

ZINZINO



ANNUAL REPORT **2017**

THIS IS ZINZINO

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

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

In 2016 Zinzino was named one of Veckans Affärer's "Super Companies" and one of Dagens Industri's "Gazelle" companies.

ANNUAL GENERAL MEETING

The annual meeting of shareholders of Zinzino AB (publ) will be held on 15 May at 13.00 p.m. in the company's offices at Hulda Lindgrens gata 8 in Gothenburg.

For further information on the annual meeting of shareholders for 2018 refer to the company's homepage www.zinzino.se.

REPORT CALENDAR

The interim report for Q1 2018 will be published on 15 May 2018.

The interim report for Q2 2018 will be published on 30 August 2018.



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CONTINUOUS GROWTH IMPROVEMENTS AND E-COMMERCE

Our growth is increasing compared to 2016, and we expect to see further growth by focusing on e-commerce, combined with a general global health trend.

In 2017 we achieved a healthy growth of 13%, giving us a good foundation for continued growth, which we intend to reach through investments into our e-commerce platforms, presence in major markets and a beneficial global health trend.

The global health trend is picking up significant momentum and we have positioned ourself through our unique products in a market which we have only seen the beginning stages of. We will continue to balance growth and profitability through investments in e-commerce and increased focus on our brand in the coming quarters.

STRONG HOME MARKET AND GROWTH WITHIN THE EU

We are now established in 34 markets in Europe and in North America. Our home market in Sweden continues to show the strongest growth during the year, alongside Finland and Germany. In the Baltic states, Latvia and Lithuania have seen major increases in customer numbers, while Denmark and Norway hold steady since last year. The US market saw a slight decline, while Estonia and Iceland have had a very rough year, but we have indications and expectations that the trend will turn around and the markets will begin to grow. We are actively working to boost all markets but will continue to put extra effort into Germany and USA to harness the potential of these huge markets.

Our focus will be on linking more people to us who can contribute to increased sales and take care of our customers and distributors. We have already put the resources in place that we believe will help provide good future returns. We will also plan to invest in sales campaigns and marketing. Other high-priority areas include efficient payment solutions and faster shipping, which will increase our efficiency and create growth.

E-COMMERCE

The digital shift has reached us and our industry. We have previously communicated that we have made major investments into improving our IT, health products and marketing. We have invested a lot of money in digital platforms, web pages and other scalable digital tools. In the long run, these will improve organisational efficiency and reduce costs. We are always actively working to improve and we continue to invest in our e-commerce solution, which will increase the customer base and provide more satisfied partners.

E-commerce has a positive net effect on the user experience and our results, and is one of the most important factors to reach a turnover of SEK one billion within three to five years.

Our organisation is facing an exciting journey and a change in working methods. We are moving away from the industry's traditional marketing in order to create the best there is in terms of social media and digitisation. To focus on this, we will only release one new product in the coming year.

We will use all our online and e-commerce resources, and use social media as a marketing channel. The new digital platforms that have been launched during the year have been well-received by our customers and distributors and give us another tool for growth. The platform improves our customer follow-up and lowers our costs because we can be much more efficient.

GROWTH

With numerous health products and websites launched, we are more than ready for growth. Our organisation and production will increase the profitability in line with our expected growth. In the first quarter of 2018, we have had a growth of 7% which is within the framework of the budget, albeit slightly lower than we had hoped, and we expect even faster growth in the coming year. We have a very scalable business model and will work hard to double our sales, from around half a billion to one billion, in the coming years.

During that time, we will also more than double our net margin in percentage terms. By investing in IT which both simplifies and streamlines several processes in support, finance, and logistics, our investment needs will decrease. In this way we will cut costs for every penny of growth over the coming years. We continuously work to improve our processes, become more efficient and utilise our economies of scale, which in turn will lead to profitable growth.

Dag Bergheim Pettersen, CEO Zinzino

Inspire change in life



“We will continue to balance growth and profitability through investments in e-commerce and increased focus on brands in the coming quarters.”

GROUP STRUCTURE



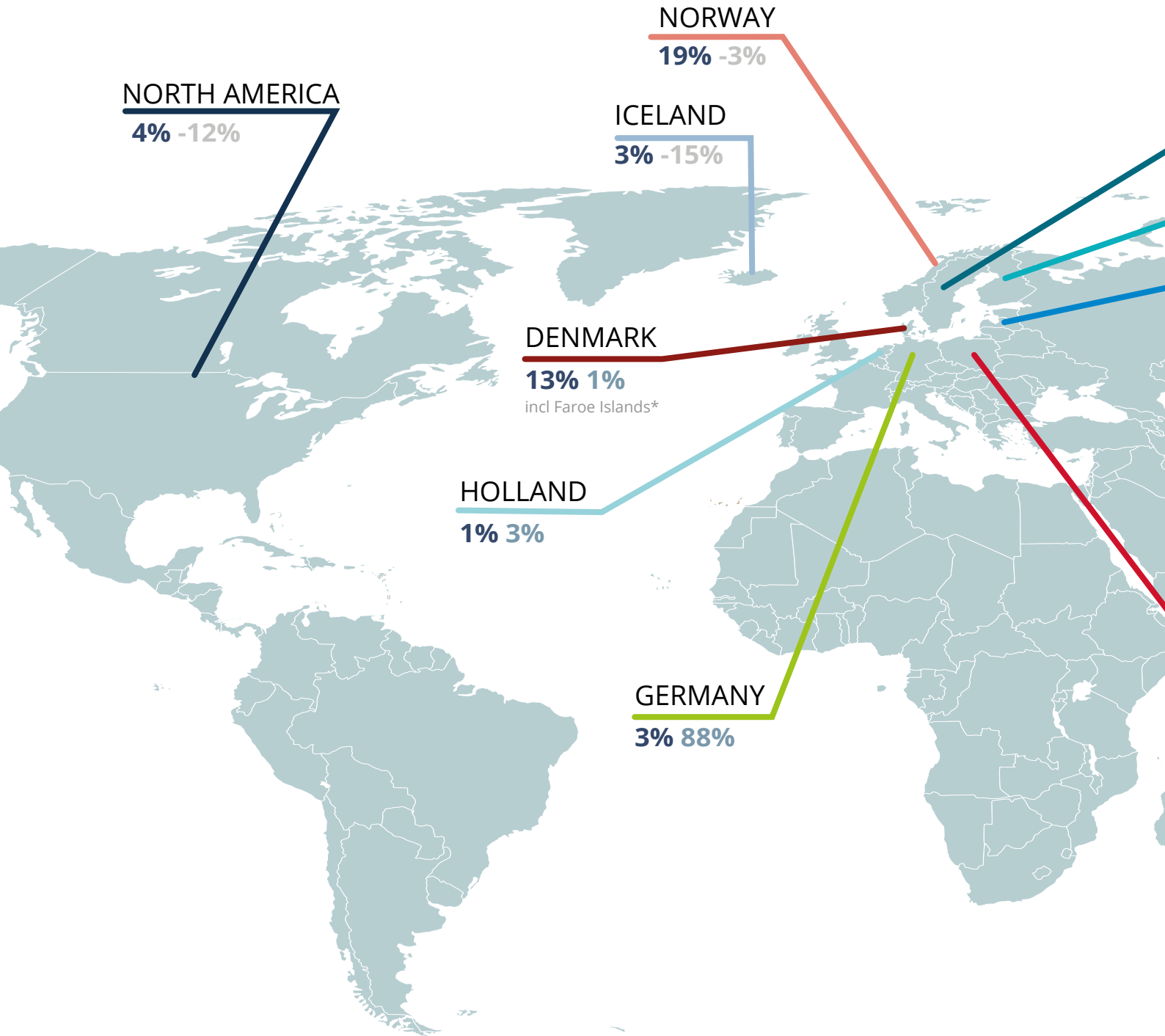
FINANCIAL SUMMARY (SEK MILLION)

THE GROUP'S KEY NUMBERS	2017	2016*	2015	2014	2013
Total revenue	540.3	478.9	443.8	357.7	254.5
Net turnover	495.1	436.1	388.7	318.8	226.3
Sales growth	13%	7%	24%	41%	44%
Gross profit	159.8	153.8	149.3	102.4	71
Gross profit margin	29.6%	32.1%	33.6%	28.6%	28.0%
Operating profit before depreciation and amortisation	11.1	23.0	25.6	21.4	11.2
Operating margin before depreciation and amortisation	2.1%	4.8%	5.8%	6.0%	4.4%
Operating profit/loss	1.0	14.0	18.5	18.6	10.5
Operating margin	0.2%	2.9%	4.2%	5.2%	4.1%
Profit/loss before tax	0.8	13.9	17.6	18.4	10.4
Net profit	-0.8	9.7	9.7	32.7	9.0
Net margin	-0.2%	2.0%	2.2%	9.1%	3.5%
Net earnings per share after tax before dilution, SEK	-0.03	0.31	0.32	1.11	0.33
Net earnings per share after tax at full dilution, SEK	-0.02	0.29	0.29	1.09	0.31
Cash flow for the period	25.3	-3.5	-16.2	31.4	-5.8
Cash and cash equivalents	48.4	23.3	26.9	42.8	10.9
Equity/assets ratio	44%	50%	56%	52%	38%
Equity per share before dilution, SEK	2.47	2.82	2.88	2.9	0.8
Number of issued shares on average for the period	32,580,025	31,359,861	30,659,402	29,508,687	27,082,770
Average number of issued shares for the period with full dilution	34,081,395	33,780,025	33,454,470	32,188,687	28,692,770

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

GEOGRAPHIC DISTRIBUTION & SALES GROWTH BY MARKET

The geographic distribution of sales in 2017 and sales growth in comparison with the prior year appear in the following chart.



- Geographic distribution of sales 2017
- Sales growth 2017 by market compared to the prior year

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

Rest of Europe

3% 239%

Faun Pharma

12% 28%

SWEDEN

19% 16%

FINLAND

16% 20%

BALTIC STATES

7% -7%

POLAND

0% -24%

A SHORT HISTORY

2007 - Zinzino AB was started. The company's principal business is owning and developing companies in direct sales and related businesses.

2009 - Zinzino Nordic AB was acquired partly through a directed issuance in kind to the owners of Zinzino Nordic AB and partly through a subscription to shares in the preference issuance which Zinzino Nordic AB 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. At 31 December 2017 the ownership share had increased to 93% of the capital.

2010 - Zinzino shares were listed for trading on the Aktiegotorget stock market.

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

2012 - Companies were started in Latvia and on 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 was also the year when Zinzino AB was listed for trading on Nasdaq OMX First North.

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

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

2017 - A subsidiary was started in Romania. Sales were launched in Switzerland.

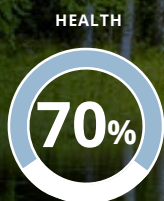
THE PAST YEAR 2017

Q1

The year started off well for Zinzino. The quarter's revenue totalled SEK 128.2 (110.7) million, which meant a sales growth of 16% compared to the first quarter of 2016. Good sales growth in the important German and Swedish markets. Overall, the revenue returned to normal after a temporary dip due to the change of business system in 2016. The profit margins were slightly below normal during the quarter, mainly due to increased shipping costs for major shipments of previously ordered goods and a large proportion of high volume production by the subsidiary Faun Pharma AS.

Sales
MSEK 128.2 (110.7)

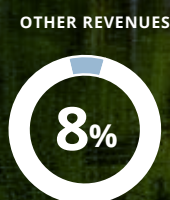
Revenues



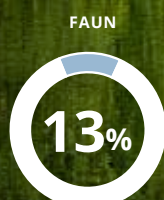
(2017; 89.2 (76.7) MSEK)



(2017; 11.5 (15.4) MSEK)

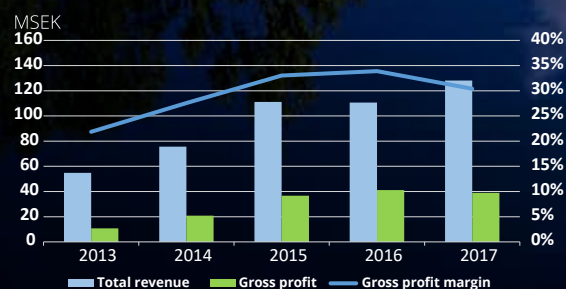
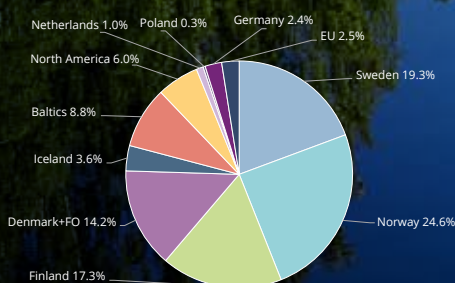


(2017; 10.5 (9.1) MSEK)



(2017; 17.0 (9.5) MSEK)

Geographic distribution of sales



Q2

The total revenue during the second quarter was SEK 137,3 (107.0) million, which constituted a growth of 28% compared to the second quarter 2016. Sweden, Finland, and Germany experienced very good sales growth during the quarter compared to the previous year. However, the gross profit margin dropped to 27.1% (31.4%), mainly due to temporarily higher remuneration levels to the sales organisation during the establishment in new markets during this quarter.

Sales
MSEK 137.3 (107.0)

Revenues



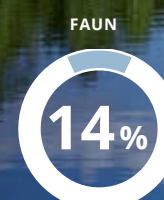
(2017; 93.3 (74.5) MSEK)



(2017; 11.7 (15.3) MSEK)

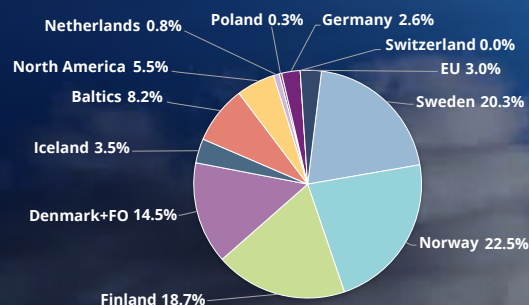


(2017; 12.4 (9.5) MSEK)



(2017; 19.9 (7.7) MSEK)

Geographic distribution of sales



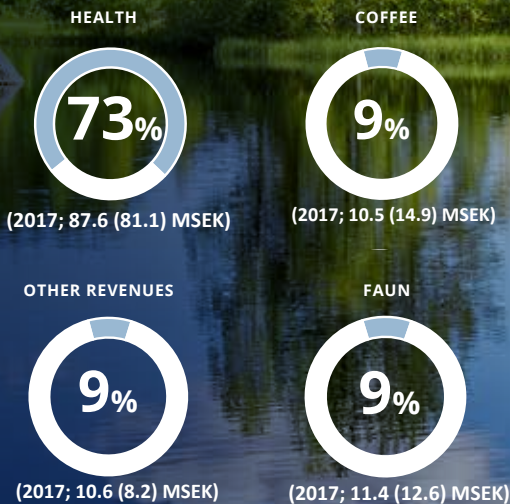
Q3

The quarter's revenue totalled SEK 120.1 (116.8) million, which meant a sales growth of 3% compared to the same quarter in 2016. Growth continued to be strong in the Swedish and German markets. The profit margins were improved again in the third quarter.

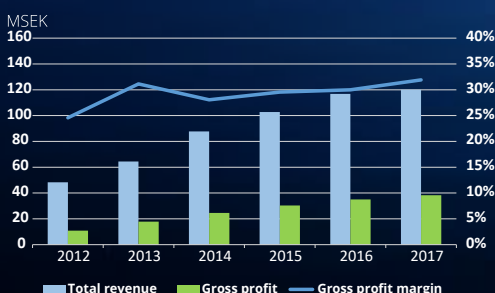
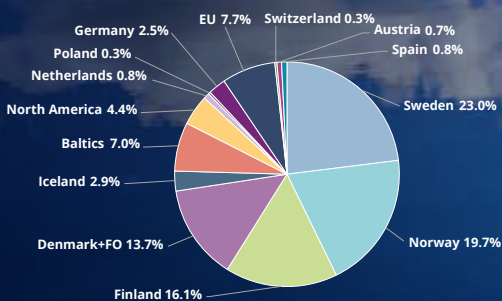
This was mainly thanks to a normalised remuneration level to the sales organisation but also through many major, cost-intensive development projects being completed during the quarter.

Sales **MSEK** **120.1** (116.8)

Revenues



Geographic distribution of sales



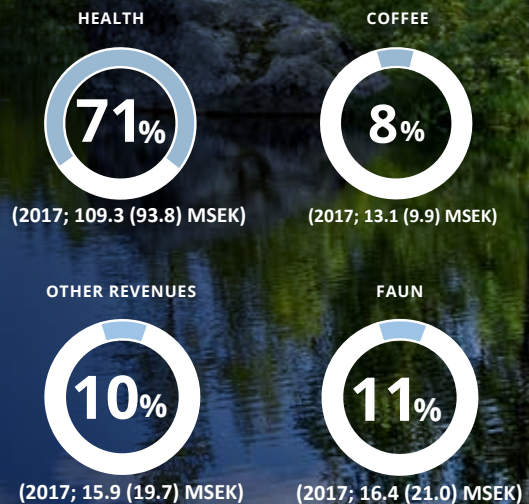
Q4

The total revenue for the final quarter was SEK 154.7 (144.4) million, corresponding to a 7% sales growth compared to the same quarter in 2016. The growth mainly took place in Sweden and Germany, but many of the new European markets also saw strong growth during the quarter.

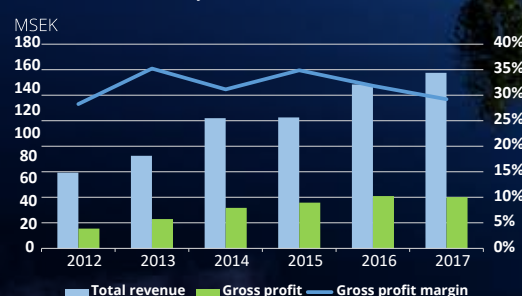
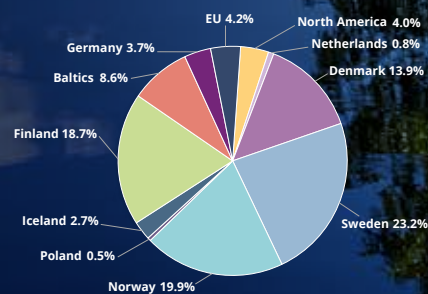
The profit margins were temporarily reduced during the quarter, mainly due to increased costs for campaigns and commissions, aimed at increasing sales in the coming year.

Sales **MSEK** **154.7** (144.4)

Revenues



Geographic distribution of sales

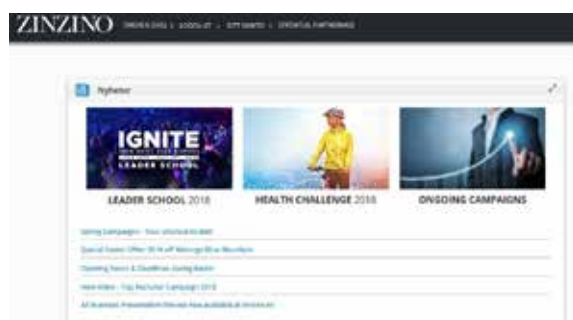


THE YEAR'S NEWS - A SHORT SUMMARY

2017 saw the release of two new products, expansion into new countries, and an upgrade of our own IT platforms, including the launch of one new application!

"NEW BACKOFFICE" FOR PARTNERS

In 2017 Zinzino launched "New BackOffice". Backoffice is a digital tool where all the information on associated partners, customers and payments, for example, is visualized in a modern and graphically appealing way. The aim of New Backoffice is to provide Zinzino's partners with a better sales tool with an updated interface for associated customers and partners. The tool also means that partners do not need to contact Zinzino's partner support to the same extent as before and can instead focus more on generating sales growth for themselves and the group.



"MY ACCOUNT" FOR CUSTOMERS

One of three major launches was "My Account", a digital tool for Zinzino's customers. Customers can see all the information about their subscriptions and payments here and they can also amend their orders and update their address and payment details. The aim of My Account is to make things easier for Zinzino's customers, thereby reducing the workload for the company's support department, while also creating incentives for add-on sales through the digital tool. BackOffice and MyAccount have been internally combined, which will allow for more efficient development in the long term.



THE "GO CORE" APP

At the turn of the year, the "Go Core" app was launched – a digital training tool for the sales team, where Zinzino's partners can listen to selected training materials directly on their phone or other chosen media. Go Core has for many years been a training channel available to Zinzino's partners by subscription and this has now been updated so it can be distributed through a more modern channel.



ZINZINO NAMED SWEDISH GROWTH COMPANY OF THE YEAR IN DIRECT SALES

The strong sales trend in the domestic market in the past 18 months has not gone unnoticed in the industry in Sweden. This is why Zinzino was awarded the prestigious prize "Growth Company of the Year" by Direct Selling Sweden in 2017. Direct Selling Sweden is a trade association for companies that work with direct sales, with such members as Oriflame, Mary Kay, Forever Living, etc. In 2016, Zinzino managed to be the Swedish direct sales company with the highest growth rate, both in absolute numbers and in per cent.



VEGAN AND VIVA

Zinzino Viva was launched at the end of the second quarter of 2017. Viva is a brand new type of supplement within the Zinzino Health product segment. The product contains Affron®, a standardised, patented extract of pure saffron pistils (*Crocus sativus L*) from Spain. The supplement promotes well-being by alleviating mental fatigue and exhaustion and helping users sleep well.

BalanceOil Vegan was launched in the fourth quarter and is a groundbreaking new product. Like BalanceOil, it contributes to optimal brain function and strengthens the heart and the immune system by balancing the fatty acids omega-6 and omega-3. The most important ingredients in BalanceOil Vegan are marine microalgae oil, extra virgin olive oil and echium seed oil.



SHORTER LEAD TIMES IN THE LOGISTICS CHAIN

During the year, Zinzino has worked to shorten the lead time for customers, from paid to delivered orders, as well as to offer the customers delivery alternatives. Several steps were taken, such as a faster verification of orders, elimination of errors in orders and extra working hours with Zinzino's 3PL suppliers, all of which have affected the lead times positively. In terms of delivery options, Zinzino has now increased the options in Germany and the Netherlands to both include home delivery and delivery to a distribution point. Zinzino has also stepped up its monitoring of the different transport providers on a general basis in order to further improve lead times and delivery quality for customers and partners on the various markets.



SALES LAUNCH IN SWITZERLAND AND FULL SCALE ESTABLISHMENT IN SPAIN

On 15 May 2017 Zinzino opened its sales on the Swiss market. The establishment was done according to the same effective model that has been applied in the company's latest market establishments. Zinzino sees the Swiss market as strong in capital and expects it to become an important market for the company in the future in terms of sales, given the company's strong range of products and sales channel.

Since the start in 2016, sales have been strong in Spain. To meet the growing market's needs, Zinzino conducted a full-scale establishment during the spring. Besides legal representation, the establishment in the Spanish market entailed a more locally adapted web portal and language-adapted marketing materials.



FAUN PHARMA GOT A NEW CEO AND IMPLEMENTED EFFICIENCY-INCREASING MEASURES

Faun Pharma experienced temporary staffing problems during the summer months, which negatively impacted the subsidiary's profitability as production was very low for an extended period. Zinzino launched a restructuring programme to increase efficiency at the group's production unit, focusing on production planning. This included the appointment of Geir Smolan, the former quality manager, as the new CEO of the subsidiary. The programme helped increase production and profitability during the second half of the year, especially during the fourth quarter. The efficiency-increasing process has continued during 2018 with good results in the form of increased profits for the subsidiary.



SUCCESSFUL INVESTMENT IN GROWTH AND E-COMMERCE

In 2017, Zinzino continued working to grow the various markets. The current e-commerce solution was funded and developed, and will in the coming years increase the customer base and sales organisation. The company increased its focus on digital and online marketing through increasing the efficiency of its digital platforms. Other high-priority areas during the year included better logistics and more efficient payment solutions. Along with the establishment concept introduced in 2016, this turned out to be effective and helped increase revenue in 2017.

NORWAY

Norway was Zinzino's biggest market by sales in 2017. The total revenue was SEK 105.2 (108.5) million which was a 3% decrease compared to the previous year. The Zinzino Health product range remained attractive in Norway and its share of total sales increased to 84%. The local sales organisation in Norway and Zinzino are not happy with the sales development in 2017 and will take joint action to promote sales growth in the coming year.

SEK Thousand

Growth compared to the prior year	-3%
Share of Zinzino's total sales	19%
Net turnover	95,338
Other revenue	9,955
Total direct costs	-88,878
Result before operating costs	16,415
<i>Profit margin before operating costs</i>	<i>16%</i>

ZINZINO COFFEE

16% of total sales

TOTAL TURNOVER: 15,485 (SEK THOUSAND)

ZINZINO HEALTH

84% of total sales

TOTAL TURNOVER: 79,853 (SEK THOUSAND)

SWEDEN

The Swedish market continued its strong growth and was in terms of sales the group's second largest market in 2017, with a total revenue of SEK 102.3 (88.2) million of which SEK 3.7 (5.6) million came from the subsidiary Zinzino Nordic AB. This corresponds to a growth of 16% compared to 2016. Sweden is also the company's home market, as it has its headquarters in Västra Frölunda, Gothenburg.

SEK Thousand

Growth compared to the prior year	16%
Share of Zinzino's total sales	19%
Net turnover	91,555
Other revenue	10,761
Total direct costs	88,177
Result before operating costs	14,139
<i>Profit margin before operating costs</i>	<i>14%</i>

ZINZINO COFFEE

7% of total sales

TOTAL TURNOVER: 6,139 (SEK THOUSAND)

ZINZINO HEALTH

93% of total sales

TOTAL TURNOVER: 85,416 (SEK THOUSAND)



DENMARK

In 2017 the Danish revenue increased by 1% to SEK 68.2 (67.4) million and remained one of Zinzino's strongest markets in terms of sales. Like in other markets, the Health share increased during the year. The local sales organisation in Denmark and Zinzino are not happy with the sales development in 2017 and will take joint action to promote sales growth in the coming year.

SEK Thousand

Growth compared to the prior year	1%
Share of Zinzino's total sales	13%
Net turnover	62,208
Other revenue	6,023
Total direct costs	-54,644
Result before operating costs	13,587
<i>Profit margin before operating costs</i>	<i>20%</i>

ZINZINO COFFEE

10% of total sales

TOTAL TURNOVER: 6,131 (SEK THOUSAND)

ZINZINO HEALTH

90% of total sales

TOTAL TURNOVER: 56,077 (SEK THOUSAND)



FINLAND

The Finnish market showed good sales growth in 2017. The total revenue for 2017 ended up at SEK 86.3 (72.0) million which is an increase of 20% compared to last year. The Zinzino Health product range increased its share to 92% of total sales. The Finnish market has a dedicated and well-organised sales organisation which has been very successful in the past year.

SEK Thousand

Growth compared to the prior year	20%
Share of Zinzino's total sales	16%
Net turnover	76,386
Other revenue	9,999
Total direct costs	-69,586
Result before operating costs	16,799
<i>Profit margin before operating costs</i>	<i>19%</i>

ZINZINO COFFEE

8% of total sales

TOTAL TURNOVER: 6,258 (SEK THOUSAND)

ZINZINO HEALTH

92% of total sales

TOTAL TURNOVER: 70,128 (SEK THOUSAND)



ICELAND

The decline in the Icelandic market slowed down in 2017. The total revenue dropped by 15% and totalled SEK 15.1 (17.8) million. The Icelandic market was hit hard by our change of IT system in 2015 and has had trouble recovering. Throughout the year, Zinzino has worked continuously to support the local sales organisation. This resulted in the Icelandic sales once again starting to increase in the final months of the year.

SEK Thousand

Growth compared to the prior year	- 15%
Share of Zinzino's total sales	3%
Net turnover	13,208
Other revenue	1,901
Total direct costs	-13,531
Result before operating costs	1,578
<i>Profit margin before operating costs</i>	<i>10%</i>

ZINZINO COFFEE

29% of total sales

TOTAL TURNOVER: 3,844 (SEK THOUSAND)

ZINZINO HEALTH

71% of total sales

TOTAL TURNOVER: 9,364 (SEK THOUSAND)



ESTONIA

The Estonian market was hit the hardest by our change of IT system in 2015 and has had trouble recovering. The total revenue dropped by 43% compared to the previous year and totalled 12.3 (21.7) million. The local sales network has worked with the company to stimulate growth in the market. This work has included entering into a sponsorship deal at the end of the year with the very successful Estonian discus thrower Gerd Kanter.

SEK Thousand

Growth compared to the prior year	-43%
Share of Zinzino's total sales	2%
Net turnover	11,081
Other revenue	1,253
Total direct costs	-11,267
Result before operating costs	1,067
<i>Profit margin before operating costs</i>	<i>9%</i>

ZINZINO COFFEE

26% of total sales

TOTAL TURNOVER: 2,846 (SEK THOUSAND)

ZINZINO HEALTH

74% of total sales

TOTAL TURNOVER: 8,235 (SEK THOUSAND)



LITHUANIA

Revenue increased in Lithuania in 2017. Total revenue amounted to SEK 12.9 (9.7) million which corresponds to a sales increase of 33% compared to the previous year. Lithuania was one of the countries hit hardest by the change of IT system in 2015 but the very motivated sales organisation has been working hard to regain the market's trust. Increasing the focus on customers in Zinzino's Health segment yielded excellent results in 2017.

SEK Thousand

Growth compared to the prior year	33%
Share of Zinzino's total sales	2%
Net turnover	11,618
Other revenue	1,275
Total direct costs	-11,845
Result before operating costs	1,048
<i>Profit margin before operating costs</i>	<i>8%</i>

ZINZINO COFFEE

12% of total sales

TOTAL TURNOVER: 1,418 (SEK THOUSAND)

ZINZINO HEALTH

88% of total sales

TOTAL TURNOVER: 10,200 (SEK THOUSAND)



LATVIA

The Latvian market developed very well in 2017, with revenue increasing by 42% compared to the previous year. The very dedicated sales organisation has over several years systematically built up the market which has yielded very good results in 2017. Another contributing factor has been the support from the local Zinzino office in Riga which as provided local customer and market support.

SEK Thousand

Growth compared to the prior year	42%
Share of Zinzino's total sales	3%
Net turnover	12,786
Other revenue	1,647
Total direct costs	-12,567
Result before operating costs	1,866
<i>Profit margin before operating costs</i>	<i>13%</i>

ZINZINO COFFEE

21% of total sales

TOTAL TURNOVER: 2,655 (SEK THOUSAND)

ZINZINO HEALTH

79% of total sales

TOTAL TURNOVER: 10,131 (SEK THOUSAND)



POLAND

Establishment in the Polish market has proven difficult from the start. This has had a negative impact on sales and in 2017 the sales dropped by 24% to SEK 1.8 (2.3) million. Despite this, it has been possible to attract several good partners and the process of building a sales organisation with long-term focus continues. Zinzino is also cooperating with several known Polish sports teams through its sponsorship concept.

SEK Thousand

Growth compared to the prior year	-24%
Share of Zinzino's total sales	0%
Net turnover	1,675
Other revenue	83
Total direct costs	-1,489
Result before operating costs	269
<i>Profit margin before operating costs</i>	<i>15%</i>

ZINZINO COFFEE

0% of total sales

TOTAL TURNOVER: 0 (SEK THOUSAND)

ZINZINO HEALTH

100% of total sales

TOTAL TURNOVER: 1,675 (SEK THOUSAND)



HOLLAND

The total revenue in the Dutch market was SEK 4.2 (4.1) million in 2017, which was a 3% increase compared to the previous year. During the year, important local payment solutions were implemented, and a local warehouse will help reduce lead times in the logistics chain in 2018. The company also cooperated with the football club SC Heerenveen as part of its multinational sponsorship concept.

SEK Thousand

Growth compared to the prior year	3%
Share of Zinzino's total sales	1%
Net turnover	3,932
Other revenue	300
Total direct costs	-3,631
Result before operating costs	601
<i>Profit margin before operating costs</i>	<i>14%</i>

ZINZINO COFFEE

0% of total sales

TOTAL TURNOVER: 0 (SEK THOUSAND)

ZINZINO HEALTH

100% of total sales

TOTAL TURNOVER: 3,932 (SEK THOUSAND)



USA

The US market failed to meet expectations in 2017. The total revenue dropped by 12% to SEK 23.0 (26.0) million. During the year, Zinzino has worked on a number of growth-promoting measures for the American market and a new sales manager was appointed for the market in the autumn. Additional measures will be taken in the near future, including adaption of marketing materials and websites to meet the industry standard required to succeed in North America.

SEK Thousand

Growth compared to the prior year	-12%
Share of Zinzino's total sales	4%
Net turnover	22,399
Other revenue	565
Total direct costs	-22,494
Result before operating costs	470
<i>Profit margin before operating costs</i>	<i>2%</i>

ZINZINO COFFEE

0% of total sales

TOTAL TURNOVER: 0 (SEK THOUSAND)

ZINZINO HEALTH

100% of total sales

TOTAL TURNOVER: 22,399 (SEK THOUSAND)



CANADA

The Canadian market has suffered from establishment difficulties since the start. These problems have been regulatory in nature and have concerned product registration, which has had a negative impact on sales. In 2017 the revenue dropped by 34% and totalled SEK 0.9 (1.3) million. Zinzino has been working hard in the past year to address the establishment issues and will in 2018 create a local warehouse unit to facilitate sales.

SEK Thousand

Growth compared to the prior year	-34%
Share of Zinzino's total sales	0%
Net turnover	851
Other revenue	6
Total direct costs	-671
Result before operating costs	186
<i>Profit margin before operating costs</i>	<i>22%</i>

ZINZINO COFFEE

0% of total sales

TOTAL TURNOVER: 0 (SEK THOUSAND)

ZINZINO HEALTH

100% of total sales

TOTAL TURNOVER: 851 (SEK THOUSAND)



GERMANY

The German market increased by 88% and totalled SEK 13.9 (7.4) million. During the year, Zinzino has focused on the German market in which the company sees great potential. For example, several local payment solutions for the German market have been implemented while marketing materials and websites have been adapted for the market. Zinzino has also strengthened the organisation in order to provide more support for the rapidly growing market.

SEK Thousand

Growth compared to the prior year	88%
Share of Zinzino's total sales	3%
Net turnover	13,007
Other revenue	891
Total direct costs	-11,498
Result before operating costs	2,400
<i>Profit margin before operating costs</i>	<i>17%</i>

ZINZINO COFFEE

0% of total sales

TOTAL TURNOVER: 0 (SEK THOUSAND)

ZINZINO HEALTH

100% of total sales

TOTAL TURNOVER: 13,007 (SEK THOUSAND)



EU

Zinzino began selling in formerly unestablished EU countries in 2016. Several of these markets have developed very well in 2017, which is described separately. For countries in this market, the total revenue in 2017 was SEK 6.0 (2.3) million which constitutes a total sale growth of 162% compared to the previous year. The countries that have developed best during the year were Hungary and Romania, where establishment processes for added presence are now underway.

SEK Thousand

Growth compared to the prior year	162%
Share of Zinzino's total sales	1%
Net turnover	5,942
Other revenue	28
Total direct costs	-5,373
Result before operating costs	597
<i>Profit margin before operating costs</i>	<i>10%</i>

ZINZINO COFFEE

0% of total sales

TOTAL TURNOVER: 0 (SEK THOUSAND)

ZINZINO HEALTH

100% of total sales

TOTAL TURNOVER: 5,942 (SEK THOUSAND)



SPAIN

Spain is another market that has developed very well since the start in 2016.

This resulted in Zinzino legally establishing itself in the market during the year. The total revenue was 4.4 (0.9). Spain is another market which has received additional support in the form of adapted marketing materials, localised website, support in the local language, and which also receives shorter lead times thanks to the new warehouse in northern France.

SEK Thousand

Growth compared to the prior year	399%
Share of Zinzino's total sales	1%
Net turnover	4,120
Other revenue	303
Total direct costs	-1,917
Result before operating costs	2,506
<i>Profit margin before operating costs</i>	<i>57%</i>

ZINZINO COFFEE

0% of total sales

TOTAL TURNOVER: 0 (SEK THOUSAND)

ZINZINO HEALTH

100% of total sales

TOTAL TURNOVER: 4,120 (SEK THOUSAND)



SWITZERLAND

Sales in the Swiss market began on 15 May 2017. The establishment took place according to the model that has been used in the rest of Europe in past year. This resulted in a process that was efficient both in terms of costs and time spent. Zinzino sees the Swiss market as strong in capital and expects it to become an important market for the company in the future in terms of sales. In 2017 the total revenue was SEK 1.2 million.

SEK Thousand

Growth compared to the prior year	n/a
Share of Zinzino's total sales	0%
Net turnover	1,109
Other revenue	47
Total direct costs	-221
Result before operating costs	935
<i>Profit margin before operating costs</i>	<i>81%</i>

ZINZINO COFFEE

0% of total sales

TOTAL TURNOVER: 0 (SEK THOUSAND)

ZINZINO HEALTH

100% of total sales

TOTAL TURNOVER: 1,109 (SEK THOUSAND)



AUSTRIA

In 2016 the Austrian market was one of the new markets that saw the best development, which resulted in Zinzino legally establishing itself in the market. The total revenue for 2017 was SEK 3.4 (1.4) million. Like the other countries in the region, Austria has gained access to locally adapted payment solutions during the year, and will enjoy faster logistics thanks to the new warehouse in northern France which will begin operating in Q1 2018.

SEK Thousand

Growth compared to the prior year	140%
Share of Zinzino's total sales	1%
Net turnover	3,150
Other revenue	227
Total direct costs	-707
Result before operating costs	2,670
<i>Profit margin before operating costs</i>	<i>79%</i>

ZINZINO COFFEE

0% of total sales

TOTAL TURNOVER: 0 (SEK THOUSAND)

ZINZINO HEALTH

100% of total sales

TOTAL TURNOVER: 3,150 (SEK THOUSAND)

SALES BY MARKET

– A COMPARISON BETWEEN THE COUNTRIES (SEK THOUSAND)

COUNTRY / MARKET	Sweden	Denmark	Norway	Finland	Iceland	Estonia	Latvia	Lithuania	Holland	Poland
Net turnover	91,555	62,208	95,338	76,386	13,208	11,081	12,786	11,618	3,932	1,675
Other revenue	10,761	6,023	9,955	9,999	1,901	1,253	1,647	1,275	300	83
Profit margin before operating costs	14%	20%	16%	19%	10%	9%	13%	8%	14%	15%
Health	84,247	55,524	78,680	69,713	9,299	8,090	10,009	10,160	3,908	1,675
Coffee	6,139	6,131	15,485	6,258	3,844	2,846	2,655	1,418	0	0
Faun										
Event*	1,169	553	1,173	415	65	145	122	40	24	-
Other operating revenues	10,761	6,023	9,955	9,999	1,901	1,253	1,647	1,275	300	83
Health share	93%	90%	84%	92%	71%	74%	79%	88%	100%	100%
Coffee share	7%	10%	16%	8%	29%	26%	21%	12%	0%	0%
Faun share										
Growth compared to the prior year	16%	1%	-3%	20%	-15%	-43%	42%	33%	3%	-24%
Share of the group's total sales	19%	13%	19%	16%	3%	2%	3%	2%	1%	0%

COUNTRY / MARKET	Germany	EU	United States	Canada	Spain	Austria	Switzerland	Faun	Total
Net turnover	13,007	5,942	22,399	851	4,120	3,150	1,109	64,693	495,059
Other revenue	891	28	565	6	303	227	47		45,263
Profit margin before operating costs	17%	10%	2%	22%	57%	79%	81%	30%	30%
Health	12,984	5,942	21,992	851	4,112	3,138	1,109		381,434
Coffee	0	0	0	0	0	0	0		44,776
Faun								64,693	64,693
Event*	23	-	407	0	8	12	-		4,156
Other operating revenues	891	28	565	6	303	227	47	0	45,263
Health share	100%	100%	100%	100%	100%	100%	100%		78%
Coffee share	0%	0%	0%	0%	0%	0%	0%		9%
Faun share								100%	13%
Growth compared to the prior year	88%	162%	-12%	-34%	399%	140%	n/a	26%	10%
Share of the group's total sales	3%	1%	4%	0%	1%	1%	0%	12%	100%
								Total	540,322

*Included with other operating revenues in pages 10-11

OUR GROWTH CONTINUES

In 2017 Zinzino has continued to expand its operations to more countries and regions.

Zinzino has actively worked for several years to expand its operations into new countries. The company has created an effective establishment process both in terms of costs and time, which has helped the company expand its sales to its current 33 markets. In 2017 the establishment process has resulted in a number of successful launches.

SALES LAUNCH IN SWITZERLAND

Sales in the Swiss market began on 15 May. The establishment took place according to the model that is used in the rest of Europe in the past year. This resulted in a process that was efficient both in terms of costs and time spent. The only differences were local adjustments that were necessary since Switzerland is not a part of the EU. Zinzino sees the Swiss market as strong in capital and expects it to become an important market for the company in the future in terms of sales.

FULL-SCALE ESTABLISHMENT IN SPAIN AFTER FAVOURABLE SALES DEVELOPMENT

The sales trend in Spain has been positive since the beginning in the summer of 2016 when Zinzino opened for sales in the 19 EU countries that it had not previously been established in. To meet growing market demands, Zinzino carried out a full-scale establishment in the Spanish market during the first half of 2017, which resulted in sales starting in 20 June. Besides legal representation, the establishment in the market included a more locally adapted web portal and language-adapted marketing materials.

EXPANSION TO INDIA

During the autumn, Zinzino started an establishment process in India. As with previous set-ups, the process is being carried out together with Business Sweden, which has experience in these kinds of process. The process involves establishing a company, registering products and developing sales networks. It is estimated that the process will take 9–12 months and sales are expected to begin during the final quarter of 2018.

NEW WAREHOUSE IN FRANCE

During the year, Zinzino carried out a project to streamline the logistics process and so shorten the delivery time to customers. Part of this project was to establish a new external warehouse, strategically located in central Europe, in order to shorten lead times in the delivery process to the rapidly expanding customer groups in Germany, Spain, and other countries in the region. In the end we selected northern France, where Zinzino's existing logistics partner was already fully established. Use of the new warehouse is expected to begin in the second quarter of 2018. In connection with this, the web portal and marketing materials for the French market will be updated.

INCREASED PRESENCE IN ROMANIA, HUNGARY AND UNITED KINGDOM

As sales have increased in many European markets, Zinzino has begun processes to deepen its establishment in a number of markets during the year. This included founding a subsidiary in Romania, Zinzino Direct Sales S.R.L. A registration process is also currently underway in Hungary to meet the local demands that the increased turnover entails. Local adaptation is also underway in the UK, for example by converting sales into GBP and through general preparation for the country's exit from the EU.



FAUN PHARMA

NEW CEO AT FAUN PHARMA AS – FOCUSING ON EFFICIENT PRODUCTION

In the first six months, the external sales and production was high at Faun Pharma, but combined with a lower gross profit than expected, Zinzino decided to initiate a restructuring. The programme aimed to increase efficiency at the group's production unit, focusing on production planning. Another part of the programme included working on potential customers in the production segment with higher gross profit margins, primarily customers with long-term need for capsule and tablet production. This yielded, among other things, a production agreement for Vitalkost in Norway. Thanks to the company's continuous improvements, in conformity with ISO 9001, it has received more production inquiries than previously. This has resulted in the company being able to choose collaboration customers whose production generates higher profit margins than before.

As part of the restructuring, Zinzino appointed Geir Smolan, the former quality manager, as the new CEO of the subsidiary. Geir began working as the group's quality manager in 2015 and took over as CEO of Faun in September 2017. Geir has a master's degree in chemistry and extensive experience of working with management systems for quality as well as for food safety and health and safety. He has also written several books in these areas. It was Geir Smolan who headed the process to get Faun ISO 9001 certified in 2016.

Despite efforts to increase efficiency, the company experienced temporary staffing problems during the summer months, which negatively impacted the subsidiary's profitability as production was very low for an extended period. The total revenue nevertheless amounted to SEK 64.7 (50.7) million, which corresponds to a sales growth of 28% compared to the previous year. As profitability did not reach the expected level by the end of the third quarter, the subsidiary's result for the year ended up falling short of expectation.

The programme helped increase production and profitability during the second half of the year, especially during the fourth quarter. The efficiency-increasing process has continued during 2018 with good results in the form of increased profits for the subsidiary.





FAUN[®]



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 markets in northern Europe.
- In May, Zinzino launched the 123presso machine, which is manufactured by the French-Belgian coffee house.
- The Norwegian and Swedish markets were the first to be opened. The Danish market was opened in the autumn of 2005.



AN OFFICE IN SWEDEN'S SECOND LARGEST CITY

- We employed more people for customer service in Gothenburg as we continued to focus on sales growth in Scandinavia.



A GOOD YEAR FOR GOOD COFFEE

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



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

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



2005

2006

2007

2008

2009

2010

2011

2012



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

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



PREPARING TO ESTABLISH MORE MARKETS

- A new machine, Oh Espresso, was launched in four different colours.
- The new machine was an immediate success and sales increase.
- We started a pre-launch on Iceland. Zinzino had established efficient routines for launching in new markets, and the company would continue to grow.

AKTIEFORGET

BioActive Foods AS

BY PUBLIC DEMAND ANYONE CAN NOW INVEST IN OUR COMPANY

- The company was 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, the new machine Oh Disco was launched. It was a small (by 2010 standards), fully automatic machine in modern white with LED lights that change colour.

A BALANCED YEAR!

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

...THE TRIP TOWARDS 1 MILLION CUSTOMERS CONTINUES

ACROSS THE SEA AND TO THE STARS.

- We are opening for pre-launch in 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%.



2013

2014

ONE OF THE 25 LARGEST AND MOST TRANSFORMED COMPANIES.

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



2015

2016

INCREASED GROWTH AND FOCUS ON E-COMMERCE

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



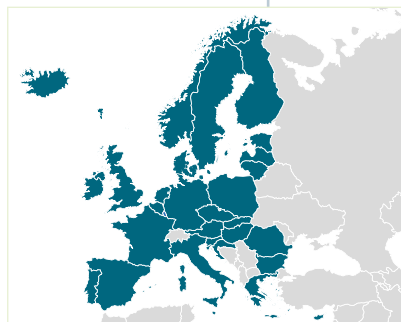
2017

2018



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 reach an important milestone – 100,000 customers!



OUR JOURNEY CONTINUES...

ZINZINO'S PRODUCT WHEEL

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



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

Efficient, self-managed product development resulted in the launch of Zinzino BalanceOil Vegan and the supplement Zinzino Viva in 2017.

ZINZINO BALANCEOIL VEGAN

BalanceOil Vegan was launched in the fourth quarter and is a groundbreaking new product. Like BalanceOil, it contributes to optimal brain function and strengthens the heart and the immune system by balancing the fatty acids omega-6 and omega-3. BalanceOil Vegan is a unique patented blend of three oils that supplies the body with essential fatty acids. The key ingredients in BalanceOil Vegan are marine microalgae rich in EPA and DHA, extra virgin olive oil with a high content of polyphenols and echium seed oil, which in studies has shown a great ability to increase EPA and DHA in the body. Vegan vitamin D is also added to boost the immune system. Zinzino believes that BalanceOil Vegan is being launched at the perfect time and that it will satisfy a great demand, both now and in the future.

ZINZINO VIVA

Zinzino Viva was launched at the end of the second quarter of 2017. Viva is a brand new type of supplement within the Zinzino Health product segment. The product is a combination of Affron®, a standardised and patented extract of pure saffron pistils (*Crocus sativus* L) from Spain, five vitamin-Bs, iodine and vitamin C. With these ingredients, the dietary supplement contributes to greater well-being by soothing mental tiredness and fatigue and promoting good sleep. Zinzino Viva adds another dimension to Zinzino's broad product portfolio in health and well-being.



WHAT DO OUR CUSTOMERS THINK?

Karin Hellgren – Balance customer



I was invited by a close friend to come to an open health meeting almost exactly one year ago. I immediately started using Zinzino BalanceOil. After starting to use Zinzino BalanceOil regularly I feel calmer, happier, sharper and more alert. I feel that I function better in day to day life.

My first BalanceTest returned Omega-6 and Omega-3 values of 5.9:1. My second BalanceTest came back 2:1. I feel that my health in the past year has improved, and I have managed to avoid infections.

I have great faith in Zinzino's products and would recommend everyone to test their Omega-6 and Omega-3 balance. I know that there is a lot of research behind Zinzino's products, and this is important to me!

I feel calmer, happier, sharper and more alert.



Kristina - LeanShake customer

I was inspired by hearing that several of my colleagues had taken part in the Zinzino Health Challenge. I began my Zinzino Health Challenge journey by switching out two meals a day for LeanShake. I don't feel hungry like I thought I would. Taking part in the challenge has helped me establish good habits and routines with regular meals. The product is easy to use and Zinzino has good quality and a solid concept!



Tove - Serum customer

I started using SkinSerum back when it was launched in October 2016. I am very interested in advanced skincare and what attracted me was how easy it was to protect and care for my skin. I feel a great improvement in my face's skin, especially when it comes to smaller wrinkles, also called laugh lines. I am very happy to have such an easy and cost-efficient product which makes such a difference to my skin. I will continue to use Zinzino SkinSerum!

ZINZINO HEALTH CHALLENGE

Health Challenge is a unique concept which helps you become healthier. We offer our customers the best conditions for reaching their health goals and provide products to turn bad habits around, creating healthier lifestyles. We also organise the Health Challenge, an annual competition which begins in January and ends in July, with winners being crowned in four different categories.

Health Challenge has become part of Zinzino's health culture. In 2017 a brand new Health Challenge folder was launched, with a fourth category – Fitness – aimed at building muscle and toning the body. LeanShake is a meal replacement with low calorie content but very high nutritional value and protein content which underlies the success surrounding the concept. In addition to LeanShake, Zinzino offers the supplementary ZinoBiotic, an individually adapted plan so that all customers will be able to reach their goals. The goal can be to lose some weight and thereby reduce the risk of associated health issues, or just providing the body with a nutritious diet in a convenient and cost-efficient way.

PACKAGE SOLUTIONS

Zinzino offers well-adapted package solutions of LeanShake based on how many kilos of weight the customer wants to lose. Kits of 3, 5 or 10 kg contain the quantity of products necessary to lose weight according to a weekly plan. Enclosed is a new updated folder which includes a lot of knowledge and inspiration. Here the customer can also fill in on a weekly basis how well he or she has followed the recommendations provided and remain active and contemplative about the process while being motivated. The packages also include measuring tapes to measure your waist size and a ShakeBottle for mixing 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 progress towards the goal of diminishing unhealthy weight.

SOCIAL MEDIA

As a step in motivating our customers to adhere to the plan and reach their individual goals, Zinzino continues to create a community in social media using the hashtag #ZINZINOHEALTHCHALLENGE which has continued to have major impact.

STAFETTVARVET

Each year, Zinzino employees are given an opportunity to participate in Stafettvarvet [The relay race], a race linked to the world's largest half marathon: GöteborgsVarvet.

In Stafettvarvet, five runners each complete a four km stretch through Slottsskogen. Zinzino gathers colleagues and participates with three different groups. Those who do not participate in the race are there to cheer their colleagues on. This year the race is held on 16 May. Feel the joy of exercising and competing together!

New for this year is that the one Health Challenge competitor will win a spot in Stafettvarvet. This person will run with Zinzino's employees.



MIIKKA PEURAVIRTA & MIIA ROIHAS

We really want to help people to have more free time and lead healthy lives!

MIIKKA:

In 2011 I was working as a sales manager at a media and advertising agency. I was employed but wanted to become a full-time entrepreneur.

I was introduced to Zinzino and actually turned it down five times before finally checking out the company and understanding that I should at least give it a shot.

One of the biggest changes to my life since choosing to work for Zinzino is how I have grown as a person. People tell me that I have become a better friend, husband, father and leader.

MIIA:

I was working at a preschool and was working too much while making too little. I also wanted to spend more time with my own child. At



this time we had a normal family situation, with not enough free time or money left over for travel.

I was introduced to Zinzino in 2011, but I was very sceptical to begin with. But in 2012 I decided to start working full-time on this. I had seen my husband work with it for nine months and had understood what Zinzino is really about.

MIIKKA AND MIIA:

There have been so many positive changes to our lives thanks to Zinzino. We no longer have to work 50-60 hours per week. We had just had a little boy and it is great that we can both give him all the time he needs. Unlike many others we do not need to choose which one of us has to go "back to work". We are fortunate to be able to combine family and work. Zinzino has meant that we could improve

2017 winners of the “Zinzino Partner of the year” award



many aspects of our lives, including the chance to combine work with family.

We have made many new friends in different countries and we have been able to travel around the world and discover new places and cultures.

If one of us had worked elsewhere, we would not have been able to spend as much time together as we do today. We can work from anywhere in the world, and it feels amazing to plan for the future!

By joining forces we achieve better results. We are working in a business where an important success factor is to help people through personal meetings.

We are different in many ways, but so are our colleagues and customers – our different styles are suited to different people. It is not just about our family lives anymore, we are now also

working towards a shared business goal, and that means having even more trust in each other.

By becoming a Zinzino partner, you really have nothing to lose but a lot to gain. You will have more time to spend on things that are important to you.

We really want to help people to have more free time and lead healthy lives. Regardless of what Zinzino does, we can be sure that it comes from the heart and in order to help others. We are proud to be part of this journey.

CORPORATE SOCIAL RESPONSIBILITY

OUR COWORKERS AND THE WORLD AROUND US

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

GIVING BACK

We want to make a positive difference in children's lives all over the whole world. Zinzino supports aid agencies such as Glocal Aid with purpose to help boys and girls out of poverty and to get an education.

Zinzino in recent years has supported a school in Karwi, India. By offering a scholarship, Glocal Aid and Zinzino are working with a local primary school and secondary school to offer sponsored education for children and young persons.

Without this sponsorship, these children would not be able to go to school. We are very happy and proud to help finance this important work.

So far, 405 children have been sponsored through our programme, and our goal is to help more than 2,000 children in the next three years! Scan the QR code on the next page and watch the video about Zinzino and Glocal Aid's work in Karwi, India!

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. From the completed coffee blends, Zinzino chose four that were FairTrade and Organically certified and two that were only FairTrade certified.

Our tea selection consists of four varieties that are organic and two that are only FairTrade certified. FairTrade is an independent product labelling which creates conditions for growers and employees in developing countries to improve their working and living conditions. Zinzino is also a member of the FairTrade Alliance in Scandinavia.

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

OUR ENVIRONMENT – TRANSPORT AND RECYCLING

Every month we send approximately 40,000 packages around Europe. We use PostNord, Bring, UPS and others for our deliveries. They are some of the Nordic region's largest logistics and postal actors and are working actively to reduce environmental impact, decrease discharge and emissions.



We are especially proud of our improved environmentally friendly coffee pods (coffee capsules). The use of coffee capsules has boomed since coffee machines for home use became increasingly common. In most cases the capsules are made of metal or plastic – materials which burden the environment. Even if our pods previously consisted of an environmentally appropriate pod which can be composted, a plastic part (which must be sorted) still 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.



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

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

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

- 2012 - Stop female genital cutting among the Maasai people in Kenya.
- 2013 - A local micro finance project in Kenya in order to increase the local businesses in which women can build up agriculture and help their children go to school with food and medicines.
- 2014 - Continued support of the project in Kenya.
- 2015 - Development of a school for children and young people, Karwi U.P.I, India
- 2016 - Development of a school for children and young people, Karwi U.P.I, India
- 2017 - Development of a school for children and young people, Karwi U.P.I, India



"I am happy that Zinzino gives me a performance edge by giving me better balance and recovery."



SPONSORING

THEY HAVE THE TALENT AND THE WILL TO FIGHT – WE ADD BALANCE

Zinzino has entered into a sponsorship deal with the discus thrower Gerd Kanter, 38.

WHAT PRODUCTS DO YOU USE?

"The product I use daily is orange-flavour BalanceOil. To protect and bolster my immune system, I also take Xtend capsules. As a quick snack I always keep some chocolate-flavour protein bars in my bag."

WHAT RESULT DID YOU HAVE ON YOUR BALANCETEST?

"My first BalanceTest result was not great, let's just say that I was half-balanced. Of the six main indicators, two were red which means that it was serious. But after four months with BalanceOil, the second test result was much better, and all indicators were good or very good."

WHAT DO YOU THINK ABOUT YOUR COLLABORATION WITH ZINZINO?

"In sports your foremost asset is your body and your health. As an experienced athlete, I understand the importance of each aspect that can help you perform. Nutrition is one important factor. I am happy that Zinzino gives me a performance edge by giving better balance and recovery. As a father, I can say that all family members can find something useful for their health in Zinzino's product range."

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 public relations, which in turn leads to increased sales. Below is a list of sports clubs that are currently using Zinzino's products.



SC Heerenveen
Football club – Holland



Legia Warszawa
Football club – Poland



Eesti Korvpalliliit
National basketball team
– Estonia



Lillestrøm SK
Football club – Norway



Lietuvos krepšinio federacija
National basketball team
– Lithuania



Zalgiris BC
Basketball club – Lithuania



FC Levadia
Football club – Estonia



Pelicans
Ice hockey club – Finland



WHY DIRECT SALES?

AN EFFICIENT DISTRIBUTION MODEL

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

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

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

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

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 the Netherlands. Zinzino applies to the direct trading associations in all the new markets which it opens and is today a probationary member in the United States, Germany and Poland.

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

For more information, visit their website:
www.directsellingsweden.se



What is direct sales?

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

BOARD OF DIRECTORS



HANS JACOBSSON CHAIRMAN

Born: 1967

Holds a Master of Business Administration degree. Works as CFO at Nowa kommunikation. Former CEO of Rootfruit Scandinavia AB, finance director and logistics director for General Mills Scandinavia AB, Partner in CR&T Ventures (venture 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: 450,999 B shares



STAFFAN HILLBERG MEMBER

Born: 1964

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

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

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

Number of shares: 201,324 B shares



GABRIELE HELMER MEMBER

Born: 1977

Gabriele, born and raised in Germany, holds a Master of Business Administration degree from the Umeå School of Business. She is now working as marketing manager for Specsavers Sverige AB. Gabriele has previously worked as Account Director at the advertising agency Valentin&Byhr and as Nordic marketing manager at General Mills Scandinavia AB. She has also worked in various marketing positions at Beiersdorf in the Nordic countries and Germany. Gabriele has extensive expertise in Fast Moving Consumer Goods (FMCG) and the Retail sector, as well as excellent experience of strategic marketing, brand and innovation management, and market research.

Number of shares: 0
+30,000 subscription options



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

Number of shares: 0
+100,000 subscription options

MANAGEMENT TEAM



DAG BERGHEIM PETERSEN
CEO
Born: 1970

Has held management positions in El-giganten, Alcatel-land 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: 1,460,488 B shares



LARS DAHLBERG
CMO / CIO
Born: 1967

Lars Dahlberg has 22 years of experience in the Direct Sales industry 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 joined Zinzino in 2007 from Libro Gruppen AB.

Number of shares: 64,490 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



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 the Netherlands. Employed at Zinzino since 2012. Before that he was responsible for logistics at Mediatec Solutions AB.

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



GEIR SMOLAN
MANAGING DIRECTOR FAUN
Born: 1961

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

Number of shares: 0
+50,000 subscription options



FINANCIAL INFORMATION

CORPORATE GOVERNANCE REPORT

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

Zinzino AB is a Swedish publicly-held limited liability company listed on Nasdaq OMX First North in Stockholm. Zinzino AB provides here its corporate governance report relating to 2017.

THE CODE OF CONDUCT

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

EXTERNAL REGULATORY STRUCTURE

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

INTERNAL REGULATORY STRUCTURE

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

ALLOCATION OF RESPONSIBILITIES

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

SHAREHOLDERS

Zinzino AB was listed on Nasdaq OMX First North on 11 December 2014. This meant a listing change from Aktietorget where Zinzino AB had been listed for trading since 2010. The total number of shares is 32,580,025 of which 5,113,392 are A shares (1 vote) and 27,466,633 are B shares. At the end of the year the company had 1,844 owners, excluding some foreign account customers. The largest owners were Örjan Saele with company and family with 47.86% of the votes and 29.18% of the capital and Peter Sörensen with company 25.17% of the votes and 10.71% of the capital. Information for the shareholders is available on Zinzino's website: www.zinzino.se.

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.

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 2017

The annual meeting of shareholders for 2017 was held on Wednesday 24 May. At the meeting, the shareholders present in person or by proxy represented 47% of the votes and 27% of the capital. Hans Jacobsson was appointed chair of the meeting. Some of the decisions that the meeting made are the following:

- To confirm the profit/loss statements and balance sheets of the parent company and the group.
- To pay out a dividend for the 2016 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 181,000 for the chairman and SEK 103,000 for each of the other board members appointed by the annual meeting.
- The meeting decided to re-elect Hans Jacobsson as chairman of the board. The meeting also decided to elect Gabriele Helmer as new board member and to re-elect board members Staffan Hillberg and Pierre Mårtensson. Cecilia Halldner was also thanked for her years of work on the Zinzino board, as she had declined to be re-elected as a board member.
- The meeting decided to appoint Örjan Saele, Peter Sörensen and Hans Jacobsson (convener) to the nominating committee in advance of the next annual meeting of shareholders.
- The meeting decide to issue 500,000 subscription options according to the documentation provided by the board.
- The meeting decided, in conformity with the proposals put forward by the board of directors, to authorise the board of directors in the period until the next annual meeting of shareholders, on one or more than one occasion, to make decisions on preference issuance of B shares, convertible and/or subscription options. The board will be able to decide on preference issuance with or without provisions on set-off or otherwise with conditions.
- The meeting decided, in conformity with the proposals put forward by the board of directors to, on one or more than one occasion, make decisions on preference issuance of B shares, convertible and/or subscription options with exception to the shareholders' preferential right, with or without provisions regarding issuance in kind and/or settlement, or other conditions. However, the board cannot make decisions which mean that a total of more than 3,000,000 B shares are issued.

ANNUAL MEETING OF SHAREHOLDERS 2018

The annual meeting of shareholders of Zinzino AB (publ) will be held on 15 May at 13.00 p.m. in the company's offices at Hulda Lindgrens gata 8 in Gothenburg. For more information on the annual meeting of shareholders for 2018 refer to the company's homepage 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 2018 consists of the nominating committee's chairman Örjan Saele with a total (including those closely related) of 47.86% of the votes and Peter Sörensen with those closely related 25.17% of the votes, as well as Hans Jacobsson, chairman of the board of directors of Zinzino AB and convener of the nominating committee, with his own (including those closely related) ownership of 0.54% of the votes. The nominating committee represents an ownership interest which at the end of the year was 73.57% of the votes in the company. The nominating committee's tasks include:

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

The nominating committee has had three 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 2018 will be presented on the company's homepage 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 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 24 May 2017 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 24 May 2017, until the time for the next annual meeting of shareholders which will take place on 15 May 2018, the members of the board of directors Hans Jacobsson, Staffan Hillberg, and Pierre Mårtensson were re-elected. Gabriele Helmer was elected as a new board member. Hans Jacobsson was re-elected as chairman.

More information on the board of directors is presented on pages 40-41. 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 an 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% of the shares or participations or votes or a financial interest which provides a right to at least 10% of the returns. If the company owns more than 50% of the shares or participations or votes in another company the company is considered to indirectly 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 10% or more of the shares or votes in the company. If a company owns more than 50% of shares or votes in another company, the former 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 2017 the board of directors held six agenda-controlled meetings and during the year devoted special attention to strategic and 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	6/6
Staffan Hillberg	member	6/6
Cecilia Halldner	member	2/2
Pierre Mårtensson	member	5/6
Gabriele Helmer	member	4/4

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

THE COMPENSATION COMMITTEE

The Compensation Committee has as its principal task to be responsible for salaries, pension compensation, bonus 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 seven 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 function for internal audits 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 shareholders via the annual report, the communique 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. WITH 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 as well. It is anticipated that through the business model's structure the rate of growth will increase in the coming years by increased sales in existing and new markets. Finally, growth can also be generated through acquisitions.

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

Our product concept is to give health back to the world. Our goal is to get the best out of people with enthusiasm, encouragement and masses of energy. We are the most customer-focused direct sales company in the world. Our most important product concept, Balance, is showing continued good growth and we currently have over 250,000 test results, based on our blood tests in our database. We are the company that has done the most fat analyses in the world.

3. PRODUCT DEVELOPMENT AT THE LEADING EDGE

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

4. STRONG MARKET POSITION AND DISTRIBUTION

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

5. ATTRACTIVE CASH FLOW AND SHARE DIVIDEND

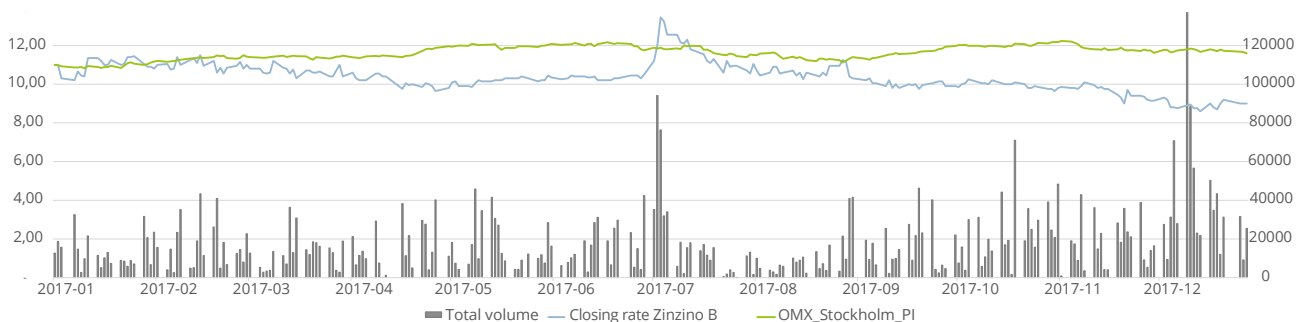
Zinzino's business has a very strong cash-generating capability. Efficient management of operating capital in combination with investments which quickly create revenues and margin improvements generate a strong cash flow. As a result a share dividend can be paid in conformity with the goal of at least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

LARGEST SHARE HOLDINGS AS OF 12-31-2017

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	6,382,366	9,505,763	47.86%	29.18%
Peter Sörensen via company	1,809,995	1,680,662	3,490,657	25.17%	10.71%
Other owners	180,000	19,403,605	19,583,605	26.98%	60.11%
Total	5,113,392	27,466,633	32,580,025	100.00%	100.00%

SHARE PRICE DEVELOPMENT 2017

ZINZINO B SHARES (SEK) 01-01-2017 - 31-12-2017



During 2017 a total of 4,572,669 (5,224,466) shares changed hands in 5,725 (7,041) trades. The year's first trade closed at SEK 11.35 and the year's last at SEK 9.00. The year's top price was reached on 05-07-2017 with a trade at SEK 15.00. The lowest price was SEK 8.30 which was reached on 18-12-2017.

OWNERSHIP AND SHARE PERFORMANCE

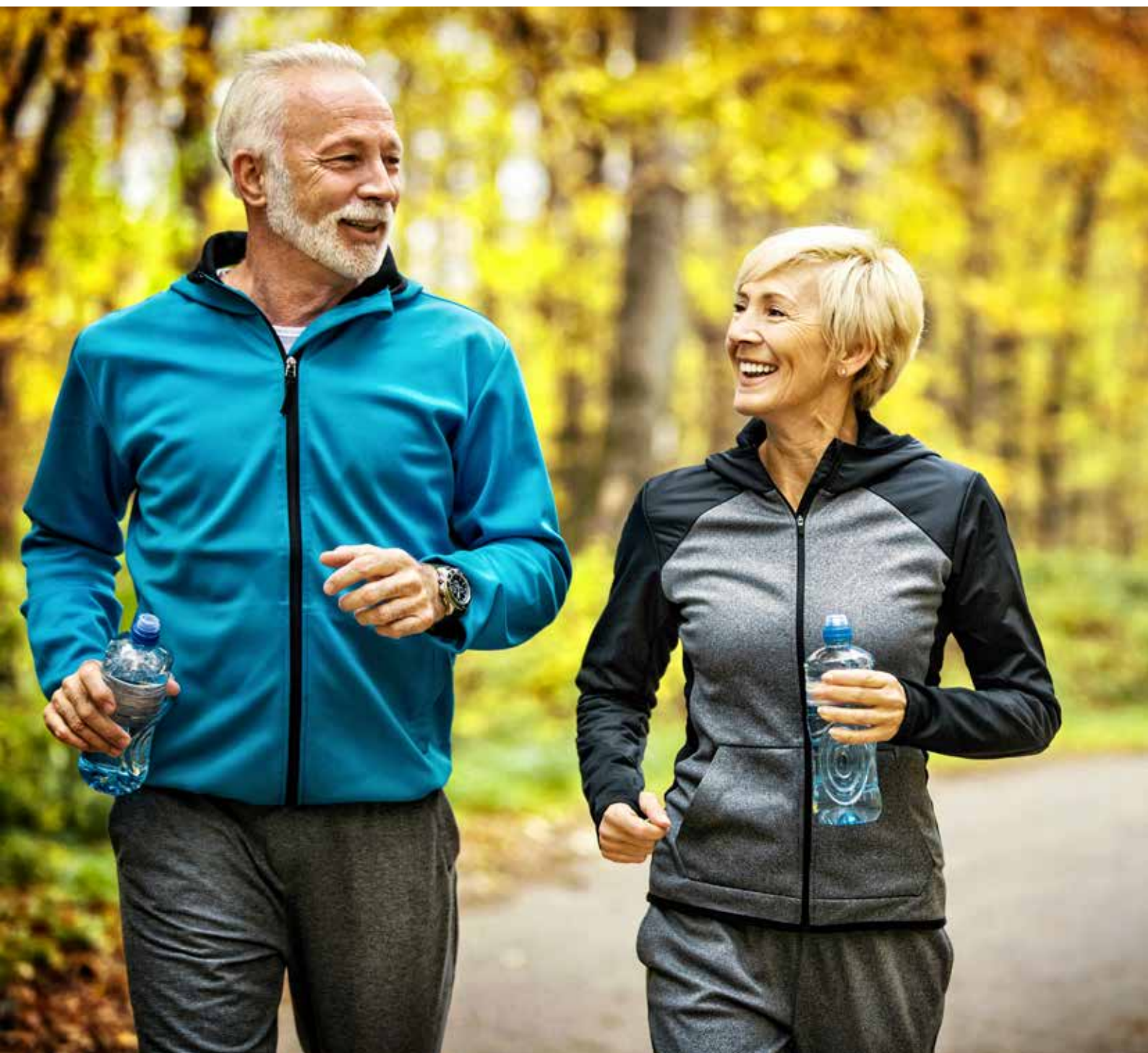
Zinzino AB has been listed since 11 December 2014 on Nasdaq OMX First North. This meant a listing change from Aktietorget's stock market where Zinzino had been listed for trading since 2010.

As of the balance sheet date, the share price was SEK 9.00 (11.40) which means a market value for Zinzino AB as of 31-12-2017 of SEK 293.2 (371.4) million.

In 2017, a total of 4,572,669 (5,224,466) shares were traded over 5,725 (7,041) trades. At the end of the year the company had 1,844 (1,820) owners, excluding foreign account customers.

SHARE CAPITAL

The share capital as of 12-31-2017 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, with ISIN-code SE0002480442.





OPTIONS PLANS & DIVIDEND POLICY



OPTIONS PROGRAM

The company, as of the report date, has three outstanding options programs. The first options program will expire on 31 May 2019 at an exercise price of SEK 16 and will cover 600,000 options. The second options program also includes 600,000 options, but at an exercise price of SEK 26. That options program expires on 31 May 2020. The third options program includes 500,000 options at an exercise price of SEK 14. The third options program also expires on 31 May 2020.

If all the options outstanding on 31-12-2017 are exercised for new subscriptions of 1,700,000 shares, the dilution of the share capital will be around 5%.

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 free cash flow be distributed to the shareholders so long as the equity/assets ratio and the liquidity permit it. In connection with this, the Board of Directors has performed a strategic review and drawn up a plan to work actively on the group's balance sheet. This creates scope for increased dividends in 2018. The Board of Directors will therefore propose to the Annual General Meeting 2018 a dividend of SEK 0.45 (0.25) per share, which corresponds to an increase of 80% compared to the previous year.

INSIDERS (MARKET ABUSE)

Article 16.2 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (MAR) came into force on 3 July 2016. This meant that 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. 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 CEO of Zinzino AB, 556733-1045, hereby submit this Annual Report and consolidated financial statements for financial year 1 January 2017 to 31 December 2017.

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 15 May 2018.

OWNERSHIP AND HISTORY

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

During 2009 Zinzino Nordic AB was acquired, which was accomplished in part through a directed issuance in kind to the owners of Zinzino Nordic AB and in part through a subscription to shares in a preference issuance which Zinzino Nordic carried out in December 2009. Through this Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. As of 31-12-2017 the ownership share in Zinzino Nordic AB was 93% of the capital and 97% of the votes.

In addition to Zinzino Nordic AB, the following previously wholly-owned companies are included in the group: Zinzino OÜ in Estonia, Zinzino UAB in Lithuania, SIA Zinzino in Latvia, Zinzino Ehf on Iceland, Zinzino LLC in Florida, United States, Zinzino SP. Z o o in Poland, Zinzino BV in Holland, Zinzino Canada Corp in Canada and the Norwegian research company Bioactive Foods AS. In 2017 a new subsidiary, Zinzino Direct Sales S.R.L., was founded in Romania.

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

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

FINANCIAL OVERSIGHT

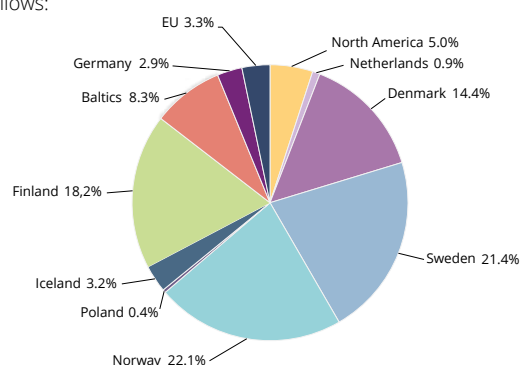
Revenues

Total revenues during the business year increased by 13% to SEK 540.3 (478.9) million. The profit after financial items was SEK 0.8 (13.9) million.

The net turnover was SEK 495.1 (436.1) million divided between the Zinzino Health and Zinzino Coffee product ranges, as well as the Faun Pharma production unit's sales to external customers. The product segment Health increased by 17% to SEK 381.4 (326.2) million which corresponded to 71% (68%) of the total revenues for 2017. 998,154 (801,909) bottles of BalanceOil were sold, which was an increase of 24% compared to the previous year and the number of tests conducted approached 250,000 (180,000) at the end of the year. Other products in the segment also saw steady increases in sales, including our own Zinzino SkinSerum which sold 82,472 (14,774) units and Zinzino Protein Bars which sold 94,453 (14,825) packs in 2017. Strong health trends in Zinzino's markets contribute to the excellent sales growth for the segment.

The product segment Coffee was SEK 44.8 (55.4) million which corresponded to 9% (12%) of the total revenues and a sales decrease of 19%. The sales within the segment were, despite the decline, of continued significance, and product development therefore continues

together with the supplier Rombouts/Malongo in order to continue stimulating sales. Faun Pharma increased external sales by 28% to SEK 64.7 (50.7) million. In 2017 Faun Pharma has focused on increasing the efficiency of its production process. One part of this has been designing a strategy where the company shall produce for fewer, more profitable external clients. Freight and other revenue amounted to SEK 45.3 (42.8) million, which represented the remaining 9% (10%) of total revenue. The geographic division of sales during 2017 is as follows:



The best performances in 2017 came from the relatively new German market and also the Swedish market. German sales increased by 88% to SEK 13.9 (7.4) million. The total revenue of the Swedish sales company increased by 16% compared to the previous year, ending at SEK 102.3 (88.2) million, without sales in the newly established EU countries and Switzerland being included. As previously described, many of the newly launched markets are progressing well, with the strongest growth in Spain, Austria, Romania and Hungary.

2017 also saw strong growth in the important Finnish market, which grew by 20% to SEK 86.4 (72.0) million, and slight growth in Denmark, increasing by 1% to SEK 68.2 (67.4) million. The total revenue in Norway in 2017 was SEK 105.3 (108.5) million, which was on par with the previous year.

The North American market experienced negative growth in 2017, with sales totalling SEK 23.8 (27.3) million, a drop of 13%. The Baltic states also had a negative total growth despite good developments in both Latvia, increasing by 42% to SEK 14.4 (10.2) million and Lithuania, increasing by 33% to SEK 12.9 (9.7) million. The region's decline is entirely due to the drop in the Estonian market, where revenue decreased by 43% to SEK 12.3 (21.7) million. A drop also took place in the Icelandic market, where revenue decreased by 15% to SEK 15.1 (17.8) million. The drop slowed down during the year and the company believes the bottom to be reached in the market and that there will be no further drop. The Polish market is challenging due to regulations and the modest sales decreased by 24% to SEK 1.8 (2.3) million.

Together, the Nordic markets accounted for nearly 80% of the total sales of the group (not including Faun Pharma AS) with Norway being the largest market, closely followed by Sweden, Finland and Denmark. The newly established markets continued to increase their share of total sales, including Germany, which accounted for 3% of the group's sales in 2017.

Costs and Profit

Gross profit was SEK 159.8 (153.8) million and the gross profit margin was 29.6% (32.1%). The decrease in margin was mainly attributable to the year's temporary increase in sales commission

costs, combined with the production company Faun Pharma's sales mix largely accounting for volume production at lower margins. Zinzino has adjusted the remuneration model for the sales team, which will reduce commission costs in the future. At the same time, intensive work is as previously mentioned underway to streamline the Norwegian production unit in order to increase productivity and so improve the gross profit margin of the group.

EBITDA for the period was SEK 11.1 (23.0) million and the operating margin was 2.1% (4.8%). The operating profit was SEK 1.0 (14.0) million and the operating margin was 0.2% (2.9%). The group has had a larger cost base over the past year due to both an in-house production unit and a separate research company in the form of Bioactive Foods AS. Several establishments and marketing initiatives have also been carried out, as well as major investments in IT platforms and websites. This will have a negative impact on the operating margins in the short term but will generate margin improvements over the longer term.

The profit before tax for the period was SEK 0.8 (13.9) million and the net result was SEK -0.8 (9.7) million.

Depreciation and amortisation

For 2017 total depreciation and amortisation and write-downs were SEK 10,124 (8,997) thousand. This is divided into SEK 783 (768) thousand tangible fixed assets, SEK 4,421 (3 331) thousand intangible fixed assets, SEK 4,904 (4,904) thousand goodwill and trademark protection and other write-downs SEK 16 (16) thousand.

Financial position

At the end of 2017/start of 2018 the group's equity capital was SEK 80,3 (88,5) million. At the balance sheet date, cash amounted to SEK 48,4 (23,3) million. The group's equity/assets ratio was SEK 44% (50%). Cash flow for the year amounted to SEK 25,3 (-3,8) million. In the past year, Zinzino has worked actively on its balance sheet, for example by optimising inventory levels. This, combined with the cash flow of the regular business operations, has resulted in a very positive cash flow for the past operational year.

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 an increased dividend for the past financial year conditioned upon decisions at the annual meeting of shareholders.

The group's combined inventories at the balance sheet date were SEK 52,9 (63,5) million. As briefly described above, the company has made intense optimisation efforts which has resulted in less capital being tied up during the year, despite increased turnover and expansion into new markets.

SIGNIFICANT EVENTS DURING THE YEAR

Effective product development - launch of Balance Oil Vegan and Viva in 2017

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 two new major product launches during 2017. 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.

Zinzino Viva was launched at the end of the second quarter of 2017. Viva is a brand new type of supplement within the Zinzino Health product segment. The product is a combination of Affron®, a standardised and patented extract of pure saffron pistils (*Crocus sativus* L) from Spain, five vitamin-Bs, iodine and vitamin C. With these ingredients, the dietary supplement contributes to greater well-being by soothing mental tiredness and fatigue and promoting good sleep. Zinzino Viva adds another dimension to Zinzino's broad product portfolio in health and well-being.

BalanceOil Vegan

Launched in the fourth quarter and is a groundbreaking new product. Like BalanceOil, it contributes to optimal brain function and strengthens the heart and the immune system by balancing the fatty acids omega-6 and omega-3. BalanceOil Vegan is a unique patented blend of three oils that supplies the body with essential fatty acids. The key ingredients in BalanceOil Vegan are marine microalgae rich in EPA and DHA, extra virgin olive oil with a high content of polyphenols and echium seed oil, which in studies has shown a great ability to increase EPA and DHA in the body. Vegan vitamin D is also added to boost the immune system. Zinzino believes that BalanceOil Vegan is being launched at the perfect time and that it will satisfy a great demand, both now and in the future.

Investments in IT and markets for the future

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 over to an entirely new IT platform in 2015. 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 the company significantly greater opportunities to manage future development by itself, without the involvement of or dependence upon external parties.

During 2017 Zinzino has continued the process with updating homepages for the sales force and customers in order to make them more adapted to the local requirements of the different markets. The website is now more user friendly and thus also a very powerful tool with a larger oversight of a Partner's organization. It is also more aesthetically pleasing and attractive, and presents the products in a more accessible and visually appealing way. The new web shop does not require logging in, meaning that new potential customers can browse Zinzino's line of quality products and make their own personal choices. The customer can then easily be linked to a partner, for example depending on where the customer lives. All parts of the newly built and upgraded websites are translated to local languages, currently 17 different ones.

Concretely, the update means that the company is strengthening and clarifying the exposure of Zinzino's successful concepts and the business opportunities which the company offers to its distributors. For the customers, this means that relevant information is made clearer and that it will be easier for the potential customers to find the information they are looking for. The major update and adaptation of the website for customers and salespeople was completed in the second quarter and the new web portal and the website was launched in the middle of June.

The development process continued during the rest of the year, as more announcements were made. One of three major launches was "My Account", a digital tool for Zinzino's customers. Customers can see all the information about their subscriptions and payments here and they can also amend their orders and update their address and payment details. The aim of My Account is to make things easier for Zinzino's customers, thereby reducing the workload for the company's support department, while also creating incentives for add-on sales through the digital tool.

The other major launch was "New Backoffice" for Zinzino partners. Backoffice is a digital tool where all the information on associated partners, customers and payments, for example, is visualized in a modern and graphically appealing way. The aim of New Backoffice is to provide Zinzino's partners with a better sales tool with an updated interface for associated customers and partners. The tool also means that partners do not need to contact Zinzino's partner support to the same extent as before and can instead focus more on generating sales growth for themselves and the group. The two solutions above are merged internally, which in the long run leads to more efficient development and maintenance that requires fewer IT resources. The solutions are also important tools as part of the group's continued drive towards 1 billion in sales.

At the turn of the year, the "Go Core" app was launched – a digital training tool for the sales team, where Zinzino's partners can listen to selected training materials directly on their phone or other chosen media. Go Core has for many years been a training channel available to Zinzino's partners by subscription and this has now been updated so it can be distributed through a more modern canal.

Alongside the above projects, Zinzino began a project that focuses on increasing the number of payment options for the company's customers and partners. The current platform has served very well for Nordic and American markets, but it has been harder to reach out to the rest of Europe. This market has become an increasingly important sales area where local payment solutions are an important factor for attracting new customers and partners. Thanks to a partnership with a new supplier, Zinzino will be able to offer local payment solutions on most European markets. The payment platform is also ready for local payment solutions in the rest of the world, providing Zinzino with great opportunities to establish itself further in Asia or South America, for example, in this important area. The first local payment solutions were implemented in December in the important German market as GiroPay and SEPA direct debit were launched for Zinzino's customers in Germany.

Zinzino's marketing department has focused on further developing digital material during the quarter. A number of films have been produced and published in at least 15 different languages, which means that almost 100 films were published in total during 2017. These include commercial presentation videos for the company's leading product, BalanceOil, but also films about the new potential big seller Viva – for increased concentration and well-being. In addition, the "customer offer", which is perhaps the most important customer communication for Zinzino, has been given a facelift and a solid content update.

Shorter lead times in the logistics chain

During the year, Zinzino has worked to shorten the lead time for customers, from paid to delivered orders, as well as to offer the customers delivery alternatives. Several steps have been taken, including faster verification of orders, elimination of errors in orders and extra working hours with Zinzino's 3PL suppliers, all of which have affected the lead times positively. In terms of delivery options, Zinzino has now increased the options in Germany and the Netherlands to both include home delivery and delivery to a distribution point. Zinzino has also stepped up its monitoring of the different transport providers on a general basis in order to further improve lead times and delivery quality for customers and partners on the various markets.

Another new part of the project was to investigate the option of adding an external warehouse in central Europe, where alternatives including north-eastern France and Belgium were weighed against each other. The company decided to locate it in north-eastern France, in cooperation with the logistics partner that handles Zinzino's ordinary inventory management in Trollhättan for other markets. The new external warehouse is expected to be operational during the early part of the second quarter of 2018. The warehouse will shorten lead times in the delivery process for the fast-growing customer groups in Germany, Spain and other countries in the region.

Faun Pharma changed CEO and carried out a restructuring programme

In the first six months, the external sales and production was high at Faun Pharma, but combined with a lower gross profit than expected, Zinzino decided to initiate a restructuring to increase efficiency at the group's production unit, focusing on production planning. This included appointing a new CEO for the subsidiary, in the form of former Quality Manager Geir Smolan. Geir began working as the group's Quality Manager in 2014 and took over as CEO of Faun in September 2017. Geir has a master's degree in chemistry and extensive experience of working with management systems for quality as well as for food safety, health and safety. It was Geir Smolan who was responsible for the process when Faun Pharma achieved certification under the ISO9001 standard in 2016.

Faun Pharma experienced temporary staffing problems during the summer months, which negatively impacted the subsidiary's profitability as production was very low for an extended period. The programme helped increase production and profitability during the second half of the year, especially during the fourth quarter. The efficiency-increasing process has continued during 2018 with good results in the form of increased profits for the subsidiary.

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 the products and services to the consumer, while much of the company's own marketing is directed at developing attractive offers to customers and offering sellers the information and knowledge they need to be able to do their job out in the field.

Marketing consists primarily of providing product information, promotional materials, basic training materials and an effective flow of information via the web, social media and e-mail. In 2017, the measures described above have been taken to develop the tools for Zinzino's sales organisation. The process continues into 2018.

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

An ever more important part of Zinzino's strategy is its internal product development. The health sector product development expertise acquired by the company through the acquisition of Bioactive Foods AS and Faun Pharma AS allows the company to focus on internal product development to a much greater extent than before. This means that the company is less dependent on its suppliers to design attractive products for the company's sales force. By means of efficient product development the company has launched two new products during 2017 and more new launches will be carried out during 2018.

ORGANISATION AND EFFICIENCY

During the year, Zinzino has continued to implement procedures to better handle the increased sales in a stable and satisfactory manner. 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. During the year, results have included the new website and the new Backoffice tool for Zinzino's salesforce.

FINANCIAL FORECAST FOR 2018

The Board of Directors of Zinzino forecasts that the total revenues for 2018 will be SEK 580–620 million. The operating margin before depreciation and amortisation as a percentage is estimated to increase compared with last year. The target for average growth in sales at Zinzino for the period 2018–2020 is a minimum of 15% and for the operating margin before depreciation and amortisation to increase to > 5%. The dividend policy will be at least 50% of the free cash flow so long as liquidity and the equity/assets ratio permit. Zinzino's clear ambition of achieving an SEK 1 billion turnover remains and will be realised no later than 2022.

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. The board of directors has also identified the following risks:

Risks related to purchases

The planning of purchases is a challenge during rapid expansion. Management is therefore actively working with purchase forecasts and inventory optimisation to meet the challenge effectively and avoid tying up capital in inventory unnecessarily.

Risks related to fluctuations in raw materials prices

Zinzino's product selection is based to a large extent on raw materials such as fish oil, olive oil and coffee. Sharply increasing raw material prices can entail increased costs for Zinzino. Although Zinzino continuously monitors and works to reduce its exposure a change of the price of one or more essential raw materials 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 2017 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 SEK thousand	The group		The parent company	
	2017	2016*	2017	2016*
Net turnover	495,059	436,083	3,810	3,350
Total revenue	540,322	478,922	3,810	3,388
Operating profit/loss	970	14,043	909	722
Net profit	-845	9,669	707	563
Operating margin	0.2%	2.9%	23.9%	21.3%
Net margin	-0.2%	2.0%	18.6%	16.8%
Return on equity capital	-1.1%	10.9%	2.0%	1.3%
Balance sheet total	180,856	176,135	86,358	85,613
Equity capital	80,332	88,463	35,707	43,145
Equity/assets ratio	44%	50%	41.3%	50%

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

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	SEK
Share premium reserve	36,799,047
Retained earnings	-6,141,433
Profit/loss for the year	706,609
SEK	31,364,223

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

Zinzino AB	SEK
A dividend will be paid to the shareholders of 0.45 SEK per share	14,661,011
Carried forward into a new statement	16,703,212
Total	31,364,223

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

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

INCOME STATEMENT

Divided by type of cost	Note	The group	
		01-01-2017 31-12-2017	01-01-2016 31-12-2016
Amounts in SEK thousand			
Net turnover	3.4	495,059	436,083
Other revenue	5	45,263	42,839
Total revenues		540,322	478,922
Operating costs			
Goods		-134,877	-111,017
Direct costs relating to goods sold		-245,695	-214,101
Other external costs	6, 7	-80,522	-70,473
Staff costs	8	-66,886	-58,906
Depreciation and amortisation and write-downs	10	-10,124	-8,997
Other operating costs	5	-1,248	-13,850
Total costs		-539,352	-464,879
OPERATING PROFIT		970	14,043
Profit from financial investments			
Interest revenues		138	49
Interest costs		-289	-226
Total financial items		-151	-177
PROFIT AFTER FINANCIAL ITEMS		819	13,867
PROFIT BEFORE TAX		819	13,867
Tax on the year's profit	11	-1,664	-4,198
THE YEAR'S PROFIT		-845	9,669
Referable to;			
The parent company's owners		-1,124	8,703
Minority interests		279	966

INCOME STATEMENT

Divided by type of cost	Note	The parent company	
		01-01-2017 31-12-2017	01-01-2016 31-12-2016
Amounts in SEK thousand			
Net turnover	3,4	3,810	3,350
Other revenue	5	-	38
Total revenues		3,810	3,388
Operating costs			
Other external costs	6, 7	-2,847	-2,650
Depreciation and amortisation and write-downs	10	-16	-16
Other operating costs	5	-38	-
Total costs		-2,901	-2,666
OPERATING PROFIT		909	722
Profit from financial investments			
Interest costs		-2	-
Total financial items		-2	-
PROFIT AFTER FINANCIAL ITEMS		907	722
PROFIT BEFORE TAX		907	722
Tax on the year's profit	11	-200	-159
THE YEAR'S PROFIT		707	563

BALANCE SHEET

Amounts in SEK thousand	Note	The group	
		31-12-2017	31-12-2016
ASSETS			
FIXED ASSETS			
Intangible fixed assets	12		
Goodwill		33,647	38,552
Intangible fixed assets		19,225	19,511
Total intangible fixed assets		52,872	58,063
Tangible fixed assets			
Inventories, tools and installations	13	3,036	3,322
Total tangible fixed assets		3,036	3,322
Financial fixed assets			
Deferred tax claims	15	2,481	3,962
Other long-term receivables		175	36
Total financial fixed assets		2,656	3,998
TOTAL FIXED ASSETS		58,564	65,383
CURRENT ASSETS			
Inventories, etc.			
Finished goods and goods		46,605	59,483
Advances to suppliers		6,342	4,035
Total inventories		52,947	63,518
Current receivables			
Customer receivables		4,947	8,841
Other receivables		6,497	7,281
Pre-paid costs and accrued revenues	16	8,358	7,070
Tax claims		1,124	719
Total short-total receivables		20,926	23,911
Cash at bank and in hand		48,419	23,323
TOTAL CURRENT ASSETS		122,292	110,752
TOTAL ASSETS		180,856	176,135

BALANCE SHEET

Amounts in SEK thousand	Note	The group	
		31-12-2017	31-12-2016
EQUITY CAPITAL AND LIABILITIES			
EQUITY CAPITAL			
Share capital	17	3,258	3,258
Fund for development expenditures		-	-
Other contributed capital		12,804	20,949
Other equity capital including the year's profit		57,380	57,899
Equity capital referable to the parent company's owners		73,442	82,106
Minority interests		6,890	6,357
TOTAL EQUITY CAPITAL		80,332	88,463
LIABILITIES			
Non-current liabilities			
Other long-term liabilities		573	543
Total long-term liabilities		573	543
Short-term liabilities			
Supplier liabilities		18,621	24,238
Tax liabilities		71	121
Other liabilities	19	58,613	43,431
Accrued costs and deferred revenues	20	22,646	19,339
Total short-term liabilities		99,951	87,129
TOTAL LIABILITIES		100,524	87,672
TOTAL EQUITY CAPITAL AND LIABILITIES		180,856	176,135

BALANCE SHEET

Amounts in Thousand SEK	Note	The parent company	
		31-12-2017	31-12-2016
ASSETS			
FIXED ASSETS			
Intangible fixed assets	12		
Intangible fixed assets		1,084	894
Total intangible fixed assets		1,084	894
Financial fixed assets			
Shares in subsidiaries	14	82,893	82,789
Deferred tax claims	15	460	660
Total financial fixed assets		83,353	83,449
TOTAL FIXED ASSETS		84,437	84,343
CURRENT ASSETS			
Current receivables			
Other receivables		41	35
Pre-paid costs and accrued revenues	16	1,586	187
Tax claims		-	1
Total short-total receivables		1,627	223
Cash at bank and in hand		294	1,047
TOTAL CURRENT ASSETS		1,921	1,270
TOTAL ASSETS		86,358	85,613

BALANCE SHEET

Amounts in Thousand SEK	Note	The parent company	
		31-12-2017	31-12-2016
EQUITY CAPITAL AND LIABILITIES			
EQUITY CAPITAL			
Restricted equity			
Share capital	17	3,258	3,258
Fund for development expenditures		1,084	894
Total restricted equity		4,342	4,152
Unrestricted equity			
Retained earnings		30,658	38,430
Profit/loss for the year		707	563
Total equity		31,365	38,993
TOTAL EQUITY CAPITAL		35,707	43,145
LIABILITIES			
Long-term liabilities			
Long-term liabilities to group companies		15,476	15,476
Other long-term liabilities		730	580
Total long-term liabilities		16,206	16,056
Short-term liabilities			
Supplier liabilities		146	70
Liabilities to group companies		33,837	25,984
Other liabilities	19	36	36
Accrued costs and deferred revenues	20	426	322
Total short-term liabilities		34,445	26,413
TOTAL LIABILITIES		50,651	42,469
TOTAL EQUITY CAPITAL AND LIABILITIES		86,358	85,613

REPORT ON EQUITY CAPITAL

THE GROUP'S EQUITY CAPITAL EQUITY CAPITAL	Note	Share capital	Other contributed capital	Actual currency exchange differences	Retained earnings, etc.	Total	Minority interests	Total equity capital
Equity Capital 01-01-2017		3,258	20,949	-423	58,322	82,106	6,357	88,463
Profit/loss for the year					-1,124	-1,124	279	-845
Change minority							254	254
Dividend to shareholders			-8,145			-8,145		-8,145
Currency exchange differences upon conversion of foreign subsidiaries				605		605		605
EQUITY CAPITAL 12-31-2017		3,258	12,804	182	57,198	73,442	6,890	80,332

THE PARENT COMPANY'S EQUITY CAPITAL	Note	Share capital*	Fund for dev. expenditures*	Premium share reserve	Retained earnings, etc.	Total equity capital
Equity Capital 01-01-2017		3,258	894	44,945	-5,952	43,145
Profit/loss for the year					707	707
Own reprocessing development expenditures			190		-190	-
Dividend to shareholders				-8,145		-8,145
EQUITY CAPITAL 12-31-2017		3,258	1,084	36,800	-5,435	35,707

*Restricted equity

CASH FLOW ANALYSIS

Amounts in SEK thousand	Note	The group		The parent company	
		01-01-2017 31-12-2017	01-01-2016 31-12-2016	01-01-2017 31-12-2017	01-01-2016 31-12-2016
The ongoing business					
Operating profit/loss		970	14,043	909	722
Adjustment for items which are not included in the case flow	9	11,372	10,382	54	-22
		12,342	24,425	963	700
Interest received		138	49	-	-
Interest paid		-289	-226	-2	-
Tax paid		27	-62	-	-
Cash flow from the ongoing business before change in operating capital					
		12,218	24,186	961	700
Cash flow from change in operating capital					
Increase(-)/Decrease(+) in inventories		10,571	-23,229	-	-
Increase(-)/Decrease(+) in current receivables		2,985	-1,587	-1,418	-35
Increase(+)/Decrease(-) in current liabilities		12,427	10,883	7,800	4,402
Cash flow from the ongoing business					
		38,201	10,253	7,343	5,067
Investment activity					
Acquisition of intangible fixed assets	12	-4,223	-6,939	-	-
Acquisitions of subsidiaries and other financial fixed assets	14	-116	-764	-104	-623
Acquisition of tangible fixed assets	13	-609	-2,016	-	-
Cast flow from investment activity					
		-4,948	-9,719	-104	-623
Financing activity					
Loans taken		-	-	-	-
Option issue		150	44	150	543
Dividend paid to the parent company's shareholders		-8,145	-7,763	-8,145	-7,763
New issuance through share subscription on outstanding subscription options		-	3,360	-	3,360
Cash flow from financing activity					
		-7,995	-4,359	-7,995	-3,860
THE YEAR'S CASH FLOW					
		25,258	-3,825	-756	584
Liquid assets at the start of the year					
		23,323	26,852	1,047	447
Exchange difference in liquid assets		-162	296	3	16
Liquid assets at the end of the year					
		48,419	23,323	294	1,047
Change in cash and cash equivalents					
		25,258	-3,825	-756	584

NOTES

NOTE 1 SIGNIFICANT ACCOUNTING AND VALUATION PRINCIPLES

IN GENERAL

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

Financial year

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

Business

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 revenue

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 as 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 that arises on the basis of a revenue or cost being reported in the report in one year but included in the tax declaration in another year. Loss carryforwards which will be utilised in coming tax filings are reported in this item.

Other long-term securities holdings

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

Shares in subsidiaries

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

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 the subsidiaries appears in note 14.

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

KEY NUMBERS DEFINITIONS**Gross margin**

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

Operating margin before depreciation

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

Operating margin

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

Net margin

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

Profit per share

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

Equity per share

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

Equity/assets ratio

Equity capital in percent of the balance sheet total.

NOTE 2 ESTIMATES AND ASSESSMENTS

The following estimates and assessments have been made:

- In assessing whether the group's leasing agreements are financial or operational the assessment has been made based on the form of the agreement. The agreement relating to rental of premises is assessed as operational when the group is not exposed to any risk after the contract has expired. Leasing agreements for office inventories and telephone exchanges are assessed as operational when the equipment can be returned after the term for 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 according to their acquisition value with continual depreciations. No valuation problems are deemed 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:

SEK Thousand	The group		The parent company	
	2017	2016	2017	2016
Zinzino Coffee	44,776	55,397	-	-
Zinzino Health	381,434	326,212	-	-
Event sales	4,156	3,785	-	-
Other, including Faun's sales to companies outside of the group	64,693	50,689	3,810	3,350
Total	495,059	436,083	3,810	3,350

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

Thousand SEK	The group		The parent company	
	2017	2016	2017	2016
The Nordic region	403,389	358,698	3,810	3,350
Europe, except for the Nordic region	68,420	50,759	-	-
USA	22,399	25,306	-	-
Canada	851	1,320	-	-
Total	495,059	436,083	3,810	3,350

NOTE 4 PURCHASES AND SALES BETWEEN GROUP COMPANIES

Of the year's sales, SEK 3,810 (3,350) 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	
	2017	2016	2017	2016
Currency exchange rate profits	9,639	12,874	32	92
Currency exchange rate losses	-10,887	-14,259	-70	-54
Total	-1,248	-1,385	-38	38

NOTE 6 OPERATIONAL LEASING AGREEMENTS

	The group		The parent company	
	2017	2016	2017	2016
Future minimum lease fees:				
Payable within one year	6,313	6,757	-	-
Payable later than one year but within five years	9,890	15,117	-	-
Payable later than five years	-	-	-	-
Total	16,203	21,874	-	-

	The group		The parent company	
	2017	2016	2017	2016
Leasing fees written off during the year	7,099	6,519	-	-
Total	7,099	6,519	-	-

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 5 years or 10 years, with the possibility of extension by 36 months or 60 months per time. 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	
	2017	2016	2017	2016
PricewaterhouseCoopers AB				
The auditing assignment	260	245	110	50
Other services	-	-	-	-
PricewaterhouseCoopers AS (NO)				
The auditing assignment	347	271	-	-
Other services	-	-	-	-
PricewaterhouseCoopers Aps (DK)				
The auditing assignment	68	27	-	-
Other services	-	39	-	-
PricewaterhouseCoopers Oy (FI)				
The auditing assignment	42	95	-	-
PricewaterhouseCoopers Ehf (IS)				
Auditing work beyond the auditing assignment	18	4	-	-
Alden Audit OÜ (EST)				
The auditing assignment	21	24	-	-
SIA Potapoviča un Andersone (LET)				
The auditing assignment	11	22	-	-
Total	767	727	110	50

NOTE 8 EMPLOYEES AND PERSONNEL COSTS

Salaries and other compensation	The group		The parent company	
	2017	2016	2017	2016
Salaries and compensation	50,920	43,824	-	-
- of which to the board of directors and CEO	3,371	2,850	-	-
- of which bonuses	332	1,027	-	-
Social security contributions pursuant to law and agreements	14,398	13,749	-	-
- of which to the board of directors and CEO	499	602	-	-
Of which pension costs	2,085	2,761	-	-
- of which to the board of directors and CEO	370	302	-	-
Total	65,318	57,573	-	-

Salaries and other compensation divided by country	The group		The parent company	
	2017	2016	2017	2016
Sweden				
Salaries and compensation	29,041	25,855	-	-
- of which to the board of directors and CEO	3,069	2,582	-	-
Total Sweden	29,041	28,855	-	-
Norway				
Salaries and compensation	18,992	15,980	-	-
- of which to the board of directors and CEO	302	269	-	-
Total Norway	18,992	15,980	-	-
Finland				
Salaries and compensation	624	592	-	-
- of which to the board of directors and CEO	-	-	-	-
Total Finland	624	592	-	-
Lithuania				
Salaries and compensation	21	19	-	-
- of which to the board of directors and CEO	-	-	-	-
Total Lithuania	21	19	-	-
Latvia				
Salaries and compensation	938	393	-	-
- of which to the board of directors and CEO	-	-	-	-
Total Latvia	938	393	-	-
United States				
Salaries and compensation	1,304	985	-	-
- of which to the board of directors and CEO	-	-	-	-
Total United States	1,304	985	-	-
Total	50,920	43,824	-	-

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 155 thousand and pension terms and conditions are in accordance with the company's general terms and conditions. Bonus for 2017 to the chief executive officer was SEK 540 thousand. The salary was paid by Zinzino Nordic AB and Zinzino AS.

The median number of employees

	The group		The parent company	
	2017	2016	2017	2016
Women	73	73	-	-
Men	49	40	-	-
Median number of employees	122	113	-	-

During the year 1,983 (1,222) private persons in the sales force have received compensation in the form of wages from the company. As Zinzino has no ability to influence the structure and number of their working hours, and as their potential remuneration is only paid out as commission on the turnover they generate, a conversion to full-time employees is not possible.

These have been paid wages of SEK 5,898 (3,733) thousand in the group.

Gender distribution in company management

	The group		The parent company	
	2017	2016	2017	2016
Members of the board of directors	39	39	4	4
- of which women	2	2	1	1
- of which men	37	37	3	3
Chief executive officer	1	1	1	1
- of which women	-	-	-	-
- of which men	1	1	1	1
Other persons in the management	9	9	6	6
- of which women	2	2	1	1
- of which men	7	7	5	5
Total number of women	4	4	2	2
Total number of men	45	45	9	9
Total	49	49	11	11

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

	The group		The parent company	
	2017	2016	2017	2016
Depreciation and amortisation / write-downs	10,124	8,997	16	16
Currency exchange rate profits	-9,639	-12,874	-32	-92
currency exchange rate losses	10,887	14,259	70	54
Total items not included in the cash flow	11,372	10,382	54	-22

NOTE 10 DEPRECIATION AND AMORTISATION AND WRITE-DOWNS

Depreciation and amortisation according to plan

	The group		The parent company	
	2017	2016	2017	2016
Intangible fixed assets	4,421	3,331	-	-
Inventories	783	768	-	-
Goodwill	4,904	4,904	-	-
Trademark protection	16	16	16	16
Adjustment for options claims	-	-22	-	-
Total depreciation and amortisation according to plan	10,124	8,997	16	16
Write-down of intangible fixed assets	-	-	-	-
Total depreciation and amortisation and write-downs	10,124	8,997	16	16

NOTE 11 TAX

	The group		The parent company	
	2017	2016	2017	2016
Current tax	-184	-257	-	-
Deferred taxes which have been incurred or reversed during the period	-1,480	-3,941	-200	-159
Re-evaluation of deferred tax claims	-	-	-	-
Tax on the year's profit	-1,664	-4,198	-200	-159
Reported profit before tax	819	13,867	907	722
Tax calculated at the applicable tax rate (22%)	-180	-3,051	-200	-159
Tax effects of non-deductible costs	-133	-35	-	-
Tax effects of non-taxable revenues	-	-	-	-
Effect of foreign tax rates	-227	-46	-	-
Effect of goodwill amortisation	-1,079	-1,079	-	-
Effect of loss carryforwards	-	-	-	-
Other	-45	13	-	-
Reported tax cost	-1,664	-4,198	-200	-159

NOTE 12 INTANGIBLE FIXED ASSETS

The group	Goodwill	Software	Other intangible assets	Total
Accumulated acquisition value				
Opening balance 1 January 2017	49,042	22,499	3,994	75,535
Conversion differences	-	-	-150	-150
Earned Value	-	4,033	190	4,223
Closing balance 31 December 2017	49,042	26,532	4,034	79,608
ACCUMULATED DEPRECIATION AND AMORTISATION				
Opening balance 1 January 2017	-10,490	-6,067	-915	-17,472
Conversion differences	-	-	61	61
The year's depreciation and amortisation	-4,905	-3,869	-551	-9,325
Closing balance 31 December 2017	-15,395	-9,936	-1,405	-26,736
BOOK VALUE 31 DECEMBER 2016	38,552	16,432	3,079	58,063
BOOK VALUE 31 DECEMBER 2017	33,647	16,596	2,629	52,872

The parent company	Patent	Total
Accumulated acquisition value		
Opening balance 1 January 2017	894	894
Earned Value	190	190
Closing balance 31 December 2017	1,084	1,084
ACCUMULATED DEPRECIATION AND AMORTISATION		
Opening balance 1 January 2017	-	-
The year's depreciation and amortisation	-	-
Closing balance 31 December 2017	-	-
BOOK VALUE 31 DECEMBER 2016	894	894
BOOK VALUE 31 DECEMBER 2017	1,084	1,084

NOTE 13 INVENTORIES, TOOLS AND INSTALLATIONS

	The group		The parent company	
	2017	2016	2017	2016
Opening acquisition values	6,532	4,591	-	-
Conversion differences	-44	-75	-	-
The year's acquisitions	-609	2,016	-	-
Closing acquisition values	7,097	6,532	-	-
Opening depreciation and amortisation	-3,210	-2,652	-	-
Conversion differences	-68	210	-	-
The year's depreciation and amortisation	-783	-768	-	-
Closing accumulated depreciation and amortisation	-4,061	-3,210	-	-
Closing residual value according to plan	3,036	3,322	-	-

NOTE 14 SHARES IN SUBSIDIARIES

	The parent company	
	2017	2016
Opening acquisition value	82,789	82,166
Acquisition of shares in Zinzino Nordic	104	390
Acquisition of Zinzino GmbH	-	233
Acquisition of Faun Pharma AS	-	-
Closing book value	82,893	82,789

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
Zinzino Direct Sales S.R.L	100%	100%	RO 38081630	Bucharest

Subsidiaries wholly owned by Zinzino Nordic AB:

Specification of subsidiary	Share in %	Voting rights share in %	2017	2016
			Book value	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
2Think	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
2Think AB	556667-3983	Gothenburg

NOTE 15 DEFERRED TAX CLAIMS

	The group		The parent company	
	2017	2016	2017	2016
Tax effect of loss carryforwards	2,481	3,962	460	660
Total	2,481	3,962	460	660

NOTE 16 PRE-PAID COSTS AND ACCRUED REVENUES

	Group		The parent company	
	2017	2016	2017	2016
Pre-paid rental costs	528	461	-	-
Pre-paid other costs	3,315	2,110	175	57
Pre-paid cost for sales conference	3,100	3,900	-	-
Debit card receivables	1,301	469	-	-
Pre-paid trademark protection	114	130	114	130
Accrued administration revenue	-	-	1,297	-
Total	8,358	7,070	1,586	187

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 15 (5) million and for the parent company SEK 0 (0). Utilised overdraft facility is SEK 0 (0) thousand.

NOTE 19 OTHER LIABILITIES

	The group		The parent company	
	2017	2016	2017	2016
Value added tax liability	3,999	4,680	-	-
Personnel withholding tax	880	704	-	-
Statutory social security contributions	1,657	1,472	-	-
Commission liability	47,032	35,190	-	-
Liability to credit institutions	-	-	-	-
Unidentified payments	2,754	112	-	-
Other liabilities	2,291	1,273	36	36
Total	58,613	43,431	36	36

NOTE 20 ACCRUED COSTS AND DEFERRED REVENUES

	The group		The parent company	
	2017	2016	2017	2016
Accrued wage-related costs	8,667	8,856	-	-
Accrued commission	9,333	6,324	-	-
Accrued audit	604	479	210	-
Accrued freight cost	378	433	-	-
Accrued IT costs	39	229	-	-
Accrued consultant costs	155	177	155	177
Accrued rental cost	1,343	1,566	-	-
Accrued complaints costs	-	818	-	-
Accrued customer costs	1,226	-	-	-
Other accrued costs	901	457	62	143
Total	22,646	19,339	427	320

NOTE 21 SECURITY PROVIDED AND CONTINGENT LIABILITIES

	The group		The parent company	
	2017	2016	2017	2016
Security provided	15,461	8,010	NONE	NONE
Contingent liabilities	NONE	NONE	NONE	NONE

The group has floating charges of SEK 15,000 (6,000) thousand and customs guaranties totalling SEK 361 (1,910) thousand. Restricted bank assets are SEK 100 (100) thousand and relate to bank guaranties to suppliers.

NOTE 22 PROPOSAL FOR DISPOSITION OF PROFIT

The annual meeting has the following at its disposal:

Zinzino AB	SEK
Share premium reserve	36,799,047
Retained earnings	-6,141,433
Profit/loss for the year	706,609
SEK	31,364,223

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

Zinzino AB	SEK
A dividend will be paid to the shareholders of 0.45 SEK per share	14,661,011
Carried forward into a new statement	16,703,212
Total	31,364,223

GOTHENBURG 23 APRIL 2018

Hans Jacobsson
Chairman of the board of directors

Pierre Mårtensson
Director

Gabriele Helmer
Director

Staffan Hillberg
Director

Dag Bergheim Pettersen
Chief Executive Officer

Our audit report was delivered on 24 April 2018.
Öhrlings PricewaterhouseCoopers AB

Magnus Götenfelt
Certified Public Accountant

ZINZINO



ANNUAL REPORT **2017**



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 2017. The company's annual report and the group accounts are included in pages 50–76 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 2017 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 expected 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/revisorn-sansvar. 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 2017 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.

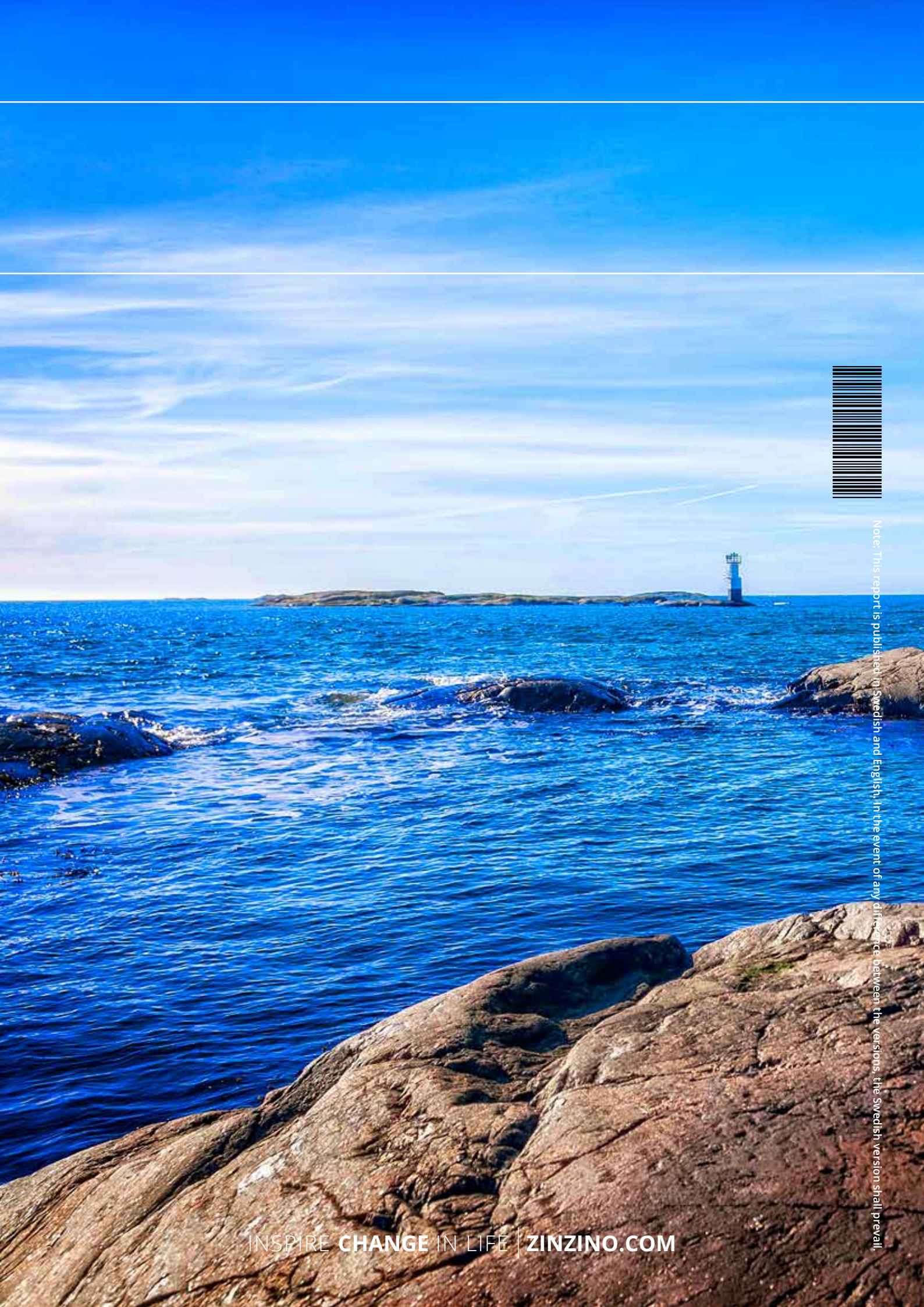
Our goal with the auditing of the proposal for allocations of the company's profit or loss, and therewith our conclusions regarding this, is to assess with a reasonable degree of certainty whether the proposal is consistent with the Swedish Companies Act.

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/revisornsansvar. This description is a part of the audit report.

Gothenburg 24 April 2018
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.