

# ZINZINO



**+8% TOTAL REVENUE  
3.8% EBITDA  
SEK 0.7 PROPOSED  
SHARE DIVIDEND**

YEAR-END REPORT | **2018**

# 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, consisting of espresso machines, coffee and tea.

Zinzino owns the Norwegian research company BioActive Foods AS and the production unit Faun Pharma AS. Zinzino has just over 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 both as one of Veckans Affärer's 'Super Companies' and as Dagens Industri's 'Gazelle Company'.

## A BRIEF HISTORY

**2007** - Zinzino AB was started. The company's principal business is to own and develop 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 for shares in the preference i suance Zinzino Nordic AB carried out in December 2009. Through this, Zinzino AB acquired control of 97% of the votes and 92% of the capital of Zinzino Nordic AB. As at 31 December 2015, the ownership share had increased to 93% of the capital.

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

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

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

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

**2014** - The group was further expanded by companies in Poland and the Netherlands. 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** - Sales in Switzerland began.

**2018** - New subsidiaries was started in Romania and Italy.

# ZINZINO YEAR-END REPORT 2018 | Q4

## JANUARY-DECEMBER

- Total revenue increased by 8% to SEK 585.6 (540.3) million.
- Gross profit increased by 20% and amounted to SEK 191.7 (159.8) million.
- The gross profit margin increased by 3.1 percentage points to 32.7% (29.6%).
- EBITDA increased by 100% and amounted to SEK 22.2 (11.1) million.
- EBITDA margin increased by 1.7 percentage points to 3.8% (2.1%).
- Cash flow from operating activities totalled SEK 20.4 (38.0) million.
- Liquid assets at the balance sheet date were SEK 45.4 (48.4) million.
- The Board of Directors proposes a dividend for 2018 to shareholders of SEK 0,7 per share by an ordinary dividend of SEK 0,5 (SEK 0,45) and a special dividend of SEK 0,2 (-) in the same dividend period. The additional dividend is explained by Zinzino's strong balance sheet without interest-bearing liabilities and with strong liquidity.

## OCTOBER-DECEMBER

- Total revenue increased by 6% to SEK 163.9 (154.7) million.
- Gross profit increased by 17% and amounted to SEK 52.7 (45.2) million.
- The gross profit margin amounted to 32.2% (29.2%).
- EBITDA totalled SEK 2.0 (-2.3) million.
- EBITDA margin amounted to 1.2% (-1.5%).
- Continued strong growth in Europe; revenue rose by 158% during the quarter.
- Zinzino develops its global online shop, enabling sales across the world.

# STRONG IMPROVEMENT IN **PROFIT**

**We look back on another overall good quarter in line with our goals. We are happy with 6% growth in Q4 and 8% for the full year in combination with good profitability, and that we are making progress at all levels compared with the previous year.**

Some markets have been growth 'rockets' over the year, with Hungary and Germany as our prime examples. At the same time our home market of Sweden continues to grow in both Q4 and throughout the year. Our goal is to achieve profitable growth, which is what we strive for in our strategic plan. We get paid for the positive and long-term work our sales organisation invests in our business across our various markets, which is reflected in our increased sales and growth of customers.

## **CENTRAL EUROPE AND NEW MARKETS**

The Nordic countries today account for 70% of our total turnover but we can see that Germany, Holland, Latvia, Switzerland, Austria, Spain, Italy, Romania, and not least Hungary, are all increasing strongly during the quarter. We must increase our focus on these markets, as well as the United States and Australia. The global health trend, combined with an increased focus on e-commerce solutions, strong products and increased brand awareness in recent quarters, will provide us with strong growth towards our goal of a 15% increase in revenue for 2019. We intend to take advantage of the fact that we are a Scandinavian, transparent and publicly listed company at the forefront of product development and the current digital shift towards e-commerce.

## **KAIZEN**

In recent years, we have invested in growth and increased customer satisfaction in order to achieve our ambitious superior goals. In previous reports we have spoken about our investments in our focus areas: the digital shift with our new ZinzinoHub, the modern digital sales tool, improved

logistics and faster lead times that are important for e-commerce. In addition to this, we have implemented new smart payment solutions, new marketing materials with new commercials, product development, and increased brand awareness through our brand new Brand Book. We now see that these investments are not only generating growth but also contributing to an improved working environment and increased motivation of our skilled distributors and among our employees.

## **GLOBAL ONLILNE SHOP**

Another great piece of news is that we are opening a Global Online Shop, aimed at customers around the world. It is a sly start for something that we expect will in future lead to us full-scale opening the markets which generate many new customers, which in turn helps us to achieve our growth objectives.

## **PROFITABLE GROWTH**

In recent years we have launched several new health products in a number of new countries, in order to achieve one billion kronor in sales over the next few years. We have a highly scalable business model and we will improve profitability in line with the expectations of growth being achieved.

**Dag Bergheim Pettersen, CEO, Zinzino**

Inspire change in life



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***"Strong sales growth in  
Europe and doubled  
EBITDA in the fourth quarter."***

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# FINANCIAL SUMMARY (SEK MILLION)

THE GROUP'S KEY FIGURES*	Q4 - 2018	Q4 - 2017	FULL YEAR 2018	FULL YEAR 2017
Total revenue	163.9	154.7	585.6	540.3
Net sales	152.5	142.7	538.3	495.1
Sales growth	6%	7%	8%	13%
Gross profit	52.7	45.2	191.7	159.8
Gross profit margin	32.2%	29.2%	32.7%	29.6%
Operating profit before depreciation/amortisation	2.0	-2.3	22.1	11.1
Operating margin before depreciation/amortisation	1.2%	-1.5%	3.8%	2.1%
Operating profit	-1.2	-5.2	10.1	1.0
Operating margin	-0.7%	-3.3%	1.7%	0.2%
Profit/loss before tax	-1.2	-5.2	9.9	0.8
Net profit	-0.5	-3.4	6.9	-0.8
Net margin	-0.3%	-2.2%	1.2%	-0.2%
Net earnings per share after tax before dilution, SEK	-0.02	-0.10	0.21	-0.03
Net earnings per share after tax at full dilution, SEK	-0.02	-0.10	0.20	-0.02
Cash flow from operating activities	0.4	10.6	20.4	38.0
Cash and cash equivalents	45.4	48.4	45.4	48.4
Equity/assets ratio	35%	44%	35%	44%
Equity per share, SEK before dilution	2.20	2.47	2.20	2.47
Number of issued shares on average for the period	32,580,025	32,580,025	32,580,025	32,580,025
Number of issued shares on average for the period with full dilution	34,280,025	34,280,025	34,280,025	34,081,395

## ZINZINO'S OUTLOOK AND FINANCIAL GOALS FOR 2019

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

The target for average growth in sales at Zinzino for the period 2019-2021 is a minimum of 15% and operating margin before depreciation/amortisation will increase to >5%. The dividend policy will be at least 50% of the free cash flow, as long as liquidity and the equity/assets ratio permit.

Zinzino's clear ambition of achieving an SEK 1 billion turnover by 2022 still stands.

# SIGNIFICANT EVENTS DURING AND AFTER THE **FOURTH QUARTER, 2018**



## **AGILE IT PROCESSES ALLOW FOR AN INCREASED RATE OF DEVELOPMENT OF THE DIGITAL TOOLS AND PLATFORMS**

During the fourth quarter, Zinzino continued the process of developing the digital platforms. Several major projects that the company has run for a lengthy period have been launched or updated during the quarter. The new portal that manages the company's communications to both distributors and customers has been launched during the fourth quarter in Sweden, Norway, Germany, Austria and Switzerland.

Other markets will be launched in 2019. Zinzino will also focus on developing automated mail based on one-time events, which means that all Customers and Partners will receive personalised and relevant information, presented in a modern way with stylish design.

The development of Zinzino Hub also continued during the fourth quarter. Via the digital tool, Zinzino's distributors can increase their sales by linking contacts through social media channels and easily follow up on which contacts have responded to the message. It is also possible for those who receive the information to directly register as customers and to purchase products.

During the quarter, a new capture page was added for business opportunities. The BalanceOil and Viva capture pages have been updated with versions in Finnish, German, Danish, Norwegian, Swedish and Lithuanian. The company estimates that the digital tool for the sales force will be a new, powerful and modern tool in marketing efforts and, in particular, for the important North American market.

Zinzino's IT organisation has been increased by more than 100% in 2018 which means increased demands on structure, and a greater focus on routines and tools. In the last six months, working routines in Zinzino's IT department have therefore switched to an agile approach, and 2019 will see us continue to deliver several large projects.

## **ZINZINO'S BRAND BOOK LAUNCHED**

The fourth quarter also saw the continued strategic development of the brand. An important part of the process has been the development of the company's first Brand Book. A clear, strong brand raises awareness of the company and contributes to increased turnover. Zinzino's Brand Book provides the company's employees and distributors with guidelines on how Zinzino's brand and values should be communicated to the outside world. In Zinzino's Brand Book, the reader will find guidelines expressing the company's and distributors' common values and how Zinzino should be experienced. Zinzino's Brand Book was launched in the fourth quarter of 2018.





## **BENVENUTO ITALIA!**

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

## **GLOBAL ONLINE SHOP**

In the last quarter of 2018, Zinzino also worked on an exciting new project to open up for global sales in areas of the world where the company is not yet established.

Sales will be made via export from Sweden and initially only a limited range of products will be offered. The logistics will be handled via DHL and UPS, covering virtually the entire world. The payments will be handled using the new payment platform, which also can manage payments from around the world.

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## **ZINZINO EXPANDS OPERATIONS IN CZECH REPUBLIC AND SLOVAKIA AFTER FAVOURABLE SALES DEVELOPMENT.**

Since the start of sales in summer 2016, the sales development has been very good in several central European countries. In particular, the Hungarian market increased its turnover and in a very short time the country has grown into an important market in terms of sales. The country's strategic position in central Europe has contributed to the significant synergistic effects between the sales organisations in the region's countries. These synergies have now resulted in sales also rapidly increasing over the fourth quarter in the two neighbouring countries of Czech Republic and Slovakia. This is why Zinzino is deepening its establishment in both countries through local registration, adaptation of replacement models based on local conditions and currency conversion.

## **CONTINUED PROCESS TOWARDS IFRS**

The Board has made the decision that the company will replace the current K3 standard with the International Financial Reporting Standards (IFRS). The process has continued in the fourth quarter. The company aims to make Q1 2019 the first reporting period and the first financial report in accordance with IFRS.

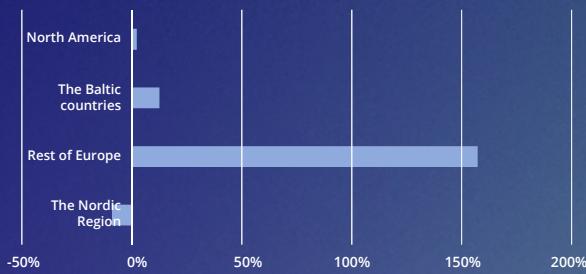
# TURNOVER AND PROFIT 2018 | Q4

## Q4

### FOURTH QUARTER – SALES

Total revenue for the fourth quarter in 2018 was SEK 163.9 (154.7) million, which corresponds to growth of 6% (7%) compared with the same period last year.

### GROWTH PER MARKET 2018 VERSUS 2017



In the Nordic countries, total revenue dropped by 9% to SEK 114.4 (125.7) million. In Sweden and in Denmark, revenue was in line with last year. The same applies to the Norwegian subsidiary and the production unit Faun Pharma. On the other hand, Zinzino's revenue decreased in Norway, Finland and Iceland compared with the last quarter of 2017. This is mainly due to reduced distributor activity in the countries during the quarter. The reason for the decreased activity is complex, but a common feature of the different countries is how well the distributors are performing with the product mix and sales tools that Zinzino offers.

Norway and Finland have been key growth markets for the company for a long time and Zinzino is therefore working actively to reverse the negative trend by making big investments, in the form of the development of digital platforms and brand, as well as by supporting strategically important distributors. This is expected to help reverse the trend of these sales-wise very important markets for Zinzino.

The company believes that the good growth will continue both in the domestic market and in Denmark based on the active and structured way that the Swedish and Danish sales organisations carry out Zinzino's concept. This development of sales was shown by the two countries at the beginning of 2019. In Norway and Finland the company predicts that the sales decline will ease up at the beginning of 2019. Zinzino supports the local highly motivated distributors to turn the sales trend around.

In the Baltic countries, revenue increased in total by 12% to SEK 13.0 (11.6) million in the fourth quarter. This was primarily due to continued strong sales growth in Latvia. Zinzino's distributors in Latvia have for a long time had a major focus on customer growth by building long-term customer relationships with

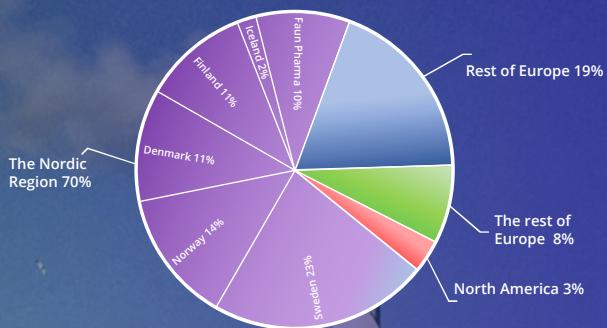
Zinzino's test-based balance concept, which contributed to the strong growth. Zinzino continues to support sales organisations in the Baltic countries through marketing automation and customer support and tracks increased growth in Baltic countries in 2019, mainly through increased distributor activity in Estonia and Lithuania.

Among the remaining markets in Europe, the good growth trend continued in most markets and revenue rose by 158% to SEK 31.0 (12.0) million, mainly driven by the favourable sales development in the central European markets of Germany and Hungary. The skilled sales organisation in Hungary works in a dedicated and structured way, and have major cross-border contacts. This has in turn led to several nearby markets such as the Czech Republic, Slovakia and Poland also moving strongly ahead in the last quarter of 2018. Even in Germany the good sales growth continued during the fourth quarter.

Southern Europe also saw continued good sales growth in the last quarter of the year, primarily driven by strong growth in the Italian market where distributor activity has been very high in the last quarter. For this reason, Zinzino have an ongoing process to expand their establishment with a local subsidiary to further support the development of the market.

In North America, the digital investment companies continue to generate results. Revenue in North America amounted to SEK 5.5 (5.4) million during the quarter, equivalent to 2% growth compared to 2017. Zinzino will continue to support the sales organisation by implementing several strategic measures to further adapt the business for the North American market. Part of this will be the recruitment of key personnel with core expertise from growth companies within the direct sales industry.

## GEOGRAPHIC DISTRIBUTION OF SALES

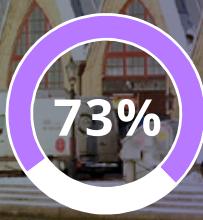


The Nordic countries continued to account for the majority of the company revenue in Q4 according to geographical distribution. The proportion amounted to 70% (81%). The Baltic countries increased their share to 8% (7%). The rest of Europe continued to increase its share of total revenue and accounted for 19% (9%) during the quarter, mainly through the favourable sales development in the region, with Hungary and Germany in the lead. North America accounted for the remaining 3% (3%) of the total revenue.

Sales  
**SEK MILLION 163.9** (154.7)

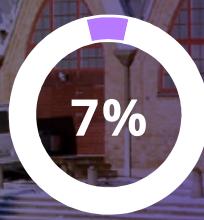
### REVENUES

#### HEALTH



(2018; SEK 120.0 (109.3) million)

#### COFFEE



(2018; SEK 12.2 (13.1) million)

#### OTHER REVENUE

10%

(2018; SEK 15.9 (15.9) million)

#### FAUN

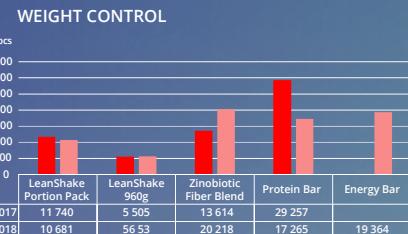
10%

(2018; SEK 15.8 (16.4) million)

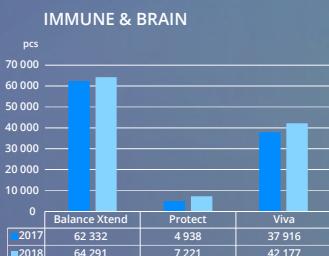
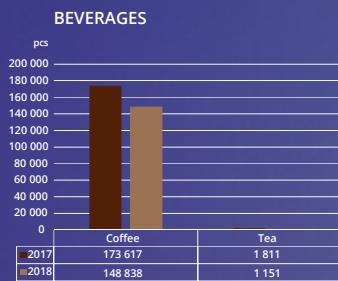
The Zinzino Health product segment increased by 10% to SEK 120.0 (109.3) million and represented 73% (71%) of total revenue. The Coffee product segment decreased by 7% to SEK 12.2 (13.1) million, which is equivalent to 7% (8%) of total revenue.

Faun Pharma AS increased its external sales to SEK 15.8 (16.4) million, which corresponded to 10% (10%) of total revenue. Other revenue amounted to SEK 15.9 (15.9) million, which was equivalent to the remaining 10% (11%) of revenue for the quarter.





\*lanserades 2018



During the quarter, the number of Balance units sold increased by 5% to 333,111 (316,283). Immune & Brain grew by 8% to 113,689 (105,186) units sold. Weight Control increased by 22%, driven by increased sales of the new Energy Bar, to 73,181 (60,116 units). Skin Care grew by 2% to 26,910 (26,351) units sold. Beverages decreased by 15% to 149,989 (175,428) units sold, despite the fact that the company launched the new Xpress'OH coffee machine in the colours Black and Ice Pearl during the quarter.

In general, the trend in the fourth quarter has been that all the complementary products to BalanceOil have increased in sales, indicating that the product strategy chosen, to await further additional product releases and to focus on spreading the need for complementary products via distributors in the various markets, was the right path for Zinzino.

## FOURTH QUARTER – COSTS AND PROFIT/LOSS

Gross profit was SEK 52.7 (45.2) million and the gross profit margin was 32.2% (29.2%). Behind the gross profit improvement was mainly the effect of the significantly increased cost control. In addition the increased share of the Health segment in the sales mix and cost-saving measures in production, and the purchasing team reduced the cost of goods. All in all, this has led to an improvement in gross profit margin, stabilising at the expected level according to the company's assessment.



EBITDA amounted to SEK 2.0 (-2.3) million and the operating margin before depreciation/amortisation was 1.2% (-1.5%). In October, Zinzino held the company's annual event for the global sales organisation, with everyone gathered in Globen arena, Stockholm. The annual event is a key part of the business that the company holds each autumn with the aim of increasing motivation in the sales organisation and thereby promoting growth over the coming year. Together with other development processes that the company conducted during the quarter, this gave a short-term negative effect on profitability.

Operating profit amounted to SEK -1.2 (-5.2) million and the operating margin was -0.7% (-3.3%).

Profit before tax totalled SEK -1.2 (-5.2) million and net profit was SEK -0.5 (-3.4) million.

## DEPRECIATION/AMORTISATION

Depreciation and amortisation for the quarter were charged to the profit for the period by SEK 3,156 (2,859) thousand, of which SEK 257 (174) thousand was depreciation of tangible fixed assets, SEK 1,673 (1,458) thousand was depreciation of intangible fixed assets, and SEK 1,226 (1,226) thousand was depreciation of goodwill.

## CASH FLOW

Increased capital tied up in inventory contributed to the cash flow from operating activities remaining at SEK 0.4 (10.6) million. Cash flow from investment activities amounted to SEK -4.8 (-0.5) million, mainly due to large investments in intangible assets, such as the new digital communication portal Domino and digital sales tool ZinzinoHub.

Overall this gave a total cash flow of SEK -4.4 (11.7) million for the group in the fourth quarter.



# CONSOLIDATED PROFIT AND FINANCIAL POSITION ACCUMULATED 2018 | Q1 - Q4

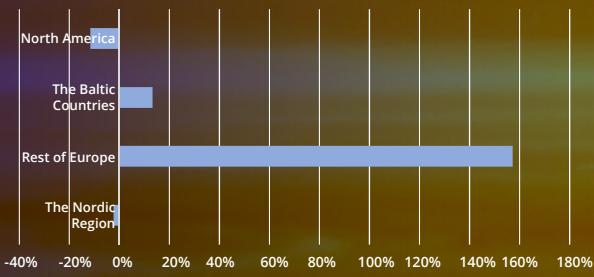
## Q1 - Q4

### CONSOLIDATED PROFIT AND FINANCIAL POSITION ACCUMULATED Q1-Q4 2018

#### REVENUE

Total revenue for 2018 amounted to SEK 585.6 (540.3) million, which corresponds to a growth of 8% (13%) compared with the previous year.

#### Growth per market 12 months 2018 vs 2017



In the Nordic countries, total revenue decreased by 2% to SEK 433.0 (443.2) million following good growth in Sweden and Denmark but decreased revenue in Norway, Finland and Iceland. Revenue for the production unit Faun Pharma AS also marginally decreased when compared with the previous year.

In the Baltic countries, the total revenue for the region increased by 13% to SEK 44.8 (39.6) million. Behind the increase in sales was primarily the good growth in Latvia. This meant that, generally speaking, the region once again experienced an upswing.

In Europe, revenue rose a total of 158% to SEK 86.8 (33.7) million, mainly driven by developments in Hungary and Germany. These countries have rapidly grown on many established markets and accounted for a significant proportion of total sales outside the Nordic countries in 2018. Good growth was also seen in most of the other countries in the region such as the Netherlands, Poland, Austria and Switzerland. In southern Europe it was mainly Italy, which showed an increase in sales in 2018.

In North America, revenue decreased by 12% to SEK 21.0 (23.8) million primarily following a weak first half of the year with declining sales. The market bounced back in the second half of the year with growth in the last quarter.

A common feature of Zinzino's emerging markets is that they are run by committed distributors working in a structured and active way. In central Europe the average age of dealers is generally higher and many have extensive experience in direct sales and/or have a high level of education. What they have in common is that they have a wide cross-border contact network to neighbouring countries in the region. Work is carried

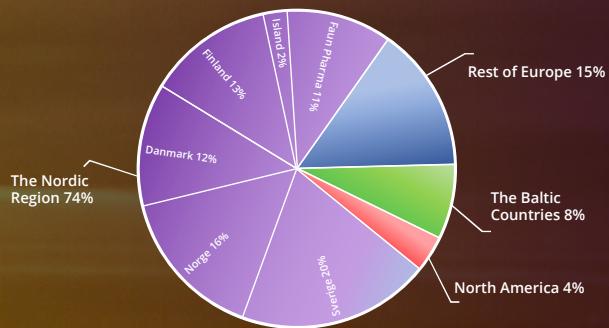
out with a strong focus on Zinzino's Balance concept, which has been positively received by a large number of new customers in Zinzino's new markets. On the more established markets, it is mainly the structured work by experienced distributors with long-term customer focus that has resulted in sustained growth.

As described above, and also earlier in the year, the company is implementing a series of measures to stimulate sales growth in the various markets. In the past, there have been strategic options to boost growth by increasing the remuneration levels to the sales force which negatively affected profitability in the short term. Now the company works more towards the long term and invests more resources in the development of IT systems and marketing tools, which generates growth in the long term and does not negatively affect profitability to the same extent as past sales promotion measures. In the last few months, the company has begun to see positive effects in several markets where efforts were made, including the important North American market.

When the company implements an expansion into a new market, this occurs mainly when the company's market analysis shows that there are good opportunities to establish an effective sales organisation locally. This is primarily achieved via contact to the already established sales organisations in neighbouring markets. This is what is behind the good sales performance of the relatively newly-established markets in

central and southern Europe. These contacts can occasionally also carry across continents, which has been behind the future launches for 2019 in Australia and India. The establishment model follows the same concept for the various markets with customisation of websites and marketing materials in the local languages. Following the majority of the implemented establishment processes in recent years, the company has learned the importance of ensuring thorough preparatory work and adapting to the local conditions in each market. Zinzino will continue to develop 'best practice' through the company's experience during the establishment process in Australia and India to adapt business activities to achieve rapid growth in the new markets in 2019.

### GEOGRAPHIC DISTRIBUTION OF SALES



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

Sales  
**MSEK** **585.6** (540.3)

### REVENUES

#### HEALTH



(2018; SEK 427.2 (379.6) million)

#### COFFEE



(2018; SEK 43.1 (46.8) million)

#### OTHER REVENUE



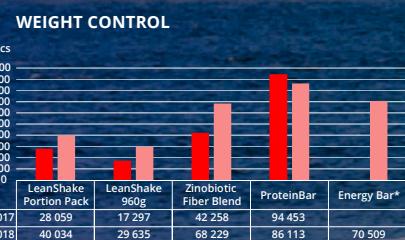
(2018; SEK 51.7 (49.2) million)

#### FAUN

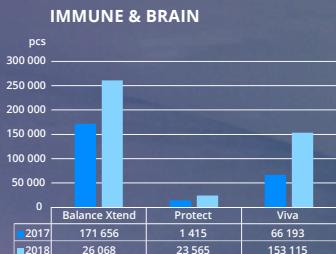
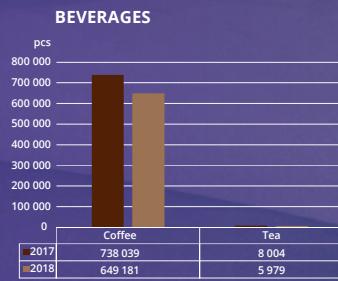


(2018; SEK 63.6 (64.7) million)

The product segment Zinzino Health increased by 13% to SEK 427.2 (379.6) million, which represented 73% (70%) of total revenue. The Coffee product segment amounted to SEK 43.1 (46.8) million and decreased by 8% and contributed 7% (9%) of total revenue. Faun Pharma reduced external revenue by 2% to SEK 63.6 (64.7) million, which represented 11% (12%) of total revenue. Shipping and other revenue amounted to SEK 51.7 (49.2) million, which represented the remaining 9% (9%) of revenue.



\*lanserades 2018



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

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

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

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

Beverages dropped by 12% to 655,160 (746,043) units sold. Zinzino launched the new Xpress'OH coffee machine in October and there are signs that it can increase new sales and thus slow the sales decline. The company has had less focus on the coffee segment and chosen not to launch it on the new markets, due to the generally lower gross margins in this product area. It has greatly contributed to the decline in sales in Beverages.

## COSTS AND PROFIT

Gross profit amounted to SEK 191.7 (159.8) million. The gross profit margin was 32.7% (29.6%). Behind the gross profit improvement was mainly the effect of the significantly increased cost control. In addition the increased share of Zinzino Health in the sales mix and the subsidiary, Faun Pharma's improved gross profit margin on external sales.

EBITDA for 2018 amounted to SEK 22.2 (11.1) million and the operating margin before depreciation/amortisation was 3.8% (2.1%). Operating profit amounted to SEK 10.1 (1.0) million and the operating margin was -1.7% (0.2%).

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

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



## INVENTORIES

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

## FINANCIAL POSITION

On the balance sheet date, cash totalled SEK 45.4 (48.4) million. The Group equity/assets ratio was 35% (44%). Group equity at the end of the quarter totalled SEK 71.6 (80.3) million, equivalent to SEK 2.20 (2.47) per share (before dilution). The continued assessment of the Board of Directors is that liquid assets are at a satisfactory level and that the group's positive cash flow from operating activities will ensure liquidity in the group for the foreseeable future.

## ORGANISATION

In 2018, Zinzino has continued to enhance resources within the organisation to more efficiently operate the digital development processes going forward. A new CTO has also been employed as project manager for both the IT department and marketing department, in order to streamline the development processes throughout the company. In addition, both these departments have been expanded with further resources in accordance with the strategic development plan that Zinzino is following. It has also recruited a new Controller Manager to strengthen the company's economic function in respect of analysis and internal control. The workforce increased by a total of 10 employees in the Group during 2018.



## INCOME STATEMENTS **ZINZINO GROUP** (SEK THOUSANDS)

Amounts in SEK thousands	01/10/2018	01/10/2017	01/01/2018	01/01/2017
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net sales	152,530	142,683	538,341	495,059
Other revenue	11,378	12,058	47,226	45,263
Goods for resale and other direct costs	-111,206	-109,514	-393,835	-380,572
<b>Gross profit</b>	<b>52,702</b>	<b>45,227</b>	<b>191,732</b>	<b>159,750</b>
External operating expenses	-30,893	-28,946	-97,435	-81,770
Staff costs	-19,810	-18,592	-72,170	-66,886
Depreciation/amortisation	-3,152	-2,865	-12,012	-10,124
<b>Operating profit</b>	<b>-1,153</b>	<b>-5,176</b>	<b>10,115</b>	<b>970</b>
Net financial items	-59	-53	-192	-151
Tax	663	1,821	-3,016	-1,664
<b>Profit/loss for the period</b>	<b>-549</b>	<b>-3,408</b>	<b>6,907</b>	<b>-845</b>

# INCOME STATEMENTS **ZINZINO AB**

(SEK THOUSANDS)

Amounts in SEK thousands	01/10/2018	01/10/2017	01/01/2018	01/01/2017
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net sales	1,671	1,310	5,371	3,810
Other revenue	-	-	-	-
Goods for resale and other direct costs	-	-	-	-
<b>Gross profit</b>	<b>1,671</b>	<b>1,310</b>	<b>5,371</b>	<b>3,810</b>
External operating expenses	-835	-809	-3,871	-2,885
Depreciation/amortisation	-58	-4	-233	-16
<b>Operating profit</b>	<b>778</b>	<b>497</b>	<b>1,267</b>	<b>909</b>
Net financial items	7,700	-	7,700	-2
Tax	-171	-109	-279	-200
<b>Profit/loss for the period</b>	<b>8,307</b>	<b>388</b>	<b>8,688</b>	<b>707</b>

# BALANCE SHEETS **ZINZINO GROUP**

(SEK THOUSANDS)

Amounts in SEK thousands	31/12/2018	31/12/2017
Fixed assets		
Goodwill	28,743	33,647
Intangible fixed assets	19,272	19,225
Tangible fixed assets	4,623	3,036
Financial fixed assets	321	2,656
<b>Total fixed assets</b>	<b>52,959</b>	<b>58,564</b>
Current assets		
Inventories	64,684	52,947
Current receivables	43,361	20,926
Cash and bank balances	45,459	48,419
<b>Total current assets</b>	<b>153,504</b>	<b>122,292</b>
<b>Total assets</b>	<b>206,463</b>	<b>180,856</b>
Restricted equity	4,179	3,258
Unrestricted equity	60,558	77,919
Profit/loss for the year	6,907	-845
<b>Total equity</b>	<b>71,644</b>	<b>80,332</b>
Long-term liabilities	581	573
Short-term liabilities	134,238	99,951
<b>Total liabilities</b>	<b>134,819</b>	<b>100,524</b>
<b>Total equity and liabilities</b>	<b>206,463</b>	<b>180,856</b>

# BALANCE SHEETS **ZINZINO AB**

(SEK THOUSANDS)

Amounts in SEK thousands	31/12/2018	31/12/2017
Fixed assets		
Intangible fixed assets	1,465	1,084
Financial fixed assets	83,163	83,353
<b>Total fixed assets</b>	<b>84,628</b>	<b>84,437</b>
Current assets		
Current receivables	1,543	1,627
Cash and bank balances	1,037	294
<b>Total current assets</b>	<b>2,580</b>	<b>1,921</b>
<b>Total assets</b>	<b>87,208</b>	<b>86,358</b>
Restricted equity	4,179	4,342
Unrestricted equity	16,867	30,658
Profit/loss for the year	8,688	707
<b>Total equity</b>	<b>29,734</b>	<b>35,707</b>
Long-term liabilities	16,206	16,206
Short-term liabilities	41,268	34,445
<b>Total liabilities</b>	<b>57,474</b>	<b>50,651</b>
<b>Total equity and liabilities</b>	<b>87,208</b>	<b>86,358</b>

# CASH FLOW ANALYSES

## ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	01/10/2018	01/10/2017	01/01/2018	01/01/2017
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
<b>Operating activities</b>				
Profit/loss before financial items	-1,153	-5,176	10,115	682
Depreciation and amortisation/write-downs	3,152	2,865	12,012	10,128
Other non-cash items	504	-361	-1,572	655
	<b>2,503</b>	<b>-2,672</b>	<b>20,555</b>	<b>11,465</b>
Interest received	19	15	68	134
Interest paid	-42	-72	-214	-289
Tax paid	-60	-11	-89	27
	-83	-68	-235	-128
<b>Cash flow from operating activities before changes in operating capital</b>	<b>2,420</b>	<b>-2,740</b>	<b>20,320</b>	<b>11,337</b>
<b>Cash flow from changes in operating capital</b>				
Increase(-)/Decrease(+) in inventories	-2,804	3,954	-11,737	11,421
Increase(-)/Decrease(+) in current receivables	-7,531	-629	-22,435	1,686
Increase(+)/Decrease(-) in current liabilities	8,350	10,014	34,287	13,526
<b>Cash flow from operating activities</b>	<b>435</b>	<b>10,599</b>	<b>20,435</b>	<b>37,970</b>
<b>Investment activity</b>				
Investments in intangible fixed assets	-4,195	-418	-6,236	-4,223
Investments in financial fixed assets	-	-	-88	-540
Investments in tangible fixed assets	-652	-73	-2,410	-116
<b>Cash flow from investment activities</b>	<b>-4,847</b>	<b>-491</b>	<b>-8,734</b>	<b>-4,879</b>
<b>Financing activities</b>				
Loans taken	-	-	-	-
Release of options	-	-	-	150
Dividend	-	-	-14,661	-8,145
Subscriptions for shares on outstanding subscription options	-	-	-	-
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>-14,661</b>	<b>-7,995</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-4,412</b>	<b>10,108</b>	<b>-2,960</b>	<b>25,096</b>
<b>Cash and cash equivalents at start of period</b>	<b>49,871</b>	<b>38,311</b>	<b>48,419</b>	<b>23,323</b>
<b>Cash and cash equivalents at end of period</b>	<b>45,459</b>	<b>48,419</b>	<b>45,459</b>	<b>48,419</b>
<b>Change in cash and cash equivalents</b>	<b>-4,412</b>	<b>10,108</b>	<b>-2,960</b>	<b>25,096</b>

# CASH FLOW ANALYSES **ZINZINO AB**

(SEK THOUSANDS)

Amounts in SEK thousands	01/10/2018	01/10/2017	01/01/2018	01/01/2017
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
<b>Operating activities</b>				
Profit/loss before financial items	778	497	1,267	922
Depreciation and amortisation/write-downs	58	4	233	16
Other non-cash items	-5	-5	-18	-17
	<b>831</b>	<b>496</b>	<b>1,482</b>	<b>921</b>
Interest received	-	-	-	-
Interest paid	-	-	-	-2
Tax paid	-	-	-	-
	0	0	0	-2
<b>Cash flow from operating activities before changes in operating capital</b>	<b>831</b>	<b>496</b>	<b>1,482</b>	<b>919</b>
<b>Cash flow from changes in operating capital</b>				
Increase(-)/Decrease(+) in current receivables	-790	-1,421	84	-1,418
Increase(+)/Decrease(-) in current liabilities	-7,097	672	6,823	8,035
<b>Cash flow from operating activities</b>	<b>-7,056</b>	<b>-253</b>	<b>8,389</b>	<b>7,536</b>
<b>Investment activity</b>				
Investments in intangible fixed assets	-598	-63	-598	-190
Investments in financial fixed assets	-	-	-87	-104
Investments in tangible fixed assets	-	-	-	-
<b>Cash flow from investment activities</b>	<b>-598</b>	<b>-63</b>	<b>-685</b>	<b>-294</b>
<b>Financing activities</b>				
Option issue	-	-	-	150
Dividend	-	-	-14,661	-8,145
Anticipated dividend	7,700	-	7,700	-
<b>Cash flow from financing activities</b>	<b>7,700</b>	<b>0</b>	<b>-6,961</b>	<b>-7,995</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>46</b>	<b>-316</b>	<b>743</b>	<b>-753</b>
<b>Cash and cash equivalents at start of period</b>	<b>991</b>	<b>610</b>	<b>294</b>	<b>1,047</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,037</b>	<b>294</b>	<b>1,037</b>	<b>294</b>
<b>Change in cash and cash equivalents</b>	<b>46</b>	<b>-316</b>	<b>743</b>	<b>-753</b>

## CHANGES IN EQUITY CAPITAL **ZINZINO GROUP** (SEK THOUSANDS)

Amounts in SEK thousands	01/01/2018	01/01/2017
	31/12/2018	31/12/2017
<b>Equity capital at the start of the period</b>	<b>80,332</b>	<b>88,463</b>
Dividend to shareholders	-14,661	-8,145
Currency translation differences	-934	859
Profit/loss for the period	6,907	-845
<b>Equity at the end of the period</b>	<b>71,664</b>	<b>80,332</b>

## CHANGES IN EQUITY **ZINZINO AB** (SEK THOUSANDS)

Amounts in SEK thousands	01/01/2018	01/01/2017
	31/12/2018	31/12/2017
<b>Equity capital at the start of the period</b>	<b>35,707</b>	<b>43,145</b>
Dividend to shareholders	-14,661	-8,145
Profit/loss for the period	8,688	707
<b>Equity at the end of the period</b>	<b>29,734</b>	<b>35,707</b>

# DEFINITIONS OF KEY RATIOS

## **GROSS MARGIN**

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

## **OPERATING MARGIN**

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

## **PROFIT PER SHARE**

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

## **OPERATING MARGIN BEFORE DEPRECIATION/AMORTISATION**

Operating profit before depreciation and amortisation as a percentage of the period's total revenue.

## **EQUITY PER SHARE**

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

## **NET MARGIN**

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

## **EQUITY/ASSETS RATIO**

Equity capital as a percentage of the balance sheet total.

# NUMBER OF OUTSTANDING **SHARES**

As at 31/12/2018 share capital was divided among 32,580,025 shares, of which 5,113,392 are A shares (1 vote) and 27,466,633 are B shares (0.1 vote). The share's quota value is SEK 0.10. The company's B shares are traded on Nasdaq Omx First North, [nasdaqomxnordic.com](http://nasdaqomxnordic.com). 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 31/12/2018 are exercised for new subscriptions of 1,700,000 shares, the share capital dilution will be approximately 5%.

# REVENUE BY COMPANY Q4 (SEK THOUSANDS)

COMPANY	Q4 2018	Q4 2017	Growth by company compared with the previous year	Share of total revenues
Zinzino Sverige AB*	46,797	35,130	33%	29%
Zinzino AS (Norway)	22,393	28,332	-21%	14%
Zinzino OY (Finland)	18,372	26,198	-30%	11%
Zinzino ApS (Denmark + Faroe Islands)	19,090	19,483	-2%	12%
Zinzino Ehf (Iceland)	3,037	3,771	-19%	2%
Zinzino UAB (Lithuania)	3,622	3,665	-1%	2%
Zinzino SIA (Latvia)	6,805	5,226	30%	4%
Zinzino OÜ (Estonia)	2,767	3,156	-12%	2%
Zinzino LLC (USA)	5,113	5,312	-4%	3%
Zinzino BV (Netherlands)	2,455	1,075	128%	1%
Zinzino SP z.o.o (Poland)	1,921	648	197%	1%
Zinzino Canada Corp	151	240	-37%	0%
Zinzino GmbH (Germany)	8,692	5,187	68%	5%
Faun Pharma AS (Norway)	15,839	16,427	-4%	10%
Zinzino Nordic AB**	6,854	900	662%	4%
<b>Total</b>	<b>163,908</b>	<b>154,741</b>	<b>6%</b>	<b>100%</b>

\* Total revenue for Zinzino Sweden AB also includes sales revenue from Austria, Switzerland, Spain, Romania and Hungary.

\*\* Total revenue for Zinzino Nordic AB also includes revenue for other EU countries without their own registration

# REVENUE BY COMPANY Q1-Q4 (SEK THOUSANDS)

COMPANY	Q1 - Q4 2018	Q1 - Q4 2017	Growth by company compared with the previous year	Share of total revenues
Zinzino Sverige AB*	152,513	114,112	34%	26%
Zinzino AS (Norway)	92,683	105,272	-12%	16%
Zinzino OY (Finland)	76,497	86,578	-12%	13%
Zinzino ApS (Denmark + Faroe Islands)	73,373	68,664	7%	13%
Zinzino Ehf (Iceland)	13,534	15,212	-11%	2%
Zinzino UAB (Lithuania)	12,874	12,826	0%	2%
Zinzino SIA (Latvia)	21,738	14,534	50%	4%
Zinzino OÜ (Estonia)	10,370	12,412	-16%	2%
Zinzino LLC (USA)	20,169	23,019	-12%	3%
Zinzino BV (Netherlands)	6,744	4,155	62%	1%
Zinzino SP z.o.o (Poland)	3,940	1,761	124%	1%
Zinzino Canada Corp	743	874	-15%	0%
Zinzino GmbH (Germany)	27,273	13,930	96%	5%
Faun Pharma AS (Norway)	63,551	64,694	-2%	11%
Zinzino Nordic AB**	9,566	2,279	320%	2%
<b>Total</b>	<b>585,567</b>	<b>540,322</b>	<b>8%</b>	<b>100%</b>

\* Total revenue for Zinzino Sweden AB also includes sales revenue from Austria, Switzerland, Spain, Romania and Hungary.

\*\* Total revenue for Zinzino Nordic AB also includes revenue for other EU countries without their own registration



## YEAR-END REPORT | 2018

### PROPOSED DIVIDEND

The Board of Directors will propose to the Annual General Meeting a dividend for the past financial year of SEK 0.50 + 0.20 as an extra dividend (SEK 0.45) per share.

### NOMINATING COMMITTEE

The Zinzino Nomination Committee's assignments include proposing the number of Board members, electing members including the Chairman of the Board, remunerations to Board members and submitting proposals for the appointment of a new Nomination Committee and otherwise complying with the provisions of the Swedish Corporate Governance Code. The Nomination Committee for the forthcoming AGM consists of Chairman Örjan Saele, Mr Peter Sorensen and the convenor of the Nomination Committee, Hans Jacobsson, Chairman of Zinzino AB. Shareholders are welcome to submit comments and/or suggestions on the composition of the Nomination Committee by phone on + 46 31 771 71 50 or by email to [shares@zinzino.com](mailto:shares@zinzino.com).

### ANNUAL GENERAL MEETING

The 2019 annual meeting of shareholders of Zinzino AB (publ) will be held on 22 May at 13:30 at the company's offices at Hulda Mellgrens gata in Gothenburg. For further information on the annual general meeting, please refer to the company's homepage [www.zinzino.com](http://www.zinzino.com).

### AUDITORS' REVIEW

This year-end report has not undergone review by the company's auditors

### ACCOUNTING PRINCIPLES

This year-end report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general guidance. The consolidated report and annual report have been prepared in accordance with BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3).

### REPORT CALENDAR

The 2019 Annual Report will be published on 30/04/2019  
The interim report for Q1 2019 will be published on 16/05/2019  
The interim report for Q2 2019 will be published on 30/08/2019

For more information, please call Dag Bergheim Pettersen, Chief Executive Officer, Zinzino AB.

Gothenburg, 28 February 2019

Zinzino AB (publ.)  
The Board of Directors

### ZINZINO AB

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A wide-angle photograph of a coastal sunset. The sky is filled with dramatic, layered clouds, transitioning from deep blue at the top to warm orange and yellow near the horizon. The sun is low on the horizon, casting a bright glow. Below the horizon, a calm body of water reflects the sky's colors. In the foreground, a rocky shoreline is visible, with some low-lying vegetation and a small, dark object on the rocks. The overall atmosphere is peaceful and inspiring.

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