



HEALTH & BEAUTY

2020

ANNUAL REPORT
LR GLOBAL HOLDING GMBH



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

LR GLOBAL HOLDING GMBH, AHLEN
BALANCE SHEET AS AT 31 DECEMBER 2020

	31.12.2020	31.12.2019
ASSETS		
A. Fixed assets		
I. Intangible assets	0	0
II. Property, plant and equipment		
1. Other property, plant and equipment	16,823	17,591
III. Financial assets		
1. Shares in affiliated companies	141,800,000	141,800,000
	141,816,823	141,817,591
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	91,622,066	88,814,975
2. Other assets	1,005,125	985,718
	92,627,191	89,800,693
III. Cash stocks, bank deposits	48	183
	92,627,239	89,800,876
C. Accruals	37,500	81,933
D. Deferred tax assets	2,447,300	2,459,918
E. Not covered by equity loss	62,368,020	74,776,892
TOTAL ASSETS	299,296,882	308,937,210

LR GLOBAL HOLDING GMBH, AHLEN
BALANCE SHEET AS AT 31 DECEMBER 2020

	31.12.2020	31.12.2019
LIABILITIES		
A. Equity		
I. Share capital	25,000	25,000
II. Capital reserve	1,105,000	1,105,000
Net profit/loss for the period	-63,498,020	-75,906,892
Not covered by equity loss	62,368,020	74,776,892
	0,00	0,00
B. Provisions		
1. Tax provision	4,089,720	636,359
2. Other provisions	1,863,299	1,382,517
	5,953,019	2,018,876
C. Liabilities		
1. Amounts due to bank	43,306,321	46,515,709
2. Trade payables	193,816	452,203
3. Amounts due to shareholders	186,225,532	185,561,282
4. Amounts due to affiliated companies	59,235,666	70,754,943
5. Other liabilities	693,747	231,159
	289,655,082	303,515,296
D. Deferred tax liabilities	3,688,781	3,402,363
E. Accruals and deferrals	0,00	675
TOTAL LIABILITIES	299,296,882	308,937,210

FINANCIAL STATEMENTS

LR GLOBAL HOLDING GMBH, AHLEN
STATEMENT OF PROFIT OR LOSS FOR 2020

EUR	2020	2019
1. Revenue	8,150,772	7,515,968
2. Other operating income	248,148	246,861
	8,398,920	7,762,829
3. Personnel expenses		
a) Wages and salaries	6,809,905	6,117,097
b) Social security contributions and expenditures for pension schemes and support	764,698	712,424
4. Depreciation of intangible assets and property, plant and equipment	8,621	9,044
5. Other operating expenses	2,665,093	1,960,174
	10,248,317	8,798,739
6. Income from investments	18,302,631	4,157,193
7. Other interest and similar income	2,514,154	2,720,448
9. Other interest and similar expenses	2,932,558	3,446,444
	17,884,227	3,431,198
10. Taxes in income and earnings	3,624,393	-400,639
11. Earnings after tax	12,410,437	2,795,927
12. Other taxes	1,565	3,237
13. Annual profit/deficit	12,408,872	2,792,690
14. Annual deficit from the previous year	-75,906,892	-78,699,582
15. BALANCE SHEET LOSS	-63,498,020	-75,906,892

CASH FLOW
ACTIVITIES

TEUR	2020	2019
1. Cashflow from ongoing business activities		
Profit or loss for the period	12,409	2.793
Depreciations on fixed assets	9	9
Reduction (-)/Increase (+) in provisions	3,776	632
Increase (-)/Reduction (+) of stock, trade receivables or other assets	-5,978	-7.705
Increase (+)/Reduction (-) of trade payables and other liabilities	-5,854	6.303
Interest expenses (+)/interest income (-)	2	-959
Income taxes paid (-)	158	-1.425
Cashflow from ongoing business activities	4,520	-354
2. Cash flow from investing activities		
Payments from (+) the disposal of property, plant and equipment	1	0
Payments for (-) investments in property, plant and equipment	-9	0
Cashflow from investing activities	-8	0
3. Cash flow from financing activities		
Payments (-) for interest	-1.036	0
Proceeds from (finance) loans	0	354
Payments for (-) repayment of (finance) loans	-3.476	0
Cashflow from financing activities	-4.512	354



MANAGEMENT REPORT

LR GLOBAL HOLDING GMBH AHLEN / GERMANY

MANAGEMENT REPORT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020

LR Global Holding GmbH, registered at Kruppstrasse 55 in 59227 Ahlen, Germany, (hereinafter referred to as LR Global) is a holding company. Since March 2013, it has taken over different staff functions of the LR Group (e.g. controlling, finance) and charges the Group companies for the services provided.

LR Global holds direct or indirect interests in 31 active subsidiaries.

Despite the balance sheet over-indebtedness, the assets of the company were valued according to the going concern principle, i.e. on the assumption that the company will continue as a going concern, also due to the shareholder loans for which a letter of subordination was issued, as it can be expected that LR Global has sufficient financial resources for going concern.

A. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION OF THE COMPANY

Turnover development

The turnover in fiscal year 2020 amount to TEUR 8,151 (PY: TEUR 7,516) and result primarily from cost appointments to LR Health & Beauty Systems GmbH, Ahlen, for services rendered.

Research and Development

The company does not conduct any research and development activities of its own. These are processed exclusively by the LR Health & Beauty Systems GmbH, Ahlen.

Headcount

As of 31 December 2020, the company had 75 employees (PY: 65).

B. POSITION OF THE COMPANY

Asset position

The assets as of 31 December 2020 consists mainly of the shares in LR Health & Beauty

Beteiligungs GmbH, Ahlen, amounting to TEUR 141,800 (PY: TEUR 141,800), which were acquired as part of the company purchase on 7 March 2013.

Receivables from affiliated companies mainly result from receivables from LR Health & Beauty Systems Beteiligungs GmbH, Ahlen, from distributions, accrued interest and cost appointments of services provided exclusively for LR Health & Beauty Systems GmbH, Ahlen.

The other assets amount to TEUR 1,005 (PY: TEUR 986) in the fiscal year and do mainly consist of receivables from sales taxes.

Other accruals were created for personnel costs of TEUR 1,482 (PY: TEUR 1,171), audit costs of TEUR 154 (PY: TEUR 183), contributions to the Chamber of Industry and Commerce of TEUR 15 (PY: TEUR 5), and outstanding supplier invoices of TEUR 211 (PY: TEUR 24).

With the change in shareholders in 2013, a credit agreement was concluded with a banking syndicate for LR Group in the amount of TEUR 145,000. This was partially transferred to other Group companies. Until October 2018, repayments were made as agreed, as well as a special repayment of TEUR 3,476 in the end of 2020, so that the remaining amount for LR Global as of the reporting date is TEUR 43,306. In October 2018, the agreement was amended in key respects (maturity, interest, repayment, allocation of facilities). Within the amended loan agreement, it is agreed among other things, that no repayments have to be made until 30 December 2021. The interest rate is 2.75%, with 0.75% being retained and 2% being paid quarterly.

Trade payables decreased from TEUR 452 in the previous year to TEUR 194. The liabilities to affiliated companies in the amount of TEUR 59,236 (PY: TEUR 70,755) mainly result from liabilities to LR Health & Beauty Systems GmbH, Ahlen, of TEUR 59,119 (PY: TEUR 50,457).

The shareholders liabilities in the amount of TEUR 186,226 (PY: TEUR 185,561) consist of the subordinated shareholder loan in the amount of TEUR 132,850 (PY: TEUR 132,850) and accrued interests.

Profit situation

The turnover in fiscal year 2020 amounted to TEUR 8,151 (PY: TEUR 7,516) and result primarily from cost appointments with LR Health & Beauty Systems GmbH, Ahlen, for services rendered.

Personnel expenses amounted in the year under review to TEUR 7,575 (PY: TEUR 6,830). As a result the ratio to the turnover slightly increased to 92.93% (PY: 90.9%).

The other operating expenses amounted to TEUR 2,665 (PY: TEUR 1,960). The increase results mainly from legal and consulting and other strategic consulting costs.

The financial result of TEUR 17.884 (PY: TEUR 3,431) includes interest on the shareholder loan of TEUR 664 (PY: TEUR 664), interest on the bank facilities of TEUR 1,303 (PY: TEUR 1,297) and an investment profit of TEUR 18,303 (PY: TEUR 4,157) which results from the profit and loss transfer agreement with LR Health & Beauty System Beteiligungs GmbH.

Taxes on income amount to TEUR 3,624 (PY: TEUR -401).

MANAGEMENT REPORT

Based on the above explanations, there is a net profit for the fiscal year of TEUR 12,409 (PY: TEUR 2,793).

Assets and financial position

The deficit not covered by equity decreased from TEUR 74,777 to TEUR 62,368. Due to the inclusion of shareholder loans in the amount of TEUR 186,226 (PY: TEUR 185,561) for all of which a letter of subordination was issued, the "economic equity" amounts to TEUR 123,858 (PY: TEUR 110,784). The economic equity takes into account that the received sums are subordinated and therefore to be considered as equity in economic terms.

LR Global made no significant investments in fiscal year 2020.

Besides the shareholder loans and the bank loans, the company is financed through Group financing. For this purpose, there is a cash pooling agreement between the company and the operating company LR Health & Beauty Systems GmbH, which acts as the cash pool leader. In 2020, the cash flow from operating activities amounts to TEUR 4,520. The cash flow from investing activities amounts to TEUR -8, and the cash flow from financing activities amounts to TEUR -4,512. Cash and cash equivalents remain unchanged at TEUR 0 as of 31 December 2020 (PY: TEUR 0).

C. IMPORTANT FINANCIAL PERFORMANCE INDICATORS

In order to analyse the course of business and the situation of the company, EBITDA¹ and turnover are used as financial performance indicators for management purposes and compared with the reported forecasts for the current financial year.

D. IMPORTANT NON-FINANCIAL PERFORMANCE INDICATORS

Apart from financial indicators, LR Global's company value is also determined by non-financial indicators, concerning the relation of the company vs. partners and employees as well as the product strategy. LR Global is aware that this goal can only be achieved if it is able to bind competent and committed employees in the long term as an attractive and responsible employer, develops products and solutions which meet the customers' requirements in the future. The company attaches major importance to sustainably increase the partner value through product and service offers.

E. REPORT ON RISKS AND OPPORTUNITIES

Risk management

Information from the Group is gathered in Corporate controlling / Group controlling and is systematically and regularly evaluated via KPIs and reported to the management. The turnover is generated exclusively with the LR Health & Beauty Systems GmbH, Ahlen, Germany. A comprehensive reporting package with income statement, balance sheet, cash flow, turnover development with deviation analyses from the plan and the previous year, as well as company-relevant KPIs at Group level, is prepared for the management, the advisory board and the banks on a monthly basis.

Market risks

The basis for the further business development and success of LR Global is linked to the development of LR Health & Beauty Systems GmbH, Ahlen.

¹ Earnings before interest, taxes depreciation and amortisation.

The current economic situation due to the corona pandemic and its development is closely monitored by the company. As a holding and management company, LR Global is not directly affected by the economic situation due to the corona pandemic.

Operational risks

There are currently no known operational risks that could have a significant impact on the company.

Foreign exchange and financial risks

There are currently no foreign exchange risks.

The liquidation risk is regularly monitored on the basis of the planning calculation. A syndicated credit facility and adequate liquidity reserve result in a sufficient risk buffer for unplanned disbursements.

Legal risks

The company is currently not exposed to any major legal risks. No risks are seen that could endanger the continued existence of the company.

Opportunities

The basis for further business development and the success of LR Global are linked to the development of LR Health & Beauty Systems GmbH, Ahlen.

F. Outlook

The further course of the corona pandemic will be a main factor for developments in 2021. While multiple vaccine approvals and the launch of vaccination in some countries in December 2020 and the beginning of 2021 have raised hopes of an eventual end to the COVID-19 pandemic, new variants of the virus, renewed lockdowns and logistical challenges with vaccine distribution are important risks for economic recovery.

The IMF's current forecasts (as of January 2021) predict a strong improvement in 2021 and 2022 for almost all markets following a negative development in 2020. For the global economy, the IMF forecasts a significant recovery of 5.5% in 2021, which would even lead to an improvement on the pre-crisis level (estimated economic development according to IMF 2020: -3.5%).

Also in euro area, the IMF forecasts predict a significant recovery in economic output of 4.2% in 2021, although in contrast to the global economy as a whole, the pre-crisis level would not yet be reached again due to the significantly stronger slowdown in 2020 (estimated economic development according to the IMF: -7.2%).

The forecasts for other important markets of the LR Global and its subsidiaries are very different. Similar to the eurozone, the IMF forecasts a recovery of the economy in Russia (+3.0%), which would not yet reach the pre-crisis level (estimated development in 2020: -3.6%). For Turkey, contrary to the negative global trend caused by COVID-19 pandemic, recording a positive economic growth of 1.2%, the IMF forecasts strong economic growth of 6.0% in 2021, which is significantly better overall than in the eurozone or Russia. According to the IMF, the economic slowdown in Korea was already lower at -1.1% in 2020 and could significantly exceed the pre-crisis level with an economic growth of 3.1%.

This means that a very dynamic development can be expected in all markets relevant for

MANAGEMENT REPORT

the LR Global and its subsidiaries. The combination of strategic further development of the sales model, new products and strategic projects, especially in the area of digitalization, has been very successful in 2020 despite the challenging framework conditions and is to be continued in 2021.

In addition to significant technical innovations in the online sector and the further development of the sales remuneration system, the company is focusing on the development of sustainable storytelling solutions in order to differentiate itself from the pure online and stationary retail sectors.

The forecast increase in the operating result for the financial year 2020 was achieved. For the financial year 2021, EBITDA is expected to be at the level of previous year with a slight increase in turnover. This is mainly due to the successful implementation of strategic initiatives to strengthen business development as well as existing high quality product innovations, the continuity of partnerships, the competitive marketing plan in connection with the attractive car plan and celebrity portfolio and also the planned expansion into the Asian markets.

Ahlen, 16 April 2021

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- Company Management -**

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