

# ZINZINO



ANNUAL REPORT **2016**

# THIS IS ZINZINO

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

Zinzino owns Norwegian research unit Bio-Active Foods AS and the production unit Faun Pharma AS. Zinzino has more than 120 employees. The company has its headquarters in Gothenburg (Sweden) and offices in Helsinki, (Finland), Riga (Latvia), Oslo (Norway), and in Florida (United States). Zinzino is a publicly held limited company and its shares are listed on Nasdaq First North.

Zinzino was designated in 2016 both as one of Veckans Affärer's (Business Affairs) "Super Companies" and as Dagens Industri's (The Day's Industry) Gazelle Company.

## **THE ANNUAL MEETING OF SHAREHOLDERS**

The Annual Meeting of Shareholders will take place on 24 May at 12:30 p.m. in the company's offices at Hulda Lindgrens gata 8 in Gothenburg. The annual report is available at [www.zinzino.com](http://www.zinzino.com).

## **FINANCIAL CALENDER:**

Interim report Q1 2017 was published 05-10-2017  
Interim report Q2 2017 will be published 08-31-2017  
Interim report Q3 2017 will be published 11-13-2017



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# FOCUS ON GROWTH & PROFITABILITY

Zinzino will increase growth and profitability in the coming years - 1 billion in turnover is the goal for 2020

With a new online shop, new technology and new markets everything suggests that we will grow rapidly in the future. With a focus on efficient organisation and production, profitability will grow concurrently with the growth we anticipate in the coming years. 2016 was an eventful year for Zinzino. We are now offering our products in 34 markets/countries after we launched, in 2016 to 19 other European markets/countries. We have launched several new products in health and have invested heavily in new technology and new systems.

We anticipate that our work in making changes will result in more satisfied customers, growth, economies of scale, increased efficiency and increased profitability. Both for the current year and for the coming years.

In 2016 we had a growth of 11% and that growth was strongest at the end of the year, which is a positive trend we are taking with us into 2017. We have chosen to focus on profitable growth and we will work actively to utilize economies of scale in technology, support, and finance and not to increase costs to the same extent as we expand. This will provide increased profitability and strengthen our balance sheet. We will strive to be able to increase the dividend to our shareholders substantially in stages over the coming years.

## SCALABLE BUSINESS MODEL

One thing I want to put a little extra emphasis on is our ability to utilise our scalable business model:

“During the next three to four years Zinzino will double its turnover from half a billion to a billion and during that time we will more than double our net/profit margin in percent.”

The reason that we can double our turnover is that we are in 34 markets and thus reach nearly a billion potential customers. We have leading health products which are suitable to our times and which essentially all people need. Research, development and production of our products we do ourselves. We have systematised and are at the leading edge with our direct sales concept and have a marketing concept which is growing all over the world. During the coming years we will expand to large and new international markets. We will also develop and adapt products and concepts specifically for the markets in which we will establish ourselves, in order to reach the highest possible return on our investments.

Profitability will double in percent as a result of our investing in new technology, which both simplifies and makes a more efficient process in support, finance,

logistics and sales. As this growth begins it may mean we need to invest more or employ more people, which means having a slower pace as the growth continues. We should be able to decrease costs both in production and in the purchase of products and services as the volume increases. Such a scalable business model is very interesting and inspiring for our partners, employees and shareholders.

## STRONG AND HEALTHY GROWTH

We are very pleased with the results from the end of last year, with a growth of 29% we reached our target in the fourth quarter. At the same time, we have implemented many improvements in our systems and new technology which is an accomplishment for our organization. <sup>1</sup> Above all else, it is new customers that keep contributing to the increased growth. Our most important product concept, Balance, is showing continued growth and we currently have a database of over 187,000 test results. Our company has done the most blood fat analysis in the world, and our ambition is to increase our lead in the industry in the coming years.

## CONSTANT PRODUCT DEVELOPMENT

Zinzino Skin Care was launched as an entirely new product segment in 2016. The first product in the segment was Skin Serum 24-hour youth formula. Zinzino Skin Serum is an active formula which gives the skin a youthful appearance and gives the skin increased moisture. The skin becomes softer, its elasticity increases and the appearance of fine lines and wrinkles are reduced. Skin Serum was developed by Zinzino and is produced at our own facility in Norway. We see great market potential in the skin care market and we are pleased that Skin Serum has been so well-received by our customers and distributors.

Our own production unit, Faun Pharma, has developed quite well and has now doubled its turnover since we purchased it just over two years ago. We anticipate that the positive development will also continue in the coming years.

Profitability will be our focus in the coming years. We will continuously improve our processes and become more efficient. We are striving to provide quicker and more cost-effective deliveries to customers and distributors, as well as increase and improve smart payment solutions in order to increase our revenues and to have even more satisfied customers and distributors.

**Dag Bergheim Pettersen**, CEO Zinzino

*Inspire change in life*

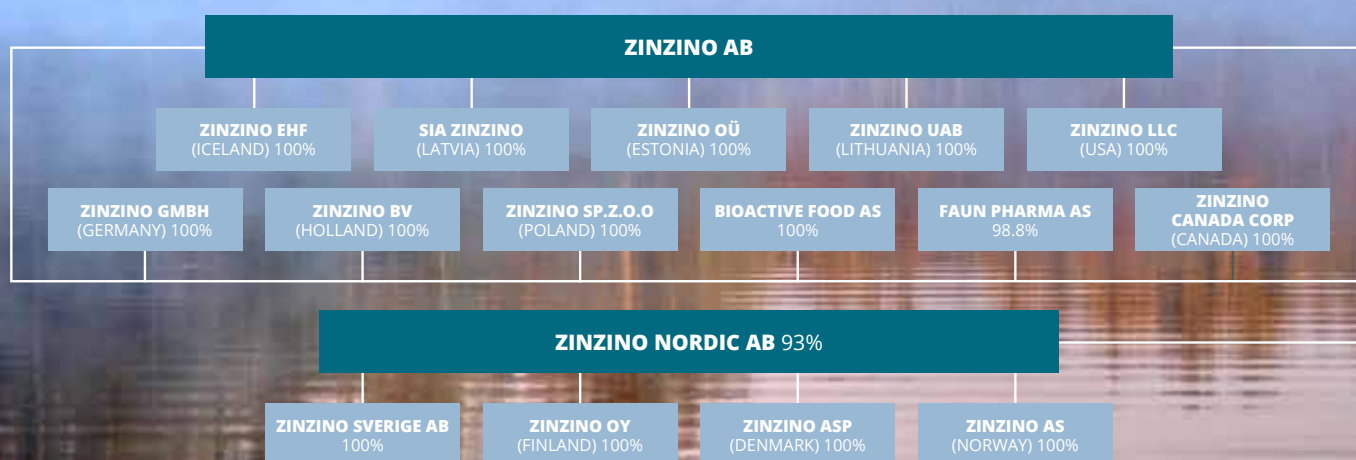
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*“Zinzino will double its turnover during the next three to four years from half a billion to a billion and during that time we will more than double our net margin in percent.”*

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# GROUP STRUCTURE



## FIGURES AT A GLANCE

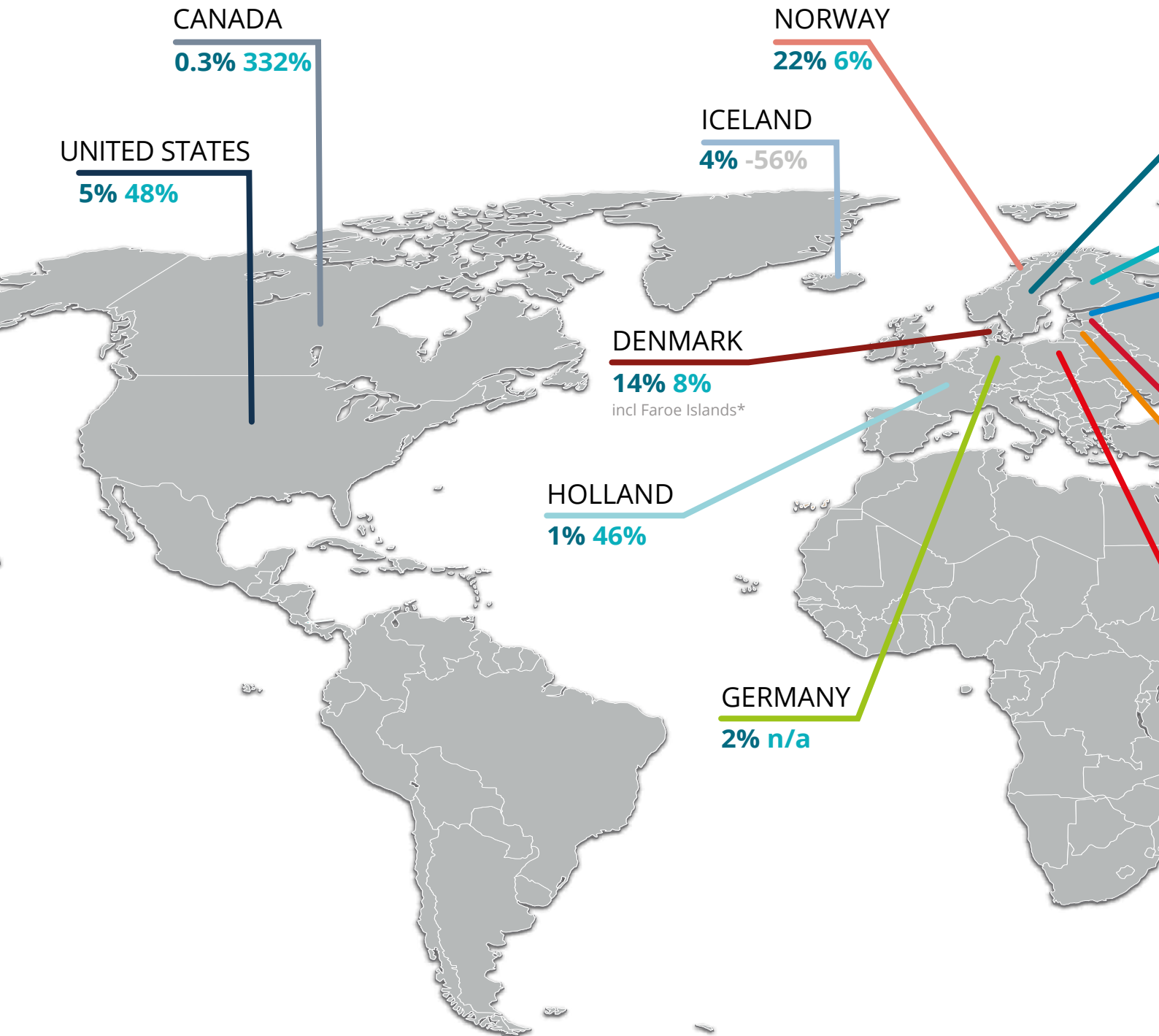
- For 2016 the group's total revenues were in SEK 492.3 (443.8) million, which corresponds to a growth of 11% (24%).
- The gross profit was in SEK 167.2 (149.3) million and the gross profit margin was 34.0% (33.6%).
- EBITDA was in SEK 23.0 (25.6) million and the operating margin before depreciation and amortisation was 4.7% (5.8%).
- Profit after tax was in SEK 9.7 (9.7) million.
- Liquid assets at the balance sheet date were in SEK 23.3 (26.9) million.

## FINANCIAL SUMMARY (SEK MILLION)

THE GROUP'S KEY NUMBERS	2016	2015	2014	2013	2012
Total revenues	492.3	443.8	357.7	254.5	177.2
Net turnover	436.4	388.7	318.8	226.3	161.7
Sales growth	11%	24%	41%	44%	77%
Gross profit	167.2	149.3	102.4	71.0	42.8
Gross profit margin	34.0%	33.6%	28.6%	28%	24%
Operating profit before depreciation and amortisation	23.0	25.6	21.4	11.2	5.7
Operating margin before depreciation and amortisation	4.7%	5.8%	6.0%	4.4%	3.2%
Operating profit	14.0	18.5	18.6	10.5	5.3
Operating margin	2.8%	4.2%	5.2%	4.1%	3.0%
Profit before tax	13.9	17.6	18.4	10.4	5.3
Net profit	9.7	9.7	32.7	9.0	4.6
Net margin	2.0%	2.2%	9.1%	3.5%	2.6%
Liquid assets	23.3	26.9	42.8	10.9	16.5
Equity/assets ratio	51.0%	56%	52%	38%	26%
Net profit per share after tax before dilution, SEK	0.31	0.32	1.11	0.33	0.17
Net profit per share after tax at full dilution, SEK	0.29	0.29	1.09	0.31	0.16
Equity capital per share before dilution, SEK	2.82	2.88	2.90	0.80	0.46
Number of issued shares on average for the period	31,359,861	30,659,402	29,508,687	27,082,770	27,082,770
Number of issued shares on average for the period with full dilution	33,780,025	33,454,470	32,188,687	28,692,770	28,692,770

# GEOGRAPHIC DISTRIBUTION & SALES GROWTH BY MARKET

The below chart is the geographic distribution of sales in 2016. It also shows the sales growth in comparison to the prior year.



Geographic distribution of sales 2016



Sales growth in 2016 per market compared to the prior year

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



Zinzino EU

1% n/a

Faun Pharma

10% 45 %

SWEDEN

18% 55%

FINLAND

15% 14%

ESTONIA

4% -39%

LATVIA

2% -20%

LITHUANIA

2% -29%

POLAND

0% 94%

#### A SHORT HISTORY

**2007** - Zinzino AB was started. The company's sole purpose is to own and develop companies in the direct sales market and other related businesses.

**2009** - Zinzino Nordic AB was acquired through a targeted publishing in kind to the owners of Zinzino Nordic AB, and partly through a subscription of shares in the preferential issue Zinzino Nordic AB which was carried out in December 2009. Through this Zinzino AB acquired control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. As of December 31st, 2015 the ownership share had increased to 93% of the capital.

**2010** - Zinzino's shares were listed for trading on the public stock market.

**2011** - The group was expanded with companies in Estonia and Lithuania.

**2012** - Companies were started in Latvia and in Iceland.

**2013** - A company was started in the United States with its headquarters in Jupiter, Florida.

**2014** - The group was further expanded through companies in Poland and Holland. The same year Zinzino AB acquired the remaining shares in BioActive Foods AS and 85% of the shares in Faun Pharma AS. This is also the year when Zinzino AB was listed for trading on the NASDAQ OMX First North.

**2015** - A company was started in Canada and the ownership share in Faun Pharma AS was increased to 98.8%.

**2016** - A subsidiary was started in Germany. Sales were opened in all of the EU countries.

# THE PAST YEAR 2016

## Q1

The group's first quarter was characterised by strong growth in the United States, Sweden and the new markets. During the quarter, total revenues were in SEK 112.6 (111.2) million, which meant a sales growth of 1% compared with quarter 1 in 2015. The company also saw clear signs of recovery in revenues after a temporary decline during and after a change of business system. The gross profit margin and the profit margin were further strengthened by increased efficiency in the company's own production.

Sales  
**MSEK 112.6** (111.2)

### Revenues



(2016; 76,6 (65,9) mkr)



(2016; 15,5 (21,6) mkr)

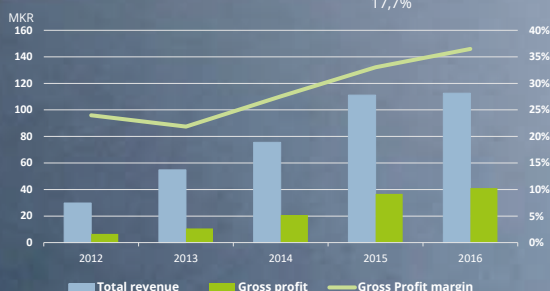
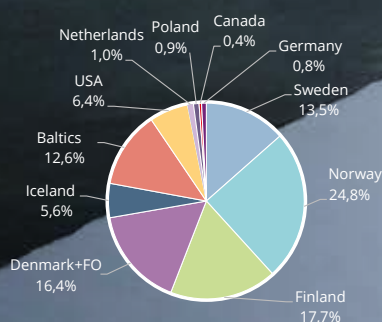


(2016; 11,0 (14,5) mkr)



(2016; 9,5 (9,2) mkr)

### Geographic distribution of sales

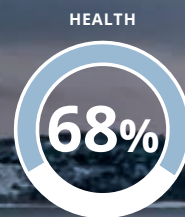


## Q2

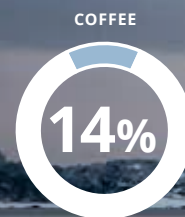
The revenues during the second quarter reached in SEK 109.1 (114.4) million, which was 5% lower than in the corresponding period of 2015. This happened because of the aftereffects of the system change and the lack of required routines, which resulted in loss of customers in certain markets. The company, therefore, devoted its resources to reimplement required routines. This resulted in a number of campaigns to boost sales for the 3rd and 4th quarters. During the quarter Zinzino also carried out a successful sales start in Germany via the newly-established subsidiary Zinzino GmbH.

Sales  
**MSEK 109.1** (114.4)

### Revenues



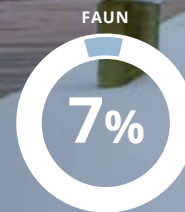
(2016; 74,5 (71,7) mkr)



(2016; 15,3 (20,9) mkr)

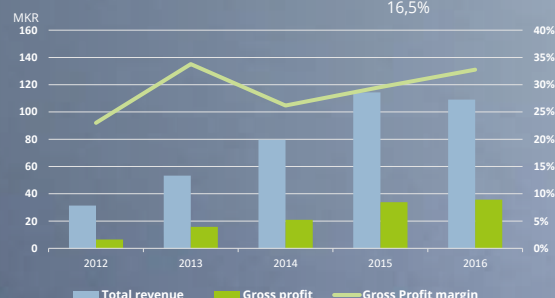
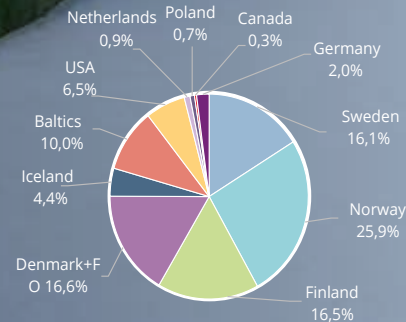


(2016; 11,6 (12,3) mkr)



(2016; 7,7 (9,5) mkr)

### Geographic distribution of sales

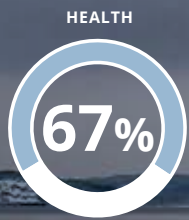


# Q3

The third quarter was characterized by steady growth in Sweden and the United States, as well as steady growth in other Nordic markets. The newly-established markets in Germany and the EU also had good growth and total revenues for the quarter reached in SEK 121.3 (102.8) million, which was an 18% sales growth compared with the same quarter of 2015. The gross profit margin was somewhat negatively affected by the subsidiary Faun Pharma AS reorganising its production for its new key customer The Protein Factory.

Sales **MSEK 121.3** (102.8)

## Revenues



(2016; 81,1 (60,7) mkr)



(2016; 14,9 (24,8) mkr)

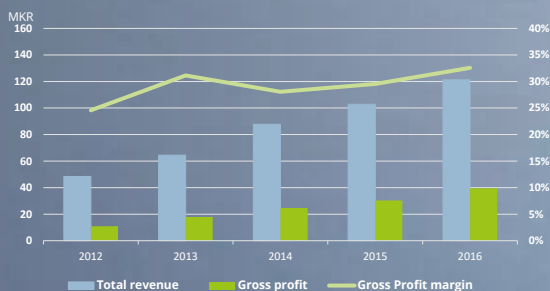
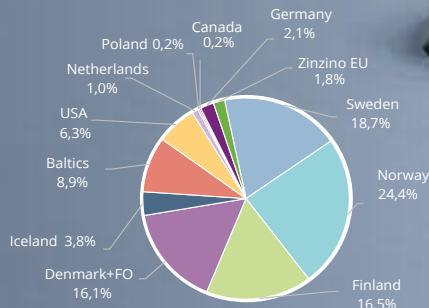


(2016; 12,7 (9,9) mkr)



(2016; 12,6 (7,4) mkr)

## Geographic distribution of sales



# Q4

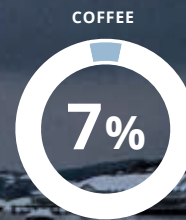
The Nordic market continued to show good growth together with Holland and the United States. The total revenues during the quarter were in SEK 149.3 (115.4) million. During the quarter the health segment increased by 41% as compared with the 4th quarter of the previous year. The largest products continued to be BalanceOil in combination with the BalanceTest. The new products SkinSerum and ProteinBars were also added to the segment and were received positively by the market. During this quarter we continued with sales oriented campaigns in order to stimulate sales.

Sales **MSEK 149.3** (115.4)

## Revenues



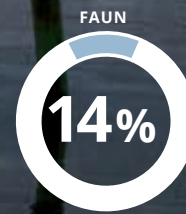
(2016; 93,8 (60,1) mkr)



(2016; 9,9 (22,7) mkr)

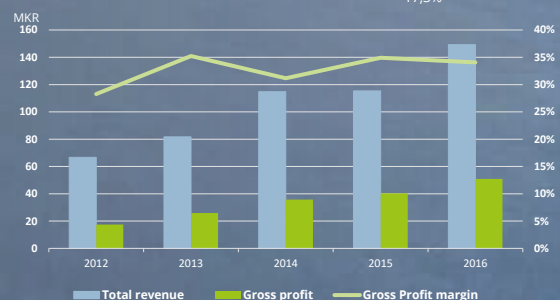
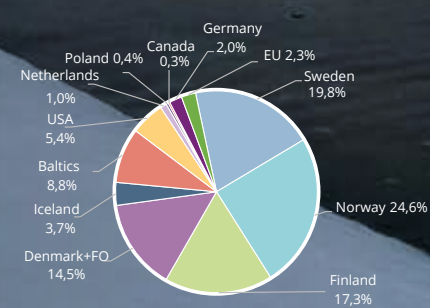


(2016; 24,7 (23,1) mkr)



(2016; 20,9 (9,5) mkr)

## Geographic distribution of sales



# THE YEAR'S NEWS - A SHORT SUMMARY

2016 was an eventful year! New products, a new website and a new online shop. Zinzino also opened in more countries and in large markets. All of this growth created a need for whole of new recruitment.

## EUROPE LAUNCH

On July 5th, 2016 the company opened up for sales in all of the EU lands. Zinzino launched their entire line of health products in these lands. Geographic expansion is one of the most important goals for Zinzino in order to achieve increased growth, and therefore, expansion is a natural step for the company as well as a big step.

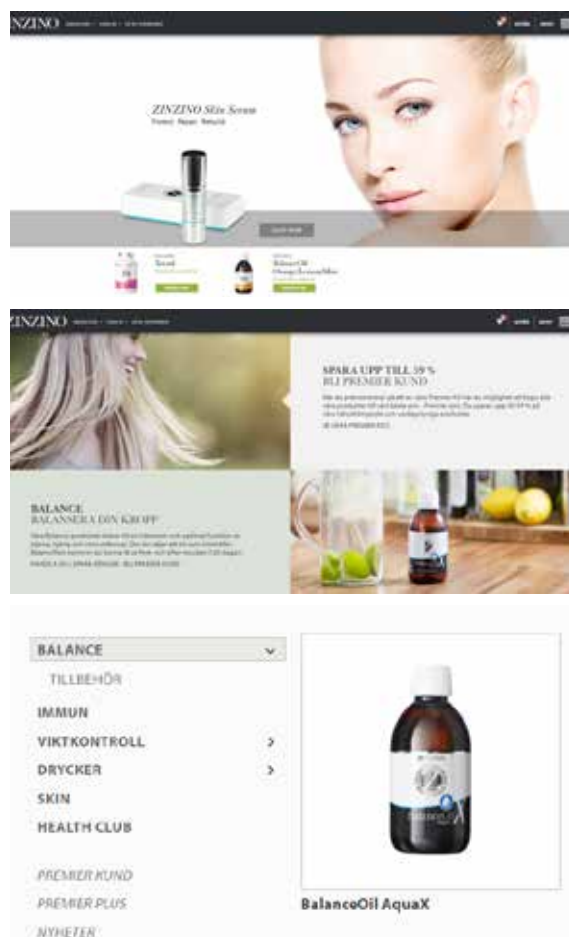
- We are naturally very pleased and proud of being able to present this and at the same time to see an enormous potential with this investment, says Dag Bergheim Pettersen, CEO of Zinzino AB.

Zinzino has, for a number of years, shown strong growth in Northern Europe, with a focus on Scandinavia and the Baltic region. During the first quarter of 2016, Zinzino was launched in Germany, one of Europe's largest markets for direct sales. Now is the time to continue the geographic expansion.



## NEW WEBSITE AND ONLINE SHOP

A comprehensive project that was ongoing throughout the year was the launch of an entirely new website and a related online shop. The focus was on creating an intuitive page where the interface functioned well. In addition, a large investment was made in introducing an FAQ which would answer many of the questions that occur. This is a very advanced FAQ as it changes and grows along with traffic and activity. Together with the FAQ we launched a live chat function on the homepage, this was implemented to further the channels of communication for our customers and partners. This was a natural step in Zinzino's strategy for setting the goal of being the world's most customer oriented direct sales company.





### ZINZINO SKIN SERUM

Zinzino Skin Care was launched as a completely new product segment. The first product launched in the segment was the Skin Serum-24 hour youth formula for the face and neck. The launch was made in August in the American market and then in October in the European market. Skin Serum was developed by Zinzino and is produced in Zinzino's own production facility.

Zinzino Skin Serum is an active formula which gives the skin a youthful appearance. It reduces the appearance of fine lines and wrinkles.



### BALANCEOIL AQUAX - OIL WHICH IS MIXED WITH WATER

BalanceOil AquaX is a development from Zinzino's BalanceOil product and a global patent is being sought after for the unique emulsifying substance Aquacelle. With BalanceOil AquaX the Omega-6/Omega-3 concept is taken to an entirely new level. Thanks to the comprehensive research at Zinzino, BioActive Foods' knowledge and Zinzino's factory Faun Pharma, we have succeeded in producing a product which is absorbed better in the body and is simpler to use. "That we have succeeded in finding a model where oil can be mixed with water not only feels extremely exciting, but we also look forward to seeing what the technology can lead us to," said Dag Bergheim Pettersen, CEO of Zinzino AB, in a press release about the product.

### NEW OFFICE IN RIGA

Zinzino opened an office in Riga in 2016, to increase first the flexibility of customer support for the Latvian and Russian speaking customers and partners and secondly, to expand

its IT department. The new office creates a greater opportunity to be near our customers as it is in the center of the Baltic countries.





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

## ZINZINO = INSPIRE CHANGE IN LIFE

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

## AN OFFICE IN SWEDEN'S NEXT LARGEST CITY

- We are employing more people for customer service in Gothenburg as we continue to focus on sales growth in Scandinavia.

## A GOOD YEAR FOR GOOD COFFEE

- In September 2009, we opened in Iceland officially our sixth market.
- Zinzino will launch the first half-automatic machine, which will also be the first with Zinzino's name on it.
- The entirely automatic SoPod machine will also be launched together with the Zinzino machine.



2005

2006

2007

2008

2009

2010



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

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



## PREPARING TO ESTABLISH MORE MARKETS

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

AKTIE TORGET <sup>AT</sup>

## BECAUSE OF POPULAR DEMAND EVERYONE CAN NOW INVEST IN OUR COMPANY

- The company is opened for trading on Aktietorget's trading platform. The first two trading weeks resulted in an increase in share price of over 20 %. During the autumn a new machine, Oh Disco, was launched. It is a little (for it being 2010) wholly automatic machine in modern white with LED bulbs which change colour.

# ...THE TRIP TOWARDS 1 MILLION CUSTOMERS CONTINUES

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

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



## ACROSS THE SEA AND TO THE STARS.

- Pre-launch for the United States with Zinzino's balance concept. Sales are starting and a new office is opening in Jupiter, Florida, where our American customer service team is housed.
- An incredible growth year. The fourth quarter had growth of over 100 %.



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

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



2011

2012

2013

2014

2015

2016

## BioActive Foods AS

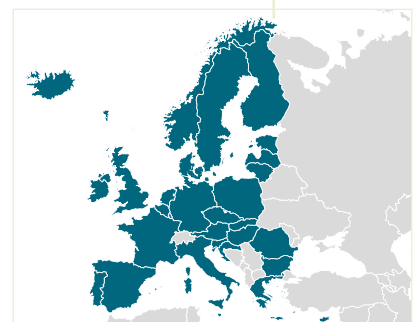
### A BALANCED YEAR!

- Zinzino bought 6% of the Norwegian company BioActive Foods AS and obtained exclusivity in marketing its products and concepts. This is the beginning of a new era and Zinzino is beginning its journey towards developing into a wellness and health company. Zinzino's Balance concept is born.



### THE BELL RINGS AT NASDAQ!

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



### THANKS 100,000 TIMES!

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

# ZINZINO'S PRODUCT WHEEL

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



## ZINZINO COFFEE

- A feeling of daily luxury. Consists of high-quality espresso machines, coffee, tea and accessories.

## ZINZINO HEALTH

- With a focus on long-term health. Consists of balance control, immunity control, weight control, and skin care products.



## COFFEE



## HEALTH



# PRODUCT NEWS

During 2016 Zinzino has again expanded its product portfolio. Long and intensive research lies behind our new products which rapidly show themselves to be powerfully competitive in the market. The interest in our new additions, Zinzino Skin Serum and our Zinzino Protein Bar has been great.

## ZINZINO SKIN SERUM

In 2016, Zinzino took an entirely new step by launching a new product within skin care. Zinzino's Skin Serum is a 24-hour Youth Formula for the face and throat.

Zinzino Skin Serum is the first of its type and represents the next step in skin care. Systematically, it is designed to manage and change the skin's aging process. Zinzino's Skin Serum functions by improving the extra cellular matrix (ECM) which is the fine network of micro fibres which build up the skin. The active ingredients in Zinzino's serum protect, repair and rebuild the matrix.

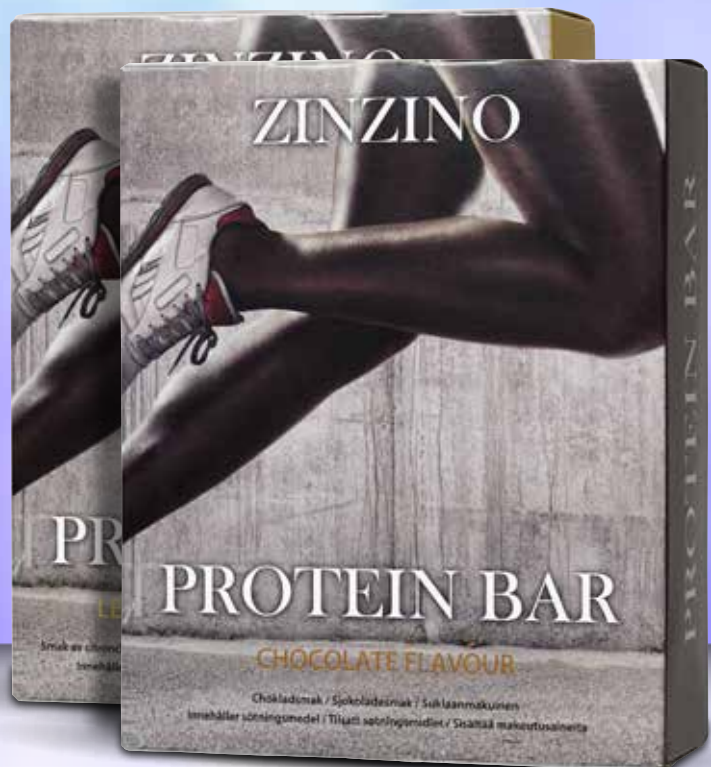
In this way the skin's elasticity and resilience are improved. The appearance of fine lines and wrinkles is reduced.

## ZINZINO PROTEINBAR

Another important step in Zinzino's product development is the proteinbar, which is specially produced for the health conscious and active person.

Zinzino ProteinBar contains a high share of protein, a high share of fibre and a low sugar content. In addition, these bars contain Pansalt which provides reduced sodium and contributes to maintaining a balanced taste.

The response from our partners and customers to the product was very positive. Zinzino ProteinBar comes in two different flavors: Lemon Cheese Cake and Chocolate.



# WHAT DO OUR CUSTOMERS THINK?



*Thomas Olsen*  
*- Balance customer*

I played ice hockey at an elite level for several years in Norway and I have now gotten a place in the country's A league. Throughout a long and physically challenging ice hockey season BalanceOil helps me to recover after training and matches. I feel that I can train more, and more often. I also feel that I can maintain focus better in all daily activities.

***BalanceOil has become a natural part of my life and my hockey career.***



*Kristina*  
*- LeanShake customer*

When I started the journey with LeanShake and Zinzino Health Challenge I chose to post it on Facebook. A great number of friends have closely followed my journey and that has further motivated me. By working with this I have learned that everything depends on adopting good habits. I am so glad that I chose to jump onto this. It has changed my life for the better!



*Anette*  
*- Serum customer*

During the first 6 weeks that I used Zinzino Skin Serum it had already begun to reduce the smaller wrinkles and lines on my face. I feel a total improvement in the skin on my face as relates to elasticity and re-moisturisation. I am very pleased with Zinzino Skin Serum thus far.

# ZINZINO HEALTH CHALLENGE

The purpose of the Health Challenge is to offer the best conditions for helping our customers change their bad habits and thus achieve a healthier lifestyle. Energy rich but nutrient poor and lack of exercise is a big problem in the Western world.

The Healthy Challenge was introduced in 2015 and expanded during 2016. LEANSHAKE - a mealtime supplement with a low calorie content but a high nutritional value and protein content is the underlying success around the concept. Zinzino offers, in addition to LeanShake and the supplementary ZinoBiotic, an individual plan adapted so that all customers can reach their goals. The goal can be to lose a few kilos and help prevent health problems or illnesses or just to provide the body with nourishing food in a convenient and cost-effective way.

## PACKAGING SOLUTIONS

Zinzino offers a well adapted process for the LeanShake program based on how many kilos the customer wants to lose. Kits of 3, 5 or 10 kg contain the quantity of products which are necessary to lose the same number of kilos (this is based on a weekly plan). In the accompanying brochure there is a great deal of knowledge and inspiration to be found. Also, in the brochure, a customer can fill out how well he or she has followed the recommendations provided. This way the customer can be active and contemplate as the process is further validated.

The package also contains a measuring tape to measure the mid-section and a ShakeBottle to mix LeanShake. Instead of measuring BMI (Body Mass Index), for example, in more recent times it has been generally accepted to measure only the mid-section since that is considered to be most reliable when it comes to seeing the progress towards the goal of diminishing unhealthy weight.

## SOCIAL MEDIA

Another way to motivate our customers to carry out their plans and achieve their goals is social media. The hashtag #ZINZINOHEALTHCHALLENGE has received a huge breakthrough!



### I AM SO PROUD OF MYSELF!

I am so proud that I reached my goals through Zinzino Health Challenge. With the challenge I have learned that weight loss begins with preparations. I saw to it that I never ran out of vegetables and other healthy food at home. In that way I was never tempted to buy unhealthy things at the store. I also told friends and acquaintances that I had committed myself to the challenge. That meant that I got extra support along the way.

Thanks for giving me the chance not only to improve my physique but also to enable me to get mentally stronger in the process.

Ivalo, Customer

*I am so proud that I reached my goals through Zinzino Health Challenge.*



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# THIM & KERSIN ÖHMAN

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The journey has just begun.  
We have lots more to do!

## **KERSTIN:**

I had worked as an orthoptist in a hospital for 20 years when I realised that I was not living my dream. The first 10 years I had loved my job, but the more years that went by the more stressful it became. My patient list grew daily and at the same time I had less and less time for each patient. In addition, I thought that I wasn't being paid what I was worth. I didn't have much free time and I felt that I was unable to manage and was desperate. In 2005 I found the solution. I was introduced to Zinzino. That was a chance to work with something new, for myself but also with a team, at the same time as I could develop myself and obtain a higher income.

## **THIM:**

After 17 years as an accountant I sold my firm in 2006. The first 10 years were inspiring but then I got dead tired of working 60-100 hours a week during the spring, which was the heavy season. My plan was that I would create a passive income by developing my real estate company and learning more about investments.



After some years, however, I realised that it was really very expensive to learn about investments. That was an unbelievably tough period but nevertheless I would not want not to have had that experience. It gave me an excellent opportunity to exercise my financial survival knowledge.

In 2006 I started to work with Zinzino. Very quickly I understood that this opportunity would not only help me financially, but also that I could find an outlet for my desire to help others.

## **KERSTIN & THIM:**

In 2012 Zinzino launched the Balance concept. At that time we had 900 coffee customers in our team. We quickly learned how we could work with the new concept together with our team and in just a year we increased our number of customers from 900 to 2200. At that point in time we understood that Zinzino really could be the answer to our own and our team's needs and desires. We decided to invest intensively!



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**2016 year's winner of the recognition  
"Zinzino Partner of the year"**

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What we can accomplish together as a team is so much more than what we can accomplish working alone. Every person has a unique talent inside himself or herself which needs to find an outlet. Our passion is to help people discover and develop their talents. A team needs a devoted leader and our focus therefore rests on inspiring, creating hunger and developing people to be engaged leaders.

We have experienced great changes in our lives since we decided to invest in Zinzino. It went slowly at the beginning but then it went faster and faster each year. Today we have both the finances and the possibilities to determine for ourselves where and when we want to work. We are adapting our business to our lives, instead of adapting our lives to our business. This suits us extremely well since our children and grandchildren live in various different places in Europe.

It is priceless to be able to work and to spend so much time together as a couple. We love setting goals and reaching them together. We love travelling and meeting new friends all over the world. To be able to wake up every morning in our home by the sea was one of our dreams which we fulfilled in 2015. It is fantastic to have this peaceful oasis as our base.

As we write this, we are actually on our way home from having taken the first step towards our greatest and most important life goal: Helping children in need. We have been in northern Thailand and have visited a centre for homeless children, to whom we have decided to increase our support.

We are so grateful for everything so far, but this of course is just a beginning. In the coming years we and our fantastic team will continue to change the world for the better - one story at a time, one person at a time. We challenge you: Inspire Change in Life!

# SUCCESSFUL INVESTMENT IN EXPANSION & NEW PRODUCTS

During the year, Zinzino has continued its quest for the goal of 1 million customers in 2020. We started a new concept in 2016 in which we can conduct sales for exports without having to register locally. If the market shows good sales after our registering, we establish ourselves in that particular market. The reason for this is so that we can, at a faster pace, establish ourselves in these markets with less risk. During 2016, Zinzino offered attractive health products to all of the countries in the EU. Several large product launches have been carried out in the Zinzino health segment, which have led to positive effects on sales in the health segment, for all countries.



## NORWAY

Norway, during the year, has once again shown positive growth and is the largest market for Zinzino as relates to turnover. Norway has the largest number of partners in Zinzino. The total revenues were in SEK 108.5 (101.9) million which means a sales growth of 6%. The share of Zinzino Health also increased to 80% (71%).

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>6 %</b>
<b>Share of Zinzino's total sales</b>	<b>22 %</b>
Net turnover	96,104
Other revenues	12,354
Total direct costs	- 89,278
<b>Result before operating costs</b>	<b>19,180</b>
<i>Profit margin before operating costs</i>	<i>18 %</i>

### ZINZINO COFFEE

20 % of total sales

**TOTAL TURNOVER: 18,952 (thousandSEK)**

### ZINZINO HEALTH

80 % of total sales

**TOTAL TURNOVER: 77,152 (thousandSEK)**



## SWEDEN

The Swedish market had continued growth during the year and in relation to sales, was the next largest market for Zinzino during 2016. It is also the home market for the company which has its headquarters in Västra Frölunda, Gothenburg. The total revenues for that market were in SEK 88.2 (57.0) million, of which SEK 5.6 (12.4) were referable to the parent company Zinzino Nordic AB. This means strong sales growth of 35% for that market, which also increased the share of sales within the Zinzino Health segment to 89% (74%).

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>55 %</b>
<b>Share of Zinzino's total sales</b>	<b>18 %</b>
Net turnover	67,336
Other revenues	20,846
Total direct costs	- 57,154
<b>Result before operating costs</b>	<b>31,030</b>
<i>Profit margin before operating costs</i>	<i>35 %</i>

### ZINZINO COFFEE

11 % of total sales

**TOTAL TURNOVER: 7,519 (thousandSEK)**

### ZINZINO HEALTH

89 % of total sales

**TOTAL TURNOVER: 59,818 (thousandSEK)**

## DENMARK

The Danish market during 2016 continued to be one of Zinzino's largest markets and the total revenues were in SEK 67.4 (62.5) million. Even if the market was affected by the business system change which occurred during 2015/2016, it recovered during the year and showed good growth of 8%. The product segment of Zinzino Health also increased during the year to 87% (81%). In the coming years, several new and exciting campaigns will be launched in order to strengthen sales and increase turnover.

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>8 %</b>
<b>Share of Zinzino's total sales</b>	<b>14 %</b>
Net turnover	61,096
Other revenues	6,259
Total direct costs	- 53,634
<b>Result before operating costs</b>	<b>13,721</b>
<i>Profit margin before operating costs</i>	<i>20 %</i>

### ZINZINO COFFEE

13 % of total sales

**TOTAL TURNOVER: 7,992** (thousandSEK)

### ZINZINO HEALTH

87 % of total sales

**TOTAL TURNOVER: 53,104** (thousandSEK)

## FINLAND

During 2016, Finland passed Denmark and became the third largest market. Total revenues for that market were in SEK 72.0 (63.1) million and are very rapidly nearing Sweden's total revenues. The sales growth has constantly increased since 2011 and was at 14% by 2016. By optimizing the product mixes and several newly launched products, the Zinzino Health segment increased to 89% for 2016 which was an increase of 10% from the previous year.

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>14 %</b>
<b>Share of Zinzino's total sales</b>	<b>15 %</b>
Net turnover	63,085
Other revenues	8,953
Total direct costs	- 56,202
<b>Result before operating costs</b>	<b>15,836</b>
<i>Profit margin before operating costs</i>	<i>22 %</i>

### ZINZINO COFFEE

11 % of total sales

**TOTAL TURNOVER: 7,127** (thousandSEK)

### ZINZINO HEALTH

89 % of total sales

**TOTAL TURNOVER: 55,958** (thousandSEK)



## ICELAND

Iceland is the market that was most affected by the business system change during 2015/2016, and that lead to difficulties in recovering during 2016. Total revenues during 2016 were in SEK 17.8 (40.0) million which meant a decline in growth of -56% compared to the previous year. Work is in progress in order to increase the sales in Iceland, together working on a more efficient payment. This is expected to provide increased revenues during 2017.

### ZINZINO COFFEE

27 % of total sales

**TOTAL TURNOVER: 4,426** (thousandSEK)

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>- 56 %</b>
<b>Share of Zinzino's total sales</b>	<b>4 %</b>
Net turnover	16,124
Other revenues	1,664
<b>Total direct costs</b>	<b>- 16,339</b>
<b>Result before operating costs</b>	<b>1,449</b>
<i>Profit margin before operating costs</i>	<i>8 %</i>

### ZINZINO HEALTH

73 % of total sales

**TOTAL TURNOVER: 11,698** (thousandSEK)



## ESTONIA

The Estonian branch was started in 2011 and during 2015/2016 was profoundly affected by the business change system change. Several campaigns stimulated sales during the last part of 2016 and there were signs of a positive sales trend towards the end of 2016 and the beginning of 2017. The total revenues for Estonia were in SEK 21.7 (35.7) million corresponding to a turnover decrease of -39%. The Zinzino Health segment increased to 76% (64%).

### ZINZINO COFFEE

24 % of total sales

**TOTAL TURNOVER: 4,651** (thousandSEK)

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>-39 %</b>
<b>Share of Zinzino's total sales</b>	<b>4 %</b>
Net turnover	19,055
Other revenues	2,667
<b>Total direct costs</b>	<b>- 19,003</b>
<b>Result before operating costs</b>	<b>2,719</b>
<i>Profit margin before operating costs</i>	<i>13 %</i>

### ZINZINO HEALTH

76 % of total sales

**TOTAL TURNOVER: 14,404** (thousandSEK)





## LITHUANIA

During 2016 Lithuania showed negative growth of -29%. This was, in a large part, due to the business system change that was carried out in 2015. The sales network has worked hard during 2016 to restore the confidence of our customers and at the end of 2016 the negative sales trend had been broken. During 2017, the company will launch several campaigns to further stimulate growth. Total revenues for that market were in SEK 9.7 (13.7) million and the profit margin before operating costs was 7%.

### ZINZINO COFFEE

21% of total sales

**TOTAL TURNOVER: 1,908** (thousandSEK)

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>- 29 %</b>
<b>Share of Zinzino's total sales</b>	<b>2 %</b>
Net turnover	9,118
Other revenues	587
Total direct costs	- 8,996
<b>Result before operating costs</b>	<b>709</b>
<i>Profit margin before operating costs</i>	<i>7 %</i>

### ZINZINO HEALTH

79 % of total sales

**TOTAL TURNOVER: 7,210** (thousandSEK)



## LATVIA

Latvia, like the other Baltic countries, had a hard time recovering from the system change. Our motivated sales network is working hard to maintain and increase sale revenues in a market where the median income is low. The total revenues were in SEK 10.2 (12.8) million which means a negative growth of -20%. Sales of the Zinzino Health products increased to 67% which means a product segment increase of 6% for 2016. During the coming years Zinzino will direct several new and exciting campaigns in order to increase sales in Latvia.

### ZINZINO COFFEE

33 % of total sales

**TOTAL TURNOVER: 3,165** (thousandSEK)

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>- 20 %</b>
<b>Share of Zinzino's total sales</b>	<b>2 %</b>
Net turnover	9,494
Other revenues	696
Total direct costs	- 9,507
<b>Result before operating costs</b>	<b>683</b>
<i>Profit margin before operating costs</i>	<i>7 %</i>

### ZINZINO HEALTH

67 % of total sales

**TOTAL TURNOVER: 6,328** (thousandSEK)



## POLAND

Poland, after a slow start resulting from difficulties in getting established, had strong growth during 2016. Total revenues were in SEK 2.3 (1.2) million which is nearly a doubling of revenues compared with the prior year. The company overcame several significant barriers, for example creating a special compensation model for its Polish partners, and thus Zinzino succeeded in attracting several clever partners and began to build up a long-term sales network. The company has also continued sponsoring several well-known and successful Polish sports clubs.

### ZINZINO COFFEE

0 % of total sales

**TOTAL TURNOVER: 0** (thousandSEK)

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>94 %</b>
<b>Share of Zinzino's total sales</b>	<b>0.5 %</b>
Net turnover	2,217
Other revenues	108
Total direct costs	- 2,236
<b>Result before operating costs</b>	<b>89</b>
<i>Profit margin before operating costs</i>	<i>4 %</i>

### ZINZINO HEALTH

100 % of total sales

**TOTAL TURNOVER: 2,217** (thousandSEK)



## HOLLAND

Holland was established during the autumn of 2014 and had good growth in relation to market size in 2016 as well. The total revenues reached in SEK 4.1 (2.8) million which means a growth of 46%. By establishing itself in this country, good synergy effects were obtained before the launch in Germany. Only Zinzino Health products are sold in Holland. The company started a collaboration with the football club SC Heerenveen in 2015 which has continued into 2016. The collaboration is a sponsor concept similar to those which exist in other countries.

### ZINZINO COFFEE

0 % of total sales

**TOTAL TURNOVER: 0** (thousandSEK)

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>46 %</b>
<b>Share of Zinzino's total sales</b>	<b>1 %</b>
Net turnover	3,860
Other revenues	239
Total direct costs	- 3,745
<b>Result before operating costs</b>	<b>354</b>
<i>Profit margin before operating costs</i>	<i>9 %</i>

### ZINZINO HEALTH

100 % of total sales

**TOTAL TURNOVER: 3,860** (thousandSEK)



## UNITED STATES

The United States market has had a very good year and very strong growth of fully 48% (34%). With total revenues of SEK 26.0 (17.6) million it is Zinzino's fifth largest market. Minnesota still represents the largest part of the sales but Texas and Florida are not far behind. Zinzino is working actively to spread the concept to more States and during the year has arranged several events and local sales meetings. In the United States there is also a local Zinzino office based in Jupiter, Florida.

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>48 %</b>
<b>Share of Zinzino's total sales</b>	<b>5 %</b>
Net turnover	25,306
Other revenues	706
Total direct costs	- 22,874
<b>Result before operating costs</b>	<b>3,138</b>
<i>Profit margin before operating costs</i>	<i>12 %</i>

### ZINZINO COFFEE

0 % of total sales

**TOTAL TURNOVER: 0 (thousandSEK)**

### ZINZINO HEALTH

100 % of total sales

**TOTAL TURNOVER: 25,306 (thousandSEK)**



## CANADA

After a sales start at the end of 2015, only a few partners have been connected within Canada. This market will be worked on more vigorously during 2017, so that they can increase sales and recruitment of partners. The company will also optimize the Zinzino Health segment by having a better product mix to help increase sales. Total revenues for 2016 were in SEK 1.2 (0.3) million which means a very large growth of 332%, but low revenues. Canada has only Zinzino Health products.

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>332 %</b>
<b>Share of Zinzino's total sales</b>	<b>0.3 %</b>
Net turnover	1,320
Other revenues	- 24
Total direct costs	- 823
<b>Result before operating costs</b>	<b>473</b>
<i>Profit margin before operating costs</i>	<i>36 %</i>

### ZINZINO COFFEE

0 % of total sales

**TOTAL TURNOVER: 0 (thousandSEK)**

### ZINZINO HEALTH

100 % of total sales

**TOTAL TURNOVER: 1,320 (thousandSEK)**



## GERMANY

In February 2016, a successful sales start was made in Germany, which sold above expectations during the year. Total revenues reached in SEK 7.4 million and the profit-margin before operating costs was at 14%. The German market has great potential since it is strong in capital and direct sales is a well-known concept in the country. To begin with, only the Zinzino Health segment, which has several attractive high-quality health products, was introduced.

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>n/a</b>
<b>Share of Zinzino's total sales</b>	<b>2 %</b>
Net turnover	7,023
Other revenues	380
Total direct costs	- 6,334
<b>Result before operating costs</b>	<b>1,069</b>
<i>Profit margin before operating costs</i>	<i>14 %</i>

### ZINZINO COFFEE

0 % of total sales

**TOTAL TURNOVER: 0** (thousandSEK)

### ZINZINO HEALTH

100 % of total sales

**TOTAL TURNOVER: 7,023** (kSEK)



## EU

During the third quarter the company opened up for sales in the remainder of the EU. The concept is that the company will make sales for export without local registration. After the sales increase in a country the company will make a local registration and deepen the establishment process. This has turned out well and total revenues were in SEK 4.6 million. Since Austria and Romania have high sales, work on local registration was begun at the end of 2016. In the new markets in the EU only products which are included in the Zinzino Health segment were launched.

### Thousand SEK

<b>Growth compared to the prior year</b>	<b>n/a</b>
<b>Share of Zinzino's total sales</b>	<b>1 %</b>
Net turnover	4,572
Other revenues	-
Total direct costs	- 3,446
<b>Result before operating costs</b>	<b>1,126</b>
<i>Profit margin before operating costs</i>	<i>25 %</i>

### ZINZINO COFFEE

0 % of total sales

**TOTAL TURNOVER: 0** (thousandSEK)

### ZINZINO HEALTH

100 % of total sales

**TOTAL TURNOVER: 4,572** (thousandSEK)



# LAUNCH IN 19 EU COUNTRIES

Zinzino is opening up for sale in all of the EU countries and sees enormous potential.

During the summer of 2016, Zinzino opened up their entire line of Zinzino Health products to the rest of the EU lands.

– Geographic expansion is one of the most important goals for us in order to achieve continued strong growth and this was therefore a natural and at the same time a huge step for us. We are of course very pleased and proud to be able to present this and at the same time see an enormous potential with this investment, says Dag Bergheim Pettersen, CEO of Zinzino AB.

Zinzino has for a number of years shown strong growth in Northern Europe, with a focus on Scandinavia and the Baltic region. During the first quarter of 2016 Zinzino launched in Germany, Europe's largest market for direct sales, and the next step was to continue the geographic expansion.

– We have a well thought-out model for how we launch Zinzino in new markets and we can state that the launch in Germany went very well. We have strong sales and we see that Zinzino's products and business set up are appreciated by customers and distributors. This has made us feel secure in offering our products in all of the countries in the EU, says Dag Bergheim Pettersen.

To open up across the EU is a part of the strategy in reaching the vision Zinzino is working towards, one million customers by 2020.

– More customers and increased turnover will give us greater possibilities to continue to research and develop our products. Therefore we are going to continue our expansion and strive for high growth so that we will always be able to focus on delivering the highest quality to our customers, says Dag Bergheim Pettersen.



*We have a well thought-out model for how we will launch Zinzino in new markets and that has made us feel secure in offering our products in all of the countries in the EU.*

# SALES BY MARKET

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

COUNTRY / MARKET	Sweden*	Denmark	Norway	Finland	Iceland	Estonia	Latvia	Lithuania
Net turnover	67,336	61,096	96,104	63,085	16,124	19,055	9,494	9,118
Other revenues	20,846	6,259	12,354	8,953	1,664	2,667	696	587
Profit margin before operating costs	35%	20%	18%	22%	8%	13%	7%	7%
Health	55,990	53,154	76,883	56,146	11,771	14,406	6,361	7,203
Coffee	7,245	7,942	19,221	6,939	4,353	4,649	3,133	1,915
Faun								
Event*	4,101							
Other operating revenues	20,846	6,259	12,354	8,953	1,664	2,667	696	587
Health share	89%	87%	80%	89%	73%	76%	67%	79%
Coffee share	11%	13%	20%	11%	27%	24%	33%	21%
Faun share								
Growth compared to the prior year	55%	8%	6%	14%	-56%	-39%	-20%	-29%
Share of the group's total sales	18%	14%	22%	15%	4%	4%	2%	2%
COUNTRY / MARKET	Holland	Poland	Germany	EU	United States	Canada	Faun Pharma	Total
Net turnover	3,860	2,217	7,023	4,572	25,306	1,320	50,689	436,399
Other revenues	239	108	380		706	-24	476	55,911
Profit margin before operating costs	9%	4%	14%	25%	12%	36%	34%	34%
Health	3,860	2,217	7,023	4,572	25,306	1,320		326,212
Coffee	0	0	0	0	0	0		55,397
Faun							50,689	50,689
Event*								4,101
Other operating revenues	239	108	380	0	706	-24	476	55,911
Health share	100%	100%	100%	100%	100%	100%		75%
Coffee share	0%	0%	0%	0%	0%	0%		13%
Faun share							100%	12%
Growth compared to the prior year	46%	94%	n/a	n/a	48%	332%	45%	11%
Share of the group's total sales	1%	0%	2%	1%	5%	0%	10%	100%
							<b>Total</b>	<b>492,310</b>

\*Reported together with other operating revenues on pages 10- 11

# FAUN PHARMA

## WITH GREAT STRIDES TOWARDS BALANCE

The goal for 2016 was to reach a balance in the finances after several years of loss in the company. Faun therefore went through large changes in several areas during 2016.

Towards the end of 2015, the management developed a strategy which put high-quality products and automation in production in focus. A larger focus was also to be placed on key customers. An overarching goal for 2016 was also to be certified as ISO 9001. Faun reached that goal and at the end of January 2016 the company could celebrate a certification which meant that Faun had obtained obvious competitive advantages.

In addition, Faun invested in new production lines. Existing equipment was upgraded so as to reduce the number of operators on the production lines and the manual production elements. Instead strong focus was placed on obtaining and creating close collaboration with large new customers. An example of this is ORKLA. Another important milestone was that Faun also obtained a comprehensive agreement with Proteinfabrikken (The Protein Factory) which entails Faun taking over its production. Just the exclusive right to this production brought with it a significant increase in the top line.

MD Erlend Strømnes has been a leading figure in the change process.

### Can you tell us a little about how the work has looked for Faun?

-To lead a company without having the people with you is extremely difficult. The whole thing therefore began with our new slogan "Your success begins with us". This was further developed by putting on the work clothes the message "Faun's success starts with me". We have also done a lot of work with values and conduct. Desired conduct produces desired culture. Faun is entirely dependent on everybody working together for collective success and the change which has occurred during 2016 is a result of just that collaboration and focus. You could well say that I have been playing trainer and coach, but without all the clever and competent people in Faun this would not have been possible.

### You have succeeded in obtaining a positive result for 2016. What do you think was the most significant cause of that?

- A positive result can be obtained quite simply by balancing revenues and costs in a way which produces black numbers. We have therefore worked continuously with both customers and suppliers in order to increase prices where that has been possible and at the same time to reduce all costs by continuously benchmarking both quality and prices. We have also continuously kept a focus on internal costs. We were also forced at the beginning of 2016 to reduce the number of full-time employees in order to get into balance. Another focus we have had was to obtain good forecasts from our customers. A positive result for 2016 will also help us to further improve conditions with our existing suppliers since this will create extra security for all our collaboration partners, both customers and suppliers. We also succeeded with our first *tax reserves project* during 2016 which directly affected the result and this is something we want to continue to work for during 2017.

### How does the future look?

-Faun is in a very exciting phase and in a business which has a real future. After having built a foundation for further growth during 2017 a tripling of turnover from 2015 to 2018 is realistic. We will succeed in this through continued focus on increased

efficiency and in working to link valuable customers to us for long-term collaboration. In addition, we will strive to further develop our internal competence at the same time as we are fully conscious that production in Norway will continue to be competitively challenged. We are now also in the last phase of the work of registering our own export products in several countries in Asia, Africa and Central America. We have great confidence that export sales of our own trademarked products will be an important revenue source for the company going forward. Zinzino and several of our customers have large growth plans so we will continue to build our production together with their business models and growth forecasts. This applies specifically to Zinzino, Proteinfabrikken, Life and ORKLA. We are having a very exciting dialogue with several strategically appropriate and exciting clients in the Nordic region and if we are to continue to grow at the same pace it self-evidently requires that we continue to be in balance.







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## CORPORATE SOCIAL RESPONSIBILITY

### OUR COWORKERS AND THE WORLD AROUND US

As one of the leading direct sales companies, we have a major responsibility towards community to integrated social, ethical economic and environmental aspects into everything we do and stand for. A total of ten different nationalities are working at our headquarters in Gothenburg today. We have a familiar, personal and close community with one another, our customers, partners and suppliers and we “live” our personnel handbook in our everyday lives.

### ZINZINO FOUNDATION

The Zinzino Foundation started four years ago in Norway. A fund, which as its only purpose, to contribute, support and develop projects which are in progress and financed by the Norwegian state (Norad). When Zinzino’s independent partners gives 100.000 Norwegian kronor to a project, Norad gives 900,000 Norwegian kronor so that the total sum will always be one million kronor.

### GIVING BACK

We want to make a positive difference in children’s lives all over the whole world. The Zinzino Foundation provides support to organizations which helps boys and girls to get themselves out of poverty and to get an education.

Zinzino in recent years has supported a school in Karwi, India. One of the students is 13-year old Chotu Kumar, he started at Ebenezer Scholl last spring thanks to a charity project initiated by Glocal Aid and Zinzino. Chotu goes to eighth grade and is overjoyed that he has received school materials and a school uniform. He is anxious to do his best at school and the teachers report that his studies are going better and better since he came to Ebenezer School.

Chotu’s father is a mine worker and works in one of the neighbouring villages. He has a very small income. When he heard talk of Ebenezer’s sponsorship program he gathered up his courage to get his son registered at the school and in that way have a brighter future. Chotu’s father expresses great joy over his son now having an opportunity to go to school and he hopes that his younger son will have the same opportunity.

***As one of the leading direct sales companies we have a great responsibility with respect to our surroundings to integrate, the social, ethical, financial and environmental aspects of what we do and stand for.***



**You Zinzino**

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

- 2012 - Stop female genital mutilation/circumcising among the Massaj people in Kenya.
- 2013 - A local micro finance project in Kenya in order to increase the local businesses in which women can build up agriculture and help their children go to school with food and medicines.
- 2014 - Continued support of the project in Kenya.
- 2015 - Development of a school for children and young people, Karwi U.P.I, India
- 2016 - Development of a school for children and young people, Karwi U.P.I, India

**OUR PRODUCTS**

For our coffee and tea products we have chosen to collaborate with Rombouts & Malongo which was the first coffee roaster to start up a collaboration with Fairtrade (1992). The roasting facility is located in Nice, France, and is ISO1400 environmentally certified. The roasting facility there buys coffee from small coffee plantations where chemical fertilisers and pesticides are not used. Of the finished Zinzino coffee blends, four of them are FairTrade and ecologically certified. Our tea selection consists of four varieties all of which are ecological and two of which are FairTrade certified. Fairtrade is an independent product labelling which creates conditions for growers and employees in developing countries to improve their working and living conditions. Zinzino is also a member of the Fairtrade alliance in Scandinavia.

For the Balance products we have chosen to collaborate with the Icelandic Lysi ehf. They produce our BalanceOil which contains a unique combination of fish oil and olive oil. The Lysi ehf company has a strict environmental policy which, among other things, uses only fish oil from approved fish populations who do not appear on the IUCN's list of endangered species.

**OUR ENVIRONMENT – TRANSPORT AND RECYCLING**

Every month we send approximately 35,000 packages around Europe. We use PostNord, Bring and UPS for our deliveries. They are the largest logistics and postal operators in the Nordic region and are actively working to reduce the impact on the environment and reduce emissions.

We are especially proud of our improved environmentally oriented coffeepods (coffee capsules). The use of coffee capsules has increased explosively since coffee machines for home use became increasingly common. In the greatest number of cases the capsules are made of metal or plastic - materials which burden the environment. However our pods also previously consisted of an environmentally appropriate pod which can be composted still a plastic part (which must be sorted) remained.

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

# SPONSORING THEY HAVE THE TALENT AND THE WILL TO FIGHT -- WE ADD BALANCE.

INTERVIEW WITH ALPINE SKIER  
- SARA HECTOR



Zinzino has started a sponsorship of the alpine star Sara Hector, 24. After a tough year of rehabilitation because of a serious knee injury, Sara has now made a comeback and has made a tremendous impression. Since December she has used Zinzino's health products.

#### What products do you use?

- I take BalanceOil and BalanceOil Capsules combined with Xtend. Sometimes I also take Zinzino's proteinbars, they are both tasty and easy to bring with you.

#### What result did you have on your BalanceTest?

- My first BalanceTest showed a medium result. That was not good, but it wasn't a catastrophe either. I eat a well thought-out diet and try to a great extent to maximise my health as much as I can. I now take Zinzino's dietary supplements since I have realised that it is really difficult to achieve good values just through food.

#### What do think about your collaboration with Zinzino?

- Without good health life is so unbelievably more tedious. Sometimes everything goes well, but it also happens that we have off days. When tough times come we always wish we had done something earlier. I think that Zinzino is really on the right track. It is a good company which works really hard to deliver good products. I am glad I got the opportunity to collaborate with Zinzino so that I can now do something to counteract bad days.



## BALANCE AT AN ELITE LEVEL

Zinzino sponsors a number of sports clubs and individual athletes who get the chance to test its Omega 6:3 relationship and use Zinzino's health products cost free. The collaboration gives Zinzino a unique opportunity to market and test Balance products at an elite level in the sports world. This also provides positive PR, which in turn leads to increased sales.

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*“Without good health life is so unbelievably more tedious. I think that Zinzino is really on the right track.”*

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**SPORTS CLUBS WHICH USE ZINZINO'S PRODUCTS**



**SC Heerenveen**  
Football club - Holland



**Legia Warszawa**  
Football club - Poland



**BC Neptūnas**  
Basketball club Lithuania



**Lillestrøm SK**  
Football club - Norway



**Sandefjord SK**  
Football club - Norway



**FC Levadia**  
Football club - Estonia



**Pelicans**  
Ishockeyklubb - Finland



# WHY DIRECT SALES?

## AN EFFICIENT DISTRIBUTION MODEL

Direct sales differs from widespread distribution models in a very important way. First and foremost, it deals with getting good products and services to the consumer, but it also deals with offering an arena for entrepreneurial people to independently build a business operation with a low start-up cost and low operating costs.

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

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

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

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

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

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



## What is direct sales?

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

# BOARD OF DIRECTORS



## **HANS JACOBSSON** CHAIRMAN

Born: 1967

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

Hans has extensive experience in company acquisitions and sales, stock exchange listings and business structures. In addition he has comprehensive competence in food and consumer products.

Hans Jacobsson has been a member of the company's board of directors since 2007 and chairman of the board of directors since 2009.

**Number of shares:** 471,215 B shares



## **STAFFAN HILLBERG** MEMBER

Born: 1964

Studied Electrotechnology at Chalmers and has an MBA from INSEAD. CEO of Wood & Hill Investment AB and CEO of Heliospectra AB. Has long experience in operational positions internationally and in the finance industry.

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

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

**Number of shares:** 251,414 B shares



## **CECILIA HALLDNER** MEMBER

Born: 1951

Holds a Master of Business Administration degree. Cecilia has extensive experience in business development and in launching international companies' trademarked products on the Nordic market, among others. Astra Zeneca, Beiersdorf, Ecco and BeO.

Cecilia has long experience in operational leadership work, among other things as CEO in the Orkla group, but also has experience in entrepreneurship as CEO of European Last Minute Ticket AB, a company in mobile marketing. Is Region chief for the Sensus study alliance in the region Östergötland/Norra Småland.

Cecilia Halldner has been a member of the company's board of directors since 2007.

**Number of shares:** 45,000 B shares



## **PIERRE MÅRTENSSON** MEMBER

Born: 1972

Pierre Mårtensson holds a Master of Business Administration degree from BI Norwegian Business School and has long and deep experience from having worked internationally in global companies. Pierre Mårtensson comes most recently from Eniro Norway and earlier worked in the Oriflame group, as CEO for the Chinese market with responsibility for 17 offices. He has also been CEO for Lux Singapore and South Africa and before that Pierre worked for three years at Zonavi AS, the interactive business unit for TV in Telenor AS, and for two years in the management consulting business.

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



# MANAGEMENT TEAM



**DAG BERGHEIM PETERSEN** CEO  
Born: 1970

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

**Number of shares:** 180,000 B shares + 1,460,000 subscription options



**LARS DAHLBERG** CMO / CIO  
Born: 1967

Lars Dahlberg has 20 years experience in the direct sales business as a partner in the field and in international management functions. Employers have been American, European and Chinese companies. His experience and competence in this business are a great asset for Zinzino's future development.

**Number of shares:** 0 + 80,000 subscription options



**HENRIK SCHULTZ** PRODUCT MANAGER  
Born: 1961

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

**Number of shares:** 59,950 B shares



**HELENA BYSTRÖM** LOGISTICS MANAGER  
Born: 1975

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

**Number of shares:** 10,223 B shares



**MICHAEL PERRY** COO USA  
Born: 1953

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

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



**LINDA SAGA** R&D DIRECTOR  
Born: 1984

Linda Saga has a PhD in Food Science with a principal focus on omega-3 fatty acids, and has worked with developing The Balance Health Concept. She is now working with product development and research in Zinzino's health products. Employed at BioActive Foods since 2012.

**Number of shares:** 142,552 B shares



**FREDRIK NIELSEN** CFO  
Born: 1977

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

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



**JAKOB SPIJKER** BUSINESS DEVELOPMENT / CCO  
Born: 1968

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

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



**ERLEND STRØMNES**  
Managing Director FAUN  
Born: 1970

Erlend Strømnes has a broad educational background with among other things a Bachelor of Engineering degree and a Master's degree in International Management. He has long experience in business development, marketing and sales. Among Erlend's previous assignments are management positions and board of directors assignments for a series of companies, most recently Otrum AS and Jacobsen Elektro AS. Erlend was employed as Managing Director of Faun Pharma in June 2015.

**Number of shares:** 0 + 135,000 subscription options

A photograph of two men in business attire. The man on the left is wearing glasses and a blue suit, looking down at a tablet. The man on the right is also in a blue suit, smiling and gesturing with his hand towards the tablet. They are sitting at a desk with a laptop and some papers. The background is a bright, out-of-focus office setting.

# FINANCIAL INFORMATION

# CORPORATE GOVERNANCE REPORT

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

Zinzino AB is a Swedish publicly-held limited liability company listed on Nasdaq OMX First North in Stockholm. Zinzino AB provides here its corporate governance report relating to 2016.

## THE CODE OF CONDUCT

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

## EXTERNAL REGULATORY STRUCTURE

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

## INTERNAL REGULATORY STRUCTURE

- Articles of Association
- The Board of Directors' Rules of Procedure
- CEO instruction
- Attestation rules

## ALLOCATION OF RESPONSIBILITIES

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

## SHAREHOLDERS

Zinzino AB was listed on Nasdaq OMX First North on 11 December 2014. This meant a listing change from Aktietorget where Zinzino AB had been listed for trading since 2010. The total number of shares is 32,580,025 of which 5,113,392 are A shares (1 vote) and 27,466,633 B shares. At the end of the year the company had 1,820 owners, exclusive of foreign account customers. The largest owners were Örjan Saele with company and family with 48.53% of the votes and 28.84% of the capital and Peter Sörensen with company 25.79% of the votes and 10.71% of the capital. Information for the shareholders is available on Zinzino's website: [www.zinzino.se](http://www.zinzino.se).

## ARTICLES OF ASSOCIATION

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

## THE ANNUAL MEETING OF SHAREHOLDERS

It is at the annual meeting of shareholders, and at any extra meetings of shareholders, where all shareholders can exercise their right to vote and decide on issues which affect the company and its business. The annual meeting of shareholders, which is held within six months after the end of the financial year, makes

decisions on confirming of the profit/loss statement and balance sheet, disposition of the year's profit or loss and decisions on dividend, freedom from liability for the board of directors and the chief executive officer. Beyond that the board of directors is elected and the board members' remuneration is established. In addition, auditors are chosen and the annual meeting of shareholders decides upon their remuneration. Other legally required matters are also dealt with as well as decisions being made on guidelines for compensation to persons in the management. In addition to these things, decisions will be made on other proposals from the board of directors and the shareholders. All of the shareholders who are registered in the share register as of the meeting's date and who have timely registered their participation in conformity with the provisions thereon in the articles of association have the right to participate in the meeting and to vote their shareholdings. Shareholders may be represented by one or more proxies.

## ANNUAL MEETING OF SHAREHOLDERS 2016

The annual meeting of shareholders for 2016 was held on Friday, 20 May. At the annual meeting of shareholders the shareholders present in person or by proxy represented 73% of the votes and 38% of the capital. Hans Jacobsson was elected chairman of the meeting. Some of the decisions that the meeting made are the following:

- To confirm the profit/loss statements and balance sheets of the parent company and the group.
- To pay out a dividend for the 2015 financial year of SEK 0.25 per share and to transfer into a new account the remainder of the retained earnings.
- To grant the board of directors and the CEO freedom from liability.
- That board of directors remuneration for the period until the next annual meeting of shareholders is to be paid in conformity with the proposals put forward for decision, in the amount of SEK 172,000 for the chairman and SEK 98,000 for each of the other board members appointed by the annual meeting.
- The meeting decided on the re-election of the members of the board of directors Staffan Hillberg, Cecilia Halldner and Pierre Mårtensson. Hans Jacobsson was re-elected as chairman of the board of directors.
- The meeting decided to appoint Örjan Saele, Peter Sörensen and Hans Jakobsson (convener) to the nominating committee in advance of the next annual meeting of shareholders.
- The meeting decided, in conformity with the proposals put forward by the board of directors, to authorise the board of directors in the period until the next annual meeting of shareholders, on one or more than one occasion, to make decisions on preference issuance of B shares, convertible and/or subscription options. The board of directors will be able to decide on preference issuance with or without provisions on set-off or otherwise with conditions.
- The meeting decided, in conformity with the proposals put forward by the board of directors, that in the period until the next annual meeting of shareholders, on one or more than one occasion, to make decisions on new issuance at market terms of B shares, convertible and/or subscription options with departure from the shareholders' right of preference, with or without provisions on in kind and/or set-off or otherwise with conditions. The board of directors may not, however, make decisions which mean that in total more than 3,000,000 B shares will be issued.

## ANNUAL MEETING OF SHAREHOLDERS 2017

The annual meeting of shareholders of Zinzino AB (publ) will be held on 24 May at 12.30 p.m. in the company's offices at Hulda Lindgrens gata 8 in Gothenburg. For further information on the annual meeting of shareholders for 2017 refer to the company's homepage [www.zinzino.se](http://www.zinzino.se)

## NOMINATING COMMITTEE

The nominating committee of Zinzino has the task of presenting proposals for the number of members of the board of directors, election of members of the board of directors including the chairman, compensation to the members of the board of directors, making proposals for the process of appointing a new nominating committee and in general following what applies from the Swedish Code of Corporate Governance. The nominating committee must be appointed by the regular annual meeting of shareholders and must itself appoint from among its members a chairman for the nominating process. The nominating committee for the annual meeting of shareholders for 2017 consists of the nominating committee's chairman Örjan Saele with a total (including those closely related) of 48.53% of the votes and Peter Sörensen with (incl those closely related) 25.79% of the votes, as well as Hans Jacobsson, chairman of the board of directors of Zinzino AB and convener of the nominating committee, with his own (including those closely related) ownership of 0.55% of the votes. The nominating committee represents an ownership interest which at the end of the year was 74.87% of the votes in the company. Included in the nominating committee's tasks are to:

- Evaluate the composition and work of the board of directors.
- Make nominations to the annual meeting relating to election of members of the board of directors and of the chairman of the board of directors.
- Nominate the external auditors.
- Put forward proposals relating to remuneration for the board of directors and auditor.

The nominating committee has had 4 meetings as well as a number of mail and telephone contacts. The nominating committee's complete proposals and reasons for the annual meeting of shareholders for 2017 will be presented on the company's homepage [www.zinzino.se](http://www.zinzino.se) well in advance of the annual meeting of shareholders taking place. Shareholders who want to present proposals to the nominating committee can do so via e-mail to [aktier@zinzino.com](mailto:aktier@zinzino.com) or by mail to the company's headquarters. So that the nominating committee will be able to take into account incoming views in its proposals to the annual meeting of shareholders, the proposals to the nominating committee must have been presented at latest one month before the annual meeting of shareholders.

## THE BOARD OF DIRECTORS AND ITS WORK

The board of directors is responsible for Zinzino AB's organisation and management. The board of directors must provide effective support for and control of the management's work. The board of directors has adopted rules of procedure which contain rules and guidelines for its work. The rules of procedure govern, among other things, the number of regular meetings of the board of directors, which matters must be dealt with at regular meetings of the board of directors, and the duties incumbent upon the chairman of the board of directors. The board of directors must, in accordance with the articles of association, consist of at least three and at most ten members and at most ten deputies. At the annual meeting of shareholders on 20 May 2016 it was established that the board of directors is to have four members elected at the meeting, without deputies. At the annual meeting of shareholders on 20 May 2016, until the time for the next annual meeting of shareholders which will take place on 24 May 2017, the members of the board of directors Hans Jacobsson, Staffan Hillberg, Pierre Mårtensson and Cecilia Halldner were re-elected. Hans Jacobsson was re-elected as the new chairman. More information on the board of directors is presented on page 40. The group's chief executive officer,

Dag Bergheim Pettersen, participates in all meetings of the board of directors to present reports. The same is true of the group's CFO, Fredrik Nielsen. Other employees of the group participate at times in the meetings of the board of directors to present reports on specific questions.

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

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

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

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

At least two of the members of the board of directors who are independent in relation to the company and the company's management must also be independent in relation to the company's largest shareholder.

In order to determine a member's independence, the scope of the board of directors member's direct and indirect relationship with the largest owner must be taken into account in making the

assessment. A member of the board of directors who is employed or a member of the board of directors in a company which is an even larger owner shall not be regarded as independent. Large shareholder means an owner who directly or indirectly controls ten percent or more of the shares or votes in the company. If a company owns more than 50 percent of the shares or participations or votes in another company the first-named company is considered to indirectly control the latter company's ownership in other companies.

In Zinzino the number of board of directors members elected at the annual meeting who are independent of the company is 100% of the members. The number of board of directors members elected at the annual meeting of shareholders who are independent of the company's largest owner is also 100%. The nominating committee has the task of proposing further members of the board of directors, so that the company will comply with the Swedish Corporate Governance Code for listed companies.

### **BOARD OF DIRECTORS MEETINGS**

During 2016 the board of directors held 5 agenda-controlled meetings and during the year devoted special attention to strategic, financial questions as well as to questions relating to acquisitions, internal controls and large investment matters.

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

Hans Jacobsson	chairman	5/5
Staffan Hillberg	member	5/5
Cecilia Halldner	member	5/5
Pierre Mårtensson	member	4/5

### **INFORMATION FOR THE BOARD OF DIRECTORS**

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

### **INTERNAL CONTROL AND RISK MANAGEMENT**

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

### **THE AUDIT COMMITTEE**

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

### **THE COMPENSATION COMMITTEE**

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

## **EXECUTIVE MANAGEMENT**

The group's management team is led by the chief executive officer (CEO) and consists of eight management persons. Information on the group's executive management can be found on page 41 of this annual report.

### **THE CHIEF EXECUTIVE OFFICER**

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

### **COMPENSATION**

The remuneration of the board of directors is decided by the annual meeting of shareholders. A compensation committee appointed from within the board of directors must prepare guidelines relating to salaries and other employment conditions for the chief executive officer and other persons in the management and place before the board of directors proposals for decisions on such questions. The board of directors makes decisions on salary and other compensation for the chief executive officer. The chief executive officer will make decisions on salaries and other compensation to other persons in the management in accordance with the board of directors' guidelines. Other persons in the management means six persons who together with the chief executive officer constitute the group's management. Zinzino AB must offer market terms and competitively robust conditions for the purpose of making it possible to attract and retain competent persons in the management. The compensation is made up of a fixed base salary, variable compensation calculated on goals established in advance, other benefits, pension and financial instruments in the form of subscription options. The division between fixed and variable compensation must stand in proportion to the responsibilities and authority of the person in the management. For the chief executive officer and other persons in the management the variable compensation can amount to at most 50% (CEO) and 8.3% (other group management) of fixed salary.

Pension provisions must be defined contribution pension solutions. Termination notice periods from the Company's side must not exceed 6 months. During the notice of termination period of a maximum of 6 months full salary and employment benefits will be paid. Decisions on share-related and share-price-related incentive programs are made at the meeting of shareholders. In individual cases and if special reasons exist the board of directors may depart from the guidelines mentioned above.

### **AUDITING**

Magnus Götenfelt from PriceWaterhouseCoopers (PWC) AB is the auditor. Magnus Götenfelt is a certified public accountant and has been the auditor for Zinzino since 2007. He has additional assignments for, among others, Christian Berner Tech Trade AB, Stampen AB and Schenker AB. Review of the year's closing of the books is done during January-February. Review of the year's annual report is done during March and April. In connection with the company's interim reports there are also oversight reviews which are carried out. In addition, there is during the year an ongoing audit of internal routines and control systems, which is reported to the group's CEO, CFO and board of directors. Zinzino AB, in addition to the auditing assignment, has used PWC AB for consultation assignments in accounting questions, tax questions and in conjunction with acquisitions.

### **INTERNAL AUDIT**

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

### **INVESTOR RELATIONS**

The company's CEO is responsible for the contacts with the shareholders. Zinzino AB informs the shareholders via the annual report, the communicate on the closing of the books, interim reports, and press releases, as well as the company's homepage. In addition, the company has participated in a number of public investor meetings under, among others, Aktiespararna.

# OWNERSHIP & SHARE PERFORMANCE

## FIVE REASONS TO INVEST IN ZINZINO:

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

Zinzino is a leading direct sales company active today in Europe and North America. The company's strategy is profitable growth in new and existing markets. The business model, has for many years, generated growth and will continue to do so in the future. It is anticipated that through this business model, the growth rate will increase in the coming years in the way of increased sales in existing and new markets. Also, growth can be generated through acquisitions.

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

Our product concept is to give health back to the world. Our goal is to get the best out of people with enthusiasm, encouragement and masses of energy. We are the most customer-focused direct sales company in the world. Our most important product concept, Balance, is showing continued good growth and we currently have over 180,000 test results, based on our blood tests in our database. We are the company that has done the most fat analysis in the world. Our goal is to have 1 million customers in 2020.

### 3. PRODUCT DEVELOPMENT AT THE LEADING EDGE

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

### 4. STRONG MARKET POSITION AND DISTRIBUTION

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

### 5. ATTRACTIVE CASH FLOW AND SHARE DIVIDEND

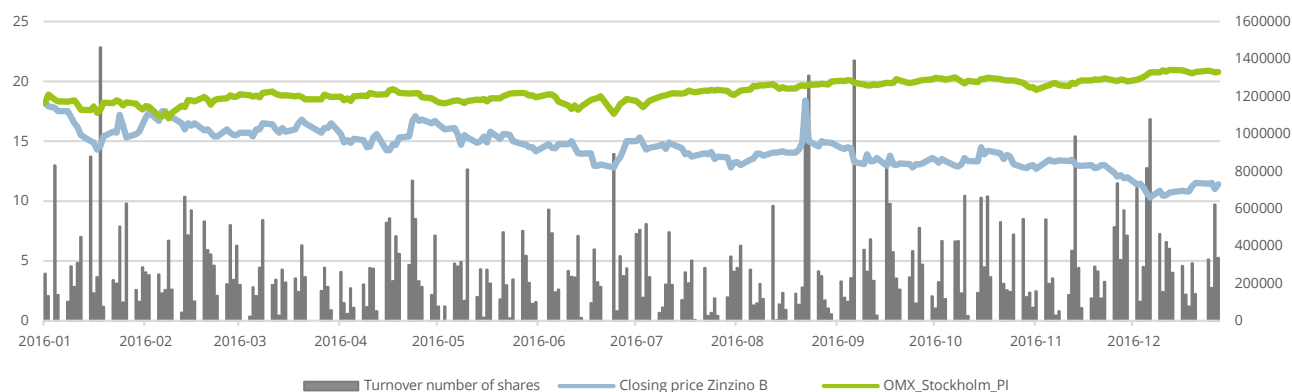
Zinzino's business has a very strong cash-generating capability. Efficient management of operating capital in combination with investments which quickly create revenues and margin improvements generate a strong cash flow. As a result a share dividend can be paid in conformity with the goal of at least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

## LARGEST SHARE HOLDINGS AS OF 12-31-2016

Owner	Number of A shares	Number of B shares	Total number of shares	Percent of votes	Percent of capital
Örjan Saele via company and family	3,123,397	6,272,409	9,395,806	48.53%	28.84%
Peter Sörensen via company	1,809,995	1,680,662	3,490,657	25.79%	10.71%
Other owners	180,000	19,513,562	19,693,562	2.15%	60.45%
Total	5,113,392	27,466,633	32,580,025	100%	100%

## SHARE PRICE DEVELOPMENT 2016

### ZINZINO B SHARES (SEK) 12-10-2014 - 12-31-2016



During 2016 a total of 5,224,466 (5,478,419) shares changed hands, in 7,041 (8,612) trades. The year's first trade closed at SEK 18.50 and the year's last at SEK 11.40. The year's top price was reached on 01-04-2016 with a trade at SEK 18.90. The lowest price was SEK 9.80 which was reached on 12-08-2016.

## OWNERSHIP AND SHARE PERFORMANCE

Zinzino AB has been listed since 11 December 2014 on Nasdaq OMX First North. This meant a listing change from Aktietorget's stock market where Zinzino had been listed for trading since 2010.

As of the balance sheet date, the share price was SEK 11.40 which means a market value for Zinzino AB as of 12-31-2016 of SEK 371.4 million.

During 2016 a total of 5,224,466 (5,478,419) shares changed hands, divided among 7,041 (8,612) trades. At the end of the year the company had 1,820 (1,746) shareholders exclusive of foreign account customers.

## SHARE CAPITAL

The share capital as of 12-31-2016 was divided into 32,580,025 shares, of which 5,113,392 are A shares (1 vote) and 27,466,633 B shares (0.1 vote). The share's par value is SEK 0.10.

The company's B shares are traded on Nasdaq Omx First North, [nasdaqomxnordic.com](http://nasdaqomxnordic.com), with ISIN-code SE0002480442.





# OPTIONS PROGRAMS





### **OPTIONS PROGRAMS:**

The company, as of the report date, has two outstanding options programs. In addition an options program expired on 1 November 2016 and covered 2,100,000 options at an exercise price of SEK 2. At the exercise date all subscription options had been exercised to subscribe for shares. The first options program expires on 31 May 2019 at an exercise price of SEK 16 and covers 600,000 options. The other options program also covers 600,000 subscription options but at an exercise price of 26 Swedish crowns. That options program expires on 31 May 2020.

If all the subscription options outstanding on 12-31-2016 are exercised for new subscriptions to 1,200,000 shares the dilution of the share capital will be about 4%.

### **DIVIDEND POLICY AND PROPOSED DIVIDEND**

The board of directors decided during the past year to carry out a general change of the group's dividend policy. Going forward this would let 50% of the net profit be distributed to the shareholders so long as the equity/assets ratio and the liquidity permit it. This means a greater share of the net profit than previously (30%) is to be distributed to the shareholders. For 2016 the net profit was SEK 9.7 million. The board of directors proposes that the annual meeting of shareholders approve for the business year 2016 a dividend of SEK 0.25 per outstanding share. In total it is proposed that SEK 8.1 million be distributed to the shareholders which corresponds to 84% of the net profit in accordance with the foregoing. The board of directors' assessment is that the cash flow is developing and will develop positively during the coming years. In addition the liquidity and equity/assets ratio will permit the group's dividend at the proposed level notwithstanding that it exceeds the 50% which the company's dividend policy indicates.

### **INSIDERS (MARKET ABUSE)**

Persons with management positions in Zinzino and persons or legal entities which are closely associated with them have an obligation to inform Zinzino and the Swedish Financial Supervisory Authority of every transaction related to changes in their holdings of Zinzino shares when the total amount reaches 5,000 Euros during a calendar year, in conformity with the European Parliament's and the Council's regulations on market abuse (MAR). Listed companies must maintain a listing, a log book, of persons who are employed or have assignments for the company and who have access to insider information which affects the company. This can involve insiders, but also other persons who have received insider information. Zinzino maintains a log book for every financial report or press release in which the information can affect the price of the stock.

# MANAGEMENT REPORT

The board of directors and the chief executive officer of Zinzino AB, 556733-1045 present herewith the annual report and group report for the financial year 01-01-2015 - 12-31-2016.

The year's profit and financial position of the group and the parent company are reported in the management report and in subsequent income statements, a report on total profit/loss, balance sheets, reports on changes in equity capital and cash flow analyses, with accompanying notes and comments. The group's profit/loss report and balance sheet will be presented for approval by the annual meeting of shareholders on 24 May 2017.

## OWNERSHIP AND HISTORY

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

During 2009 Zinzino Nordic AB was acquired, which was accomplished in part through a directed issuance in kind to the owners of Zinzino Nordic AB and in part through a subscription to shares in a preference issuance which Zinzino Nordic carried out in December 2009. Through this Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. As of 12-31-2015 the ownership share in Zinzino Nordic AB was 93% of the capital and 97% of the votes.

In addition to Zinzino Nordic AB, the following wholly-owned companies are included in the group: Zinzino OÜ in Estonia, Zinzino UAB in Lithuania, SIA Zinzino in Latvia, Zinzino Ehf on Iceland, Zinzino LLC in Florida, United States, Zinzino SP. Z o o in Poland, Zinzino BV in Holland, Zinzino GmbH in Germany, Zinzino Canada Corp in Canada and the Norwegian research company BioActive Foods AS.

In addition to this, a further 13.8% of the share capital of the Norwegian production company Faun Pharma AS was acquired in 2015 and Zinzino's ownership share thereafter was thus 98.8% of the company.

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

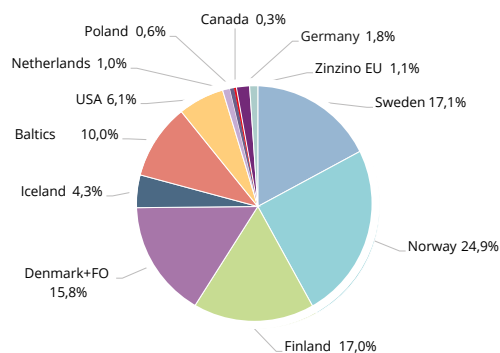
## FINANCIAL OVERSIGHT

### Revenues

Total revenues during the business year increased by 11% to SEK 492.3 (443.8) million. The profit after financial items was SEK 13.9 (17.6) million which was a profit decline of 21% as compared to the prior year.

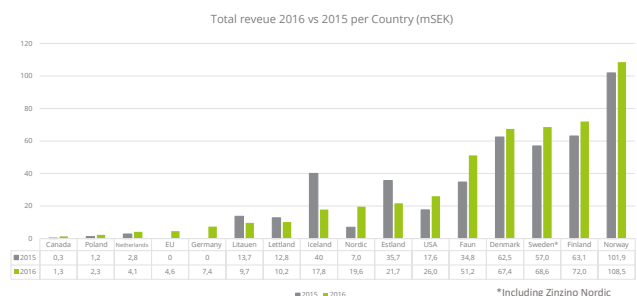
The net turnover was SEK 436.4 (388.7) million and was divided principally between the two product lines, Zinzino Health and Zinzino Coffee. The product segment Health increased by 26% to SEK 326.0 (258.4) million which corresponded to 66% (58%) of the total revenues for 2016. Behind the sales growth during the year there is, as previously described, increased sales of Balance Oil in combination with Balance Test. Since the start, Zinzino had carried out over 180,000 Balance tests by the end of the fourth quarter of 2016. Contributing to the growth was also the fine sales development during the latter part of the year via the new products we developed ourselves Skin Serum and Zinzino Bars. The strong health trend in Zinzino's markets contributes to the good sales growth for this segment. The product segment Coffee was SEK 55.6 (90.0) million which corresponded to 11% (20%) of the total revenues and a sales decrease of 38%. The sales within the segment were, despite the decline, of continued

significance because product development went on together with the supplier Rombouts/Malongo in order to continue to stimulate sales. Faun Pharma increased its external sales by 43% to SEK 51.0 (35.6) million which corresponded to 10% (8%) of the total revenues. During 2016 Faun Pharma's focus has been on large customers, for example Orkla, Life, Proteinfabrikken and Easy Life. The ISO certification which was carried out on Faun has also had positive effects on sales of the company's services. Sales of tickets in connection with sales events were SEK 3.8 (4.7) million. Other revenues were SEK 55.9 (55.1) million which, together with event sales, represented the remaining 12% (12%) of the total revenues. The geographic division of sales during 2016 looks as follows:



For the United States and Sweden sales growth exceeded 45% as compared with the prior year. The strong trend has continued in both the United States and Sweden during Q1 2017. Both markets are operated by motivated distributors which have succeeded well with Zinzino's Balance concept and which are now showing a positive trend. These are two important markets for Zinzino with great potential for much greater turnover levels in the coming years. During the year the transition to the new business system has severely impacted the Baltic markets and Iceland. Zinzino sees certain indications that the decline has now ended and that sales may again increase in these markets during 2017.

The market analysis shows that Scandinavia was the region which had the highest share of sales, with Norway in the lead, where the total revenues were SEK 108.5 (101.9) million. Sweden was the market which increased its share of the total sales the most. Growth there compared to the prior year was 55%. The United States market also showed strong growth and total revenues there were SEK 26.0 (17.6) million. In the Baltic states things were somewhat worse and they showed in total for 2016 weakly negative growth with certain signs of weakly positive development at the end of the year. The Icelandic market also showed negative growth and had total revenues of SEK 17.8 (40.0) million. All of the newly-started markets showed positive sales growth. Faun Pharma's total revenues were SEK 51.2 (34.8) million.



The gross profit was SEK 167.2 (149.3) million and the gross profit margin was 34.0% (33.6%) which was better than the prior year. An underlying factor in the improvement in margin is efficient production in-house which resulted in lower cost of goods for a considerable time. The improved production mix with a larger share of Health also affected the gross margin positively. Though production changeovers in Faun Pharma and promotional campaigns directed towards the sales network have weakly and negatively affected the gross profit short-term, the margins are expected to further improve in the coming years. Zinzino has great hopes for improving the gross profit margin by continuous work on optimising production and raw material purchases.

EBITDA for the period was SEK 23.0 (25.6) million and the operating margin was 4.7% (5.8%). The operating profit was SEK 14.0 (18.5) million and the operating margin was 2.8% (4.2%). The group today has a larger cost base through the production unit Faun Pharma AS and the research company BioactiveFoods AS. At the same time, investments have been made in a new business system and an increase in the workforce in order to manage the growth in the group. During the year the system development has continued in order to make the websites more attractive for customers and the sales network. This development will also make our internal processes more efficient. The project is expected to be completed during Q1 2017. This affects the operating margins negatively in the short term but presents an opportunity for improvements in margins longer term.

The profit before tax for the period was SEK 13.9 (17.6) million and the net profit was SEK 9.7 (9.7) million.

### Depreciation and amortisation

For 2016 total depreciation and amortisation and write-downs were SEK 8,997 (7,133) thousand.. This is divided into SEK 768 (1,033) thousand tangible fixed assets, SEK 3,331 (990) thousand intangible fixed assets, SEK 4,904 (5,094) goodwill and trademark protection and other write-downs -6 (16).

### Financial position

At the turn of the 2016/2017 year the group had equity capital of SEK 88.5 million (SEK 88.3 million). At the balance sheet date cash was SEK 23.3 (26.9) million. The group's equity/assets ratio was 50% (56%). The year's cash flow was SEK -3.8 (-16.2) million. The negative cash flow was due primarily to the increase in capital committed to the goods inventory. The board of directors' assessment is that liquid assets are at a satisfactory level and that the group's positive cash flow from the ongoing business will secure the liquidity in the group for the foreseeable future and will also make possible a dividend for the past financial year conditioned upon decisions at the annual meeting of shareholders.

The group's combined goods inventories at the balance sheet date were SEK 63.5 (40.3) million. The increase was due primarily to the group's increased sales in more markets than previously, the move of production in Zinzino Health from an external party to Faun Pharma AS, and Faun's maintaining inventory for the account of Proteinfabriken.

## SIGNIFICANT EVENTS DURING THE YEAR

### Efficient product development in-house resulted in more successful product launches

Through the acquisition of the research company Bioactive Foods AS and the production company Faun Pharma AS Zinzino obtained access to efficient in-house and cost-effective product development which has generated three new product launches during 2016. Production will also be accomplished through the production unit which will bring about lower production costs

and faster delivery for further distribution to Zinzino's new and existing customers.

- BalanceOil AquaX is a further development of Zinzino's Balance-Oil to which has been added the emulsifying substance Aquacelle. With BalanceOil AquaX the Omega-6/Omega-3 concept is taken to an entirely new level. Through the emulsifying substance Aquacelle BalanceOil will obtain new dimensions which it is expected will attract customer segments that were previously difficult to reach. This is because BalanceOil AquaX can be mixed with a cold fluid such as water and through the emulsifying effect the taste and consistency of oil disappear and instead the taste of ordinary lemon water appears.
- Zinzino Skin Serum was launched as the first product in the new sub-segment Skin Care within Zinzino Health in the autumn of 2016. Zinzino Skin Serum was developed by the company's own researchers and reduces wrinkles and fine lines which are associated with aging. The product is a breakthrough into an entirely new area with great potential and has attracted new sellers and customers. The sales development has been good since the introduction in October 2016.
- Zinzino Bars is a series of newly developed Proteinbars in two different flavors, Chocolate and Cheesecake. Zinzino Bars taste extremely good notwithstanding extremely low sugar content at the same time as the amount of protein is very high. Through the launch of Zinzino Bars the product line in Zinzino Health was further broadened.

### Investments in IT and markets

A growing organisation needs a powerful platform with the capacity and scale for future growth. In order to be better able to accommodate the ongoing and planned expansion Zinzino changed during 2015 to an entirely new IT platform.

During the year Zinzino has continued the process with updating homepages for the sales force and customers in order to make them more aesthetically pleasing, user friendly and adapted to the local requirements of the different markets. The new website is predicted to be entirely ready during the first quarter of 2017 and is expected to be an important contributing factor to the anticipated sales increase in the next several years. In addition to this the marketing material has been updated and adapted to the local requirements which exist in the different markets.

The chosen IT platform is basically built for the direct sales business and thereafter adapted to Zinzino's specific needs. A large difference compared with the previous solution is that the new platform has a better structure and provides greater flexibility in managing data in a better and more efficient way. This also gives significantly greater opportunities to manage future development ourselves, without the involvement of or dependence upon external parties.

The website is now more user friendly and is also a very powerful tool with a larger oversight of a Partner's organization. It is in addition more aesthetically pleasing and attractive. It presents the products in a more accessible and more visually pleasing way. The new online shop does not require logging in. New potential customers can browse among Zinzino's line of quality products and make their own personal choices. The customer can then easily be linked to a partner depending on where the customer lives, for example. All parts of the newly built and upgraded websites are translated to local languages, currently 16 different ones.

Overall these efforts have been very important for stimulating the sales growth in the coming year but at the same time they have

affected the group's profitability negatively in the short term. Effects of this have also been observed in certain markets during 2016, particularly in the Baltic region and on Iceland.

### **Further establishments in the remaining markets within the EU area**

In February Zinzino carried out a successful sales start in Germany. The newly-started subsidiary has had good sales growth during 2016. For Zinzino, Germany is a very interesting market to do business in: strong in capital and with a strong tradition of direct trade.

By means of an export investment Zinzino, at the beginning of July, opened up for sales in the remaining markets in the EU that had not been established previously. Among the new markets are Great Britain, France, Italy and Spain. By spreading the concept in more countries greater opportunities arise to link to new partners and customers, an important part of Zinzino's vision of having 1,000,000 customers in 2020.

The establishment model is simple and is easily and rapidly expandable with increased volumes. In addition it is very cost-effective to implement. If the investment does well it can generate large revenues for the company in future years. The sales development during 2016 has been good, particularly in Austria, Spain and Romania where deeper establishment processes have been initiated.

### **The production unit Faun Pharma AS showed strong sales growth and improved profitability**

Faun increased the pace of production significantly during 2016. The company's external turnover was SEK 50.7 (34.8) million which corresponds to a growth of 46% as compared to the prior year. Profitability was also improved significantly.

During 2016 Faun Pharma's focus has been on large customers, for example Orkla, Life, Proteinfabrikken and Easy Life. The ISO certification which was completed during the year's first months has also had positive effects on the sales of the company's products. The agreement with Proteinfabrikken was signed in the second quarter and means that the company took over all production for the customer. During 2016 the agreement generated SEK 25.5 million in revenues and is expected to reach SEK 45 million during 2017. Initial changeovers in the production for the customer have worsened the gross profit short-term for Faun Pharma AS during the third quarter, which has affected the group's profit margins negatively. In addition to this, Faun Pharma AS signed new contracts with Orkla and Norsk Medisinaldepot during the fourth quarter which are expected to provide together an initial turnover increase of SEK 3.5 million during 2017. During the period October - November this subsidiary beat its production record by SEK 24.4 million. The purpose of the acquisition of Faun Pharma in 2014 was to make the manufacture and development of Zinzino's products in Health and lifestyle more efficient. At the same time there is great potential in the company to generate profitability for the group via its own sales to external customers. The agreements with Proteinfabrikken, Orkla and Norsk Medisinaldepot provide great opportunities for Faun, to a greater extent than heretofore, to generate growth and profitability for the group in the future.

### **Putting the customer first**

During 2016 a customer forum was implemented with a chat function which thus made possible immediate direct contact between the customer and Zinzino's employees. The purpose of this was to increase accessibility of support for Zinzino's customers. The new support function with the internet name "Customer Ombudsman" has been a great success with many posts on the forum and high frequency on the chat function. Beyond this, the product packaging has been made more attractive and informative so as to increase the comprehensibility for the customers of the products and their dosages. Furthermore, this process of improvement measures has been continued in the company's customer and sales support by means of competence

development for the personnel, increased internal controls, and further strengthening of resources. This has resulted in a significantly increased level of service. New routines have also been introduced such as info sheets for customers which are included in the package, and giveaways. All in all this has generated more active customers and a diminished loss of customers.

## **BUSINESS MODEL AND MARKETING STRATEGY**

The core of Zinzino's business is marketing and sales. The company's network of independent sellers and sales teams markets Zinzino's products and services to consumers, while the company's own marketing work is oriented towards developing and providing sellers with the tools they need.

The marketing work consists primarily of providing product information, campaign material, basic training material, and an efficient information flow via the website, social media, and email dispatches.

The company's management is having a close dialogue with the so-called "leadership council" which consists of representatives from the sales network, which is much appreciated by both sides, and the dialogue consistently shows itself to be a recipe for success.

An ever more important part of Zinzino's strategy is its internal product development. With the competence in product development in the area of health, to which the company has linked itself through the acquisitions of Bioactive Foods AS and Faun Pharma AS, it becomes possible for the company to invest in internal development to a much greater extent than previously which results in the company being less dependent on its suppliers for developing attractive products for the company's sales force. By means of efficient product development the company has launched 3 new products during 2016 and a number of new launches will be carried out during 2017.

### **Organisation och efficiency**

During the year Zinzino has worked out routines to continue to manage the increased turnover in a stable and satisfactory way. In addition to the implementation of the new business system, which has provided great improvements in efficiency, the organisation has also been strengthened with further resources primarily in the IT and marketing departments in order to make possible faster further development of marketing materials, system tools and homepages. The first profit from the investment in markets and IT will come through the new website for customers and partners which will be launched during the second quarter of 2017.

## **FINANCIAL FORECAST FOR 2017**

The board of directors of Zinzino forecasts that the total revenues for 2017 will be SEK 540 - 580 million. Operating margin before depreciation and amortisation in % is expected to be at least at the same level as the prior year. During the period 2017-2019 the average growth of sales in Zinzino will be at least 20% and the operating margin before depreciation and amortisation in % will increase to >6%. The dividend policy will be at least 50% of the net profit so long as liquidity and the equity/assets ratio permit.

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

The board of directors continuously discusses external risks for Zinzino's expansion. The greatest risks continue to be found within its own organisation's capacity to manage costs during a period of strong growth. In addition to that risk, the board of directors has identified the following risks:

### **Risks related to purchases**

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

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

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

**Risks related to suppliers**

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

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

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

Establishment in new countries and regions can carry with it risks which are difficult to foresee. Oversight and control to comply with local legislation relating to local taxes, product registrations and consumer legislation in various countries is becoming an ever greater challenge for governance from the headquarters in Gothenburg. In order to provide for these risks, the company is working continuously to keep track of changes in the local legislation in the various countries and to maintain collaboration with local lawyers and consultants so as to strive always for 100% compliance with local legislation in all markets where Zinzino is established today.

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

**Risks related to IT**

The change of business system shows how exposed the company is to interference in its IT operations and how important control of the many IT-intensive processes is. For that reason the company has continued during the year to expand its internal IT function with more employees. Prioritising IT resources in conjunction with high growth is a challenge for Zinzino but Zinzino is working to optimise and allocate its resources in the best way. Through the enlarged IT department the processes of development have been made more efficient, something which is of the utmost importance in connection with the expansion of the business. This has generated large cost savings during 2016 with the expectation of further cost savings in the coming years.

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

Zinzino has its revenues in a variety of different currencies, of which NOK, EUR and USD are the largest. At the same time, Zinzino has the largest part of its costs in SEK, NOK, EUR and USD as relates to operating costs and purchases of goods. Zinzino is thus exposed to currency risks when the different currencies fluctuate. Zinzino does not forward purchase or hedge its currency flows, but instead works actively with currency flow forecasts and currency exchange on favourable occasions. In addition, the amounts of the different currencies on the revenue and costs sides mean that the currency movements cancel each other out and that the currency risk thereby becomes lower. The banks' negative interest rate strategies have also affected the group adversely and have resulted in the company having to work ever more actively with cash management in order to minimise interest costs.

**Risks relating to competitors**

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

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



# RESULTS AND FINANCIAL POSITION

Amounts in Thousand SEK	The group		The parent company	
	2016	2015	2016	2015
Net turnover	436,399	388,692	3,350	3,160
Total revenues	492,310	443,836	3,442	3,431
Operating profit	14,044	18,491	722	2,228
Net profit	9,669	9,660	563	1,736
Operating margin	2.85%	4.17%	20.98%	64.97%
Net margin	1.96%	2.17%	16.36%	50.60%
Return on equity capital	10.93%	10.93%	1.31%	3.72%
Balance sheet total	176,135	158,837	85,613	83,580
Equity/assets ratio	51%	56%	50%	56%

## KEY NUMBERS DEFINITIONS:

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

## PROPOSAL FOR THE DISPOSITION OF PROFITS (SEK)

### The annual meeting has the following at its disposal:

Zinzino AB	Swedish krona
Retained earnings	21,923,042
Balanced result	-6 514 431
The year's profit	562,936
<b>Swedish krona</b>	<b>15,971,547</b>

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

Zinzino AB	Swedish krona
A dividend will be paid to the shareholders of 0.25 Swedish krona	8,145,006
Carried forward into a new statement	7,826,541
<b>Total</b>	<b>15,971,547</b>

The board of directors' belief is that the proposed dividend will not prevent the company from fulfilling its obligations short-term and long-term, nor from making necessary investments. The proposed dividend can thereby be defended with reference to what is provided in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2-3 (the prudence regulation).

As regards the company's reported profit for the financial year, the position as of the balance sheet date, and financing and capital utilisation during the year, reference is made to the following financial reports.

# INCOME STATEMENT

Divided by type of cost	Note	The group		The parent company	
		01-01-2016 12-31-2016	01-01-2015 12-31-2015	01-01-2016 12-31-2016	01-01-2015 12-31-2015
Amounts in Thousand SEK					
Net turnover	3.4	436,399	388,692	3,350	3,160
Other revenues	5	55,911	55,144	92	271
<b>Total revenues</b>		<b>492,310</b>	<b>443,836</b>	<b>3,442</b>	<b>3,431</b>
<b>Operating costs</b>					
Goods		-111,017	-101,172	-	-
Direct costs relating to goods sold		-214,101	-193,396	-	-
Other external costs	6.7	-70,986	-65,802	-2,650	-1,187
Personnel costs	8	-58,906	-49,002	-	-
Depreciation and amortisation and write-downs	10	-8,997	-7,133	-16	-16
Other operating costs	5	-14,259	-8,840	-54	-
<b>Total costs</b>		<b>-478,266</b>	<b>-425,345</b>	<b>- 2,720</b>	<b>-1,203</b>
<b>OPERATING PROFIT</b>		<b>14,044</b>	<b>18,491</b>	<b>722</b>	<b>2,228</b>
<b>Profit from financial investments</b>					
Interest revenues		49	49	-	1
Interest costs		-226	-985	-	-1
<b>Total financial items</b>		<b>-177</b>	<b>-936</b>	<b>0</b>	<b>0</b>
<b>PROFIT AFTER FINANCIAL ITEMS</b>		<b>13,867</b>	<b>17,555</b>	<b>722</b>	<b>2,228</b>
<b>PROFIT BEFORE TAX</b>		<b>13,867</b>	<b>17,555</b>	<b>722</b>	<b>2,228</b>
Tax on the year's profit	11	-4,198	-7,895	-159	-492
<b>THE YEAR'S PROFIT</b>		<b>9,669</b>	<b>9,660</b>	<b>563</b>	<b>1,736</b>
Referable to:					
The parent company's owners		8,703	8,195		
Minority interests		966	1,465		



# BALANCE SHEET

Amounts in Thousand SEK	Note	The group		The parent company	
		12-31-2016	12-31-2015	12-31-2016	12-31-2015
<b>ASSETS</b>					
<b>FIXED ASSETS</b>					
<b>Intangible fixed assets</b>	12				
Goodwill		38,552	43,456	-	-
Intangible fixed assets		19,511	15,695	894	-
<b>Total intangible fixed assets</b>		<b>58,063</b>	<b>59,151</b>	<b>894</b>	<b>-</b>
<b>Tangible fixed assets</b>					
Inventories, tools and installations	13	3,322	1,939	-	-
<b>Total tangible fixed assets</b>		<b>3,322</b>	<b>1,939</b>	<b>-</b>	<b>-</b>
<b>Financial fixed assets</b>					
Shares in subsidiaries	14	-	-	82,789	82,166
Deferred tax claims	15	3,962	7,882	660	819
Other long-term receivables		36	400	-	-
<b>Total financial fixed assets</b>		<b>3,998</b>	<b>8,282</b>	<b>83,449</b>	<b>82,985</b>
<b>TOTAL FIXED ASSETS</b>		<b>65,383</b>	<b>69,372</b>	<b>84,343</b>	<b>82,985</b>
<b>CURRENT ASSETS</b>					
<b>Inventories, etc.</b>					
Finished goods and goods		59,483	39,282	-	-
Advances to suppliers		4,035	1,007	-	-
<b>Total inventories</b>		<b>63,518</b>	<b>40,289</b>	<b>-</b>	<b>-</b>
<b>Short-term receivables</b>					
Customer receivables		8,841	2,815	-	-
Other receivables		7,281	8,998	35	-
Pre-paid costs and accrued revenues	16	7,070	9,919	187	147
Tax claims		719	592	1	1
<b>Total short-total receivables</b>		<b>23,911</b>	<b>22,324</b>	<b>223</b>	<b>148</b>
<b>Cash and bank</b>		<b>23,323</b>	<b>26,852</b>	<b>1,047</b>	<b>447</b>
<b>TOTAL CURRENT ASSETS</b>		<b>110,752</b>	<b>89,465</b>	<b>1,270</b>	<b>595</b>
<b>TOTAL ASSETS</b>		<b>176,135</b>	<b>158,837</b>	<b>85,613</b>	<b>83,580</b>

# BALANCE SHEET

Amounts in Thousand SEK	Note	The group		The parent company	
		12-31-2016	12-31-2015	12-31-2016	12-31-2015
<b>EQUITY CAPITAL AND LIABILITIES</b>					
<b>EQUITY CAPITAL</b>					
Share capital	17	3,258	3,090	3,258	3,090
Fund for development expenditures		-	-	894	-
Other contributed capital		20,949	25,243	44,944	49,238
Other equity capital including the year's profit		57,899	54,351	-5,952	-5,621
<b>Equity capital referable to the parent company's owners</b>		<b>82,106</b>	<b>82,684</b>	<b>43,144</b>	<b>46,707</b>
Minority interests		6,357	5,636	-	-
<b>TOTAL EQUITY CAPITAL</b>		<b>88 463</b>	<b>88 320</b>	<b>43,144</b>	<b>46,707</b>
<b>LIABILITIES</b>					
<b>Long-term liabilities</b>					
Long-term liabilities to group companies		-	-	15,476	15,476
Other long-term liabilities		543	677	580	677
<b>Total long-term liabilities</b>		<b>543</b>	<b>677</b>	<b>16,056</b>	<b>16,153</b>
<b>Short-term liabilities</b>					
Cheque account credit	18	-	214	-	-
Supplier liabilities		24,238	20,294	71	-
Liabilities to group companies		-	-	25,984	20,466
Tax liabilities		121	136	-	-
Other liabilities	19	43,431	37,561	36	214
Accrued costs and deferred revenues	20	19,339	11,635	322	40
<b>Total short-term liabilities</b>		<b>87,129</b>	<b>69,840</b>	<b>26,413</b>	<b>20,720</b>
<b>TOTAL LIABILITIES</b>		<b>87,672</b>	<b>70,517</b>	<b>42,469</b>	<b>36,873</b>
<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>		<b>176,135</b>	<b>158,837</b>	<b>85,613</b>	<b>83,580</b>

# REPORT ON EQUITY CAPITAL

<b>THE GROUP'S EQUITY CAPITAL EQUITY CAPITAL</b>	Note	Share capital	Other contributed capital	Actual currency exchange differences	Retained earnings, etc.	Total	Minority interests	Total equity capital
<b>Equity capital 01-01-2016</b>		<b>3,090</b>	<b>25,243</b>	<b>219</b>	<b>54,132</b>	<b>82,684</b>	<b>5,636</b>	<b>88,322</b>
Adjustments for errors prior year					-4,513	<b>-4,513</b>		<b>-4,513</b>
The year's profit					8,703	<b>8,703</b>	966	<b>9,669</b>
Change minority							-245	<b>-245</b>
Increase of share capital through share subscription on subscrip- tion options	17	168	3,469			<b>3,637</b>		<b>3,637</b>
Dividend to shareholders			-7,763			<b>-7,763</b>		<b>-7,763</b>
Currency exchange differences upon conversion of foreign subsidiaries				-642		<b>-642</b>		<b>-642</b>
<b>EQUITY CAPITAL 12-31-2016</b>		<b>3,258</b>	<b>20,949</b>	<b>-423</b>	<b>58,322</b>	<b>82,106</b>	<b>6,357</b>	<b>88 463</b>

<b>THE PARENT COMPANY'S EQUITY CAPITAL</b>	Note	Share capital	Other contributed capital	Fund for dev. expendi- tures	Actual currency exchange differences	Retained earnings, etc.	Total	Minority interests	Total equity capital
<b>Equity capital 01-01-2016</b>		<b>3,090</b>	<b>49,238</b>	<b>0</b>	<b>0</b>	<b>-5,621</b>	<b>46,707</b>	<b>0</b>	<b>46,707</b>
The year's profit						563	<b>563</b>		<b>563</b>
Increase of share capital through share subscription on subscription options	17	168	3,469				<b>3,637</b>		<b>3,637</b>
Own reprocessing development expenditures				894		-894			
Dividend to shareholders			-7,763				<b>-7,763</b>		<b>-7,763</b>
<b>EQUITY CAPITAL 12-31-2016</b>		<b>3,258</b>	<b>44,944</b>	<b>894</b>	<b>0</b>	<b>-5,952</b>	<b>43,144</b>	<b>0</b>	<b>43,144</b>

# CASH FLOW ANALYSIS

Amounts in Thousand SEK	Note	The group		The parent company	
		01-01-2016 12-31-2016	01-01-2015 12-31-2015	01-01-2016 12-31-2016	01-01-2015 12-31-2015
<b>The ongoing business</b>					
Operating profit		14,044	18,491	722	2,228
Adjustment for items which are not included in the case flow	9	10,382	4,271	-22	-255
		<b>24,426</b>	<b>22,762</b>	<b>700</b>	<b>1,973</b>
Interest received		49	49	-	1
Interest paid		-226	-1,050	-	-1
Tax paid		-62	-63	-	-
<b>Cash flow from the ongoing business before change in operating capital</b>					
		<b>24,187</b>	<b>21,698</b>	<b>700</b>	<b>1,973</b>
Cash flow from change in operating capital					
Increase(-) / Decrease(+) in goods inventories		-23,229	-9,530	-	-
Increase(-) / Decrease(+) in short-term receivables		-1,587	-2,899	-35	251
Increase(+) / Decrease(-) in short-term liabilities		10,882	1,586	4,402	3,437
<b>Cash flow from the ongoing business</b>					
		<b>10,253</b>	<b>10,855</b>	<b>5,067</b>	<b>5,661</b>
<b>Investment activity</b>					
Acquisition of intangible fixed assets	12	-6,939	-12,202	-	-
Acquisitions of subsidiaries and other financial fixed assets	14	-764	-2,644	-623	-2,644
Acquisition of tangible fixed assets	13	-2,016	-815	-	-
<b>Cash flow from investment activity</b>					
		<b>-9,719</b>	<b>-15,661</b>	<b>-623</b>	<b>-2,644</b>
<b>Financing activity</b>					
Loans taken		-	-4,479	-	3,424
Release of options		44	-	543	-
Dividend paid to the parent company/s shareholders		-7,763	-7,725	-7,763	-7,725
New issuance through share subscription on outstanding subscription options		3,360	775	3,360	775
<b>Cash flow from financing activity</b>					
		<b>-4,359</b>	<b>-11,429</b>	<b>-3,860</b>	<b>-3,526</b>
<b>THE YEAR'S CASH FLOW</b>					
		<b>-3,825</b>	<b>-16,235</b>	<b>584</b>	<b>-509</b>
<b>Liquid assets at the start of the year</b>					
		<b>26,852</b>	<b>42,770</b>	<b>447</b>	<b>956</b>
Exchange difference in liquid assets		296	317	16	-
<b>Liquid assets at the end of the year</b>					
		<b>23,323</b>	<b>26,852</b>	<b>1,047</b>	<b>447</b>
<b>Change in liquid assets</b>					
		<b>-3,825</b>	<b>-16,235</b>	<b>584</b>	<b>-509</b>

# NOTES

## NOTE 1 SIGNIFICANT ACCOUNTING AND VALUATION PRINCIPLES

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### **IN GENERAL**

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

### **Financial year**

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

### **Business**

The group's business consists primarily of sales of coffee, coffee machines and accessories, sale of functional food, and research and development of functional food and manufacture of functional food.

### **Accounting principles**

The annual report and the group report have been prepared in accordance with the Swedish Annual Reports Act and the Swedish Accounting Standards Board's general advice BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

The accounting principles are unchanged as compared to the prior year.

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

### **REVENUE REPORTING AND COST REPORTING net turnover**

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

### **Other revenues**

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

### **Goods**

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

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

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

### **Other external costs**

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

### **Personnel costs**

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

### **Depreciation and amortisation**

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

### **Write-down**

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

### **Interest**

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

### **Income tax**

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

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

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

## PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES

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

### **Goodwill**

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

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

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

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

### **Deferred tax claims**

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

### **Other long-term securities holdings**

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

### **Shares in subsidiaries**

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

### **Goods inventories**

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

### **Customer receivables**

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

### **Receivables from group companies**

The parent company's receivables from group companies.

### **Other receivables**

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

### **Pre-paid costs and accrued revenues**

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

### **Cash and bank**

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

### **Share capital**

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

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

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

### **Minority interests**

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

### **Other long-term liabilities**

Relates to the parent company's options liability.

### **Long-term liability to group companies**

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

### **Supplier liabilities**

Liabilities referable to purchases from external suppliers.

### **Short-term liability to group companies**

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

### **Cheque account credit**

Utilised part of cheque account credit.

### **Other liabilities**

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

### **Accrued costs and deferred revenues**

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

### **Group report**

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

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

## NOTE 2 ESTIMATES AND ASSESSMENTS

The following estimates and assessments have been made:

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

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

Division into segments is based on the group's internal reporting structure, which is based on sales by geographic area.

The net turnover is divided among the businesses as follows:

Thousand SEK	The group		The parent company	
	2016	2015	2016	2015
Zinzino Coffee	55,578	89,958	-	-
Zinzino Health	326,031	258,413	-	-
Event sales	3,785	4,661	-	-
Other, including Faun's sales to companies outside of the group	51,005	35,660	3,350	3,160
<b>Total</b>	<b>436,399</b>	<b>388,692</b>	<b>3,350</b>	<b>3,160</b>

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

Thousand SEK	The group		The parent company	
	2016	2015	2016	2015
The Nordic region	359,014	312,427	3,350	3,160
Europe, except for the Nordic region	50,759	58,713	-	-
United States	25,306	17,302	-	-
Canada	1,320	250	-	-
<b>Total</b>	<b>436,399</b>	<b>388,692</b>	<b>3,350</b>	<b>3,160</b>

## NOTE 4 PURCHASES AND SALES BETWEEN GROUP COMPANIES

Of the year's sales, SEK 3,350 (3,160) thousand relate to sales to other group companies. Of the year's purchases, SEK 0 (0) thousand relate to purchases from other group companies.

## NOTE 5 CURRENCY EXCHANGE DIFFERENCES

Thousand SEK	The group		The parent company	
	2016	2015	2016	2015
Currency exchange rate profits	12,874	11,702	92	271
Currency exchange rate losses	-14,259	-8,840	-54	-
<b>Total</b>	<b>-1,385</b>	<b>2,862</b>	<b>38</b>	<b>271</b>

## NOTE 6 OPERATIONAL LEASING AGREEMENTS

	The group		The parent company	
	2016	2015	2016	2015
Future minimum lease fees:				
Payable within one year	6,757	5,809	-	-
Payable later than one year but within five years	15,117	18,126	-	-
Payable later than five years	-	-	-	-
<b>Total</b>	<b>21,874</b>	<b>23,935</b>	<b>-</b>	<b>-</b>

	The group		The parent company	
	2016	2015	2016	2015
Leasing fees written off during the year	6,519	5,784	-	-
<b>Total</b>	<b>6,519</b>	<b>5,784</b>	<b>-</b>	<b>-</b>

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

## NOTE 7 COMPENSATION TO THE AUDITORS

	The group		The parent company	
	2016	2015	2016	2015
<b>PricewaterhouseCoopers AB</b>				
The auditing assignment	245	360	50	50
Other services	-	-	-	-
<b>PricewaterhouseCoopers AS (NO)</b>				
The auditing assignment	271	320	-	-
Other services	-	-	-	-
<b>PricewaterhouseCoopers Aps (DK)</b>				
The auditing assignment	27	13	-	-
Other services	39	66	-	-
<b>PricewaterhouseCoopers Oy (FI)</b>				
The auditing assignment	95	82	-	-
<b>PricewaterhouseCoopers Ehf (IS)</b>				
Auditing work beyond the auditing assignment	4	12	-	-
<b>Alden Audit OÜ (EST)</b>				
The auditing assignment	24	19	-	-
<b>SIA Potapoviča un Andersone (LET)</b>				
The auditing assignment	22	-	-	-
<b>Total</b>	<b>727</b>	<b>872</b>	<b>50</b>	<b>50</b>



## NOTE 8 EMPLOYEES AND PERSONNEL COSTS

Salaries and other compensation	The group		The parent company	
	2016	2015	2016	2015
<b>Salaries and compensation</b>	43,824	37 284	-	-
- of which to the board of directors and CEO	2,850	2,811	-	-
- of which bonuses	1,027	513	-	-
<b>Social security contributions pursuant to law and agreements</b>	13,749	10,372	-	-
- of which to the board of directors and CEO	602	361	-	-
Of which pension costs	2,761	1,849	-	-
- of which to the board of directors and CEO	302	300	-	-
<b>Total</b>	<b>57,573</b>	<b>47,656</b>	<b>-</b>	<b>-</b>
<b>Salaries and other compensation divided by country</b>	<b>The group</b>		<b>The parent company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Sweden</b>				
Salaries and compensation	25,855	19,994	-	-
- of which to the board of directors and CEO	2,582	1,184	-	-
<b>Total Sweden</b>	<b>28,855</b>	<b>19,994</b>	<b>-</b>	<b>-</b>
<b>Norway</b>				
Salaries and compensation	15,980	16,407	-	-
- of which to the board of directors and CEO	269	1,086	-	-
<b>Total Norway</b>	<b>15,980</b>	<b>16,407</b>	<b>-</b>	<b>-</b>
<b>Finland</b>				
Salaries and compensation	592	206	-	-
- of which to the board of directors and CEO	-	-	-	-
<b>Total Finland</b>	<b>592</b>	<b>206</b>	<b>-</b>	<b>-</b>
<b>Lithuania</b>				
Salaries and compensation	19	16	-	-
- of which to the board of directors and CEO	-	-	-	-
<b>Total Lithuania</b>	<b>19</b>	<b>16</b>	<b>-</b>	<b>-</b>
<b>Latvia</b>				
Salaries and compensation	393	40	-	-
- of which to the board of directors and CEO	-	-	-	-
<b>Total Latvia</b>	<b>393</b>	<b>40</b>	<b>-</b>	<b>-</b>
<b>United States</b>				
Salaries and compensation	985	621	-	-
- of which to the board of directors and CEO	-	-	-	-
<b>Total United States</b>	<b>985</b>	<b>621</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>43,824</b>	<b>37 284</b>	<b>-</b>	<b>-</b>

### Terms and conditions for the chief executive officer

Notice of termination from the company's side is six months. Notice of termination from the chief executive officer's side is six months. Monthly salary is SEK 128 thousand and pension terms and conditions are in accordance with the company's general terms and conditions. Bonus for 2016 to the chief executive officer was SEK 824 thousand. The salary was paid by Zinzino Nordic AB and Zinzino AS.

## The median number of employees

	The group		The parent company	
	2016	2015	2016	2015
Women	73	63	-	-
Men	40	39	-	-
<b>Median number of employees</b>	<b>113</b>	<b>102</b>	<b>-</b>	<b>-</b>

During the year 1,222 (658) private persons in the sales force have received compensation in the form of wages from the company. Because of the fact that Zinzino entirely lacks the capacity to affect the design and extent of their working hours, and the fact that their eventual compensation is only paid as a commission on the turnover which they generate, a conversion to the number of full-time employees is not possible.

These have been paid wages of SEK 3,733 (2,025) thousand in the group.

	The group		The parent company	
	2016	2015	2016	2015
Members of the board of directors	39	37	4	4
- of which women	2	2	1	1
- of which men	37	35	3	3
Chief executive officer	1	1	1	1
- of which women	-	-	-	-
- of which men	1	1	1	1
Other persons in the management	9	14	6	7
- of which women	2	6	1	4
- of which men	7	8	5	3
Total number of women	4	8	2	5
Total number of men	45	44	9	7
<b>Total</b>	<b>49</b>	<b>52</b>	<b>11</b>	<b>12</b>

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

	The group		The parent company	
	2016	2015	2016	2015
Depreciation and amortisation / write-downs	8,997	7,133	16	16
Currency exchange rate profits	-12,874	-11,702	-92	-271
currency exchange rate losses	14,259	8,840	54	-
<b>Total items not included in the cash flow</b>	<b>10,382</b>	<b>4,271</b>	<b>-22</b>	<b>-255</b>

## NOTE 10 ADJUSTMENT FOR ITEMS WHICH ARE NOT INCLUDED IN THE CASH FLOW

Depreciation and amortisation according to plan	The group		The parent company	
	2016	2015	2016	2015
Intangible fixed assets	3,331	990	-	-
Inventories	768	1,033	-	-
Goodwill	4,904	5,094	-	-
Trademark protection	16	16	16	16
Adjustment for options claims	-22	-	-	-
<b>Total depreciation and amortisation according to plan</b>	<b>8,997</b>	<b>7,133</b>	<b>16</b>	<b>16</b>
Write-down of intangible fixed assets	-	-	-	-
<b>Total Depreciation and amortisation and writedowns</b>	<b>8,997</b>	<b>7,133</b>	<b>16</b>	<b>16</b>

## NOTE 11 TAX

	The group		The parent company	
	2016	2015	2016	2015
Current tax	-257	-1,207	-	-
Deferred taxes which have been incurred or reversed during the period	-3,941	-6,424	-159	-492
Re-evaluation of deferred tax claims	-	-264	-	-
<b>Tax on the year's profit</b>	<b>-4,198</b>	<b>-7,895</b>	<b>-159</b>	<b>-492</b>
Reported profit before tax	13,867	17,555	722	2,228
Tax calculated at the applicable tax rate (22 %)	-3,051	-3,862	-159	-490
Tax effects of non-deductible costs	-35	-47	-	-2
Tax effects of non-taxable revenues	-	-	-	-
Effect of foreign tax rates	-46	-2,147	-	-
Effect of goodwill amortisation	-1,079	-1,121	-	-
Effect of loss carryforwards	-	-	-	-
Other	13	-718	-	-
<b>Reported tax cost</b>	<b>-4,198</b>	<b>-7,895</b>	<b>-159</b>	<b>-492</b>

## NOTE 12 INTANGIBLE FIXED ASSETS

The group	Goodwill	Software	Other intangible assets	Total
<b>Accumulated acquisition value</b>				
Opening balance 1 January 2016	49,042	16,454	2,818	68,314
Conversion differences	-	-	293	293
Earned Value	-	6,045	894	6,939
Reclassification	-	-	-11	-11
<b>Closing balance 31 December 2016</b>	<b>49,042</b>	<b>22,499</b>	<b>3,994</b>	<b>75,535</b>
<b>ACCUMULATED DEPRECIATION AND AMORTISATION</b>				
Opening balance 1 January 2016	-5,586	-3,282	-295	-9,163
Conversion differences	-	-	-74	-74
The year's depreciation and amortisation	-4,904	-2,785	-546	-8,235
<b>Closing balance 31 December 2016</b>	<b>-10,490</b>	<b>-6,067</b>	<b>-915</b>	<b>-17,472</b>
<b>BOOK VALUE 31 DECEMBER 2015</b>	<b>43,456</b>	<b>13,172</b>	<b>2,523</b>	<b>59,151</b>
<b>BOOK VALUE 31 DECEMBER 2016</b>	<b>38,552</b>	<b>16,432</b>	<b>3,079</b>	<b>58,063</b>

<b>The parent company</b>	<b>Patent</b>	<b>Total</b>
<b>Accumulated acquisition value</b>		
Opening balance 1 January 2016	-	-
Earned Value	894	894
Closing balance 31 December 2016	894	894
<b>ACCUMULATED DEPRECIATION AND AMORTISATION</b>		
Opening balance 1 January 2016	-	-
The year's depreciation and amortisation	-	-
<b>Closing balance 31 December 2016</b>	-	-
<b>BOOK VALUE 31 DECEMBER 2015</b>	-	-
<b>BOOK VALUE 31 DECEMBER 2016</b>	<b>894</b>	<b>894</b>

## NOTE 13 INVENTORIES, TOOLS AND INSTALLATIONS

	<b>The group</b>		<b>The parent company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Opening acquisition values	4,591	3,230	-	-
Conversion differences	-75	546	-	-
The year's acquisitions	2,016	815	-	-
<b>Closing acquisition values</b>	<b>6,532</b>	<b>4,591</b>	-	-
Opening depreciation and amortisation	-2,652	-1,266	-	-
Conversion differences	210	-353	-	-
The year's depreciation and amortisation	-768	-1,033	-	-
<b>Closing accumulated depreciation and amortisation</b>	<b>-3,210</b>	<b>-2,652</b>	-	-
<b>Closing residual value according to plan</b>	<b>3,322</b>	<b>1,939</b>	-	-

# NOTE 14 SHARES IN SUBSIDIARIES

	The parent company	
	2016	2015
Opening acquisition value	82,166	79,522
Acquisition of shares in Zinzino Nordic	390	910
Acquisition of Zinzino GmbH	233	-
Acquisition of Faun Pharma AS	-	1,734
<b>Closing book value</b>	<b>82,789</b>	<b>82,166</b>

Name of subsidiary	Share in %	Voting rights share in %	Reg. No.	Headquarters
Zinzino Nordic AB	93%	98%	556646-5893	Gothenburg
Zinzino OÜ	100%	100%	12057494	Tallinn
Zinzino UAB	100%	100%	302606327	Vilnius
Zinzino SIA	100%	100%	40103529390	Riga
Zinzino Ehf	100%	100%	580511-0660	Reykjavik
Zinzino LLC	100%	100%	90-0992153	Jupiter, FL
Zinzino B.V.	100%	100%	854221712	s-Gravenhage
Zinzino Sp z o. o.	100%	100%	701-04-26-537	Warsaw
Faun Pharma AS	99%	99%	883370112	Vestby
BioActive Foods AS	100%	100%	996740498	Vestby
Zinzino Canada Corp	100%	100%	817988520BC0001	Vancouver BC
Zinzino GmbH	100%	100%	127/143/40172	Lindau am Bodensee

Subsidiaries wholly owned by Zinzino Nordic AB:

Specification of subsidiary	Share i %	Voting rights share in %	2016 Book value	2015 Book value
Zinzino Sverige AB	100%	100%	100	100
Zinzino ApS	100%	100%	155	155
Zinzino AS	100%	100%	112	112
Zinzino Oy	100%	100%	77	77
Poxian AB	100%	100%	100	100
PGTwo AB	100%	100%	100	100
2 Think	100%	100%	93	93
Total			737	737

Name of subsidiary	Reg. No.	Headquarters
Zinzino Sverige AB	556646-5869	Gothenburg
Zinzino ApS	27266940	Copenhagen
Zinzino AS	986028269	Oslo
Zinzino Oy	1825505-2	Helsinki
Poxian AB	556655-2658	Gothenburg
PGTwo AB	556639-0513	Gothenburg
2 Think AB	556667-3983	Gothenburg

## NOTE 15 DEFERRED TAX CLAIMS

	The group		The parent company	
	2016	2015	2016	2015
Tax effect of loss carryforwards	3,962	7,882	660	819
<b>Total</b>	<b>3,962</b>	<b>7,882</b>	<b>660</b>	<b>819</b>

## NOTE 16 PRE-PAID COSTS AND ACCRUED REVENUES

	Group		The parent company	
	2016	2015	2016	2015
Pre-paid rental costs	461	345	-	-
Pre-paid other costs	2,110	1,848	57	-
Pre-paid cost for sales conference	3,900	2,825	-	-
Debit card receivables	469	4,754	-	-
Pre-paid trademark protection	130	147	130	147
<b>Total</b>	<b>7,070</b>	<b>9,919</b>	<b>187</b>	<b>147</b>

## NOTE 17 SHARE CAPITAL

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

### The development of the share capital

Year	Event	Change in the number of shares	Total number of shares	Change in the share capital	Total share capital
2007	Formation of company	37,000,000	37,000,000	100,000	100,000
2007	New issuance	37,803,188	74,803,187	102,069	202,069
2008	Bonus issuance	0	0	545,963	748,032
2008	New issuance	12,476,963	87,280,150	124,770	872,802
2009	New issuance	135,022,681	222,302,831	1,350,227	2,223,029
2010	New issuance	48,524,869	270,827,700	485,248	2,708,277
2010	Reverse split	-243,744,930	27,082,770	0	2,708,277
2014	Subscription options	2,425,917	29,508,687	242,592	2,950,869
2015	Subscription options	1,391,338	30,900,025	139,134	3,090,003
2016	Subscription options	150,000	31,050,025	15,000	3,105,003
2016	Subscription options	1,530,000	32,580,025	153,000	3,258,003

## NOTE 18 CHEQUE ACCOUNT CREDIT

The amount granted in the bank overdraft facility for the group is SEK 5 (5) million and for the parent company SEK 0 (0). Utilised overdraft facility is SEK 0 (214) thousand.

## NOTE 19 OTHER LIABILITIES

	The group		The parent company	
	2016	2015	2016	2015
Value added tax liability	4,680	4,283	-	49
Personnel withholding tax	704	516	-	-
Statutory social security contributions	1,472	1,218	-	-
Commission liability	35,190	24,842	-	-
Liability to credit institutions	-	2,013	-	-
Unidentified payments	112	1,798	-	-
Other liabilities	1,273	2,891	36	165
<b>Total</b>	<b>43,431</b>	<b>37,561</b>	<b>36</b>	<b>214</b>

## NOTE 20 ACCRUED COSTS AND DEFERRED REVENUES

	The group		The parent company	
	2016	2015	2016	2015
Accrued wage-related costs	8,856	5,416	-	-
Accrued commission	6,324	4,264	-	-
Accrued audit	479	424	-	40
Accrued freight cost	433	597	-	-
Accrued IT costs	229	353	-	-
Accrued consultant costs	177	-	177	-
Accrued rental cost	1,566	95	-	-
Accrued complaints costs	818	-	-	-
Other accrued costs	457	486	143	-
<b>Total</b>	<b>19,339</b>	<b>11,635</b>	<b>320</b>	<b>40</b>

## NOTE 21 SECURITY PROVIDED AND CONTINGENT LIABILITIES

	The group		The parent company	
	2016	2015	2016	2015
Security provided	8,010	9,681	NONE	NONE
Contingent liabilities	NONE	NONE	6,795	NONE

The group has floating charges of SEK 6,000 (6,000) thousand and customs guaranties totalling SEK 1,910 (1,765) thousand. Restricted bank assets are SEK 100 (1,916) thousand and relate to bank guaranties to suppliers.

## NOTE 22 PROPOSAL FOR DISPOSITION OF PROFIT

The annual meeting has the following at its disposal:

Zinzino AB	Swedish crowns
Share premium reserve	21,923,042
Retained earnings	-6,514,431
The year's profit	562,936
<b>Swedish crowns</b>	<b>15,971,547</b>

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

Zinzino AB	Swedish crowns
A dividend will be paid to the shareholders of 0.25 Swedish crowns	8,145,006
Carried forward into a new statement	7,826,541
<b>Total</b>	<b>15,971,547</b>

# GOTHENBURG 3 MAY 2017

Hans Jacobsson  
Chairman of the board of directors

Pierre Mårtensson  
Director

Cecilia Halldner  
Director

Staffan Hillberg  
Director

Dag Bergheim Pettersen  
Chief Executive Officer

Our audit report was delivered on 3 May 2017.  
Öhrlings PricewaterhouseCoopers AB

Magnus Götenfelt  
Certified Public Accountant



# ZINZINO



ANNUAL REPORT **2016**



# AUDITOR'S REPORT

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

## REPORT ON THE ANNUAL REPORT AND GROUP ACCOUNTS

### Conclusions

We have conducted an audit of the annual report and group accounts for Zinzino AB for 2016. The company's annual report and the group accounts are included in pages 50–72 of this document.

It is our understanding that the annual report and group accounts have been drawn up in accordance with the Annual Accounts Act and in all material respects provides an accurate picture of the financial position of the parent company and the group as of 31 December 2016 and of their financial results and cashflow for the year in accordance with the Annual Accounts Act. The administration report is consistent with the annual report and group accounts.

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

### Grounds for the conclusions

We have conducted the audit in accordance with the International Standards on Auditing (ISA) and good auditing practice in Sweden. Our responsibility in accordance with these standards is described in further detail in the section 'Auditor's responsibility'. We are independent from the parent company and the group in accordance with good auditing practice in Sweden and have in all other respects fulfilled our ethical responsibility in accordance with these requirements.

We consider the auditing evidence we have gathered to be sufficient and appropriate for the grounds of our conclusions.

### Other information

This document also contains information other than the annual report and group accounts. This information can be found on pages 1–49. The board of directors and managing director are responsible for this other information.

Our conclusions regarding the annual report and group accounts do not cover this information and we do not provide conclusions to verify this other information.

In connection with our revision of the annual report and group accounts, it is our responsibility to read the information identified above and determine whether the information is considerably inconsistent with the annual report and group accounts. In this review, we also take into account the other knowledge we have

acquired during the revision and assess whether the information in general contains substantial inaccuracies.

If based on the work that has been carried out in connection with this information we draw the conclusion that the other information contains a substantial error, we are obligated to report this. We have nothing to report in this regard.

### The board of directors and managing director's responsibility

The board of directors and managing directors are responsible for ensuring that the annual report and group accounts are drawn up and that they provide a fair picture in accordance with the Annual Accounts Act. The board of directors and the managing director also bear the responsibility for any internal checks they consider necessary in order to produce an annual report and annual accounts which do not contain any substantial inaccuracies, whether these are a result of impropriety or error.

When producing the annual report and group accounts, the board of directors and managing director are responsible for the assessment of the company and group's capacity to continue operations. Where applicable, they give notice of any circumstances which can affect the capacity to continue operations and to declare the business a going concern. The declaration of a going concern is however not applied if the board of directors and managing director intend to liquidate the company or cease operations or if there is no realistic alternative to either of these.

### Auditor's responsibility

Our goal is to achieve a reasonable degree of certainty as to whether the annual report and group accounts as a whole contain any substantial inaccuracies, whether these are a result of impropriety or error, and to submit an auditor's report which contains our conclusions. Reasonable certainty is a high degree of certainty, but is not a guarantee that an audit performed in accordance with ISA and good auditing practice in Sweden will uncover a substantial inaccuracy where such exists. Inaccuracies may arise as a result of impropriety or error and are considered substantial if individually or together they can be reasonably expect to affect the financial decisions that users make based on the annual report and group accounts.

Further details of our responsibility for the audit of the annual report and group accounts can be found on the Supervisory Board of Public Accountants' website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor's report.

## REPORT ON OTHER REQUIREMENTS IN ACCORDANCE WITH LAWS AND OTHER STATUTES

### Conclusions

In addition to our auditing of the annual report and the group accounts, we have performed an audit of the board of directors and managing director's administration of Zinzino AB for 2016 and of the proposed allocations with regard to the company's loss or profit.

We recommend that the shareholders' meeting allocate the profits in accordance with the proposal in the administrative report and grant the members of the board and the managing director exemption from responsibility for the financial year.

### Grounds for the conclusions

We have conducted the audit in accordance with good auditing practice in Sweden. Our responsibility in accordance with this is described in more detail in the section Auditor's responsibility. We are independent from the parent company and the group in accordance with good auditing practice in Sweden and have in all other respects fulfilled our ethical responsibility in accordance with these requirements.

We consider the auditing evidence we have gathered to be sufficient and appropriate for the grounds of our conclusions.

### The board of directors and managing director's responsibility

The board bears responsibility for the proposed allocations with regard to the company's profit or loss. Proposals regarding distribution include an assessment of whether the distribution is defensible when considering the requirements which the nature of the company and group's operations, scope and risks impose on the size of the parent company and group's own equity, consolidation requirements, liquidity and general status.

The board of directors is responsible for the company's organisation and administration of the company's affairs. This includes continuous assessment of the company and group's financial situation, and ensuring the company's organisation is such that the accounting, asset management and the company's financial affairs in general is under control. The managing director shall take charge of the ongoing administration in accordance with the board's guidelines and instructions and take action as necessary to ensure that the company's accounting complies with the law and that the asset management is conducted with due safeguards.

### Auditor's responsibility

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

- performed actions or been responsible for negligence which could entail the company being liable for damages.
- traded in contravention of the Swedish Companies Act, the Annual Accounts Act or the Swedish Companies Ordinance.

Our goal with the auditing of the proposal for allocations of the company's profit or loss, and therewith our conclusions regarding this, is to assess with a reasonable degree of certainty whether the proposal is consistent with the Swedish Companies Act.

Reasonable certainty is a high degree of certainty, but is not a guarantee that an audit performed in accordance with good auditing practice in Sweden will uncover actions or negligence which could entail the company being liable for damages, or that a proposal for allocations of the company's profit or loss is not consistent with the Swedish Companies Act.

A further description of our responsibility for the audit of the management appears on the website of the Supervisory Board of Public Accountants: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is a part of the audit report.

Gothenburg 3 May 2017  
Öhrlings PricewaterhouseCoopers AB

Magnus Götenfelt  
Certified Public Accountant



Note: This report is published in Swedish and English. In the event of any difference between the versions, the Swedish version shall prevail.

