# LR Health & Beauty SE

## Subsequent translation (unaudited) of the following parts of the audited consolidated financial statements 2022 of LR Health & Beauty SE


- Consolidated balance sheet 2
- Consolidated income statement 3
- Consolidated cash flow statement 4
- Consolidated statement of changes in equity 5
- Notes to the consolidated statements 6
- Auditor's report 58


(Original audited consolidated annual financial statements 2022 of LR Health & Beauty SE only available in German language)

# LR Health & Beauty SE, Munich/Germany

## Consolidated balance sheet as of Dec. 31, 2022

| | Note | Dec. 31, 2022<br>kEUR | Dec. 31, 2021<br>kEUR |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 14. | 118.189 | 115.862 |
| Property, plant and equipment | 13. | 13.048 | 13.620 |
| Right-of-use assets | 25. | 16.214 | 18.214 |
| Deferred taxes | 12. | 1.368 | 1.611 |
| | | **148.819** | **149.307** |
| **Current assets** | | | |
| Inventories | 17. | 25.781 | 29.599 |
| Trade receivables | 18. | 10.675 | 10.178 |
| Income tax receivables | 19. | 1.236 | 252 |
| Other assets | 19. | 9.361 | 11.621 |
| Cash | 20. | 39.418 | 30.150 |
| | | **86.471** | **81.800** |
| **Total assets** | | **235.290** | **231.107** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Subscribed capital | | 10.120 | 10.120 |
| Capital reserve | | 150.130 | 150.130 |
| Currency translation reserve | | -6.391 | -5.145 |
| Accumulated loss | | -124.947 | -125.521 |
| Total equity before non-controlling interests | | 28.912 | 29.584 |
| Non-controlling interests | | 0 | -5 |
| **Total equity** | 21. | **28.912** | **29.579** |
| **Non-current liabilities** | | | |
| Provisions | 23. | 500 | 391 |
| Deferred taxes | 12. | 3.162 | 2.972 |
| Liabilities from bonds | 16.2 | 124.571 | 123.657 |
| Borrowings | 16.2 | 8.469 | 0 |
| Lease liabilities | 25. | 10.637 | 12.022 |
| Other liabilities | 24. | 1.028 | 18 |
| | | **148.367** | **139.060** |
| **Current liabilities** | | | |
| Trade payables | 24. | 29.697 | 33.350 |
| Other liabilities | 24. | 9.288 | 9.687 |
| Lease liabilities | 25. | 6.353 | 6.602 |
| Borrowings | 16.2 | 356 | 0 |
| Income tax liabilities | 24. | 7.627 | 6.687 |
| Provisions | 23. | 4.690 | 6.142 |
| | | **58.011** | **62.468** |
| **Total equity and liabilities** | | **235.290** | **231.107** |

# LR Health & Beauty SE, Munich/Germany

## Consolidated statement of profit or loss for the period Jan. 1, 2022 to Dec. 31, 2022

| | Note | FY 2022<br>kEUR | FY 2021<br>kEUR |
|---|---|---|---|
| Revenue | 4. | 268.287 | 292.940 |
| Changes in finished goods and work in progress | | -2.446 | 3.746 |
| Other operating income | 6. | 21.645 | 8.693 |
| Cost of materials | | -48.959 | -56.912 |
| a) Raw materials and supplies | | -41.560 | -46.893 |
| b) Cost of purchased services | | -7.399 | -10.019 |
| Personnel expenses | | -54.648 | -54.261 |
| a) Wages and salaries | | -46.173 | -45.957 |
| b) Expenses for social security and pension schemes | | -8.475 | -8.304 |
| Other operating expenses | 9. | -152.817 | -157.494 |
| **EBITDA** | | **31.062** | **36.712** |
| Amortization and depreciation | | -14.229 | -14.833 |
| Interest income | 10. | 46 | 47 |
| Interest expenses | 11. | -12.057 | -24.186 |
| **Profit or loss before tax** | | **4.822** | **-2.260** |
| Income taxes | 12. | -4.248 | -6.525 |
| **Profit or loss for the period** | | **574** | **-8.785** |
| | | | |
| thereof attributable to: | | | |
| Non-controlling interests | | 0 | 6 |
| Shareholders | | 574 | -8.791 |

# LR Health & Beauty SE, Munich/Germany

## Consolidated statement of comprehensive income for the period Jan. 1, 2022 to Dec. 31, 2022

| | **FY 2022**<br>kEUR | **FY 2021**<br>kEUR |
|---|---|---|
| **Profit or loss for the period** | **574** | **-8.785** |
| **Components of other comprehensive income which will be reclassified to profit or loss after tax in subsequent periods** | **-1.246** | **430** |
| Currency translation differences | -1.246 | 430 |
| **Total comprehensive income** | **-672** | **-8.355** |
| | | |
| thereof attributable to | | |
| Non-controlling interests | 0 | 6 |
| Shareholders | -672 | -8.361 |

# LR Health & Beauty SE, Munich/Germany

## Consolidated statement of cash flows for the period Jan. 1, 2022 to Dec. 31, 2022

| | Note | FY 2022 kEUR | FY 2021 kEUR |
|---|---|---|---|
| **1. Cash flow from operating activities** | | | |
| Profit or loss for the period | | 574 | -8.785 |
| Amortization and depreciation (+) of fixed assets | 13. | 14.229 | 14.833 |
| Increase (+)/reduction (-) in provisions | 23. | -1.342 | -995 |
| Other non-cash expenses (+)/income (-) | | -2.460 | -2.205 |
| Income (-)/losses (+) on the disposal of fixed assets | | -2 | 69 |
| Increase (-)/reduction (+) in inventories, trade receivables and other assets | 17.-19. | 5.704 | -8.830 |
| Increase (+)/reduction (-) in trade payables and other liabilities | 24. | -4.641 | 4.480 |
| Interest expenses (+)/interest income (-) | 10.-11. | 12.011 | 24.140 |
| Income tax expenses (+)/income (-) | 12. | 4.248 | 6.525 |
| Income taxes paid (-) | | -3.910 | -3.849 |
| Cash flow from operating activities | | 24.411 | 25.383 |
| **2. Cash flow from investing activities** | | | |
| Payments from (+) the disposal of property, plant and equipment | | 7 | 18 |
| Payments for (-) investments in property, plant and equipment | | -1.133 | -1.496 |
| Payments for (-) investments in intangible assets | | -4.896 | -4.109 |
| Payments from (+) the disposal of non-current financial assets | | 0 | 4 |
| Cash flow from investing activities | | -6.022 | -5.583 |
| **3. Cash flow from financing activities** | | | |
| Proceeds from shareholders contributions | 21. | 0 | 5.095 |
| Payments for (-) interest | | -9.506 | -14.250 |
| Proceeds (+) from borrowings | 16.2 | 9.000 | 0 |
| Repayment (-) of (finance) loans | | 0 | -84.800 |
| Payments from (+) the issue of bonds | 16.2 | 0 | 125.000 |
| Repayment (-) of real estate loan | | 0 | -3.938 |
| Repayment (-) of shareholder loan | | 0 | -40.400 |
| Repayment (-) of borrowings | 16.2 | -175 | 0 |
| Repayment (-) of lease liabilities | 25. | -9.536 | -8.951 |
| Cash flow from financing activities | | -10.217 | -22.244 |
| **4. Cash at the end of period** | | | |
| Net increase (+) / decrease (-) in cash | | 8.172 | -2.444 |
| Changes in cash due to exchange rates | | 1.096 | 415 |
| Cash at the beginning of period | | 30.150 | 32.179 |
| Cash at the end of period | | 39.418 | 30.150 |

# LR Health & Beauty SE, Munich/Germany

## Consolidated statement of changes in equity for the period Jan. 1, 2022 to Dec. 31, 2022

| | Note | Subscribed capital | Capital reserve | Accumulated loss | Currency translation reserve | Equity before non-controlling interests | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|---|---|---|
| | | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Jan. 1, 2021** | | 25 | 1.790 | -116.730 | -5.575 | -120.490 | -11 | -120.501 |
| Currency translation differences | 21. | 0 | 0 | 0 | 430 | 430 | 0 | 430 |
| Profit or loss for the period | | 0 | 0 | -8.791 | 0 | -8.791 | 6 | -8.785 |
| Contribution of the shareholder loan at nominal value | | 10.095 | 136.353 | 0 | 0 | 146.448 | 0 | 146.448 |
| Contribution of unpaid interest on the shareholder loan | | 0 | 6.987 | 0 | 0 | 6.987 | 0 | 6.987 |
| Grant provided by shareholders | | 0 | 5.000 | 0 | 0 | 5.000 | 0 | 5.000 |
| **Dec. 31, 2021 / Jan. 1, 2022** | | 10.120 | 150.130 | -125.521 | -5.145 | 29.584 | -5 | 29.579 |
| Currency translation differences | 21. | 0 | 0 | 0 | -1.246 | -1.246 | 0 | -1.246 |
| Profit or loss for the period | | 0 | 0 | 574 | 0 | 574 | 0 | 574 |
| Withdrawal of non-controlling interests | | 0 | 0 | 0 | 0 | 0 | 5 | 5 |
| **Dec. 31, 2022** | | 10.120 | 150.130 | -124.947 | -6.391 | 28.912 | 0 | 28.912 |

## 1. Information on the Group

The consolidated financial statement of LR Health & Beauty SE, Munich, and its subsidiaries (hereinafter jointly referred to as "the Group") for the financial year as of December 31, 2022 was approved for publication by a resolution of the Company's management on April 26, 2023. LR Health & Beauty SE (hereinafter referred to as "LR SE") is a European stock corporation incorporated in Germany, pursuant to Sec. 3 (2) SE-VO domiciled in Munich, Germany and registered in the Munich Commercial Register under HRB 258262. The business address of the company is Kruppstrasse 55, 59227 Ahlen, Germany.

The Group is an internationally operating enterprise with a primary focus on cosmetics and dietary supplements. LR SE is represented with 33 subsidiaries worldwide. The Group's production sites are located in Ahlen (Germany). All subsidiaries are supplied from Ahlen. Research and development is also implemented exclusively in Germany.

The Group markets its products in direct sales in accordance with a marketing plan for the European and Asian market. The product range comprises dietary supplements, perfumes, cosmetics and accessories. The Group’s business is primarily determined by private consumption and the pertinent cosmetics and food laws.

The Group's financial year starts on January 1 and ends on December 31.

The ultimate controlling parent company is Aloco Holding S.à r.l. with registered office in Luxembourg, Luxembourg.

The consolidated financial statement was prepared by the Board on March 31, 2022 and subsequently submitted to the general meeting for approval.

The consolidated statement of profit or loss was prepared using the nature of expense method.

The consolidated financial statement was prepared according to the going-concern principle, i.e. with the assumption of continuation of the company.

## 2. Accounting Policies

### 2.1 Basis for preparing the Financial Statement

The consolidated financial statement of LR SE as of December 31, 2022 was prepared in compliance with the International Financial Reporting Standards (IFRS), as adopted by the EU and additional requirements of German commercial law pursuant to Section 315e (3) German Commercial Code (HGB). The term IFRS also includes the applicable International Accounting Standards (IAS) and all binding interpretations for the financial year of the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated financial statement is generally prepared using the acquisition cost principle, unless a standard provides for a different method.

Unless specified otherwise, all values are rounded up or rounded off to full thousand euros (kEUR). This can result in rounding differences.

### 2.2 Consolidation principles

The consolidated financial statement comprises the statement of LR SE and its subsidiaries for the year ending December 31, 2022. Control within the meaning of IFRS 10 shall be said to exist if the Group faces risk factors due to or rights to fluctuating yields from its participation in associated companies or might use its control over the associated company to influence these yields. In particular, the Group controls associated companies only if it has the following properties:

- control over the associated company (i.e. due to the current existing rights, the Group has the opportunity to control such activities of the associated company which have a significant impact on its yields;
- faces risk factors due to or rights to fluctuating yields from its participation in associated companies;
- might use its control over the associated company to influence these yields.

In general, it is anticipated that the majority of voting rights results in control. To support this assumption and if the Group has no majority of voting rights or comparable rights in the associated company, it considers in its assessment all relevant issues and circumstances whether it has control over the associated company. These include:

- contractual agreements with other voters,
- rights that result from other contractual agreements,
- voting rights and potential voting rights of the Group.

In the event evidence results from issues and circumstances that one or several of the three control elements have changed, the Group must re-check whether it controls an associated company. The consolidation of a subsidiary commences on the day on which the Group has attained the control over the subsidiary. It ends when the Group forfeits control over the subsidiary. Assets, liabilities, earnings and expenditures of a subsidiary acquired or sold during the reporting period are reported in the consolidated financial statement or in the statement of comprehensive income from the date the Group has obtained control of the subsidiary until the date the control ends.

Profit or loss and each component of other results are allocated to non-controlling interests even if this results in a negative balance. If required, the financial statements of the subsidiaries are adapted to adjust its accounting methods to the one of the Group. All Group-internal assets, liabilities, equity, earnings and expenditures as well as cash flows from transaction which take place between the groups are completely eliminated in the consolidation.

A change of the investment amount in a subsidiary without loss of control is recognized under equity transaction.

In the event the Group forfeits the control over the subsidiary, then the associated assets are derecognized (including goodwill) as well as liabilities, non-controlling interests and other equity components. Any profit or loss as a result thereof is reported in the profit and loss account. Any retained investment is measured at fair value. Furthermore, the components of other earnings in the income statement attributable to the parent company are transferred into the retained earnings as far as specified and the cumulated currency translation differences recognized in equity.

## 2.3 Basis of Consolidation

The composition of the number of fully consolidated companies is as follows:

| | Germany | International | Total |
|---|---|---|---|
| **December 31, 2022** | 8 | 25 | 33 |
| **December 31, 2021** | 8 | 25 | 33 |

In addition to the parent company, the following subsidiaries are incorporated in the consolidated financial statements:

| Name and Registered Office | Shares in equity (in %) | Local currency | Equity 12/31/2022 | Annual result 2022* |
|---|---|---|---|---|
| **Active German subsidiaries** | | | | |
| LR Global Holding GmbH, Ahlen/ Germany | 100 | kEUR | 128,558 | -4,043 |
| LR Health & Beauty Systems GmbH, Ahlen** | 100 | kEUR | 62,974 | 6,755 |
| LR Health & Beauty Systems Beteiligungs GmbH, Ahlen** | 100 | kEUR | 51,980 | 5,025 |
| LR-International Beteiligungs GmbH, Ahlen** | 100 | kEUR | 40,122 | 1,476 |
| LR Partner Benefits GmbH, Ahlen | 100 | kEUR | -294 | -67 |
| LR Deutschland GmbH, Ahlen** | 100 | kEUR | 25 | 80 |
| Divanno Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz/Germany | 100 | kEUR | 5 | 0 |
| **Active foreign subsidiaries** | | | | |
| LR Health & Beauty Systems B.V., Oisterwijk/The Netherlands | 100 | kEUR | -1,041 | 130 |
| LR Health & Beauty Systems GmbH, Innsbruck/Austria | 100 | kEUR | 266 | 228 |
| LR Health & Beauty Systems AG, Steinhausen Zug/Switzerland | 100 | TCHF | 264 | 114 |
| LR Health & Beauty Systems Kft., Budapest/Hungary | 100 | THUF | -82,855 | -83,745 |
| LR Health & Beauty Systems ApS, Copenhagen/Denmark | 100 | TDKK | -22,168 | -1,515 |
| LR Health & Beauty Systems EPE., Athens/Greece | 100 | kEUR | -566 | 422 |
| LR Cosmetic Belgium B.V.B.A., Herentals, Belgium | 100 | kEUR | 1,646 | 179 |
| LR Health & Beauty Systems AS, Honefoss/Norway | 100 | TNOK | -10,533 | -960 |
| L. de Racine Cosmeticos Lda., Loures/Portugal | 100 | kEUR | -5,303 | -123 |
| LR Health & Beauty Systems Sp. z.o.o., Katowice, Poland | 100 | TPLN | 3,142 | 3,092 |
| LR Health & Beauty Systems Ltd., Istanbul/Turkey | 100 | TTRY | -44,990 | 17,093 |
| LR Health & Beauty Systems AB, Klippan/Sweden | 100 | TSEK | -9,473 | -3,995 |
| LR Health & Beauty Systems OY, Turku/Finland | 100 | kEUR | -496 | -127 |
| LR Health & Beauty Systems S.R.L., Milan/Italy | 100 | kEUR | 387 | 256 |
| LR Health & Beauty Systems EOOD, Sofia/Bulgaria | 100 | TBGN | 473 | 863 |
| LR Health & Beauty Systems SRL, Bucharest/Romania | 100 | TRON | -11,759 | -145 |
| LR Russ O.O.O, Moscow/Russia | 100 | TRUB | -483,716 | 424,756 |
| LR Health & Beauty Systems s.r.o., Malenovice/Czech Republic | 100 | TCZK | 446,148 | 25,410 |
| LR Health & Beauty Systems SAS, Caluire/France | 100 | kEUR | 920 | 361 |
| LR Health & Beauty Systems Sh.p.k., Tirana/Albania | 100 | TALL | -209,642 | 1,067 |
| LR Health & Beauty Systems SL, Barcelona/Spain | 100 | kEUR | -2,582 | -176 |
| LR Health & Beauty Systems s.r.o., Turzovka/Slovakia | 100 | kEUR | 306 | 288 |
| LR Health & Beauty Systems TOV, Kyiv/Ukraine | 100 | TUAH | -32,750 | -6,333 |
| LR Jersey Holding Limited, Jersey,*** | 100 | TGBP | -22 | -8 |
| LR Health & Beauty LLC, Seoul, South Korea | 100 | TKRW | -4,214,464 | -2,690,598 |

* prior to profit transfer

** The Company makes use of the exemption pursuant to Sec. 264 (3) of the German Commercial Code (HGB)

*** statements according to the annual financial statement as of December 31, 2021

Effective as of May 12, 2022 the Group has acquired all shares in Divanno Grundstücksverwaltungsgesellschaft mbh & Co. Vermietungs KG, Mainz. The purchase price amounts to kEUR 5. At the time of acquisition, the sole asset of the company was a bank account equal to the purchase price. The acquisition is directly related to the sale-and-lease back agreement entered into with DAL Deutsche Anlagen Leasing GmbH & Co. KG.

Pursuant to the agreement dated November 17, 2022, the Group withdrew as a limited partner of Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG, Frankfurt, without receiving any consideration in return.

## 2.4 Summary of Essential Accounting Methods

### a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the fair value at the time of acquisition and the amount of any non-controlling interests in the Transferee. For each business combination, the Group elects whether to measure the non-controlling interests in the Transferee at fair value or at the proportionate share of the Transferee's identifiable net assets. Acquisition-related costs are recognized as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the Transferee.

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred plus the amount of any non-controlling interest in the Transferee over the net carrying amount of the Transferee's identifiable assets and liabilities measured in accordance with IFRS 3 at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-checks whether it has correctly identified the assets acquired and liabilities assumed and reviews the procedures with which the amounts have been determined and must be recognized at fair value at the date of acquisition. If the fair value of the net assets acquired is still in excess of the aggregate consideration transferred after re-measurement, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at amortized costs less any accumulated impairment losses. For the purpose of impairment test, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's only cash-generating unit which will benefit from business combination as expected. This shall apply irrespective of whether other assets or liabilities of the acquired entity can be allocated to these cash-generating units.

## b) Current versus non-current classification

The Group subdivides assets and liabilities in its statement of financial position into current and non-current. An asset is classified as current when it is

- expected to be realized, or is held for sale or consumption, within the normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within twelve months after the balance sheet date, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

All other assets are classified as non-current. A liability is current when:

- it is expected to be settled in normal operating cycle,
- held primarily for the purpose of trading,
- it is due to be settled within twelve months after the balance sheet date or the company has no unconditional right to defer the settlement of the liability for at least twelve months after the balance sheet date.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## c) Fair value measurement

The Group measures financial instruments at fair value (plus or minus transaction costs) when first recognized.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction involving the sale of the asset or transfer of the liability takes place: in the principal market for the asset or liability, or, in case of absence of a principal market, in the most advantageous market for the asset or liability.

- in the principal market for the asset or liability
- or, in case of absence of a principal market in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, with the presumption that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its appropriate and best use or by selling it to another market participant who would use the asset in its appropriate and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities, for which the fair value is measured or disclosed in the financial statements, are categorized within the measurement hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

At the balance sheet date there is no subsequent measurement of assets or liabilities at fair value. For the disclosure requirements pursuant to IFRS 7.25 for each class of financial assets and liabilities to disclose the fair value in such a way that a comparison with the carrying amount is possible, please refer to Note 16.

### d) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer. Revenue is recognized in the amount of the consideration expected to be received by the Group in exchange for these goods or based remuneration. The Group has generally concluded that it acts as principal in its revenue transactions because it usually has control over the goods or services before they are transferred to the customer.

As a direct selling enterprises the LR Group markets different products from the areas of personal care, beauty, health and diet: Marketing is via sales partner structures. Customers may registered as partners and will receive a sales-related discount on private sales. If these partner establish their own sales structures, they will receive bonuses on the sales of their structure. This is based on the LR marketing plan with its bonus scheme. The higher the private sales and the sales of own structure are, the higher the bonus that partners may earn. The bonuses include not only monetary benefits, but also, for instance, the opportunity to participate in the LR Group's car program, in which partners are offered leased vehicles at discounted rates, or the opportunity to qualify for certain LR events.

*Sale of goods and products*

Revenue from the sale of goods is recognized when control of the asset is transferred to the customer. The essential payment methods are credit card, direct debit, cash on delivery and PayPal. The usual payment period is 7 days, albeit the payment methods offered to the customer may result in different payment receipts in some cases.

*Total revenues*

Other revenues include services to partners such as seminars, events and other fees. Revenues are recognized at the time the service has been rendered in full. In addition, other revenues include deferred rental income from providing vehicles to partners. Payment terms are one to seven days.

*Sales deductions*

As art of the direct sales of its products the Group grants its partners sales-related discounts. The amount of the sales-related discounts varies according to the customer category in the marketing plan of the Group. Discounts are deducted as sales deductions from sales of goods and products. Discounts are recognized as trade payables as they are not paid until the month following the order.

*Rights of return*

In addition to the statutory requirements, the Group grants its partners the right to return unopened, undamaged or unused goods within 60 days. Based on the large number of comparable contracts the Group uses the expected value method to assess variable reward.

The expected value is calculated using the average returns rate of the last twelve months to the sales of the last month of the reporting period. The return rate itself is the value of returns in a month relative to orders received for that month. As in the previous year, the amount as at the current balance sheet date is immaterial and is therefore not explained further.

*Warranty obligations*

The Group usually offers statutory stipulated warranties for remedy of defects which were present at the time of sale. For this purpose warranty accruals are recognized. Details to the accounting method for warranty accruals are contained in Section q. As in the previous year, the amount as at the current balance sheet date is immaterial and is therefore not explained further.

For the purposes of geographic revenue reporting, the Company aggregates certain countries (see Note 5). The division into groups is based on the geographical proximity of the individual countries. The Group has adjusted the classification into groups for the 2022 financial year and the comparative period.

## e) Taxes

*Actual income taxes*

Current income tax assets and liabilities for the current or previous periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the closing date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred taxes are set up using the liability method for temporary differences between the recognition of an asset or a liability on the balance sheet and its value on the tax balance sheet at balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- in respect of deductible temporary differences associated with investments in subsidiaries associated and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each closing date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. The assessment of the recoverability of deferred tax assets is based on the Company's plans and forecasts, which are also used elsewhere in the financial statements to assess the recoverability of assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

Deferred taxes relating to items at fair value through equity are also recorded at fair value through equity. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax benefits acquired in a business combination that do not meet the criteria for separate recognition at the time of acquisition are recognized in subsequent periods if this results from new information about facts and circumstances that existed at the time of acquisition. The adjustment is treated either as a reduction of goodwill (as long as it does not exceed goodwill), if it arises during the assessment period, or recognized in profit or loss for the period.

Deferred tax assets and deferred tax liabilities are offset only if the Group has a legal right to offset current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities, which intend, in any future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be recovered or settled, either to settle the current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

*Turnover tax*

Expenses and assets are recognized after deduction of value added tax. The following cases are an exception:

- If the VAT incurred on the purchase of assets or the use of services cannot be reclaimed from the tax authority, it is recognized as part of the cost of the assets or as part of the expenses.
- Receivables and liabilities are recognized together with the amount of VAT included therein.

The amount of VAT which is to be refunded by or paid to tax authority is included in the balance sheet under assets or payables.

### f) Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. The Group determines the functional currency for each company. The items included in the financial statement of each company are the exchange rates using the functional currency.

*Transactions denominated in foreign currencies and balances*

Transactions in foreign currencies are recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The accounting treatment of the profit or loss from the transaction of non-monetary items measured at fair value is based on the recognition of the profit or loss from the change in the fair value of the item. (Exchange differences from items for which the profit or loss from the measurement at fair value is recognized in other comprehensive income or at fair value are also recognized in other comprehensive income or at fair value).

For the purpose of determining the exchange rate to be used when initially recognizing the related asset, expense or income (or part thereof) when writing off a non-monetary asset or non-monetary liability arising from prepaid considerations, the date of the transaction shall be the date when the non-monetary asset or non-monetary liability arising from the prepayment is initially recognized. If there are several payments or payouts in advance, the Group determines the transaction date for each payment or payout from prepaid considerations.

*Hyperinflation*

Due to the development in the 2022 financial year and in the preceding financial years, Turkey's currency is classified as the currency of a hyperinflationary economy for the first time in the consolidated financial statements in the reporting period pursuant to the criteria of IAS 29 Therefore, the business activities there are presented with inflation adjustments, rather than based on historical acquisition or production costs. The consumer price index TÜFE (Tüketici Fiyat Endeksi) is used for the adjustment to inflation. On December 31, 2022 the value of the index was 1,128.45 (December 31, 2021: 686.95). After the adjustment, the individual balance sheet items as well as expenses and income are translated into the Group's reporting currency as previously stated. Comparative values of the previous year have not been adjusted. The effects resulting from the initial application of IAS 29 and the differences resulting from currency translation are recognized in the currency adjustment item in retained earnings with no effect on profit or loss. The effect of the net position (debtor profit/creditor loss) from the adjustment to hyperinflation is recognized in other income or expenses from currency translation.

*Group companies*

Assets and liabilities of foreign companies are translated into Euros at the exchange rate applicable at the reporting date. Income and expenses are translated at the exchange rate on the day of the transaction. The resulting differences are reported under other comprehensive income. The amount recognized for a foreign operation in other comprehensive income is recognized in profit or loss as soon as this foreign operation is sold.

The foreign exchange rates of the main currencies relevant to the Group are as follows:

| | | **Average rates** | | **Reference rates** | |
|---|---|---|---|---|---|
| **EUR 1** | **ISO code** | **2022** | **2021** | **12/31/2022** | **12/31/2021** |
| Albanian lek | ALL | 118.9692 | 122.4809 | 114.2900 | 120.7600 |
| Bulgarian lev | BGN | 1.9558 | 1.9558 | 1.9558 | 1.9558 |
| Danish krona | DKK | 7.4396 | 7.4371 | 7.4365 | 7.4369 |
| Norwegian krona | NOK | 10.0997 | 10.1655 | 10.5045 | 9.9885 |
| Polish zloty | PLN | 4.6856 | 4.5648 | 4.6858 | 4.5944 |
| Romanian leu | RON | 4.9316 | 4.9209 | 4.9480 | 4.9488 |
| Russian ruble | RUB | 84.9763 | 87.2358 | 76.8672 | 84.9763 |
| Swedish krona | SEK | 10.6272 | 10.1451 | 11.0755 | 10.2558 |
| Swiss franc | CHF | 1.0054 | 1.0814 | 0.9851 | 1.0333 |
| South Korean won | KRW | 1,358.2835 | 1,353.9378 | 1,338.1861 | 1,344.9570 |
| Czech koruna | CZK | 24.5591 | 25.6482 | 24.1440 | 24.8610 |
| Turkish lira | TRY | 17.3864 | 10.4614 | 19.9828 | 15.1415 |
| Ukrainian hryvnia | UAH | 34.2358 | 32.2947 | 39.2364 | 30.8835 |
| Hungarian forint | HUF | 390.9011 | 358.4479 | 400.3800 | 369.8500 |

### g) Property, plant and equipment

Assets under constructions are recognized at cost less accumulated impairment losses. Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. If parts of property, plant and equipment must regularly be replaced, the Group depreciates them separately based on their corresponding useful lives.

Depreciable items of property, plant and equipment are depreciated using the straight-line method.

Straight-line depreciation of property, plant and equipment is based on the following estimated useful lives:

- Buildings: up to 40 years maximum
- Technical equipment and machinery: 3 – 15 years
- Plant and equipment: 3 – 23 years

Property, plant or equipment is derecognized either when it is disposed of or when no further economic benefit is to be expected from either the use or disposal of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss statement when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at the end of each financial year.

**h) Leases**

With the commencement date, the Group assesses whether the contract constitutes or includes a lease. This is the case if the contract includes the right to control the use of an identified asset against payment of a remuneration for a specific period.

*Group as a lessee*

The Group measures all leases using one single model. The Group does not make use of the exemptions set forth in the IFRS 16 for low-value assets and for short-term agreements. It recognizes liabilities for lease payments and rights of use for the right to use the underlying assets.

*Rights of use*

The Group records rights of use at the commencement date (i.e. when the underlying leased asset is ready for use). Rights of use are measured at acquisition costs less any accumulated depreciation and any accumulated impairment losses and are adjusted for any reassessment of the lease liabilities. The cost of rights of use comprise the recognized lease liabilities, the initial direct costs incurred and the lease payments made at or before the date of provision, less any lease incentives received.

Rights of use are amortized on a straight-line basis using the shorter of the lease term and the expected useful life of the leases. The lease agreements have the following terms according to individual asset classes:

- Buildings: up to 15 years
- Equipment and machinery: up to 6 years
- Vehicles: up to 3 years
- IT hardware and other equipment up to 5 years

The rights of use are also assessed for impairment. Details on the accounting policies are provided in Section (o) Impairment of non-financial assets.

*Leasing liabilities*

On the commencement date, the Group recognizes the lease liabilities at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments (including de facto fixed payments) less any lease incentives to be received, variable lease payments linked to an index or (interest) rate, and amounts expected to be paid due to residual value guarantees. Lease payments also include penalty payments for termination of the lease if the term considers that the Group may exercise the right of termination.

In calculating the present value of the lease payments, the Group uses its marginal borrowing rate at the commencement date of the lease as the interest rate underlying the lease cannot be easily determined. After the commencement date, the amount of lease liabilities is increased in order to reflect the increase in interest expense and decreased to reflect the lease payments made. In addition, the carrying amount of lease liabilities is reassessed if there is a change in the lease, in the term of the lease, in lease payments (for example in future lease payments resulting from a change in the index or interest rate used to determine those payments) or if there is a change in the assessment of a call option.

*Group as a lessor*

Leases in which the Group does not transfer substantially all risks and benefits of ownership of an asset are classified as operating leases. This mainly related to the provision of a vehicle to partners rented by the Group.

Rental income is recognized on a straight-line basis over the term of the leases and is reported under revenue due to its operational circumstances. Contingent rental payments that are dependent on certain events are recognized in the period in which the conditions are met and the income is earned.

### i) Intangible assets

In addition to goodwill, intangible assets include the long-term customer relationships measured as part of the company acquisition in 2013, acquired software and internally generated intangible assets. The internally generated intangible assets only include activated development costs. Other internally generated intangible assets such as patents or trademark rights are not activated. Instead the corresponding expenses are recognized in the income statement in the period in which they incurred.

*Initial recognition and measurement*

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination amount to their fair value at the date of acquisition.

*Subsequent measurement*

Following initial recognition, intangible assets are carried at cost less any accumulated depreciation and accumulated impairment losses. With the exception of goodwill, the assets recognized in the Group balance sheet have a limited useful life.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The depreciation period and the depreciation method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year.

The useful life used as a basis for long-term customer relationships is 3 to 9 years and depends on the categorization of the consultant workforce (see Note 14). For acquired software, a useful life of 3 to 7 years has been assumed.

The useful life for activated development costs is 4 to 10 years.

If there are indications that there might be an impairment, an impairment test is carried out at least once a year at the level of the cash-generating unit (CGU).

Property, plant or equipment is derecognized either when it is disposed of or when no further economic benefit is to be expected from either the use or disposal of the asset. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

*Research and development costs*

Research costs are recognized in the period in which they were incurred. Development costs of individual software projects are recognized as an intangible asset if the Group can prove the following criteria:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale,

- its intention to complete and its ability to use or sell the software,
- the way the assets will generate future economic benefits,
- the availability of resources to complete the assets,
- the ability to reliably identify the expenses attributable to the software during its development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated depreciation and accumulated impairment losses. Depreciation begins when development has been completed and the software available for use. It is amortized over the period of expected future benefit. Amortization is recognized under depreciations.

## j) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## k) Financial assets

*Initial recognition and measurement*

On initial recognition, financial assets are generally measured at fair value plus transaction costs and classified at amortized cost for subsequent measurement.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets. With the exemption of trade receivables, the Group measures a financial asset at amortized cost plus transaction costs incurred. Trade receivables are measured at the transaction price set forth in Section d) Revenue from contracts with customers.

For a financial asset to be classified and measured as at amortized cost or at fair value through equity in other comprehensive income, cash flows must consist solely of principal and interest payments (SPPI) on the outstanding principal amount. This assessment is called SPPI test and is carried out at the level of the individual financial instrument. Financial assets with cash flows that do not exclusively represent principal and interest payments are classified as at fair value through profit or loss irrespective of the business model and measured accordingly. There were no financial assets in the Group to which this applies in either the reporting period or the comparative period.

In the LR Group, financial assets are held in order to collect only the contractual cash flows.

*Subsequent measurement*

Financial assets measured at amortized cost are measured in subsequent periods using the effective interest method and are tested for impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets measured at amortized cost include trade receivables, sureties for rent, other receivables and cash and cash equivalents.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the balance sheet) when one of the following conditions is met:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

*Impairment*

For all financial instruments the Group recognizes an impairment for expected credit losses (ECL). Expected credit losses are based on the difference between the contractual cash flows payable under the contract and the total cash flows expected to be received by the Group, discounted using an approximation of the original effective interest rate. The expected cash flows include the cash flows from the sale of collateral held or other credit collateral that is an integral part of the contract terms.

For trade receivables, the Group applies a simplified method for calculating expected credit losses, whereby impairment ratios are determined on the basis of the days overdue.

**I) Financial liabilities**

*Initial recognition and measurement*

On initial recognition, financial liabilities are measured at fair value. If the financial liability is not measured at fair value, it is initially recognized at fair value less transaction costs. The Group's financial liabilities include trade payables and lease liabilities, other financial liabilities and debentures and loans including bank overdrafts.

*Subsequent measurement*

For subsequent measurement, financial liabilities are classified into one category:

- Financial liabilities measured at amortized costs

*Financial liabilities measured at amortized costs*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized costs using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized costs are calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate depreciation is included as finance costs in the statement of profit or loss.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. If an existing financial liability is exchanged for another financial liability of the same creditor with substantially different contractual terms, or if the terms of an existing liability have changed substantially, such an exchange or change is treated as derecognition of the original liability and the addition of a new liability. The difference between the respective carrying amounts is reported in the statement of profit or loss.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial statement if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

### m) Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost incurred in bringing the inventories to their present location and condition are recognized as follows:

| | |
|---|---|
| **Raw materials and supplies** | Fifo method (first in - first out) |
| **Finished goods and work in progress** | Directly attributable costs of direct materials and labor and an appropriate proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs |

The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated selling costs.

**n) Impairment of non-financial assets**

At each balance sheet date, the Group determines whether there are any indications of impairment of non-financial assets, in particular goodwill, other intangible assets, property, plant and equipment and rights of use. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, the impairment test is performed at the level of the CGU. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered be impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

With the exemption of goodwill, assets are tested at each balance sheet date to determine whether there are any indications that a previously recognized impairment loss no longer exists or has decreased.

If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Goodwill is tested for impairment annually (as of December 31, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

### o) Cash

The “Cash and cash equivalents” item in the balance sheet comprises cash in hand and bank balances. These are measured at amortized costs.

For the purposes of the cash flow statement, cash and cash equivalents comprise the cash and cash equivalents defined above.

### p) Provisions

*General*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects a part or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, the provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The Group recognizes provisions for qualifications achieved by its partners as part of the marketing plan or other awards. Participants may be eligible for certain bonuses, such as trips, which are earned after the balance sheet date by achieving certain targets within a specified period. The total provision is based on expected costs and the number of eligible participants at the balance sheet date (see Note 23).

The Group recognizes provisions for the statutory warranties for the rectification of defects in its technical products that existed at the time of sale. The provision is based on the historical replacement rate, which is applied to the number of devices sold and their production costs applicable on the balance sheet date.

## 2.5 Changes in Accounting Policies

The Group has applied certain standards and amendments for the first time for financial years beginning on or after January 1, 2022 for the first time. No standards, interpretations or amendments that have been published but have not yet become effective have been applied prematurely by the Group.

The following amendments for financial years beginning on or after 1 January, 2022 shall be effective:

- Amendments to IFRS 3: Reference to the conceptual framework
- Amendment to IAS 37: Onerous contracts - costs for the fulfilment of a contract
- Amendment to IAS 16: Generating revenue before an asset is ready for use.
- Amendments to IFRS 1: First-time adoption by a subsidiary
- Amendments to IFRS 9 financial instruments: Fees for the 10% cash value test before derecognition of financial liabilities
- Amendment to IAS 41: Taxation of fair value measurement

None of these amendments have a material impact on the Group's consolidated financial statements.

**2.6. Published Standards not yet requiring mandatory Application**

New and amended standards and interpretations published but not yet mandatory at the time of publication of the consolidated financial statements are shown below. The Group intends to use these new and amended standards and interpretations as of the effective date.

| | Standard/Interpretation | Application obligation in the financial year | Acquisition by the EU Commission | Anticipated effects |
|---|---|---|---|---|
| IAS 8 | Definition of estimates in the balance sheet | 2023 | yes | not significant |
| IAS 1 | Amendments to IAS 1 and IFRS practices Statement 2: Disclosures on accounting policy | 2023 | yes | not significant |
| IAS 17 | New IFRS 17 standard Insurance policies | 2023 | yes | not significant |
| IAS 12 | Deferred tax that refer to assets and liabilities which arise from single transaction | 2023 | yes | not significant |
| IAS 1 | Amendments to IAS 1 classification of current or non-current debts and non-current debts with covenants | 2024 | no | not significant |
| IFRS 16 | Amendments to IFRS 16: Lease liability in the sale and leaseback agreement | 2024 | no | not significant |

## 3. Essential Judgements, Estimations and Assumptions

The management makes judgements, estimations and assumptions for preparing the consolidated financial statements that will affect the revenues, expenditures, assets and liabilities as well as disclosure of contingent liabilities reported at the end of the reporting period. The uncertainties arising from these assumptions and estimations might lead to significant future adjustments of the carrying amount of the concerned assets or liabilities.

*Judgements*

Management has made the following judgements that have a material effect on the values recognized in the consolidated financial statements:

*Terms of a leasing contract by taking the extension/ termination options into account - LR Group as Lessee*

The Group determines the term of the lease on the basis of the non-terminable basic term of the lease as well as the periods resulting from an option to extend the lease if it is sufficiently certain that it will exercise this option.

*Assessment of the debtor's future solvency*

The assessment of the recoverability of trade receivables and other financial assets is subject to the judgement with regard to the assessment of the debtor's future solvency.

*Estimations and assumptions*

The most important assumptions with respect to the future as well as other main sources of estimation uncertainties existing on the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. The assumptions and estimations of the Group are based on parameters available at the time of preparing the consolidated financial statements. The conditions and assumptions on future developments might, however, be subject changes due to market fluctuations and market conditions, which are outside the sphere of control of the Group. Such changes will only be reflected in the assumptions when they occur.

*Impairment of non-financial assets*

A financial asset or a cash-generating unit is impaired if its carrying amount exceeds the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of the fair value less costs to sell and the value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less directly attributable costs for disposing of the asset. The value-in-use calculation is based on the *discounted cash flow method.* Cash flows are derived from the business plan for the next three years and do not include restructuring measures the Group

is not yet committed to and substantial future investments that will enhance the asset's performance of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the *discounted cash flow* method as well as the expected future cash inflows and the growth rate used for extrapolation. The basic assumptions for determining the recoverable amount for the different cash-generating units including a sensitivity analysis are outlined in detail in Note 15.

## 4. Revenue from Contracts with Customers

For the breakdown of revenues by geographical regions, please refer to Note 5 Business segments.

Other revenue includes revenue from services such as recharges, seminars and events as well as period-related revenue from the provision of vehicles to partners in the amount of kEUR 4,882 (previous year: kEUR 4,400). Sales deductions mainly comprise sales-related discounts to partners.

*Income from operating leases – Group as lessor*

The Group has concluded leasing contracts for commercial lease of different vehicles. The average term of the leasing contracts is two to three years. The leasing contracts do not provide for extension options. The vehicles are leased under an operating lease from automotive leasing companies and are therefore subject to the disclosures of IFRS 16.

Future minimum rentals receivables under non-cancellable operating leases as of December 31 are as follows:

| | **December 31, 2022** | **December 31, 2021** |
|---|---|---|
| | kEUR | kEUR |
| Up to 1 year | 474 | 202 |
| between 1 and 2 years | 149 | 102 |
| between 2 and 3 years | 67 | 21 |
| Over three years | 1 | 0 |
| **Total** | **691** | **325** |

## 5. Business Segments

For the purpose of corporate management, the Group is organized into business units so that the respective national subsidiaries and operating facilities are grouped into three regions. The national subsidiaries are not grouped into the individual regions geographically, but individually.

The three reported regions are:

**Region 1** includes Belgium. Germany, Luxembourg, the Netherlands, Austria and Switzerland;

**Region 2** includes Italy, Poland, Portugal, Slovakia, Spain, Czech Republic and Ukraine;

**Region 3** includes Albania, Bulgaria, Denmark, Finland, France, Greece, Kazakhstan, Norway, Romania, Russia, Sweden, Turkiye, Hungary and Cyprus.

Until December 31, 2021, the national subsidiaries in Denmark, Finland, France, Norway and Sweden were assigned to Region 1. The amendment in allocation was made to optimize sales management.

The regions are managed by the respective Vice President of the region. The management of LR Global is the ultimate decision maker who separately monitors the operational performance of the regions for the purpose of making decisions on resource allocation and performance assessment. Earnings before interest, taxes, depreciation and amortization (EBITDA) and sales revenue excluding other sales revenue and before sales deductions are used as key financial figures for corporate management to analyze business development and the Group's situation, which are compared with the latest available planning for the reporting period. Group financing (including financing costs, financial income and other income) and income tax expenses are managed on a Group basis and are not allocated to the regions.

The transfer prices between the German production company and the local sales companies are based on the “transactional net margin method” pursuant to the OECD guidelines. The transfer prices between the regions are determined on the basis of arm's length conditions.

The following table outlines the revenue, EBITDA and goodwill of the LR Group's business units for the 2022 financial year:

| | Region 1 | Region 2 | Region 3 | Total Segments | Adjustments | Total |
|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Revenue external customers | 114,280 | 64,402 | 89,982 | 267,764 | 1,653 | 269,417 |
| Revenue other segments | 55,933 | 1,888 | 1,530 | 59,351 | -59,351 | 0 |
| Other revenues | 5,778 | 2,367 | 2,954 | 11,099 | 1,166 | 12,265 |
| Sales deductions | -4,863 | -3,187 | -5,424 | -13,474 | 79 | -13,295 |
| Total revenue | 171,128 | 65,470 | 88,142 | 324,740 | -56,532 | 268,287 |
| Segment EBITDA | 14,213 | 5,232 | 11,672 | 31,1176 | -55 | 31,062 |
| Goodwill | 76,547 | 14,325 | 10,647 | 101,519 | 0 | 101,519 |

The following table outlines the revenue, EBITDA and goodwill of the LR Group's business units for the 2021 financial year (in the regional breakdown since January 1, 2022):

| | Region 1 | Region 2 | Region 3 | Total Segments | Adjustments | Total |
|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Revenue external customers | 120,944 | 80,945 | 93,421 | 295,310 | 929 | 296,239 |
| Revenue other segments | 71,935 | 1,675 | 1,355 | 74,965 | -74,965 | 0 |
| Other revenues | 6,128 | 2,379 | 2,865 | 11,372 | 1,028 | 12,400 |
| Sales deductions | -5,206 | -4,409 | -6,084 | -15,699 | 0 | -15,699 |
| Total revenue | 193,801 | 80,590 | 91,557 | 365,948 | -73,008 | 292,940 |
| EBITDA segment | 25,928 | 6,967 | 7,331 | 40,226 | -3,514 | 36,712 |
| Goodwill | 76,547 | 14,325 | 10,647 | 101,519 | 0 | 101,519 |

The “Adjustments” column mainly includes the Group's holding and management companies as well as eliminations.

The geographical breakdown of revenue with external customers is as follows:

| | 2022 | 2021 |
|---|---|---|
| | kEUR | kEUR |
| D – A- CH | 108,434 | 112,068 |
| Eastern Europe and Asia | 105,476 | 110,745 |
| Western and Northern Europe | 30,587 | 43,081 |
| Southern Europe | 24,920 | 30,3453 |
| **Total revenue external customers** | **269,417** | **8,643** |

Breakdown is based on the location of the national subsidiaries, which is equivalent to the location of the customer.

## 6. Other Operating Income

The following table shows the material items of other operating income:

| | 2022 | 2021 |
|---|---|---|
| | kEUR | kEUR |
| Income from foreign currency translation | 14,900 | 5,006 |
| Income from on-charges to shareholders | 1,867 | 1,012 |
| Own work capitalized | 986 | 472 |
| Sundry other operating income | 3,892 | 2,153 |
| **Total other operating income** | **21,645** | **8,643** |

The income from currency translation also includes the debtor gain of kEUR 2,358 on the monetary items from the hyperinflation valuation in accordance with IAS 29 (see explanations under Note 2.4f). The further increase in income from currency translation is attributable to the different development of the exchange rates of the main Group currencies in the financial year.

Other operating income includes income from the reversal of impairment losses on receivables, income from the transfer of partnership arrangements and compensation from suppliers, as well as individual income from specific countries, all of which are insignificant in amount and are therefore summarized under this item.

## 7. Personnel Expenses

During the 2022 financial year, the Group employed an average headcount of 1,262 (PY: 1,295). of which 738 (PY: 765) can be allocated to the German subsidiaries and 524 (PY: 530) can be allocated to international subsidiaries. The total headcount of 1,262 includes 17 (PY: 15) apprentices and 9 (PY: 9) trainees.

## 8. Research and Development Costs

Research and development costs reported in the statement of profit or loss for the 2022 financial year amount to kEUR 2,678 (PY: kEUR 2,587).

## 9. Other Operating Expenses

The main items of other operating income are outlined in the table below:

| | **2022** | **2021** |
|---|---|---|
| | kEUR | kEUR |
| Granted bonuses | -88,089 | -98,056 |
| Distribution costs | -25,118 | -25,190 |
| Administration costs | -15,679 | -16,610 |
| Losses from currency translation | -13,269 | -5,432 |
| Legal and consulting fees | -6,397 | -8,226 |
| License fees | -841 | -860 |
| Sundry other operating expenses | -3,424 | -3,120 |
| **Total other operating expenses** | **-152,817** | **-157,494** |

The decline in bonuses granted to partners in the 2022 financial year is in line with the decline in sales in the financial year. The increase in expenses from currency translation is attributable to the different developments in the exchange rates of the main Group currencies in the financial year.

## 10. Interest Income

The main items of interest income are outlined in the table below:

| | 2022 | 2021 |
|---|---|---|
| | kEUR | kEUR |
| Interest income from bank balances | 26 | 30 |
| Other Interest income | 20 | 17 |
| **Total interest income** | **46** | **47** |

## 11. Interest Expenses

The main items of interest expenses are outlined in the table below:

| | 2022 | 2021 |
|---|---|---|
| | kEUR | kEUR |
| Interest expense on bonds | -8,996 | 0 |
| Interest expense on shareholder loans | -7,486 | -664 |
| Interest on overdrafts/loans | -6,059 | -3.064 |
| Interest expense on lease liabilities | -1,320 | -1,000 |
| Other interest expenses | -325 | -150 |
| Total interest expenses | -24,186 | -4,878 |

## 12. Income Taxes

The major items of income taxes expenses for the financial years as of December 31, 2022 and December 31, 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| | kEUR | kEUR |
| **Actual income taxes** | **-3,819** | **-5,810** |
| Actual tax expenses for the financial year | -3,002 | -5,517 |
| Actual tax expenses for previous years | -817 | -293 |
| **Deferred tax expenses** | **-429** | **-715** |
| Origination and reversal of temporary differences | | |
| from deferred tax assets | -139 | -636 |
| from deferred tax liabilities | -189 | -79 |
| Amortization of deferred tax assets on loss carried forward | -101 | 0 |
| **Total** | **-4,248** | **-6,525** |

The reconciliation of income tax expenses and profit or loss for the period and the tax rate applicable for the Group (2022: 31.4%, 2021: 31.4%) for the 2022 financial year can be broken down as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | kEUR | | kEUR | |
| **Profit or loss for the period before tax** | 5,039 | | -2,179 | |
| Anticipated income tax expense (2022: 31.4%, 2021: 31.4%) | -1,582 | | 684 | |
| Change in the realization of deferred tax assets | -2,780 | | -3,770 | |
| Use of previously unrecognized tax losses | 612 | | 0 | |
| Income tax income/expenses for previous years | -817 | | -293 | |
| Non-deductible tax expenses | -733 | | -1,269 | |
| *Non-deductible operating expenses* | | *-257* | | *-652* |
| *Trade tax additions* | | *-412* | | *-581* |
| *Non-deductible expenses pursuant to Sec. 8b of the German Corporation Tax Act (KStG)* | | *-64* | | *-36* |
| Permanent differences | -23 | | -2,194 | |
| Tax rate difference | 1.075 | | 324 | |
| Other | 0 | | -7 | |
| **Income tax expense** | **-4,248** | | **-6,525** | |

**Deferred tax**

Deferred taxes can be broken down as follows:

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| | kEUR | kEUR |
| Capitalization of internally generated intangible assets | -3,307 | -2,082 |
| Reassessment of fixed asset in Turkiye | -22 | 0 |
| Reassessment of financial assets | -19 | -19 |
| Amortization of buildings | 319 | -163 |
| Measurement of trade receivables | 249 | 330 |
| Assessment of inventories | 335 | 749 |
| Accrued expenses | 105 | 0 |
| Measurement of non-current provisions | 94 | 36 |
| Capitalized transaction costs Bond | -456 | -675 |
| Measurement of trade payables | 483 | -110 |
| Measurement of current provisions | 20 | 108 |
| Measurement of other liabilities | 0 | 32 |
| Rights of use and lease liabilities | 203 | 130 |
| Loss carry-forwards to offset future profits | 202 | 303 |
| **Deferred tax asset/liability, net** | -1,794 | -1,361 |
| | | |
| Reported in the balance sheet as follows: | | |
| Deferred tax assets | 1,368 | 1,611 |
| Deferred tax liabilities | -3,162 | -2,972 |
| **Deferred tax asset/liability, net** | -1,794 | -1,361 |

No deferred taxes were recognized directly in equity.

As at December 31, 2022, no deferred tax assets were recognized for interest carryforwards in the amount of kEUR 66,812 (previous year. kEUR 64.926). If the interest carryforwards could be used the profit would increase by kEUR 18,378 (PY: kEUR 17,859).

In addition, no deferred tax assets of the subsidiaries were recognized for loss carryforwards in the amount of kEUR 14,293 (PY: 10,834) and for capitalized temporary differences of the subsidiaries in the amount of kEUR 3,654 (PY. kEUR 563) due to the expected lack of usability. Deferred tax assets in connection with the loss carryforward of the Portuguese subsidiary were reassessed and written down by kEUR 101 in the financial year (PY: kEUR 380). If losses and temporary differences of the subsidiaries for which no deferred tax assets were recognized could be utilized, the profit would increase by kEUR 3,767 (PY: kEUR 2,314).

No deferred tax liabilities were recognized for taxable temporary differences in connection with shares in LR Health & Beauty Systems GmbH in the amount of kEUR 52,160 (PY: kEUR 52,160) no deferred tax liabilities were recognized in the amount of kEUR 819 (PY: kEUR 819), as there is no intention to sell.

No distributions are planned for the parent company or the individual subsidiaries.

## 13. Property, Plant and Equipment

The development of property, plant and equipment can be found in the changes in fixed assets (Notes to the consolidated financial statement).

*Impairment of property, plant and equipment*

There has been no evidence for the necessity to carry out an impairment test for property, plant and equipment.

## 14. Intangible Assets

The reported intangible assets can be essentially broken down as follows:

- Goodwill (see Note 15),
- Acquired software,
- Internally generated assets,
- Consultant workforce

As part of the company acquisition in 2013, the existing partner contracts at that time were classified and measured as long-term customer relationships. The partners were categorized according to their qualifications in the Group's marketing plan. Different useful lives of the measured relationships were assumed for the individual categories for the purpose of amortization:

| Consultant workforce | Useful life |
|---|---|
| Category 1 | 3 Years |
| Category 2 | 5 Years |
| Category 3 | 9 Years |

The consultant base in categories 1 and 2 was already fully amortized in previous years. Since March 2022, the consultant base of category 3 has been fully amortized.

The development of intangible assets can be found in the changes in fixed assets (Notes to the consolidated financial statement).

## 15. Goodwill

Goodwill of kEUR 135,055 was acquired for the Group as part of the business combination in 2013. In the 2018 financial year, an impairment loss of kEUR 33,536 was recognized on this carrying amount as part of an impairment test.

As part of the first-time segment reporting for the 2021 reporting year and the 2020 comparative period, the Group's goodwill was allocated to the individual regions. The allocation was based on the regions' share of the Group's fair value as at June 30, 2021. The goodwill allocated to the three regions totaled to kEUR 101,519 (PY: kEUR 101,519) as of December 31, 2022. For allocation of goodwill to the individual regions, please refer to Note 5.

Impairment tests for the respective asset at regional level were carried out as at December 31, 2022. Impairment tests did not result in any impairment losses in the 2022 financial year.

For the calculation, the cash flow forecast is based on the financial figures approved by the management. The discount rate applied for the cash flow forecast amounts to 9.85% (PY: 9.03%) after tax and 14.36% (PY. 13.16%) before tax. Due to the transnational partner structures, the same interest rate was used for all regions. From the perspective of the LR Group, it can be assumed that a potential buyer would proceed in a similar manner in conducting an evaluation for this reason. The forecast cash flows for the individual regions were derived from the planning calculations for the years 2023 to 2025 for the individual countries and Group companies. Due to the projects allocated to Region 1 for the introduction of a new ERP system and a new e-shop and the associated divergence of investments and amortizations, the planning calculation for Region 1 was conducted up to 2032. A price trend of 6% was used for this forecast period. The expected average growth for Region 1 is 5.1%, for Region 2 7.7% and for Region 3 10.0%. The growth rates align with the positive business development, particularly since the 2020 financial year, and are concomitant with the final months of the 2022 financial year. A constant gross profit and EBITDA margin was assumed. A growth rate for perpetual annuity of 1% (PY: 1%) was applied.

**Basic assumptions for value in use calculation**

The following assumptions for the calculation of value in use for both are most sensitive to estimation uncertainties:

- Gross margins,
- Discount rates,
- Price development,
- Revenue growth.

*Gross margins* – The gross margins for the next financial year are determined in an integrated planning process. The individual plans of the national subsidiaries are aggregated and summarized into CGUs. Further years in the medium-term planning beyond the budget period are estimated by the management using assumptions based on historical experience at Group level and then broken down to country level.

*Discount rates* - Discount rates represent the current market assessment of the risks specific to each CGUs. The discount rate was estimated based on the weighted average cost of capital customary within the industry. Companies that have a similar product portfolio, i.e. sell either health or cosmetic products, and whose business activities are also located in Europe, were used as a comparison group. The comparison group was adjusted for the year under review with a greater emphasis placed on companies specializing in healthcare products.

*Price development* – Estimations are based on actual past price trends and already known future price changes resulting from published price increases by suppliers as an indicator of future price trends.

*Revenue growth* – Growth rates are derived from estimations of the management and are based on historical experience and the prevailing sales momentum of the individual markets. The growth rates play a key role in calculating future income and therefore also in determining the results of the cash flow forecast outside the budget period.

*Sensitivity of the assumptions made* – The management believes that, by prudent judgement, no fundamentally possible change to basic assumptions for determine the value in use of the CGU might lead to a situation where the carrying amount of the CGU materially exceeds its recoverable amount. There will be no need for impairment in case of a change of the interest rate by +5%.

## 16. Financial Assets and Financial Liabilities

### 16.1 Financial assets

| | 12/31/2022 | 11/31/2021 |
|---|---|---|
| | kEUR | kEUR |
| **Measured at amortized cost** | | |
| Cash | 39,418 | 30,150 |
| Trade receivables | 10,675 | 10,131 |
| Securities/deposit | 903 | 1,185 |
| Other receivables from shareholders | 0 | 1,059 |
| Other financial assets | 4,427 | 3,909 |
| **Total financial assets** | **55,423** | **46,434** |
| thereof current | 55,423 | 46,434 |

Other financial assets include liabilities from commission in the amount of kEUR 2,874 (PY: kEUR 3,734)

For expenditures from financial assets reference is made to Note 18. Interest income from cash and cash equivalents is outlined in Note 10.

### 16.2 Financial Liabilities

Interest-bearing loans

| | Interest rate | Maturity date | **12/31/2022 kEUR** | **12/31/2021 kEUR** |
|---|---|---|---|---|
| **Non-current interest-bearing loans** | | | | |
| Liabilities from Bonds | Euribor + 7.25 | 2025 | 124,571 | 123,657 |
| Liabilities from loans | 2.5 | 2024-2043 | 8,469 | 0 |
| Liabilities from leasing | 7.24 – 18.78 | 2024-2032 | 10,637 | 12,022 |
| **Current interest-bearing loans** | | | | |
| Liabilities from loans | 2.5 | 2023 | 356 | 0 |
| Liabilities from leasing | 7.24 – 18.78 | 2023 | 6,353 | 6,602 |
| **Total interest-bearing loans** | | | **150,386** | **142,281** |

*Liabilities from bonds*

On January 27, 2021, LR Global, as parent company of the Group, placed a senior secured corporate bond (WKN: A3HFM, ISIN: NO0010894850) with a volume of EUR 125 million. The corporate bond was issued as part of a private placement to institutional investors, primarily in Germany and other European countries. The bond is issued in the so-called “Nordic bond format” under Swedish law with Nordic Trustee & Agency AB, Stockholm, Sweden, acting as trustee. Trading on the Regulated Unofficial Market of the Frankfurt Stock Exchange started on February 3, 2021. On January 26, 2022, Nasdaq Stockholm approved the corporate bond to trading.

The bonds have an interest rate of EURIBOR +7.25% (with a floor at zero). Interests fall due every quarter. The bonds have term up to February 3, 2025. The effective interest rate of the bond as at the balance sheet date is 9.204%.

In this context, the Group companies have deposited collateral (see Note 26). In addition, covenants were agreed in the form of an interest coverage ratio and a debt ratio. The Group currently sees no risk that these covenants will not be met.

The carrying amount of the liabilities from the bond amounts to kEUR 124,571 as at December 31, 2022 and includes capitalized transaction costs.

*Liabilities from loans*

As part of the sale-and-lease back agreement which was entered into with DAL Deutsche Anlagen-Leasing GmbH & Co KG in spring 2022, the Group took out a fixed-interest loan in the amount of kEUR 9,000. The loan has a 20-year term and is serviced quarterly over this period with a constant annuity. As at December 31, 2022 the carrying amount of liabilities from loans amounts to kEUR 8,825.

Explanations on lease liabilities can be found in Note 25.

The interest expenses of the individual interest-bearing items are shown in Note 11.

Other financial liabilities

| | 12/31/2022 | 12/31/ 2021 |
|---|---|---|
| | kEUR | kEUR |
| **Other financial liabilities at amortized cost** | | |
| Trade payables | 29,697 | 33,350 |
| Other financial liabilities | 1,342 | 1,160 |
| **Total other financial liabilities** | **31,039** | **34,510** |
| there of non-current | 990 | 1,070 |
| there of current | 30,049 | 33,440 |

**16.3 Fair value**

The methods and assumptions used to determine the fair values are as follows:

- The fair value of the corporate bond is derived from the current market price of the bond.

The fair value of cash and cash equivalents, trade receivables, other financial assets, trade payables, and other current liabilities approximates their carrying amount, primarily due to the short-term maturities of these instruments. Therefore, no fair values are disclosed for these financial instruments.

Quantitative disclosures for fair value measurement of liabilities according to hierarchy level as of December 31, 2021:

| | | Fair value measurement using | | | |
|---|---|---|---|---|---|
| | | Price quotation in active markets | Significant observable inputs | Significant unoberser-vable inputs | |
| | **Carrying Amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Liabilities for which a fair value is recognized:** | | | | | |
| Interest-bearing loans | | | | | |
| Liabilities from bonds | 124,571 | 106,875 | 0 | 0 | 106,875 |
| Liabilities from loans | 8,825 | 0 | 7,931 | 0 | 7,931 |

For level description, please refer to the explanations in Note 2.4c).

The fair value of the corporate bond is based on an observable market price of EUR 85.50 per bond as at December 31, 2022

Quantitative disclosures for fair value measurement of liabilities according to hierarchy level as of December 31, 2021:

| | | Fair value measurement using | | | |
|---|---|---|---|---|---|
| | | Price quotation in active markets | Significant observable inputs | Significant unoberser-vable inputs | |
| | **Carrying Amount** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Liabilities for which a fair value is recognized:** | | | | | |
| Interest-bearing loans | | | | | |
| Liabilities from bonds | 123,657 | 128,125 | 0 | 0 | 128,125 |

### 16.4. Objectives and policies of the risk management for financial instruments

The Group’s principal financial liabilities include corporate bonds, interest bearing loans, trade payables, other financial liabilities and sureties. The main purpose of these financial liabilities is to finance business activities of the Group. The Group’s principal financial assets include trade receivables and other financial receivables as well as cash and cash equivalents which directly result from its business activity.

The Group's financial assets and liabilities are exposed to the risks described below.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and currency risk, two significant types of risk to which the Group is exposed. The financial instruments exposed to market risk mainly include the Group's corporate bond.

The sensitivity analyses in the following sections relate to the position as at December 31, 2022.

*Interest rate risk*

Interest rate risk is the risk of the fair value or future cash flows of a financial instrument will fluctuate due to a change in market interest rates. The risk of fluctuations in market interest rates to which the Group is exposed results primarily from the corporate bond, which bears interest at EURIBOR +7.25% (with a floor at zero) as at the balance sheet date.

If the interest level had been 100 basis points higher throughout the 2022 financial year, the financial results would have been kEUR 925 lower, parallel to the yield curves. If the interest level had been 100 basis points lower throughout, the 2022 financial year, the financial results would have been kEUR 408 higher 2022 parallel to the yield curves.

If the interest level had been 100 basis points higher throughout the previous year, the financial results would have been kEUR 577 lower parallel to the yield curves. Due to the agreed floor, there would have been no change in interest expenses if interest rates had been lower.

*Foreign currency risk*

Foreign currency risk is the risk of the fair value or future cash flows of a financial instrument to fluctuate due to changes in foreign exchange rates. The Group is primarily exposed to exchange rate risks for trade receivables and trade payables of its national subsidiaries with a currency other than the euro as a result of its business activities.

*Foreign currency sensitivity*

The following table outlines the sensitivity of the consolidated earnings before tax (due to the change in fair values of monetary assets and liabilities) to a reasonably possible exchange rate change of the EUR vs. Swiss Franc, Polish Zloty, Czech koruna, Turkish lira, Ukrainian hryvnia, Russian ruble and South Korean won. All other variables remain constant. The sensitivity of the individual currencies is summarized in the table, as the sensitivity of the individual currencies is not material from a Group perspective.

The Group's exposure to foreign currency changes for all other currencies is not material.

| Development of exchange rate of these currencies vs. EUR | Revaluation +10% | Devaluation -10% |
|---|---|---|
| Effect on earnings before tax: | kEUR 440 | kEUR -360 |

The following table outlines the sensitivity of the consolidated earnings before tax for the 2021 financial year:

| Development of exchange rate of these currencies vs. EUR | Revaluation +10% | Devaluation -10% |
|---|---|---|
| Effect on earnings before tax: | kEUR 271 | kEUR -222 |

*Default risk*

The Group is subject to default risks in the operating area. In order to minimize these risks as far as possible, accounts receivable in the operating business are continuously monitored and possible defaults are addressed through individual value adjustments and group-related individual value adjustments. Collection service providers are also used to collect overdue receivables. As at December 31, 2022 receivables amounted to kEUR 1,771 (PY: kEUR 1,625). The maximum default risk corresponds to the carrying amount of the financial assets.

Default risk analysis of trade receivables as at December 31, 2022 is as follows:

| | | Past-due | | | | | |
|---|---|---|---|---|---|---|---|
| | **Not overdue** | **< 30 days** | **30- 60 days** | **61-90 days** | **91-120 days** | **over 120 days** | **Total** |
| **Gross amount of receivables** | 6,976 | 2,738 | 252 | 169 | 94 | 4,394 | **14,623** |
| **Impairment** | 347 | 38 | 13 | 8 | 5 | 3,537 | **3,948** |
| **Rate of expected credit loss** | 4.97% | 1.39% | 5.16% | 5.16% | 5.32% | 80.50% | |

Default risk analysis of trade receivables as at December 31, 2022 is as follows:

| | Past-due | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Not overdue** | **< 30 days** | **30- 60 days** | **61-90 days** | **91-120 days** | **over 120 days** | **Total** |
| **Gross amount of receivables** | 5,769 | 3,084 | 405 | 127 | 121 | 5,218 | **14,724** |
| **Impairment** | 154 | 93 | 15 | 1 | 2 | 4,328 | **4,593** |
| **Rate of expected credit loss** | 2.67% | 3.02% | 3.70% | 0.79% | 1,65% | 82.94% | |

*Liquidity risk*

The liquidity risk is defined as the risk that a company faces difficulties in meeting its obligations arising from financial liabilities. Due to the high level of cash and cash equivalents at the closing date, the Group management considers the liquidity risk to be low. To ensure the Group's solvency at all times, regular cash forecasts are prepared comparing the expected cash inflows and outflows for the next 13 weeks.

The undiscounted payments for the Group's financial liabilities, including interest, have the following maturities:

| **Financial year as at December 31, 2022** | On demand | Up to 3 months | 3 to 12 months | 1 to 5 years | over 5 years | Total |
|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Liabilities from bonds | 0 | 2,876 | 8,627 | 138,044 | 0 | 149,547 |
| Liabilities from loans | 0 | 143 | 430 | 2,866 | 7,739 | 11,178 |
| Other financial liabilities | 1,342 | 0 | 0 | 0 | 0 | 1,342 |
| Trade payables | 10,227 | 14,638 | 3,841 | 785 | 206 | 29,697 |
| Liabilities from leasing | 0 | 1,861 | 5,583 | 9,259 | 3,577 | 20,280 |
| Total | 11,569 | 19,518 | 18,481 | 150,954 | 11,522 | 212,044 |

| **Financial year as at December 31, 2021** | On demand | Up to 3 months | 3 to 12 months | 1 to 5 years | over 5 years | Total |
|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Liabilities from bonds | 0 | 2,266 | 6,620 | 144,193 | 0 | 153,079 |
| Other financial liabilities | 1,160 | 0 | 0 | 0 | 0 | 1,160 |
| Trade payables | 9,830 | 17,996 | 6,620 | 1,068 | 11 | 33,350 |
| Liabilities from leasing | 0 | 1,954 | 5,862 | 10,450 | 4,241 | 22,507 |
| Total | 10,990 | 22,216 | 16,927 | 155,711 | 4,252 | 210,096 |

### 16.5 Changes in liabilities arising from financing

| | 01/01/2022 | Cashflows | Other | 12/31/2022 |
|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR |
| Liabilities from bonds | 123,657 | -9,372 | 10,286 | 124,571 |
| Liabilities from loans | 0 | 8,825 | 0 | 8,825 |
| Liabilities from leasing | 18,624 | -9,536 | 7,902 | 16,990 |
| **Total liabilities from financing** | **142,281** | **-10,083** | **18,188** | **150,386** |

| | 01/01/2021 | Cashflows | Other | 12/31/2021 |
|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR |
| Liabilities from bonds | 0 | 125,000 | -1,343 | 123,657 |
| Non-current interest bearing loans from shareholders | 186,226 | -40,400 | -145,826 | 0 |
| Current interest bearing loans from Styria | 3,895 | -3,895 | 0 | 0 |
| Current interest bearing loans from credit institutions | 84,800 | -84,800 | 0 | 0 |
| Liabilities from leasing | 18,828 | -8,814 | 8,610 | 18,624 |
| **Total liabilities from financing** | **293,749** | **-12,909** | **-138,559** | **142,381** |

The item "Other" includes the effects of the reclassification of the non-current portion of interest-bearing loans to current liabilities and the effects of accrued but unpaid interest on interest-bearing loans.

Additions from the valuation of new leases and exchange rate changes are also recognized under “Other” in the lease liabilities.

## 17. Stock

Inventories are measured at the lower acquisition/production cost and net realizable value.

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| | kEUR | kEUR |
| Raw materials | 6,822 | 7,885 |
| Unfinished goods | 183 | 187 |
| Finished goods | 14,804 | 17,039 |
| Goods for resale | 3,474 | 4,066 |
| Goods in transit | 498 | 422 |
| **Total inventories** | **25,781** | **29,599** |

Impairment of inventories recognized as expenditure amounts to kEUR 2,786 (PY: kEUR 1,964). Impairments mainly result from age-related devaluations, depending on the best-before date of the products.

The Group has pledged a part of its inventories to fulfil collateral requirements. For further details, please refer to Note 26.

## 18. Trade Receivables

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| | kEUR | kEUR |
| Trade receivables | 10,675 | 10,209 |
| **Total trade receivables** | **10,675** | **10,209** |

Trade receivables bear no interest. The due date varies and depends on the payment method selected by the customer.

As of December 31, 2022, trade receivables were impaired at a nominal value of kEUR 3,948 (PY: kEUR 4,593). The development of the impairment account can be broken down as follows (for details, please refer to Note 16.4 "default risks").

| | 2022 | 2021 |
|---|---|---|
| | kEUR | kEUR |
| **As of January 1** | **-4,593** | **-3,974** |
| Expensed additions | -446 | -1,133 |
| Reversal | 93 | 142 |
| Utilization | 998 | 372 |
| **As of December 31** | **-3,948** | **-4,593** |

The Group classifies receivables into four categories for the purpose of recognizing valuation allowances: Receivables not overdue, receivables up to six months overdue, receivables between six and twelve months overdue and receivables more than twelve months overdue. The allowances cover future expectations of default on the receivable.

All impairment losses are recognized in the impairment account under distribution costs (see Note 9). Reversals of impairment losses are reported under other operating income (see Note 6).

## 19. Other Assets

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| | kEUR | kEUR |
| **Current other assets** | | |
| Receivables from turnover taxes | 1,540 | 1,682 |
| Income tax receivables | 1,236 | 252 |
| Securities/deposit | 903 | 1,185 |
| Accrued expenses | 1,330 | 1,604 |
| Payments on account | 746 | 1,207 |
| Other liabilities to shareholders | 0 | 1,059 |
| Other liabilities | 4,148 | 3,751 |
| Other assets | 694 | 1,180 |
| **Total other assets** | 10,597 | 11,920 |
| thereof financial assets | 5,830 | 6,153 |

## 20. Cash

The Group has pledged a part of its credit balances at banks to fulfil collateral requirements. For further details, please refer to Note 29.

Cash and cash equivalents comprise the following as of December 31:

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| | kEUR | kEUR |
| Cash on hand | 48 | 43 |
| Balances with credit institutions | 39,370 | 30,107 |
| Cash and cash equivalents | 39,418 | 30,150 |

Due to the good creditworthiness of the banks, no value adjustments were necessary.

## 21. Subscribed Capital and Capital Reserves

Changes in equity are shown in the statement of changes in equity.

*Subscribed capital*

The company has issued a total of 10,120,000 shares with a nominal value of EUR 1 each, all of which are held by the sole parent company, Aloco Holding S.à r.I. Luxembourg, Luxembourg. The capital has been fully paid in.

*Capital reserve*

As at December 31, 2022 the capital reserve amounts to kEUR 150,130 and has not changed in the 2022 financial year. The capital reserve mainly results from the contributions by shareholders in the 2021 financial year.

*Currency adjustment items*

Reserves for currency translation differences are used to record the differences arising from the translation of the financial statements of foreign subsidiaries, as well as from currency differences of all monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation.

In the 2022 financial year, the effects resulting from the first-time application of IAS 29 and the differences resulting from currency translation were recognized in the amount of kEUR -1,915.

## 22. Capital Management

The equity attributable to the shareholders of the parent company is subject to the Group’s capital management. The primary objective of the Group's capital management is to ensure that it maintains a high credit rating and a strong equity ratio to support its business activities, to maximize shareholder, value and comply with the covenants of the bonds issued.

Capital management is achieved through regular planning, control and review of the EBITDA, cash flow, equity, net indebtedness and interest paid. The company prepares annual planning which is updated via two forecasts and reviewed by monthly reporting. The company has introduced a direct rolling cash flow planning which serves for current capital management and ensures compliance with the covenants. In case of non-compliance with these financial key figures, remedy is possible by allocation of further equity capital. In the 2022 financial year, all financial key figures agreed on in the framework of interest bearing loans have been complied with.

## 23. Provisions

| | Personnel costs | Year-end and consultancy costs | Other provisions | Total |
|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR |
| **As of January 1, 2022** | 1,957 | 720 | 3,856 | 6,533 |
| Addition | 906 | 508 | 2,048 | 3,462 |
| Utilization | -713 | -597 | -2,855 | -4,165 |
| Reversal | -15 | -38 | -636 | -689 |
| Currency effects | 7 | 0 | 42 | 49 |
| **As of December 31, 2022** | 2,142 | 593 | 2,455 | 5,190 |
| thereof | | | | |
| current | 1,642 | 593 | 2,455 | 4,690 |
| non-current | 500 | 0 | 0 | 500 |
| | 2,142 | 593 | 2,455 | 5,190 |

| | Personnel costs | Year-end and consultancy costs | Other provisions | Total |
|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR |
| **As of January 1, 2021** | | | | |
| | 2,280 | 428 | 4,819 | 7,527 |
| Additions | 761 | 576 | 3,196 | 4,533 |
| Utilization | -928 | -288 | -2,027 | -3,243 |
| Reversal | -230 | -11 | -2,060 | -2,301 |
| Currency effects | 74 | 15 | -72 | 17 |
| **As of December 31, 2021** | 1,957 | 720 | 3,856 | 6,533 |
| thereof | | | | |
| current | 1,566 | 720 | 3,856 | 6,142 |
| non-current | 391 | 0 | 0 | 391 |
| | 1,957 | 720 | 3,856 | 6,533 |

Personnel provisions mainly include expenses to employees' for anniversaries amounting to kEUR 501 (PY: kEUR 391) and one-off payments amounting to kEUR 707 (PY: kEUR 745), which are likely to occur in the coming years. Other provisions include expenses for qualifications such as travel and events already earned in the financial year amounting to kEUR 862 (PY: kEUR 862) kEUR 2,107). With these provisions, there are uncertainties as to whether and when the planned events or trips can take place, such as those caused by the coronavirus pandemic.

## 24. Trade payables, other liabilities and income tax liabilities

Trade payables, other liabilities and income tax liabilities can be broken down as follows:

| | 12/31/2022 | 12/31/2021 |
|---|---|---|
| | kEUR | kEUR |
| **Non-current non-financial liabilities** | | |
| Other liabilities | 1,028 | 18 |
| **Current non-financial liabilities** | | |
| Liabilities from income tax | 7,627 | 6,687 |
| Liabilities from turnover tax and other taxes | 3,895 | 4,524 |
| Other liabilities | 4,551 | 4,003 |
| **Total non-financial liabilities** | 17,101 | 15,232 |
| **Current financial liabilities** | | |
| Trade payables | 29,697 | 33,350 |
| Other liabilities | 842 | 1,160 |
| **Total financial liabilities** | 30,539 | 34,510 |
| **Total trade payables, income tax liabilities and other liabilities** | **47,640** | **49,742** |

Trade payables and other financial liabilities are non-interest-bearing, have different maturities (see Note 16.4) and are measured at amortized cost.

Other liabilities are primarily personnel liabilities and generally bear no interest and have a maturity of six months on average.

## 25. Liabilities and Rights of Use Asset

The Group has concluded leasing contracts for building, technical equipment and machinery, vehicles and plant and equipment. Leases for the buildings have a term of 1 to 10 years. Leasing contracts for technical equipment have a term of 1 to 6 years. Leasing contracts for vehicles and other plant and equipment have a term of 1 to 3 years.

The development of right of use by asset class as at the balance sheet date is as follows:

| | Buildings | Technical equipment and machinery | Vehicles | Plant and equipment | Total |
|---|---|---|---|---|---|
| | **kEUR** | **kEUR** | **kEUR** | **kEUR** | **kEUR** |
| **As of 01/01/2022** | **10,984** | **1,620** | **5,367** | **600** | **18,571** |
| Additions | 3,204 | 0 | 5,557 | 315 | 9,076 |
| Disposals | -1,476 | 0 | -171 | -7 | -1,654 |
| Depreciation expense | -2,463 | -486 | -4,482 | -348 | -7,779 |
| **As of 12/31/2021** | **10,249** | **1,134** | **6,271** | **560** | **18,214** |
| Additions | 2,159 | 517 | 4,337 | 358 | 7,371 |
| Disposals | -63 | 0 | -869 | -3 | -935 |
| Depreciation expense | -2,723 | -464 | -4,802 | -447 | -8,436 |
| As of 12/31/2022 | **9,622** | **1,187** | **4,937** | **468** | **16,214** |

Development of leasing liabilities as at December 31, 2022 is as follows:

| | 2022 | 2021 |
|---|---|---|
| | **kEUR** | **kEUR** |
| **As of 1/1** | **18,624** | **18,828** |
| Additions | 7,371 | 8,944 |
| Interest paid | 1,455 | 1,320 |
| Disposals | -935 | -1,654 |
| Repayment | -9,525 | -8,814 |
| **As of 12/31** | **16,990** | **18,624** |
| current | 6,353 | 6,602 |
| non-current | 10,637 | 12,022 |

As part of the expansion of logistics at the production site in Ahlen, the Group has concluded a leasing agreement for an additional logistics hall and photovoltaic systems. The start of the contract term depends on the acceptance of the construction services to be performed. Acceptance is expected in the course of the 2023 financial year.

For further information on liabilities, please refer to Note 16.

## 26. Commitments and Contingencies

*Guarantees*

In the course of issuing the senior secured corporate bond on February 3, 2021, collateral was deposited with the trustee, Nordic Trustee & Agency AB, Stockholm, Sweden.

The following serve as securities:

- the shares in some of the companies within the Group (kEUR 317,515.),
- bank balances of some of the companies within the Group (kEUR 30,123),
- the IP rights (trademark) within the Group,
- the stocks of some of the companies within the Group (kEUR 17,877),
- the intercompany receivables of some companies with the Group (kEUR 266,030).

The financial institutions may use the collaterals if there is an infringement against the provisions and conditions of the loan agreement.

*Contingent liabilities*

The ODDO BHF Aktiengesellschaft, Frankfurt am Main, as issued a bank guarantee in the amount of kEUR 100 in favor of Global Collect BV, Hoofddorp, the Netherlands with LR Health & Beauty Systems GmbH, Ahlen, as principal debtor. The same bank has issued a bank guarantee in the amount of kEUR 500 in favor of the Theodor F. Leifeld Foundation, a bank guarantee in the amount of kEUR 471 in favor of the Beckum tax office, a bank guarantee in the amount of kEUR 200 in favor of Lufthansa AirPlus Servicekarten GmbH, Neulenburg, a bank guarantee in the amount of kEUR 292.2 in favor of Divanno Grundstücksverwaltungsgesellschaft mbH.

As of December 31, 2022, the undrawn guarantee lines of the Group for which all necessary conditions for use have already been satisfied amounted to kEUR 436 (PY: kEUR 729).

Within the Group, payment obligations to various lessors in different countries for payment defaults from a portfolio of leases were assumed. As of December 31, 2022, the value of these guarantees amounts to kEUR 1,861 (PY: kEUR 2,986).

## 27. Related party disclosures

For the Group, related companies and parties pursuant to IAS 24 are those companies or parties that directly or indirectly control or are controlled by the Group or are under joint control and/or significantly influence the Group or are significantly influenced by the latter as well as members of the management in key positions.

Accordingly, the shareholders of LR SE, the Aloco Holding S.à r.l., Luxembourg, Luxembourg, members of the management as well as their relatives, members of the LR SE Supervisory Board and subsidiaries of Group are defined as related companies or parties.

The total amount of transactions with related companies and parties in the respective financial year are outlined in the following table:

| | **Receivables from parent companies** | | **Liabilities to parent companies** | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | kEUR | kEUR | kEUR | kEUR |
| Aloco Holding S.à r.l. | 0 | 1,059 | 0 | 0 |

| | **Income from parent companies** | | **Expenses to parent companies** | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | kEUR | kEUR | kEUR | kEUR |
| Aloco Holding S.à r.l. | 1,868 | 1,059 | 0 | 7,486 |

*Conditions of business transactions with related companies and parties*

In the course of the contribution of the shares in LR Global to LR SE, services were invoiced to LR Global by external consultants. These expenses were recharged by LR Global to Aloco Holding S.à r.l., Luxembourg.

There were no other transactions with related companies or parties in the 2022 financial year.

*Remuneration to individuals in key positions of the Group*

| | 2022 | 2021 |
|---|---|---|
| | kEUR | kEUR |
| Current employee benefits | 6,789 | 8,157 |
| **Total remuneration to individuals in key positions of the Group** | 6,789 | 8,157 |

The amounts shown in the table were recognized as expenditure in the reporting period in connection with individuals in key positions. The key positions include the Group and national management boards as well as the Vice Presidents of the individual regions, as they have a significant influence on the implementation of the company's objectives, in particular revenue. With regard to the remuneration of the Supervisory Board, please refer to Note 29.

## 28. Members of the Board

The Board of LR SE consists of the following:

- Dr. Andreas Laabs, CEO (as of June 21, 2022), Hamburg
- Andreas Friesch, CEO (until June 21, 2022), Langenfeld

## 29. Members and Remuneration of the Supervisory Board

The Supervisory Board of the Group parent company consists of the following:

- Walter Muyres, entrepreneur, Mönchengladbach, Germany – Chairman
- Christian Berner, entrepreneur, Hamburg, dept. Chairman
- Philipp Jacobi, Managing Partner, QUADRIGA CAPITAL Eigenkapitalberatung GmbH, Frankfurt am Main, Germany

In the 2022 financial year, the remuneration received by the Supervisory Board amounted to kEUR 283 (PY: kEUR 0).

## 30. Auditor's fee

For the 2022 financial year the total auditor's fees of the Group was accounted for as follows:

| | 2022 | 2021 |
|---|---|---|
| | kEUR | kEUR |
| Audit services. | 274 | 331 |
| Tax consultancy services | 0 | 265 |
| Other services | 0 | 83 |
| Total | 274 | 679 |

Munich, March 31, 2023

LR Health & Beauty SE

- Management Board -

Dr. Andreas Laabs

## INDEPENDENT AUDITOR'S REPORT

Attn. LR Health and Beauty SE, Munich/Germany

### Opinions

We have audited the consolidated financial statements of LR Health & Beauty SE, Munich and its subsidiary (the Group) – which comprise the consolidated balance sheet as at December 31, 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1, 2022 to December 31, 2022 as well as the Notes, including a summary of significant accounting policies. In addition, we have audited the combined management report of LR Health & Beauty SE for the 2022 financial year.

In our opinion, based on the findings of our audit,

- the consolidated financial statements comply with the IFRS as adopted by the EU and with the supplementary provisions by taking into account the applicable regulations under commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB, "Handelsgesetzbuch"), and they provide a true and fair view of the included Group's net assets and financial position as at December 31, 2022 and its earnings situation for the financial year from January 1 to December 31 2022
- the accompanying combined management report gives an accurate view of the Group's position. The accompanying consolidated financial statements comply, in all material respects, with the requirements of German law and appropriately presents the opportunities and risks of future development.

Pursuant to Sect. 322 (3) (1) HGB, we declare that our audit has not led to any reservations, relating to the legal compliance of the consolidated financial statements and of the combined management report.

### Basis for the Opinions

We have conducted our audit of the consolidated financial statements and the combined management report in accordance with Sec. 317 HGB and in compliance with the German principles of proper financial auditing issued by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer). Our responsibilities under those requirements and principles are further described in the section "Auditor's Responsibilities for the Audit of the Combined Financial Statements and the Combined Management Report" of our auditor's report.

We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

## Responsibilities of the legal representatives and the supervisory board for the financial statement and the management report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and to ensure that the consolidated financial statements, in compliance with these provisions, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for the internal controls they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of accounting methods and pecuniary damage).

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, if applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern principles of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for supervising the accounting process employed by the Group to prepare the Consolidated Financial Statements.

## Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of security, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer", (IDW) and in supplementary compliance with ISA, will always detect a material misstatement. Misstatements may result from infractions or from inaccuracies and are deemed to be material when it might reasonably be expected that, individually or collectively, they would influence economic decisions taken on the basis of this consolidated financial statement of the Combined Management Report by those to whom these are addressed.

We exercise professional judgement and maintain professional skepticism throughout the audit. Furthermore:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems
- Evaluate the appropriateness of accounting policies used by legal representatives and the reasonableness of estimates made by legal representatives and related disclosures.
- Conclude on the appropriateness of legal representative's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions in the auditor's report. Our conclusions are based on the audit evidence obtained on the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and they provide a true and fair view of the included Group's net assets and financial position.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the consolidated management report. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the assumptions used by legal representatives as a foundation for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with the persons responsible with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, dated April 12, 2023

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft (Düsseldorf)


Thomas Gloth
Wirtschaftsprüfer (Auditor)

Kathrin Jaeger
Wirtschaftsprüferin (Auditor)

LR Health & Beauty SE, Munich

Consolidated Financial Statement as at December 2022 and the Combined Management Report for the 2022 financial year.