilities				
Leasing liabilities	B	-	41,268	41,268
Other long-term liabilities		581	-	581
Total Long-term Liabilities		581	41,268	41,849
Current Liabilities				
Accounts payable		30,029	-	30,029
Tax liabilities		383	-	383
Leasing liabilities	B	-	9,193	9,193
Other current liabilities		72,969	-	72,969
Accrued costs and deferred revenues	C	22,166	30,754	52,920
Total Current Liabilities		125,547	39,947	165,494
Total Equity and Liabilities		197,643	60,068	257,711

	Note	Previous Accounting Princ. 180101-181231	Effect of transition to IFRS	IFRS 180101- 181231
Net sales	C	538,341	-5,409	532,932
Other revenue	C	46,060	-3,555	42,505
Own work capitalised		1,176	-	1,176
Goods for resale and Other direct costs		-393,816	-	-393,816
Gross profit		191,761	-8,964	182,797
External operating expenses	B	-97,459	10,536	-86,923
Personnel costs		-72,170	-	-72,170
Depreciation/amortisation	A, B	-12,012	-5,286	-17,298
Operating profit		10,120	-3,714	6,406
Net interest income	B	-176	-574	-750
Tax	B, C	-3,016	2,022	-994
Profit/loss for the period		6,928	-2,266	4,662
Attributable to:				
The parent company's owners		6,359	-2,266	4,093
Minority interests		569	-	569
Total		6,928	-2,266	4,662
Other comprehensive profit/loss	A	-	-159	-159

NOTE A

Goodwill

According to IFRS, the item goodwill is an intangible asset with an indefinite useful life, which means that the item is not reduced by annual amortisation. This differs from previous accounting principles (K3) where an economic life of 10 years was previously applied. Therefore, the transition to IAS 38 means that amortisation of goodwill during 2018 is reversed and returned to retained earnings in equity. Goodwill was previously in SEK but in connection with the transition to IFRS has been reported in the currency of origin NOK. This has resulted in currency effects that are reported in opening equity on 01/01/2018 and in other comprehensive profit/loss during 2018. The effect on opening equity as of 01/01/2018 amounts to SEK -2,810,000 related to the currency revaluation from NOK to SEK. The profit effect for the group during the full year 2018 amounts to SEK +4,904,000 in improved earnings as a result of recovered depreciation/amortisation. The revaluation in other comprehensive profit/loss for the full year 2018 amounts to SEK +925,000. Total closing effect as of 31/12/2018 in respect of Goodwill amounts to SEK +3,019,000 as a result of the currency revaluation and recovered amortisation for the full year 2018. Goodwill is not a deductible expense or taxable income and therefore the adjustment has no tax effect.

The transition to IFRS entails a new requirement for Zinzino to test goodwill at least annually for any impairment. Any impairment is recognised in operating profit. The item has been tested for impairment on the basis of circumstances that existed at the time of transition to IFRS and as of 31 December 2018, no impairment requirement was identified. Sensitivity analyses also show that reasonable possible changes in key assumptions do not lead to any impairment requirement.

NOTE B

Leases

In the transition to IFRS 16, the group recognises leasing liabilities attributable to leases previously classified as operating leases in accordance with the rules in IFRS 16 Leases. These liabilities have been valued at the present value of future minimum lease payments. The lessee's implicit interest rates as at 1 January 2019 have been used in the calculation. The lessee's weighted average marginal borrowing rate that was applied to these leasing liabilities as at 1 January 2019 was 2.75%. As a result of IFRS 16, the opening balance as of 01/01/2018 has resulted in increased leasing liabilities and associated rights of use of SEK 40,351,000. In the income statement for the full year 2018, the total net effect on profit for the year in respect of leases amounts to SEK -228,000. In the balance sheet 31/12/2018, rights of use of SEK 50,233,000 and leasing liabilities of SEK 50,461,000 have been reported and the balance sheet adjusted accordingly as a result of the transition.

Commitments for operating leases in accordance with previous accounting principles as at 31 December 2017

16,203

Discount with the group's marginal loan interest rate 2.75%

-779

Plus: liabilities for financial leases as at 31 December 2017

9,254

(Minus): short-term leases that are expensed on a linear basis

(-11)

Plus/(minus): adjustments due to other management of options to renew or terminate leases

15,684

Leasing liability recognised in accordance with IFRS 16 as at 1 January 2018

40,351

When IFRS 16 was applied for the first time, the group used the following practical solutions allowed in IFRS 16:

- Rights of use have been valued at the value of the leasing liability, with adjustment for prepaid or accrued leasing fees attributable to the lease as at 31 December 2017
- The same discount rate has been used on leasing portfolios with similar characteristics

- Operating leases with a remaining lease period of less than 12 months as at 1 January 2018 have been reported as short-term leases
- Direct acquisition costs for rights of use have been excluded from the transition to IFRS, and
- Historical information has been used in the assessment of the length of a lease where there are options to renew or terminate a contract

NOTE C

Revenue from customers with contracts

According to IFRS 15, sales to customers with contracts are recognised as revenue when the control of the goods is transferred, which occurs when the goods are delivered to the customer or distributor. Delivery is made when the goods have been transported to the specific location, the risks of obsolete or lost goods have been transferred to the customer and the customer has either accepted the goods in accordance with the contract, the time-period for objections to the contract has expired or the group has objective evidence to show that all acceptance criteria have been met. Revenue from the sale of freight and other revenue is reported according to the same principle. No financing component is deemed to exist at the time of sale. In connection with the transition to IFRS, Zinzino has analysed the timing of when transfer of control occurs based on the criteria in IFRS 15. The group's overall assessment of the criteria for transfer of control according to IFRS 15 has

led to a modified date for revenue recognition where the time is delayed due to the fact that transfer of control is considered to take place later in the supply chain than under the group's previous accounting principles. This entails Zinzino having an opening effect on shareholders' equity in the transition to IFRS 15 as a result of the sale of goods sold at the end of 2017 according to IFRS 15 not being recognised as revenue until 2018. This effect amounts to SEK 21,790,000 as of 01/01/2018, which is reported as accrued revenue in the balance sheet and as an adjustment of opening equity as of 01/01/2018. The corresponding effect as of 31/12/2018 amounts to SEK 30,754,000, which means a decrease in earnings for the year in 2018 totalling SEK 8,964,000.

NOTE 34 OPTIONS PROGRAMME

The company, as of the report date, has three outstanding options programmes. The first options programme expires on 31 May 2020 at an exercise price of SEK 26 and will cover 600,000 options. The second options programme will cover 500,000 options at an exercise price of SEK 14. The second options programme also expires on 31 May 2020. The third options programme will cover 800,000 options at an exercise price of SEK 18. The third options programme expires on 31 May 2024.

If all the options issued as of 31/12/2019 are exercised for new subscriptions of 2,000,000 shares, the share capital dilution will be approximately 6%.

In 2019, Zinzino AB warrants totalling SEK 949,000 have been granted and subscribed. The new programme subscribed a total of 1,080 in 2019.

The fair value on the grant date is calculated using a customised version of the Black-Scholes valuation model. The model takes into account the exercise price, the term of the option, the dilution effect (if significant), the share price on the grant date and the expected volatility in the share price, the expected direct return, the risk-free interest rate for the option term and the correlation and volatility for a group of comparator companies.

NOTE 35 EVENTS AFTER THE END OF THE REPORTING PERIOD

Effect of Covid-19

During the first quarter of 2020, a global outbreak of Covid-19 occurred. So far during the global pandemic, Zinzino has seen increased sales growth. At the same time, logistics have been adversely affected, mainly due to regulatory measures regarding working hours from the French Government, which has impaired the delivery capacity of the French warehouse in Faberville, which delivers to the important markets in central Europe. In addition, transport has been further delayed following increased border checks in Europe. A number of revenue-stimulating campaigns aimed at the distributor organisation have also been launched, which have affected profitability in the group in the short term. Group management has taken the necessary measures to reduce the consequences of the Covid-19 pandemic for Zinzino and its employees. Staff have been given teleworking capability and logistics have been redirected to Trollhättan.

Acquisition of VMA Life in Singapore

In early April 2020, Zinzino signed the final acquisition agreement with VMA Life, a direct sales company in the field of health and beauty. VMA operates in Malaysia, Thailand, Taiwan, Hong Kong and Singapore. Through the collaboration, Zinzino's products and business model are expected to increase sales as early as 2020. According to signed agreement, Zinzino shall, upon entry, pay a fixed purchase price of USD 0.4 million divided by 50% cash and 50% newly issued Zinzino shares. Then contingent additional consideration will be based on sales developments during 2020–2023. The total additional consideration amounts to a maximum of USD 1.15 million, divided between 50% cash and 50% shares. The acquisition is financed with own cash and the additional consideration will be generated through profits from VMA Life.

NOTE 36

PROPOSAL FOR DISPOSITION OF PROFIT

The annual meeting has the following at its disposal:

Zinzino AB	SEK
Retained earnings	2,540,536
Profit/loss for the year	22,332,293
Total	24,872,829

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

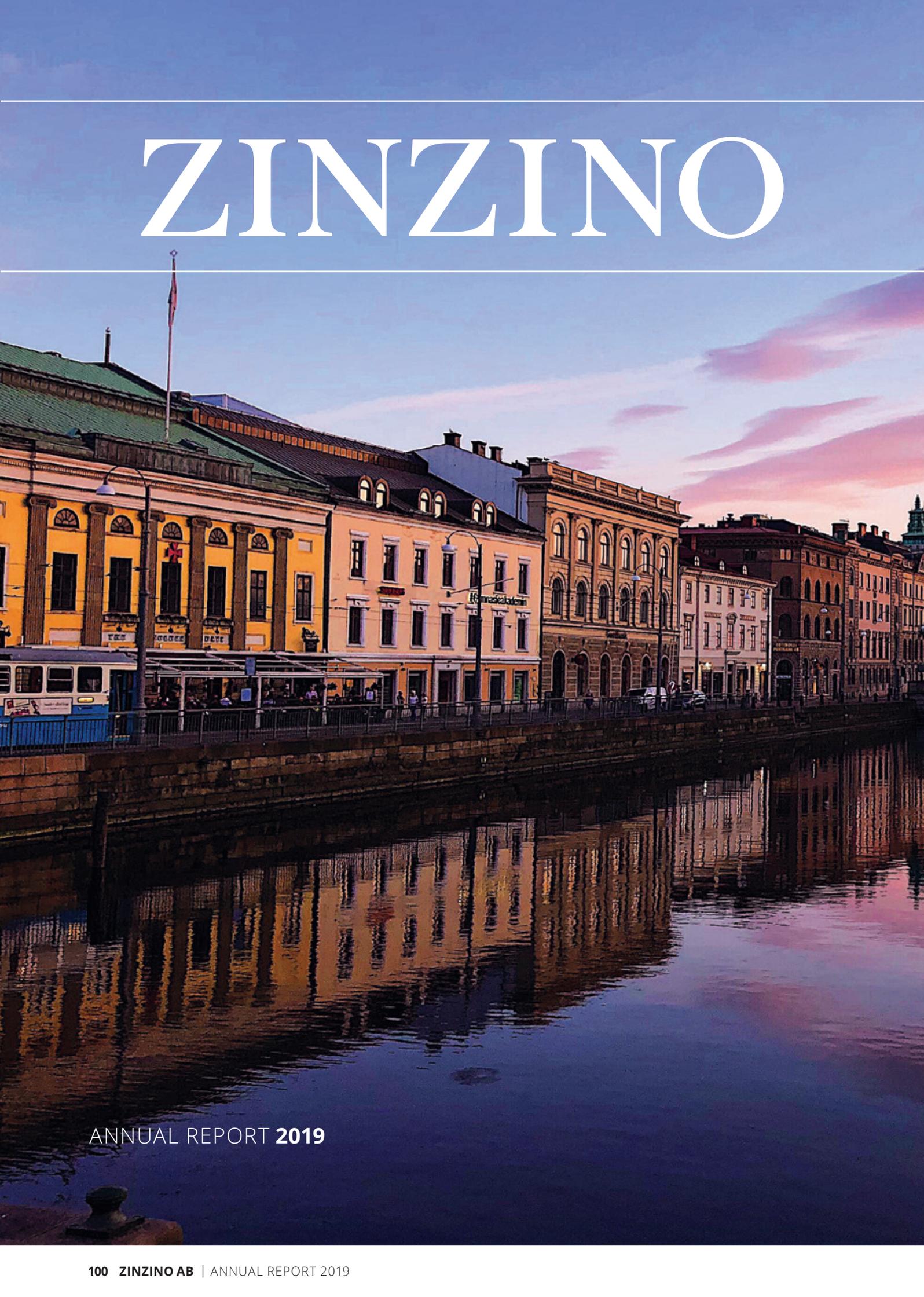
Zinzino AB	SEK
A dividend will be paid to the shareholders of SEK 0.70 per share	22,806,018
Will be carried forward	2,066,811
Total	24,872,829

The consolidated income statement and balance sheets will be submitted to the Annual General Meeting 15/05/2020 for adoption.

The Board of Directors and the CEO ensure that the consolidated financial statements have been prepared in accordance with international accounting standards IFRS as adopted by the EU and give a true and fair view of the group's position and results. The annual report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the parent company's position and results.

The management report for the group and the parent company provides a true and fair view of the performance of the group's and the parent company's operations, financial position and results, and describes the significant risks and uncertainties that the parent company and the companies included in the group face.

ZINZINO



ANNUAL REPORT **2019**

GOTHENBURG, 23 APRIL 2020

Hans Jacobsson
Board Chair

Pierre Mårtensson
Board Member

Ingela Nordenhav
Board Member

Staffan Hillberg
Board Member

Dag Bergheim Pettersen
CEO

Our auditor's report was submitted on 24 April 2020.
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Certified Public Accountant

