

ZINZINO



INTERIM REPORT 2017 | Q4

THIS IS ZINZINO

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

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

In 2016, Zinzino was named both as one of Veckans Affärer's "Super Companies" and as Dagens Industri's Gazelle Company.

A SHORT HISTORY

- 2007** - Zinzino AB was started. The company's principal business is to own and develop companies in direct sales and related businesses.
- 2009** - Zinzino Nordic AB was acquired, partly through a directed issuance in kind to the owners of Zinzino Nordic AB and partly through a subscription for shares in the preference issuance Zinzino Nordic AB carried out in December 2009. Through this Zinzino AB acquired control over 97% of the votes and 92% of the capital of Nordic AB. By 31 December 2015 the ownership share had increased to 93% of the capital.
- 2010** - Zinzino shares were listed for trading on the Aktiegörget stock market.
- 2011** - The group was expanded with companies in Estonia and Lithuania.
- 2012** - Companies were started in Latvia and on Iceland.
- 2013** - A company was started in the United States with its headquarters in Jupiter, Florida.
- 2014** - The group was further expanded by companies in Poland and Holland. The same year Zinzino AB acquired the remaining shares in BioActive Foods AS and 85% of the shares in Faun Pharma AS. This was also the year when Zinzino AB was listed for trading on Nasdaq OMX First North.
- 2015** - A company was started in Canada and the ownership share in Faun Pharma AS was increased to 98.8%.
- 2016** - A subsidiary was started in Germany.
 - Sales were launched in all of the EU countries.

ZINZINO INTERIM REPORT 2017 | Q4

JANUARY–DECEMBER

- Total revenue increased by 13% (7%) to SEK 540.3 (478.9) million
- The product segment Health increased by 16% to SEK 379.4 (326.0) million
- Gross profit was SEK 159.8 (153.8) million and the gross profit margin was 29.6% (32.1%).
- EBITDA amounted to SEK 10.8 (23.0) million and the operating margin before depreciation and amortisation was 2.0% (4.8%).
- Cash flow for the year amounted to SEK 25.1 (-3.5) million.
- The Board of Directors proposes that the Annual General Meeting 2018 increase the share dividend by 80% to SEK 0.45 (0.25) per share.
- Cash and cash equivalents on the reporting date amounted to SEK 48.4 (23.3) million.

OCTOBER–DECEMBER

- Total revenue increased by 7% (29%) to SEK 154.7 (144.5) million
- The product segment Health increased by 17% to SEK 109.3 (93.8) million
- Gross profit was SEK 45.2 (46.0) million and the gross profit margin was 29.2% (31.9%).
- EBITDA amounted to SEK -2.3 (4.6) million and the operating margin before depreciation and amortisation was -1.5% (3.2%)
- Cash flow for the quarter amounted to SEK 10.1 (5.2) million.
- Profit for the period declined by temporarily increased costs of campaigns and commissions paid to the company's sales team during the latter part of Q4. This has created even stronger momentum to generate accelerated growth in 2018.
- Positive sales development on several new markets while the strong growth trend continued on the home market in Sweden and in Finland.

FINANCIAL SUMMARY (SEK MILLION)

THE GROUP'S KEY FIGURES*	Q4 - 2017	Q4 - 2016	FULL YEAR 2017	FULL YEAR 2016
Total revenue	154.7	144.5	540.3	478.9
Net sales	142.7	128.2	495.1	436.1
Sales growth	7%	29%	13%	7%
Gross profit	45.2	46.0	159.8	153.8
Gross profit margin	29.2%	31.9%	29.6%	32.1%
Operating profit before depreciation and amortisation	-2.3	4.6	10.8	23.0
Operating margin before depreciation and amortisation	-1.5%	3.2%	2.0%	4.8%
Operating profit/loss	-5.2	2.4	0.7	14.0
Operating margin	-3.3%	1.6%	0.1%	2.9%
Profit/loss before tax	-5.2	2.5	0.5	13.9
Net profit	-3.4	2.5	-1.1	9.7
Net margin	-2.2%	1.7%	-0.2%	2.0%
Net earnings per share after tax before dilution, SEK	-0.10	0.08	-0.03	0.31
Net earnings per share after tax at full dilution, SEK	-0.10	0.07	-0.03	0.29
Cash flow for the period	10.1	5.2	25.1	-3.5
Cash and cash equivalents	48.4	23.3	48.4	23.3
Equity/assets ratio	44%	50%	44%	50%
Equity per share, SEK before dilution	2.46	2.72	2.46	2.82
Number of issued shares on average for the period	32,580,025	32,463,612	32,580,025	31,359,861
Number of issued shares on average for the period with full dilution	34,280,025	33,780,025	34,081,395	33,780,025

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

FINANCIAL GOALS AND ZINZINO'S OUTLOOK FOR 2018

The Board of Directors of Zinzino forecasts that the total revenues for 2018 will be SEK 580–620 million. The operating margin before depreciation and amortisation as a percentage is estimated to increase compared with last year. The target for average growth in sales at Zinzino for the period 2018–2020 is a minimum of 15% and for the operating margin before depreciation and amortisation to increase to > 5%. The dividend policy will be at least 50% of the free cashflow as long as liquidity and the equity/assets ratio permit. Zinzino's clear ambition of SEK 1 billion in revenue remains and will be realized by 2022.



ONGOING FOCUS ON CONTINUOUS IMPROVEMENT, E-COMMERCE AND GROWTH

In 2017, we achieved growth of 13%, which I'm pleased with as CEO. Our growth rate in the fourth quarter ended 7%, which is in line with our forecast. We will continue to balance growth with investments in e-commerce and profitability in the coming quarter.

STRONG HOME MARKET AND GROWTH IN THE EU

Our home market of Sweden is on a fantastic trend of continued growth. The same is also true of Finland and Germany.

In the Baltic States, Latvia and Lithuania have seen a large increase in customers, while Estonia had lower growth in the form of a slight decline. We are actively working to boost all markets and will continue to put extra effort into Germany and the USA to harness the potential of these huge markets. Our focus will be on linking more people to us who can contribute to increased sales and take care of our customers and distributors. We have already put the resources in place that we believe will provide good return on our investments. We will also be investing in campaigns and marketing. Efficient payment solutions and distribution are also priority areas that increase efficiency and create growth. The new digital platform that was launched during the quarter for customers and distributors has been well received and gives us a tool for further growth. The platform improves our customer follow-up and lowers our costs because we can be much more efficient.

Although we are pleased with the development and profitability overall, we are not satisfied with the profitability trend in the fourth quarter. We have seen an increase in commissions to our partners in the fourth quarter that has not been matched by revenues. We have been working on this issue and we are now back to the commission levels we had earlier in 2017, while still maintaining good relationships with our partners.

E-COMMERCE

We have previously reported that we have invested considerable resources in the shift to digital. We have invested a lot of money in digital platforms, web pages and other digital tools that are scalable. In the long run, these will improve

organisational efficiency and reduce costs. We are always actively working to improve and we continue to invest in our e-commerce solution, which will increase the customer base and provide more satisfied partners. E-commerce improves the user experience and net profit and is the single most important factor in reaching SEK 1 billion within 3–5 years. Our organisation stands before an exciting journey and a change in working methods. We are moving away from marketing in traditional media and towards creating the best there is in terms of the internet and digitalisation. To allow us to focus on this, we will only be releasing one new product this year and will instead devote all our resources to our website and e-commerce and beyond, using social media as a marketing channel.

WE ARE READY FOR GROWTH

With all the things we have launched, including new products and new web pages, we are more than ready for growth. Our organisation and production will increase profitability in line with our anticipated growth of at least 15% per year over the next few years. With our scalable business model, we will double our sales from half a billion to one billion over the next 3–5 years.

During that time, we will more than double our net margin in percentage terms. This is a result of our having invested in IT which both simplifies and streamlines several processes in support, finance, logistics and IT. This will reduce our investment need and we will cut costs for every penny of growth over the coming years. We will continuously work to improve our processes, become more efficient and utilise our economies of scale, which in turn will lead to profitable growth.

Dag Bergheim Pettersen

Inspire change in life



DAG B
CEO

BLUE
KHOLM OCT
INSPIRE CHANGE

With all the things we have launched, including new products and new web pages, we are more than ready for growth.

SIGNIFICANT EVENTS DURING AND AFTER **THE FOURTH QUARTER, 2017**



INDIA IN FOCUS

Continued expansion of the business with a focus on India. Zinzino began the process of setting up a subsidiary in India during the fourth quarter. As with previous set-ups, the process is being carried out together with Business Sweden, which has experience in these kinds of process. The process involves establishing a company, registering products and developing sales networks. It is estimated that the process will take 9–12 months and sales are expected to begin during the final quarter of 2018. In addition to the process in India, Zinzino also established a subsidiary in Romania during the fourth quarter. Processes aimed at consolidating the establishments in Hungary, France and the United Kingdom were also begun during the quarter.



WAREHOUSE IN FRANCE MEANS SHORTER LEAD TIMES IN CENTRAL AND SOUTHERN EUROPE

During the year, Zinzino carried out a project to streamline the logistics process and so shorten the delivery time to customers. This process continued during the quarter, with a focus on shortening lead times at all stages and offering customers more delivery options. Planning on the new external warehouse has continued and during the fourth quarter the company decided to locate it in north-eastern France, in a cooperation with the same logistics partner that handles Zinzino's ordinary inventory management in Trollhättan for other markets. The new external warehouse is expected to be operational during the early part of the second quarter of 2018. The warehouse will shorten lead times in the delivery process for the fast-growing customer groups in Germany, Spain and other countries in the region.

NEW PAYMENT PLATFORM OPTIMISED FOR GROWTH AND NEW REGIONS

During the fourth quarter, Zinzino continued its major project to increase the number of payment options for the company's customers and distributors. The first local solutions have been launched on the key German market and have contributed to the excellent sales growth on the market. Further local solutions will be launched during the first quarter of 2018, initially focusing on the strategically important German market, but more markets will gain access to additional solutions during the first half of 2018. The payment platform is also ready for local payment solutions in the rest of the world, which helps Zinzino in its process to establish a company in India, where sales are expected to begin in autumn 2018. The platform also provides significant opportunities for Zinzino to establish itself elsewhere, such as in Asia or South America.



NEW DIGITAL TOOLS CREATE EXTERNAL AND INTERNAL EFFICIENCY

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

The other major launch was the New Backoffice for Zinzino partners. Backoffice is a digital tool where all the information on associated partners, customers and payments, for example, is visualized in a modern and graphically appealing way. The aim of New Backoffice is to provide Zinzino's partners with a better sales tool with an updated interface for associated customers and partners. The tool also means that partners do not need to

contact Zinzino's partner support to the same extent as before and can focus more on generating sales growth for themselves and the group.

The two solutions above are merged internally, which in the long run leads to more efficient development and maintenance that requires fewer IT resources. The solutions are also important tools as part of the group's continued drive towards 1 billion in sales.

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

USA HAS A NEW SALES MANAGER AND STARTS SELLING BALANCEOIL VEGAN

During the final quarter of the year, a sales manager was appointed in North America, who immediately began to broaden the sales organisation geographically and expand the number of distributors and customers. Sales of BalanceOil Vegan also began in the United States during the quarter and had a positive recep-

tion on the market. This, combined with the new web portal and website tailored for the North American market, gives Zinzino strong hope of turning around the temporary downward trend in North America.



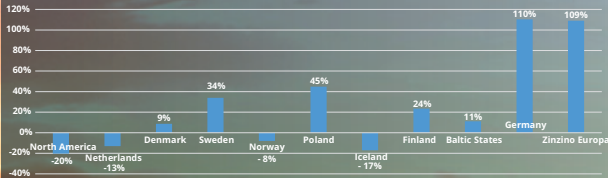
BOARD PROPOSES INCREASED DIVIDEND

Zinzino's business continued to generate positive cash flow in 2017 and also in Q4. The Board of Directors has performed a strategic review and drawn up a plan to work actively on the group's balance sheet. This creates scope for increased dividends in 2018. The Board of Directors will therefore propose to the Annual General Meeting 2018 a dividend of SEK 0.45 (0.25) per share.

REVENUE AND PROFIT 2017 Q4

Q4

Growth per market 2017 versus 2016



Sales
MSEK **154.7** (144.5)

Revenues



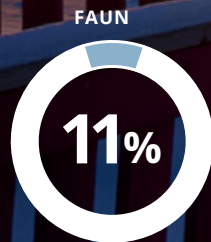
(2017; 109,3 (93,8) MSEK)



(2017; 13,1 (9,9) MSEK)

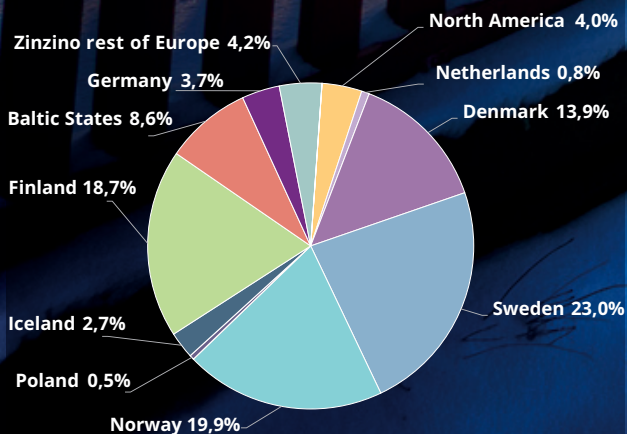


(2017; 15,9 (19,8) MSEK)



(2017; 16,4 (21,0) MSEK)

Geographic distribution of sales



THE FOURTH QUARTER - SALES

Total revenue for the quarter was SEK 154.7 (144.5) million, which corresponds to growth of 7% (29%) compared with the same period last year. Most markets showed strong growth during the quarter. The German market received increased market support during the fourth quarter, which resulted in a 110% increase in sales compared with the fourth quarter of 2016. The newly established EU markets increased by 109% in total. This increase in sales was mainly attributable to Spain, Austria and Hungary, all of which made strong progress in the final quarter.

In the Baltic countries, the strong sales growth in Latvia continued, increasing by 78%. Lithuania also experienced growth and increased by 12%, while the loss of revenue in Estonia was halted at -35%, giving overall growth of 11% for the Baltic region. The strong sales markets of Sweden and Finland increased in the fourth quarter by 34% and 24% respectively. The Danish market also grew, increasing by 9% compared with the same period last year.

Some markets developed worse than expected in the quarter and performed worse than in the fourth quarter of 2016. The Norwegian market decreased by 8%, the Icelandic market by 17%, and the Dutch market by 13%. During the fourth quarter, Zinzino implemented several marketing measures in the form of sales events and various campaigns to generate sales growth again in these markets, which are very important for Zinzino.

The negative trend in North America also continued, where revenue fell by 20% compared with a strong fourth quarter in 2016. As mentioned earlier, a sales manager has been appointed and marketing measures have been taken in the form of campaigns to help the sales team increase sales in the future.

The production unit Faun Pharma AS reduced its high-volume production for external customer Proteinfabrikken in the fourth quarter, which meant total revenue fell by 22% compared with the same period last year and consequently amounted to SEK 16.4 (21.0) million.

The geographic distribution shows that the largest proportion of revenue comes, as before, from the Nordic countries. Sweden continued to increase its proportion of total sales and in the fourth quarter accounted for the largest share geographically of the group's total sales. The Finnish market also strongly increased its share of total shares.

The product segment Zinzino Health increased by 17% to SEK 109.3 (93.8) million and accounted for 71% (65%) of total revenues. The product segment Coffee increased by 32% to SEK 13.1 (9.9) million, which corresponded to 8% (7%) of total revenues. The external sales of Faun Pharma AS fell by 11% to SEK 16.4 (21.0) million, which corresponded to 11% (14%) of total revenues. Other revenues were SEK 15.9 (19.8) million, which corresponded to the remaining 10% (14%) of the revenues for the quarter.

In the fourth quarter, 265,000 (214,000) bottles of BalanceOil were sold compared with the same quarter last year, which corresponded to an increase of 24%. Other products with a strong sales performance were Zinzino Skin Serum, which increased to over 25,000 (14,300) units sold, and Zinzino ProteinBar, which increased to 30,000 units sold. People's interest in and awareness of their own health continues to rise, which the company is seeing in the form of an increase in product sales within the Health segment.

The most popular coffee was once again French Espresso, with 31,000 (35,100) units sold in the quarter. Sales of coffee machines totalled 883 (980) units, representing a fall in sales of 10% compared with the corresponding period of the previous year.

As previously announced, BalanceOil Vegan was launched during the quarter. This is a unique new product that enables vegans and vegetarians to consume the healthy omega-3 fatty acids EPA and DHA without eating fish. The product uses a blend of algae oil, echium oil, olive oil, and vitamin D3 to maximise absorption of omega-3. Since launching in mid-October, the product has shown a strong sales pattern and a total of 34,000 bottles were sold during the quarter.

THE FOURTH QUARTER – COSTS AND PROFIT

Gross profit for the fourth quarter amounted to SEK 45.2 (46.0) million and the gross profit margin was 29.2% (31.9%).

EBITDA for the fourth quarter amounted to SEK -2.3 (4.6) million and the operating margin before depreciation and amortisation was -1.5% (3.2%). Operating profit was SEK -5.2 (2.4) million and the operating margin was -3.3% (1.6%).

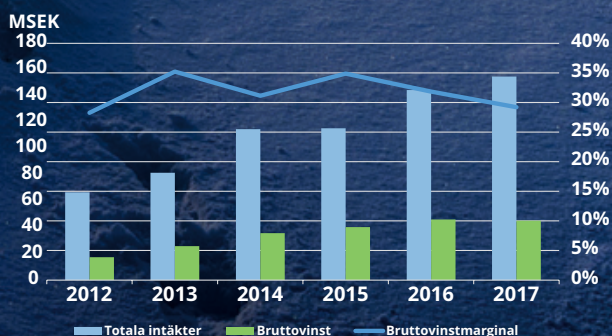
The slightly weaker profit margins can be attributed mainly to temporarily increased costs of campaigns and commissions paid to the company's sales team during the latter part of the quarter. The purpose of the costly marketing measures was to generate more growth in 2018.

The company returned to normal cost levels for sales commissions in early 2018, which is expected to cause EBITDA to rise towards record levels, bringing continued good profitability on a par with previous quarters.

Profit before tax for the quarter was SEK -5.2 (2.5) million and the net profit was SEK -3.4 (2.5) million.

DEPRECIATION AND AMORTISATION

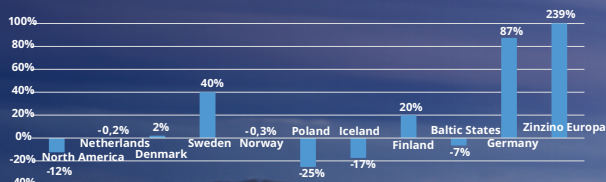
Depreciation and amortisation for the quarter have burdened the profit for the period by SEK 2,865 (2,202) thousand, of which SEK 176 (206) thousand was depreciation of tangible fixed assets, SEK 1,463 (770) thousand was amortisation of intangible fixed assets, and SEK 1,226 (1,226) thousand was amortisation of goodwill.



CONSOLIDATED PROFIT AND FINANCIAL POSITION ACCUMULATED 2017 Q1-Q4

Q1-Q4

Growth per market 12 months 2017 vs 2016



Sales
MSEK **540.3** (478.9)

Revenues



(2017; 379,4 (326,0) MSEK)



(2017; 46,8 (55,6) MSEK)

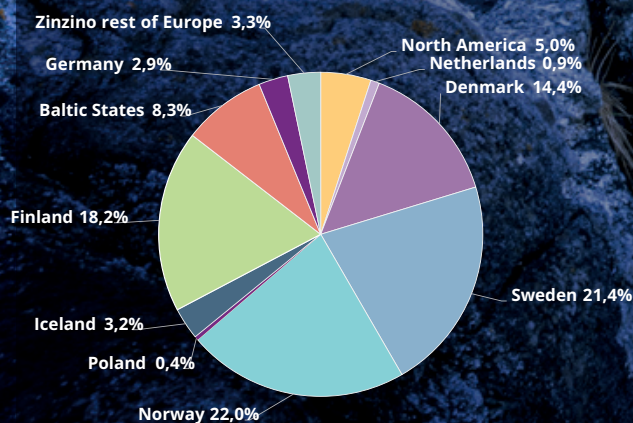


(2017; 49,4 (46,6) MSEK)



(2017; 64,7 (50,7) MSEK)

Geographic distribution of sales



CONSOLIDATED PROFIT AND FINANCIAL POSITION ACCUMULATED Q1-Q4 2017

REVENUE

Total revenues for 2017 were SEK 540.3 (478.9) million, which corresponds to a growth of 13% (7%) compared with the previous year. The best performances in 2017 came from the relatively new German market and also the Swedish market. There was also strong growth on the important Finnish market and some growth in Denmark. As previously described, many of the newly launched markets are progressing well, with the strongest growth in Spain, Austria, Romania and Hungary.

North America experienced negative growth in 2017. The Baltic States had negative growth overall, despite good growth in Latvia and Lithuania, and the region slowed only because of the decline on the Estonian market. There was also a decline in Iceland and in Poland, although this slowed in Iceland over the course of the year.

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

The product segment Health increased by 16% to SEK 379.4 (326.0) million, which represented 70% (68%) of the total revenues. The product segment Coffee declined by 16% to SEK 46.8 (55.6) million and contributed 9% (12%) of the total revenues. Faun Pharma increased by 28% to SEK 64.7 (50.7) million, which represented 12% (10%) of total revenues. Shipping and other revenues amounted to SEK 49.4 (46.6) million, which represented the remaining 9% (10%) of the revenues.

In addition, the revenue analysis shows that 998,154 (780,017) bottles of BalanceOil were sold in 2017, which corresponded to an increase of 28% compared with the previous year. As people's interest in and awareness of their own well-being continues to rise, the company will see an increase in product sales within the Health segment. The products that stood out through continuously increasing sales were Zinzino Skin Serum, which increased to 82,472 (14,774) units sold and Zinzino's protein bars, which were launched in autumn 2016 and have had steady sales growth since. In total, the company sold 94,453 (14,825) units of the product during 2017. In Zinzino's Coffee segment, the most popular coffee was Zinzino French Espresso, with 130,961 (150,352) units sold during the year, which corresponded to a fall of 13%. Sales of coffee machines totalled 3,226 (4,539) units, representing a fall in sales of 29% compared with 2016.

COSTS AND PROFIT

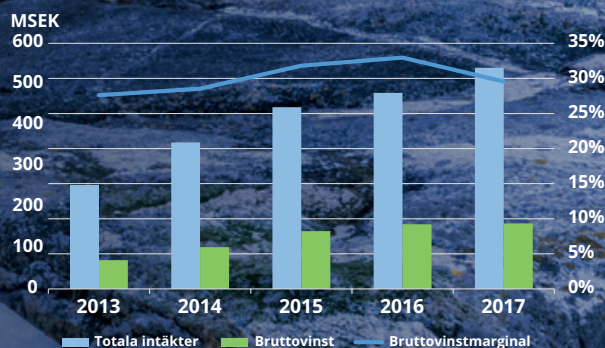
Gross profit was SEK 159.8 (153.8) million and the gross profit margin was 29.6% (32.1%). The decrease in margin was mainly attributable to the temporary increase

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

EBITDA amounted to SEK 10.8 (23.0) million and the operating margin before depreciation and amortisation was 2.0% (4.8%). Operating profit was SEK 0.7 (14.0) million and the operating margin was 0.1% (2.9%). The group has had a larger cost base over the past year as a result of both an in-house production unit and a separate research company in the form of Bioactive Foods AS. Several establishments and marketing initiatives have also been carried out, as well as major investments in IT platforms and websites. This will have a negative impact on the operating margins in the short term but will generate margin improvements over the longer term.

Profit before tax was SEK 0.5 (13.9) million and the net profit was SEK -1.1 (9.7) million.

Q1-Q4



INVENTORIES

The group's combined inventories at the balance sheet date were SEK 52.9 (63.5) million.

LIQUIDITY AND EQUITY/ASSETS RATIO

At the balance sheet date, cash amounted to SEK 48.4 (23.3) million. The group's equity/assets ratio was 44% (50%). Cash flow for the year amounted to SEK 25.1 (-3.5) million. The continued assessment of the Board of Directors is that liquid assets are at a satisfactory level. The group's positive cash flow from operating activities will ensure liquidity in the group for the foreseeable future and allows for increased dividends in 2018.

ORGANISATION

During 2016 and 2017, Zinzino has invested large sums to establish an organisation and a business system with high levels of efficiency and capacity. In the coming year, new investments in IT and marketing will be implemented in order to increase the group's sales.

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

Amounts in SEK thousands	01-10-2017	01-10-2016	01-01-2017	01-01-2016
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Net sales	142,683	128,231	495,058	436,083
Other revenue	12,058	16,286	45,264	42,839
Goods for resale and other direct costs	-109,514	-98,473	-380,572	-325,118
Gross profit	45,227	46,044	159,750	153,804
External operating expenses	-28,946	-24,361	-82,054	-71,857
Personnel costs	-18,592	-17,128	-66,886	-58,906
Depreciation and amortisation	-2,865	-2,202	-10,128	-8,997
Operating profit/loss	-5,176	2,353	682	14,044
Net financial items	-53	164	-151	-177
Tax	1,821	3	-1,601	-4,198
Profit/loss for the period	-3,408	2,520	-1,070	9,669

INCOME STATEMENTS **ZINZINO AB** (SEK THOUSANDS)

Amounts in SEK thousands	01-10-2017	01-10-2016	01-01-2017	01-01-2016
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Net sales	850	1,000	3,350	3,350
Other revenue	460	-	460	92
Gross profit	1,310	1,000	3,810	3,442
External operating expenses	-809	-503	-2,873	-2,704
Depreciation and amortisation	-4	-4	-15	-16
Operating profit/loss	497	493	922	722
Net financial items			-2	-
Tax	-109	-109	-203	-159
Profit/loss for the period	388	384	717	563

BALANCE SHEETS **ZINZINO GROUP** (SEK THOUSANDS)

Amounts in SEK thousands	31-12-2017	31-12-2016
Fixed assets		
Goodwill	33,648	38,552
Intangible fixed assets	19,225	19,511
Tangible fixed assets	3,036	3,322
Financial fixed assets	2,843	3,998
Total fixed assets	58,752	65,383
Current assets		
Inventories	52,947	63,518
Current receivables	21,375	23,911
Cash at bank and in hand	48,419	23,323
Total current assets	122,741	110,752
Total assets	181,493	176,135
Restricted equity	4,342	3,258
Unrestricted equity	76,835	75,536
Profit/loss for the year	-1,069	9,669
Total equity	80,108	88,463
Non-current liabilities	730	543
Current liabilities	100,655	87,129
Total liabilities	101,385	87,672
Total equity and liabilities	181,493	176,135

BALANCE SHEETS **ZINZINO AB**

(SEK THOUSANDS)

Amounts in SEK thousands	31-12-2017	31-12-2016
Fixed assets		
Intangible fixed assets	1,084	894
Financial fixed assets	83,351	83,449
Total fixed assets	84,435	84,343
Current assets		
Current receivables	1,640	223
Cash at bank and in hand	294	1,047
Total current assets	1,934	1,270
Total assets	86,369	85,613
Restricted equity	4,342	4,152
Unrestricted equity	30,657	38,429
Profit/loss for the year	717	563
Total equity	35,716	43,144
Non-current liabilities	16,206	16,056
Current liabilities	34,447	26,413
Total liabilities	50,653	42,469
Total equity and liabilities	86,369	85,613

CASH FLOW ANALYSES ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	01-10-2017 31-12-2017	01-10-2016 31-12-2016	01-01-2017 31-12-2017	01-01-2016 31-12-2016
The ongoing business				
Profit/loss before financial items	-5,176	2,353	682	14,044
Depreciation and amortisation/write-downs	2,865	2,202	10,128	8,997
Other non-cash items	-361	-411	655	1,681
	-2,672	4,144	11,465	24,722
Interest received	15	39	134	49
Interest paid	-72	-19	-289	-226
Tax paid	-11	-6	27	-62
	-68	14	-128	-239
Cash flow from the ongoing business before change in operating capital	-2,740	4,158	11,337	24,483
Cash flow from change in operating capital				
Increase(-)/Decrease(+) in inventories	3,954	-6,374	11,421	-23,229
Increase(-)/Decrease(+) in current receivables	-629	2,380	1,686	-1,587
Increase(+)/Decrease(-) in current liabilities	10,014	7,650	13,526	10,882
Cash flow from the ongoing business	10,599	7,814	37,970	10,549
Investment activity				
Investments in intangible fixed assets	-418	-5,264	-4,223	-6,939
Investments in financial fixed assets		-173	-540	-764
Investments in tangible fixed assets	-73	-200	-116	-2,016
Cash flow from investment activity	-491	-5,637	-4,879	-9,719
Financing activity				
Loans taken	-	-	-	-
Release of options	-	-	150	44
Dividend	-	-	-8,145	-7,763
Subscriptions for shares on outstanding subscription options	-	3,010	-	3,360
Cash flow from financing activity	0	3,010	-7,995	-4,359
CASH FLOW FOR THE PERIOD	10,108	5,187	25,096	-3,529
Cash and cash equivalents at start of period	38,311	18,136	23,323	26,852
Cash and cash equivalents at end of period	48,419	23,323	48,419	23,323
Change in cash and cash equivalents	10,108	5,187	25,096	-3,529

CASH FLOW ANALYSES ZINZINO AB

(SEK THOUSANDS)

Amounts in SEK thousands	01-10-2017	01-10-2016	01-01-2017	01-01-2016
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
The ongoing business				
Profit/loss before financial items	497	493	922	722
Depreciation and amortisation / write-downs	4	4	16	-16
Other non-cash items	-5	27	-17	63
	496	524	921	769
Interest received				
Interest paid			-2	
Tax paid				
	0	-126	-2	0
Cash flow from the ongoing business before change in operating capital	496	524	919	769
Cash flow from change in operating capital				
Increase(-)/Decrease(+) in current receivables	-1,421	5	-1,418	-91
Increase(+)/Decrease(-) in current liabilities	672	-2,424	8,035	5,692
Cash flow from the ongoing business	-253	-1,895	7,536	6,370
Investment activity				
Investments in intangible fixed assets	-63	-894	-190	-894
Investments in financial fixed assets		-173	-104	-623
Investments in tangible fixed assets				
Cast flow from investment activity	-63	-1,067	-294	-1,517
Financing activity				
Option issue			150	150
Dividend			-8,145	-7,763
Subscriptions for shares on outstanding subscription options		3,010		3,360
Cash flow from financing activity	0	3,010	-7,995	-4,253
CASH FLOW FOR THE PERIOD	-316	48	-753	600
Cash and cash equivalents at start of period	610	999	1,047	447
Cash and cash equivalents at end of period	294	1,047	294	1,047
Change in cash and cash equivalents	-316	48	-753	600



CHANGES IN EQUITY CAPITAL ZINZINO GROUP (SEK THOUSANDS)

Amounts in SEK thousands	01-01-2017	01-01-2016
	31-12-2017	31-12-2016
Equity capital at the start of the period	88 463	88,320
Adjustment for errors in prior years	-	-4,513
Subscriptions for shares on subscription options	-	3,392
Dividend to shareholders	-8,145	-7,763
Currency translation differences	859	-642
Profit/loss for the period	-1,070	9,669
Equity at the end of the period	80,107	88,463

CHANGES IN EQUITY ZINZINO AB (SEK THOUSANDS)

Amounts in SEK thousands	01-01-2017	01-01-2016
	30-09-2017	31-12-2016
Equity capital at the start of the period	43,144	46,707
Subscriptions for shares on subscription options		3,637
Dividend to shareholders	-8,145	-7,763
Profit/loss for the period	717	563
Equity at the end of the period	35,716	43,144

DEFINITIONS OF KEY RATIOS

GROSS MARGIN

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

PROFIT PER SHARE

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

EQUITY CAPITAL PER SHARE

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

OPERATING MARGIN

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

OPERATING MARGIN BEFORE DEPRECIATION AND AMORTISATION

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

NET MARGIN

The period's profit in percent of the period's net sales.

EQUITY/ASSETS RATIO

Equity capital in percent of the balance sheet total.

THE NUMBER OF OUTSTANDING SHARES

The share capital as at 31 December 2017 is divided into 32,580,025 shares, of which 5,113,392 are class A shares (1 vote) and 27,466,633 are class B shares (0.1 vote). The share's par value is SEK 0.10. The company's B shares are traded on Nasdaq Omx First North, nasdaqomxnordic.com.

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

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

DIVIDEND

The Board of Directors will propose to the Annual General Meeting a dividend for the past financial year of SEK 0.45 (0.25) per share.

REVENUE BY COMPANY Q4 (SEK THOUSANDS)

COMPANY	Q4 2017	Q4 2016	Growth by company compared with the previous year	Share of total revenues
Zinzino Sverige AB*	35,812	24,648	45%	23%
Zinzino AS (Norway)	27,422	30,400	-10%	18%
Zinzino OY (Finland)	25,805	21,326	21%	17%
Zinzino ApS (Denmark + Faroe Islands)	19,147	17,969	7%	12%
Zinzino Ehf (Iceland)	3,670	4,521	-19%	2%
Zinzino UAB (Lithuania)	3,591	3,207	12%	2%
Zinzino SIA (Latvia)	5,159	2,893	78%	3%
Zinzino OÜ (Estonia)	3,081	4,766	-35%	2%
Zinzino LLC (USA)	5,242	6,698	-22%	3%
Zinzino BV (Netherlands)	1,055	1,238	-15%	1%
Zinzino SP z.o.o (Poland)	642	452	42%	0%
Zinzino Canada Corp	235	321	-27%	0%
Zinzino GmbH (Germany)	5,174	2,511	106%	3%
Faun Pharma AS (Norway)	16,426	20,953	-22%	11%
Zinzino Nordic AB	2,280	2,614	-13%	1%
Total	154,741	144,517	7%	100%

* The Swedish company includes sales for Sweden, the EU and Switzerland

REVENUE BY COMPANY Q1-Q4 (SEK THOUSANDS)

COMPANY	Q1-Q4 2017	Q1-Q4 2016	Growth by company compared with the previous year	Share of total revenues
Zinzino Sverige AB*	114,112	75,330	51%	21%
Zinzino AS (Norway)	105,272	106,508	-1%	19%
Zinzino OY (Finland)	86,578	72,804	19%	16%
Zinzino ApS (Denmark + Faroe Islands)	68,664	67,858	1%	13%
Zinzino Ehf (Iceland)	15,212	18,571	-18%	3%
Zinzino UAB (Lithuania)	12,826	10,331	24%	2%
Zinzino SIA (Latvia)	14,534	10,951	33%	3%
Zinzino OÜ (Estonia)	12,412	21,630	-43%	2%
Zinzino LLC (USA)	23,019	26,194	-12%	4%
Zinzino BV (Netherlands)	4,155	4,200	-1%	1%
Zinzino SP z.o.o (Poland)	1,761	2,376	-26%	0%
Zinzino Canada Corp	874	1,330	-34%	0%
Zinzino GmbH (Germany)	13,930	7,499	86%	3%
Faun Pharma AS (Norway)	64,694	50,689	28%	12%
Zinzino Nordic AB	2,279	2,651	-14%	0%
Total	540,322	478,922	13%	100%

* The Swedish company includes sales for Sweden, the EU and Switzerland

ACCOUNTING PRINCIPLES

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

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NOMINATION COMMITTEE

The Zinzino Nomination Committee's assignments include proposing the number of Board members, electing members including the Chairman of the Board, remunerations to Board members and submitting proposals for the appointment of a new Nomination Committee and otherwise complying with the provisions of the Swedish Corporate Governance Code. The Nomination Committee for the 2018 AGM consists of Chairman Örjan Saele, Mr Peter Sorensen and the convenor of the Nomination Committee, Hans Jacobsson, Chairman of Zinzino AB. Shareholders are welcome to submit comments and/or suggestions on the composition of the Nomination Committee by phone on + 46 31 771 71 50 or by email to shares@zinzino.com.

ANNUAL GENERAL MEETING (AGM)

The Zinzino AB (publ) AGM will be held on 15 May at 1:00 pm in the company's offices at Hulda Lindgren Street 8 in Gothenburg. For further information about the 2018 AGM, we refer to the company's website www.zinzino.com

AUDITOR'S REVIEW

This interim report has not been subject to review by the company's auditors.

REPORT CALENDAR

Annual Report 2017 to be published on 24 April 2018
The interim report for Q1 2018 will be published on 15 May 2018
The interim report for Q2 2018 will be published on 30 August 2018

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

Gothenburg, 28 February 2018

Zinzino AB (publ.)
The Board of Directors

ZINZINO AB

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