

December 2014

# Zinzino AB (publ.)

Prospectus prior to listing on Nasdaq First North



## Important information about Nasdaq First North

Nasdaq First North ("First North") is an alternative marketplace run by the stock exchanges that makes up the NASDAQ OMX. It does not have the same legal status as a regulated marketplace. The companies on First North are regulated by the rules and regulations set out by First North, not by the legal requirements established to trade on any of the regulated markets. An investment in a company listed on First North involves a higher risk than an investment in a company listed on a regulated market. All companies whose shares are traded on First North have a Certified Advisor, who ensures compliance with all rules and regulations. Applications for trading licenses on First North have to be approved by NASDAQ OMX Stockholm, AB.



# ZINZINO

## Documents incorporated by reference

In addition to the existing documents, this Prospectus consists of the following documents that are hereby incorporated by reference and should be considered as a part of the Prospectus.

- Interim Report January – September 2014
- Annual Report regarding fiscal year 2013
- Annual Report regarding fiscal year 2012

The documents the above are available at the company's website, [www.zinzino.com](http://www.zinzino.com)

## Certified Advisor

Zinzino has appointed Erik Penser Banking Corporation as the company's Certified Advisor. Erik Penser Banking Corporation does not hold any shares in the Company.

## Information about the stock

Trading Center:	Nasdaq First North
First trading day:	11 December 2014
Nickname:	ZZ B
ISIN code:	SE0002480442
Number of shares:	29,508,687 of which 5,113,392 are Class A shares and 24,395,295 are Class B shares

## Future financial reports

Year end report 2014.	27 February 2015
Annual meeting	5 May 2015

## Definitions

The term "Zinzino" or "the Company", depending on the context, refers to Zinzino AB (publ), Corp. ID No. 556733-1045, the group company to which Zinzino AB (publ) belongs or a subsidiary of Zinzino AB (publ). The term Erik Penser Banking Corporation refers to Erik Penser Banking Corporation, Corp. ID 556031-2570. The term Euroclear refers to Euroclear Sweden AB, Corp. ID. 556112-8074. The term "Prospectus" refers to the current Prospectus that was prepared prior to Zinzino being listed on First North.

## Disclaimer

This Prospectus has been created with reference to the application for a trading license for Zinzino's Class B shares on Nasdaq First North. The Prospectus contains information concerning future conditions, such as estimates and assumptions regarding Zinzino's future development and market conditions. This type of future-oriented information is based on current conditions at the time when this Prospectus was published. Future-oriented information is by its nature associated with uncertainty because it involves circumstances that may be entirely or partially beyond the Company's control. Therefore there is no expressed or implied assurance that the estimates and assumptions made in the Prospectus concerning future conditions will be realized.

Stock investments are always associated with risk, which may involve opportunities for the value of the stock to grow in the event of positive trends, but also, in the event of a negative trend, the value of the stock may decline and a shareholder may lose all or part of their investment capital. In light of this, it is recommended that existing as well as prospective stockholders perform an independent assessment of Zinzino and its future prospects, apart for the information provided in this Prospectus, including the impact of any external factors.

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# RISK FACTORS

*An investment in stocks is associated with risk. Zinzino's business is affected and can be affected by a number of factors outside of Zinzino's control. Such risks can also be attributable to Zinzino without a specific connection with Zinzino. Below is overview of the principal risk factors that the board of directors for Zinzino has determined to be significant for evaluating Zinzino's operations, financial position and profit/loss. The risk factors are described without any particular ranking order and are not claimed to be comprehensive. This means that there may be other factors that Zinzino is currently not aware of, which may have a significant impact on Zinzino's operations, financial position and profit/loss. Apart from the risks that are described below, investors should carefully examine all other information in this Prospectus, as well as perform make their own general assessment of external factors.*

## **Market and business-related risks**

### ***Risks related to purchasing***

One of the major challenges for Zinzino during a period of rapid expansion is Zinzino's ability to plan purchases. The management works actively on purchasing forecasts and warehouse optimization to meet this challenge effectively and to avoid having capital unnecessarily tied up in inventory.

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

Zinzino's product line is based to a large extent on raw materials such as fish oil, olive oil and coffee. Sharply raised prices on raw materials can result in increased costs for Zinzino. The price of raw materials depends largely on the supply and demand but also on access to the raw materials, the general economy, foreign exchange rates, interest rates, energy prices and salary costs. Taxes, regulations and duties are other factors that play a role, as well as agricultural policies and the activities of financial investors in commodity markets, speculation and forecasts. All of these factors are beyond of Zinzino's control. Even if Zinzino were to continuously monitor and work to reduce its exposure, a pricing change in one or more key raw materials can severely impact Zinzino's business, profit/loss, and financial position. The diversification of Zinzino's product line that took place recently has spread Zinzino's risk in relation to price fluctuations on several raw materials beyond just coffee.

### ***Risks related to suppliers***

Approximately 95% of Zinzino's purchases are made from a few suppliers. Zinzino is dependent on these suppliers and on the suppliers being able to produce goods at a rate required by Zinzino's sales. If the partnership with any of the suppliers or the rights as resulting from that partnership, should cease without the ability for Zinzino to replace the products with new ones at no additional cost, this could have a temporary affect Zinzino's sales and product assortment.

Zinzino is also dependent on the quality of the products that they purchase being good. If suppliers do not live up to their commitments to Zinzino, this can have major negative consequences for Zinzino.

In order to continue being a competitive company, Zinzino is still largely dependent on their suppliers' willingness to collaborate on product development or, if possible, find alternative partnerships for product development. Inflexibility and lack of cooperation or difficulties finding alternative partnerships can inhibit product development, which can affect Zinzino negatively.

### ***Risks related to IT***

Prioritizing IT resources during periods of high growth is a challenge for Zinzino, but Zinzino is working on optimizing and allocating resources in the best possible way.

Zinzino's existing IT system has been considered to be under-sized for Zinzino's growing business. For this reason, Zinzino is currently replacing its IT system with a business system that is better suited to Zinzino's business and needs. Changing business systems always involves a risk, particularly in light of the fact that Zinzino's business is IT-oriented. Operational disturbances can negatively affect Zinzino's sales, customers, partners and staff significantly.

### ***Risks related to key personnel and partners***

Zinzino's success is based on a few key persons and their knowledge, experience and creativity. If one or more of these key people were to leave Zinzino, the resulting negative effects on Zinzino's business cannot be ruled out. Zinzino works hard to reduce its dependency on these key people by providing good documentation, procedures and work methods.

The future growth of Zinzino depends to a large degree on Zinzino's ability to attract and retain qualified employees. See also the heading "Risks related to competitors."

In the same way, Zinzino's business and sales is dependent on a few key partners, including Saele Invest & Consult AS, which on their own or through partners they have recruited, generate a large volume of sales and/or are leaders that drive other partners and ensure that Zinzino's sales continue to grow. A dozen of Zinzino's best-performing partners receive approximately 25% of the total commissions that are paid, which is based on the partner's own sales and the sales that occur through the partners they have recruited. If any of the partners who strongly contribute to Zinzino's business and sales, or the partners that they have recruited, should leave Zinzino, this would effect Zinzino negatively in the short term. See below under the heading "Major Shareholders" and "Legal Issues and Additional Information".

### ***Risks related to product responsibility and responsibility towards the consumer***

For companies that sell and/or manufacture products, there is always the risk that products need to be recalled, or may cause injury due to defects or errors. Zinzino works actively with quality control to reduce these risks. Moreover, the manufacturers and suppliers provide certain quality guarantees. In the event that one of Zinzino's products needs to be recalled, or causes injury,

claims for damages may be directed at Zinzino. Such claims can affect Zinzino's financial position and profit/loss unless ultimate responsibility for the injury is fully covered by insurance or right of recourse. Claims against Zinzino may also negatively affect Zinzino's brand.

#### ***Risks related to competitors***

Zinzino has identified two types of competitors who can primarily affect Zinzino's business negatively; other direct sales companies that Zinzino's partners and/or employees may potentially decide to join instead of Zinzino, and other companies that compete with the same or similar products as Zinzino. Furthermore, the innovation and product development by competitors also poses a risk to Zinzino's business.

The board of directors for Zinzino however, has decided that access to Rombout & Malongo's product line, and the new Zinzino Food product line with the special concept of omega-3 products in combination with a blood test, is sufficient to ensure that Zinzino remains a competitive and attractive company. In order to ensure that Zinzino's partners and employees do not decide to join other direct sales companies, Zinzino is working on offering partial ownership/incentive programs and attractive compensation plans. Even if the board for Zinzino feels that Zinzino's products, offers and incentives are attractive, competition from competitors can affect Zinzino's business, sales, financial position and results.

#### ***Risk related to getting established on new foreign markets***

Zinzino's business is growing sharply through the establishment of operations in new, foreign markets. Getting established in new countries and regions may involve risks that are difficult to predict. In addition, getting established overseas can be delayed and therefore lead to lost income, restrictions or additional taxes and duties for the business based on applicable rules and regulations. Moreover, the ability to find the right partners for the business can affect getting established overseas.

Since Zinzino's business is already established in a number of foreign markets, Zinzino, in their assessment, has already created well-established procedures and strategies for getting successfully established overseas. Low-cost investments are made to get established in a new market. In order to minimize risk. There are no guarantees that getting established in new markets will be successful or can be implemented according to schedule, which may affect Zinzino's business, sales, financial position and results.

#### ***Risks related to currencies***

Zinzino has income streams in a host of different currencies, of which NOK and EUR, are the largest. Simultaneously, Zinzino has the majority of their costs in SEK, NOK and EUR in terms of operating costs and purchasing goods. Hence Zinzino is exposed to currency risks when the various currencies fluctuate. Zinzino does not hedge their foreign currency cash flow or use forward contracts, but instead they actively work with foreign currency flow projections and convert their foreign currency at advantageous points in time. In addition, the number of different currencies on the income and cost side mean that fluctuations in the currency values cancel each other out and the currency risk is therefore lower.

### **Risks related to the stock**

#### ***Limited liquidity of Zinzino's shares***

One of the conditions for well-functioning stock trading is that there is sufficient demand and supply, which means that there are ongoing buy and sell prices for the stock. Under these conditions, the prospects are good for shareholders to convert their holdings into cash, i.e. the liquidity of the stock is good.

Zinzino's shares were previously traded through AktieTarget. This stock exchange will be closed, and the shares will be traded on Nasdaq First North. The board of directors for Zinzino feels that the share liquidity will be improved with a listing on Nasdaq First North. However, it is not possible to make any guarantees that the liquidity of Zinzino shares will be satisfactory. A lack of liquidity can result in shareholders experiencing difficulty converting their holdings at an acceptable price and at the desired time.

#### ***Fluctuations in the share price***

Zinzino's share price can fluctuate strongly as a result of variations in the profit/loss in Zinzino's interim reports, the general economic situation, political events, market interest in Zinzino's stock, and the perception of market trends. Furthermore, larger shareholders may sell their stock in Zinzino, which can have negative effects on the share price.

#### ***Stock market risk***

A potential investor should consider that an investment in Zinzino stock is associated with a high level of risk and that there are no guarantees that the stock will follow a particularly favorable direction. Both the general trends in the stock market and trends in share prices for specific companies depend on a host of factors, many of which individual companies are not able to affect. Besides the development of Zinzino's business, the market price for Zinzino shares is affected by a large number of factors, for example, the general economic climate, political uncertainty, the flow of capital, market rate of interest and market behavioral psychology. Even if Zinzino's business develops positively, the potential for an investor to take a loss when divesting Zinzino's shares cannot be ruled out. An investment in Zinzino stock should therefore be preceded by careful analysis.

#### ***Future dividends***

The size of any potential future dividends depends on Zinzino's future profit/loss, financial position, cash flow, working capital needs and other factors. Distributable funds may not be available for certain fiscal years, and there are no guarantees that dividends will be paid in the future.

#### ***Major Shareholders***

Zinzino's two largest shareholders, Örjan Saele and company and Peter Sørensen and company, hold a considerable portion of Zinzino shares and votes, corresponding to approximately 48% of the capital and approximately 81% of the votes as of 30 September 2014. Consequently, these shareholders, individually or together, have the ability to exercise considerable influence on issues that require approval of the shareholders, including naming and appointing board members and raising capital. This influence may be disadvantageous for shareholders whose interests are different from those of the major shareholders.

# BACKGROUND AND REASON FOR LISTING ON NASDAQ FIRST NORTH

The core of Zinzino's business is product development, marketing and sales of consumer products. Zinzino uses direct marketing as a sales model, where the business model depends on Zinzino's network of independent sales reps and sales teams to market Zinzino's products and services to consumers. Zinzino's own marketing focuses on creating and supplying attractive products and offerings as well as the sales tools that the sales reps need.

In recent years Zinzino has had strong sales growth and favorable earnings performance. The group company has grown organically by establishing subsidiaries in the Baltic region, in Iceland and in the USA. There have been major investments within product development, IT, logistics, and skills development within the organization. All of the investments have been financed with their own cash, without needing to raise external capital. Overall, the past few years have been very beneficial for Zinzino, which is currently showing good profitability and resting on a strong financial base, the Company is ready to take the next step on the stock market.

The board of directors for Zinzino has applied for, and received, approval to trade the Company's Class B shares on Nasdaq First North. The first trading day is scheduled for 11 December 2014. The Class B shares were previously traded on the AktieTorget market, and this market was closed on 10 December 2014. Zinzino shareholders do not need to take any steps in connection with the listing on First North.

The board assumes that the listing will result in increased interest for Zinzino and its business among the general public, customers and partners, and that the image of Zinzino as a long-term, key player on the direct sales market will be strengthened. The board also assumes that the listing will make it easier for stakeholders primarily in the USA to buy and invest in the stock.

*The board of directors for Zinzino is responsible for the information provided in this Prospectus, which has been created in order to apply for a trading license for the Company's shares on Nasdaq First North. All reasonable precautions have been taken to ensure that the information in the Prospectus, as far as the board of directors knows, is in agreement with the actual conditions, and that no information has been omitted that would affect the image of Zinzino that is created through this Prospectus.*

Gothenburg 5 December 2014  
Zinzino AB (publ.)  
Board of Directors



We are proud and satisfied with the development of the Zinzino group since its current concept was launched in 2005. Growth and fundamental improvements are an essential component of Zinzino's strategy and corporate culture.

**Dag Bergheim Pettersen,**

## STATEMENT FROM THE CEO

We have gradually opened market after market. We have been successful at developing each newly opened market and at the same time maintaining growth in existing markets. Twelve markets are represented by 11 different countries with over 400 million potential customers. At the end of last year we opened in the USA, and by September, we had started sales in Poland and Holland. We have been established in the Nordic countries, the Baltic countries and the Faroe Islands for a long time.

I am very pleased to announce that all markets have shown positive growth in 2014. Growth has become something that Zinzino has become known for and is strongly connected to our long-term strategy. In total, the first three quarters of the year showed a rate of growth of 41% compared with 2013, and this makes me very humble and proud. The Swedish market has shown a growth rate that we haven't seen in several years, and we believe that Sweden will show a significantly better rate of growth going forward. Zinzino USA contributes to the overall sales, and our focus for the last quarter is on stimulating sales by aggressive marketing campaigns and a large convention for partners. We follow these developments carefully and hold high hopes that USA will position itself as the next largest market for Zinzino after Norway in 2015. In the course of 2015 we plan to open up both Germany and Canada – two major markets which have the potential of adding much to our sales growth.

Our balance products within Zinzino Food is a major success and our most important product line, which accounts for approximately 63% of net sales for the group company. As a result of the changed product mix, we have achieved significantly better gross profit through lower cost of goods. In the past 2 years we have seen a significant drop in the cost of goods by a full 7 percentage points from 35% down to 28%. At the same time, our organization has become better in several areas, we are more streamlined and more efficient than ever. Overall, this results in a better bottom line and a stronger financial basis. It provides a tool for investing in steps to promote growth such as new markets, new products and new systems within IT.

In September, we had our sales start in both Holland and Poland. These are two large markets where we see potential, and we have high hopes that they will become new growth markets for Zinzino. I am very proud and satisfied that we were able to open two new markets within our operating budget, exactly as we did for USA. In addition we managed to do this without losing focus on growth in already existing markets.

I view the skills that our organization developed by opening new markets with a high degree of accuracy and quality, using resources efficiently, as a major strength. This provides a sense of self-confidence for the organization, board of directors and owners so that they can invest further and follow the dream of greater growth and earnings.

In 2014, we transitioned to an external inventory management and logistics partner. Our partner in this area can contribute to additional growth at Zinzino through their logistical expertise in 150 markets around the world.

We envision opening 3-5 new markets within the next few years. Germany is the next country on the list, where we plan to establish operations in the first half of 2015.

We have invested and used significant resources in IT in recent years, which we continued in 2014 and will continue in future years. Good IT systems are critical for opening and operating in new markets efficiently without increased costs for the organization. Investments that may initially appear to be large can, in return, provide economies of scale in the long-term.

Our product portfolio is changing and we are continuing to invest in developing new, unique products to strengthen the Zinzino brand, but also to improve our margins. We already launched a new product this year, BalanceOil Capsules, which we expect will lead to increased sales and further growth. In October, we also launched BalanceXtender, a complement to BalanceOil. We plan on launching several new products under our own brand name within the next two years. We have a completely unique product within functional food and health. We are pioneers with our balanced oils and shakes with a combination of olive oil. Together with external laboratories, we've already conducted 60,000 fatty acid analyses for people. This provides us with unique information that we can reuse to refine the products that we offer our sales people and customers. In the long-term, this can result in lasting growth, increased profitability and thereby increased value for Zinzino.

Zinzino would like to continue the growth of its culture and organization to expand from the approximately 80,000 customers that we have today to our goal of 1 million customers by 2020. Getting established in new international markets means that we believe that switching to the First North exchange will provide us greater visibility and is the right next step for us. A list owner who is more internationally known creates greater trust for foreign investors in Zinzino.

In accordance with the projected total sales stated in the interim report for the 3rd quarter of 2014, we expect total sales for 2014 to amount to between SEK 340 and 360 million in combination with an operating margin exceeding 4%. With that said, we anticipate that we will be sharing the profits with our shareholders in 2014 and in the years going forward. Shareholders in Zinzino expect growth and development, which guides everything we do.

*Dag Bergheim Pettersen*

CEO Zinzino



# MARKET OVERVIEW

## Direct sales internationally<sup>1</sup>

Direct sales is based on personal contacts and makes up a significant and growing industry, not just in Sweden, but across the entire world. This form of selling has its origins in the USA, which is also the largest market. The coordinating body for the World Federation of Direct Selling Associations has collected and compiled statistics from across the world to map out the market.

Global direct sales at the consumer level accounts for a total of nearly SEK 800 billion per year among the companies who are members of their respective national trade organizations. Japan and USA account for the largest individual sales among the member companies. Together their annual sales accounts for more than SEK 500 billion. WFSDA estimates that just over 40 million people around the world work in direct sales.

The largest markets in Europe are France, with sales of SEK 33 billion. The German and British market follow with just under SEK 30 and 20 billion in annual sales, respectively. It is worth noting that sales of products amounts to more than SEK 100 billion within the EU, of which up to 85% are produced within the EU. Direct sales employs directly and indirectly almost four million people within the EU.

## Direct sales in Sweden<sup>1</sup>

- Direct sales has increased in Sweden on average 10% per year in the past five years.
- 95% are employed part-time and 5% are employed full-time with direct sales.
- 75% are women and 25% are men.

The roughly 50 direct sales companies in Sweden currently employ up to around 120,000 people, of which 20% work full time, while the remainder pursue direct sales as part time work. In total, direct sales employs more than 10% of the Swedish retail workforce. Direct sales in Sweden brings in approximately SEK 1.5 billion and is the Nordic region's largest direct sales market.

The special structure of the industry makes it interesting in several other respects as well. Organizations in the network

provide their sellers a large amount of personal freedom in a way that few other industries can. Activities in the network can often be run entirely on the seller's own terms. Direct sales can be approached as everything from a focused, disciplined job, with hours greater than full-time, to an easy, recreational activity. Franchising, where you apparently run your own business, but from a fixed and established business model, also makes direct sales look attractive to many people, where it is possible to pursue the business in both rural areas as well as urban areas.

## Competitors

Zinzino's competitors can be divided into several groups. There are competitors in the form of other direct sales companies where Zinzino risks losing partners (resellers). Examples of these can be Oriflame, Herbalife and PartyLite.

On the customer side, competition comes from competitive products, where competitors can be divided into two different groups, such as Zinzino's product lines Zinzino Coffee and Zinzino Food.

For Zinzino Coffee, the Company identifies the competition as coming from other pod-based espresso machines and their manufacturers. The Company considers the largest competitor to be Nespresso, but locally in Sweden there is also competition from Tassimo together with Gevalia. There are no other actors within the direct sales industry in Sweden who have the same product as Zinzino.

For Zinzino Food, the Company with respect to its unique concept of omega-3 products along with a blood test, has not identified any competitors in Sweden. However, the range of omega-3 products available on the Swedish market is enormous. Hence the Company sees a certain amount of competition from health food players with store and Internet sales. A number of existing direct sales companies in Sweden sell omega-3 products, but not in combination with a blood test and analysis such as Zinzino.

Notes:

<sup>1</sup> Direkthandelns Förening, 2014. (Swedish Association of Direct Selling Companies, 2014)

# BUSINESS OVERVIEW

## Business model

Zinzino uses independent sales people to market and sell products through so-called direct sales. The core of Zinzino's business is marketing and sales. Zinzino's network of independent sales people market Zinzino's products and services to consumers, while the Company's own marketing focuses on creating and providing the sales personnel with the tools they need. At Zinzino, the independent sales people are called partners. Partners receive commissions based on the sales they generate which are regulated by the agreement between the partner and Zinzino.

The marketing work primarily involves providing product information, campaign materials, basic training materials, and an efficient flow of information via the web, social media and emails. The management at Zinzino has a close dialog with the so-called "Leadership Council", which consists of representatives from the sales network, which is very appreciated by both parties.

## Goals

The Company intends to achieve the following financial goals and key figures within the coming years:

### GOALS

During the period 2014-2016, the average growth in sales in Zinzino shall be at least 25 %.

During the period 2014-2016, the net margin shall increase to at least > 6%.

The dividends policy shall be 30% of the net profit, as long as liquidity and debt/equity ratio permits this.

### FORECAST

The Company's forecast for 2014 is that sales will reach between SEK 340 million and SEK 360 million with an operating margin exceeding 4%.

## What is direct sales?

Direct sales is personally selling products and services directly to the consumer. Sales occur most often in the customer's home, at home-based parties, at the customer's work or other public places that are not permanent retail stores. Direct sales usually occur through product demonstrations where the seller provides their customers with the relevant information and personal service.

Direct sales is a well organized and legal form of trade that offers quality products and quality services for a reasonable amount of compensation. In contrast to regular retail stores, direct sales is based on selling products and services directly to the consumer. This often involves extensive product demonstrations, which provide the customer the ability to review the products functions test the product and form their own opinion about it.

Direct sales has the flexibility to allow people to develop an independent business based on their personal goals, needs, time, etc. Most of the direct sellers build up the business on a part-time basis, but a number choose to devote significantly more time and effort toward their business. It is always up to the reseller to decide. All of the commission that resellers receive is based on the product sales made directly with customers and through the sales organization that they create.

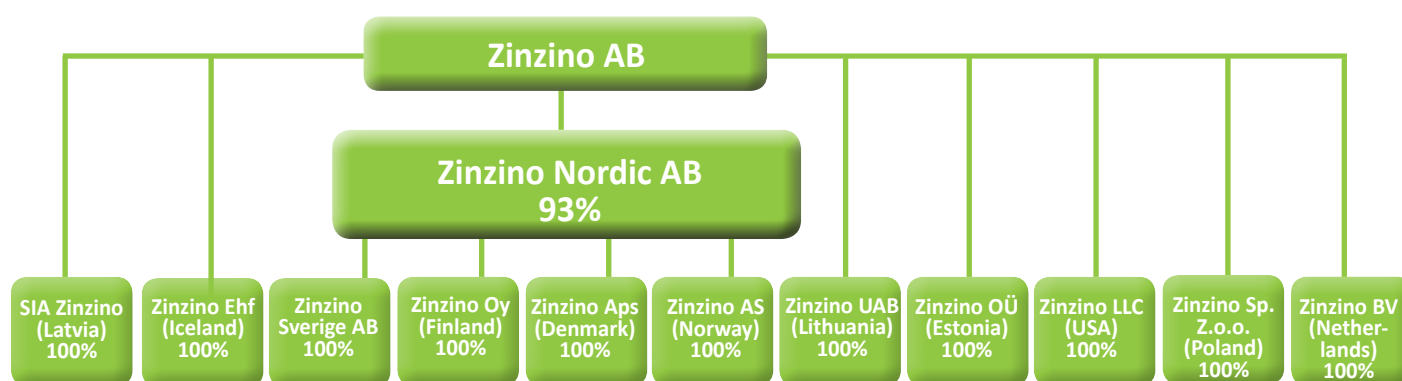
## Partners

At Zinzino, the direct sales people are called partners. Apart from recommending the product to potential customers, a partner in Zinzino can also create their own sales organization together with other direct sellers, thereby building their own business.

Zinzino also offers entrepreneurs an exciting business opportunity with sales, marketing, personal development at the center. Education and training for the work is organized by a network of independent partners in conjunction with the Company. In addition, Zinzino wants the partners who decide to accept Zinzino's business offer to feel that they are working in a warm and friendly network, where they will be taken care of, and receive support and advice from experienced independent partners. This network is the backbone of this type of business, and Zinzino stands behind them, pushing the business forward.

Partners can take advantage of an established brand, well-developed products and the system for training and marketing, together with other independent partners in the network. Zinzino gets committed market leaders, while partners gain access to exclusive products with a very high level of quality, without

## CORPORATE STRUCTURE



needing to buy large inventories. As a partner at Zinzino, there is a large amount of flexibility and partners can decide for themselves on their working hours and level of work intensity. Zinzino provides the tools and conditions for partners to create their own future, which is controlled by their own personal ambitions, lifestyle and goals.

Zinzino signed an agreement in 2013 with 10,363 (9812) new partners and 48,190 (26,193) customers.

### Direkthandelns Förening (Swedish Association of Direct Selling Companies)

Zinzino is a member of Direkthandelns Förening and has actively worked for many years to create an open and honest direct sales industry. Zinzino is also a member in the national direct sales associations in Sweden, Norway, Finland, Denmark, Estonia, Latvia, Lithuania and USA. Zinzino will apply for membership in the national direct sales associations of all the new markets that the Company enters.

Being a member of the direct sales associations is a mark of quality for Zinzino as a company. The main tasks of these direct sales associations include protecting the consumer, establishing good business practices and creating a good image for both direct sales as a form of distribution and for its participants. They also help to ensure that the ethical rules in the industry are well published and applied, and that sellers and distributors are well-educated in this regard. The direct sales associations also act as referral organizations in the event of legislation that affects direct selling.

The national direct sales associations fall under the authority of SELDIA (The European Direct Selling Association). SELDIA represents 25 national, European direct sales associations and — directly or indirectly — through their associated corporate members, more than 1000 direct selling companies with a total annual sales of more than EUR 20 billion and with more than seven million direct sellers. Of these almost six million are women.

### Strengthening the organization

Zinzino works continuously to streamline business systems and procedures in order to continue to handle the increased sales in a stable and satisfactory manner. In 2013, the organization was bolstered with additional resources, in principle for all departments, at the headquarters in Gothenburg. Even the sales

office in Florida, USA, has been strengthened with several new employees in the support department, who together with the Company's Chief of Operations for USA who take care of daily operations.

### Corporate structure

Zinzino's corporate structure is presented in the diagram above. Apart from Zinzino Nordic AB, the following wholly-owned companies are part of the group company: Zinzino OÜ in Estonia, Zinzino UAB in Lithuania, SIA Zinzino in Latvia, Zinzino Ehf in Iceland, Zinzino LLC in Jupiter, Florida, USA and the companies that were established in 2014, Zinzino B.V in Holland and Zinzino Sp. Z.o.o. in Poland.

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

### External suppliers of warehouses and logistics

In order to be able to handle the increased sales volumes, Zinzino has stopped using their own warehouse and management system which was previously inside the same building. In July 2013, a partnership was started with an external supplier, who currently takes care of both inventory and logistics from their location in Trollhättan. Complaints and returns are still handled internally by the Company.

### Head offices

There are currently roughly 50 employees at Zinzino, and the number of employees has increased over 300 percent in recent years. The average age of the employees is currently 33 years old. In the spring of 2013, Zinzino outgrew the location that they moved into in the winter of 2010. Hence, they gained access to additional space on the floor above. In August 2013, parts of the personnel staff moved to the new workspace on the top floor that has windows and views in both directions.

The management and operational staff are located in the head office. The largest department is made up of support and customer service, where the languages of all of Zinzino's various markets are represented. The different backgrounds and origins of the staff help make the work environment a very accepting and interesting place, where colleagues can learn from each other experiences and knowledge.

# PRODUCTS

Zinzino markets and sells functional food and coffee. The functional food product line consists of the Balance products: oil, shakes, test and capsules. The coffee product line consists of espresso machines, coffee, tea and accessories. Zinzino offers their consumers quality products where health, the environment, and his sense of everyday luxury are in the center. The focus on proximity to the customer and active product development are deeply rooted in the Company's vision and strategy. Both product lines provide the opportunity for consumers to view their monthly consumption of the product via a report that is sent to their home, an efficient and highly appreciated solution.



## Zinzino Balance

Zinzino has had a long partnership with the Norwegian firm BioActive Foods to create the product line, Zinzino Food.

BalanceOil is a unique mixture that consists of the oil from carefully selected types of fish with a high percentage of EPA and DHA (omega-3 bioactive essential fatty acids), which is combined synergistically with a special, high-quality olive oil that is rich in polyphenols. BalanceOil helps the consumer to increase their amount of omega-3 in the body in order to achieve and maintain a balance between the essential fatty acids omega-6 and omega-3.

Zinzino BalanceOil can be found in several flavors and is also available in powder form as BalanceShake.

Zinzino also offers a unique test for consumers who want to keep track of their blood balance values. This is a simple blood test for home use that is performed with a small prick in the finger. The test is currently analyzed at St. Olaf's Hospital at the University of Trondheim and by Vitas AS in Oslo, Norway to determine the consumer's fatty acid profile. The Company's partner for analyzing tests in the future will be Vitas AS, a company that specializes in chemical analysis of medications. The test shows whether the consumer has an unbalanced, partially balanced or fully balanced diet. The test takes less than a minute to perform, and the consumer can access their results anonymously on the web within approximately 20 days. In addition, consumers can also review a report in order to increase their awareness of health and dietary issues.

Zinzino recommends that consumers take a BalanceTest before starting to use Balance products and then another BalanceTest after 120 days. Zinzino's facts display the balance results (closer 3:1) within 120 days.

In October 2014 Zinzino launched the new product line BalanceXtender. The product is designed to protect, preserve and renew cells and tissues. In addition to BalanceXtender, new BalanceOil flavors have been launched – orange-lemon and mint flavor. Zinzino is particularly active in developing products within this line, and plans to introduce several new flavors and products in the coming years.

- Order Zinzino BalanceTest
- Take blood test at home
- Send your test for analysis
- Start to use Zinzino's Balance products
- You can view your first test results within 20 days at [www.zinzinotest.com](http://www.zinzinotest.com)
- After 120 days, you take the test again and receive results that show how your values have changed.



ZINZINO FOOD

## Zinzino Coffee

Zinzino's coffee supplier is the coffeehouse Rombouts, which was founded in Antwerp, Belgium in 1896. Malongo is the subsidiary in Nice, France. The Company is still family owned and proud of their traditions and passion for coffee. Their vision is to provide the highest quality coffee, preferably fair trade, with a unique taste and from carefully selected suppliers working on small plantations.

Zinzino's basic idea is to give consumers the option to create their own café at home with the best products. In addition to Zinzino's professional and easy-to-use machines, Zinzino also sells matching coffee pods and accessories such as cups, confectionery and milk steamers.

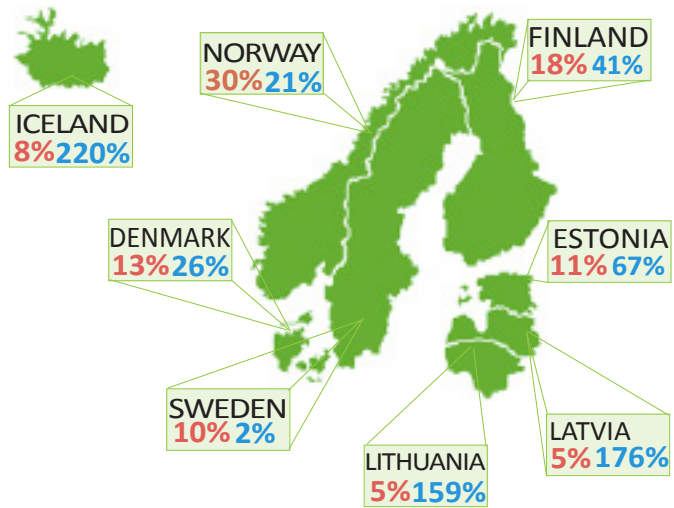
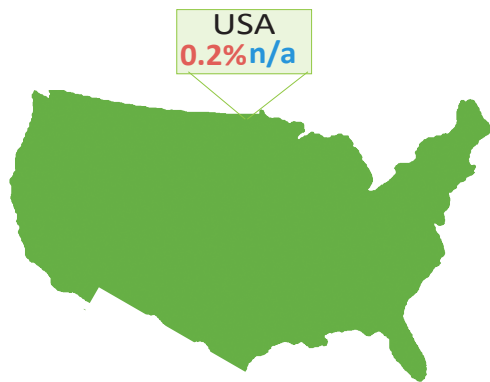


Zinzino's product lines also include fair trade coffee and tea, which takes both working conditions, the environment and quality into consideration. Zinzino is a member of the Fairtrade-förbundet (Fair Trade Association) in Scandinavia and has chosen to work with Rombouts & Malongo based on their high ethical values and their outspoken strategy of working with farmers through the fair trade system.

Zinzino works continuously on environmental work and is a part of the Elreturen (Electricity Return) program which recycles and processes old espresso machines in a safe manner.

Rombouts & Malongo uses only hand-picked beans that are processed using the so-called wet method. The beans are purchased on site where the contents of each sack is inspected and then slowly roasted and packaged. This focus on quality produces results and Rombouts & Malongo is also the coffee supplier for the Belgian royal court, prestigious hotels and airports around the globe such as Paris, New York, Tokyo and Dubai.





■ Geographic distribution of sales 2013  
■ Sales growth per market versus previous year 2013

## Markets

In the 3rd quarter 2014, the Zinzino concept was launched through subsidiaries in Poland and Holland. Because Zinzino had been set up in several similar markets, there is a lot of knowledge within the Company. This knowledge, in combination with many technical solutions from previous setups, can be reused to make processes run more efficiently and according to schedule. Sales began in September 2014. Zinzino has started the application process for becoming a member in the respective countries' direct selling associations.

### Norway

Norway is one of the three markets where Zinzino first started sales in 2005. Sales in this country occur via the subsidiary Zinzino AS. Since 2010, Norway is Zinzino's largest market in terms of sales and is the market where Zinzino has the most registered distributors. Norwegians also represent a large percentage of owners of Zinzino.

### Sweden

Sweden is Zinzino's home market with headquarters in Västra Frölunda, Gothenburg. Sweden is one of the 3 markets where Zinzino first started business. Sales and growth in the Swedish market were stable during 2013. In the beginning of 2014, sales also increased. According to the Company, there is a lot of potential in the Swedish market.

### Denmark

Denmark is one of Zinzino's three original markets. The Danish market has displayed steady growth for several years. Zinzino invests major resources in order to remain on the forefront in terms of product certifications among the Danish authorities. This effort, in combination with a strong sales network, provides Zinzino with a profitable subsidiary in Denmark.

### Finland

Finland was the fourth market that Zinzino opened, which occurred in 2005. In the beginning, growth in this market was slow but then picked up speed in 2010. Finland is the market where Zinzino showed the strongest growth from 2011 to 2013, and has made Finland into Zinzino's second-largest market. The Finnish sales network is committed, energetic and focused. Zinzino's management works actively on training for the sales network and efficient customer support to reduce the somewhat high percentage of returns.

### Iceland

Zinzino started sales on the Icelandic market in 2008 (via export), and in 2011 a subsidiary was started Zinzino Ehf. During the first years on the Icelandic market, growth and sales were slow, and profitability was almost non-existent. The launch of Zinzino Food turned things around, and the Icelandic sales network had a strong, positive response from the Icelandic market.

### Estonia

The Estonian subsidiary Zinzino OÜ was started in 2011. Since its beginning, Zinzino OÜ was the strongest of Zinzino's Baltic operations, and in 2013 it had a growth rate of 67% versus the previous year. Estonia has a strong and structured sales network that also runs a café in Tallinn. Here they can meet potential new customers and distributors and offer them delicious espresso coffee. On the Estonian market, the product line Zinzino Coffee still represents the largest percentage of sales.

### Lithuania

In Lithuania, the subsidiary Zinzino UAB was started in 2011. Zinzino has a stable network of sales people in Lithuania, and even though Zinzino's premium products are considered to be high-priced items in relation to the average income in the country, the market continues to show strong growth. Similar to other companies in the Baltic region, the Zinzino Coffee product line sells more than the Zinzino Food line.

### Latvia

Zinzino SIA was formed in Latvia in 2012. The Latvian sales network is very structured. They do a great job in terms of selling relatively high-priced premium products in a country with incomes that are lower on average than in the Nordic countries.

### USA

Early in December 2013 sales of Zinzino Food began in USA with the products BalanceTest, BalanceOil and BalanceShake. Sales have currently spread to 26 states, which demonstrates great potential for continued geographic expansion and good sales. The market was officially opened on 8 February 2014.

Zinzino has established both a sales office and warehouse in USA in order to offer the market the best possible service and to handle the rapid growth that has already been clearly noticed. The offices are located in Jupiter, Florida where Zinzino's employees are well-equipped to provide customer service and support to American customers and independent sellers.

# HISTORY

## 2014

In order to strengthen their influence in BioActive Foods AS, Zinzino expanded their ownership in the company from 6 to 10 percent by investing SEK 2.4 million. Increased ownership in BioActive Foods AS ensures access to products, research expertise and the production of goods within Zinzino Food.

On 8 February 2014, the American market was officially opened, and Zinzino was established in Holland and Poland on 1 September 2014.

In October 2014, Zinzino invested a total of NOK 9 million in a new share issue and in the acquisition of shares in Faun Pharma AS and has thereby obtained 85 % of the shares and votes, Faun Pharma AS is a producer of products in the fields of cosmetics, health and nutrition.

## 2013

When Zinzino entered in 2013, the Company had its strongest year ever behind it. In 2013, a company was started in the USA with its head office in Jupiter, Florida. In addition, distribution channels were developed by purchasing an external logistics supplier and developing an additional product line.

## 2012

Zinzino started 2012 with an aggressive strategy and budget. Established goals were exceeded based on the revised commission models for the sales force, increased penetration of markets, organizational and system upgrades and the establishment of new markets. In 2012 companies were set up in Latvia and Iceland. Zinzino also launched a new product line, Zinzino Food / Balance in conjunction with BioActive Foods AS. Initially, two products were launched, BalanceTest and BalanceOil. Zinzino also invested in BioActive Foods AS, resulting in an ownership percentage of six percent as a part of the collaboration.

In January 2012, the group got a new CEO after Sophia Johansson, who had been the CEO since 2004, decided to step down. Dag Bergheim Petersen was elected as the new CEO for the group company. He held management positions in the electricity giant Alcatel and was the Senior Vice President in TeliaSonera's subsidiary NetCom.

## 2011

In 2011 the group expanded with companies in Estonia and Lithuania. The new subsidiaries were owned directly by Zinzino AB in contrast with the previous group company structure. Subsidiary was established in Iceland.

## 2009

In 2009, Zinzino Nordic AB was acquired, which occurred partially through a non-cash issue and partly through subscribing to the preferred shares that Zinzino Nordic issued in December 2009. This provided Zinzino AB with control over 97 percent of the votes and 92 percent of the capital in Zinzino Nordic AB. As of 30 June 2014, the ownership share in Zinzino Nordic amounted to 93 percent of the capital and 97 percent of the votes.

Zinzino launched their concept in Iceland and the product range was expanded with two additional espresso machines.

## 2007

Zinzino AB was registered with the Swedish Companies Registration Office.

## 2005

Launch of the current product concept in line with the decision to refine the Company's operations and invest in a product line rather than a wide assortment, and to focus on product-oriented sales rather than selling services.

## 2003

The current business was started, i.e. network sales through Zinzino Nordic AB.

# FINANCIAL SUMMARY

## SUMMARIZED INCOME STATEMENT

Amounts in SEK thousand	01/01/2014 30/09/2014	01/01/2013 30/09/2013	01/01/2013 31/12/2013	01/01/2012 31/12/2012
Revenues				
Net turnover	218,186	154,594	226,308	161,651
Other income	24,903	17,785	28,222	15,513
<b>Total revenue</b>	<b>243,089</b>	<b>172,379</b>	<b>254,531</b>	<b>177,164</b>
Costs				
Trade goods and other direct costs	-176,420	-128,191	-183,576	-134,409
Other external costs	-32,156	-22,041	-36,194	-17,709
Personnel costs	-20,443	-16,228	-23,556	-19,384
Depreciation	-819	-555	-735	-397
<b>Total costs</b>	<b>-229,838</b>	<b>-167,015</b>	<b>-244,060</b>	<b>-171,899</b>
<b>OPERATING INCOME</b>	<b>13,251</b>	<b>5,364</b>	<b>10,470</b>	<b>5,265</b>
Net financial items	-1	-1	-93	52
<b>PROFIT/LOSS AFTER FINANCIAL ITEMS</b>	<b>13,250</b>	<b>5,363</b>	<b>10,377</b>	<b>5,317</b>
Tax on net profit for the period <sup>1</sup>	-32	-	-554	-351
Minority share in the net profit for the period <sup>2</sup>	-	-	-796	-366
<b>NET INCOME FOR THE PERIOD</b>	<b>13,218</b>	<b>5,363</b>	<b>9,027</b>	<b>4,600</b>

<sup>1</sup> Zinzino in Sweden has a total of approximately SEK 100 million in unutilized deductions for loss. The overall assessment is that the total tax burden for the group company in 2014 will be low.

<sup>2</sup>Zinzino provides no breakdown of minority interests in the interim report. The minority comprises approximately 7% of the shares in Zinzino Nordic AB and the owners of these have no influence in the Group.

### Accounting principles

The accounting principles for the Company's annual reports for fiscal years 2013 and 2012, as well as the Company's interim report for January – September 2014 are in compliance with the Swedish Annual Accounts Act and statements and general recommendations from the Swedish Accounting Standards Board. If there were no recommendations from the Swedish Accounting Standards Board, recommended guidance was provided by the Swedish Financial Accounting Standard Council and in applicable cases by statements from FAR (Swedish Institute of Authorized Public Accountants). When this is the case, it is specified under special circumstances below.



## SUMMARIZED BALANCE SHEET

Amounts in SEK thousand	30/9/2014	30/09/2013	31/12/2013	31/12/2012
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
Intangible fixed assets	2,894	2,119	3,498	2,450
Tangible fixed assets	978	1,083	977	843
Financial fixed assets	5,937	3,994	3,616	3,606
<b>TOTAL FIXED ASSETS</b>	<b>9,809</b>	<b>7,196</b>	<b>8,091</b>	<b>6,899</b>
<b>CURRENT ASSETS</b>				
Inventories	28,015	30,827	28,415	15,407
Short-term receivables	12,952	13,431	9,377	8,644
Cash-in-hand and on deposit	49,292	5,193	10,923	16,473
<b>TOTAL CURRENT ASSETS</b>	<b>90,259</b>	<b>49,451</b>	<b>48,716</b>	<b>40,524</b>
<b>TOTAL ASSETS</b>	<b>100,068</b>	<b>56,647</b>	<b>56,807</b>	<b>47,423</b>
<b>SHAREHOLDERS' EQUITY AND LI-</b>				
<b>EQUITY</b>				
Share capital	2,424	2,708	2,708	2,708
Non-restricted reserves / Profit-loss	29,460	10,598	9,878	5,076
Net income for the period	13,218	5,363	9,027	4,600
<b>TOTAL EQUITY CAPITAL</b>	<b>45,102</b>	<b>18,669</b>	<b>21,613</b>	<b>12,384</b>
Minority interest <sup>2</sup>	-	-	1,268	472
<b>LIABILITIES</b>				
Long-term liabilities	277	277	277	277
Short-term liabilities	54,689	37,701	33,649	34,290
<b>TOTAL LIABILITIES</b>	<b>54,966</b>	<b>37,978</b>	<b>34,926</b>	<b>34,567</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND</b>	<b>100,068</b>	<b>56,647</b>	<b>56,807</b>	<b>47,423</b>

## SUMMARIZED CASH FLOW ANALYSIS

Amounts in SEK thousand	01/01/2014	01/01/2013	01/01/2013	01/01/2012
	30/09/2014	30/09/2013	31/12/2013	31/12/2012
<b>Operating activities</b>				
Operating profit	13,251	5,486	10,470	5,265
Depreciation / Amortization	819	555	735	397
Interest received	-	-	48	76
Interest paid	-1	-1	-141	-24
Tax paid	-32	-	-554	-351
<b>Cash-flow from the current business before changes in working capital</b>	<b>14,037</b>	<b>6,040</b>	<b>10,558</b>	<b>5,363</b>
<b>Changes in working capital</b>				
Increase(-) / Decrease(+) in inventory	400	-16,783	-13,008	-10,301
Increase(-) / Decrease(+) in short-term receivables	-3,575	-2,664	-809	-6,574
Increase(-) / Decrease(+) in short-term liabilities	21,040	2,639	-565	20,209
<b>Cash-flow from the current business</b>	<b>31,902</b>	<b>-10,768</b>	<b>-3,824</b>	<b>8,697</b>
<b>Investment activity</b>				
Investment in financial fixed assets	-	-34	-11	-3,779
Investment in intangible fixed assets	-2,397	-49	-1,534	-1,310
Investment in tangible fixed assets	-353	-431	-383	-422
<b>Cash-flow from investment activity</b>	<b>-2,750</b>	<b>-514</b>	<b>-1,928</b>	<b>-5,511</b>
<b>Financing activity</b>				
Shareholder contribution	-	-	-	-
Group contribution	-	-	-	-
Dividends	-2,708	0	-	-
Options issue	12,120	0	0	4
<b>Cash-flow from financing activity</b>	<b>9,412</b>	<b>0</b>	<b>0</b>	<b>4</b>
<b>PERIOD'S CASH-FLOW</b>	<b>38,564</b>	<b>-11,282</b>	<b>-5,752</b>	<b>3,190</b>
<b>Liquid assets at start of year</b>	<b>10,923</b>	<b>16,473</b>	<b>16,473</b>	<b>13,322</b>
Exchange rate differences in cash and cash equivalents	195	-2	-202	39
<b>Liquid assets at year end</b>	<b>49,292</b>	<b>5,193</b>	<b>10,923</b>	<b>16,473</b>

## KEY RATIOS

	01/01/2014 30/09/2014	01/01/2013 30/09/2013	01/01/2013 31/12/2013	01/01/2012 31/12/2012
Sales growth	41%	53%	44%	75%
Gross profit margin	27.4%	25.6%	28%	24%
Operating margin before depreciation	5.8%	3.5%	4.4%	3.2%
Operating margin	5.5%	3.2%	4.1%	2.9%
Profit margin	5.4%	3.1%	3.5%	2.6%
Return on equity	29.3%	28.7%	41.8%	37.10%
Debt/equity ratio	45.1%	33.0%	38.0%	26.11%
Dividends, SEK	0.10	-	-	-
Sales of Zinzino Coffee in % of net sales	36%	68%	62%	N/A
Sales of Zinzino Food in % of net sales	64%	32%	38%	N/A

### DEFINITIONS OF KEY RATIOS:

#### Gross profit margin

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

#### Operating margin before depreciation

Operating profit before depreciation divided by total revenues

#### Operating margin

Operating profit divided by total revenues

#### Profit margin

Profit for the period divided by total revenues

#### Return on equity

Profit for the period divided by equity capital

#### Debt/equity ratio

Equity capital divided by balance sheet total.

### Documents incorporated by reference

In addition to the existing documents, this Prospectus consists of the following documents that are hereby incorporated by reference and should be considered as a part of the Prospectus.

- Interim report January – September 2014
- Annual Report regarding fiscal year 2013
- Annual Report regarding fiscal year 2012

The documents the above are available at the Company's website, [www.zinzino.com](http://www.zinzino.com)

### Working capital

The board of Zinzino estimates that the existing working capital is sufficient for their current needs over the next 12 month period. This means that the Company can fulfill their payment obligations as they are due to be paid.

### Significant events after the end of the reporting period

Zinzino AB has entered an agreement on 28 October 2014 with Faun Pharma AS, which is a producer of products in cosmetics, health and nutrition supplements, regarding the investment of NOK 9 million in a new share issue and thus received 85% of the shares in the company.

# SHARES, SHARE CAPITAL OWNERSHIP STRUCTURE



## Shares and share capital

The share capital in Zinzino amounts to SEK 2,950,868 distributed across 5,113,392 Class A shares and 24,395,295 Class B shares. The total number of shares outstanding amounts to 29,508,687 with a quota value of SEK 0.10 per share. According to the corporate bylaws, the capital stock may amount to a minimum of SEK 2,200,000 and a maximum of SEK 8,800,000 and the number of shares may amount to a minimum of 22,000,000 shares and maximum of 88,000,000 shares. The number of Class A shares and Class B shares must each correspond to a maximum of the entire capital stock. When voting at the Company's annual meeting, Class A shares provide one vote per share, and Class B shares provide ten votes per share. All shares are equally entitled to profit and dividends and to Zinzino's assets and potential surplus upon liquidation. The shares were issued in accordance with Swedish legislation and are denominated in SEK. The shares are registered electronically in accordance with the registration provision in the corporate bylaws and the shares are registered by Euroclear Sweden AB.

## Authorization

During the annual general meeting on 16 May 2014, the board received authorization according to which the board is entitled to make decisions at one or more times during the period until the next annual meeting regarding the issue of preferred Class B shares, convertibles and/or subscription warrants. The board may make decisions regarding the issue of preferred shares with or without provisions for offsetting or other terms.

The board also received authorization at the annual general meeting to make decisions during the period until the next annual meeting, in one or more instances, regarding new issue of shares under market-related conditions of Class B shares, convertible bonds and/or subscriptions options that deviate from the shareholders' right of priority with or without provisions regarding non-cash and/or offsetting or other conditions. However, the board shall not make decisions that involve a total of more than 3,000,000 Class B shares being available via new issues.

## Option program

*Subscription warrants that provide subscriptions rights to Class B shares, decision at the annual general meeting on 16 May 2014*

At the annual general meeting on 16 May 2014, the shareholders' meeting decided to issue a maximum of 600,000 subscription warrants. The right to exercise the subscription warrants, with the exception of the shareholders' preferential rights, was only given to Zinzino's subsidiary, Zinzino Nordic AB (Corp. ID No. 556646-5893). Zinzino Nordic AB is entitled to transfer the subscription warrants to senior executives at Zinzino. The reason for the deviation from the shareholders' preferential right is to create incentives for Zinzino's senior executives, primarily in the USA but also in Europe to a certain extent, to work toward Zinzino Prospectus 2014

no's positive development. All of the subscription warrants have been exercised. Each subscription warrant gives the owner the right to subscribe to a new Class B share in the Company, each with a quota value of SEK 0.10 per share at a subscription price of SEK 16 per share. Share subscription is available until 31 May 2019. As of 1 December 2014, none of the subscription warrants had been used to subscribe to shares.

Senior executives at Zinzino will be given the option to acquire subscription warrants by Zinzino Nordic AB. During the acquisition, a market-based premium must be paid for subscription warrants, which is established by applying the Black & Scholes option valuation model. Senior executives in the USA were given the option to acquire 330,000 subscription warrants, and executives in Europe were offered 100,000 subscription warrants, for a total of 430,000 subscription warrants.

*Subscription warrants that provide subscriptions rights to Class B shares, decision at the extraordinary general meeting on 14 November 2011*

At the extraordinary general meeting on 14 November 2011, the shareholders meeting decided to issue a maximum of 2,120,000 subscription warrants. The right to exercise the subscription warrants was granted, apart from the shareholders' preferential right, to persons in the groups management group and key people in Zinzino's sales network as identified by the board. The reason for deviating from the shareholders' preferential right was that the Company considered it important to create lasting incentives for senior executives and key personnel who were considered critical for the future development of the Company. 2,100,000 subscription warrants were executed. Each subscription warrant gives the owner the right to acquire a new Class B share in the Company, each with a quota value of SEK 0.10 per share at a subscription price of SEK 2.00 per share. Share subscription can occur between 1 August 2012 and 1 November 2016. As of 1 December 2014, 20,000 subscription warrants had been exercised to subscribe to shares.

*Subscription warrants that provide the right to subscribe to Class B shares, decisions by the board, by virtue of the authorization at the shareholders' meeting on 21 October 2009*

At the Zinzino board of directors meeting on 21 October 2009, the board decided that, by virtue of the previous authorization at the shareholders' meeting, to issue subscription warrants. Since a reverse split of Zinzino's shares had taken place since the subscription warrants were issued, both the number of shares that the warrants provide shareholders with, as well as the subscription rate, shall be recalculated in conjunction with exercising the warrants. After recalculating, the Company can issue a maximum of 2,500,000 subscription warrants. The right to exercise the subscription warrants, deviating from the shareholders' preferential right, was granted to Partner Rewards AB, a company that is directly controlled by Örjan Saele, that is Zinzino's largest shareholder via companies and close relatives. The reason for the

deviation from the shareholders' preferential right was that Partner Rewards AB, a subcontractor of services to Zinzino, with their expertise in network sales, was considered to be an important partner for Zinzino. The board felt that it was important to tie the company closer to Zinzino. Each subscription warrant gives the owner the right to acquire a new Class B share in the Company, with a quota value of SEK 0.10 per share at a subscription price of SEK 5.00 per share (after recalculations). Share subscription can occur between 1 August 2010 and 1 December 2014. All subscription options were signed by Partner Rewards AB and Partner Rewards AB eventually transferred the subscription warrants. As of 1 December 2014, all of the subscription warrants had been exercised, i.e. 2,500,000 subscription warrants. A total of 2,405,917 subscription warrants have been registered with the Swedish Companies Registration Office, while 94,083 subscription warrants are still being registered with the Swedish Companies Registration Office.

### Trading center and share price development

Zinzino's Class B shares were previously traded through AktieTorget. In conjunction with Zinzino's Class B shares being traded on First North, trading via AktieTorget will cease, with the last trading day being 10 December 2014. The first day of trading on First North is scheduled for 11 December 2014. Class B shares will be traded under the nickname of ZZ B with the ISIN code SE0002480442.

### Dividend policy

The board at Zinzino decided, as of fiscal year 2013, to recommend announcing a dividend distribution to the shareholders at the annual general meeting amounting to 30 percent of the net profit annually, provided that the Group's liquidity and debt/equity ratio permits.

At the annual general meeting on 16 May 2014, the decision was made to pay a dividend of SEK 0.10 per share, for a total of approximately SEK 2.8 million to the Company shareholders. This is the first time in the Company's history that profits were distributed to shareholders.

### Ownership structure

As of 30 September 2014, the number of shareholders amounted to 1,064 individuals. The table below provides information about the ownership structure in the Company as of 30 September 2014. For the board's and senior executive's holdings, see the chapter "Board of Directors, Senior Executives and Auditors". Zinzino announced on 6 October 2014 that Saele Invest & Consult AS has decided, by virtue of Zinzino's corporate bylaws, to convert 1,000,000 Class A shares to Class B shares, which was registered with the Swedish Companies Registration Office.

Shareholders 30 September 2014	Number of Class A shares	Number of Class B shares	Share of capital	Number of votes
Ørjan Saele and company	4,123,391	5,743,153	35.5%	56.7%
Peter Sørensen and company	1,809,995	1,771,588	12.9%	24.0%
Hilde Rismyhr Sæle	0	2,028,000	7.3%	2.4%
O Synnes Invest AS	100 000	773,500	3.1%	2.1%
Thor-Björn Mikkelsen	0	465,200	1.7%	0.6%
MD Success AB	0	377,074	1.4%	0.5%
Tim Halstensen	0	358,199	1.3%	0.4%
Bengt Olsson	0	331,000	1.2%	0.4%
Catharina Jacobsson	0	250,000	0.9%	0.3%
Lars Vidar Olsen Synnes	0	232,000	0.8%	0.3%
<b>Total 10 largest shareholders</b>	<b>6,033,386</b>	<b>12,329,714</b>	<b>66.0%</b>	<b>87.7%</b>
Other	80,006	9,382,164	34.0%	12.3%
<b>Total*</b>	<b>6,113,392</b>	<b>21,711,878</b>	<b>100.0%</b>	<b>100.0%</b>

Source: SIS Ågarservice

\*Total number of shares was changed after 30 September 2014 with reference to exercising subscription warrants and converting Class A shares to Class B shares.

### Development of share capital

Year	Event	Change number of shares	Total number of shares	Change share capital	Total share capital	Quota value
2007	Company formation	37,000,000	37,000,000	100,000	100,000	0.003
2007	Issue of new shares	37,803,187	74,803,187	102,069	202,069	0.003
2008	Share issue	0	0	545,963	748,032	0.010
2009	Issue of new shares	12,476,963	87,280,150	124,770	872,802	0.010
2009	Issue of new shares	135,022,681	222,302,831	1,350,227	2,223,028	0.010
2010	Issue of new shares	48,524,869	270,827,700	485,249	2,708,277	0.010
2010	Reverse split	-243,744,930	27,082,770	0	2,708,277	0.100
2014	Subscription warrants*	2,425,917	29,508,687	242,592	2,950,869	0.100

\*Additional 94,083 subscription warrants are currently being registered with the Swedish Companies Registration Office.

# BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITORS

## BOARD OF DIRECTORS



### Hans Jacobsson

Born in 1967. Chairman of the board since 2010, member since 2007.

**Other positions:** CEO and board member at Rootfruit Scandinavia AB and Laholmschips AB, board chairman at Zinzino Nordic AB, Nowa Kommunikation AB, European Last-minute Ticket AB, and at Varonar AB.

**Previous positions in the past five years:** Finance and logistics director for General Mills Scandinavia AB.

**Education:** MSc Business and Economics

**Holdings:** 414,215 Class B shares and 45,000 options, private and via company, including relatives' holdings.



### Cecilia Halldner

Born in 1951. Board member since 2007.

**Other positions:** Regional Manager for Sensus and board member at Zinzino Nordic AB and in BFÖ (training association for Östergötland).

**Previous positions in the past five years:** Board member at Proxian AB, deputy board member at 2Think AB and CEO of LastMinute Ticket AB.

**Education:** MSc Business and Economics

**Holdings:** 45,000 Class B shares.



### Staffan Hillberg

Born in 1964. Board of director since 2007.

**Other positions:** Held several positions as board member and board chairman, including board member at Zinzino Nordic AB, CEO for Wood & Hill Investment AB, and CEO of Heliospectra AB.

**Previous positions in the past five years:** Held approximately 15 positions as board member, board chairman and CEO during the past five year period, including CEO for Yield AB and Scandinavian Financial Management AB, Managing Partner for MVI, partner in CR&T Ventures AB (venture capital company within Buresfären), CEO for AppGate AB as well as Bonnier online, manager for Bonnier Medialab and product manager for Apple Computer Inc. in France and USA.

**Education:** Master of Business Administration from INSEAD.

**Holdings:** 245,298 Class B shares and 45,000 options.



### Torben Lundberg

Born in 1973. Board of director since 2014.

**Other positions:** Executive Director and CIO for Local World Media.

**Previous positions in the past five years:** Executive Director and Group CIO for Mecom Group Plc.

**Education:** Mechanical engineering and Corporate finance (HD).

**Holdings:** 15,000 Class B shares.

## Other information regarding the board of directors and senior executives

None of the board members or senior executives have, in the past five years, (i) been convicted in a fraud related case, (ii) been involved in bankruptcy, liquidation, or bankruptcy proceedings in their capacity as a board member or senior executive, (iii) been the subject of charges and/or sanctions from government authorities, or (iv) been prohibited by a court of law from being a member of a board of directors or management group, or otherwise conducting business.

None of the Company's board members and or senior executives have any familial relationship to each other. There are no conflicts of interests between the board members' and/or the senior executives' obligations toward Zinzino and their private interests and/or other duties. No special agreements have been made with major shareholders, customers or suppliers by which one of the Company's board members

and/or senior executives was elected as a board member or other senior management position. Furthermore, none of the board members, senior executives or auditors presently, previously or in previous fiscal years had any direct or indirect participation in business transactions with Zinzino that were unusual based on their terms and conditions.

The board members and senior executives can be reached via the Company's offices, Hulda Lindgrens gata 8, 421 31 Västra Frölunda, Sweden.

## Auditor

The Company's auditor has been Magnus Götenfelt since 2007 who works with the auditing firm Öhrlings PricewaterhouseCoopers AB. Magnus Götenfelt is a certified public accountant and a member of FAR (Swedish Institute of Authorized Public Accountants).

# SENIOR EXECUTIVES



## Dag Bergheim Pettersen

Born in 1970. CEO since 2012.

**Other Board assignments:** Chairman of the board at Zinzino ApS, Zinzino OY, Zinzino Ehf, Zinzino LLC, Faun Pharma AS and board member in Bioactive Foods AS, Zinzino AS, Zinzino B.V. and Zinzino Sp Z.o.o. and CEO at Zinzino Nordic AB.

**Previous positions in the past five years:** Partner at Panamera Executive Search, CEO at Elektrisk Produktion AS, Vice President at TeliaSonera Norge AS/Netcome AS and board member at Ucan2/Bedrift.

**Education:** College of engineering and SOL (Strategy, Organization and Leadership)

**Holdings:** 180,000 Class B shares and 1,460,000 options.



## Carin Andersson

Born in 1975. European Operations Manager since 2007 and employed since 2003.

**Other positions:-**

**Previous positions in the past five years:-**

**Education:-**

**Holdings:** 21,082 Class B shares and 15,000 options (exercised for subscription, not registered with Swedish Companies Registration Office).



## Jakob Spijker

Born in 1968. Business Development Manager since 2013 and employed since 2012.

**Other positions:** Board member at Zinzino B.V.

**Previous positions in the past five years:** Logistics manager at Mediatec.

**Education:** KMBO (training within business administration).

**Holdings:** 15,000 Class B shares.



## Fredrik Nielsen

Born in 1977. CFO since 2009 and employed since 2009.

**Other positions:** CFO at Zinzino Nordic AB, board member at PGTwo AB, 2Think AB, Zinzino Sverige AB, Poxian AB, Zinzino Aps, Zinzino OY, Zinzino Ehf, Zinzino LLC, Zinzino Sp Z.o.o., Faun Pharma AS and Partner Rewards AB, and board member at Zinzino AS, Zinzino UAB, Zinzino OÜ and Zinzino SIA.

**Previous positions in the past five years:-**

**Education:** B.A. Economics

**Holdings:** 15,000 Class B shares and 30,000 options.



## Mikaela Wahlbro

Born in 1984. Marketing and Communications Manager since 2012 and employed since 2010.

**Other positions:-**

**Previous positions in the past five years:-**

**Education:** B.A. in Media and Communications Studies.

**Holdings:** 15,000 Class B shares.

# LEGAL ISSUES AND ADDITIONAL INFORMATION

## **Legal structure etc.**

Zinzino is a Swedish publicly traded company with corporate ID 556733-1045 that was registered with the Swedish Companies Registration Office on 2 July 2007. The Company's legal form of business is a joint stock company and is regulated by the Swedish Companies Act (2005:551). Zinzino is headquartered in Gothenburg.

The Zinzino group includes, apart from Zinzino, 15 companies, two of which are dormant. Zinzino owns 93% of the shares and holds 97% of the votes in Zinzino Nordic AB. The remaining shares in Zinzino Nordic AB is owned by a wide circle of owners who have remained as owners since Zinzino Nordic AB was acquired by Zinzino 3 non-cash issue in 2009. Zinzino holds 85% of the shares and votes in Faun Pharma AS. The remaining shares in Faun Pharma AS are held by two shareholders, one of which is the company's founder. Zinzino owns, directly or indirectly through a partially owned subsidiary, all shares in the other companies within the Zinzino group.

The Company is a VPC company and its shares are registered in a VPC register in accordance with the Financial Instruments Act (1998:1479). Zinzino and its shares are connected to the Euroclear system with Euroclear as the central securities depository and clearinghouse. Euroclear runs Zinzino's stock register as well. The shareholders do not receive any physical stock certificates, rather transactions involving stocks occur electronically through registration in the Euroclear system by authorized banks and other securities depositories.

## **Shareholder agreements and other agreements**

As far as the board is aware as of the day prior to publishing this Prospectus, all shares in Zinzino are freely transferable and there are no shareholder agreements or other agreements between Zinzino's shareholders designed to exert joint influence over Zinzino. As far as the board is aware, there are also no agreements or similar arrangements that can result in control over Zinzino changing. There are also no agreements, as far as the board knows, to not sell shares for a certain period of time.

## **Major agreements**

### ***Partner agreement***

Zinzino has entered into a partner agreement with each seller (partner). The partner agreement gives the partner the non-exclusive right to market and sell Zinzino's products and services. A partner has the option of recruiting other partners to become a partner with Zinzino. The partner receives a commission and bonus in accordance with Zinzino's compensation plan for both their own sales and sales through the partners that were recruited. The partner agreements renew indefinitely with an advance notification period of 30 days for the partner and 90 days for Zinzino.

### ***Agreements related to BioActive Foods AS***

Since 2012, Zinzino has been part of the company BioActive Foods AS and in 2014 Zinzino expanded their ownership of BioActive Foods AS from 6 percent to 10 percent through an additional investment of SEK 2.4 million. Zinzino has, through a share issue agreement with other shareholders in BioActive Foods AS on 19 June 2012, the right under certain conditions, but no obligation, to acquire additional shares in BioActive Foods AS, to a maximum of 50 percent ownership until 31 December 2015. Zinzino has further entered into an ownership agreement with other shareholders of BioActive Foods AS, which includes the usual terms for a shareholder agreement.

BioActive Foods AS and Zinzino have been working together to develop strategically important products for Zinzino within Zinzino's product segment, Zinzino Food. Zinzino entered into a distribution agreement with BioActive Foods AS regarding the distribution of such products. Certain parts of the agreement are exclusive and other parts are non-exclusive and continue indefinitely. The board at Zinzino feels that the agreement with BioActive Foods AS was reached under market conditions and includes the customary provisions for distribution agreement.

The board's assessment is further that ownership in Bioactive Foods AS ensures access to products, research expertise and the production of goods within Zinzino Food. In the long run, Zinzino expects that ownership of BioActive Foods AS will generate lower purchasing prices, which will be beneficial for higher gross profit margins and thereby stronger net earnings.

### ***Agreements related to Faun Pharma AS***

In October 2014, Zinzino participated in a new share issue of the Norwegian firm Faun Pharma AS, and acquired shares from the existing shareholders in the company. Faun Pharma AS is a contract manufacturer of products in the cosmetics, health food and nutritional supplement sectors with extensive experience in product development. Faun Pharma AS provides both standard products as well as specialty products, which are specially created according to the needs of the customers. Faun Pharma AS' customers sell the products through several, different sales channels; everything from pharmacies, specialized dealers, online stores, telephone sales and network sales. Key customers include retailers Life and Proteinfabrikken, as well as several companies involved in health and nutrition supplements.

Zinzino invested a total of NOK 9 million in the new share issue and share acquisition, and thereby obtained 85% of the shares and votes in the company. The remaining shares are owned by two parties, of which the founder of Faun Pharma AS is one. Through its investment, Zinzino will gain access to Faun Pharma AS purchasing expertise and their experience in product development in health, nutrition supplements and cosmetics. The



board at Zinzino feels that the investment will provide Zinzino with major synergies on the cost side and improve Zinzino's margins. In addition, the board at Zinzino also feels that access to Faun Pharma AS products and production methods will result in additional growth for Zinzino in the coming years. Faun Pharma AS products will strengthen both product lines; Zinzino Food and Zinzino Balance.

#### ***Agreement with Koffie F. Rombouts***

Since 25. June 2012, Zinzino has had an agreement with Koffie F. Rombouts regarding the distribution of coffee, tea and accessories within the product segment Zinzino Coffee. The agreement also covers distribution of products from Koffie F. Rombouts subsidiary, CMC Malongo. All of the products are marketed under the brands "Rombouts" and "Malongo". Zinzino has exclusive rights to sell the products that are purchased under the agreement with Koffie F. Rombouts, provided that Zinzino achieves established targets for purchasing products. Zinzino has sales rights under the agreement within Sweden, Norway, Denmark, Finland, Estonia, Latvia, Lithuania, Iceland and the Faroe Islands. Agreements regarding sales on new markets are currently being discussed as new companies are set up. The agreement runs for an initial agreement period of five years from the time the agreement is signed, after which the agreement is extended by a subsequent three-year period, unless advance notice of termination is provided. The agreement includes the customary provisions for a distribution agreement.

#### ***Agreement with Katoen Natie Sverige AB***

Since 28 February 2013, Zinzino has had a contract relationship with Katoen Natie Sverige AB regarding the provision of inventory management services, distribution and administration of specified product groups. Through its agreement, Zinzino has phased out its internal inventory management service. Zinzino uses the same partners for managing logistics and inventory management in all countries where Zinzino is active, including USA. The agreement with Katoen Natie Sverige AB is a long-term agreement and includes the customary provisions for a contract regarding logistical services.

#### ***Agreement with Exigo Office Inc.***

In 2014, Zinzino reached an agreement with Exigo Office Inc. regarding designing and a new IT system. For information about the partnership, see the heading "New IT system" below.

### **Intellectual Property Rights**

Zinzino holds the registered national Swedish and Norwegian trade name "ZINZINO" with registration number 0375779, 276506 and 275122. The Company's trademark registrations include human nutritional supplements, electric coffee machines, coffee filters, coffee mugs, edible oils, coffee and sales of dietary supplements (classes 5, 11, 16, 21, 29, 30 and 35).

Zinzino has submitted international trademark applications for the trade name "ZINZINO" in the EU. The applications include human nutritional supplements, electric coffee machines, coffee filters, coffee mugs, edible oils, coffee and sales of dietary supplements (classes 5, 11, 16, 21, 29, 30 and 35).

Zinzino has also submitted international trade name applications for the trade name "ZINZINO" in a number of countries outside of the "EU" including Switzerland, Australia, Russia and Singapore. The applications cover human dietary supplements and sales of dietary supplements (classes 5, 29 and 35).

Zinzino has also applied for trademark protection for the brand name "ZINZINO" in USA in the autumn 2013 and spring 2014. The applications include human nutritional supplements, electric coffee machines, coffee filters, coffee mugs, edible oils, coffee and sales of dietary supplements (classes 5, 11, 16, 21, 29, 30 and 35).

Even if the trademark could be registered in Sweden and Norway, there is no expressed guarantee that the trademark will be registered and obtain legal protection in other countries where an application was submitted.

Zinzino has, apart from the trademark protection, a certain amount of legal protection for the product characteristics through the registered firms Zinzino AB, Zinzino Nordic AB and Zinzino Sverige AB. The protection covers direct sales of consumer products and training operations.

Zinzino holds a large number of domain name registrations under various top domains across the world, including national domains where Zinzino is active.

### **New IT system**

In 2014, Zinzino entered into a partnership with Exigo Office, Inc. regarding the development and delivery of a new industry-specific business and IT system. This is to meet the group company's needs due to the strong growth that Zinzino experienced and to customize the business system for the new markets. Exigo Office, Inc. offers a digital platform through a cloud-based service where Zinzino will be able to develop their website and e-retail solutions for both customers and partners. The agreement with Exigo Office, Inc. contains the customary provisions for an agreement regarding the provision of cloud-based services and runs until each separate subscription that Zinzino signs during the agreement is canceled or otherwise ceases. The process for replacing business systems is scheduled to take place from 2014-2015 and the new system is expected to be in full operation at 2015.

## **Bonus system for employees and board members**

Zinzino applies a bonus model for the senior management and CEO that can generate a maximum of six months of salary for the CEO and a maximum of one month of salary per employee for other people in Zinzino's management group. The bonus is based on the trends in Zinzino's sales and profits related to the budget approved by the board for the respective fiscal year.

Certain employees and board members at Zinzino have been offered the option to acquire/exercise subscription warrants with Zinzino. See more in the section "Shares, share capital and ownership structure".

In addition to what is specified above, there are no other bonus systems, incentive programs or similar compensation schemes for Zinzino's employees that are out of the ordinary.

## **Agreements and transactions with relatives**

There are no agreements or transactions with closely related parties to Zinzino, apart from what is specified below.

Saele Invest & Consult AS is a partner with Zinzino. Saele Invest & Consult AS is controlled by Örjan Saele directly and is Zinzino's largest shareholder via companies and relatives. Saele Invest & Consult AS has signed a regular partner agreement with Zinzino. Saele Invest & Consult AS has reached a special position in the partner structure based on their sales turnover and Örjan Saele is the sales manager for the other partners. Based on this background, Zinzino's business and sales is dependent to a large degree on Saele Invest & Consult AS and its owners and employees.

In addition to this, Zinzino holds brochures and some marketing materials, e.g. CDs, from Saele & Consult AS.

The board at Zinzino feels that the partner agreement between Zinzino and Saele Invest AS and other transactions between the companies are taking place under market conditions.

Partner Rewards AB, a company that is controlled by Örjan Saele directly, who is Zinzino's largest shareholder through companies and relatives, was offered the option in 2009 to acquire subscription warrants in Zinzino. See more in the section "Shares, share capital and ownership structure".

Rönbacken Ventures AS, which is 100% owned by the chairman of the board, Hans Jacobsson, provides consulting services within corporate finance at Zinzino to a limited degree. The board of directors at Zinzino feels that the consulting services are being provided under market conditions.

Panamera Executive Search provided Zinzino with strategic consulting in 2011. Zinzino's current CEO, Dag Bergheim Pettersen, which became CEO in 2012, was a partner in Panamera Executive Search in 2011. The board of directors at Zinzino feels that the consulting services are being provided on market terms.

## **Disputes and notifications**

At the time that this Prospectus is published, Zinzino, with the exception of what is specified below, is not a party nor has been a party in the past 12 months in any dispute or legal proceedings which have or could be of critical importance to Zinzino's busi-

ness activities and financial position. Zinzino is also not aware of any dispute or legal proceedings that could arise. Zinzino is also not subject to special investigation from a tax standpoint and is not aware that any such investigation could be conducted.

A previous partner at Zinzino made a claim in 2005 against Zinzino based on alleged faulty termination notice on the part of Zinzino. A final decision has still not been reached, and the dispute has not led to court proceedings or a similar process. Zinzino feels that the probability is small that Zinzino will incur any compensatory costs or other liabilities due to the dispute.

On 28 July 2014, Zinzino was reported to the Swedish Consumer Agency with the claim that Zinzino's business model should not be permitted. The board of directors at Zinzino feels that the report is groundless, see the description of Zinzino's business model under the section "Business description".

In 2014, Finnish officials initiated a review of Zinzino's business model and operations in Finland. The investigation is ongoing.

## **Insurance**

The board feels that Zinzino has comprehensive insurance coverage for the business in and outside of Swedish which is well suited to these risks. The board will continue to review the group's insurance coverage as the business expands.

# TAX ISSUES IN SWEDEN

*Below is a summary of the tax rules that may be relevant in conjunction with trading Zinzino shares on Nasdaq First North. The tax rules that are specified in the summary correspond to currently applicable legislation. The summary is directed to shareholders with full tax liability in Sweden unless otherwise specified.*

*The summary is not intended to be exhaustive and should be seen as general information. The tax filing for each individual shareholder depends on their specific situation. It is therefore recommended that shareholders in Zinzino seek advice from tax consultants regarding the tax consequences that can occur in each individual case, including the applicability and impact of foreign regulations and tax agreements.*

*This summary does not include situations where the shares are held by trading companies, or as inventory assets in a business. Furthermore, the special provisions regarding tax-free capital gains (including prohibited deductions in the event of capital losses) are not addressed nor are dividends in the corporate sector that may be applicable, when shareholders hold shares that are considered to be business-related. Neither are the special rules addressed that apply for so-called qualified shares in closely held companies or in the event of mutual funds and special funds being held. Special tax consequences may occur for other categories of shareholders, such as investment companies, foundations and non-profit associations, as well as persons who are not subject to full taxation in Sweden. These are issues that are not handled within the scope of this summary.*

## Physical persons

In the case of physical persons and the estates of persons deceased, dividends and capital gains are taxed under the income heading. The tax rate is 30 percent.

A preliminary tax on dividends will be withheld by Euroclear, or for trustee ownerships, by the trustee. Zinzino is not responsible for withholding any source tax.

Capital gains and capital losses are usually defined as the difference between the sales compensation, after any sales deductions, and the expense amount. The expense amount for all shares of the same kind is calculated jointly by applying the averaging method. For market-listed shares, the expense amount can be alternatively determined by applying the standardized method at 20 percent of the sales compensation after deducting any sales expenses.

Capital losses from selling listed funds are fully deductible against tax liable capital gains in the same year for other listed shares or part ownership rights, except for shares in market-listed investment funds and special funds that only include Swedish rights to debt recovery (interest funds). Capital losses that cannot be offset in this manner may be deducted by 70 percent against other proceeds in capital income. If there is a deficit in the capital from income, a tax reduction is allowed against local and national income taxes, national property taxes as well as local property fees. The allowable tax reduction is 30 percent of the part of the deficit that does not exceed SEK 100,000 and 21 percent of the remainder. A deficit cannot be deferred to subsequent tax years.

For holdings via a so-called investment savings accounts, the regulations above do not apply. Instead, the holder is assigned an annual standard

income, based on a specially calculated capital base; this applies regardless whether funds have been issued or shares have been sold with a respective gain or loss. The account holder (e.g. a bank or a mutual fund company) calculates the standard income and provides a statement of income to the Swedish Tax Agency.

## Legal persons

Legal persons, apart from estates, are normally taxed on all of their income, including taxable dividends and capital gains from their business activity. The tax rate is 22 percent. If the shares are held for business purposes, different rules apply which are not discussed in detail here.

Capital gains and capital losses are calculated in the same way as for physical persons according to what is specified above.

Deductions for capital losses are usually only valid against capital gains on shares or other part ownership rights. A capital loss may also be offset against capital gains in companies within the same corporation, if certain conditions are met and if group contributions are possible between the companies. Capital losses that have not been applied for a specific year may be saved and deducted against capital gains on shares and other part ownership rights in subsequent tax years without a time limitation.

## Shareholders in other countries

For shareholders, physical persons as well as legal persons, who are not a taxable residents of Sweden, and who are receiving dividends from a Swedish company, are normally subject to Swedish dividend tax of 30% on the dividend. However, this tax rate is normally reduced through tax agreements to avoid international double-taxation between Sweden and other countries. Exactly as for legal persons with full tax liability, special rules apply for dividends to a foreign company in amounts that are considered to be business-related. Exceptions from dividend tax also apply to shareholders within the EU who are legal persons and who meet the requirements in the so-called parent company/subsidiary directive, provided that the holdings amount to at least 10 percent of the share capital in the company issuing the dividends.

The dividend tax is withheld by Euroclear during the distribution or, for trustee ownerships, by the trustee. In cases where dividend tax of 30 percent is withheld from a payment to a person who is entitled to be taxed at a lower tax rate or dividend tax has otherwise been withheld for a large amount, repayment can be requested in writing to the Swedish Tax Agency prior to the end of the fifth calendar year after the dividend is paid.

Shareholders who are not taxable Swedish residents and who are not operating a business from a fixed location in Sweden are normally not taxed in Sweden for capital gains when selling shares and other part ownership rights. However, shareholders can be subject to tax in the country where they are a resident for tax purposes. However, under a special rule, a physical person living outside Sweden may nonetheless be taxed in Sweden on the sale of shares or other part ownership rights if the person in question was domiciled or a permanent resident of Sweden during the year in which the sale took place or at some point during the 10 preceding calendar years. However, application of this rule may be limited due to tax agreements that Sweden has with other countries for avoiding international double taxation.

# ARTICLES OF ASSOCIATION

Zinzino AB (publ.)  
556733-1045

## Article 1 Registered name

The registered name of the Company is Zinzino AB (publ.).

## Article 2 Company's head office

The board of directors is headquartered in Gothenburg municipality.

## §3 Operations

The object of the Company's operations is to own and administer subsidiary shares and to conduct business accordingly.

## Article 4 Share capital

The share capital amounts to not less than SEK 2,200,000 and not more than SEK 8,800,000.

## Article 5 Number of shares

The number of shares shall be not less than 22,000,000 and not more than 88,000,000.

## Article 6 Shares

Shares shall be issued in two series, Class A shares and Class B shares. The number of Class A shares reflects the entire share capital and the number of Class B shares reflects the entire share capital. When voting at the shareholders' meeting, a Class A share provides one (1) vote per share and a Class B share provides one tenth (0.1) of a vote.

If the Company decides to issue new Class A and Class B shares by means of a cash issue or an offset issue, holders of Class A and Class B shares have priority subscription right to new shares of the same share class that the holder owned previously (primary preferential right). Shares that are not subscribed as preferred shares are to be offered to all shareholders for subscription (subsidiary preferential right). If shares offered in this manner do not suffice for the subscription on the basis of subsidiary preferential right, the shares are to be allocated between subscribers in relation to the number of shares they held previously and, if this is not possible, by lot.

If the Company decides to issue shares of only one class by means of a cash issue or an offset issue, all shareholders, irrespective of the share class involved, have a preferential right to subscribe to new shares based on the number of shares they held previously.

If the Company decides to issue warrants or convertibles by means of a cash issue or an offset issue, shareholders have preferential subscription rights for warrants as if the issue applied to the shares that may be subscribed to on the basis of the option rights or, respectively, preferential right to subscribe to convertibles as if the issue applied to the shares for which the convertibles may be exchanged.

The above does not imply any limitation of the possibility of approving a cash issue or offset issue that deviates from the shareholders' preferential rights.

In the event of an increase in the share capital by means of a bonus issue, new shares of each share class are to be issued in relation to the number of shares of the same class that existed previously. In this connection, old shares of a given share class provide entitlement to new shares of the same class. This does not imply any limitation in the possibility of issuing shares of a new class by means of a bond issue, following the requisite amendment of the Articles of Association.

## Article 7 Board of Directors

The board of directors shall consist of at least three (3) and at most ten (10) members with at least zero (0) and at most ten (10) substitutes, who are elected annually at the annual general meeting for a period until the next annual general meeting is held.

## Article 8 Auditors

The Company must have one or two auditors or an auditing company with or without deputy auditors in order to review the Company's annual report and accounting records as well as the board members' and CEO's administration.

## Article 9 Notice of shareholders' meeting

The notice of a shareholders' meeting is made by posting an announcement in gazettes and domestic newspapers and by making the announcement available on the Company's website. At the same time that the announcement is made, the Company shall place an advertisement in Dagens Industri indicating that the announcement has been placed. Notice of an annual general meeting and notice of an extraordinary general meeting involving discussion of amendments to the Articles of Association are to be issued no sooner than six weeks and no later than four weeks prior to the meeting. Notice of other extraordinary general meetings is to be issued no sooner than six weeks and no later than two weeks prior to the meeting.

## Article 10 Report

In order to participate in a general meeting, a shareholder must, on the one hand, be listed in a copy or other format of the entire share register regarding circumstances five working days prior to the Meeting and, on the other hand, notify the Company's office no later than 12:00 p.m. on the date stated in the notice convening the general meeting.

This date may not be on a Sunday, a public holiday, a Saturday, Midsummer Eve, Christmas Eve or New Year's Eve, and may not be earlier than five working days prior to the meeting.

## Article 11 VPC register provision

The Company's shares are to be registered in a VPC share register in accordance with the Financial Instruments Act (1998:1479).

## Article 12 Annual General Meeting

The annual general meeting is to be held within six (6) months after the end of the fiscal year.

The following items are to be addressed at an annual general meeting:

1. Election of a chairman for the meeting.
2. Preparation and approval of the voting list.
3. Election of one (1) or two (2) minutes checkers.
4. Determination of whether the meeting has been duly convened.
5. Approval of the agenda.
6. Presentation of the annual report and the audit report and, where appropriate, the consolidated financial statement and the audit report on the consolidated audit report.
7. Decision
  - a) adoption of the income statement and the balance sheet and, where appropriate, the consolidated income statement and the consolidated balance sheet,
  - b) disposition of the Company's profit or loss, as shown in the balance sheet and
  - c) exemption from liability for members of the board and the CEO
8. Approval of compensation for the board and the auditors.
9. Determining the number of board members, deputies and auditors.
10. Election of the board of directors and, where applicable, auditors or auditing company.
11. Other business to be addressed at the meeting in accordance with the Swedish Companies Act or the Articles of Association.

## Article 13 Fiscal year

The calendar year shall be the Company's fiscal year.

## Article 14 Proxy collection

The board of directors must collect proxies at the Company's expense according to the procedures specified in the Swedish Companies Act, section 4, second paragraph.

## Article 15 Share conversion clause

At the request of the owner, Class A shares shall be converted to Class B shares. The proposal for this shall be submitted in writing to the Company's board of directors. The number of shares to be converted must be specified in the proposal. The board shall address the request for conversion within three months from the date that the proposal was received. The conversion shall be immediately submitted for registration and is considered to be completed once the registration has taken place.

# ADDRESSES

## **Zinzino AB**

Box 80  
401 21 Gothenburg

Visiting address (Head office):  
Hulda Lindgrens gata 8  
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**Note:** This report is published in Swedish, English and Finnish. In the event of any difference between the versions, the Swedish version shall prevail.

