

# ZINZINO



ANNUAL REPORT 2020

# THIS IS ZINZINO

Zinzino AB (publ.) is a global direct sales company that markets and sells tested dietary supplement, skin care and lifestyle products. Zinzino owns the Norwegian company BioActive Foods AS and the research/production unit Faun Pharma AS.

Zinzino's head office is in Gothenburg. The company also has offices in Helsinki, Riga, Oslo, Florida, Hong Kong, Kuala Lumpur and Adelaide. Zinzino is a limited liability company and its shares are listed on Nasdaq First North Growth Market.

## A BRIEF HISTORY

- 2007 – Zinzino AB was started. The company's principal business is to own and develop companies in direct sales and related activities.
- 2009 – Zinzino Nordic AB was acquired partly through a directed non-cash share issue to the owners of Zinzino Nordic AB and partly through a subscription in the preferential rights issue that Zinzino Nordic AB carried out in December. Through this, Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. By 31 December 2017, participating interest had increased to 93% of capital.
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- 2011 – The group was expanded with companies in Estonia and Lithuania.
- 2012 – Companies were started in Latvia and Iceland.
- 2013 – A company was started in the United States with its headquarters in Jupiter, Florida.
- 2014 – The group was further expanded by companies in Poland and the Netherlands. In the same year, Zinzino AB acquired the remaining shares in BioActive Foods AS and 85% of the shares in Faun Pharma AS. This was also the year when Zinzino AB was listed for trading on Nasdaq OMX First North.
- 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 were launched in Switzerland.
- 2018 – New subsidiaries in Romania and Italy.
- 2019 – New subsidiaries in Australia and India.
- 2020 – Acquisition of VMA Life in Singapore. Zinzino moves up to the premier segment of the Nasdaq First North Premier Growth Market.

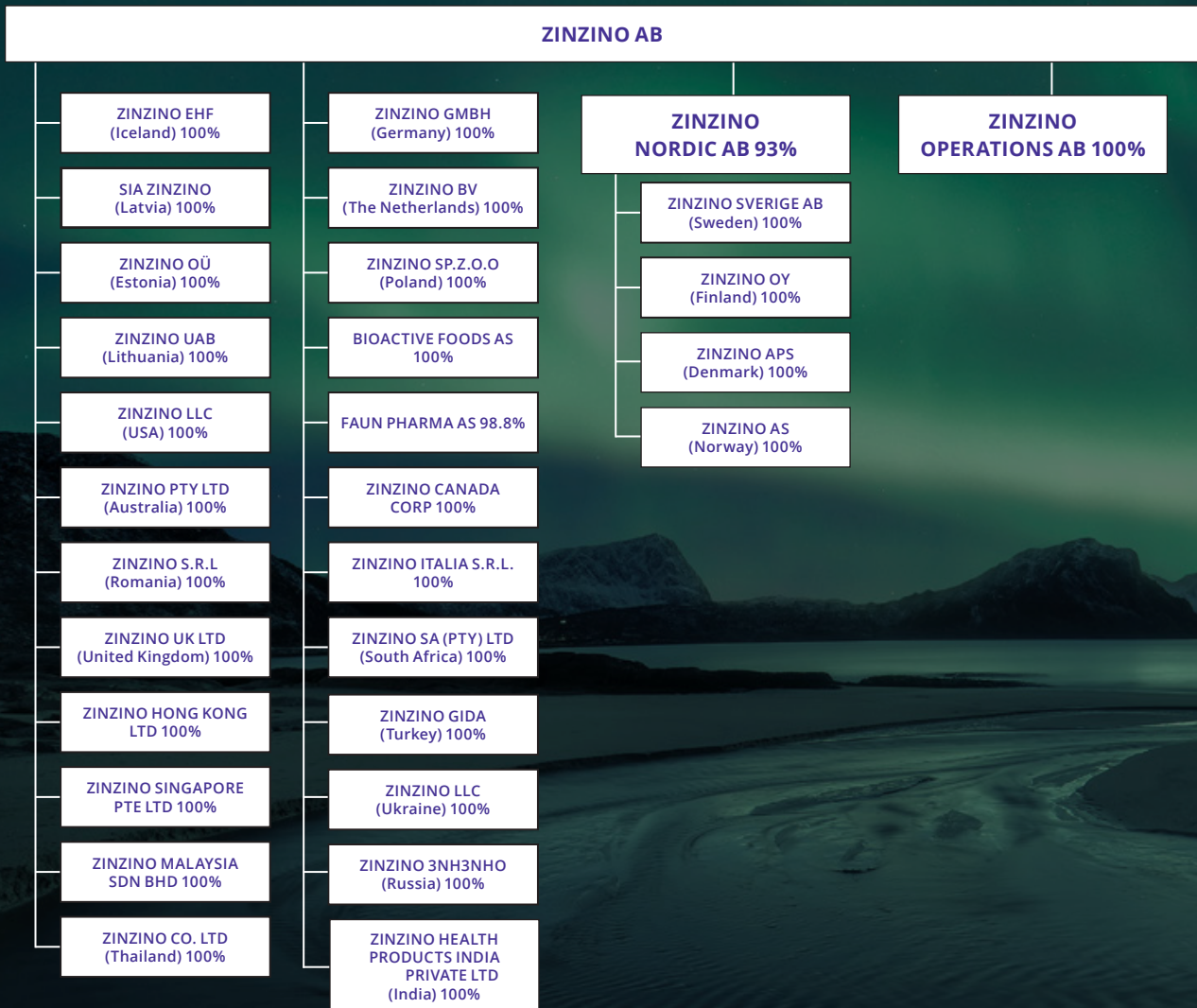


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This Annual Report is in all respects a translation of the original Swedish Annual Report. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

# GROUP STRUCTURE



# FINANCIAL SUMMARY (SEK million)

Key group figures	2020	2019	2018	2017	2016
<b>Total revenue</b>	1,138.6	770.6	576.6	540.3	478.9
<b>Net sales</b>	1,074.4	710.8	532.9	495.1	436.1
<b>Sales growth</b>	48%	34%	7%	13%	7%
<b>Gross profit</b>	348.6	232.3	182.8	159.8	153.8
<b>Gross profit margin</b>	30.6%	30.1%	31.7%	29.6%	32.1%
<b>Operating profit before depreciation and amortisation</b>	108.5	33.5	23.7	11.1	23.0
<b>Operating margin before depreciation and amortisation</b>	9.5%	4.4%	4.1%	2.1%	4.8%
<b>Adjusted operating profit before depreciation and amortisation</b>	86.3	33.5	23,7	11.1	23.0
<b>Adjusted operating margin before depreciation and amortisation</b>	7.6%	4.4%	4.1%	2.1%	4.8%
<b>Operating profit</b>	86.6	14.8	6.4	1.0	14.0
<b>Operating margin</b>	7.6%	1.9%	1.1%	0.2%	2.9%
<b>Profit/loss before tax</b>	85.0	13.9	5.7	0.8	13.9
<b>Net profit</b>	66.3	11.3	4.7	-0.8	9.7
<b>Net margin</b>	5.8%	1.5%	0.8%	-0,2%	2.0%
<b>Net earnings per share after tax before dilution, SEK</b>	1.96	0.33	0.13	neg	0.31
<b>Net earnings per share after tax at full dilution, SEK</b>	1.88	0.32	0.13	neg	0.29
<b>Cash flow from operating activities</b>	97.3	71.3	29.8	25.3	-3.5
<b>Cash and cash equivalents</b>	143.2	76.8	45.5	48.4	23.3
<b>Equity/assets ratio</b>	19.6%	13.1%	19.5%	44.4%	50.2%
<b>Equity per share before dilution, SEK</b>	2.88	1.24	1.55	2.47	2.82
<b>Number of issued shares on average for the period</b>	32,860.203	32,580.025	32,580.025	32,580.025	31,359.861
<b>Average number of issued shares for the period with full dilution</b>	34,300.203	32,846.326	32,580.025	34,081.395	33,780.025

Information regarding the years 2016–2017 is based on old accounting principles. For the full year 2020, gross profit, operating profit before and after depreciation/amortisation are affected by SEK 22.2 million through changed accounting as a result of changed terms for distributor remuneration. Net profit was affected by SEK 17.4 million.

# A FANTASTIC YEAR – WITH 48% GROWTH!



***"Our target for 2020 was exceeded by a good margin and we sold 1.139 billion compared to 771 million in 2019"***

Dag Bergheim Pettersen, CEO, Zinzino

Strong growth provides economies of scale and increased profitability. This strengthens our faith in the future and creates great expectations for continued good profits going forward.

Our target for 2020 was exceeded by a good margin and we sold SEK 1.139 billion compared to SEK 771 million in 2019. We are of course very pleased with the company's strong and positive development. The strong 48% growth for the full year and its underlying benefits generate economies of scale with high sales volumes, which in turn leads to improved profitability. This in turn leads to improved profitability, which has been an overall strategic goal for us for several years. We have now almost doubled our turnover in two years.

## **8 HIGHLIGHTS IN 2020 WHICH I AM VERY HAPPY ABOUT**

- Our strong growth and increased profitability were, of course, a very important goal to achieve.
- We opened in the new markets of Hong Kong, the Czech Republic, Slovakia and the United Kingdom. Hong Kong became extra important for our customers in the region and the other 60 countries that shop via our global webshop. This is one of the crucial steps in our future growth that has already given us many new customers.
- Our acquisition of VMA Life has now been completed, and all employees and independent distributors have started selling Zinzino's products in Singapore, Malaysia, Thailand and Taiwan. This feels very exciting and we have high hopes for these four new markets when it comes to our products. We have offices in all four, and Kuala Lumpur is our main hub for employees in other Asian markets.
- The relaunch of our excellent test website [zinzinotest.com](http://zinzinotest.com). Upgraded usability, new features, design and layout. The website is designed in a way that makes it easy to implement new types of tests as we gradually expand our product portfolio. The website has also been translated into over 20 different languages.
- We have launched new products, most of which contain completely natural raw materials and excipients. We strongly believe that there is an increasing demand from our customers now and in the future that will give our products a unique advantage. We have invested a lot of time and resources into implementing this shift and it has required pioneering product development for us to be able to reach our goal in just 2–3 years.
- All our products have been given a facelift and we aim to replace all old product designs with a modern and beautiful look. The new design reflects how our products work all the way down into the molecules of the body at the cellular level.
- Our presence on social media has been exceptionally good with a consistent message that is necessary to build our brand and attract new customers.
- Our e-commerce platform is constantly evolving, as our customers and distributors can see with their own eyes. We've also done a lot of behind-the-scenes work during the year on upgrades that improve usability, security, operations and speed.



Big Ben, London, England

In conclusion, 2020 has been a very good year for us, not only thanks to our 48% growth, which we of course are very pleased with. Constant development is a fundamental value at our company and therefore we must always ask ourselves what we can do better. It is of course natural, but I want to say it anyway.

I am also very pleased that we have managed to maintain our strong growth despite the ongoing pandemic and that we continue to develop test-based products that go hand in hand with the global megatrends in life science-health.

#### **A CLEAR VISION, AMBITIOUS GOALS AND A CLEAR STRATEGY FOR NEXT YEAR**

Our vision is to inspire people all over the world to change their lives. We have a clearly stated goal of reaching one million customers within the next four years and 20 million customers by 2035. This is an ambitious goal but clearly possible as long as we maintain our focus based on the right future strategy.

#### **OUR STRATEGY FOR THE COMING YEAR**

- We will open in more new markets and we have a clear ambition to open eight new markets in the coming year. The first market will be India, a launch that we have been preparing for several years and are now almost ready for. We are currently established in almost 40 markets and have opened sales via our global webshop for another 60 markets, a total of almost 100 around the globe. We have gained extensive experience in the processes behind opening new markets.
- We will investigate and invest in more studies of our products, work towards patenting and trademark protection as well as continuing our product development.
- We are also investigating the possibility of acquiring other attractive companies that we can invest in a way to secure our opportunities to launch unique and groundbreaking products into the future.

- We will continue to look for direct sales companies that are right for us and that share our approach to strengthen our distribution power, access to new markets and increased growth. We made such an acquisition in 2020 with VMA Life and there are several similar strategies for achieving our ambitions.
- We will continue to invest in the very latest technology to make our e-commerce platform even more visible, user-friendly, intuitive, fast and appealing so that even more people discover Zinzino and start using our fantastic products.

Last but not least, we must continue to grow and be a company driven by success, which attracts the right employees and distributors. We will continue to build our culture and focus on our customers. Strong growth means that most of the problems that a company can find itself in are eliminated, and that is crucial to success!

Our personal focus is always balanced between creating long-term visions with clear goals and doing a good job every day. I expect that every quarter going forward will be as good as the last one and that we will continue to deliver on both the top and bottom line.

**Dag Bergheim Pettersen**  
CEO Zinzino  
*Inspire Change in Life*

# THE PAST YEAR 2020

## Q1

The Covid-19 outbreak was classified as a pandemic by the WHO on 11 March 2020, affecting not only Zinzino's first quarter but the entire globe for the rest of the year. In the resulting situation, Zinzino prioritised the health of its employees and took measures to limit the spread according to instructions from the relevant authorities. Critical processes were secured for external handling and logistics were redirected to secure deliveries.

Overall, the company and its distributors handled the situation very well, resulting in a 44% increase in revenues to SEK 242.1 (168.3) million. The EBITDA results for the quarter rose to SEK 26.3 (11.9) million. This was mainly due to a change in accounting treatment as a result of changes in distributor reimbursement terms, which improved the quarter's result by SEK 22.2 million.

Sales  
SEK million **242.1** (168.3)

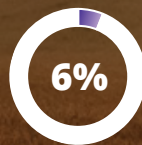
### Revenues



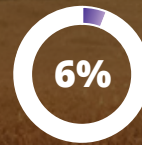
**HEALTH**  
2020; SEK 206.1 (136.8) million



**COFFEE**  
2020; SEK 7.3 (9.4) million

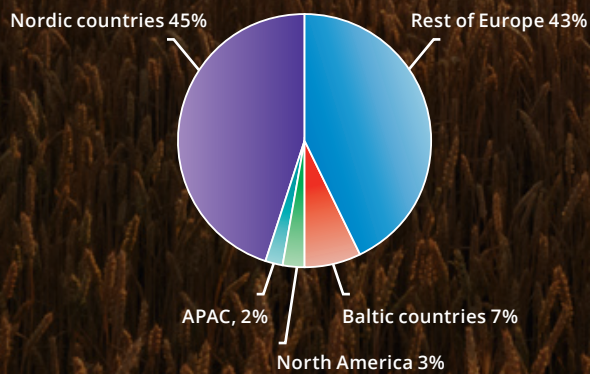


**FAUN**  
2020; SEK 13.4 (9.9) million

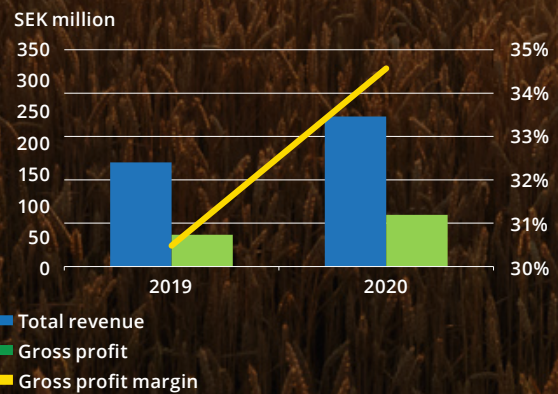


**OTHER REVENUE**  
2020; SEK 15.3 (12.2) million

### Geographic distribution of sales



### Sales and Gross Profit





# Q2

During the second quarter, the positive sales growth continued despite the current global situation and total revenue increased by 53% to SEK 274.3, (179.5) million. The EBITDA results increased to SEK 16.0 (11.0) million, compared with the second quarter of 2019. In April, the final acquisition agreement with VMA Life was signed. Among other things, the agreement gave Zinzino access to large distributor organisations and the necessary licences for its future establishment in the region, which would have been difficult to obtain on its own.

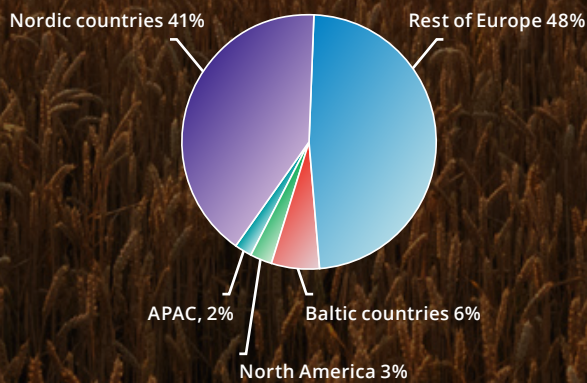
In addition, the newly established subsidiary in the UK started sales with its own marketing materials and payment solutions, which contributed to the good sales growth in the market during the remainder of the year. In addition, an external logistics centre was opened in Poland for more efficient deliveries to central and eastern Europe.

Sales  
SEK million **274.3** (179.5)

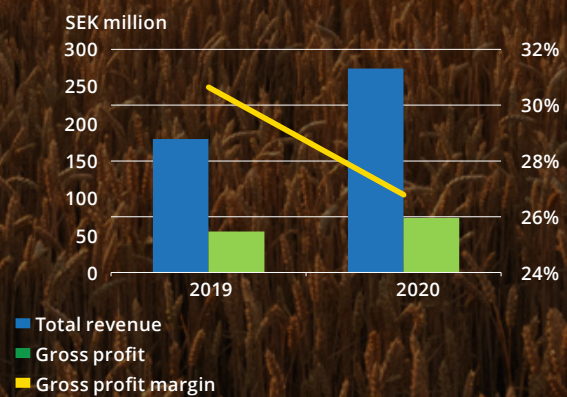
## Revenues



## Geographic distribution of sales



## Sales and Gross Profit



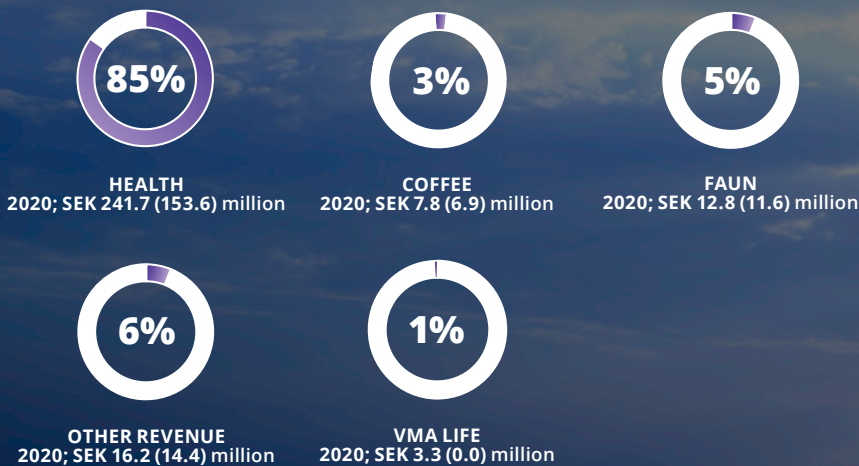
# Q3

In the third quarter, revenues increased by 51% to SEK 281.8 (186.5) million, demonstrating that the strong sales growth in 2020 continued despite the fact that Covid-19 still had the world in its grip. EBITDA amounted to SEK 28.8 (4.4) million compared to the third quarter of 2019. The increasingly improved performance, mainly following economies of scale in the business, led the board to increase the full-year forecast for the EBITDA margin by two percentage points.

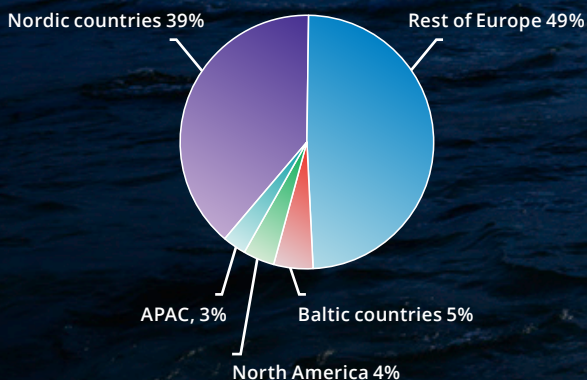
In early July 2020, the launch of Zinzino's significantly redesigned English version of zinzinotest.com was completed. With the new version came improved functionality and user-friendliness as well as a fresh design and layout. On 16 September, Nasdaq approved Zinzino's application to move the company's B shares to the First North Premier Growth Market. The transition was an important step towards the goal of being listed on Nasdaq's main list in the future.

Sales  
SEK million **281.8** (186.5)

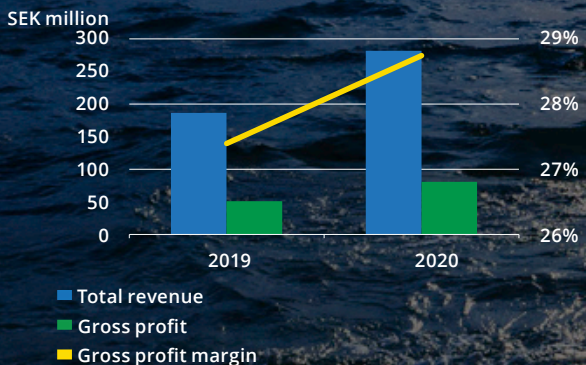
## Revenues



## Geographic distribution of sales



## Sales and Gross Profit



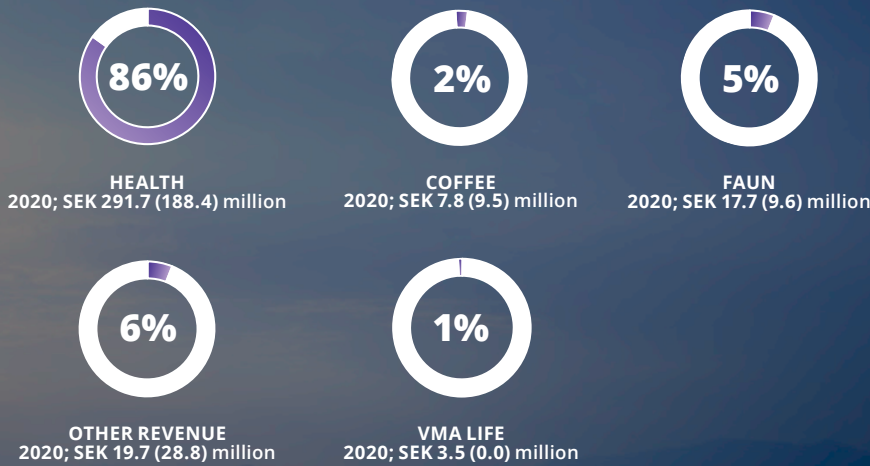
# Q4

The year ended with 44% sales growth and record profitability. Total revenues increased to SEK 340.4 (236.3) million and EBITDA increased to a full SEK 37.4 (6.3) million. During the quarter, Zinzino's annual event was held digitally for the first time with more than 3,500 participants around the world. The digital event also saw the launch of the new product R.E.V.O.O (Revolutionary Extra Virgin Olive Oil), an olive oil of the highest quality.

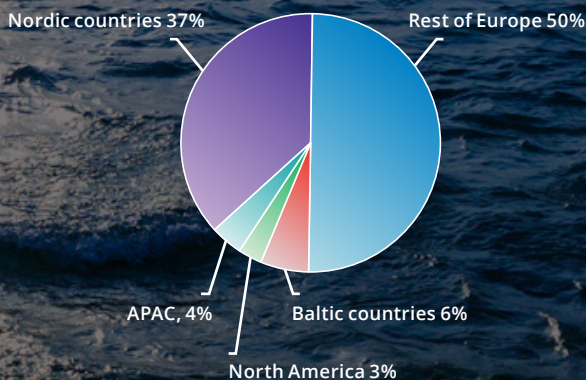
In addition, sales started in Hong Kong, the first of the markets made accessible by the acquisition of VMA Life earlier in the year. Before the end of the year, Zinzino launched a global webshop for markets where Zinzino does not yet have a full-scale presence. The Global Webshop enabled distributors to set up operations under the Zinzino banner and thus test the viability of the market.

Sales  
SEK million **340.4** (236.3)

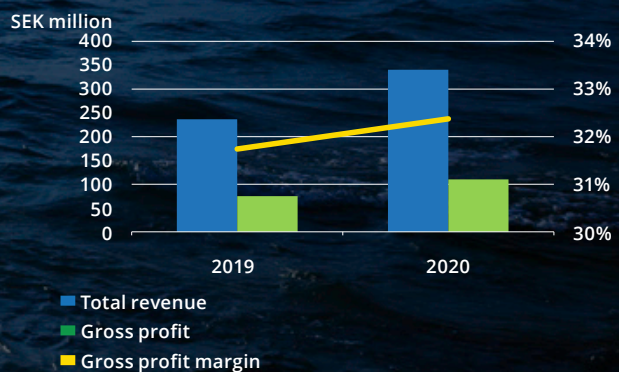
## Revenues



## Geographic distribution of sales



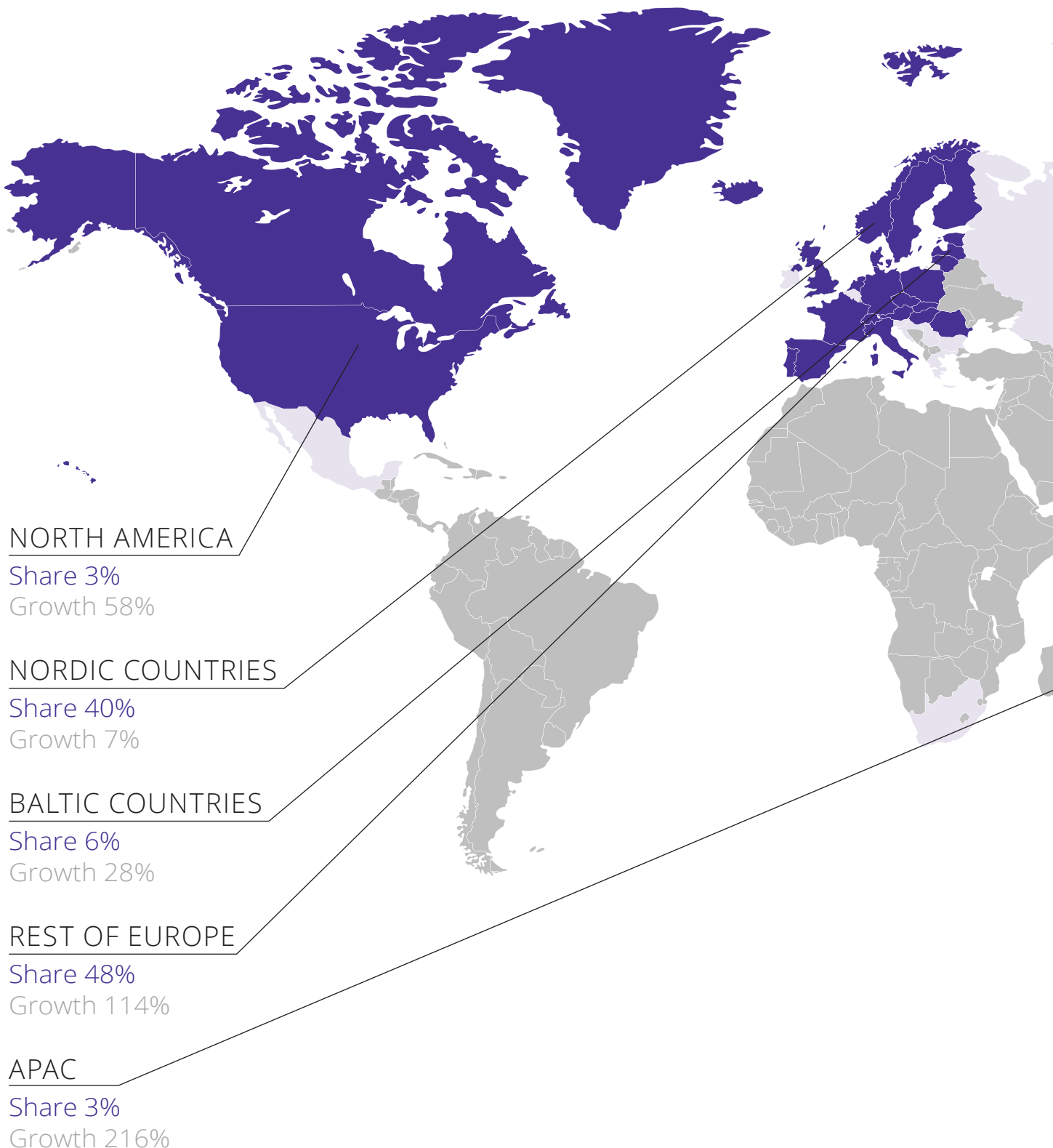
## Sales and Gross Profit

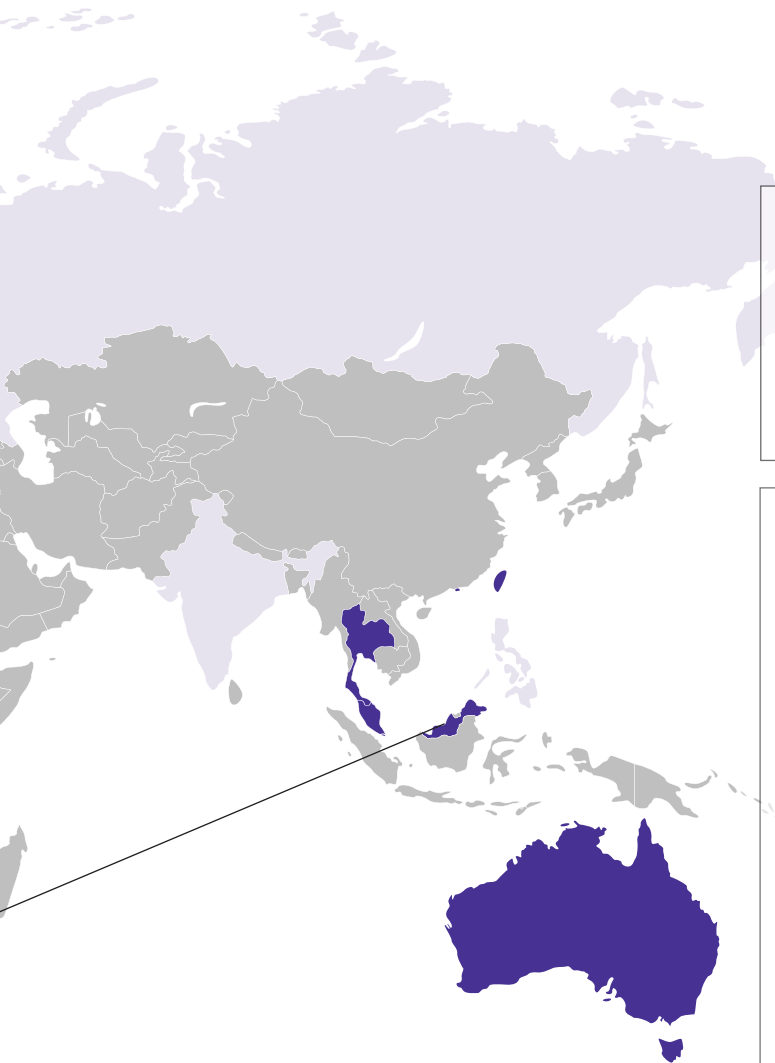


# GEOGRAPHIC DISTRIBUTION & SALES GROWTH PER REGION

The geographic distribution of sales in 2020 and sales growth compared to the previous year appear in the following chart.

- Open markets
- Undergoing opening process





- Geographic distribution of sales 2020
- Sales growth 2020 per region compared to previous year

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

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# SALES BY REGION

A common feature of Zinzino's emerging markets is that they are run by committed distributors working in a structured and active way. They have a wide network of contacts across the borders to neighbouring countries, but with the company's geographic expansion, also over longer distances. 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.

Zinzino is working long-term and investing considerable resources in the development of IT systems and marketing tools, which generate growth in both the short and the long term. When the company expands 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 with the sales organisations already established in neighbouring markets. This is precisely the reason for the good sales performance of the relatively newly established markets in Central and Southern Europe.

These contacts can occasionally also carry across continents, which has been behind the launch in Australia and the ongoing new establishment project in Asia. The establishment model follows the same concept for the various markets with customisation of websites and marketing materials in the local languages.

Through the launch of the global webshop, Zinzino also covers a total of 96 different countries around the world. This approach reduces the pressure on the organisation to open full-scale markets, which requires a lot of resources. These resources can now be fully allocated to the ongoing projects in Asia.

# NORDIC COUNTRIES

The Nordic countries increased their total revenue by 7% to SEK 457.4 (429.2) million in 2020. This follows good and stable growth in Sweden, Norway and Denmark. The Scandinavian distributors have effectively switched to digital operations in response to the prevailing environment during the year. At the same time, distributors have had a clear focus on their respective domestic markets, which became increasingly clear during the year when sales growth again increased in the important sales markets of Norway and Denmark. On the other hand, the downward trend continued in Finland and Iceland, where distributor activity was at a generally lower level in 2020 compared with the previous year. The Finnish sales organisation worked intensively during the autumn to broaden the geographical expansion within the country. This is in order to attract completely new customers and distributors in order to stimulate sales growth in the market. As a result, the decline in revenue slowed down in the last months of the year. Faun Pharma, the group's subsidiary and manufacturing unit, strongly focused on optimising production planning in 2020 for increased efficiency. This has resulted in external sales in 2020 increasing by 32% to SEK 59.9 (45.4) million, while internal production has more than doubled. Strengthening efficiency has been very important in securing the internal supply of goods during the strong sales growth that has taken place in the various Zinzino markets in 2020.

SEK million

Growth compared to the prior year	7%
Share of Zinzino's total sales	40%
Net sales	423.3
Other revenue	34.1
Total revenue	457.4

ZINZINO HEALTH 73%

ZINZINO COFFEE 6%

ZINZINO OTHER 8%

ZINZINO FAUN 13%

# BALTIC COUNTRIES

In the Baltic countries, revenues in 2020 increased by a total of 28% to SEK 70.5 (55.0) million after strong growth in Latvia and Lithuania during the year. 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. In Lithuania, growth has also been positive for a relatively long period with increased distributor activity that was gradually built on during 2020. The development was weaker in Estonia, where sales were at a slightly lower level in 2020 than in the previous year. This despite greater interest from distributors during the year compared to recent years. Zinzino continues to support the sales organisations in the Baltic countries, through marketing support and customer support with a special focus on the Estonian market. The Estonian sales organisation works closely with parts of the Finnish sales organisation and will also work intensively to attract new customer groups and distributors to Zinzino in 2021.

SEK million

Growth compared to the prior year	28%
Share of Zinzino's total sales	6%
Net sales	65.5
Other revenue	5.0
Total revenue	70.5

ZINZINO HEALTH 87%

ZINZINO COFFEE 6%

ZINZINO OTHER 7%

## REST OF EUROPE

Strong sales growth was a recurring theme among the remaining markets in Europe in 2020. Growth in all markets meant that revenues rose by a total of 114% to SEK 540.2 (252.3) million after generally high distributor activity in the region. This is despite the global virus outbreak and heavy shutdowns in most of the region's countries. Growth continued to be very strong in the Central European markets of Hungary, Poland and Slovakia where a common cluster of distributors working in an organised way across national borders is driving growth in the area. There was also positive growth in neighbouring Germany, Austria and Switzerland, where the experienced distributor organisations run their operations in a similar way with good results. The investments in the UK through the appointed local head of sales and the newly opened subsidiary have resulted in a sharp increase in sales during the year despite major restrictions due to Covid-19 which results in Zinzino viewing the UK as one of the markets with the greatest growth potential in 2021. During the last months of the year, distributor activity in both Spain and Italy also increased, which resulted in a rapid growth in the number of new customers and distributors, as well as sales revenues.

SEK million

Growth compared to the prior year	114%
Share of Zinzino's total sales	48%
Net sales	502.9
Other revenue	37.3
Total revenue	540.2

ZINZINO HEALTH 93%

ZINZINO OTHER 7%

## NORTH AMERICA

Revenues in North America increased by another 58% to SEK 37.3 (23.6) million during 2020. The trend was consistently very positive in the region during the year with gradually rising growth. This was due to a successful combination of underlying growth from existing and new distributors, and the collaboration with Life Leadership during the year. Zinzino will continue to adapt its digital platforms to North America, develop the collaboration with Life Leadership and support the distributor network to further stimulate the growth rate in 2021.

SEK million

Growth compared to the prior year	58%
Share of Zinzino's total sales	3%
Net sales	35.2
Other revenue	2.1
Total revenue	37.3

ZINZINO HEALTH 94%

ZINZINO OTHER 6%



# APAC

Total revenues in 2020 in the APAC region amounted to SEK 33.2 (10.5) million, which corresponded to 216% growth compared with the previous year. During the year, Zinzino's operations expanded in the region through the acquisition of VMA Life and the opening of the Hong Kong office during the fourth quarter. Of the total revenues in the region, a total of SEK 6.4 (0.0) million was attributed to VMA Life's external sales from the markets in Taiwan, Singapore, Malaysia and Thailand. Through its establishment in Australia, Zinzino has succeeded in attracting distributors with important strategic contacts in most Asian countries where the company is currently conducting establishment processes. These contacts have proved to be very important, not least in view of the very high level of distributor activity identified in and around Hong Kong during the last quarter. The networks strengthen the establishment and sales performance in the region through synergies similar to those Zinzino has had on the Central European markets.

SEK million

Growth compared to the prior year	216%
Share of Zinzino's total sales	3%
Net sales	32.2
Other revenue	1.0
Total revenue	33.2

ZINZINO HEALTH

97%

ZINZINO OTHER

3%

# SALES PER REGION

– A COMPARISON BETWEEN REGIONS (SEK MILLIONS)

COUNTRY/MARKET	Nordic countries	Baltic countries	Rest of Europe	North America	APAC
<b>Net sales</b>	423,275	65,455	502,953	35,182	32,228
<b>Other revenue</b>	34,117	5,035	37,300	2,114	986
<b>Health share</b>	73%	87%	93%	94%	97%
<b>Coffee share</b>	6%	6%	-	-	-
<b>Other shares</b>	7%	7%	7%	6%	3%
<b>Faun share</b>	13%	n/a	n/a	n/a	n/a
<b>Growth compared to the prior year</b>	7%	28%	114%	58%	216%
<b>Share of the group's total sales</b>	40%	6%	48%	3%	3%
				<b>Total</b>	<b>1,138.6</b>

# OUR GROWTH CONTINUES



Victoria Harbor, Hong Kong, China

## ACQUISITION OF VMA LIFE IN SINGAPORE

In early April 2020, Zinzino signed the definitive acquisition agreement with VMA Life, a direct sales company in health and beauty. VMA Life operates in Malaysia, Thailand, Taiwan, Hong Kong and Singapore. The acquisition was delayed due to Covid-19 but was completed during the month of July, when USD 0.4 million was paid partly in cash and partly in Zinzino shares via a deferred non-cash issue. Then contingent additional consideration will be based on sales developments during 2020–2023. The total additional consideration amounts to a maximum of USD 1.15 million, divided between 50% cash and 50% shares.

The acquisition is financed with own cash and the total additional consideration will be generated through profits from VMA Life. During the last months of the year, Zinzino started to see positive effects of the acquisition through the good sales growth in the APAC region.

## NEW SUBSIDIARY IN THE UNITED KINGDOM

During the year, Zinzino acquired a subsidiary in the UK. At the same time, the country achieved full market status with adapted marketing materials and payment solutions. A local legal entity was an important factor for Zinzino with the country's exit from the European Union. Sales performance in the UK since the opening of the local company has been very good despite consistently severe restrictions and high levels of shutdowns in the country during the year due to the ongoing Covid-19 pandemic.

## LAUNCH OF GLOBAL WEBSHOP FOR DISTRIBUTORS

On 15 December, Zinzino launched a global webshop for markets where Zinzino previously had no presence. The global webshop gave distributors the opportunity to set up operations under the Zinzino banner and thus test the viability of the market. Through the global webshop, Zinzino has coverage for a total of 96 different countries throughout the world. The approach has also reduced the pressure on the organisation to open full-scale markets, which requires significant internal resources.

## START OF SALES IN HONG KONG

After a successful collaboration between a local organisation in Hong Kong and the head office in Gothenburg, Zinzino opened Hong Kong as the first Asian market for sales on 8 October. A local office has been set up in Hong Kong and warehousing/logistics will be handled in collaboration with Zinzino's global logistics partner, Radial Landmark. In addition, two employees have been recruited and trained to be able to assist customers and distributors in the new market. The employees will be located at VMA Life's office in Kuala Lumpur. Sales development has been very good during the first active months on the market.

## CONTINUED EXPANSION

In parallel with the launch of the global webshop, establishment processes are continuing in a large number of markets, including the Asian markets, all of which have become available through the acquisition of VMA Life. The next market that will start sales under the local banner is tentatively the Indian market, a complex project that Zinzino's establishment team has been working on for several years. Provided that no new regulatory obstacles arise in the process, the start of sales is expected to occur during the second quarter of 2021. At the same time, work continues on establishing a presence in Russia, Ukraine, South Africa, Greece, Cyprus and the other Asian markets through the acquisition of VMA Life. Following multiple implemented establishment processes in recent years, the company has learned the importance of ensuring thorough preparatory work and adapting to the local conditions in each market. Zinzino will continue to develop "best practices" through the experiences the company has gained during the establishment processes to adapt its operations in order to achieve rapid growth in the new markets in 2021.

# SIGNIFICANT EVENTS DURING THE YEAR

## MILD IMPACT OF COVID-19

During the global outbreak of Covid-19, Zinzino has prioritised the health of its employees and taken measures to limit the spread according to instructions from the relevant authorities. In addition, Zinzino has prepared and taken measures to secure critical processes for the business, such as the handling of orders, support and commission payments to distributors in the event of any closure of the head office. Overall, the company and its distributors have handled the transition to the digital communication and meeting culture very well. Additionally, in October, Zinzino's first fully digital international annual event was held, where several internationally known lecturers gave presentations to more than 3,500 distributors from around the world.

## ZINZINO MOVES UP TO THE PREMIER SEGMENT OF THE NASDAQ FIRST NORTH GROWTH MARKET

On 16 September, Nasdaq approved Zinzino's application to move the company's B shares to the First North Premier Growth Market. The transition was an important step towards the goal of being listed on Nasdaq's main list in the future. Trading of Zinzino's shares on the First North Premier Growth Market commenced on Monday 21 September 2020, marking a strategically important step in its global expansion. The move also facilitates increased international and institutional ownership of the company.

The Premier segment of the First North Growth Market allows companies to prepare for listing on the exchange's main list by setting higher standards in areas such as disclosure, accounting principles and corporate governance. The requirements for Premier are broadly consistent with the regulations that apply to Nasdaq's main list, which is a regulated marketplace.

Zinzino reports in accordance with the International Financial Reporting Standards (IFRS), a requirement for companies listed on Premier. Zinzino's shareholders have not been required to take any action in connection with the listing on the First North Premier Growth Market. The share continues to trade under the same short name (Zinzino B) and ISIN code as before.

## NEW LOGISTICS CENTRE IN KENTUCKY FOR MORE EFFICIENT DELIVERIES IN NORTH AMERICA

In order to shorten lead times for shipping for the rapidly growing US market, Zinzino has entered into a partnership with Radial Landmark and moved all logistics to USA to the supplier's facility in Walton, Kentucky. The new logistics solution resulted above all in an improvement for distributors and customers in the eastern United States, who are now receiving their deliveries faster than before. Efficient logistics was a contributing factor to the good sales growth during the year in the part of the country where the majority of the company's customers and distributors are based. The new logistics solution will also be more cost-effective than before through the global collaboration that Zinzino has with Radial Landmark.

## NEW LOGISTICS CENTRE IN POLAND FOR MORE EFFICIENT DELIVERIES TO CENTRAL EUROPE

In order to shorten the lead times for shipments to the countries in Central and Southern Europe, Zinzino, in collaboration with Radial Landmark, has opened another logistics centre outside Warsaw in Poland. Starting from June, all packages to Poland, the Czech Republic, Slovakia, Romania, Bulgaria, Hungary, Slovenia, Croatia, Greece and Cyprus are shipped from the new warehouse.

The new logistics solution meant that customers and distributors in these fast-growing markets received their packages faster than before, which was a strong contributing factor to the good sales growth in the countries concerned in the second half of 2020. Adding an additional logistics centre also spread the risks of possible regulatory actions by authorities, such as those that slowed deliveries from the French warehouse in the first half of 2020.

## LAUNCH OF ALL-NATURAL PRODUCTS

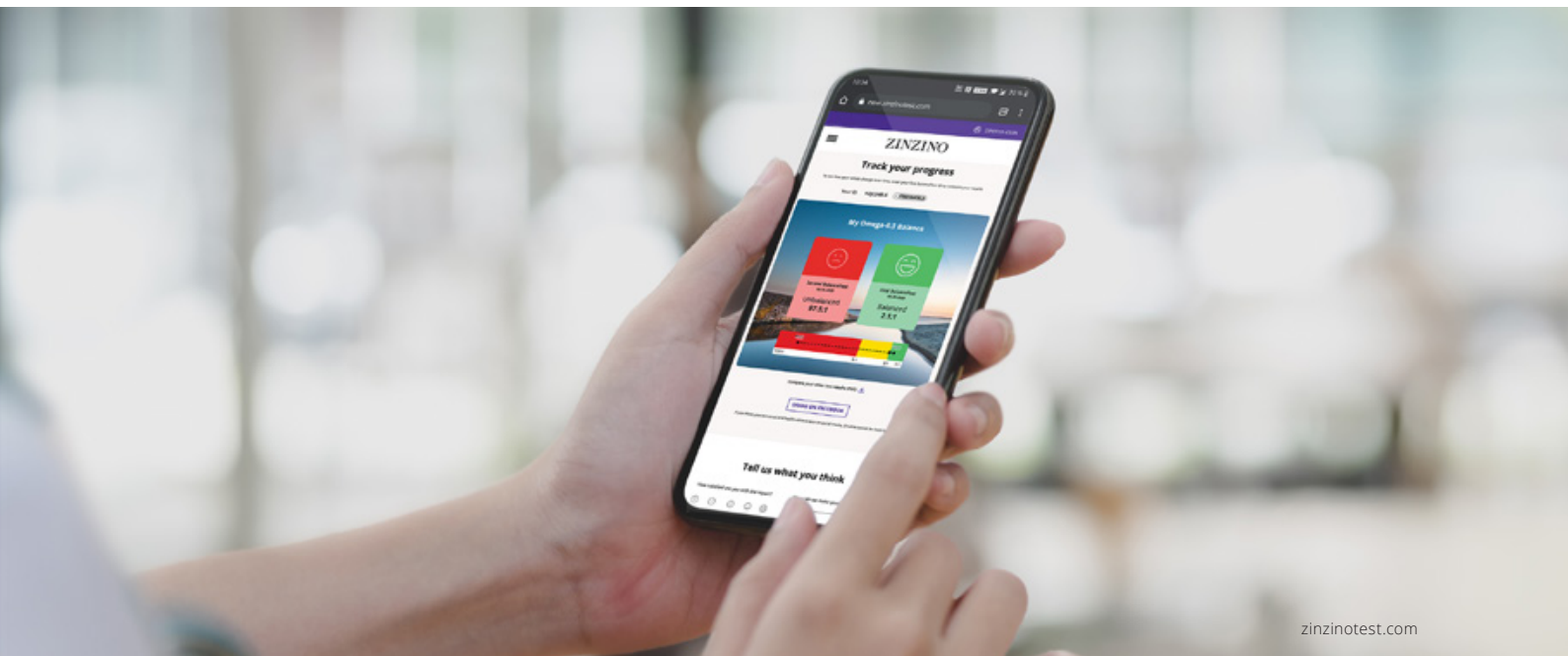
During the year, Zinzino launched BalanceOil+, Xtend+, Viva+, Protect+ and ZinoBiotic+, a product group with all-natural ingredients free of additives. At the same time, a new packaging design was introduced that conveys a premium feel and stands for Scandinavian minimalism. In addition, new product sheets were launched with an updated design to give customers and distributors a deeper knowledge of the content of the products.

## LAUNCH OF R.E.V.O.O

During the fourth quarter, Zinzino launched the new product R.E.V.O.O (Revolutionary Extra Virgin Olive Oil), an olive oil of extremely high quality. It has a concentration of polyphenols, which protect the cells from oxidation, up to 30 times higher than that of ordinary olive oils. The product is traditionally made from certified Koroneiki olives according to methods used in ancient times. The olives have been grown by several generations of farmers completely without the use of fertilisers or pesticides. The oil is pressed with a patented process and equipment that protects the nutrients and collects them in every drop.

The product was launched in connection with Zinzino's digital Annual Event in October and development has been very good from the start. Zinzino will further develop its cooperation with Cypriot olive oil producers in the future and explore the possibilities of using the high-quality olive oil in other balance products.

# FOCUS ON CONTINUED DEVELOPMENT



zinzinotest.com

## LAUNCH OF NEW ZINZINO APP

At the beginning of 2020, Zinzino launched a brand-new application that is available for download via Apple's App Store and Google Play. The application is a distributor prospecting tool that can be used to easily connect with potential distributors or customers.

## NEWS EMAILS TO CUSTOMERS AND ZINZINO BLOG

In an exciting new customer project, Zinzino has started sending customer newsletter emails with a focus on inspiring and useful content about the company's products and relevant health and lifestyle topics. There is also space for unique special offers that the company highlights on a monthly basis. Zinzino has also continued the development of its blog which was launched in 2019. The blog is available in several languages and is available via Zinzino's customer website. The purpose of the blog is to inspire interest in the company's health products and includes sections with exciting recipes, training tips, interviews with brand ambassadors, etc.

## ZINZINO'S BALANCETEST WEBSITE HAS BEEN UPDATED

The summer saw the completion of the launch of Zinzino's redesigned English version of zinzinotest.com. The new version means improved functionality and user-friendliness as well as fresh design and layout. Zinzinotest.com shows the individual results anonymously from Zinzino's BalanceTest, a dry blood stain test for home use. Zinzino has currently performed over 500,000 analyses of these blood tests. The updated zinzinotest.com provides in-depth information and recommendations on diet improvement, educating and helping customers and distributors to achieve better results. In addition, added and updated features allow customers and distributors to easily navigate the website and understand more about fatty acids in the body.

The launch of translated versions was ongoing in autumn 2020 and zinzinotest.com was translated into 22 languages by the end of 2020.

## CONTINUED FOCUS ON SOCIAL MEDIA

Zinzino has also continued the development of its social media channels, such as Facebook and Instagram. Based on its social media strategy, the company has created inspiring and engaging content that targets customers and distributors. The company has also continued to focus on marketing guidelines for distributors with instructions on how to work as a distributor, e.g. with their strategy for social media. Zinzino has also continuously shared social media material that distributors can use in their own social media channels.

## NEW EDUCATIONAL FILMS

The focus in 2020 has also been to create new educational films aimed primarily at distributors but also the customers. The films have been developed with the aim of creating a deeper understanding of the company's health products, business systems and other important information. The films were launched in English, with subtitles in several languages being added over time.

# FAUN PHARMA

In 2014, Zinzino acquired Faun Pharma AS, a Norwegian contract manufacturer of high quality dietary supplements located in Vestby, just south of Oslo.

The purpose of the acquisition was to secure the production capacity of the group's long-term growth in combination with increased development opportunities in Zinzino Health. Having an in-house production unit also strengthens the brand and increases quality recognition, which has been important for the company's distributors in their marketing of the Zinzino concept.

Over the years, it has been very popular among Zinzino's distributors to visit the production unit, internally known as "the factory". Visits are currently at a standstill due to the current external situation with local shutdowns, but the factory is ready to welcome visitors again as soon as the travel restrictions end.

In 2020, Faun Pharma has focused on further optimising and strengthening production efficiency. This has resulted in external sales during the year increasing by 32% to SEK 59.9 (45.4) million, while internal production increased by a full 178%. Strengthening efficiency has been very important in securing the internal supply of goods during Zinzino's strong sales growth that has taken place in all markets in 2020.

*"It is very exciting to be able to show how far we have come in producing even more of Zinzino's products in large volumes. Over the past year, we have significantly improved production efficiency in order to maintain a strong business" says Geir Smolan. The high level of internal orders has enabled us to turn down requests for less profitable production with low contribution margins or with long turnaround times. As a result, our machinery can be better utilised and is only idle for shorter periods.*

*We are now slowly increasing the number of employees as the volumes increase, but our revenues are growing even faster," continues Geir Smolan. In fact, they have tripled and revenue per employee has doubled. All staff growth is in production and administration has been halved, but what pleases me even more is that no one is leaving Faun, unless they have a really good reason such as moving abroad or a position at another company within the group. We have created a healthy culture focused on quality and we are able to meet our customers' detailed wishes.*

## **THE WORLD IS STILL BEING HEAVILY AFFECTED BY THE CURRENT PANDEMIC**

*"I am deeply impressed by the staff at Faun, their willpower, fighting spirit and shared belief that obstacles are there to be overcome" says Geir Smolan. Today, Faun has a large number of loyal customers who all have different wishes and expectations. Of course, this also means great challenges for us, resulting in useful experiences that increase our competence and create variety in our work. We see that customer satisfaction is growing and that customer service of the highest quality is the only thing that matters. Zinzino's amazing growth has affected the daily life of the plant in many ways.*

*The exceptional raw materials and often complex manufacturing processes of the products, as well as very demanding customers, can sometimes be challenging, but it is extremely satisfying to be able to produce these products and deliver large orders in flawless condition, on time. In 2021, we aim to optimise all areas, from customer service and product development, to delivery. We are looking forward to a couple of major upgrades in the factory and more training for all employees. And of course, we are looking forward to once again welcoming groups of both new and old distributors from around the world for a tour of the factory. We are proud to be a part of Zinzino and look forward to the next step in this exciting journey.*

***"We are proud to be a part of Zinzino and look forward to the next step in this exciting journey"***



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



## ZINZINO = INSPIRE CHANGE IN LIFE

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

2005



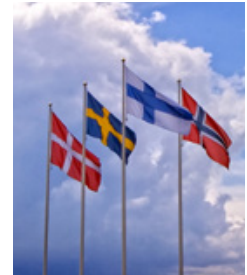
## AN OFFICE IN SWEDEN'S SECOND LARGEST CITY

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

2006

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

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



2007



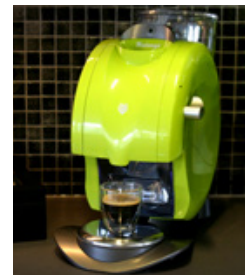
## A GOOD YEAR FOR GOOD COFFEE

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

2008

## PREPARING TO ESTABLISH MORE MARKETS

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



2009

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

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

AKTIE TORGET

2010



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

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

2011

## A BALANCED YEAR!

- Zinzino buys 6% of the Norwegian company BioActive Foods AS and gains exclusivity to market their products and concepts. This marks the beginning of a new era and Zinzino sets out on its journey towards becoming a wellness and health company.
- Zinzino's Balance concept is born.

BioActive Foods AS

2012

## ACROSS THE SEA AND TO THE STARS

- We open for pre-launch in the US and Zinzino's Balance concept. Sales start and an office is opened in Jupiter, Florida, where our US customer service team is based.
- An incredible growth year. In the fourth quarter, we witness growth of over 100%.

2013





# ...THE JOURNEY TOWARDS 1 MILLION CUSTOMERS CONTINUES

## OUR JOURNEY CONTINUES...

2021

2020

2019

2018

2017

2016

2015

2014



### FIRST FINANCIAL REPORT ACCORDING TO IFRS

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



### INCREASED GROWTH AND FOCUS ON E-COMMERCE

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



### ONE OF THE 25 LARGEST AND MOST TRADED COMPANIES

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

### EXPANDING GLOBALLY

- Zinzino moves up to the premier segment of the Nasdaq First North Growth Market
- Acquisition of VMA Life in Singapore
- Sales launch in Hong Kong and the Global Distributor Webshop making Zinzino available in 96 countries around the world.



### INVESTING IN DIGITAL DEVELOPMENT

- Zinzino launches in Hungary and Romania as separate markets after amazing sales development in the region.
- Zinzino's brand book is launched.
- Zinzino's digital journey continues and, in order to achieve success with this, the company invests increased resources into digital development by more than 100%.



### THANKS! 100,000 TIMES!

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



### THE BELL RINGS AT NASDAQ!

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



# PRODUCT NEWS



R.E.V.O.O (Revolutionary Extra Virgin Olive Oil)

## LAUNCH OF R.E.V.O.O

During the fourth quarter, Zinzino launched the new product R.E.V.O.O (Revolutionary Extra Virgin Olive Oil), an olive oil of extremely high quality. It has a concentration of polyphenols, which protect the cells from oxidation, up to 30 times higher than that of ordinary olive oils. The product is traditionally made from certified Koroneiki olives according to methods used in ancient times. The olives have been grown by several generations of farmers completely without the use of fertilisers or pesticides. The oil is pressed with a patented process and equipment that protects the nutrients and collects them in every drop.

The product was launched in connection with Zinzino's digital Annual Event in October 2020 and development has been very good from the start. Zinzino will further develop its cooperation with Cypriot olive oil producers in the future and explore the possibilities of using the high-quality olive oil in other balance products.

## LAUNCH OF ALL-NATURAL PRODUCTS

During the year, Zinzino launched BalanceOil+, Xtend+, Viva+, Protect+ and ZinoBiotic+, a product group with all-natural ingredients free of additives. At the same time, a new packaging design was introduced that conveys a premium feel and stands for Scandinavian minimalism. In addition, new product sheets with an updated design were launched with the aim of giving customers and distributors a deeper knowledge of the content of the products.

# PRODUCT GROUPS



## BALANCE

The products in the Zinzino's Balance segment contribute to a normal brain function, normal cardiac function and a normal immune response. The products contain extra virgin olive oil with high content of polyphenols which in studies shows great ability to increase EPA and DHA in the body. They are natural supplements that help you increase the levels of Omega-3 essential fatty acids in your body and help you adjust your Omega-6:3 balance in just 120 days.

## IMMUNE SUPPLEMENT

Immune Supplement contains products with essential vitamins and other nutrients that contribute to a normal immune system and can improve your mood and enhance your well-being in various ways. These products extend the concept of 'being in balance' and can provide anything from minor improvements to life-changing results.

## WEIGHT CONTROL

Zinzino's Weight Control is perfect for those who want to lose weight, build muscle or get a balanced intestinal flora. The products are high in protein and fibre, providing a long-lasting feeling of fullness, while being low in sugar. By combining the products according to your needs, you have a better chance of achieving your goals.

## SKINCARE

The product group consists of Zinzino's Skin Serum in the sizes 30 ml, 50 ml and 10x5 ml. Skin Serum is an advanced skin care product that protects, repairs and rebuilds your skin's extracellular matrix, ECM, which is found in both the epidermis and the skin (dermis) and makes it firm and elastic. Skin Serum is a 24-hour youth formula for the face and neck. It moisturises and evens out the skin and improves its elasticity and resilience. It reduces fine lines and the appearance of wrinkles.

## BEVERAGES

Zinzino coffee features products made from the finest Arabica and Robusta beans to produce the very best flavour. The coffee machines are high quality and make espresso just the way you want it. Insert your favourite pod and press the button, the machine will brew an espresso with the perfect cream for your taste. This product group also offers a range of espresso accessories.

# OUR DIFFERENCES **BRING US TOGETHER**



The multicultural business climate at Zinzino creates a crossborder approach that is both a hallmark and success factor of the company.

The flurry of different languages is one of the first things that strikes visitors to the head office in Gothenburg. Almost all employees speak at least two languages and in the support department it is the rule rather than the exception, just like among distributors and customers in the field. Continuous communication with people from all corners of the globe is a natural part of the job and lays the foundation for a literal cross-border collaboration which has been identified as one of the reasons for the successful rapid expansion that Zinzino has experienced over the past few years.

#### **AN OPEN AND COLLABORATIVE WORKING ENVIRONMENT**

A dynamic workplace characterised by people with different perspectives, experiences and backgrounds provides a strength that manifests itself in many ways at Zinzino. In our increasingly diverse society, knowledge and understanding of multiculturalism provides the tools needed to create strategies that facilitate inclusion, integration and communication. At Zinzino, well-being, health and democracy are the focus every day of the week and employees from different parts of the world are encouraged to exchange experiences and knowledge with each other to increase understanding and a sense of belonging, loyalty and well-being.

#### **HEALTH AND EXERCISE A COMMON DENOMINATOR**

Exercising together is an important part of the strong cohesion at Zinzino. Every day, employees at the head office are offered the opportunity to participate in lunchtime work outs in the company's own gym. The sessions vary from high intensity training to yoga. Many take the opportunity to work out during the lunch break and come back to their desks full of energy.

During company events and trips arranged for or by distributors, health is at the core. Some form of group exercise or challenge is offered almost every time. The 2019 "Leader School" event in Oslo included a sprint competition organised among the participants to raise money for charitable purposes. Customers are also encouraged to exercise through various health challenges or individual strength tests. Zinzino's product range is built to be customised according to a personal health plan - Zinzino's Health Protocol. BalanceOil+ and ZinoBiotic+, among others, play a significant role in making the personal journey towards a healthier life even easier and better.



Lunchtime workout in the gym.

# MEET RIA KAMRAS

In just three years, this renowned Hungarian businesswoman and epic entrepreneur has built an amazing track record within the Zinzino family, sealed by her latest, outstanding achievement in November 2020 when she was awarded President, one of the highest-ranking titles within direct sales. Focus and determination together with an unstoppable work ethic to always lead wholeheartedly by example is Ria's signature path to the top.

#### **So, Ria. What did you do before joining Zinzino?**

*"I have a 30-year long career in business. I am from Hungary and graduated as a teacher in 1987. Right after the fall of the iron curtain, I started up my family business. Then, as soon as I got the opportunity, I traveled to Canada to set up business there. My company prospered and turned into a cross-regional franchise. This is when I realized the huge potential in direct sales. I had a chance to personally learn from the legends of network marketing and their books are still the bibles of direct sales people today."*

When Ria eventually returned to Hungary, she was asked to take over the position as managing director of the Hungarian subsidiary for Oriflame, the prestigious Swedish direct sales company. She began managing the activities of over 30,000 distributors, providing all the necessary support for expansion. She also worked hard with the Direct Selling Association of Hungary to make direct sales a more widely accepted and sought-after profession. In 2016, one of her businesses won the Hungarian Product Award, which she received in the Hungarian Parliament, together with her business associate.

#### **How did you start your Zinzino journey?**

*"I was contacted by Black Ambassador Ib Nielsen in 2017. He wanted me to help him lay the groundwork for Zinzino's expansion in the Central European region. It was actually my son Kris, a university student at the time, who first met Ib on July 4, 2017. We both now call that date our very own Independence Day! Ib said something that really resonated with me. After listening to me telling him the story of my life and career so far, he said: "Ria, you have to get your life back."*

#### **What influence has Zinzino had on your life?**

*"Zinzino has changed my life. It gave me a new perspective, a worthwhile mission and a real vision to fight for. Now, I feel fully empowered to use my skills and knowledge to help people globally and restore balance in their lives. My son Kris graduated*

***"Zinzino is driving the next generation of nutrition and I love being part of this visionary journey and infinity mindset"***

Ria Kamras with her son and fellow Zinzino Partner Kristofer Kamras.

*from the Budapest-based International Business School in 2019, while also building his Zinzino business. As far as I know, he is the youngest Zinzino Partner to date who has achieved the rank of Ambassador. My career is on a course I could never have imagined before. Together with my team, we have broken all the sales records at Zinzino. I can now motivate others to break our records and they will discover what they might consider impossible is in fact possible, both in terms of health and finances. This is what motivates me to get up early every single day and go to bed late."*

Ria has been working full-time for Zinzino from the day she decided to go all in after attending her first Zinzino Annual Event in 2017 and met with the Founders and Top Executives in Sweden. She started to build her teams not only in Hungary but also in other European countries, plus in the US and Australia. Ria is the first to admit that she has invested a lot in her business.

*"This is the only way I know to do things when I enjoy what I am doing, says Ria. But, Zinzino has also brought the most joy and satisfaction in my entire business career, ever since I became an entrepreneur over 30 years ago. Period."*

Ria's personal breakthrough came when she received the unique Partner of the Year Award in 2019. Only a handful of people are eligible for this kind of prestigious recognition.



*"I am very proud that Zinzino Management found me worthy and gave me this very special award, says Ria. It reassured me that I was on the right track to achieve my dreams, while helping my team members do the same."*

Ria considers herself living proof of the profound positive effect Zinzino has on anyone's life. She will demonstrate how Zinzino has done this for not only her, but hundreds of people she knows personally.

*"I can literally provide countless of testimonies from people in at least a dozen countries on three continents, says Ria. These are people who will share their success stories on how they have been able to reinvent their life, regain their health and financial stability and even build substantial wealth thanks to Zinzino."*

#### **How do you inspire and help other people?**

*"I tell them that the world has changed a lot in the past few years, even in the most secluded corners of the globe. In light of what we have been experiencing during this pandemic, Zinzino is a safe escape route when all we took for granted is collapsing. Running a location-independent side business, enjoying multiple income streams without having to invest a lot of time and effort can also be a lot of fun, especially when it involves something you are passionate about. I have been working hard to create a safe haven for people*

*who need a new way to make a living now and in the future. I collaborate with my top leaders on a daily basis to put better quality of life, financial stability, and personal development within easy reach for anyone we meet."*

#### **Is there anything else you would like to share?**

*"This greater awareness of health and well-being has been trending for years. Zinzino is leading the way to make personalized and test-based nutrition a trend that is here to stay. We have the right tools to help people with their health, while giving those who are looking for a business opportunity a real chance to succeed. I could not agree more with our Founders when they say that this is the very best time to join Zinzino. We have had many highly successful years already, but the best is yet to come."*

# CORPORATE SOCIAL RESPONSIBILITY

*So far, 620 children have been sponsored through our programme, and our goal is to help more than 2,000 children in the next three years!*

## OUR EMPLOYEES AND OUR ENVIRONMENT

Zinzino is an international business which strives to be multi-faceted, open and non-discriminatory at all levels. Our head office in Gothenburg currently employs around ten different nationalities. We have a friendly, personal and close connection with each other, our customers, distributors and suppliers and we "live" our staff handbook in every day life.

## GIVING BACK

We want to make a positive difference in children's lives all over the world. Zinzino supports aid organisations like Glocal Aid to help boys and girls lift themselves out of poverty through education.

Zinzino has supported two schools in recent years: one in Karwi village, Uttar Pradesh and the other in the village of Kukrah, Bihar. By offering a scholarship, Glocal Aid and Zinzino are partnering with these two primary schools to provide sponsored education to children and young people. Without this sponsorship, these children would not be able to go to school. We are very happy and proud to help finance this very important work.

So far, 620 children have been sponsored through our programme, and our goal is to help more than 4,000 children over the next five years! Scan the QR code at the bottom of this page and watch the video about Zinzino and Glocal Aid's work in Karwi, India!

## OUR PRODUCTS

For our balance products, we have chosen to cooperate with the Icelandic company LÝSI Hf. They produce our BalanceOil which contains a unique combination of fish oil and olive oil. LÝSI Hf. has a strict environmental policy that includes the use of fish oil only from non-endangered fish stocks and is also approved by the IUCN.

Zinzino is a member of the Fairtrade Alliance in Scandinavia. Fairtrade is an independent product label that helps farmers and workers in developing countries improve their working and living conditions.

For our coffee products, we have chosen to partner with Rombouts and Malongo, which was the first coffee roaster to start a partnership with Fairtrade.(1992). The roasting plant in Nice, France, is ISO1400 environmentally certified.

## OUR ENVIRONMENT - TRANSPORT AND RECYCLING

Every month we send around 80,000 packages around Europe, Asia, North and South America. We use PostNord, Deutsche Post, UPS, Bring, GLS, DHL and Posti, among others, for our deliveries. They are some of the world's largest logistics and postal operators, actively working to reduce environmental impact and emissions. All of these carriers are working, among other things, to reduce emissions through the use of environmentally friendly vehicles and optimised route planning.

We are particularly proud of our improved environmentally friendly coffee pods. The use of coffee capsules has grown exponentially since home coffee machines have become more common. In most cases the capsules are made of metal or plastic – materials which burden the environment. Our pods consist of an environmentally friendly pod that can be put in the compost. 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.

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

**2012** - Stopping female genital cutting among the Maasai people in Kenya.

**2013** - A local microfinance project in Kenya to expand local businesses where women can build farms and help their children in school with food and medicine.

**2014** - Continued support of the project in Kenya

**2015** - Development of a school for children and young people, Karwi U.P.I, India

**2016** - 295 students sponsored to go to school, Karwi U.P.I, India

**2017** - 405 students sponsored to go to school, Karwi U.P.I, India  
Development of a primary school in Kukurah, Bihar, India

**2018** - 620 students sponsored to go to school in Karwi U.P.I and in Kukrah, Bihar, India

**2019** - 620 students sponsored to go to school in Karwi U.P.I and in Kukrah, Bihar, India

**2020** - 620 students sponsored to go to school in Karwi U.P.I and in Kukrah, Bihar, India





Scan the QR code and watch the video about Zinzino and Glocal Aid's work in India!

# WHY DIRECT SALES?

## AN EFFICIENT DISTRIBUTION MODEL

Direct sales differs from more widespread distribution models in a very 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 start up and operating costs.

Direct sales consultants are self-employed but work together with a direct sales company. Consultants create strong personal relationships with potential customers, primarily through personal meetings and demonstrations of products. In 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 around the world have chosen to become part of the direct sales industry because they want to be able to enjoy the services and products of companies and buy them at great 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 initiative and expand by building a team.

Nine out of ten direct sellers work part-time. It is an opportunity for stressed parents, carers, professionals and others to achieve 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 the millions of people in the industry.

## ZINZINO – A PROUD MEMBER OF MANY DIRECT SALES ASSOCIATIONS

Zinzino is a member of the Swedish direct sales association Direct Selling Sweden and has for many years worked actively for an open and honest direct sales sector. Zinzino is also a member of the national direct sales associations in Norway, Finland, Denmark, Estonia, Latvia, Lithuania and the Netherlands. Zinzino applies to the direct sales associations in all new markets that open and is currently a trial member in the US, Germany, Switzerland and Poland.

To be a member of 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 will also promote awareness and application of the industry's ethical rules and encourage sellers and distributors to do the same. DSS is the reference organisation for all legislation which affects direct trading.

For more information, visit their website:  
[www.directsellingsweden.se](http://www.directsellingsweden.se)



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## WHAT IS DIRECT SALES?

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



# FINANCIAL INFORMATION

# OWNERSHIP & SHARE PERFORMANCE

## FIVE REASONS TO INVEST IN ZINZINO:

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

Zinzino is a leading direct sales company currently operating in Europe, North America and Australia with ongoing establishment processes in Asia and India, among others. The company's strategy is profitable growth in new and existing markets. The business model has for many years generated growth and will continue to do so also in the future. As a result of the structure of the business model, combined with the digital market tools that the company has developed in recent years, the growth rate is expected to increase through increased sales in existing and new markets in the coming years. Finally, growth can also be generated through company acquisitions.

### 2. HELP IMPROVE THE HEALTH OF THE WORLD

Our product concept is to give health back to the world. Our goal is to get the best out of people with enthusiasm, encouragement and a great deal 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 500,000 test results, based on blood tests in our database. We are the company that has done the most fat analyses in the world.

### 3. PRODUCT DEVELOPMENT AT THE LEADING EDGE

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

### 4. STRONG MARKET POSITION AND DISTRIBUTION

Zinzino has strong sales organisations in its principal markets with good relationships with its customer base. The broad product portfolio attracts new customer groups and thereby generates growth. Through an updated IT platform and logistics system, Zinzino is well equipped for the expected sales growth in the coming years.

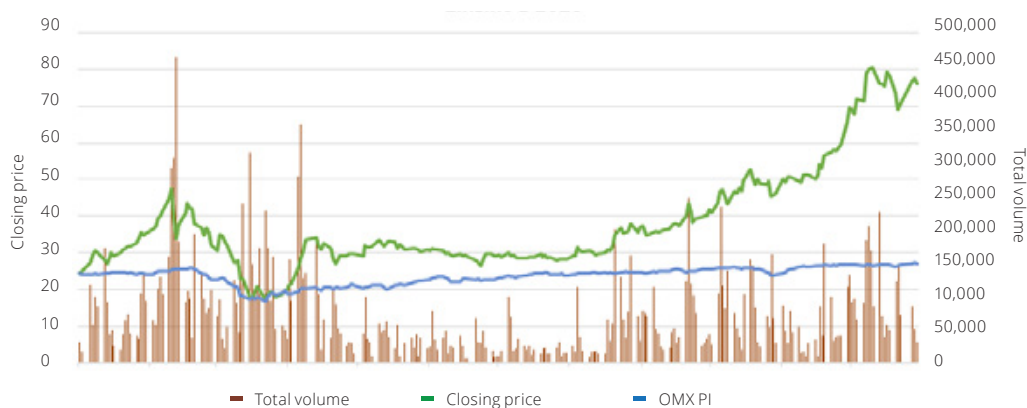
### 5. ATTRACTIVE CASH FLOW ENABLES INCREASED STOCK DIVIDENDS AND GIVES A GOOD DIRECT RETURN

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

## LARGEST SHAREHOLDINGS AS OF 31/12/2020

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	6,444,589	9,567,986	47.65%	28.93%
Peter Sörensen via company	1,809,995	1,830,152	3,640,147	25.21%	10.56%
Other owners	180,000	19,661,512	19,841,512	27.14%	60.04%
Total	5,113,392	27,936,253	33,049,645	100.00%	100.00%

## SHARE PRICE DEVELOPMENT 2020 ZINZINO B SHARES (SEK) 01/01/2020 – 31/12/2020



In 2020, a total of 18,710,247 (6,218,930) shares were traded in 57,901 (11,829) trades.

The year's first trade closed at SEK 23.2 and the year's last at SEK 76.0.

The year's top price was reached on 09/12/2020 with a trade at SEK 84.2. The lowest price was SEK 16.5 which was reached on 17/03/2020.

### **OWNERSHIP AND SHARE PERFORMANCE**

Zinzino AB has been listed on Nasdaq OMX First North since 11 December 2014, which involved a change of listing from the Aktietorget stock market where Zinzino has been listed for trading since 2010. On 16 September 2020, Zinzino moved up to the OMX First North Premier Growth Market. The transition was important for strategic reasons in the company's global expansion. In addition, the listing on the Premier segment facilitates increased institutional and international ownership of the company.

As at 31/12/2020, the share price amounted to SEK 76.0 (23.2), which meant that the market value of Zinzino AB's listed B shares amounted to SEK 2,123.2 (637.2) million.

In 2020, a total of 18,710,247 (6,281,930) shares were traded, with 57,901 (11,829) trades being made. At the end of the year the company had 5,245 (2,555) share owners, excluding some foreign custodial account customers.

### **SHARE CAPITAL**

As at 31/12/2020, the share capital was divided among 33,049,645 shares, of which 5,113,392 are A shares (1 vote) and 27,936,253 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 Premier, [nasdaqomxnordic.com](https://www.nasdaqomxnordic.com), with ISIN code SE0002480442.





# OPTIONS PROGRAMME & DIVIDEND POLICY

## **OPTIONS PROGRAMME**

The company, as of the report date, has two outstanding options programmes. The first options programme covers 800,000 warrants at an exercise price of SEK 18 which expires on 31/05/2024, of which 9,500 warrants have already been exercised for share subscription as of 31/12/2020. The second options programme will cover 1,000,000 warrants at an exercise price of SEK 45. The option programme expires on 31/05/2025. If all the warrants issued as of 31/12/2021 are exercised for new subscriptions of 1,790,500 shares, the share capital dilution will be approximately 5%.

## **DIVIDEND POLICY AND PROPOSED DIVIDEND**

The group's dividend policy states that Zinzino shall distribute at least 50% of the free cash flow provided the equity/assets ratio and liquidity so permit. The solid profitability in 2020 combined with a strong increase in positive cash flow from operating activities has allowed for an increased share dividend in 2021. The board of directors will thus propose to the 2021 annual general meeting an ordinary dividend of SEK 1.00 (0.55) per share and a special dividend of SEK 0.25 (0.15) for the same dividend period.

## **INSIDERS (MARKET ABUSE)**

Zinzino follows Swedish Financial Supervisory Authority's directive regarding correct presentation of information. Zinzino publishes information about the company which could affect the share price and for a logbook of any financial report or press release where the information could be considered as affecting the share price and where the requirements for postponement of publication are met. The logbook is a list of people who are employed or have assignments for the company and who have access to inside information relating to the company in the present case. This can involve insiders, but also other persons who have received insider information.

People with management positions in Zinzino and people or legal entities which are closely associated with them have an obligation to inform Zinzino and the Swedish Financial Supervisory Authority of every transaction related to changes in their holdings of Zinzino shares when the total amount reaches the equivalent of 5,000 euros during a calendar year, in conformity with the European Parliament's and Council's regulations on market abuse. Furthermore, a 30-day stock-trading ban exists for all persons in an insider position ahead of sensitive quarterly reporting.

# MANAGEMENT REPORT

The board of directors and CEO of Zinzino AB, 556733-1045, hereby submit this Annual Report and consolidated financial statements for financial year 01/01/2020 to 31/12/2020.

The profit and financial position for the group and the parent company for the year are reported in the management report and in subsequent income statements, a report on comprehensive profit/loss, balance sheets, reports on changes in equity and cash flow statements, with accompanying notes and comments. The group's income statement and balance sheets will be presented for approval by the annual general meeting on 20 May 2021.

## OWNERSHIP AND HISTORY

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

In 2009, Zinzino Nordic AB was acquired, partly through a directed non-cash share issue to the owners of Zinzino Nordic AB and partly through a subscription in the preferential rights issue that Zinzino Nordic AB carried out in December 2009. Through this, Zinzino AB obtained control over 97% of the votes and 92% of the capital of Zinzino Nordic AB. As of 31/12/2020, the ownership share in Zinzino Nordic was 97% of the votes and 93% of the capital.

In addition to Zinzino Nordic AB, the following previously wholly-owned companies are included in the group: Zinzino Operations AB, Zinzino OÜ in Estonia, Zinzino UAB in Lithuania, SIA Zinzino in Latvia, Zinzino Ehf in Iceland, Zinzino LLC in the US, Zinzino SP. Z.o.o in Poland, Zinzino BV in the Netherlands, Zinzino Canada Corp, Zinzino S.R.L in Romania, Zinzino PTY in Australia, Zinzino U.K Ltd and the Norwegian Bioactive Foods AS.

Through the acquisition of VMA Life in 2020, Zinzino Singapore Ltd, Zinzino Thailand co. Ltd, Zinzino Malaysia SDN BHD, VMA Life Network in Malaysia and Zinzino Hong Kong were added.

During the period 2018–2020, the following subsidiaries were established in which no activities were carried out as of the balance sheet date: Zinzino SA Pty in South Africa, Zinzino Ukraine, Zinzino Russia, Zinzino Gida in Turkey and Zinzino Health Products India Private Ltd.

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 in Finland, Zinzino AS in Norway and Zinzino ApS in Denmark, as well as the dormant Swedish subsidiaries PG Two AB and 2Think AB. For a complete consolidated overview see page 86 of this report.

## FINANCIAL OVERVIEW

### Revenues

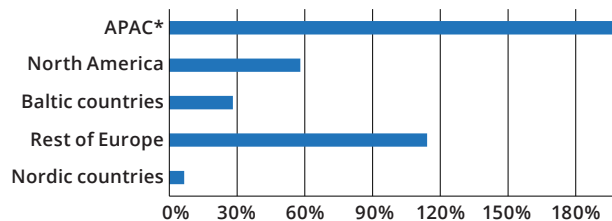
Total revenues during the business year increased by 48% to SEK 1,138.6 (770.6) million. The profit after financial items was SEK 85.0 (13.9) million.

Net sales amounted to SEK 1,074.4 (710.8) million and were broken down by Zinzino Health, Zinzino Coffee, the production

unit Faun Pharma's sales to external customers and revenue from event/other services. Other income mainly concerned freight revenue related to product sales and amounted to SEK 63.7 (57.1) million. Capitalised work amounted to SEK 0.5 (2.7) million.

The Zinzino Health product segment increased by 57% to SEK 974.6 (621.1) million and represented 85% (80%) of total revenue. The Zinzino Coffee product segment decreased by 12% to 30.8 (35.0) million, which corresponded to 3% (5%) of total revenue. Faun Pharma AS external sales increased by 32% after more efficient production during the year and amounted to SEK 59.9 (45.4) million, which corresponded to 5% (6%) of total revenue. VMA Life's sales amounted to SEK 6.7 (0.0) million, which corresponded to 1% (0%) of total revenues. Other revenues amounted to SEK 66.6 (69.1) million, which together corresponded to the remaining 6% (9%) of revenue for 2020.

### Growth per region 2020 vs 2019



\* APAC 216%

### Nordic countries

The Nordic countries increased their total revenue by 7% to SEK 457.3 (429.2) million in 2020. This after good and stable growth in Sweden, Norway and Denmark during a year in which the Scandinavian distributors effectively switched to digital operations in accordance with the prevailing external situation.

At the same time, distributors have had a clear focus on their respective domestic markets, which became increasingly clear during the year when sales growth again increased in the important sales markets of Norway and Denmark. On the other hand, the downward trend continued in Finland and Iceland, where distributor activity was at a generally lower level in 2020 compared with the previous year. The Finnish sales organisation, with the support of head office during the autumn, worked intensively to broaden the geographical expansion within the country. This in order to attract completely new customers and distributors to stimulate sales growth in the market. This resulted in the reduction in revenue slowing down by the last quarter of 2020.

Faun Pharma, the group's subsidiary and manufacturing unit, strongly focused on optimising production planning in 2020 for increased efficiency. This has resulted in external sales in 2020 increasing by 32% to SEK 59.9 (45.4) million, while internal production has more than doubled. Strengthening efficiency has been very important in securing the internal supply of goods during the strong sales growth that has taken place in the various Zinzino markets in 2020.



### Baltic countries

In the Baltic countries, revenues in 2020 increased by a total of 28% to SEK 70.5 (55.0) million after strong growth in Latvia and Lithuania during the year. 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. In Lithuania, growth has also been positive for a relatively long period with increased distributor activity that was gradually built during 2020. The development was weaker in Estonia, where sales were at a slightly lower level in 2020 than in the previous year, this is despite greater interest from distributors during the year compared to recent years. Zinzino continues to support the sales organisations in the Baltic countries, through marketing and customer support with a special focus on the Estonian market. The Estonian sales organisation works closely with parts of the Finnish sales organisation and will also work intensively to attract new customer groups and distributors to Zinzino in 2021.

### Rest of Europe

Strong sales growth was a recurring theme among the remaining markets in Europe in 2020. Growth in all markets meant that revenues rose by a total of 114% to SEK 540.2 (252.3) million after generally high distributor activity in the region. This is despite the global virus outbreak and heavy shutdowns in most of the region's countries. Growth continued to be very strong in the Central European markets of Hungary, Poland and Slovakia where a common cluster of distributors working in an organised way across national borders is driving growth in the area. There was also positive growth in neighbouring Germany, Austria and Switzerland, where the experienced distributor organisations run their operations in a similar way with good results. Investments in the UK through the designated local head of sales and the newly opened subsidiary have resulted in a sharp increase in sales during the year despite major restrictions due to Covid-19, which means that Zinzino sees the UK as one of the new markets with the greatest growth potential in 2021. During the last months of the year, distributor activity in both Spain and Italy also increased, which resulted in a rapid growth in the number of new customers and distributors, as well as sales revenues.

### North America

Revenues in North America increased by 58% to SEK 37.3 (23.6) million during 2020. The trend was consistently very positive in the region during the year with gradually rising growth. This was due to a successful combination of underlying growth from existing and new distributors, and the collaboration with Life Leadership during the year. Zinzino will continue to adapt its digital platforms to North America, develop the collaboration with Life Leadership and support the distributor network to further stimulate the growth rate in 2021.

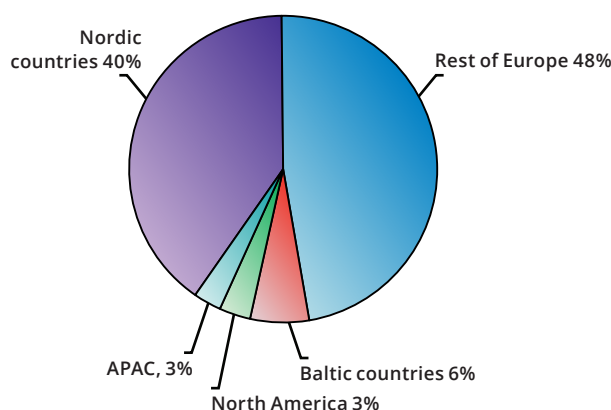
### APAC (Asia and Oceania)

Total revenues in 2020 in the APAC region amounted to SEK 33.2 (10.5) million, which corresponded to 216% growth compared with the previous year. During the year, Zinzino's operations expanded in the region through the acquisition of VMA Life and the opening of the Hong Kong office during the fourth quarter. Of the total revenues in the region, a total of SEK 6.4 (0.0) million was attributed to VMA Life's external sales from the markets in Taiwan, Singapore, Malaysia and Thailand. Through its establishment in Australia, Zinzino has succeeded in attracting distributors with important strategic contacts in most Asian countries where the company is currently conducting establishment processes. These contacts have proved to be very important, not least in view of the very high level of distributor

activity identified in and around Hong Kong during the last quarter. The networks strengthen the establishment and sales performance in the region through synergies similar to those Zinzino has had on the Central European markets.

### Sales by region

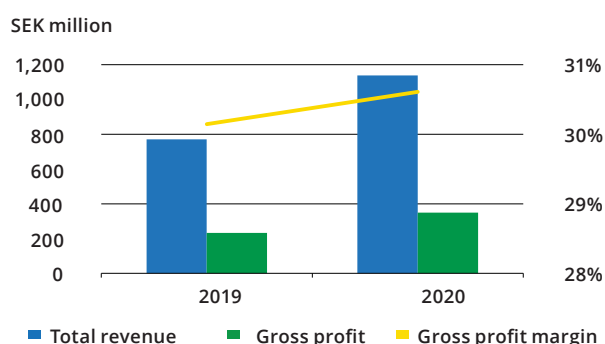
During 2020, the rest of Europe was the strongest region in terms of sales and accounted for 48% (33%) of total sales, mainly due to the favourable sales development in the Central European countries. The Nordic countries continued to account for a large share of the company's revenue, although the share was reduced to 40% (56%) of total sales and the Baltic countries reduced their share to 6% (7%). North America accounted for 3% (3%) of total revenue and APAC the remaining 3% (1%) of revenue.



### Costs and profit

Gross profit in 2020 amounted to SEK 348.6 (232.3) million and the gross profit margin to 30.6% (30.1%). A one-off effect due to changed accounting for distributor remuneration improved gross profit by SEK 22.2 million during the first quarter. Due to a minor adjustment in the general terms with the distributors, the costs are reported during the same period as the revenues, whereby the matching of revenue and costs will be better.

The new terms apply from 01/01/2020 with the one-off effect of the change affecting the profits during the period. Profitability at the gross level was slowed by currency fluctuations and sales incentive campaigns aimed at distributor organisations. This was in order to maintain good sales growth during the Covid-19 outbreak. A more normalised level of remuneration to distributors in combination with favourable currency development during the second half of the year has contributed to a gradually strengthened overall gross profit for 2020.



Operating profit before depreciation/amortisation amounted to SEK 108.5 (33.5) million, and operating margin before depreciation/amortisation amounted to 9.5% (4.4%). Adjusted operating profit before depreciation/amortisation amounted to SEK 86.3 (33.5) million and the adjusted operating margin before depreciation/amortisation amounted to 7.6% (4.4%). Large economies of scale in most of the operational parts of the business contributed strongly to the improved profitability.

Operating profit amounted to SEK 86.6 (14.8) million and the operating margin was 7.6% (1.9%). Profit before tax totalled SEK 85.0 (13.9) million and net profit was SEK 66.3 (11.3) million.

### Depreciation/amortisation

For 2020, total depreciation and amortisation and write-downs were SEK 21,958 (18,751) thousand. These are divided into SEK 1,102 (1,154) thousand in tangible fixed assets, SEK 20,856 (17,597) thousand in intangible fixed assets. Of this, SEK 12,716 (10,281) thousand is amortisation of leases in accordance with IFRS 16.

### Inventories

The group's combined inventories at the balance sheet date were SEK 126.9 (88.9) million. The increase was mainly due to the company establishing another external warehouse in Poland as a result of the increased sales in Central and Eastern Europe, but also because the company built up the inventory level in Australia and Hong Kong to be able to ensure efficient deliveries to the growing customer base in the region.

### Financial position

As of 31/12/2020, the group had equity of SEK 94.7 (40.3) million, corresponding to SEK 2.88 (1.24) per share (before dilution). On the balance sheet date, cash totalled SEK 143.2 (76.8) million. The group's equity/assets ratio was 20% (13%). Cash flow for the year amounted to SEK 66.4 (31.4) million.

The assessment of the board of directors is that the company's balance sheet is strong without any interest-bearing liabilities and that liquid assets are at a satisfactory level. The board of directors' assessment is that the group's positive cash flow from operating activities will secure the liquidity in the group for the foreseeable future and will also make possible an increased dividend for the past financial year subject to decisions at the annual meeting of shareholders. The board of directors proposes a dividend for 2020 to shareholders of SEK 1.25 (0.70) per share through an ordinary dividend of SEK 1.00 (0.55) and a special dividend of SEK 0.25 (SEK 0.15) in the same dividend period.

## SIGNIFICANT EVENTS DURING THE YEAR

### Mild impact of Covid-19 during the year

During the global outbreak of Covid-19, Zinzino has prioritised the health of its employees and taken measures to limit its spread as instructed by the relevant authorities. In addition, Zinzino has prepared and taken measures to secure critical processes for the business, such as the handling of orders, support and commission payments to distributors in the event of any closure of the head office. Overall, the company and its distributors have handled the transition to the digital communication and meeting culture very well. Additionally, in October, Zinzino's first fully digital international annual event was held, where several internationally known lecturers gave presentations to more than 3,500 distributors from around the world.

### Acquisition of VMA Life in Singapore

In early April 2020, Zinzino signed the definitive acquisition

agreement with VMA Life, a direct sales company in health and beauty. VMA Life operates in Malaysia, Thailand, Taiwan, Hong Kong and Singapore. The acquisition was delayed due to Covid-19 but was completed in July when USD 0.4 million was paid via cash funds and Zinzino shares via a deferred non-cash issue. Then contingent additional consideration will be based on sales developments during 2020–2023. The total additional consideration amounts to a maximum of USD 1.15 million, divided between 50% cash and 50% shares. The acquisition is financed with own cash and the total additional consideration will be generated through profits from VMA Life. During the last months of the year, Zinzino started to see positive effects of the acquisition through the good sales growth in the APAC region.

### New test website for blood analysis

The summer saw the completion of the launch of Zinzino's redesigned English version of zinzinotest.com. The new version means improved functionality and user-friendliness as well as fresh design and layout. Zinzinotest.com shows the individual results anonymously from Zinzino's BalanceTest, a dry blood stain test for home use. Zinzino has currently performed over 500,000 analyses of these blood tests. The updated zinzinotest.com provides in-depth information and recommendations on diet improvement, educating and helping customers and distributors to achieve better results. In addition, added and updated features allow customers and distributors to easily navigate the website and understand more about fatty acids in the body. The launch of translated versions was ongoing in autumn 2020 and zinzinotest.com was translated into 22 languages by the end of 2020.

### Move to Premier segment of First North Growth Market

On 16 September, Nasdaq approved Zinzino's application to move up the company's B shares to the First North Premier Growth Market. The transition was an important step towards the goal of being listed on Nasdaq's main list in the future. Trading of Zinzino's shares on the First North Premier Growth Market commenced on Monday, 21 September 2020, marking a strategically important step in its global expansion. The move also facilitates increased international and institutional ownership of the company. The Premier segment of the First North Growth Market allows companies to prepare for listing on the exchange's main list by setting higher standards in areas such as disclosure, accounting principles and corporate governance. The requirements for Premier are broadly consistent with the regulations that apply to Nasdaq's main list, which is a regulated marketplace. Zinzino reports in accordance with the International Financial Reporting Standards (IFRS), a requirement for companies listed on Premier. Zinzino's shareholders have not been required to take any action in connection with the listing on the First North Premier Growth Market. The share continues to trade under the same short name (Zinzino B) and ISIN code as before.

### Launch of Global Webshop for distributors

On 15 December, Zinzino launched a global webshop for markets where Zinzino previously had no presence. The global webshop allowed distributors to start up operations under the Zinzino banner and test the viability of the market. Through the global webshop, Zinzino has coverage for a total of 96 different countries throughout the world. This approach reduces the pressure on the organisation to open full-scale markets, which requires a lot of internal resources.

### SIGNIFICANT EVENTS AFTER REPORTING DATE

There have been no significant events for the company since the reporting date.

## BUSINESS MODEL AND MARKETING STRATEGY

The core of Zinzino's business is marketing and sales. The company's network of independent sellers and sales teams markets Zinzino's products and services to the consumer, while much of the company's own marketing is directed at developing and providing sellers with the tools they need.

Marketing consists primarily of providing product information, promotional materials, basic training materials and an effective flow of information via the web, social media and e-mail which are described on page 21 of the Annual Report. Major efforts have been made with a strong focus on the digital environment to develop the tools for Zinzino's sales organisation. The process continues into 2021.

Zinzino is working long-term and investing considerable resources in the development of IT systems and marketing tools, which generate growth in both the short and the long term. When the company expands 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 with the sales organisations already established in neighbouring markets. This is precisely the reason for the good sales performance of the relatively newly established markets in Central and Southern Europe. These contacts can occasionally also carry across continents, which has been behind the launch in Australia and the ongoing new establishment project in Asia. The establishment model follows the same concept for the various markets with customisation of websites and marketing materials in the local languages. Through the launch of the global webshop, Zinzino also covers a total of 96 different countries around the world. This approach reduces the pressure on the organisation to open full-scale markets, which requires a lot of internal resources. These resources can now be fully allocated to the ongoing projects in Asia.

The company's management also maintains a close dialogue with the so-called "Leadership Council", which consists of representatives from the sales network. The council is highly appreciated by both sides and the dialogue consistently proves to be a recipe for success. In 2020, the dialogue has been adapted to the current external situation and managed via weekly digital meetings. The adaptation has worked very well and the dialogue has been more frequent and fruitful during the past year than in previous years.

An important part of Zinzino's strategy is also the internal product development. The health sector product development expertise acquired by the company through the acquisition of Bioactive Foods AS and Faun Pharma AS allows the company to focus on internal product development to a much greater extent than before. This means that the company is less dependent on its suppliers to design attractive products for the company's salesforce. Through efficient product development, during the year Zinzino launched the products BalanceOil+, Xtend+, Viva+, Protect+ and ZinoBiotic+, a product group with all-natural ingredients free of additives. At the same time, a new packaging design was introduced that conveys a premium feel and stands for Scandinavian minimalism. In addition, new product sheets with an updated design were launched with the aim of giving customers and distributors a deeper knowledge of the content of the products. In addition, the new product R.E.V.O.O (Revolutionary Extra Virgin Olive Oil), an olive oil of extremely high quality was launched in October 2020. It has a concentration of polyphenols, which protect the cells from oxidation, up to 30 times higher than that of ordinary olive oils.

## Organisation and efficiency

During the year, Zinzino strengthened the organisation to handle the rapid sales growth and global expansion. Mainly the marketing and IT departments have been strengthened to handle digital media and platforms more efficiently. The finance department has also been expanded to meet the increased requirement for internal and external reporting. The same applies to the logistics department to improve material planning and management of the 3PL business.

In addition, VMA Life's organisation has been added and new support staff in Kuala Lumpur, Malaysia, to support the growing number of Zinzino distributors and customers in the region. During the last quarter of 2020, a local sales manager was also appointed in India for the upcoming sales start in the market in spring 2021.

Otherwise, the year was marked by the change that Covid-19 entailed, where the company placed great focus on the employees' health and well-being. In the resulting situation, Zinzino has taken measures to limit the spread according to instructions from the relevant authorities. In addition, Zinzino has prepared and taken measures to secure critical processes for the business, such as the handling of orders, support and commission payments to distributors in the event of any increased restrictions on operations.

The number of employees in the group at the end of the year totalled 187 (134) people, of which 116 (78) are women. In addition, 17 (10) people worked in the group, of which 5 (2) were women, via consulting agreements.

## 2021 FORECAST AND FINANCIAL GOALS

The Zinzino board of directors forecasts that the total revenue will exceed SEK 1,400 (1,139) million. Operating margin before depreciation/amortisation is estimated to exceed 6% but it is noted that uncertainty has increased due to Covid-19 and volatile exchange rate changes.

The average growth in sales at Zinzino for the period 2021–2023 will be a minimum of 20% and operating margin before depreciation/amortisation will increase to >9%. The dividend policy shall be at least 50% of the free cash flow, as long as liquidity and the equity/assets ratio permit.

## RISKS AND EXTERNAL FACTORS AFFECTING GROWTH AT ZINZINO

The board of directors continuously discusses external risks for Zinzino's expansion. The greatest risks continue to be found within its own organisation's capacity to manage costs during a period of strong growth, to find competent resources both internally and among the distributors during rapid expansion and then effectively manage to transfer knowledge to them. In addition, the board identifies additional risks as set out below:

### Risks related to purchases

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

### Risks related to fluctuations in raw materials prices

Zinzino's product selection is based to a large extent on raw materials such as fish oil, olive oil and coffee. Sharply increasing raw material prices can entail increased costs for Zinzino. Although Zinzino continuously monitors and works to reduce its

exposure, a change of the price of one or more essential raw materials could materially affect Zinzino's business, profit and financial position. The diversification of Zinzino's product range which has taken place in recent years has spread Zinzino's risk in relation to price changes on many raw materials.

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

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

#### **Risk-related compliance and establishment in foreign markets**

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

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

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

Changing business systems shows how exposed the company is to interference in its IT operations and how important control of the many IT-intensive processes is. For that reason the company has continued during the year to expand its internal IT function with more employees. Prioritising IT resources in conjunction with high growth is a challenge for Zinzino but the company is working to optimise and allocate its resources in the best way. Through the expanded IT department, the processes of development have been made more efficient, something which is of the utmost importance in connection with the expansion of the business. It has generated cost savings in 2020 with the expectation of further cost savings in the coming years.

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

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

#### **Risks relating to competitors**

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

The board of directors of Zinzino, however, considers that the Zinzino Health product line with BalanceOil, in combination with BalanceTest as the foremost product together with Rombouts & Malongos product programmes is sufficient for Zinzino to be able to continue to be a competitive and attractive company. In addition to this, Zinzino currently has very efficient in-house product development which continuously produces attractive new products in health for Zinzino's partners and customers. Beyond this, the company is working with attractive compensation plans 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.

#### **Risks related to unexpected events in the outside world**

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

#### **PARENT COMPANY ZINZINO AB (PUBL.)**

The parent company Zinzino AB (publ.) carries out establishment of new markets, strategic development and supports the research and product development of Bioactive Foods AS. In addition, the external warehouse in Poland is managed by the company with associated sales within Europe. The total revenues of the Parent Company in the financial year 2020 amounted to SEK 84.2 (10.0) million, of which SEK 61.9 (7.7) million were intra-group revenues. Adjusted operating profit amounted to SEK 21.6 (3.0) million. The increase in costs is mainly due to the addition during the year of distribution of goods in Europe combined with an increased focus on new market development around the world. Dividends from subsidiaries increased net financial income/expense to SEK 29.3 (19.9) million, which in turn led to an increase in profit after tax to SEK 45.8 (22.3) million.

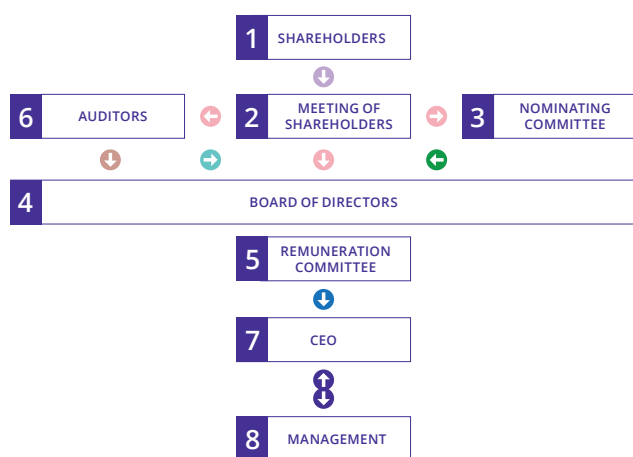
# CORPORATE GOVERNANCE REPORT

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

Zinzino AB is a Swedish public limited company based in Gothenburg. Shares have been listed on Nasdaq OMX First North since 11 December 2014. On 16 September 2020, Nasdaq approved the company's application to move up its shares to the Premier segment of First North.

In a limited company like Zinzino, governance, management and control are distributed among the shareholders, the board of directors, the CEO and the company management in accordance with applicable laws, rules and instructions.

Zinzino AB provides here its corporate governance report relating to 2020.



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

The basis for the governance is the articles of association, the Companies Act, Nasdaq OMX First North Premier's Rules for Issuers, the Swedish Code of Corporate Governance, and other applicable laws and regulations. Zinzino has applied the code in full since the 2020 annual general meeting. Since the listing, the company has not had any violations either against Nasdaq OMX First North's issuers regulations or against good practice in the stock market.

## SHARES AND SHAREHOLDERS

Zinzino AB was listed on Nasdaq OMX First North on 11 December 2014 and moved to the Premium segment of the list on 16 September 2020.

Zinzino was originally listed for trading on the Aktietorget stock market (now Spotlight) in 2010. The total number of shares is 33,049,645 of which 5,113,392 are A shares (1 vote) and 27,936,253 B shares (0.1 vote). At the end of the year the company had 5,245 (2,555) owners, excluding some foreign account customers. The largest owners were Örjan Saele with company and family with 47.65% of the votes and 28.93% of the capital and Peter Sörensen with company with 25.21% of the votes and 10.56% of the capital. Information for the shareholders is available on Zinzino's website: zinzino.com.

## ARTICLES OF ASSOCIATION

The company's articles of association describe, among other things, the company's operations, the number of board members and auditors, how the annual general meeting is convened, handling of matters during the annual general meeting and where the general meeting is to be held. The articles of association contain no limitations relating to how many votes each shareholder may cast at an annual 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.com.

## THE ANNUAL MEETING OF SHAREHOLDERS

It is at the annual meeting of shareholders, and at any extraordinary 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, allocation of the year's profit or loss and decisions on dividends, discharge from liability for the board of directors and the CEO. Moreover, the board of directors is elected and the board members' fee is established. The meeting also decides how the nominating committee shall be appointed. In addition, auditors are chosen and the annual meeting of shareholders decides upon their remuneration. Other legally required matters are also dealt with as well as decisions being made on guidelines for remuneration to senior executives. In addition to these things, decisions will be made on other proposals from the board of directors and the shareholders. Notice of the meeting of shareholders shall be made through advertising in the Post- och Inrikes Tidningar [government newspaper and gazette of Sweden] and by keeping the notice available on the company's website [www.zinzino.com](http://www.zinzino.com). That notice has been made shall at the same time be announced in Dagens Industri. All of the shareholders who are registered in the share register as of the meeting's date and who have registered their participation on time in conformity with the provisions thereon in the articles of association have the right to participate in the meeting and to vote for their shareholdings. Shareholders may be represented by one or more proxies.

### ANNUAL GENERAL MEETING 2020

The 2020 annual general meeting of Zinzino AB (publ.) took place on Wednesday 15 May. At the annual general meeting, shareholders attended in person or through proxy and represented 52% of the votes and 39% of the capital. Hans Jacobsson was appointed chair of the meeting.

#### Some of the decisions that the meeting made are the following:

- To confirm the profit/loss statements and balance sheets of the parent company and the group.
- To distribute SEK 0.70 per share for the 2019 financial year through an ordinary dividend of SEK 0.55 per share and an additional dividend of SEK 0.15 per share at the same dividend date.
- To grant the board of directors and the CEO discharge from liability.
- That board of directors fee for the period until the next annual meeting of shareholders is to be paid in conformity with the proposals put forward for decision, in the amount of SEK 190,000 for the chair and SEK 108,000 for each of the other board members appointed by the annual meeting.
- The meeting resolved to re-elect Hans Jacobsson as board chair. The meeting resolved to re-elect board members Staffan Hillberg, Pierre Mårtensson and Ingela Nordenhav.
- To elect PwC AB as audit firm and Fredrik Göransson as principal auditor.
- To elect Hans Jacobsson (convenor), Magnus Götenfelt and Cecilia Halldner as members of the nominating committee and it was noted that the composition of the new independent nominating committee was part of the adaptation to the Swedish Code of Corporate Governance as the company intends to apply for admission to trading on the First North Growth Market Premier Segment in the future.
- To issue 1,000,000 warrants in accordance with the board's proposed resolution, whereby the exercise price was set at SEK 45 per warrant.
- The meeting resolved, in conformity with the proposals put

forward by the board of directors, to authorise the board of directors in the period until the next annual meeting of shareholders, on one or more than one occasion, to make decisions on preferential rights issue of B shares, convertible and/or warrants. The board shall be able to resolve on a preferential rights issue with or without a provision on set-off or otherwise with conditions.

- The meeting decided, in conformity with the proposals put forward by the board of directors, that in the period until the next annual meeting of shareholders, on one or more than one occasion, to make decisions on a rights issue at market terms of B shares, convertible and/or warrants with derogation from the shareholders' preferential rights, with or without provisions on non-cash and/or set-off or otherwise with conditions. The board of directors may not, however, make decisions which mean that in total more than 3,000,000 B shares will be issued.

### ANNUAL GENERAL MEETING 2021

The 2021 annual general meeting of Zinzino AB (publ.) will be held on 20 May. In light of the extraordinary situation society finds itself in due to the Corona virus, the format of the 2021 annual general meeting of Zinzino AB will be adapted accordingly. Taking into account the health of both the shareholders and the company representatives as well as ongoing efforts to limit the spread of infection, the annual general meeting will be held without the possibility of physical participation. Taking into account regulations and guidance from authorities on avoiding meetings, the board has decided to conduct the annual general meeting only by postal voting. Information regarding the resolutions adopted by the annual general meeting will be published on the company's website [www.zinzino.com](http://www.zinzino.com) on Thursday, 20 May 2021 as soon as the results of the voting at the annual general meeting can be determined.

### 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 board chair, remuneration to the members of the board of directors, making proposals for the process of appointing a new nominating committee and in general following the provisions of the Swedish Code of Corporate Governance.

#### The Nominating Committee Process

- By 31 October, the board chair shall convene the largest shareholders of the company. If any of these waive their right to appoint a member to the nominating committee, the next shareholder/owner group shall be provided the opportunity in order of proportion to appoint a member to the nominating committee.
- The composition of the nominating committee shall be published no later than six months before the annual general meeting.
- The chairman of the board of directors convenes the first meeting of the nominating committee. However, the chairman of the board of directors shall not be appointed chairman of the nominating committee.
- If it becomes known that any of the shareholders who appointed a member of the nominating committee as a result of changes in the shareholder's ownership or as a result of changes in other shareholders' holdings no longer belongs to the largest shareholders, the member appointed by the shareholder, if the nominating committee so decides, will resign and be replaced by a new member appointed by the shareholder who at the time is the largest registered shareholder who has not already appointed a member of the nominating committee. If the registered ownership conditions are

In accordance with the above principles, the nominating committee consists of the following three members until the next annual general meeting on 20 May 2021:

Members	Appointed by	Independent *	Vote share 31/12/2020
Magnus Götenfelt (chair)	Saele invest AS	Yes/yes	47.65%
Cecilia Halldner	Cashflow Holding ApS	Yes/yes	25.21%
Hans Jacobsson	Zinzino AB Board of Directors	Yes/yes	0.43%

\* Independent in relation to the company and its management and independent in relation to the company's largest shareholder in terms of votes.

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

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

#### The nominating committee's tasks include:

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

#### Work of the Nominating Committee

The chair of the nominating committee is Magnus Götenfelt, and the convenor of the nominating committee is Hans Jacobsson.

The nominating committee's proposals are published in the notice of the annual general meeting on the company's website and during the annual general meeting. Shareholders may contact the committee with proposals for board members. The proposals must be sent to the nominating committee's chair via shares@zinzino.com no later than 1 April 2021. The nominating committee's proposals for board members, the board's fees and auditors are presented in the notice of the annual general meeting and on the company's website www.zinzino.com.

The nominating committee has had two meetings as well as a number of email and phone contacts. The nominating committee's complete proposals for the annual meeting of shareholders for 2021 will be presented on the company's website www.zinzino.com well in advance of the annual meeting taking place. Shareholders who want to present proposals to the nominating committee can do so via e-mail to shares@zinzino.com or by post to the company's headquarters. In order for the nominating committee to be able to take account of incoming views in its proposals to the annual meeting, the proposals to the nominating committee must have been submitted at latest one month before the annual meeting of shareholders.

A fee of SEK 10,000 each has been paid to Magnus Götenfelt and Cecilia Halldner for their work prior to the 2021 annual general meeting.

#### THE BOARD OF DIRECTORS

The board of directors is responsible for Zinzino AB's organisation and management. The board of directors must provide effective support for and control of the management's work. The board of directors has adopted rules of procedure which contain rules and guidelines for its work. The rules of procedure govern, among other things, the number of regular meetings of the board of directors, which matters must be dealt with at ordinary meetings of the board of directors, and the duties incumbent upon the chair of the board of directors. The current rules of procedure and the CEO's instructions were adopted at the constitutive board meeting on 15 May 2020. 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.

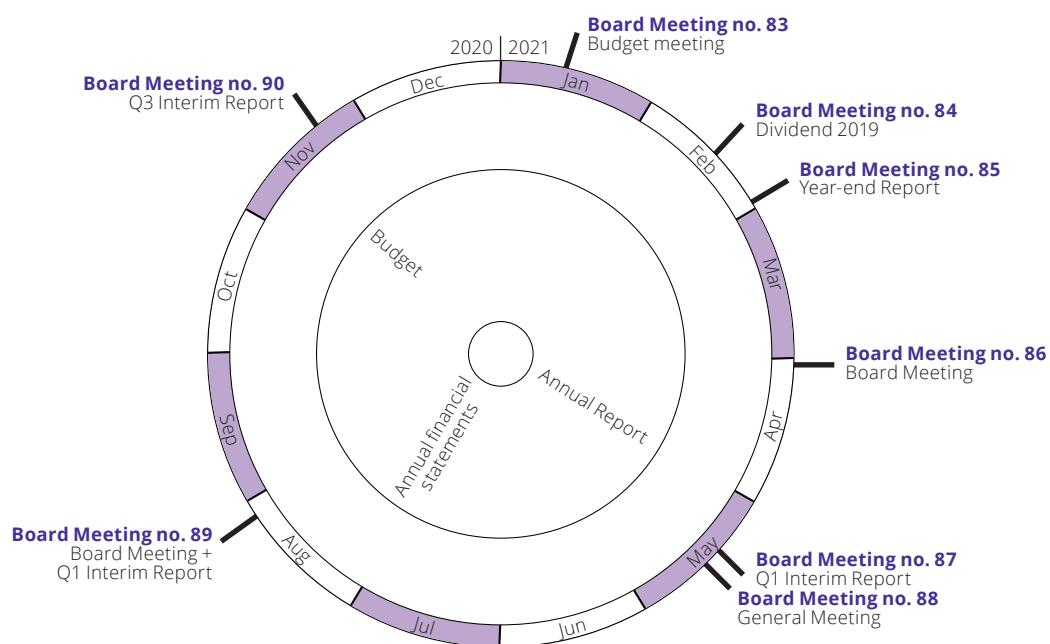
At the annual meeting of shareholders on 15 May 2020, it was established that the board of directors is to have four members elected at the meeting, without deputies. At the annual meeting of shareholders on 15 May 2020, until the time for the next annual meeting of shareholders which will take place on 20 May 2021, the members of the board of directors Hans Jacobsson, Staffan Hillberg, and Pierre Mårtensson were re-elected. Hans Jacobsson was re-elected as the new chairman. More information on the board of directors is presented on page 55. The group's chief executive officer, Dag Bergheim Pettersen, participates in all meetings of the board of directors to present reports. The same applies to the group's CFO, Fredrik Nielsen, and the group's Chief Controller, Henrik Hammargren. Other employees of the group participate at times in the meetings of the board of directors to present reports on specific questions.

#### The independence of the board of directors in relation to the company and the company's management

At Zinzino, the number of board of directors members elected at the annual meeting who are independent of the company is 100% of the members. The number of board of directors members elected at the annual meeting of shareholders who are independent of the company's largest owner is also 100%. One member of the board of directors is a woman, but in accordance with the Code, the nominating committee intends to strive for a more even gender distribution on the board.

#### The board of directors' work and responsibility

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



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

### Board of directors meetings

In 2020, the board of directors held eight minute meetings. The attendance frequency of the board members is shown in the table below. Each meeting followed an agenda and decision material was sent to the board of directors prior to each board meeting. The CEO, CFO and certain other senior executives of the company attended board meetings to present matters.

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

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

Hans Jacobsson chair	8/8
Staffan Hillberg member	8/8
Pierre Mårtensson member	7/8
Ingela Nordenhav member	8/8

### Remuneration to board members

Remuneration and other benefits to the board and the chairman of the board are decided by the company's shareholders at the meeting of shareholders. At the annual general meeting on 15 May 2020, it was resolved to pay SEK 190,000 to Hans Jacobsson who was elected board chair and SEK 108,000 to other board members Staffan Hillberg, Pierre Mårtensson and Ingela Nordenhav. It was further decided that no remuneration shall be paid

for committee work. During the 2020 financial year, total remuneration to the board of directors amounted to SEK 514,000 and was distributed in accordance with the table on page 49.

### Information for the board of directors

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

### THE BOARD COMMITTEE

#### Remuneration Committee

In accordance with the Code, the members of the remuneration committee must be independent in relation to the company and its management. The remuneration committee of the board of directors shall continuously evaluate the remuneration to the management based on prevailing market conditions. The current remuneration committee consists of the board chair, Hans Jacobsson, and Staffan Hillberg both of whom are considered independent in relation to the company and its management. The members of the remuneration committee are appointed annually by the board of directors. The remuneration committee's main tasks are to (a) prepare and propose decisions regarding remuneration and other terms of employment for the company's senior executives, (b) monitor and evaluate remuneration structures, remuneration levels and programmes for various remuneration programmes for senior executives and (c) monitor and evaluate the outcome of variable remuneration and the company's compliance with the remuneration guidelines adopted by the meeting of shareholders. After the 2020 annual general meeting, the remuneration committee has had two meetings up to the reporting date.

#### Members' attendance at the Remuneration Committee

Hans Jacobsson	2/2
Staffan Hillberg	2/2



### The audit committee

Zinzino's audit committee was established at the constitutive board meeting on 15 May 2020 and consists of the board chair Hans Jacobsson (chair) and Ingela Nordenhav. Both members of the audit committee are independent of the company, its management and its major shareholders. The work of the audit committee is governed by specific instructions adopted by the board of directors as part of its rules of procedure. The audit committee is responsible for ensuring the quality of financial reporting and the effectiveness of internal control and risk management in relation to financial reporting. In brief, without prejudice to the other responsibilities and duties of the board of directors, the audit committee shall meet with the company's auditors on an ongoing basis to obtain information on the focus and scope of the audit. The company's auditor shall be invited to attend the meetings of the audit committee. The audit committee shall meet at least three times per financial year. At least once a year, a meeting shall be held when no member of the management is present. Minutes shall be kept of meetings of the audit committee. The audit committee shall inform the board of directors of what has been discussed in the committee. Up to the reporting date, the committee has held two meetings.

### Meetings of the Audit Committee

Hans Jacobsson 2/2

Ingela Nordenhav 2/2

### AUDITING

Zinzino's elected auditors are Öhrlings PricewaterhouseCoopers AB (PwC) with Fredrik Göransson as the principal auditor. Fredrik Göransson is an authorised public accountant and has been Zinzino's auditor since the annual meeting of shareholders in 2018. Fredrik has audit assignments in areas such as HMS Networks AB (publ), Bufab AB (publ) and PowerCell Sweden AB (publ). The audit of the year's financial statements is carried out in January–February. The audit of the year's annual report is carried out in March and April. As part of the audit, an evaluation of internal procedures and control systems is carried out on an ongoing basis during the year. The conclusions of the audit are reported to the group's CEO, CFO and board's audit committee. In addition to the audit assignment, Zinzino has used PwC AB for advice on accounting and tax matters.

### CEO AND BUSINESS MANAGEMENT

The board of directors appoints the CEO. The CEO leads the company, manages the ongoing administration and is responsible for ensuring that the board of directors receives the information required for its commitments. The CEO is not a member of the board of directors. The CEO presents reports to the board of directors and participates in meetings, except when the CEO himself is being evaluated, when the board of directors meets the auditor without the company management or if the board of directors so decides. The division of responsibilities between the board of directors and the CEO is described in a written CEO instruction that is subject to annual revision. The CEO appoints members of the management team. The management team is to conduct business operations and monitor developments. At the beginning of 2020, the management team consisted of Dag Bergheim Pettersen (CEO), Fredrik Nielsen (CFO), Henrik Hammargren (HBC), Jakob Spijker (COO), Daniel Vennerstrand (CTO), Gabriele Helmer (CMO) Henrik Schultz (CPM) and Katriin Laanep (Head of Support).

### REMUNERATION

The remuneration of the board of directors is decided by the annual meeting of shareholders. A remuneration committee appointed from within the board of directors shall prepare guidelines relating to salaries and other employment conditions for the chief executive officer and other senior executives and submit proposals to the board of directors for decisions on such questions. The board of directors decides on the salary and other remuneration of the CEO and variable remuneration of other senior executives. The CEO will make decisions on salaries and other remuneration to other senior executives in accordance with the board of directors' guidelines. Other senior executives refer to seven individuals who together with the CEO constitute the group management.

## REPORT ON REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES 2020

Remuneration and other benefits 2020	Base salary/ Board fees	Variable remuneration	Other benefits	Pension costs	Consultant fees	Total
Board Chair Hans Jacobsson	190	-	-	-	-	190
Board Member Staffan Hillberg	108	-	-	-	-	108
Board Member Pierre Mårtensson	108	-	-	-	-	108
Board Member Ingela Nordenhav	108	-	-	-	-	108
CEO Dag Bergheim Pettersen	3,091	995	112	340	-	4,538
Other senior executives (7 persons)	6,210	570	413	1,298	-	8,491
<b>TOTAL</b>	<b>9,815</b>	<b>1,565</b>	<b>524</b>	<b>1,638</b>	<b>-</b>	<b>13,542</b>

Fees are paid to the board chair and members of the board as approved by the annual general meeting 15/05/2020, at SEK 190,000/year to the board chair and SEK 108,000/year to other members. For other members of the board who receive their salary through employment in any group company, board fees have not been paid. Remuneration to the CEO and other senior executives will consist of base salary, variable remuneration, other benefits, pensions, etc. Other senior executives refer to the seven individuals who together with the CEO constitute the group management. The distribution between fixed and variable remuneration shall be proportionate to the responsibilities and powers of the executive. For 2020, 100% of the measurable targets set by the board for revenue growth and EBITDA results were achieved, resulting in the maximum pay out of the variable remuneration for 2020 according to the applicable guidelines. For the CEO, the variable remuneration is maximised at 50% of the base salary. For other senior executives, variable remuneration is maximised at 8.3% of the base salary.

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

### **THE BOARD OF DIRECTORS OF ZINZINO AB (PUBL) PROPOSES THAT THE 2021 ANNUAL GENERAL MEETING RESOLVE ON GUIDELINES FOR REMUNERATION TO THE SENIOR EXECUTIVES AS FOLLOWS:**

#### **Scope of the guidelines. etc.**

These guidelines cover the individuals who, during the period of validity of the guidelines, are members of the Group Management of Zinzino AB (publ), hereinafter collectively referred to as "senior executives". The guidelines shall apply to remuneration agreed and changes made to remuneration already agreed, after the guidelines have been adopted by the annual general meeting 2021. The guidelines do not apply to remuneration approved by the annual general meeting. The guidelines shall apply indefinitely, but at the latest until the 2025 annual general meeting.

#### **Promoting Zinzino's business strategy, long-term interests and sustainability**

The successful implementation of the company's business strategy and the safeguarding of the company's long-term interests requires the company to be able to recruit and retain qualified employees. Zinzino strives to become the leading direct sales company in the world. To achieve this, the company is working to grow sales and create additional profitability in its various markets. It is key for Zinzino to create incentives among senior executives for commitment, forward thinking and activities that drive sales and profitability while strengthening the Zinzino brand in a sustainable manner. Senior executive remuneration must ensure that the company is able to recruit and retain qualified employees and that management has the right focus and is encouraged to adopt the correct behaviours. The forms of remuneration should be market-based and competitive based on the conditions in the markets in which Zinzino operates and designed to motivate senior executives to do their utmost to create shareholder value. Individual remuneration levels are based on experience, skills, responsibilities and performance and the country in which the executive is employed. These guidelines contribute to the Company's business strategy, long-term interests and sustainability as set out below in relation to variable remuneration criteria and contribute to the Company's ability to retain qualified employees in the long term.

#### **Principles for different types of remuneration**

The total remuneration of senior executives must be in line with

market conditions and consist of a base salary (fixed cash remuneration), variable cash salary, pension benefits and other benefits. In addition – and independently of these guidelines – the General Meeting may resolve on, for example, share and share price related remuneration.

#### **Fixed remuneration**

The fixed remuneration, the base salary, shall be based on the individual executive's responsibilities, authorities, skills, experience and performance.

#### **Variable remuneration**

The distribution between fixed and variable remuneration shall be proportionate to the responsibilities and powers of the executive. Variable remuneration shall always be limited in advance to a maximum amount and linked to predetermined and measurable criteria, designed to promote the company's growth strategy and long-term value creation.

#### **Annual variable remuneration**

For senior executives, the annual variable remuneration (annual bonus) shall be capped at 50% of the fixed annual base salary for the CEO and 8.3% for other senior executives. The variable remuneration shall be based on the targets set by the board of directors. The targets are related to EBITDA results and sales growth. All members of the group management have the same target for annual variable remuneration in order to promote the interests of the shareholders, the company's values and to jointly strive to achieve the company's business strategy, long-term interests and sustainable development of the company.

#### **Determination of the outcome of variable remuneration, etc.**

At the end of the measurement period for the fulfilment of the criteria for the payment of variable cash remuneration, the board of directors, acting on a proposal from the remuneration committee, shall determine the extent to which the criteria have been fulfilled. In its assessment of the fulfilment of the criteria, the board of directors, acting on a proposal from the remuneration committee, may grant exceptions to the targets set on the grounds set out below. As regards the achievement of financial targets, the assessment shall be based on the most recently published financial information of the company with any adjustments determined in advance by the board of directors when implementing the programme. Variable cash remuneration is paid at the end of the measurement period (annual variable remuneration).

Zinzino is actively engaged in ensuring that the company is managed in the most sustainable, responsible and efficient manner possible and that applicable laws and regulations are complied with. Zinzino also applies internal rules that include a Code of Conduct and various group-wide governance documents (policies, instructions and guidelines) in a number of areas. Variable remuneration shall not be paid and variable remuneration shall be recoverable if senior executives have acted in violation of these rules, principles or the company's code of conduct. No variable remuneration shall be paid if profits before tax are negative. The board of directors shall have the possibility, by law or contract, to recover all or part of any variable remuneration paid on an incorrect basis.

#### **Other variable remuneration**

Additional variable cash compensation may be paid in extraordinary circumstances, provided that such extraordinary arrangements are made solely for the purpose of recruiting or retaining executives. Such remuneration may not exceed an

amount equal to 100% of the base salary and may not be paid more than once a year per individual. Resolutions on such remuneration shall be adopted by the board of directors acting on a proposal from the remuneration committee. In addition to the above variable remuneration, there may be from time to time approved share or share price-related incentive schemes as described above.

### **Pension and health insurance**

Pension rights for the CEO shall apply from the age of 65. Pension premiums for the CEO shall not exceed 30% of the fixed base salary and shall be a defined contribution. Variable cash remuneration shall not be pensionable. For other senior executives, the retirement age is also 65 years. The pension agreement stipulates that the pension premium shall amount to a maximum of 30% of the pensionable salary and be a defined contribution according to ITP2. No pension commitments have been made for board members who do not have permanent employment in any group company.

With respect to employment relationships governed by regulations other than Swedish regulations, appropriate adjustments may be made in respect of pension and other benefits to comply with such mandatory regulations or established local practice, whereby the overall purpose of these guidelines shall be met as far as possible.

### **Other benefits**

Other benefits, such as a company car, extra medical insurance and occupational health care, shall be paid to the extent that this is deemed to be in line with market conditions for senior executives in equivalent positions in the labour market in which the executive is employed. The total value of these benefits may not exceed 15% of the fixed base salary.

### **Terms of termination**

Senior executives shall be employed for an indefinite period. A mutual notice period of 6 months applies between the company and the CEO. In the event of termination by the company, the salary is paid for 6 months even if the CEO is exempted from work. A mutual notice period of 3–6 months applies between the Company and other senior executives.

### **Salary and employment terms for employees**

In preparing the board's proposal for these remuneration guidelines, the remuneration and terms of employment of the Company's employees have been taken into account by providing information on the total remuneration of employees, the components of remuneration and the increase and rate of increase of remuneration over time as part of the decision-making process of the remuneration committee and the board in evaluating the appropriateness of the guidelines and the limitations imposed by them. The development of the gap between the remuneration of senior executives and that of other employees will be reported in the remuneration report to be submitted for the first time in 2022.

### **The decision-making process for determining, reviewing and implementing the guidelines**

The board has already established a remuneration committee. The committee's duties include preparing the board's decision on the proposed guidelines for the remuneration of senior executives. These are reviewed annually by the board and presented for approval at the annual general meeting. The guidelines shall remain in force until new guidelines are adopted by the annual general meeting, but no later than the annual general meeting in 2025. The remuneration committee shall also monitor

and evaluate variable remuneration plans for senior management, the application of the guidelines for remuneration of senior executives and the current remuneration structures and levels in the company. The CEO and other members of the company management are not present when the board of directors discusses and decides on remuneration-related issues when they are affected by the issues.

### **Derogation from the guidelines**

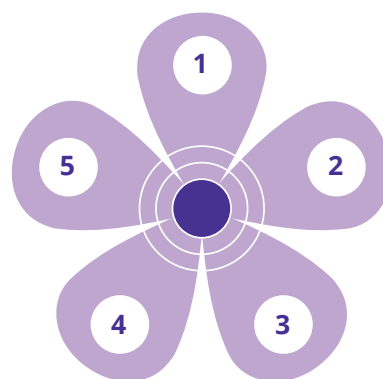
The board of directors may decide to temporarily derogate from the guidelines in whole or in part if there are special reasons for doing so in an individual case and a derogation is necessary to meet the long-term interests of the company, the sustainable development of the company or to ensure the financial viability of the company. As stated above, the remuneration committee's tasks include preparing the board's decisions on remuneration issues, including resolutions on derogation from the guidelines.

### **Other**

The guidelines provide for a level of remuneration that is broadly consistent with the 2020 financial year. Details of remuneration etc. to senior executives in the 2020 financial year are shown on page 83 (part of note 8 to the 2020 Annual Report), including any previously approved remuneration that has not yet become payable.

## **INTERNAL CONTROL, RISK MANAGEMENT AND INVESTOR RELATIONS**

According to the Companies Act and the Code, the board of directors is required to ensure that Zinzino has satisfactory internal controls to keep informed of Zinzino's internal control system and to assess how well the system works. Zinzino's work with internal control can be divided into the control environment, risk assessment, control activities, information as well as communication and follow-up. The board of directors will use the rules of procedure and instructions for its own and the CEO's work for the purpose of effectively managing the risks of the business. The responsibility for maintaining an effective control environment and internal control relating to financial reporting is delegated to the chief executive officer. For external communication there are guidelines which ensure that correct information is distributed to the market. In conjunction with the issuance of reports, the board of directors always meets at an ordinary meeting or by telephone and before publication formally approves the proposed report which the management has produced.



1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Follow-up

## CONTROL ENVIRONMENT

The control environment is the basis for internal control. Zinzino's control environment includes sound values, integrity, competencies, leadership philosophy, organisational structure, responsibilities and authorities. Zinzino's internal work rules, instructions, policies, guidelines and manuals guide employees. Zinzino ensures clear roles and responsibilities for the efficient management of business risks through, among other things, the rules of procedure of the board of directors, the instructions of the audit committee and the instructions of the CEO. The CEO reports regularly to the board, including between board meetings. In day-to-day operations, the CEO is responsible for the system of internal controls necessary to create a control environment to manage material risks. Zinzino also has guidelines and policies regarding financial management and monitoring and communication issues. Frameworks exist for credit and currency management.

## CONTROL ACTIVITIES

Control activities have the primary objective of preventing, detecting and correcting errors in financial reporting based on an established system. Zinzino performs monthly detailed monitoring of various activities at the account level in order to analyse discrepancies and detect material errors in the financial statements. Zinzino also performs monthly analysis of the consolidated balance sheet assets and liabilities. Zinzino has an audit committee which contributes to enhanced control of the group's financial reporting and the Company's internal procedures.

## RISK ASSESSMENT

The board of directors has the ultimate responsibility for the risk assessment and annually assesses risks and seeks to achieve a high level of awareness of risks among employees. Identified risk areas are primarily financial reporting, operational risks and legal risks. For information on the main operational and legal risks identified by the company, see the management report page 43–44. Zinzino conducts ongoing risk assessments to identify potential sources of error in financial reporting. Risks of material misstatement of the financial statements may arise from the recognition and measurement of assets, liabilities, income and expenses or from deviations from disclosure requirements. Zinzino's risk assessment of financial reporting aims to identify and evaluate the most significant risks.

## INFORMATION AND COMMUNICATION

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

All reports and press releases are published simultaneously with the publication on Zinzino's website.

## FOLLOW-UP

The board continuously evaluates the information provided by company management, which includes both financial information and significant internal control issues. The board of directors and the audit committee continuously monitor the effectiveness of internal control, which, in addition to continuous updating in the event of deviations, is done, among other things, by ensuring that measures are taken in response to the proposed measures that may have emerged from external audits. The audit committee deals specifically with the issue of internal control.

## INTERNAL AUDIT

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





# BOARD OF DIRECTORS



## HANS JACOBSSON

Chair  
Born: 1967

Hans Jacobsson holds a Master of Business Administration. Works as CFO at Nowa Communication. Former CEO of Rootfruit Scandinavia AB, finance and logistics director for General Mills Scandinavia AB, Partner in CR&T Ventures (a risk capital company in the Bure-sphere) and Investment Manager in Investment AB Bure. He has extensive experience in mergers and acquisitions, IPOs and structural transactions. In addition he has comprehensive competence in food and consumer products.

Hans Jacobsson has been a member of the board of directors since 2007 and has served as Chairman since 2009.

Number of shares: 319,841 B shares  
Independent in relation to major shareholders: Yes  
Independent in relation to the company and its management: Yes



## STAFFAN HILLBERG

Member  
Born: 1964

Staffan Hillberg studied electrotechnology at Chalmers and has an MBA from INSEAD. CEO of Wood & Hill Investment AB. Has extensive experience from international operational positions and the financial sector. Former CEO of Heliospectra AB and Yield AB, former Managing Partner of MVI, partner in CR&T Ventures AB (risk capital company in the Bure-sphere), CEO of AppGate AB, CEO of Bonnier Online, chief of Bonnier Medialab, product chief for Apple Computer Inc in France and the United States.

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

Number of shares: 202,824 B shares  
Independent in relation to major shareholders: Yes  
Independent in relation to the company and its management: Yes



## PIERRE MÅRTENSSON

Member  
Born: 1972

Pierre Mårtensson has a Master of Business Administration from the Norwegian School of Management and has extensive and successful experience in growing companies internationally. Through his company, The Scale Factory, Pierre is currently working to commercialise businesses into the Asian markets, in addition to his role as venture partner for the venture capital company Antler. Previously, Pierre has held leading positions in a number of global companies such as: Managing Director in China for direct sales company Oriflame; EVP Asia for the cosmetics company, Pixi Beauty; SVP & Head of Expansion for the advertising technology company Tapad; and Managing Director Singapore and South Africa for Lux International.

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

Number of shares: 40,000 B shares  
Independent in relation to major shareholders: Yes  
Independent in relation to the company and its management: Yes



## INGELA NORDENHAV

Member  
Born: 1972

Ingela has an engineering degree from Chalmers University of Technology and has a long career at Volvo Cars and Volvo Trucks behind her. Her most recent position was as global marketing manager at Volvo Trucks where, among other things, she was in charge of image and digitalisation development. She has previous experience in both product development, quality, sales and aftermarket. She has lived and worked abroad on two occasions, in the Netherlands and the United States. Ingela has extensive experience in global work, strategic business management and business development. She has a broad cross-functional understanding with her main expertise in customer experience, marketing and brand development. Since the beginning of the year, she has operated her own consulting company with an emphasis on strategic marketing.

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

Number of shares: 0  
Independent in relation to major shareholders: Yes  
Independent in relation to the company and its management: Yes

# GROUP MANAGEMENT



**DAG BERGHEIM PETERSEN**  
CEO  
Born: 1970

Dag Bergheim Pettersen has a Master of Business Administration from Oslo University and has held management positions at Elgiganten, Alcatel and as senior vice president at Telia Sonera'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: 1,330,376 B shares  
Number of warrants + 10,000



**JAKOB SPIJKER**  
Business Development/COO  
Born: 1968

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

Number of shares: 13,169 B shares  
Number of warrants 0



**GABRIELE HELMER**  
CMO  
Born: 1977

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

Number of shares: 16,000 B shares  
Number of warrants + 30,000



**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 chief financial officer at Gymnasium Sportcenter AB.

Number of shares: 44,000 B shares  
Number of warrants + 25,000



**HENRIK HAMMARGREN**  
Head of Business Control  
Born: 1980

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

Number of shares: 35,000 B shares  
Number of warrants + 10,000



**KATRIIN LANEEP**  
Head of Support  
Born: 1973

Katriin has many years of experience in customer service and more than 10 years of experience in the direct sales industry. She joined Zinzino 2012 as a support employee and then advanced to both Director Support and Leader Council Support. Most recently, she has worked as head of Partner Support before she was promoted to Head of Support.

Number of shares: 0  
Number of warrants + 10,000



**DANIEL VENERSTRAND**  
CTO  
Born: 1976

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

Number of shares: 32,500 B shares  
Number of warrants + 10,000



**HENRIK SCHULTZ**  
Product Manager  
Born: 1961

Henrik Schultz has worked for many years in management positions for various international and commercial companies. He has a good foundation 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 and most recently comes from Libro Gruppen AB.

Number of shares: 64,490 B shares  
Number of warrants + 10,000



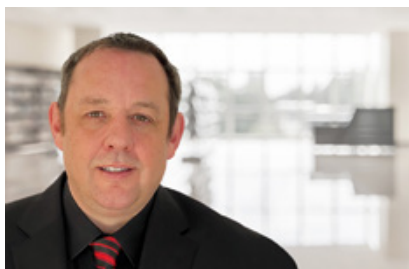
# SALES MANAGEMENT



**ANDREA BLESSING**  
Sales Manager DACH  
Born: 1964

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

Number of shares: 0  
Number of warrants: + 10,000



**STEVE MORLEY**  
Sales Director UK & Ireland  
Born: 1972

Steve has been in the industry for 30 years, working in corporate for Amway, Nu Skin and Tiens in senior European roles. Since 2012, Steve has had his own direct sales consultancy company in Asia, working to help companies launch in Asia. Steve had many offers to work back in Europe, but only Zinzino appealed to him.

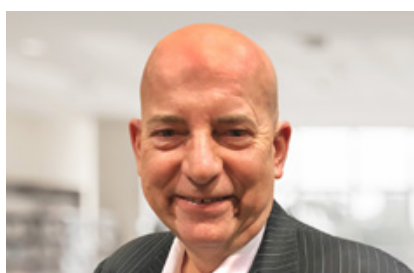
Number of shares: 0  
Number of warrants: 0



**TOMASZ STANISLAWSKI**  
EEB Sales Director  
Born: 1963

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

Number of shares: 0  
Number of warrants: + 40,000



**ROBERT W. HORKINGS**  
COO Australia  
Born: 1962

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

Number of shares: 0  
Number of warrants + 80,100



**KENNETH KOH**  
Managing Director Zinzino Asia  
Born: 1959

Kenneth Koh is the founder of VMA Life and was CEO there before the company became part of Zinzino in April 2020. He believes that honesty, creativity and commitment are the most important qualities to achieve success. Kenneth has 20 years of direct sales experience and is also responsible for training distributors using the training program he designed himself. Kenneth hopes to continue to use his skills and diligence to take Zinzino Asia's distributors to the next level.

Number of shares: 0  
Number of warrants 0



**ART JONAK**  
President of North American Operations

Art Jonak has been an integral part of the direct sales industry for more than two decades, both as a salesperson and as an experienced and trusted advisor to corporate teams and sales leaders. He has lived on four continents, visited over 80 countries and spoken at events for over half a million people.

Number of shares: 0  
Number of warrants: + 100,000



**GEIR SMOLAN**  
MD 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: 50,000 B shares  
Number of warrants + 10,000

# RESULTS AND FINANCIAL POSITION

Amounts in SEK thousands	Group		Parent company	
	2020	2019	2020	2019
Net sales	1,074,448	710,777	73,766	7,670
Total revenue	1,138,645	770,555	84,189	10,029
Operating profit	86,578	14,778	21,603	3,036
Net profit	66,326	11,301	45,828	22,332
Operating margin	7.6%	1.9%	25.7%	30.3%
Net margin	5.8%	1.5%	54.4%	222.7%
Return on equity	70.1%	28.1%	64.8%	76.3%
Balance sheet total	483,393	306,650	130,184	105,628
Equity	94,663	40,287	70,726	29,260
Equity/assets ratio	19.6%	13.1%	54.3%	27.7%

For full key figures, see table on page 5.

## KEY FIGURE DEFINITIONS

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

## PROPOSAL FOR THE ALLOCATION OF PROFITS (SEK)

The annual meeting has the following at its disposal:

Zinzino AB	SEK
Retained earnings	19,676,119
Profit/loss for the year	45,827,655
Total	65,503,774

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

Zinzino AB	SEK
A dividend will be paid to the shareholders of SEK 1.25 per share	41,637,056
Will be carried forward	23,866,718
Total	65,503,774

The board believes that the proposed dividend will not prevent the company from meeting its obligations in the short and long term, or prevent it from making necessary investments. The proposed dividend can thus be justified with regard to the provisions in Chapter 17 § 3 para 2–3 of the Companies Act (the precautionary rule).

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



# GROUP STATEMENT

## COMPREHENSIVE PROFIT/LOSS

Amounts in SEK thousands	Note	Financial year	
		2020	2019
<b>Operating revenues</b>			
Net sales	5	1,074,448	710,777
Other operating revenues	6, 10	64,198	59,778
<b>Total</b>		<b>1,138,646</b>	<b>770,555</b>
<b>Operating costs</b>			
Raw materials and consumables	17	-226,995	-152,300
Trading costs		-563,096	-385,952
Other external costs	7	-134,926	-115,806
Personnel costs	8	-105,093	-82,968
Depreciation/amortisation and write-downs of tangible and intangible fixed assets	14, 15	-21,958	-18,751
<b>Total</b>		<b>-1,052,068</b>	<b>-755,777</b>
<b>OPERATING PROFIT</b>		<b>86,578</b>	<b>14,778</b>
Financial income	9	91	61
Financial costs	9	-1,654	-954
<b>Financial items - net</b>		<b>-1,563</b>	<b>-893</b>
<b>PROFIT/LOSS BEFORE TAX</b>		<b>85,015</b>	<b>13,886</b>
Income tax	11	-18,689	-2,584
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>66,326</b>	<b>11,301</b>
<b>OTHER COMPREHENSIVE PROFIT/LOSS</b>			
<b>Items that may be reclassified to profit/loss for the year</b>			
Currency exchange differences upon conversion of foreign subsidiaries		-5,546	1,421
<b>Other comprehensive profit/loss for the year, after tax</b>		<b>-5,546</b>	<b>1,421</b>
<b>TOTAL COMPREHENSIVE PROFIT/LOSS FOR THE YEAR</b>		<b>60,780</b>	<b>12,722</b>

The notes on pages 72–97 form an integral part of these consolidated financial statements.

Profit/loss for the period attributable to:	2020	2019
Parent company shareholders	64,477	10,662
Non-controlling interest	1,849	640
<b>TOTAL</b>	<b>66,326</b>	<b>11,301</b>
<b>Total comprehensive profit/loss for the period attributable to:</b>	<b>2020</b>	<b>2019</b>
Parent company shareholders	58,931	12,082
Non-controlling interest	1,849	640
<b>TOTAL</b>	<b>60,780</b>	<b>12,722</b>

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

Amounts in SEK	2020	2019
Earnings per share before dilution	1.96	0.33
Earnings per share after dilution	1.88	0.32

# GROUP BALANCE SHEET

Amounts in SEK thousands	Note	31/12/2020	31/12/2019
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Goodwill	14	36,593	33,513
Other intangible assets	14	19,225	16,969
<b>Total intangible fixed assets</b>		<b>55,818</b>	<b>50,482</b>
<b>Tangible fixed assets</b>			
Equipment, tools and installations	15	6,831	5,951
<b>Total tangible fixed assets</b>		<b>6,831</b>	<b>5,951</b>
<b>Financial fixed assets</b>			
Right-of-use assets	16	43,553	43,817
Other long-term receivables		175	264
Deferred tax claims	24	3,523	7,689
<b>Total financial fixed assets</b>		<b>47,251</b>	<b>51,770</b>
<b>Total fixed assets</b>		<b>109,900</b>	<b>108,203</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Finished goods and goods for resale	17	126,948	88,864
<b>Total inventories</b>		<b>126,948</b>	<b>88,864</b>
<b>Current receivables</b>			
Accounts receivable	19	8,371	4,342
Other receivables	20	58,165	17,910
Pre-paid costs and accrued revenues	21	36,791	10,386
Tax receivables		-	108
Cash and cash equivalents	22	143,218	76,837
<b>Total current receivables</b>		<b>246,545</b>	<b>109,583</b>
<b>Total current assets</b>		<b>373,493</b>	<b>198,447</b>
<b>TOTAL ASSETS</b>		<b>483,393</b>	<b>306,650</b>

# GROUP BALANCE SHEET

## CONTINUED

Amounts in SEK thousands	Note	31/12/2020	31/12/2019
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	23	3,305	3,258
Other contributed capital		27,507	12,804
Reserves		-5,272	1,435
Other equity including the year's profit		61,885	15,520
<b>Equity attributable to parent company shareholders</b>		<b>87,425</b>	<b>33,016</b>
Non-controlling interest		7,238	7,271
<b>Total equity</b>		<b>94,663</b>	<b>40,287</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Other liabilities	25	5,329	1,530
Leasing liabilities	16	34,012	33,087
<b>Total long-term liabilities</b>		<b>39,341</b>	<b>34,617</b>
<b>Current liabilities</b>			
Accounts payable		54,686	35,658
Tax liabilities		12,311	2,614
Leasing liabilities	16	10,119	10,730
Other current liabilities	26	163,007	101,078
Accrued costs and deferred revenues	27	109,266	81,666
<b>Total current liabilities</b>		<b>349,389</b>	<b>231,746</b>
<b>Total liabilities</b>		<b>388,730</b>	<b>266,363</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>483,393</b>	<b>306,650</b>

The notes on pages 72–97 form an integral part of these consolidated financial statements.

# GROUP REPORT

## CHANGES IN EQUITY

Amounts in SEK thousands	Share capital	Ongoing rights issue	Other contributed capital	Conversion reserves	Retained earnings incl. profit/loss for the year	Total	Non-controlling interest	Total equity
<b>Opening balance 01/01/2019</b>	<b>3,258</b>	<b>-</b>	<b>12,804</b>	<b>18</b>	<b>27,066</b>	<b>43,146</b>	<b>7,222</b>	<b>50,368</b>
Profit/loss for the year	-	-	-	-	10 662	<b>10 662</b>	640	<b>11 301</b>
Other comprehensive profit/loss for the year	-	-	-	1,417	-	<b>1,417</b>	7	<b>1 424</b>
<b>Transactions with shareholders</b>								
Share repurchase	-	-	-	-	3	<b>3</b>	-3	-
Change of the minority	-	-	-	-	595	<b>595</b>	-595	-
Dividends	-	-	-	-	-22,806	<b>-22,806</b>	-	<b>-22,806</b>
<b>Closing balance 31/12/2019</b>	<b>3,258</b>	<b>-</b>	<b>12,804</b>	<b>1,435</b>	<b>15,520</b>	<b>33,017</b>	<b>7,271</b>	<b>40,287</b>
<b>Opening balance 01/01/2020</b>	<b>3,258</b>	<b>-</b>	<b>12,804</b>	<b>1,435</b>	<b>15,520</b>	<b>33,017</b>	<b>7,271</b>	<b>40,287</b>
Profit/loss for the year	-	-	-	-	64,477	<b>64,477</b>	1,849	<b>66 326</b>
Other comprehensive profit/loss for the year	-	-	-	-6,707	-	<b>-6,707</b>	-	<b>-6,707</b>
<b>Transactions with shareholders</b>								
Share repurchase	-	-	-	-	-669	<b>-669</b>	-	<b>-669</b>
Change of the minority	-	-	-	-	1,882	<b>1,882</b>	-1,882	-
Rights issue	47	31	14,673	-	-	<b>14,751</b>	-	<b>14,751</b>
Issued warrants	-	-	-	-	3,662	<b>3,662</b>	-	<b>3,662</b>
Dividends	-	-	-	-	-22,987	<b>-22,987</b>	-	<b>-22,987</b>
<b>Closing balance 31/12/2020</b>	<b>3,305</b>	<b>31</b>	<b>27,477</b>	<b>-5,272</b>	<b>61,885</b>	<b>87,426</b>	<b>7,238</b>	<b>94,663</b>

# GROUP STATEMENT

## CASH FLOW

Amounts in SEK thousands	Note	Financial year	
		2020	2019
<b>Cash flow from operating activities</b>			
Operating profit		86,578	14,778
Adjustment for items which are not included in the cash flow	32	24,637	19,610
Interest received		91	390
Interest paid		-1,654	-1,125
Income tax paid		-4,314	-78
<b>Cash flow from operating activities before changes in operating capital</b>		<b>105,338</b>	<b>33,576</b>
<b>Cash flow from changes in operating capital</b>			
Increase(+)/Decrease(-) in inventories		-36,560	-24,180
Increase(+)/Decrease(-) in operating receivables		-70,259	1,750
Increase(+)/Decrease(-) in operating liabilities		98,793	60,120
<b>Total change in operating capital</b>		<b>-8,026</b>	<b>37,690</b>
<b>Cash flow from operating activities</b>		<b>97,312</b>	<b>71,266</b>
<b>Cash flow from investment activities</b>			
Investments in intangible fixed assets		-2,321	-4,458
Investments in financial fixed assets		-4,502	-183
Investments in tangible fixed assets		-2,561	-2,415
<b>Cash flow from investment activities</b>		<b>-9,384</b>	<b>-7,056</b>
<b>Cash flow from financing activities</b>			
Amortisation of leasing liabilities		-13,424	-10,975
Issuance of options		2,140	949
Rights issue		12,724	-
Dividends		-22,987	-22,806
<b>Cash flow from financing activities</b>		<b>-21,547</b>	<b>-32,832</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>66,381</b>	<b>31,378</b>
<b>Liquid assets at the start of the year</b>		<b>76,837</b>	<b>45,459</b>
<b>Liquid assets at the end of the year</b>		<b>143,218</b>	<b>76,837</b>

The notes on pages 72–97 form an integral part of these consolidated financial statements.





# PARENT COMPANY

## FINANCIAL REPORT

Amounts in SEK thousands	Note	Financial year	
		2020	2019
Net sales	5	73,766	7,670
Other operating revenues	6, 10	10,423	2,359
Goods for resale and other direct costs		-43,768	-
<b>Gross profit</b>		<b>40,421</b>	<b>10,029</b>
Other external costs	7	-18,397	-6,640
Depreciation/amortisation and write-downs of tangible and intangible fixed assets	14, 15	-421	-353
<b>Operating profit</b>		<b>21,603</b>	<b>3,036</b>
Net financial income/expense	9, 10	29,292	19,942
<b>Total profit/loss from financial items</b>		<b>29,292</b>	<b>19,942</b>
<b>PROFIT/LOSS BEFORE TAX</b>		<b>50,895</b>	<b>22,978</b>
Tax on the year's profit	11	-5,067	-646
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>45,828</b>	<b>22,332</b>

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

*The notes on pages 72–97 form an integral part of these consolidated financial statements.*

# PARENT COMPANY BALANCE SHEET

Amounts in SEK thousands	Note	31/12/2020	31/12/2019
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Other intangible assets	14	1,886	1,129
<b>Total intangible fixed assets</b>		<b>1,886</b>	<b>1,129</b>
<b>Financial fixed assets</b>			
Shares in subsidiaries	12	100,009	83,157
<b>Total financial fixed assets</b>		<b>100,009</b>	<b>83,157</b>
<b>Total fixed assets</b>		<b>101,895</b>	<b>84,286</b>
<b>CURRENT ASSETS</b>			
<b>Current receivables</b>			
Receivables from group companies		18,199	16,459
Pre-paid costs and accrued revenues	21	2,942	2,710
Other current receivables	20	57	-
Cash and cash equivalents	22	7,091	2,173
<b>Total current receivables</b>		<b>28,289</b>	<b>21,342</b>
<b>Total current assets</b>		<b>28,289</b>	<b>21,342</b>
<b>TOTAL ASSETS</b>		<b>130,184</b>	<b>105,628</b>

# PARENT COMPANY BALANCE SHEET

## CONTINUED

Amounts in SEK thousands	Note	31/12/2020	31/12/2019
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Restricted equity</b>			
Share capital	23	3,305	3,258
Ongoing rights issue		31	-
Fund for development expenditures		1,886	1,129
<b>Total restricted equity</b>		<b>5,222</b>	<b>4,387</b>
<b>Unrestricted equity</b>			
Share premium reserve		36,808	22,138
Retained earnings (including profit/loss for the year)		28,696	2,735
<b>Total unrestricted equity</b>		<b>65,504</b>	<b>24,873</b>
<b>TOTAL EQUITY</b>		<b>70,726</b>	<b>29,260</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Liabilities to group companies		15,476	15,476
Other long-term liabilities	25	4,913	1,530
<b>Total long-term liabilities</b>		<b>20,389</b>	<b>17,006</b>
<b>Current liabilities</b>			
Accounts payable		5,122	718
Liabilities to group companies		22,265	56,681
Tax liabilities		5,067	465
Other current liabilities	26	5,744	255
Accrued costs and deferred revenues	27	871	1,244
<b>Total current liabilities</b>		<b>39,069</b>	<b>59,362</b>
<b>Total liabilities</b>		<b>59,458</b>	<b>76,368</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>130,184</b>	<b>105,628</b>

# PARENT COMPANY STATEMENT

## CHANGES IN EQUITY

Amounts in SEK thousands	Restricted equity			Unrestricted equity		Total equity
	Share capital	Ongoing rights issue	Fund for development expenditures	Share premium reserve	Retained earnings incl. profit/loss for the year	
<b>Opening balance</b>						
<b>01/01/2019</b>	<b>3,258</b>	-	<b>1,465</b>	<b>22,138</b>	<b>2,872</b>	<b>29,733</b>
Profit/loss for the year	-	-	-	-	22,332	<b>22,332</b>
Reversal of internally generated intangible assets	-	-	-336	-	336	-
Dividends	-	-	-	-	-22,806	<b>-22,806</b>
<b>Closing balance</b>	<b>3,258</b>	-	<b>1,129</b>	<b>22,138</b>	<b>2,734</b>	<b>29,260</b>
<b>31/12/2019</b>						
<b>Opening balance</b>						
<b>01/01/2020</b>	<b>3,258</b>	-	<b>1,129</b>	<b>22,138</b>	<b>2,734</b>	<b>29,260</b>
Profit/loss for the period	-	-	-	-	45,828	<b>45,828</b>
Internally generated intangible assets	-	-	757	-	-757	-
Rights issue	47	31	-	14,670	-	<b>14,748</b>
Issued warrants	-	-	-	-	3,878	<b>3,878</b>
Dividends	-	-	-	-	-22,987	<b>-22,987</b>
<b>Closing balance</b>	<b>3,305</b>	<b>31</b>	<b>1,886</b>	<b>36,808</b>	<b>28,696</b>	<b>70,726</b>
<b>31/12/2020</b>						

# PARENT COMPANY STATEMENT

## CASH FLOW

Amounts in SEK thousands	Note	Financial year	
		2020	2019
<b>Cash flow from operating activities</b>			
Operating profit		21,603	3,036
Adjustment for items which are not included in the cash flow	32	-529	244
Interest received		23	55
Interest paid		-2	-4
<b>Cash flow from operating activities before changes in operating capital</b>		<b>21,095</b>	<b>3,331</b>
<b>Cash flow from changes in operating capital</b>			
Change in current receivables		-2,029	-10,643
Change in current liabilities		2,523	30,629
<b>Total change in operating capital</b>		<b>494</b>	<b>19,986</b>
<b>Cash flow from operating activities</b>		<b>21,589</b>	<b>23,317</b>
<b>Cash flow from investment activities</b>			
Acquisition of intangible fixed assets		-1,179	-
Acquisition of financial fixed assets		-5,237	-176
<b>Cash flow from investment activities</b>		<b>-6,416</b>	<b>-176</b>
<b>Cash flow from financing activities</b>			
Option proceeds		8	800
Rights issue		12,724	-
Dividend paid to the parent company's shareholders		-22,987	-22,805
<b>Cash flow from financing activities</b>		<b>-10,255</b>	<b>-22,005</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>4,918</b>	<b>1,136</b>
<b>Liquid assets at the start of the year</b>		<b>2,173</b>	<b>1,037</b>
<b>Liquid assets at the end of the year</b>		<b>7,091</b>	<b>2,173</b>



# NOTES

## NOTE 1

### GENERAL INFORMATION

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

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

## NOTE 2

### SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

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

#### NOTE 2.1

##### Basis for preparation of the report

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

These consolidated financial statements have been prepared using the cost method. Historic financial information has been converted from 1 January 2018, which is the date of transition to IFRS accounting.

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

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

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

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

The areas that involve a high level of assessment, which are complex or those areas where the assumptions and estimates are of material importance for the annual report are set out in this note.

##### Items affecting comparability

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

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

##### Formats

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

##### Shares in subsidiaries

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

##### Financial instruments

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

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



### **NOTE 2.1.1**

#### **New and amended standards that have entered into force in 2020 and those that have been published but have not yet entered into force**

None of the IFRS or IFRIC interpretations have or are expected to have a material impact on the consolidated financial statements.

### **NOTE 2.2**

#### **Consolidated financial statements**

#### **NOTE 2.2.1**

##### **Basic accounting principles**

##### **Subsidiaries**

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

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

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

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

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

### **NOTE 2.3**

#### **Segment reporting**

A business segment is part of a company which carries out business activities from which it can obtain revenue and incur costs, the contribution of which is regularly reviewed by the company's highest executive decision-maker, and for which there is independent financial information. The company's reporting of business segments is in line with the internal reporting to the highest executive decision-maker. The highest executive decision-maker is the position that assesses the

earnings of the business segment and decides on the allocation of resources. The CEO is the highest executive decision-maker together with the group CFO and the controller manager. Together, they form the strategic steering group at Zinzino.

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

### **NOTE 2.4**

#### **Translation of foreign currency**

#### **NOTE 2.4.1**

##### **Functional currency and reporting currency**

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

#### **NOTE 2.4.2**

##### **Transactions and balance sheet items**

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

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

#### **NOTE 2.4.3**

##### **Translation of foreign group companies**

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

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

### **NOTE 2.5**

#### **Revenue recognition**

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

### **NOTE 2.5.1**

#### **Sales of goods**

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

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

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

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

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

### **NOTE 2.5.2**

#### **Interest revenues**

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

### **NOTE 2.6**

#### **Leasing**

The group leases premises, vehicles, product equipment, telephone switchboard and office supplies. The leases are reported as rights of use and an equivalent liability on the date on which the leased asset is available for use by the group. Each leasing payment is divided between the amortisation of the debt and the financial cost. The financial cost must be distributed over the leasing period so that each accounting period is charged with an amount equal to a fixed interest rate for the liability in

each period. The right of use is amortised on a linear basis over the shorter of the asset's useful life and the duration of the lease.

Assets and liabilities arising from leases are initially reported at present value.

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

- fixed fees
- variable leasing fees based on an index

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

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

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

Leases of lesser value are expensed on a linear basis in the statement of comprehensive profit/loss.

Options to renew or terminate leases.

The majority of the group's leases related to properties include options to renew the lease. Terms used to maximise flexibility in managing leases. In order to optimise the leasing costs during the lease period regarding the rental of machinery, the group guarantees the residual value.

### **NOTE 2.7**

#### **Employee benefits**

#### **NOTE 2.7.1**

##### **Current benefits**

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

#### **NOTE 2.7.2**

##### **Post-employment benefits**

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

### **NOTE 2.8**

#### **Current and deferred income tax**

The tax expense for the period includes current and deferred tax. Tax is recognised in the statement of comprehensive profit/loss, except when the tax relates to items recognised in other comprehensive profit/loss or directly in equity. In such cases, the tax is also recognised in other comprehensive income and equity. Current tax is calculated on the taxable profit for the period according to the applicable tax rate. The current tax expense is

calculated on the basis of the fiscal rules decided or effectively decided on the balance sheet date in the countries in which the parent company and its subsidiaries operate and generate taxable income. The management regularly evaluates the claims made in tax returns in respect of situations where the applicable taxation rules are subject to interpretation. When the management deems it appropriate, it makes provisions for amounts likely to be paid to the tax authorities.

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

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

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

## **NOTE 2.9** **Intangible assets**

### **NOTE 2.9.1** **Goodwill**

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

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

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

## **NOTE 2.9.2** **Other intangible assets**

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

### **Capitalised expenditure for development work**

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

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

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

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

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

### **Patents**

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

### **Software**

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

### **Licences**

The licences recognised in the group arose from the acquisition of subsidiaries where direct sales licences are a requirement to sell the group's products. The licences are identified by company and amounts are incurred where the consideration for the acquired companies exceeds the fair value of the identifiable net assets acquired. The licences have a definite useful life and the value is continuously reduced by accumulated amortisation and write-downs. Estimated useful life is 10 years.

### Useful lives of the group's intangible assets

Capitalised expenditure for development work	3–5 years
Patent	5 years
Software	3–5 years
Licences	10 years

#### NOTE 2.10

##### Tangible fixed assets

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

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

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

##### The useful life periods are as follows:

Equipment, tools and installations	5 years
------------------------------------	---------

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

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

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

#### NOTE 2.11

##### Write-downs of non-financial assets

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

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

#### NOTE 2.12

##### Financial instruments

##### NOTE 2.12.1

##### Initial recognition

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

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

##### NOTE 2.12.2

##### Classification

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

##### Financial assets at amortised cost

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

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

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

##### Financial liabilities at amortised cost

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

### **NOTE 2.12.3**

#### **Reversal of financial instruments**

##### **Reversal of financial assets**

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

##### **Reversal of financial liabilities**

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

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

### **NOTE 2.12.4**

#### **Settlement of financial instruments**

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

### **NOTE 2.12.5**

#### **Write-downs of financial assets**

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

### **NOTE 2.13**

#### **Inventories**

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

### **NOTE 2.14**

#### **Accounts receivable**

Accounts receivable are amounts attributable to customers in respect of goods or services sold which are carried out in the

operating activities. Accounts receivable are classified as current assets. Accounts receivable are initially reported at the transaction price. The group holds accounts receivable for the purpose of collecting contractual cash flows so they are valued at the subsequent accounting dates at amortised acquisition value applying the effective interest method.

### **NOTE 2.15**

#### **Cash and cash equivalents**

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

### **NOTE 2.16**

#### **Share capital**

Ordinary shares are classified as equity.

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

### **NOTE 2.17**

#### **Accounts payable**

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

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

### **NOTE 2.18**

#### **Cash flow analysis**

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

### **NOTE 2.19**

#### **Earnings per share**

(i) Earnings per share before dilution

Earnings per share before dilution are calculated by dividing:

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

(ii) Earnings per share after dilution

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

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

### **NOTE 2.20**

#### **Dividends**

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

# NOTE 3

## FINANCIAL RISK MANAGEMENT

### FINANCIAL RISK MANAGEMENT

#### Financial risk factors

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

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

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

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

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

#### (a) Market risk

Currency risk is the risk of fluctuations in the value of a financial instrument due to changes in exchange rates. This risk is related to changes in expected and contracted payment flows (transaction exposure) and revaluation of assets and liabilities in foreign currency (translation exposure). Zinzino is a global company with sales in approximately 96 markets. This means that the company is affected by fluctuations in exchange rates. The goal is to minimise the impact of these changes where practicable. The biggest impact is changes in EUR, USD, DKK and NOK.

#### Transaction exposure

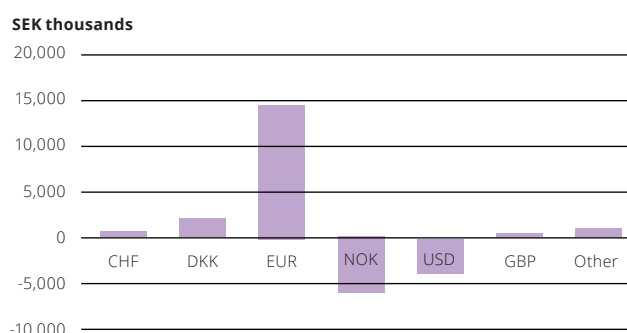
Transaction exposure arises mainly in the purchase of goods, primarily in EUR, USD, DKK and NOK, and in transactions between Zinzino Nordic and the group's sales companies and local VAT registrations in other countries. These, in turn, sell the products to their customers in the local market, usually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

If the Swedish krona had weakened/strengthened by 5% in relation to other currencies, with all other variables constant, the recalculated profit before tax for the financial year 2020 would have been SEK 8,755 (2,779) thousand lower/higher as a result of the group's net flows in foreign currency. No hedging of net flows occurs.

#### Translation exposure

The consolidated financial statements are also affected by translation effects when translating assets and liabilities in foreign currency at the closing date. In 2020, these translation effects did not have any significant impact on the group's earnings.

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



#### Net currency flows

SEK thousands	2020	2019
CHF	12,065	7,911
DKK	38,504	37,834
EUR	291,219	102,664
NOK	-121,038	-68,392
USD	-74,827	-40,120
GBP	9,197	-612
Other	19,989	16,294

**(b) Credit risk**

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

**(c) Liquidity risk**

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

**(d) Refinancing risk**

Refinancing risk is defined as the risk of difficulties arising in refinancing the group, that financing cannot be obtained, or that it can only be obtained at increased costs.

The risk is limited by the group's good cash flow from operating activities and liquid reserves.

<b>As of 31 December 2020</b>	<b>Less than 3 months</b>	<b>Between 3 months and 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>More than 5 years</b>	<b>Carrying value</b>	<b>Total contractual cash flows</b>
<b>Financial liabilities</b>							
Leasing liabilities	-	1,319	7,052	35,759	-	44,131	48,903
Accounts payable	54,686	-	-	-	-	54,686	54,686
Other liabilities	139,218	4,504	2,457	2,457	-	148,636	148,636
Accrued costs	24,441	-	-	-	-	24,441	24,441
<b>Total</b>	<b>218,345</b>	<b>5,823</b>	<b>9,509</b>	<b>38,216</b>	<b>-</b>	<b>271,894</b>	<b>276,666</b>

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

# NOTE 4

## SEGMENT INFORMATION

### Description of segments and main activities:

A business segment is part of a company which carries out business activities from which it can obtain revenue and incur costs, the contribution margin of which is regularly reviewed by the company's highest executive decision-maker, and for which there is independent financial information.

The company's reporting of business segments is in line with the internal reporting to the highest executive decision-maker. The highest executive decision-maker is the position that assesses the earnings of the business segment and decides on the allocation of resources. The CEO is the highest executive decision-maker together with the group CFO and the controller manager. Together, they form the strategic steering group at Zinzino. The strategic steering group assesses the operations based on the three business segments Zinzino, Faun and VMA Life. The steering group mainly uses profit/loss before financial items in the assessment of business segment earnings. Segment reporting is divided based on the main segment of the business "Zinzino", which includes the product areas Health, Coffee and Other income.

The product area Health includes the sub-areas of Balance, Immune Supplement, Skin Care and Weight Control. The product area Coffee is also called Beverages and includes espresso machines, coffees, teas and accessories. The other revenue consists mainly of freight and reminder fees. All sales are made via the Zinzino's website [www.zinzino.com](http://www.zinzino.com) with the help of the company's independent sales organisation, which goes under the names of distributors or partners.

The second segment refers to the Norwegian production unit Faun Pharma AS, known as "Faun", which carries out production and sales to external customers not under Zinzino's standard sales concept.

Sales from Faun comprise exclusively contract production of food supplements to different customers. The largest external customers include Life and Proteinfabrikken AS. The third segment relates to the operations in Singapore, Malaysia, Taiwan and Thailand that were obtained through the acquisition of VMA Life. VMA Life carries out operations in a similar way as Zinzino, i.e. with distributors and direct sales.

### Segment revenues and earnings

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

- Zinzino
- Faun
- VMA Life

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

Jan-Dec 2020	Zinzino	Faun	Group elimination	VMA Life	Total Group
Net sales	1,008,069	149,685	-89,762	6,456	<b>1,074,448</b>
Other revenue	63,452	-	-	255	<b>63,707</b>
Own work capitalised	490	-	-	-	<b>490</b>
Goods for resale and other direct costs	-771,939	-104,627	89,762	-3,286	<b>-790,090</b>
<b>Gross profit</b>	<b>300,072</b>	<b>45,058</b>	<b>-</b>	<b>3,425</b>	<b>348,555</b>
External operating expenses	-123,642	-6,895	-	-4,389	<b>-134,926</b>
Personnel costs	-80,659	-24,434	-	-	<b>-105,093</b>
<b>EBITDA</b>	<b>95,771</b>	<b>13,729</b>	<b>-</b>	<b>-964</b>	<b>108,536</b>
Depreciation/amortisation	-17,082	-4,876	-	-	<b>-21,958</b>
<b>Operating profit</b>	<b>78,689</b>	<b>8,853</b>	<b>-</b>	<b>-964</b>	<b>86,578</b>

Jan-Dec 2019	Zinzino	Faun	Group elimination	VMA Life	Total Group
Net sales	665,114	101,111	-55,448	-	<b>710,777</b>
Other revenue	57,116	-	-	-	<b>57,116</b>
Own work capitalised	2,662	-	-	-	<b>2,662</b>
Goods for resale and other direct costs	-525,294	-68,406	55,448	-	<b>-538,252</b>
<b>Gross profit</b>	<b>199,598</b>	<b>32,705</b>	<b>-</b>	<b>-</b>	<b>232,303</b>
External operating expenses	-109,977	-5,829	-	-	<b>-115,806</b>
Personnel costs	-64,194	-18,774	-	-	<b>-82,968</b>
<b>EBITDA</b>	<b>25,427</b>	<b>8,102</b>	<b>-</b>	<b>-</b>	<b>33,529</b>
Depreciation/amortisation	-13,775	-4,976	-	-	<b>-18,751</b>
<b>Operating profit</b>	<b>11,652</b>	<b>3,126</b>	<b>-</b>	<b>-</b>	<b>14,778</b>



## NOTE 5 NET SALES

Net sales are broken down by country, based on where the customers are located. Net sales are also broken down by product area. Sales are recognised as revenue when control of the goods is transferred, which occurs when the risk is transferred according to the applicable delivery terms. All contracts have an original expected term of no more than one year. In accordance with the rules in IFRS 15, no disclosure has been made of the transaction price for these unfulfilled obligations.

The company's contractual liabilities are specified in note 21 and amount to SEK 23 256 (0) thousand. The company's contractual liabilities are specified in note 27 and amount to SEK 48,838 (35,931) thousand.

Breakdown of net sales by country	Group		Parent company	
	2020	2019	2020	2019
Norway	138,136	119,441	-	-
Sweden	136,149	116,159	51,677	7,670
Hungary	128,692	76,460	-	-
Germany	107,019	56,095	-	-
Denmark	79,541	76,960	-	-
Czech Republic	59,275	160,267	-	-
Finland	51,915	58,936	-	-
Other countries	373,721	46,458	22,089	-
<b>TOTAL</b>	<b>1,074,448</b>	<b>710,777</b>	<b>73,766</b>	<b>7,670</b>

Breakdown of net sales by product area	Group		Parent company	
	2020	2019	2020	2019
Health	974,678	621,150	11,913	-
Coffee	30,762	34,979	-	-
Faun	59,923	45,376	-	-
VMA Life	6,711	-	-	-
Events and other services	2,374	9,272	61,853	7,670
<b>TOTAL</b>	<b>1,074,448</b>	<b>710,777</b>	<b>73,766</b>	<b>7,670</b>

## NOTE 6 OTHER OPERATING REVENUES

	Group		Parent company	
	2020	2019	2020	2019
Freight revenue	58,815	46,751	9,969	-
Service and reminder fees	2,785	2,772	4	-
Reimbursement of establishment costs Australia	450	2,358	450	2,358
Capitalisation own work	490	2,661	-	-
Other revenue	1,658	5,236	-	1
<b>TOTAL</b>	<b>64,198</b>	<b>59,778</b>	<b>10,423</b>	<b>2,359</b>

## NOTE 7 REMUNERATION TO AUDITORS

Remuneration to auditors	Group		Parent company	
	2020	2019	2020	2019
<b>PricewaterhouseCoopers AB</b>				
Audit assignment	1,893	977	971	434
Other services	150	167	150	167
<b>TOTAL</b>	<b>2,043</b>	<b>1,144</b>	<b>1,121</b>	<b>601</b>

# NOTE 8

## EMPLOYEE BENEFITS

Employee benefits	Group		Parent company	
	2020	2019	2020	2019
Salaries and other remuneration	81,371	63,146	-	-
Social security contributions	16,734	13,585	-	-
Pension costs - defined contribution plans	4,831	4,025	-	-
<b>TOTAL</b>	<b>102,936</b>	<b>80,756</b>	<b>-</b>	<b>-</b>

Salaries and other remuneration as well as social security contributions	2020			2019		
	Salaries and other remuneration (of which bonuses)	Social security costs (of which pension costs)		Salaries and other remuneration (of which bonuses)	Social security costs (of which pension costs)	
<i>Parent company</i>						
Board members, CEOs and other senior executives	-	-	-	-	-	-
Other employees	-	-	-	-	-	-
<i>Group companies</i>						
Board members, CEOs and other senior executives	11,856	4 636	(1,638)	10,237	5,518	(1,403)
Of which bonuses	1,565	319	(-)	1,086	203	(-)
Other employees	69,515	16,929	(3,193)	52,908	12,091	(2,622)
<b>GROUP TOTAL</b>	<b>81,371</b>	<b>21,565</b>	<b>(4,831)</b>	<b>63,146</b>	<b>17,609</b>	<b>(4,025)</b>

Average number of employees by geographical breakdown per country	2020		2019	
	Average number	Of which men	Average number	Of which men
<i>Parent company</i>				
Sweden	-	-	-	-
<i>Group companies</i>				
Sweden	106	29	91	29
Norway	47	26	28	21
Finland	2	0	2	0
Latvia	6	3	6	3
Germany	1	1	-	-
England	1	1	1	1
USA	4	-	4	1
India	1	1	-	-
Malaysia	10	5	-	-
Singapore	4	2	-	-
Hong Kong	1	1	-	-
Taiwan	2	1	-	-
Australia	2	1	2	1
<b>GROUP TOTAL</b>	<b>187</b>	<b>71</b>	<b>134</b>	<b>56</b>

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

Gender distribution in the group (including subsidiaries) for board members and other senior executives	2020		2019	
	Number on the balance sheet date	Of which men	Number on the balance sheet date	Of which men
<i>Parent company</i>				
Members of the board of directors	4	3	4	3
CEOs and other senior executives	8	6	8	6
<i>Group companies</i>				
Members of the board of directors	62	56	44	42
CEOs and other senior executives	15	11	10	8
<b>GROUP TOTAL</b>	<b>77</b>	<b>67</b>	<b>54</b>	<b>50</b>

<b>Remuneration and other benefits 2020</b>	<b>Base salary/ Board fees</b>	<b>Variable remuneration</b>	<b>Other benefits</b>	<b>Pension costs</b>	<b>Consul- tancy fees</b>	<b>Total</b>
Board Chair Hans Jacobsson	190	-	-	-	-	190
Board Member Staffan Hillberg	108	-	-	-	-	108
Board Member Pierre Mårtensson	108	-	-	-	-	108
Board Member Ingela Nordenhav	108	-	-	-	-	108
CEO Dag Bergheim Pettersen	3,091	995	112	340	-	4,538
Other senior executives (7 persons)	6,210	570	413	1,298	-	8,491
<b>TOTAL</b>	<b>9,815</b>	<b>1,565</b>	<b>524</b>	<b>1,638</b>	<b>-</b>	<b>13,542</b>

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

\* Not present full year 2019

\*\* Of which one not present full year 2019

Other benefits include company cars, urban tolls and fuel.

### Guidelines

The chair and members of the board of directors receive fees as decided by the general meeting. For other members of the board who receive their salary through employment in any group company, board fees have not been paid.

The general meeting has decided on the following remuneration guidelines for the management. Remuneration to the CEO and other senior executives will consist of base salary, variable remuneration, other benefits, pensions, etc. Other senior executives refer to the 7 persons who together with the CEO constitute the group management.

The distribution between fixed and variable remuneration shall be proportionate to the responsibilities and powers of the executive. For the CEO, the variable remuneration is capped at 50% of the base salary. For other senior executives, variable remuneration is capped at 8.3% of the base salary.

The variable remuneration is based on the outcome regarding individually set goals. The variable remuneration is based on the outcome regarding individually set goals.

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

### Pension

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

### Severance pay

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

A mutual notice period of 3-6 months applies between the Company and other senior executives.

## NOTE 9

### FINANCIAL INCOME AND FINANCIAL EXPENSES

	Group		Parent company	
	2020	2019	2020	2019
Interest revenues	91	61	23	55
Interest expenses for leasing liabilities and other financial expenses	-1,654	-954	-2	-4
Currency fluctuations	-	-	1,275	-91
Anticipated dividend group companies	-	-	27,996	19,982
<b>Total</b>	<b>-1,563</b>	<b>-893</b>	<b>29,292</b>	<b>19,942</b>

## NOTE 10

### EXCHANGE RATE DIFFERENCES - NET

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

	Note	Group		Parent company	
		2020	2019	2020	2019
Other operating revenues	6	-	1,017	-	-
Financial items - net	9	-	-	1,275	-91
External costs		4,904	-	-	-
<b>TOTAL</b>		<b>4,904</b>	<b>1,017</b>	<b>1,275</b>	<b>-91</b>

# NOTE 11

## INCOME TAX

	Note	Group		Parent company	
		2020	2019	2020	2019
<b>Current tax</b>					
Current tax on profit for the year		-14,776	-3,269	-5,067	-646
Adjustments for previous years		-304	-	-	-
<b>TOTAL CURRENT TAX</b>		<b>-15,080</b>	<b>-3,269</b>	<b>-5,067</b>	<b>-646</b>
<b>Deferred tax</b>					
	24				
Origination and reversal of temporary differences		-3,609	685	-	-
<b>TOTAL DEFERRED TAX</b>		<b>-3,609</b>	<b>685</b>	<b>-</b>	<b>-</b>
<b>TOTAL INCOME TAX</b>		<b>-18,689</b>	<b>-2,584</b>	<b>-5,067</b>	<b>-646</b>

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

	Group		Parent company	
	2020	2019	2020	2019
<b>Profit/loss before tax</b>	85,015	13,886	50,895	22,978
Income tax calculated according to tax rate in Sweden (2020: 21.4%, 2019: 21.4%)	-18,193	-2,972	-10,892	-4,917
<i>Tax effects of:</i>				
Effect of non-valued loss carryforwards	590	448	-	-
Tax attributable to previous years	-305	-	-	-
Tax expense of acquired companies	-141	-	-	-
Non-taxable revenue	-	-	5,991	4,276
Non-deductible expenses	-400	-170	-166	-5
Effect of foreign tax rates	-104	12	-	-
Other	-136	98	-	-
<b>INCOME TAX</b>	<b>-18,689</b>	<b>-2,584</b>	<b>-5,067</b>	<b>-646</b>

The weighted average tax rate for the group was 22% (19%). In 2018, it was decided that the corporate tax rate in Sweden should be reduced in two steps. The corporate tax rate was lowered from 22.0 percent to 21.4 percent for the financial year beginning 1 January 2019 or later. In the next step, the corporate tax rate will be lowered to 20.6 percent from the financial year beginning 1 January 2021.

# NOTE 12

## INVESTMENTS IN SUBSIDIARIES

The group had the following subsidiaries on 31 December 2020

Name of subsidiary	Share in %	Share of voting rights in %	Org. No.	Headquarters	Book value	
					31/12/2020	31/12/2019
Zinzino Nordic AB	93%	93%	556646-5893	Gothenburg	21,476	20,807
Zinzino OÜ	100%	100%	12057494	Tallinn	-	-
Zinzino UAB	100%	100%	302606327	Vilnius	26	26
Zinzino SIA	100%	100%	40103529390	Riga	25	25
Zinzino Ehf	100%	100%	580511-0660	Reykjavik	28	28
Zinzino LLC	100%	100%	90-0992153	Jupiter, FL	-	-
Zinzino B.V.	100%	100%	854221712	The Hague	-	-
Zinzino Sp z o. o.	100%	100%	701-04-26-537	Warsaw	8	8
Faun Pharma AS	99%	99%	883370112	Vestby	11,653	11,653
BioActive Foods AS	100%	100%	996740498	Vestby	50,203	50,203
Zinzino Canada Corp	100%	100%	817988520BC0001	Vancouver, BC	-	-
Zinzino GmbH	100%	100%	127/143/40172	Linau am Bodensee	233	233
Zinzino Direct Sales S.R.L.	100%	100%	RO38081630	Bucharest	-	-
Zinzino Italia S.R.L.	100%	100%	PT-194277	Pistoia	104	104
Zinzino India	100%	100%	U74999DL2018FTC341732	New Delhi	70	70
Zinzino Operations AB	100%	100%	556655-2658	Gothenburg	83	-
Zinzino UK Ltd	100%	100%	08601642	Milton Keynes	46	-
Zinzino Pty Ltd	100%	100%	ABN40627905935	Adelaide	-	-
Zinzino Hong Kong Ltd	100%	100%	65356238-000-10-19-8	Hong Kong	100	-
Zinzino Singapore Pte Ltd	100%	100%	200710391K	Singapore	100	-
Zinzino Malyasia SDN BHD	100%	100%	713201-U	Kuala Lumpor	14,957	-
Zinzino Thailand CO. Ltd	100%	100%	3108314	Bangkok	777	-
Zinzino Gida	100%	100%	9991133338	Istanbul	120	-
Zinzino LLC	100%	100%	43124037	Kiev	-	-
Zinzino 3NH3NHO	100%	100%	7728467918	Moscow	-	-
Zinzino SA PTY LTD	100%	100%	2020/058004/07	Gauteng	-	-
<b>Total</b>					<b>100,009</b>	<b>83,157</b>

Subsidiaries wholly owned by Zinzino Nordic AB

Specification of subsidiary	Share in %	Share of voting rights in %	Org. No.	Headquarters
Zinzino ApS	100%	100%	27266940	Copenhagen
Zinzino AS	100%	100%	986028269	Oslo
Zinzino Oy	100%	100%	1825505-2	Helsinki
PGTwo AB	100%	100%	556639-0513	Gothenburg
2 Think	100%	100%	556667-3983	Gothenburg

# NOTE 13

## BUSINESS ACQUISITIONS

On 1 July 2020, the group acquired all the shares in VMA Life Malaysia SDN BHD, VMA Life Hong Kong Limited, VMA Life Singapore PTE LTD and VMA Life Thailand CO., LTD. The companies were acquired for a total of SEK 15,477 thousand. In autumn 2020, the above-mentioned company changed its name from VMA Life to Zinzino.

The acquisition resulted in a surplus value amounting to SEK 16,758,000 which was preliminarily capitalised as goodwill in connection with the acquisition. The surplus value is largely attributable to access to direct sales licences to sell and distribute Zinzino's products in these countries, which will strengthen the Group's position in the Asian market. During the fourth quarter of 2020, the company analysed the value of the licences required for the business in Malaysia, Thailand and Taiwan (registered under the company in Hong Kong). The redistribution of goodwill to licences in the balance sheet is distributed according to the table below, where the total value of licenses as of the acquisition date amounted to SEK 7,800,000 and goodwill to SEK 8,958,000. The licenses will be depreciated over 10 years and depreciation will begin retroactively from the acquisition date 1 July 2020 and will be charged to the Group's profit in Q4 2020 in the amount of SEK 359,000. The assets are valued at the exchange rate on the balance sheet date as of 31/12/2020, where the currency effect is charged to Other comprehensive profit/loss in the group.

The table below summarises a preliminary acquisition analysis including the purchase price paid for the companies and the preliminary fair value of acquired assets and assumed liabilities that are reported on the acquisition date.

	<b>SEK thousands</b>
<b>Purchase price as at 01/07/2020</b>	
Cash and cash equivalents	3,834
Contingent consideration	11,643
<b>Total purchase price paid</b>	<b>15,477</b>
	<b>SEK thousands</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Tangible fixed assets	293
Financial fixed assets	422
Cash and bank balances	808
Inventories	1,525
Other receivables	323
Other liabilities	-4,470
Tax liabilities	-182
<b>Total identifiable net assets</b>	<b>-1,281</b>
<b>Goodwill</b>	<b>8,958</b>
<b>Licences</b>	<b>7,800</b>

Acquisition-related costs of SEK 457,000 are included in the item External costs in the group's statement of comprehensive profit/loss for the year.

Contingent consideration of a maximum of USD 1.15 million (converted to SEK 11.6 million) is paid over three years provided that the VMA Life-based turnover (in Malaysia, Thailand, Taiwan, Singapore and Hong Kong) exceeds the following thresholds distributed per year according to following; over USD 6 million in the first year (contingent consideration of a maximum of USD 0.55 million), over USD 8 million in the second year (contingent consideration of up to USD 0.3 million) and over USD 15 million in the third year (contingent consideration of up to USD 0.3 million).

The net sales from VMA Life that are included in the income statement since 01/07/2020 amount to SEK 6,456 thousand and contributed an operating profit of SEK -964 thousand.

# NOTE 14

## INTANGIBLE FIXED ASSETS

	Group				Parent company	
	Goodwill	Software	Other intangible assets	Total	Other intangible assets	Total
<b>Financial year 2019</b>						
<b>Opening carrying value</b>	<b>31,762</b>	<b>16,777</b>	<b>2,495</b>	<b>51,034</b>	<b>1,465</b>	<b>1,465</b>
Acquisitions during the year	-	4,457	116	<b>4,573</b>	-	-
Conversion differences	1,751	-	-	<b>1,751</b>	-	-
The year's depreciation	-	-5,899	-977	<b>-6,876</b>	-336	<b>-336</b>
<b>Closing carrying value</b>	<b>33,513</b>	<b>15,335</b>	<b>1,634</b>	<b>50,482</b>	<b>1,129</b>	<b>1,129</b>
<b>As of 31 December 2019</b>						
Acquisition value	33,513	36,627	4,807	<b>74,947</b>	1,682	<b>1,682</b>
Accumulated depreciation	-	-21,292	-3,173	<b>-24,465</b>	-553	<b>-553</b>
<b>Carrying value</b>	<b>33,513</b>	<b>15,335</b>	<b>1,634</b>	<b>50,482</b>	<b>1,129</b>	<b>1,129</b>
<b>Financial year 2020</b>						
<b>Opening carrying value</b>	<b>33,513</b>	<b>15,335</b>	<b>1,634</b>	<b>50,482</b>	<b>1,129</b>	<b>1,129</b>
Acquisitions during the year	8,958	1,633	8,978	<b>19,569</b>	1,178	<b>1,178</b>
Conversion differences	-5,878	-	-615	<b>-6,493</b>	-	-
The year's depreciation	-	-6,457	-1,283	<b>-7,740</b>	-421	<b>-421</b>
<b>Closing carrying value</b>	<b>36,593</b>	<b>10,511</b>	<b>8,714</b>	<b>55,818</b>	<b>1,886</b>	<b>1,886</b>
<b>As of 31 December 2020</b>						
Acquisition value	36,593	38,260	13,170	<b>88,023</b>	2,860	<b>2,860</b>
Accumulated depreciation	-	-27,749	-4,456	<b>-32,205</b>	-974	<b>-974</b>
<b>Carrying value</b>	<b>36,593</b>	<b>10,511</b>	<b>8,714</b>	<b>55,818</b>	<b>1,886</b>	<b>1,886</b>

The carrying amount of goodwill breaks down into SEK 28,738 thousand from Norway and SEK 7,855 thousand from the VMA Life countries, see note 13. The carrying amount of software is entirely attributable to Sweden. The other intangible assets consist of SEK 1,889 thousand from Sweden and SEK 6,825 thousand from the VMA Life countries, see note 13.

### Impairment testing for goodwill

The CEO monitors goodwill at the group level. The company has made the assessment that the group's goodwill is allocated in the amount of SEK 28,738 thousand to the Zinzino business segment and in the amount of SEK 7,855 thousand to the VMA Life business segment. Goodwill attributable to VMA Life has not been tested as the acquisition took place in 2020. The recoverable amount of goodwill has been determined based on calculations of value in use. The CEO has assessed that sales growth, EBITDA margin, discount rate and long-term growth are the most important assumptions in the impairment testing. Calculations of value in use are based on estimated future pre-tax cash flows based on financial budgets approved by the company management and covering a five-year period. The calculation is based on management experience and historical data. The long-term sustainable growth rate has been assessed on the basis of industry forecasts.

### Key assumptions used for calculating value in use in the Zinzino business segment

	31/12/2020	31/12/2019
Pre-tax discount rate*	11.2%	10.6%
Long-term growth rate**	2%	2%

The cash flows forecast after five years are based on a more conservative growth rate of 2 (2)% per year.

A growth rate of 2% is lower than expected growth for the market, which is expected to grow by 10–20% per year.

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

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

### Sensitivity analysis for goodwill:

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

- the pre-tax discount rate would have been 4 (4) percentage points higher,
- the estimated growth rate for extrapolating cash flows beyond the five-year period was 1 (1) percentage points lower.

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

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



# NOTE 15

## TANGIBLE FIXED ASSETS

	Group		Parent company	
	Equipment, tools and installations	Total	Equipment, tools and installations	Total
<b>Financial year 2019</b>				
<b>Opening carrying value</b>	<b>4,623</b>	<b>4,623</b>	-	-
Acquisitions during the year	2,694	<b>2,694</b>	-	-
Disposals and withdrawals	-152	<b>-152</b>	-	-
The year's depreciation	-1,214	<b>-1,214</b>	-	-
<b>Closing carrying value</b>	<b>5,951</b>	<b>5,951</b>	-	-
<b>As of 31 December 2019</b>				
Acquisition value	9,973	<b>9,973</b>	-	-
Accumulated depreciation	-4,022	<b>-4,022</b>	-	-
<b>Reported value</b>	<b>5,951</b>	<b>5,951</b>	-	-
<b>Financial year 2020</b>				
<b>Opening carrying value</b>	<b>5,951</b>	<b>5,951</b>	-	-
Acquisitions during the year	2,482	<b>2,482</b>	-	-
Disposals and withdrawals	-963	<b>-963</b>	-	-
The year's depreciation	-639	<b>-639</b>	-	-
<b>Closing carrying value</b>	<b>6,831</b>	<b>6,831</b>	-	-
<b>As of 31 December 2020</b>				
Acquisition value	11,492	<b>11,492</b>	-	-
Accumulated depreciation	-4,661	<b>-4,661</b>	-	-
<b>Reported value</b>	<b>6,831</b>	<b>6,831</b>	-	-

The tangible fixed assets in the group are found in Zinzino Nordic, Faun Pharma, BioActive Foods and Zinzino LLC. Tangible fixed assets break down into SEK 3,073 thousand from Sweden, SEK 3,480 thousand from Norway and SEK 278 thousand from other countries.

# NOTE 16

## LEASING

Lease liabilities attributable to leases previously classified as operating leases are recognised in accordance with IFRS 16 from 2019. These liabilities have been valued at the present value of future minimum lease payments. When calculating, the lessee's marginal lending rate has averaged 2.75%.

All rights of use are valued at an amount equal to the lease liability adjusted for deferred leasing payments relating to the leases. The following relief rules have been applied:

- The use of a uniform discount rate for a portfolio of leases of a similar nature;
- The reporting of operating leases with a lease term shorter than 12 months is classified as a short-term lease and the leasing payment is excluded from the capitalised leasing calculation under IFRS 16.
- The reporting of low value operating leases is classified as a low value lease and the leasing payment is excluded from the capitalised leasing calculation under IFRS 16.
- Exclusion of initial direct costs in the calculation of the right-of-use asset at the date of first implementation
- Historical information has been used in the assessment of the length of a lease where there are options to renew or terminate a contract.

Accounting of depreciation of assets with rights of use instead of leasing fees has had a positive impact on operating profit of SEK 0.7 (0.6) million. Interest on leasing liabilities has had a negative impact on net financial income/expense of SEK 1.2 (0.56) million. Profit before tax was negatively impacted by SEK 0.6 (0) million due to IFRS 16. As the main payment is reported as financing activities, cash flow from financing activities decreases with a corresponding increase in cash flow from operating activities. The interest portion of the leasing payment remains cash flow from operating activities and is included in net financial income/expense. The group recognises a right of use in the balance sheet and a leasing liability at the present value of future lease payments.

The leased asset is depreciated on a linear basis over the lease period or over the useful life of the underlying asset if it is considered reasonably certain that the group will acquire ownership at the end of the lease period. Leasing costs are reported as depreciation in operating profit and interest expense in net financial income/expense. If the lease is considered to include a low value asset or has a lease period that ends within 12 months, these lease payments are recognised as operating expenses in the income statement over the lease period.

### Reported amounts in the balance sheet

The following amounts related to leases are reported in the balance sheet broken down by premises, vehicles and other. Of the total value, SEK 14,978 thousand is derived from Sweden, SEK 15,961 thousand from Norway, SEK 3,698 thousand from the USA and the remainder from the group's other countries.

Assets with right of use	31/12/2020	31/12/2019
Premises	40,836	40,130
Vehicles	1,304	1,165
Other	1,413	2,522
<b>TOTAL</b>	<b>43,553</b>	<b>43,817</b>

Leasing liabilities	31/12/2020	31/12/2019
Long term	34,012	33,087
Current	10,119	10,730
<b>TOTAL</b>	<b>44,131</b>	<b>43,817</b>

Leases added in 2020 have a value of SEK 12,312 thousand, of which SEK 11,690 thousand in the premises category and SEK 622 thousand in the vehicles category.

### Reported amounts in the income statement

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

Depreciation on rights of use	31/12/2020	31/12/2019
Premises	10,780	8,558
Vehicles	726	286
Other	1,210	1,437
<b>TOTAL</b>	<b>12,716</b>	<b>10,281</b>

Interest costs	31/12/2020	31/12/2019
Interest expenses (included in financial expenses)	1,248	560

Short-term or low-value leases	31/12/2020	31/12/2019
Expenses attributable to short-term leases (included in external costs)	236	236
Expenses attributable to leases for which the underlying asset is of low value that are not short-term leases (included in external costs)	25	12

No significant variable lease payments that are not included in the leasing liability have been identified. The total cash flow for leases was SEK 14,933 (11,783) thousand.

## NOTE 17 INVENTORIES

The cost of inventories recognised as expense is included in the item raw materials and consumables in the statement of comprehensive profit/loss and amount to SEK 169,422 (115,797) thousand. The value of the group's stock as of 31/12/2020 is SEK 126,948 (88,864) thousand. Impairment of inventories to the net realisable value amounts to SEK 3,522 (3,518) thousand. The impairment has been reported in the statement of comprehensive profit/loss as raw materials and consumables.

## NOTE 18 FINANCIAL INSTRUMENTS BY CATEGORY

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

31/12/2019	Financial liabilities at amortised acquisition value	Financial assets at fair value	Total
<b>Liabilities in the balance sheet</b>			
Accounts payable	35,658	-	35,658
Other liabilities	94,033	-	94,033
Accrued costs	14,331	-	14,331
<b>TOTAL</b>	<b>144,022</b>	<b>-</b>	<b>144,022</b>

31/12/2020	Financial assets valued at amortised acquisition value	Financial assets at fair value	Total
<b>Assets in the balance sheet</b>			
Long-term receivables	175	-	175
Accounts receivable	8,371	-	8,371
Other receivables	57,535	-	57,535
Cash and cash equivalents	143,218	-	143,218
<b>TOTAL</b>	<b>209,299</b>	<b>-</b>	<b>209,299</b>

31/12/2020	Financial liabilities at amortised acquisition value	Financial assets at fair value	Total
<b>Liabilities in the balance sheet</b>			
Accounts payable	54,686	-	54,686
Other liabilities	139,219	9,417	148,636
Accrued costs	24,441	-	24,441
<b>TOTAL</b>	<b>218,346</b>	<b>9,417</b>	<b>227,763</b>

## NOTE 19 ACCOUNTS RECEIVABLE

	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Accounts receivable	8,466	4,448	-	-
Minus: reservation for expected credit losses	-95	-106	-	-
<b>TOTAL</b>	<b>8,371</b>	<b>4,342</b>	<b>-</b>	<b>-</b>
<b>Amounts reported, per currency, for the group accounts receivable are as follows:</b>				
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
NOK	8,371	4,342	-	-
<b>TOTAL</b>	<b>8,371</b>	<b>4,342</b>	<b>-</b>	<b>-</b>

The fair value of accounts receivable corresponds to its carrying value, since the discount effect is not material.

No accounts receivable have been provided as security for any debt.

## NOTE 20 OTHER RECEIVABLES

	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Tax account	630	445	-	-
Credit card sales receivables	43,737	17,217	-	-
Value added tax receivables	8,078	-	-	-
Advances to suppliers	4,797	-	-	-
Other receivables	923	248	57	-
<b>TOTAL</b>	<b>58,165</b>	<b>17,910</b>	<b>57</b>	<b>-</b>

## NOTE 21 PRE-PAID COSTS AND ACCRUED REVENUES

	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Pre-paid rental costs	507	451	-	-
Pre-paid cost for sales conference	5,218	3,279	-	-
Prepaid sales expenses	23,256	-	-	-
Pre-paid other expenses	7,810	6,656	2,942	2,710
<b>TOTAL</b>	<b>36,791</b>	<b>10,386</b>	<b>2,942</b>	<b>2,710</b>

## NOTE 22 CASH AND CASH EQUIVALENTS

	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Bank balances	143,218	76,837	7,091	2,173
<b>TOTAL</b>	<b>143,218</b>	<b>76,837</b>	<b>7,091</b>	<b>2,173</b>

## NOTE 23

### SHARE CAPITAL AND OTHER CONTRIBUTED CAPITAL

Of the company's number of shares, 33,049,645, 5,113,392 constitute A shares.

#### The development of the share capital

Year	Event	Change in the number of shares	Total number of shares	Change in the share capital	Total share capital
2007	Formation of company	37,000,000	37,000,000	100,000	100,000
2007	Rights issue	37,803,188	74,803,187	102,069	202,069
2008	Bonus issue	-	-	545,963	748,032
2008	Rights issue	12,476,963	87,280,150	124,770	872,802
2009	Rights issue	135,022,681	222,302,831	1,350,227	2,223,029
2010	Rights issue	48,524,869	270,827,700	485,248	2,708,277
2010	Reverse split	-243,744,930	27,082,770	-	2,708,277
2014	Warrants	2,425,917	29,508,687	242,592	2,950,869
2015	Warrants	1,391,338	30,900,025	139,134	3,090,003
2016	Warrants	150,000	31,050,025	15,000	3,105,003
2016	Warrants	1,530,000	32,580,025	153,000	3,258,003
2020	Warrants	469,620	33,049,645	46,962	3,304,965

## NOTE 24

### DEFERRED TAX

Deferred tax claims	Loss carry-forwards	Group Other temporary differences	Total	Parent company	
				Loss carry-forwards	Total
<b>As of 1 January 2019</b>	188	6,816	<b>7,004</b>	-	-
Reported in the statement of comprehensive profit/loss	3,053	-2,368	<b>685</b>	-	-
<b>As of 31 December 2019</b>	<b>3,241</b>	<b>4,448</b>	<b>7,689</b>	-	-
Reported in the statement of comprehensive profit/loss	-718	-3,448	<b>-4,166</b>	-	-
<b>As of 31 December 2020</b>	<b>2,523</b>	<b>1,000</b>	<b>3,523</b>	-	-

Unutilised loss carryforwards for which no deferred tax claims have been reported amount to SEK 4,756 (13,754) thousand and are derived from Norway. The loss carryforwards do not mature at any time.

## NOTE 25

### OTHER LONG-TERM LIABILITIES

	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Additional consideration	4,913	-	4,913	-
Other long-term liabilities	416	1,530	-	1,530
<b>TOTAL</b>	<b>5,329</b>	<b>1,530</b>	<b>4,913</b>	<b>1,530</b>

## NOTE 26 OTHER CURRENT LIABILITIES

	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Value added tax liability	15,553	4,109	1,156	219
Personnel withholding tax	1,897	1,374	-	-
Statutory social security contributions	1,835	1,561	-	-
Commission liability	135,565	91,949	-	-
Short-term portion Additional consideration	4,504	-	4,504	-
Other liabilities	3,653	2,085	84	36
<b>TOTAL</b>	<b>163,007</b>	<b>101,078</b>	<b>5,744</b>	<b>255</b>

## NOTE 27 ACCRUED COSTS AND DEFERRED REVENUES

	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Accrued discount	15,356	14,199	-	-
Accrued wage-related costs	11,745	11,455	-	-
Accrued commission	24,441	14,331	-	-
Deferred revenues	48,838	35,931	-	-
Other items	8,886	5,750	871	1,244
<b>TOTAL</b>	<b>109,266</b>	<b>81,666</b>	<b>871</b>	<b>1,244</b>

## NOTE 28 SECURITY PROVIDED AND CONTINGENT LIABILITIES

The group's security provided and contingent liabilities at 31 December 2020 are as follows.

	Group		Parent company	
	2020	2019	2020	2019
Security provided	15,929	15,463	none	none
Contingent liabilities	none	none	15,407	15,000

The group has floating charges of SEK 15,000 (15,000) thousand and customs guarantees totalling SEK 363 (363) thousand. Restricted bank assets are SEK 566 (100) thousand and relate to bank guarantees to suppliers.

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

# NOTE 29

## TRANSACTIONS WITH RELATED PARTIES

Sales of goods and services	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Sæle Invest & Consulting AS	-	-	-	-
Oh Happy Day ApS***	209	2,538	209	2,538
<b>TOTAL</b>	<b>209</b>	<b>2,538</b>	<b>209</b>	<b>2,538</b>

Purchase of goods and services	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Sæle Invest & Consulting AS*	32,463	25,896	-	-
Oh Happy Day ApS**	6,067	4,764	-	-
<b>TOTAL</b>	<b>38,530</b>	<b>30,660</b>	<b>-</b>	<b>-</b>

Receivables and liabilities at the end of the year as a result of the sale and purchase of goods and services	Group		Parent company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<i>Receivables from related parties</i>				
Sæle Invest & Consulting AS	-	-	-	-
Oh Happy Day ApS	2,747	2,538	2,747	2,538
<i>Liabilities to related parties</i>				
Sæle Invest & Consulting AS	665	548	-	-
Oh Happy Day ApS	-	-	-	-
<b>TOTAL</b>	<b>3,412</b>	<b>3,086</b>	<b>2,747</b>	<b>2,538</b>

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

The group has no provisions for bad debt receivables attributable to related parties. The group has also not reported any costs relating to bad debt receivables from related parties during the period. No security has been provided for the receivables.

Liabilities to related parties are mainly related to commission debt and are due 3 months after the date of purchase.

As of 31/12/2020, the debt to Sæle Invest AS relating to sales commissions amounts to SEK 665 (548) thousand and to Oh Happy Day ApS to SEK 0 (0) in the group. All sales commissions paid to related parties with significant influence are calculated on the same commission plan and under the same terms as for all other distributors within Zinzino's global sales organisation.

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

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

\*\*\* Remuneration according to agreement for 75% of the company's establishment costs in Australia 2019/2020 from Oh Happy Day ApS. The receivable from the company as of 31/12/2020 amounts to SEK 2,747 (2,538) thousand.

## NOTE 30 EARNINGS PER SHARE

SEK	2020	2019
Earnings per share before dilution	1.96	0.33
Earnings per share after dilution	1.88	0.32
<b>Earnings metric used in the calculation of earnings per share (SEK thousand)</b>	<b>2020</b>	<b>2019</b>
Earnings attributable to shareholders of the parent company used in the calculation of earnings per share before and after dilution	64,477	10,662
<b>Number</b>	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares in calculating earnings per share before dilution	32,860,203	32,580,025

## NOTE 31 CHANGES IN LIABILITIES PERTAINING TO FINANCING ACTIVITIES

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

	01/01/2020	Cash flow	Non-cash items		31/12/2020
			New leases	Currency	
Leasing liabilities	43,817	-13,424	12,312	1,426	44,131
<b>TOTAL</b>	<b>43,817</b>	<b>-13,424</b>	<b>12,312</b>	<b>1,426</b>	<b>44,131</b>

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

	Group		Parent company	
	2020	2019	2020	2019
Depreciation/amortisation	21,958	18,751	421	353
Currency fluctuations	2,679	860	-950	-109
<b>TOTAL</b>	<b>24,637</b>	<b>19,611</b>	<b>-529</b>	<b>244</b>



## NOTE 33 OPTIONS PROGRAMME

The company, as of the report date, has two outstanding options programmes. The first options programme will cover 800,000 warrants at an exercise price of SEK 18 which expires on 31/05/2024, of which 9,500 warrants have already been exercised for share subscription as of 31/12/2020. The second options programme will cover 1,000,000 warrants at an exercise price of SEK 45. The option programme expires on 31/05/025.

If all warrants issued as of 31/12/2020 are exercised for subscription of 1,790,500 shares, dilution of the share capital will amount to a total of approximately 5%.

## NOTE 34 EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events for the group have occurred after the end of the reporting period as at 31 December 2020.

## NOTE 35 PROPOSAL FOR DISPOSITION OF PROFIT

The annual meeting has the following at its disposal:

Zinzino AB	SEK
Retained earnings	19,676,119
Profit/loss for the year	45,827,655
<b>Total</b>	<b>65,503,774</b>

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

Zinzino AB	SEK
A dividend will be paid to the shareholders of SEK 1.25 per share	41,637,056
Will be carried forward	23,866,718
<b>Total</b>	<b>65,503,774</b>

The consolidated income statement and balance sheets will be submitted to the Annual General Meeting 20/05/2021 for adoption.

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

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

# GOTHENBURG, 27 APRIL 2021

**Hans Jacobsson**  
Board Chair

**Pierre Mårtensson**  
Board Member

**Ingela Nordenhav**  
Board Member

**Staffan Hillberg**  
Board Member

**Dag Bergheim Pettersen**  
Chief Executive Officer

Our auditor's report was submitted on 28 April 2021.  
Öhrlings PricewaterhouseCoopers AB

**Fredrik Göransson**  
Certified Public Accountant





# AUDITOR'S REPORT

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

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of Zinzino AB for the year 2020 except for the corporate governance statement on pages 45–56. The annual accounts and consolidated accounts of the company are included on pages 40–97 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 45–56. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group. Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–39. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

## Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so. The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

## Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts. A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Zinzino AB for the year 2020 and the proposed appropriations of the company's profit or loss. We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.
- Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 45-56 has been prepared in accordance with the Annual Accounts Act. Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 28 April 2021

**Fredrik Göransson**  
Certified Public Accountant







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