HEALTH & BEAUTY

2021

ANNUAL REPORT
LR HEALTH & BEAUTY GROUP

HEALTH & BEAUTY

WE ARE THE MOST ATTRACTIVE SOCIAL SELLING PLATFORM.

WE MAKE OUR CUSTOMERS FEEL HEALTHY, BEAUTIFUL AND VITAL.

MORE QUALITY FOR YOUR LIFE.

WE BELIEVE IN MORE

LETTER OF MANAGEMENT BOARD

WE BELIEVE IN INVESTING IN PEOPLE, PROJECTS AND THE FUTURE ...

**DEAR ALL,
WE'RE DELIGHTED TO PRESENT YOU AN ANNUAL REPORT FOR THE YEAR 2021 THAT REALLY PACKS A PUNCH. AN ANNUAL REPORT THAT MAKES CLEAR THAT WE, AS EUROPE'S LEADING DIGITAL SOCIAL SELLING COMPANY FOR HIGH-QUALITY HEALTH AND CARE PRODUCTS, WERE ABLE TO CONFIRM THE DYNAMIC GROWTH COURSE BEFORE THE CORONA PANDEMIC, EVEN DURING THE CORONA PANDEMIC. THIS MEANS THAT IN THE 2021 FINANCIAL YEAR WE HAVE NOT ONLY CONFIRMED THE RECORD SALES WE ACHIEVED IN THE PREVIOUS YEAR, BUT EVEN EXCEEDED IT.**

LR GROUP ACHIEVES NEW SALES RECORD

With a growth of 4.0 % compared to our sales of EUR 284.9 million in the previous year, we managed to achieve a new record in the 2021 financial year with sales of EUR 296.2 million. Overall, our business development over the last few years has illustrated an ongoing positive trend. Since 2018, the LR Group has increased its annual sales by more than 10 % on average (CAGR). This growth confirms that our long-term strategy and our investments in digitisation as well as in further innovative health and care products reflect the spirit of the times and fulfil people's needs across the world. And even in a year characterised by difficulties in the procurement and logistics market across all industries worldwide, we were able to guarantee the availability of our LR products at all times thanks to forward-looking planning and early inventory build-up, thus guaranteeing sales growth. In addition, we fully lived up to the forecasts we issued at the beginning of the year and after the conclusion of the third quarterly reporting 2021:

ANDREAS FRIESCH
CEO / SPOKESMAN

"EBITDA is expected to be at the level of the financial year 2020 with a slight increase in turnover" and "LR Group expects an EBITDA (rep.) between EUR 33.0m and EUR 37.0m."

BOND SUCCESSFULLY LAUNCHED ON THE CAPITAL MARKET

At the beginning of the 2021 financial year, we broke new ground and took the step to the capital market. We successfully launched a corporate bond with a total value of EUR 125 million. Following this major step, our financing is now independent of banks. From this point onwards, we successively built up extensive capital market communication with corresponding annual and quarterly reports, investor calls and press releases throughout the year and thus, together with our consistently good results, ensured stable bond price performance in 2021. By publishing these comprehensive capital market reports (https://ir.lrworld.com/), we have significantly increased transparency at our company and, in doing so, also further professionalised our external profile.

In order to further improve structures and ensure future growth at the LR Group and also to strengthen our capital market capability, we established the new parent company LR Health & Beauty Societas Europaea (SE) in 2021. German sales departments were also transferred to a separate distribution company as part of the LR Group. In addition, our shareholder Quadriga Capital has further increased its commitment and, following the partial repayment of shareholder loans with the issuance of the bond in February 2021, fully contributed the remaining part of the shareholder loans to the capital reserves of LR Global Holding GmbH in November 2021. Thanks to these measures, the LR Group's equity capitalisation has been substantially improved.

EXPANSION AND LAUNCH OF A NEW BRAND

The topics of "expansion" and "product innovation" play a key role in our ongoing efforts to drive our corporate development successfully and sustainably. Our market entry in South Korea in March 2021 marked the successful achievement of one important aspect of our international expansion and our first major step into the Asian market. With our new brand LR SOUL OF NATURE, we were able to further expand our product portfolio and entered the market segment of high-quality essential oils. The successful launch of this brand confirms that we are once again meeting people's needs internationally and always have our finger on the pulse.

2022: MORE PRODUCTS, MORE PROJECTS, MORE COHESION

Our new brand LR:GO, launched in February 2022, also keeps us in tune with the times. With this new fitness brand, we have entered the sports segment with a solution that offers everyone a holistic sports system as well as a healthy lifestyle.

A large LR product segment that has been highly topical for many years and has consistently been

DR. ANDREAS LAABS
CFO / COO

one of our international top sellers is our high-quality aloe vera product range – especially our Aloe Vera Drinking Gels. We are proud to celebrate the 20th anniversary of Aloe Vera at LR in 2022. We are also proud that we will lay an important foundation for the modernisation and sustainable development of our company in the future with the launch of two major projects, Greenfield (transformation of large parts of the IT infrastructure) and Logistics 4.0.

Looking back, we have really achieved a lot in 2021 – by working together as a team. We would therefore like to take this opportunity to thank our LR partners and customers as well as our investors, business partners and employees for their excellent cooperation, extraordinary team spirit and tremendous commitment. Our special thanks go out to all LR partners and staff in Ukraine. We stand behind you and will try to help you wherever we can.

LET'S CONTINUE TO STICK TOGETHER AS A GREAT LR FAMILY!

Andreas Friesch (CEO) Dr. Andreas Laabs (CFO/COO)

... TO CONTINUE OUR SUCCESSFUL GROWTH!

FINANCIAL HIGHLIGHTS

OUR YEAR 2021

SALES[1] (in EUR million)

296.2 **+4% vs. PY ▲**

All-time High Sales-Record

FREE CASH FLOW / CASH AT THE END OF THE PERIOD

+19.8 / 30.2

(in EUR million)

EBITDA NORMALIZED / REPORTED

41.6 / 36.8

(in EUR million)

SUCCESSFUL PLACEMENT OF A CORPORATE BOND FOR

EUR 125 MILLION

THE FOUNDATION STONE FOR THE "LOGISTICS 4.0" PROJECT HAS BEEN LAID

STRONG COMMITMENT OF SHAREHOLDER:

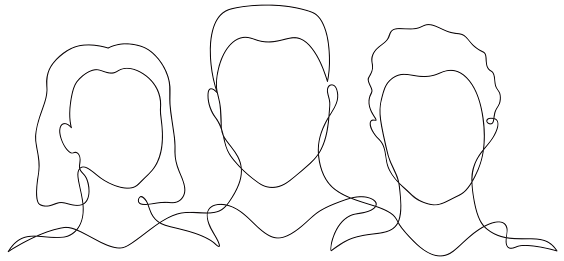
CONTRIBUTION OF FULL SHAREHOLDER LOAN

THE LR CONNECT APP IS ALREADY AVAILABLE IN 20 LR COUNTRIES

LR SALES PARTNERS IN 28 COUNTRIES

over

300,000



LR EMPLOYEES IN 32 GROUP COMPANIES

over

1,300

NEW LR BRAND

LR SOUL OF NATURE: SUCCESSFUL LAUNCH OF THE NEW BRAND FOR ESSENTIAL OILS

[1] Sales as revenue from goods sold

LR ANNUAL REPORT 2021 CONTENT

WE BELIEVE IN MORE QUALITY FOR YOUR LIFE

IN 1985 LR STARTED AS A COMPANY WITH FIVE EMPLOYEES AND DEVELOPED TO A SUCCESSFUL GLOBAL PLAYER. AND THE STABLE GROWTH OF MORE INTERNATIONALITY, QUALITY, RESPONSIBILITY AND OPPORTUNITIES STILL CONTINUES.

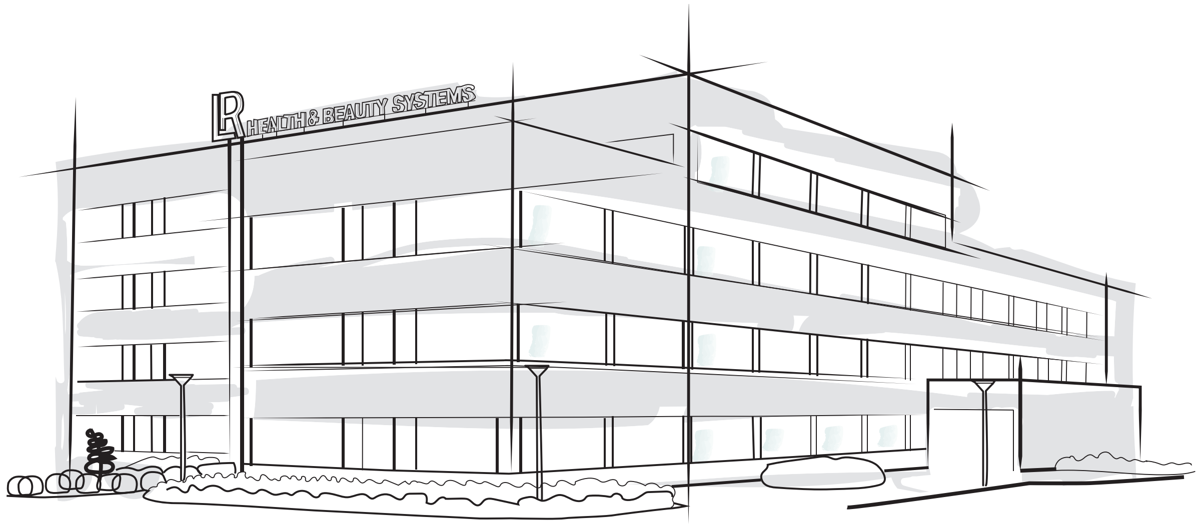
01

MORE QUALITY FOR YOUR LIFE

WE CARE FOR PEOPLE´S LIVES

SINCE **36** YEARS SUCCESSFUL IN EUROPE

OVER **1,300** EMPLOYEES



LR Health & Beauty Group Headquarter

OUR COMPANY

As a modern social selling partner, the LR Group distributes over 300 different products in the areas of body care, beauty, health and nutrition in 28 countries through the partner community, which comprises more than 300,000 active sales partners and customers.

Since its foundation in 1985 in Ahlen / Germany, LR Health & Beauty has established itself as one of the leading European social selling companies in the field of health and beauty products. LR is also a member of the European association Direct Selling Europe (DSE) and has over 1,300 employees across the globe. With quality "Made in Germany" and a unique business model, we have been a successful European business for the past 36 years and are currently expanding worldwide. In March 2021, we succesfully entered the Asian market and started with LR South Korea.

Since 2013, LR is part of the portfolio of the investment company Quadriga Capital. CEO and spokesperson for the management, Andreas Friesch, has been part of the team since 2018 and, together with Andreas Laabs and Thomas Heursen, he is navigating LR extremely successfully through these challenging times. 2020 – the company's 35th anniversary – was already an outstanding and successful year for LR and 2021 has even surpassed this great success of the past years. Buoyed up by this excellent news, LR Global Holding GmbH successfully entered the international capital market in February 2021.

In the past year, we continued our dynamic growth course in order to further develop LR into the leading digital social selling platform. To this end, LR's structures were further aligned with the digitization trend in the market (e.g. the LR ConnectApp) and new blockbuster products were launched. With the new brand LR SOUL OF NATURE, our company has entered a new market segment with high potential.

Thanks to our unique business opportunity and our innovative and competent health and beauty solutions, we sustainably improve the quality of life for many people. With an individual career programme, targeted training, excellent service and a wide range of training tools, we have been leading our sales partners to business success for over 36 years.

Our customers should feel healthy, beautiful and vital when using our products. Irrespective of place, time, economic crises or pandemics, we are offering an attractive and individual purchasing experience on our digital social selling platforms – 24/7.

OUR VISION

"We are the most attractive social selling platform. Through our unique business opportunity and innovative & competent health & beauty solutions, we improve the quality of life. We help our partners grow through our human-centric incentive system, training and support services. We make our customers feel healthy, beautiful and vital. We provide a unique personal customer experience through our social selling touchpoints.

MORE QUALITY FOR YOUR LIFE

OVER **300**

HEALTH & BEAUTY PRODUCTS

28

COUNTRIES WORLDWIDE

OUR INNOVATIVE PRODUCTS

Our product portfolio comprises cutting-edge health and beauty solutions that combine natural ingredients with scientific innovation. This includes care products and cosmetics, perfumes and nutritional supplements as well as essential oils and care products with essential oils. At the company-own development centre, experts from the fields of cosmetics and health constantly research and work on new solutions and products. Numerous marketing awards and certificates by renowned German institutes such as SGS INSTITUT FRESENIUS or Dermatest, confirm the high quality and innovative strength of our products.

> **"With innovative product solutions that cater to people's growing health consciousness, we are fully on-trend.**

The secret to our success? We have always banked on the quality principle "Made in Germany" and manufacture over 90% of our products in Germany. The high product quality is ensured by strict internal controls and double-checked by renowned and independent laboratories.
We do not do animal testing and set great store by using reusable raw materials. We also promote environmentally friendly production processes and energy-saving logistics solutions.

PROVEN QUALITY | LOVE OF NATURE AND ANIMALS | SUSTAINABLY PACKAGED | MADE IN GERMANY | CERTIFIED | INSTITUT FRESENIUS | FSC | dermatest

OUR BUSINESS CONCEPT

For over 36 years, we have been giving people the opportunity to shape their lives independently and successfully by becoming sales partners. Thousands of LR sales partners have achieved financial freedom and a better quality of life thanks to LR. They are all part of an international team that has established LR's success with a modern sales system, digital possibilities, enthusiasm for fantastic products and plenty of passion.

The LR business model offers independence coupled with the security of a large company that supports its partners in all phases of their careers. Especially in difficult times, like in 2020 and 2021, this concept has proven to work well – an added bonus is the team spirit in the LR community.
In 2021, we were able to top our record turnover from 2020, so that we were able to achieve a new record sales growth this year.

The merging of offline and online activities is becoming more and more important for the LR business and has shown us a glimpse of the future. With innovative tools, such as "LR Connect", our company is state-of-the-art and ideally equipped to meet the requirements of the digital age.

OUR SOCIAL ENGAGEMENT: LR GLOBAL KIDS FUND E.V.

"More quality for your life" not only applies to the products and the business model, but also to the social commitment of LR Health & Beauty. The charity, founded in 2009, is based on the collective commitment of the company, its employees, sales partners and customers and supports children's aid projects in countries in which LR is active. In order to raise awareness for this great charity a fundraising campaign was launched in November 2021.

OUR AWARDS

2021
COMPANY AWARD FEDERAL ASSOCIATION OF DIRECT SELLING GERMANY

LR has been awarded second place in the category "Large Companies" in 2021, which means that LR achieved the second strongest sales growth in this category in 2020.

2021
TOP 100 AWARD

LR Health & Beauty Germany has received the Top 100 Award for 2021 – an award for the 100 most innovative, medium-sized companies in Germany.

2020
DIGITAL BUSINESS AWARD NETWORK CAREER

Special award for the great digital support of LR sales partners during the global COVID-19 pandemic.

2019/20
GERMAN BRAND AWARD

german brand award 19 winner

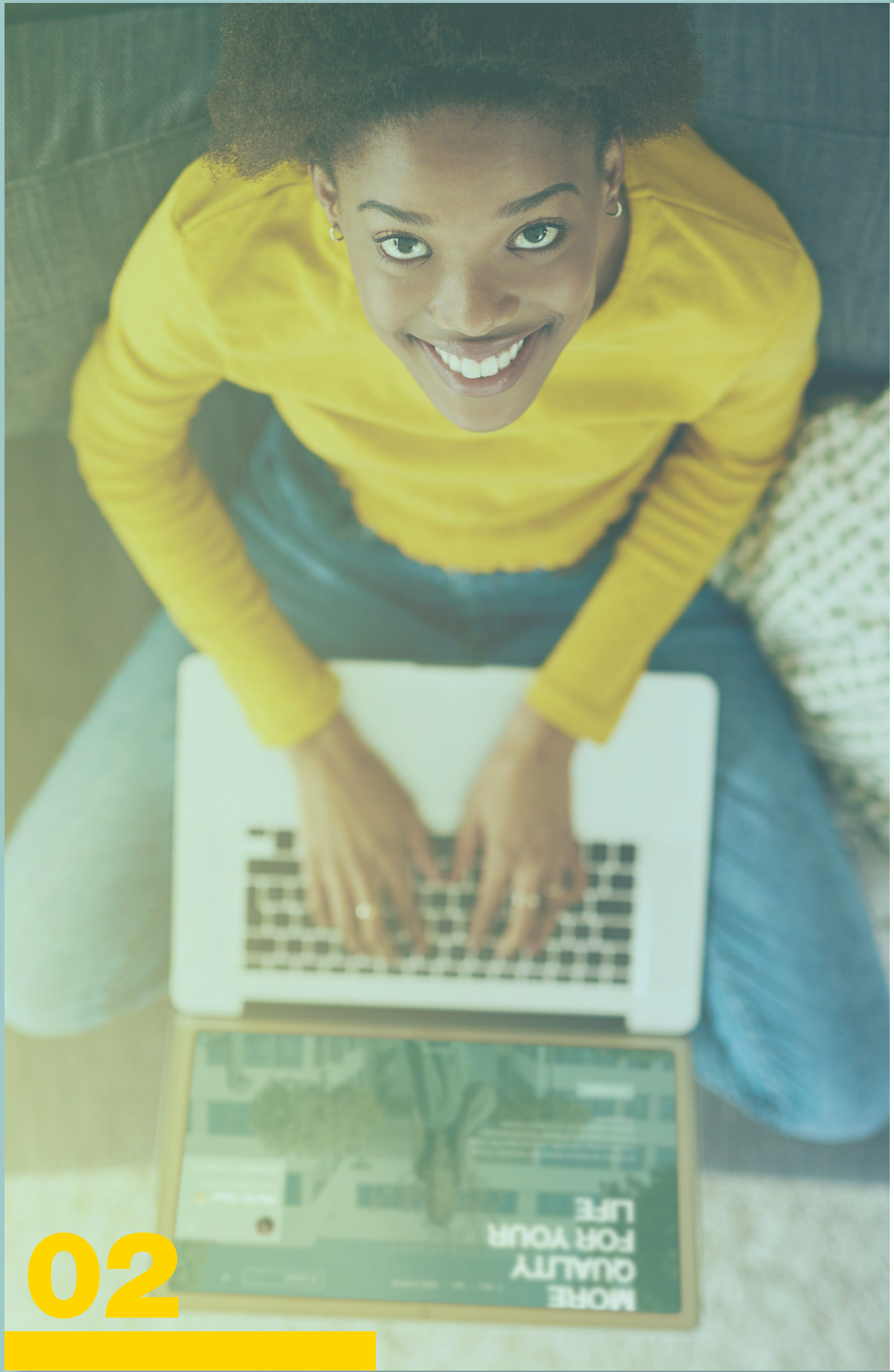
german brand award 20 winner

In the "Excellent Brands" competition, the LR LIFETAKT 5IN1 BEAUTY ELIXIR convinced the 2019 jury in the "Beauty & Care" category as one of the best product brands in the industry. On top of that, the elixir also received a "Special Mention" in the cross-sector category of "Product of the Year".

In 2020, LR received its second German Brand Award, this time for the sleep-promoting product LR LIFETAKT NIGHT MASTER.

2018
CHILDREN'S VILLAGE CLUB

In 2018, SOS Children's Villages International awarded the LR Global Kids Fund e.V. the bronze SOS Children's Village Cup for the valuable work they do.



02

WE BELIEVE IN MORE INDEPENDENCE & FLEXIBILITY

LR GIVES PEOPLE THE OPPORTUNITY TO WRITE THEIR OWN SUCCESSFUL STORY. THEY CAN MAKE THEIR DREAMS COME TRUE BY CREATING NEW FREEDOMS AND BY ACHIEVING FINANCIAL STABILITY AS A PART OF THE LR TEAM, WHEREVER THEY ARE.

OUR UNIQUE BUSINESS MODEL

LR OFFERS A FAIR WAY TO ACHIEVE MORE FINANCIAL STABILITY, MORE FREEDOM AND, IN MANY CASES, MORE QUALITY OF LIFE. WE APPRECIATE EVERY PARTNER'S INDIVIDUAL COMMITMENT AND OFFER ATTRACTIVE INCOME OPPORTUNITIES. OUR TRIED AND TESTED CAREER PLAN TAKES NEW PARTNERS BY THE HAND AND GUIDES THEM STEP-BY-STEP THROUGH OUR TRANSPARENT REMUNERATION SYSTEM.

"Equal opportunities for all people with different careers, backgrounds and starting points. Fair business opportunities without risks to write personal success stories.

THIS IS HOW THE LR BUSINESS WORKS

As an independent LR sales partner, you have the opportunity to buy our products at discounted rates – to resell them to your customers and to benefit from the difference between the purchase and the sales price (trading margin). With every LR product sold, our Partners collect a so-called "PV" (Points Value). The Points Values are the same internationally, facilitating a fair assessment. As the number of PVs increases, so does your Bonus Level and thus the earnings that each Partner receives in addition to their trading margin from product sales. The earnings are always paid in the middle of the following month. If you want to, you can expand your LR business further and increase your bonus by getting more people involved in our LR business and adding them to your team. When you set up a team, LR will give you even more income opportunities. The more successful a team is, the higher the individual bonuses will be at the end of each month.

DIVERSE CAREER OPPORTUNITIES

Our philosophy "More Quality for your Life" applies to both our products and our sales model. We help people kick-start their career and write their own success story. At LR, everyone gets the chance to successfully and autonomously shape their life – regardless of gender, skin colour, religion or background. Depending on their respective living situation, our Partners decide themselves how deeply they want to get involved in the business.

The majority of our Partners run their LR business on a part-time basis and thus generate an attractive additional income, e.g. for holidays, special purchases or treats which they cannot otherwise afford.

Each Partner decides for themselves how much time they want to invest in the business – in product sales and on building a team and achieving successes together with other Partners. In our unique LR Career Plan, various bonus levels are set as economic incentives. Dedicated Partners can try to reach these and thus to boost their individual income. In 2021, over 16,000 Partners reached a new step on their career ladder.

NO RISK – JUST FUN

As an LR Partner, you do not have to worry about storage, logistics and shipping – LR takes care of everything. In addition, you are not obliged to buy fixed amounts or to generate a certain turnover, and there are no contractual periods. To get the ball rolling, all new Partners receive a starter package with a selection of products so they can get to know them. They also get access to the personal Partner website – including a link to the online shop – as well as a whole range of print media. Thanks to our unique business model and various digital tools (e.g. LR Connect app, LR MyOffice, Report Creator), everyone can work completely independently – anytime and anywhere.

MOBILITY COMES FIRST

In day-to-day business, Partners not only communicate with customers and within the team, they also need a high degree of mobility. As part of the LR Car Concept, Partners get attractive cars at exclusive leasing rates. To this end, LR is collaborating with several prestigious car manufacturers: VW/AUDI, BMW, Mercedes and Porsche. These traditional German companies perfectly match our own company philosophy: modern, innovative and manufactured in accordance with German quality standards. Since 2021 we also support Electromobility and offer our Partners various attractive electric cars which has been very well received by our LR sales partners.

LR subsidises its Partners' mobility, provided they regularly generate a certain turnover with the sale of LR products. The extent of the subsidisation depends on the turnover generated and can amount to the entire leasing rate.

SPECIAL SUPPORT

Seminars, coaching and an online platform with tutorials, presentations and webinars are available for individual further training. Exciting live and digital events allow sales partners to exchange ideas on a regular basis.

> **SOCIAL SELLING MEANS: TRUST! LR IS A COMPANY "FROM PEOPLE TO PEOPLE FOR PEOPLE".**

"SOCIAL SELLING" IS OUR GUIDING PRINCIPLE – AND THE POWER BEHIND OUR BUSINESS

LR impresses internationally with an extremely strong community and thriving community spirit. LR Partners love our company and are proud brand ambassadors. Millions of customers and thousands of sales partners are enthusiastic about our products and use them themselves on a daily basis. They are families, couples, single parents or singles of all nationalities, skin colours and religions.

For us, social selling means: Helping people achieve a better quality of life through our products and the opportunities our business offers. We focus on people in addition to products. Which is why our marketing expenses do not flow into advertising measures, but directly into the compensation plan and thus benefit the extended international LR family. Of every euro we sell, 40 cents go directly to our partners.

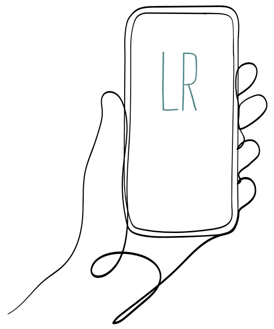
Social Selling means: trust! It is not a new invention. We are taking what we have been doing for years to another level. The next level. We are a company "From people to people for people". With exclusive events, parties, trips around the world and an extraordinary car concept, we reward the performance of our sales partners and, at the same time, motivate them to do their best to achieve their personal goals. This creates trust and a close link with our company. The high number of Partners who stay with LR for many years speaks for itself.

Social selling means: LR is always there where people can and want to meet and share their experiences with our products. We close the gap between retail and online trade. Unlike retail, we are always open and, unlike online retail, we always have people who stand for the product and share their experiences.

DIGITISATION – FOR TURBO-CHARGED DIRECT SELLING

Markets and companies are fundamentally changing due to increased digitisation. Workflow, structures and processes are becoming more dynamic and more complex. As a successful company, we have quickly embraced the new technology and, above all, see the many new possibilities it opens up for direct sales.

Innovative tools, such as the LR Connect app, offer simple and intuitive support for productive and efficient work, easy selling, quick communication and sophisticated training by our LR Partners. These tools also provide us with individual communication options thanks to streamlined net-working opportunities and straightforward access. The direct and quick exchange of information and data ensures maximum flexibility – irrespective of where and when.



> **The Future of Direct Selling consists in the successful combination of online & offline.**

In addition to our LR Partners in Germany, more and more international LR Partners are also using the LR Connect app. Since 2020, the LR Connect app has been rolled out in 20 countries worldwide and already has over 100,000 downloads. We are planning further roll-outs in several countries for 2022.

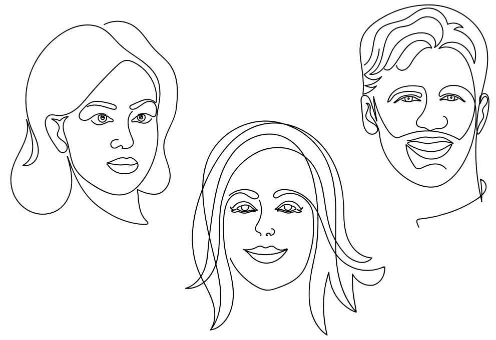
DREAM TEAM: DIRECT SELLING & DIGITAL NATIVES

For the generation of "digital natives", the use of modern communication technologies and the advantages of the internet community are a matter of course. As a rule, they are well-connected and navigate the virtual world extensively, both professionally and in private. Social media (Instagram, Facebook etc.) are a fixed part of their day-to-day lives, and they know exactly how to exploit these channels for their business.

And we see that more and more LR partners of the "older" generations have recognised the advantages of digital media and have successfully integrated them into their way of working.

The boom of online shopping is also a result of the purchasing habits of the younger generation. This development has been accelerated due to the COVID-19 pandemic. Gathering while keeping your distance – that is only really possible in the digital world. So, ideal conditions for successfully running a direct sales business and a win-win situation for LR and its Partners!

SPOTLIGHT ON: THE YOUNG GENERATION
The average age of our sales partners is currently dropping. 24.3 % of newcomers are 18 – 29 years old, and 25.5 % are 30 – 39 years old (As of: December 2021).



> **Every Partner is a potential influencer.**

The term "social" in social media shows how well the new digital channels fit our business model: the aim is to find interested parties and to stay in contact with them. This is also true of LR. These days, significant relationships with potential customers or team partners can be established using modern social media. We speak with hundreds of thousands of voices. The partners are our influencers and ambassadors.

IN CONCLUSION: the special challenge for LR is to reconcile proven traditional ways of working with the new digital possibilities. Personal and direct interpersonal contact can never be fully replaced by virtual encounters. However, the fact that our newcomers are getting younger and therefore more digitally savvy shows us how well LR is positioned for the future. And the last few years, especially 2021, have shown that digital media is making a fundamental contribution to our strong growth.

WE BELIEVE IN MORE INTERNATIONALITY

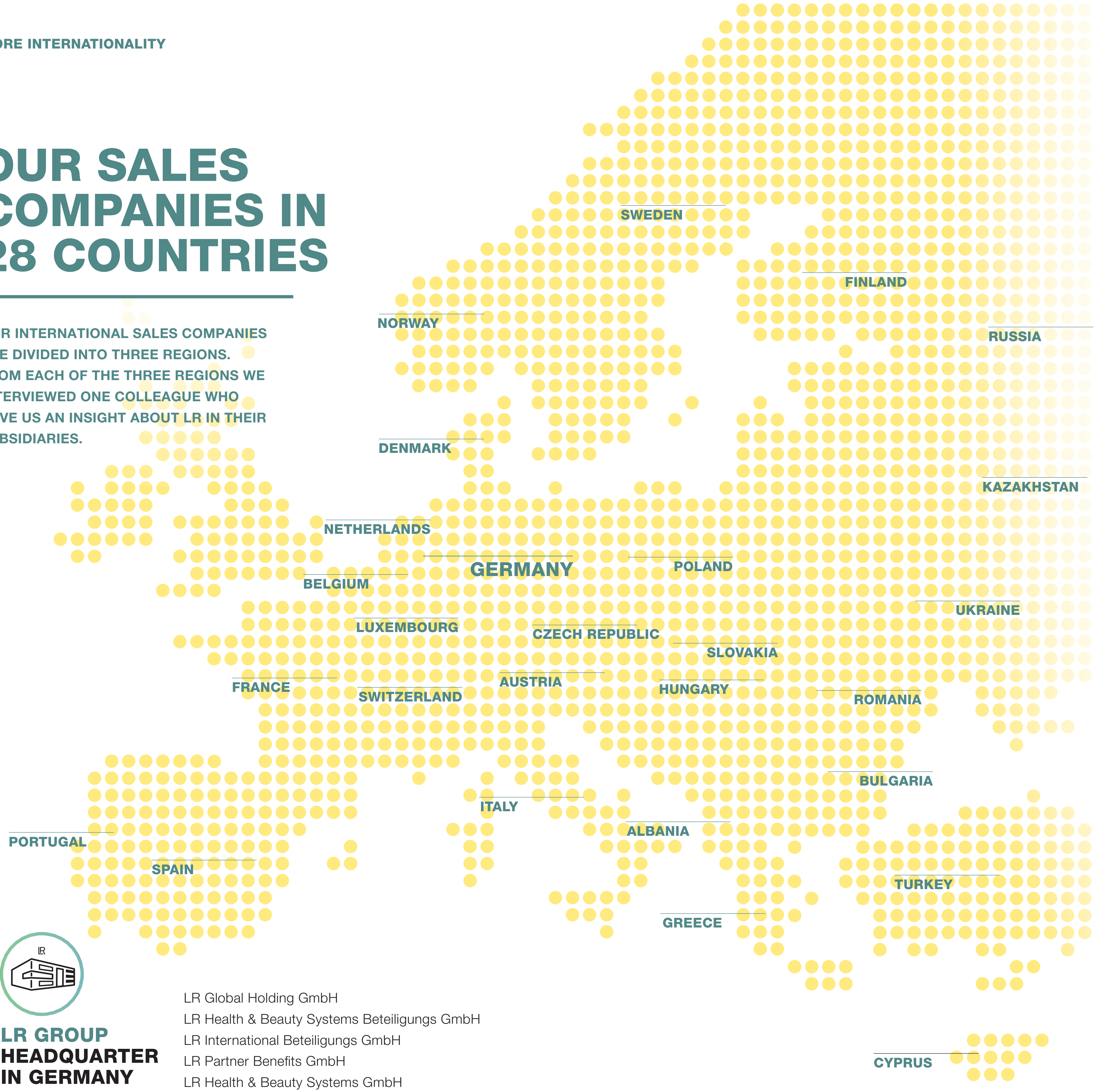
WITH OUR 28 INTERNATIONAL SALES COMPANIES, OVER 1,300 EMPLOYEES AND THOUSANDS OF INDEPENDENT SALES PARTNERS, WE ARE ONE OF THE LEADING SOCIAL SELLING ENTERPRISES IN EUROPE. DUE TO THE CONTINUOUS CREATION OF NEW MARKET OPPORTUNITIES, LR HEALTH & BEAUTY ENSURES STEADY GROWTH.

03

MORE INTERNATIONALITY

OUR SALES COMPANIES IN 28 COUNTRIES

OUR INTERNATIONAL SALES COMPANIES ARE DIVIDED INTO THREE REGIONS. FROM EACH OF THE THREE REGIONS WE INTERVIEWED ONE COLLEAGUE WHO GAVE US AN INSIGHT ABOUT LR IN THEIR SUBSIDIARIES.



LR GROUP HEADQUARTER IN GERMANY

LR Global Holding GmbH
LR Health & Beauty Systems Beteiligungs GmbH
LR International Beteiligungs GmbH
LR Partner Benefits GmbH
LR Health & Beauty Systems GmbH
Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG
LR Jersey Holding Limited, Jersey

INTERNATIONAL SALES COMPANIES

REGION 1

AUSTRIA
LR Health & Beauty Systems GmbH

BELGIUM / LUXEMBOURG
LR Cosmetic Belgium b.v.b.a

DENMARK
LR Health & Beauty Systems ApS

FINLAND
LR Health & Beauty Systems OY

FRANCE
LR Health & Beauty Systems SAS

GERMANY
LR Deutschland GmbH

NETHERLANDS
LR Health & Beauty Systems BV

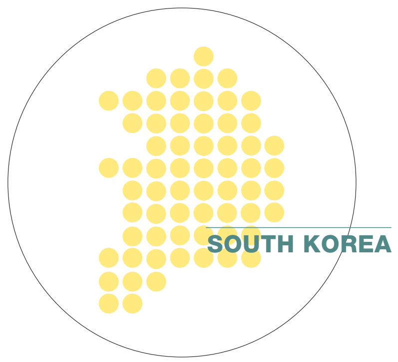
NORWAY
LR Health & Beauty Systems AS

SWEDEN
LR Health & Beauty Systems AB

SWITZERLAND
LR Health & Beauty Systems AG

EXPANSION

SOUTH KOREA
LR Health & Beauty LLC, South Korea



REGION 2

CZECH REPUBLIC
LR Health & Beauty Systems s.r.o.

ITALY
LR Health & Beauty Systems S.R.L.

POLAND
LR Health & Beauty Systems Sp. z.o.o

PORTUGAL
L. de Racine Cosmeticos Lda.

SLOVAKIA
LR Health & Beauty Systems s.r.o

SPAIN
LR Health & Beauty Systems S.L.

UKRAINE
LR Health & Beauty Systems TOV

REGION 3

ALBANIA
LR Health & Beauty Systems Sh.p.k.

BULGARIA
LR Health & Beauty Systems EOOD

GREECE / CYPRUS
LR Health & Beauty Systems EPE

HUNGARY
LR Health & Beauty Systems Kft.

ROMANIA
LR Health & Beauty Systems S.R.L

RUSSIA / KAZAKHSTAN
LR Russ O.O.O

TURKEY
LR Health & Beauty Systems Ltd.

The breakdown by regions corresponds to the status as of 31.12.2021. In the following year, the breakdown will change.

MORE INTERNATIONALITY

OUR COLLEAGUES IN OUR SUBSIDIARIES

REGION 1: GERMANY

I like to be a part of LR because ...

... LR offers every person who wants to achieve something in their professional life, be it a sales partner or employee, the same opportunities to develop independently and achieve their goals with hard work, passion and loyalty to the company.

I started at LR as a trainee at the age of 15 and today, at 29, I am a Sales Manager for the largest market of the LR Group. Thanks to the trust placed in me, I was able to take on responsibility early on, especially in the last three years.

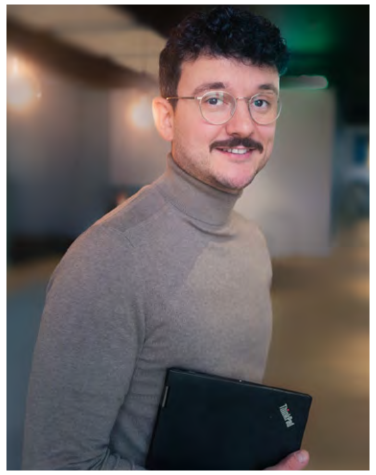
This has given me an even better feeling about the importance of our sales partners and top managers. With a clear focus on the best possible support and development of our sales partners and top leader, we can celebrate even more great successes with LR in the future. For me, this is not just any job – it is my absolute passion!

The image of LR ...

... in Germany is outstanding! In Germany, LR stands for high-quality products, a unique career plan and opportunities to positively change one's life. The best possible support for our sales partners is our top priority – the focus is on people! Our customers and sales partners feel this in everything we do.

I would describe the year 2021 at LR ...

... in Germany as a year full of sales power. Of course, the current pandemic presents us with challenges just like any other country. Nevertheless, or precisely because of the current situation, the contact between our managers and us is a very important part of our success in Germany. That is why we launched a major leadership offensive in 2021 and spent several months visiting our leaders throughout Germany to talk about current challenges. This enabled us to work out and implement many measures that have made a big contribution to our success.

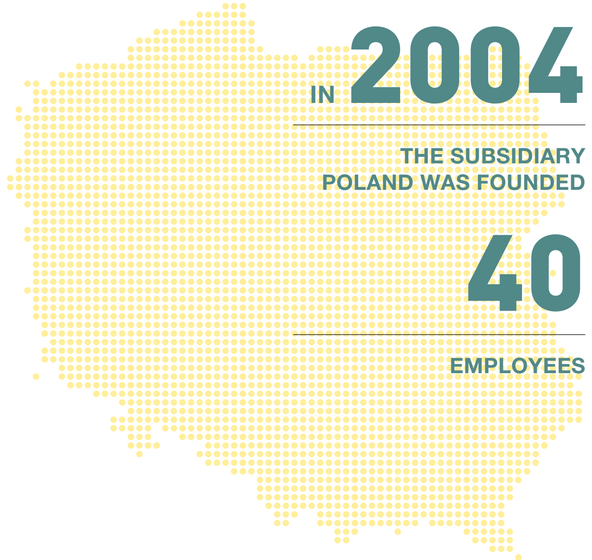


NENAD KOLAR
SALES MANAGER
GERMANY

*LR was originally founded in 1985, and the German sales departments had been located at the headquarters since then. In 2021, the German sales departments were transferred to a separate company as part of the LR Group.

REGION 2: POLAND

ELIZA STRUG-POŚPIECH
SERVICE MANAGER
POLAND



I like to be a part of LR because ...

... this job allows me to meet different people and take the best from their experiences. Working in an international company gives me a sense of belonging to a very diverse environment, thanks to which I meet not only new people but also the customs of other countries. In addition, LR gives you the opportunity to develop your career path. I am a very good example of this since I started as a Customer Advisor and now I am a Service Manager. The company noticed my potential and skills and I was promoted to the highest position in the Customer Service Department. Every employee who works at LR gets this chance. Promotion opportunities are available not only within your department but also in others that operate in the company.

The image of LR ...

... in Poland is very good. The company has developed a stable and prestigious position on the market for many years.

Our partners are proud to belong to the company. Awards and certificates for products that we have received over the years, such as the Golden Otis for Colostrum, the Quality Certificate for Aloe Vera gels and the Polish Dental Society Certificate for Aloe Vera Toothpaste show that we have recognition from experts.

Our partners appreciate our products for the quality but most of all for the proven, positive influence on the improvement of wellbeing. The LR logo is recognizable and associated not only with very good products but also with development opportunities and earnings offered by the company in the Career Plan. Our Top Leaders wear their badges with pride. Colostrum Compact, Cistus Incanus or Pro Balance are top products in many houses in Poland. The increase in sales that we record every year clearly shows that LR Poland is growing in strength and more and more people want to belong to our "big family".

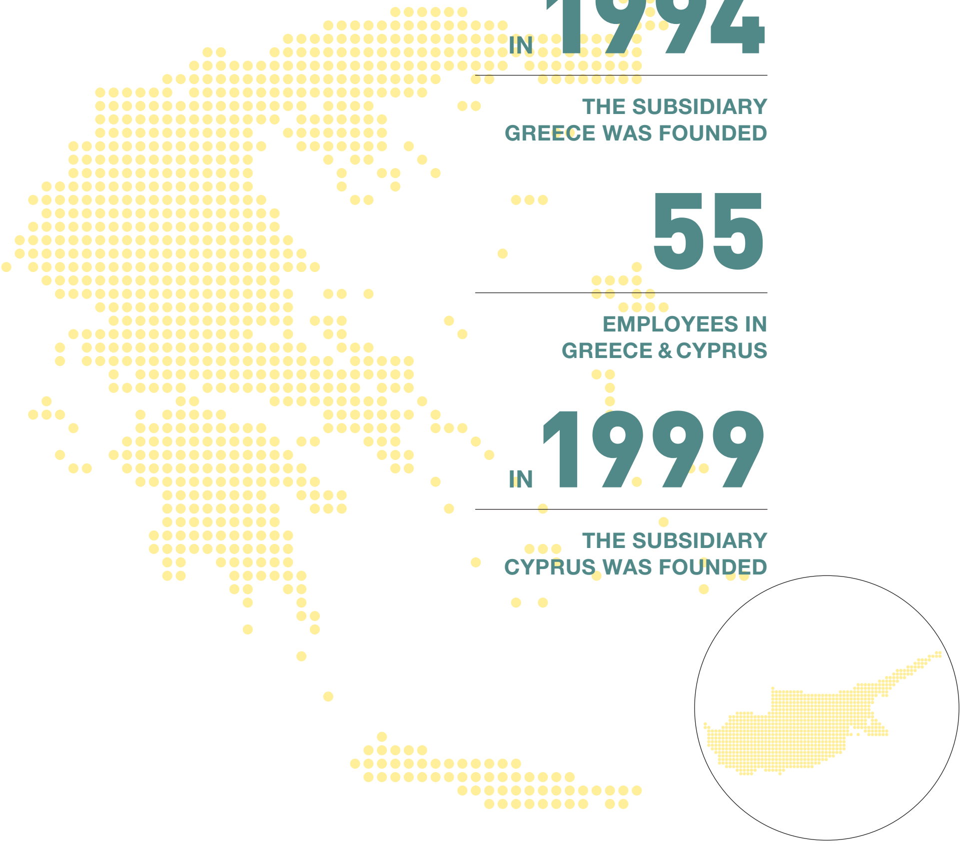
I would describe the year 2021 at LR ...

... in Poland as a year full of changes but also filled with amazing opportunities. Introducing remote work, e.g. for our customer service, adapting all processes to our daily work business was not easy but over time we managed to develop a very good system that works until now and is still being improved because we still draw conclusions from what is happening on the market. Team meetings at Zoom or Teams no longer surprise anyone and have become a permanent part of the schedule of our daily activities. The pandemic situation around the world allowed us to discover that as a team we are doing well in such a dynamically changing environment. Additionally, if there is an unknown and crisis situation, we are together as a team and we are able to overcome this crisis.

MORE INTERNATIONALITY

REGION 3: GREECE & CYPRUS

MARIA GOUSDOVA
TRADE MARKETING & LOGISTIC MANAGER GREECE & CYPRUS



IN **1994**
THE SUBSIDIARY GREECE WAS FOUNDED

55
EMPLOYEES IN GREECE & CYPRUS

IN **1999**
THE SUBSIDIARY CYPRUS WAS FOUNDED

I like to be a part of LR because ...

... this company gives me the feeling of being part of a totally different world! A world full of motivation, cooperation, responsibility, happiness, care and success! A world made up of hard working people who never give up and always try to achieve the best for themselves, their families and their networks. People with common goals and respect. A world of equal opportunities for all, no matter where they live, what profession they have or what gender they are. A unique opportunity in a world that is developing rapidly and where nothing is the same anymore.

The image of LR ...

... in Greece and Cyprus is really good. The effectiveness of our high quality products is spread by our partners who are well trained by our health & beauty experts. This knowledge, together with our simple and fair marketing plan, helps them to expand their networks and our car concept leads them directly to success.

Words like Aloe Vera bring LR into people´s minds. As long as we stick to our values without ignoring people’s needs, we will attract more and more customers with our vision.

I would describe the year 2021 at LR ...

... as challenging. Another pandemic year where we had to adapt and act due to the facts of each day. We often had to change our plans, but we were always all in it together for the safety of our partners, our company and ourselves. Digitalized practices such as home office, meetings, seminars and events had to get better and better, as this was sometimes the only way to keep the business going, to train, to congratulate, to communicate with each other and with new partners. We also set up our own studio to cover our increasing needs and produce high quality content. A year that has taught us that we have to get used to changes and new practices, that we have to be flexible and responsible with our work and personal lives. A year that required a lot of effort and patience from all sides.

WE BELIEVE IN MORE PRODUCT QUALITY

LR HAS INNOVATIVE, HIGHLY EFFECTIVE HEALTH & BEAUTY PRODUCTS "MADE IN GERMANY", WHICH STRENGTHEN LR CUSTOMERS' HEALTH AND ENHANCE THEIR WELL-BEING. THEY ARE PRODUCED ACCORDING TO THE LATEST SCIENTIFIC FINDINGS AND FROM THE BEST NATURAL INGREDIENTS. AND LR IS CONSTANTLY WORKING ON NEW INNOVATIVE AND HIGH-QUALITY PRODUCT IDEAS.

04

MORE PRODUCT QUALITY

FROM THE IDEA TO PRODUCTION

OVER **90%** OF LR PRODUCTS ARE "MADE IN GERMANY"

OVER **60** NEW LR PRODUCTS LAUNCHED IN 2021

A LOT HAPPENS BEFORE A NEW PRODUCT OR A NEW BRAND – LIKE LR SOUL OF NATURE – IS LAUNCHED AT LR. VARIOUS DEPARTMENTS ARE INVOLVED, AND UTA LANDT KEEPS TRACK OF IT. AS VICE PRESIDENT MARKETING & COMMUNICATION, SHE PULLS ALL THE STRINGS. IN AN INTERVIEW, SHE EXPLAINS WHAT AND, ABOVE ALL, WHO IS IMPORTANT IN THE ENTIRE PRODUCT DEVELOPMENT PROCESS, SO THAT ONE THING IS 100% ACCURATE AT THE END: THE QUALITY!

LET'S TALK

Hey Uta!
We are very pleased to interview you today on the topic of the "product development process" at LR and the brand "LR SOUL OF NATURE". Before we get into that, we'd like to know a little more about you.

How long have you been with LR?

I started at LR on May 1, 2019, as Vice President Marketing & Communication and have been with LR for 3 years now.

How would you describe your job at LR?

As Vice President Marketing & Communication, I am mainly responsible for the strategic alignment of the product portfolio, of the new product development, including the product creation process, and for the communicative alignment of our entire LR product range. My scope of duties includes the Product Management, the Research & Development departments for Health and Beauty as well as Public Relations, and the Media Factory, which is equivalent to an in-house agency. This allows us to map the entire product development process in-house at LR.

UTA LANDT
VICE PRESIDENT MARKETING & COMMUNICATION

In October 2021, LR entered a new product sector and launched the new brand "LR SOUL OF NATURE". Describe your experience and expertise with essential oils?

Professionally, I have already been able to gain experience in natural cosmetics and aromatherapy. Since then, essential oils have accompanied me in my private life, and personally, I have had many positive experiences. For example, I regularly use essential oils for room scenting in the diffuser or lavender oil or a pillow spray for a better sleep at night. Citrus scents such as orange or lemon help me to concentrate at work or while driving.

> **"Citrus scents such as orange or lemon help me to concentrate at work or while driving.**

Let's now move on to the topic "product development process". How does a product idea develop at LR?

Various aspects come into play for the development of a product idea.

First, we look at the strategic orientation of our product portfolio. How do we want to position ourselves as a company in the future, what does tomorrow's product range look like? Next, we look at which products complement the current range or where there are still gaps in the range that would fit into our range to cover the needs, also in terms of addressing partners.

But global trends and new scientific findings also flow into the development of product ideas.

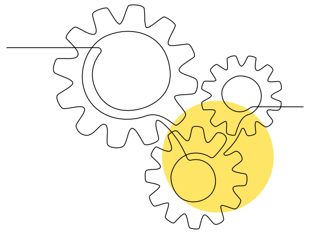
Uta Landt in a meeting with LR Marketing Manager Antonia Borisova.

What (quality) criteria must a product meet to be launched at LR?

At LR, we have high standards for product quality, which is already reflected in our claim "More Quality for your life". We rely on the quality seal "Made in Germany" and produce over 90% of our health and beauty products in Germany. Our products are regularly controlled both internally and externally by independent institutes. Accordingly, we work together closely with the "SGS INSTITUT FRESENIUS" and the "IASC" (International Aloe Science Council). Most of our skin care products are tested by the independent dermatological institute "Dermatest", with which we have been cooperating for 25 years. This year we have launched over 60 new LR products.

MADE IN GERMANY dermatest

MORE PRODUCT QUALITY



> **The entire product development process, from idea to production, takes between 1 and 3 years – depending on the product category.**

How important is a product or brand concept in this context and how is it developed?

The core of all products is the product concept. This is carefully considered and worked out in detail in Product Management, as all further steps are based on it.

The product concept defines the positioning, the benefit, the reason why, and the tonality, etc. of the new product or the new brand. The more clearly this is worked out and the more unique this is, the more successful the product will be. It should also be noted, of course, that it is relevant on the market and for the consumer.

How important is a communication concept in this context and how is it developed?

The communication concept is derived from the product concept as well. Here, the brand's core must be conveyed clearly and unambiguously. The clearer and more comprehensible it is, the better the partners can market the product. Product Management and the Media Factory meet regularly to develop the communication concept.

What happens from the idea to the production of a new product or brand?

As soon as the product concept has been agreed, the implementation phase begins. All relevant departments are brought together in a kick-off meeting. In weekly project meetings, all work to be done and outstanding decisions are clarified and steered through until everything can be approved for production. Not to forget the parallel design and communication process. The entire product development process, from idea to production, takes between 1 and 3 years – depending on the product category.

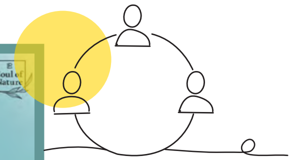
BRAND CONCEPT

(from left) Lisa Schulze-Gabrechten, Trade Marketing Manager, Antonia Borisova, Marketing Manager and Katharina Schorez, Head of Marketing, talk about the brand concept and communication for LR SOUL OF NATURE.

Which departments are directly involved in the realization of a new product or brand (from the idea to production)?

The realization of a product involves many departments in the group. Only if we all work hand in hand, we can manage the extensive and complex processes and launch the products on time. The departments involved are, for example:

- **Product Management:**
  The product idea comes from Marketing. Among other things, a concept is developed, the product range is defined, and the price positioning is determined. Throughout the entire product development process, Marketing also acts as project manager and manages all the "supporting" departments.
- **Research & Development:**
  Here, the formulations of the products are developed, tested for stability and feasibility, and where we define the claims that we can make for the products.
- **Reg. Affairs:**
  Checks whether the products with their defined ingredients and claims can be launched in the individual countries. Here, there is close coordination with the Research & Development department.
- **Purchasing:**
  Purchasing maintains contact with suppliers regarding, among other things, the procurement of raw materials and packaging materials.



WEEKLY STATUS MEETINGS

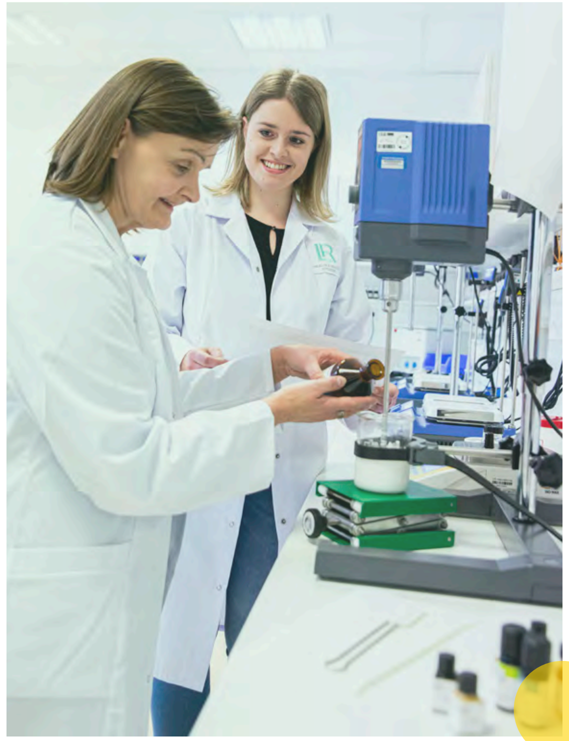
LR employees from different departments meet virtually via Teams to discuss the project status of LR SOUL OF NATURE.

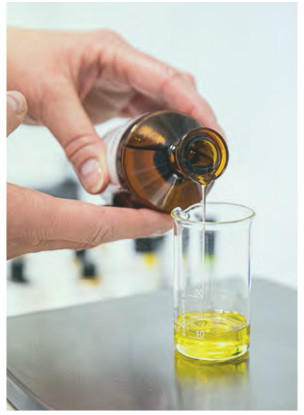
MORE PRODUCT QUALITY

(from left) Caroline May, Copywriter, Gaby Schippers, Head of Creative Design & Copy, Julia Stücke, Senior Creative Designer and Alexandra Spreehe, Creative Designer discuss the communication concept for LR SOUL OF NATURE.

COMMUNICATION CONCEPT/ COPY & DESIGN

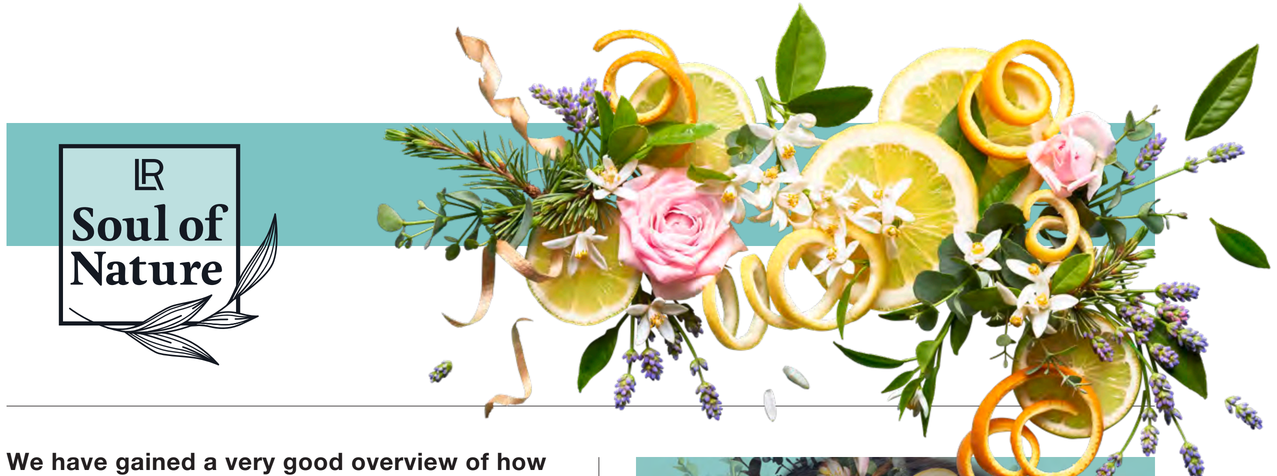
- **Trade Marketing:**
  Develops the sales communication concept and implements it as project manager at the departments and defines forms of offers.
- **Media Factory:**
  Our in-house agency develops the entire creative communication concepts as well as all communication documents, visual and textual.
- **Supply Chain:**
  Handles the planning of product quantities and distribution to the countries.
- **Legal:**
  All texts, such as the product name and product claims that leave the company, are legally checked here.
- **Production:**
  Here, the control of the production process and the checking of the implementation possibilities take place.





(from left) Debora Jede, Product Developer Beauty and Ida Mueser, Senior Product Developer Beauty, try new product formulas for the care products of LR SOUL OF NATURE.

NEW PRODUCT FORMULAS



We have gained a very good overview of how a product is launched at LR – from the idea to production. A good example of a successful brand launch is “LR SOUL OF NATURE”. How did the idea for this brand come about and what does it involve?

In Product Management, we steer the strategic direction of the LR range and look at what wishes may come from the partnership, what trends there are on the market and what gaps we may have in the range. With the LR SOUL OF NATURE brand, we wanted to connect our health and beauty ranges. With SOUL OF NATURE, we have addressed four complementary areas that we have defined for ourselves:

> **“With the LR SOUL OF NATURE brand, we wanted to connect our health and beauty ranges.**

- With the introduction of essential oils, we have taken up a major trend. In every season, people want to make themselves comfortable at home. Natural room fragrances help to create a certain mood and play an increasingly important role in everyday life. In addition, more and more people are dealing with the natural power of plants.
- We offer a naturally oriented skin care line.
- The products have an obvious gift character and
- the orientation regarding ingredients and packaging materials is more sustainable.

Key visual of the brand LR SOUL OF NATURE.

Where do the high-quality essential oils come from?

We work centrally with a supplier who sources the essential oils from small farming families in the relevant countries of cultivation. These are family businesses and cooperatives that are selected with the utmost care, and whose products are grown and traded at fair prices. It is particularly important to us that we purchase essential oils that are not treated with pesticides, for example, from sustainable organic cultivation. For example, we buy lavender from Bulgaria or bergamot from Italy.

MORE PRODUCT QUALITY

27

HIGH QUALITY SOUL OF NATURE PRODUCTS

> **“Essential oils contain pure plant power. They offer the best of nature and are versatile.**

Are these products sustainable?

As already mentioned, we buy essential oils from sustainable organic cultivation. We also make sure to use sustainable packaging material. For example, the bottles and jars are made from recycled plastic (rPET)** and all glass bottles are made from up to 55 % recycled glass.

- 100 % natural essential oils
- Over 95 % natural ingredients in the care products*
- Bottles & jars made from recycled plastics (rPET)**
- Essential oils & oil blends in glass bottles made in part from recycled glass***

What is the special effect of the products?

Essential oils contain pure plant power. They offer the best of nature and are versatile. For example, essential oils can have a positive influence on your mood. Citrus scents are mood-lifting or enhance concentration, while lavender has a relaxing effect. In this way, nature can increase and positively influence our well-being. Essential oils are used in many ways, such as for room scenting and body care.

Four aroma mood worlds for a daily mood ritual treat the skin with matching natural aroma compositions and up to 99 % natural skin care products.

How has the brand been received so far?

The brand has been very well received among our partners and our subsidiaries, and we have received a lot of positive feedback. The partners are dealing intensively with the topic and are also working with essential oils themselves to create their own fragrance blends or a massage oil. Here, too, we will provide further inspiration and create a platform for the exchange of ideas.

> **“The SOUL OF NATURE product portfolio offers many more ideas to round off the range and expand it for the future.**

What is planned for the future?

The SOUL OF NATURE product portfolio offers many more ideas to round off the range and expand it for the future. We already offer a total of 27 high-quality SOUL OF NATURE products. Currently, we'd like to provide inspiration for use and regularly offer impulses for do-it-yourself ideas. For the summer and winter, limited products in the individual aroma mood worlds are planned.

Thank you very much, Uta, for the interesting interview. We can be very excited about what other innovative products LR will launch in the future.

*NOI=natural origin index according to ISO 16128. **Closures, caps and lids made of plastic (PP). ***May contain up to 55 % used glass.

WE BELIEVE IN A BRIGHT FUTURE

A GREAT FUTURE LIES AHEAD OF US. FOR MORE THAN 36 YEARS LR HAS SHOWN HOW SUCCESSFUL, STABLE AND FUTURE-ORIENTED THIS GLOBAL COMPANY IS. AND WE STILL BELIEVE IN MORE!

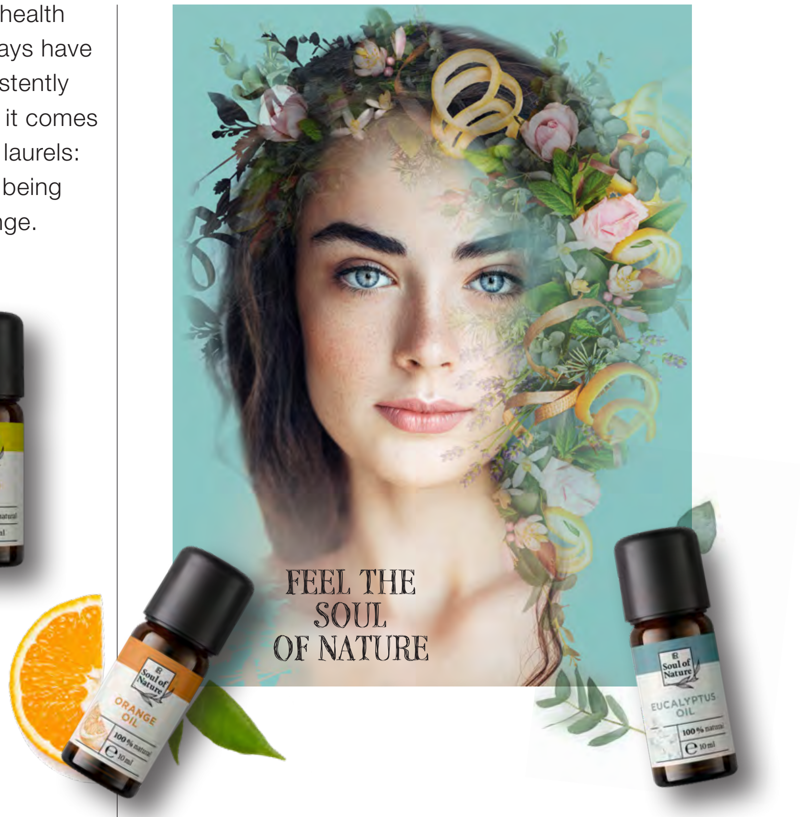
05

WE BELIEVE IN A BRIGHT FUTURE

LR PRODUCTS CAN DO MORE!

WHAT DO PEOPLE REALLY NEED? WHAT PRODUCTS DO OUR INTERNATIONAL PARTNERS AND CUSTOMERS NEED TO FEEL GOOD, TO FEEL WELL LOOKED AFTER? LR OFFERS PEOPLE EXACTLY WHAT THEY NEED: MORE HEALTH, MORE BEAUTY, IN SHORT: "MORE QUALITY FOR YOUR LIFE!"

With over 300 innovative and high-quality health and care products in our portfolio, we always have our finger on the pulse and we have consistently proven that we have a good instinct when it comes to new trends. But LR is not resting on its laurels: new product innovations are continuously being developed to complement our product range.



LR SOUL OF NATURE: EVEN MORE FEEL-GOOD AROMAS

We also demonstrated that we have a good nose for business with our LR SOUL OF NATURE brand, which was launched in October 2021. This successful brand launch is yet another confirmation that we are meeting people's needs on the international market and that we are in tune with the spirit of the times. With a total of 27 high-quality products, SOUL OF NATURE takes LR into a new market segment and covers the world of aromas.

Currently, eight 100% natural essential oils and four aroma mood worlds with matching skin care products offer customers the very best of nature to enhance their individual well-being.

In the future, the LR SOUL OF NATURE product portfolio will be expanded further. Limited offer products for the individual aroma mood worlds are already in planning for the coming summer and winter.

LR:GO – A NEW SPORTS BRAND TAKES OFF

At the beginning of 2022, we already had a new brand in the starting blocks: LR:GO. Together with our LR partnership, we hosted an impressive launch during a sport-themed live kick-off event in January. With this vegan fitness brand, we have entered another product segment – the sports segment.

Everyone knows that sport is a key part of any healthy lifestyle. And everyone wants to get the best out of themselves in the process. But how? LR:GO is the answer! A holistic sports system with a structured and a modular plan. A well thought-out nutritional concept, workout videos,

expert videos, nutrition tips and training plans offer competent support during all phases of training. In this way, everyone reaches their personal goal, one

> **"With this vegan fitness brand, we have entered another product segment – the sports segment.**

step at a time. In particular, the younger LR partners, who already have a preference for digital working, can really relate to the new brand. All of the tools, such as the workout and expert videos, are available digitally. They can be implemented very easily at any time and, above all, offer an attractive visual presentation for your LR business. Speaking of expert videos: We are delighted to have Dr Matthias Manke, sports expert and supervising physician at the Olympic Training Centre in Bochum-Wattenscheid, on board as one of our experts. Over the course of several videos, he explains, among other things, the positive effect that sport has on your body and mind, why an active lifestyle is good for you and how the nutrients in LR:GO products help us to achieve exactly that. Now, everyone wants to reach the finish line with LR:GO.

However, we have not yet finished developing new products for the LR:GO brand. This year, our goal is to add a number of new lifestyle products to expand the LR:GO range. The first new products will be launched as early as May.

WE BELIEVE IN A BRIGHT FUTURE

20 YEARS OF ALOE VERA – LET'S CELEBRATE HIGH QUALITY

LR and Aloe Vera: an unbeatable dream team celebrating its 20th anniversary this year. The LR power duo started life in 2002 with the Aloe Vera Gel Life Essence, now LR LIFETAKT Aloe Vera Drinking Gel Traditional Honey. Nowadays, our Aloe Vera range includes 60 different Aloe Vera products. This currently includes six Aloe Vera drinking gels and numerous Aloe Vera care products for diverse care from head to toe. It is a major LR product segment that has been highly relevant for many years and is consistently one of our top sellers internationally. Our certified Aloe Vera Drinking Gels are unbeatable. At over 72 million bottles sold, they are a mega-bestseller in all LR countries. In this way, the queen of plants, our Aloe Vera, has been the face of LR's success and image for many years!

And the success story of the LR power duo continues, of course. Our Aloe Vera range is continuously being expanded. Limited products are offered seasonally and particularly popular products are even included in the standard range, such as the LR LIFETAKT Aloe Vera Drinking Gel Acaí Pro Summer. In this special year, we are celebrating Aloe Vera with a number of great anniversary offers and lots of promotions for our distributors. The highlight of our 20th anniversary campaign will then take place in the birthday month of July.

OVER **72**

MILLION ALOE VERA BOTTLES SOLD

LR SUMMER LIMITEDS – MUST HAVES FOR THE SUMMER

Our new LR Summer Limiteds are also already in the starting blocks for this year. LR Summer Limiteds are seasonal products that pick up on the latest trends and the wishes of the international partnership. This year, we can already reveal that the LR Summer Limiteds will be colourful.

From May to September, we will be offering limited products that will whet your appetite for summer 2022.

LOGISTICS 4.0 – THE FOUNDATION FOR OUR FUTURE

LR HAS HAD SOMETHING SPECIAL IN THE PIPELINE FOR SOME TIME. "LOGISTICS 4.0" WAS LAUNCHED THIS YEAR AS A RESPONSE TO INCREASING TURNOVER IN RECENT YEARS AND AN AGEING SHIPPING PROCESS. THIS IS A PROJECT FOR THE FUTURE THAT REFLECTS THE MODERNISATION AND SUSTAINABLE DEVELOPMENT OF OUR COMPANY.

On 26 October 2021, the time had come to launch our "Logistics 4.0" project. Alongside Andreas Friesch, Thomas Heursen and many other LR colleagues, the 30 most successful international LR sales partners were on hand to witness the symbolic ground-breaking ceremony and thus the start of "Logistics 4.0", which had been in planning for some time. The background to this celebration was the upcoming construction of the new LR logistics centre at the Ahlen site in Germany. The planning of the construction project and the concept of the new logistics centre were also presented.

The laying of the foundation stone in collaboration with the Theodor F. Leifeld Foundation on 15 December 2021 marked an important first step in this major building project. It was an important day that, yet again, brought us a little closer to our goal of speeding up LR logistics processes in the future and, at the same time, creating greater storage capacity.

FIRST THE FOUNDATION, THEN THE TECHNOLOGY

Construction work on our "Logistics 4.0" building project on Porschestraße in Ahlen is currently in full swing. The futuristic logistics building, which is located right next to our Aloe Vera production facility, is already starting to take shape. One special highlight will be the open walkway from the LR Aloe Vera production facility built in 2018 to the new logistics building. The already existing skywalk of the Aloe Vera production site will be directly connected to this. From there, visitors can observe the logistical work of the modern plant and directly experience the entire process chain "Made in Ahlen" – from production to the dispatch of the finished LR products.


The new logistics hall in Ahlen is taking shape.

The most important goal is to bring LR's logistics processes up to date, bundling our logistical shipping processes in a single location and setting them up for the future. Through this modernisation, LR hopes to achieve more effective and faster processing in order to generate higher sales. According to the current status, the entire logistics building should be completed by October 2022 at the latest. The expansion of the complete technology is to follow in 2023.


This is what the new logistics hall in Ahlen will look like in the future.

06

WE BELIEVE IN MORE RESPONSIBILITIES

ESG-REPORT

FOR US, IT IS A MATTER OF COURSE TO TAKE SOCIAL RESPONSIBILITY IN THE HERE AND NOW AND TO ACTIVELY AND SUSTAINABLY OFFER SUPPORT.
IT IS TIME TO ACT, TO BECOME SUSTAINABLE – ECOLOGICALLY, SOCIALLY AND ECONOMICALLY.
LR – A SUSTAINABLE ENTERPRISE.

MORE RESPONSIBILITIES

ACTING IN AN ECOLOGICALLY SUSTAINABLE WAY

FOR US, ACTING IN AN ECOLOGICALLY SUSTAINABLE WAY MEANS TO WORK IN "UNISON" WITH NATURE. THIS MEANS: WE OFFER NATURE TIME TO REGENERATE AND PRESERVE IT FOR FUTURE GENERATIONS.

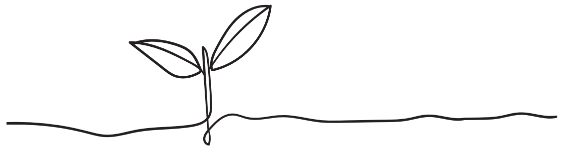
4.7

MILLION BOTTLES WITHOUT GREEN PLUG CAPS

136

TONS OF WASTE AVOIDED: 116 T IN ALOE VERA DRINKING GELS AND 20 T IN THE MIND MASTER PERFORMANCE DRINKS

> **"PLANS TO PROTECT AIR AND WATER, WILDERNESS AND WILDLIFE ARE IN FACT PLANS TO PROTECT MAN.**
> STEWART LEE UDALL



A DIFFERENT KIND OF PAPER: 100 % FROM SUSTAINABLE FORESTRY

In addition to plastic packaging, paper and cardboard folding boxes are among the most used packaging components. Here, LR is making a great contribution to sustainability. Our partner: the global market leader FSC®, the Forest Stewardship Council®.

The FSC has set itself the goal of promoting ecologically adapted, socially beneficial and economically profitable management of the world's forests. The FSC checks and certifies every step – from the cultivation of forests to the processing and manufacture of the finished products, in this case the folding boxes for LR.

We embarked on this project in 2020. By the end of this year, the majority of our products will have been converted to FSC materials. FSC® stands for "Forest Stewardship Council®." Our aim is to continue on this path over the next few years and to use FSC®-certified products where possible.

A SMALL SACRIFICE 136 TONS OF PLASTIC SAVED

An example for the reduction in plastic consumption at LR is that we no longer use the green dosing caps in our top sellers. We introduced this measure at the end of 2019. Since 2020, we were thus able to ensure that 136 tons of plastic per year where not produced and brought into circulation in the first place. This is an example for how a seemingly small sacrifice can have a huge impact. And that's just the start.

SUSTAINABLE FISHING QUALITY SEAL "FRIEND OF THE SEA"

Much of the world's fish population is in danger due to overfishing. It is therefore all the more important to LR that any maritime raw materials in our products are obtained in a sustainable way. We ensure this by only using certified ingredients. For the fish oil used in the LR LIFETAKT Super Omega capsules, LR has chosen to use products with the "Friend of the Sea" quality seal, which is issued by the World Sustainability Organization. The organisation "Friend of the Sea" is a world leader in maritime affairs related to sustainability.

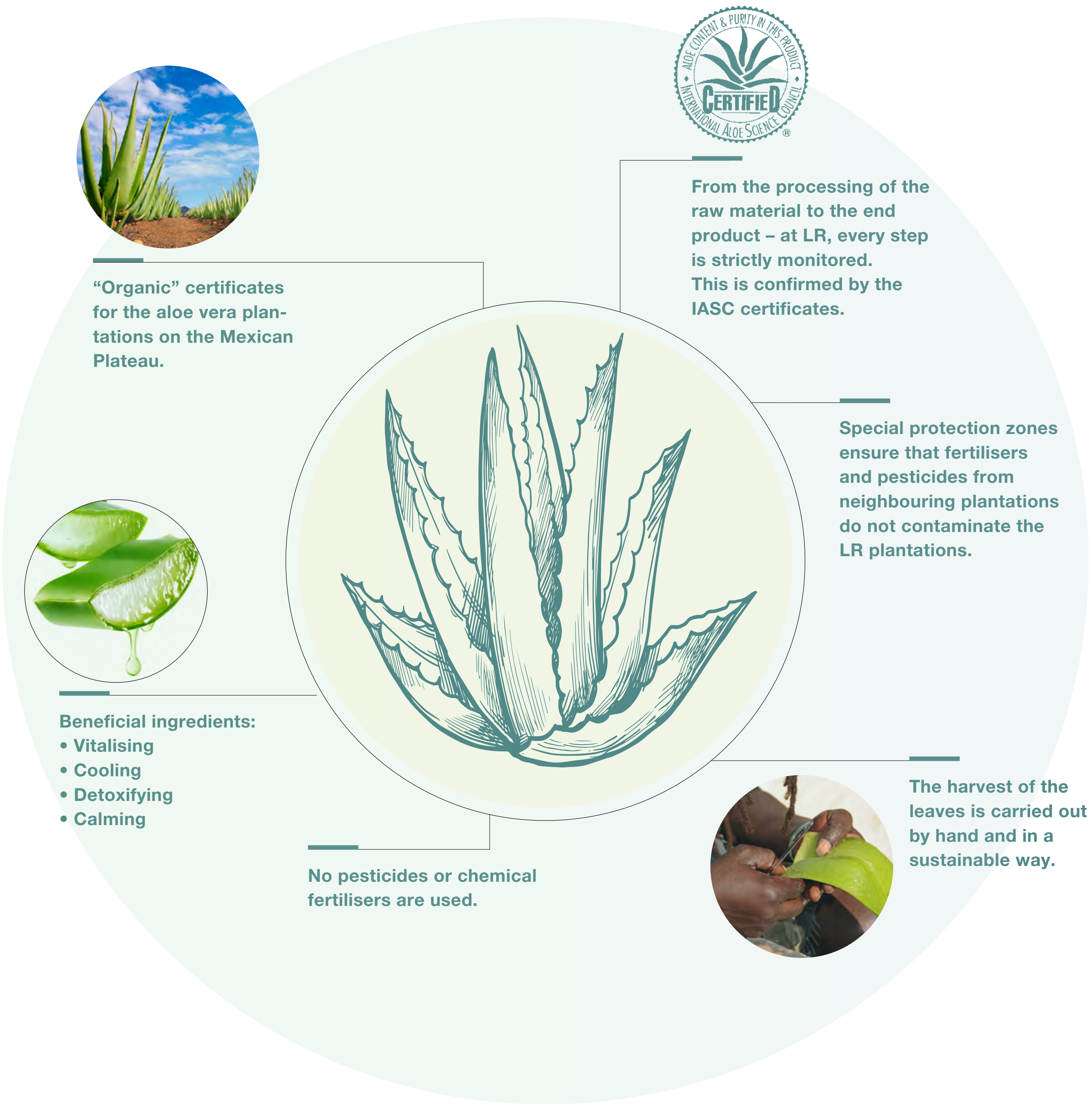
SUSTAINABLE NEW PRODUCTS: LR SOUL OF NATURE

With 100 % natural essential oils and up to 99 % natural ingredients in our care products, we consciously make a statement against synthetic ingredients. All bottles and jars are made of recycled plastic (rPET)** and all glass bottles are made of up to 55 % recycled glass. For labels, we avoid environmentally harmful finishing processes, such as hot foil. We use recycled paper for our set boxes and consistently avoid print finishing for our labeling. For the aroma diffuser, we have selected a particularly high-quality model that contains much less plastic than is customary in the market. For example, our cap is made entirely of ceramics.

- 100% natural essential oils
- Over 95% natural ingredients in the care products*
- Bottles & jars made from recycled plastics (rPET)**
- Essential oils & oil blends in glass bottles made in part from recycled glass***

*NOI=natural origin index according to ISO 16128. **Closures, caps and lids made of plastic (PP) ***May contain up to 55 % used glass.

MORE RESPONSIBILITIES



ORGANIC ALOE VERA CULTIVATION

The aloe vera plants used in LR products are grown on plantations on the Mexican Plateau and are specially cultivated for LR. They are also certified organic. No pesticides or chemical fertilisers are used in the cultivation of the plants. Merely the aloe mulch that accumulates during processing serves as a natural fertiliser. This mulch forms when the inner leaf fillet is separated from the outer leaf. The harvest of the leaves is carried out by hand and in a sustainable way. Only the outermost leaves, which are at least three years old, are harvested. This protects the plant and ensures the best possible concentration of beneficial ingredients.

MADE IN AHLEN SHORT DISTANCES MINIMISE RESOURCE CONSUMPTION & CO2 EMISSION

MADE IN GERMANY

LR is one of Europe's largest producers of Aloe Vera Drinking Gels. An important aspect in the production of the entire range of products is: a constantly high quality standard. Which is why we thought it prudent to concentrate the Aloe Vera Drinking Gel production in Ahlen. With our cutting-edge aloe vera production plant, we not only set new standards across Europe – we also bolster our "Made in Ahlen" claim. This not only boosts the quality, it also has an effect on sustainability.

A distributed production of the Aloe Vera Drinking Gels can lead to excess stock and also causes unnecessary transport costs. Thanks to the in-house production at our headquarters in Ahlen – with highly efficient machines and the latest technology – we are not only saving on transport, but the entire production process has been ecologically streamlined. Since 2020, this has saved us almost 300 truck journeys per year and thus around 52,000 litres of diesel.

28

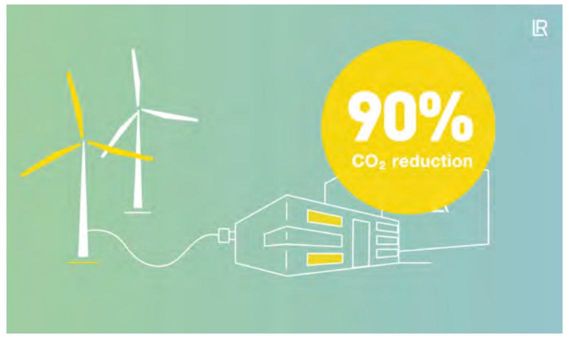
CHARGING STATIONS FOR E-MOBILITY

52,000

LITRES OF DIESEL AND THUS 300 LORRY TRIPS WERE AVOIDED

"THE FUTURE IS ELECTRIC"

In 2020, we invested in setting up a charging infrastructure for e-mobility: 28 charging stations were erected at the Ahlen site. These have been available to employees, sales partners and delivery companies since September 2020. 20 of these charging stations are located at the headquarters on Kruppstraße and eight at the aloe vera production facility on Porschestraße. With the introduction of the charging infrastructure and the associated expansion of the e-vehicle fleet, the direct sales company is taking another small step towards sustainable corporate management.



GREEN ENERGY A CONTRIBUTION TO CLIMATE PROTECTION

Since the third quarter of 2020, we have been using "green energy" supplied to us by the municipal works Ahlen. By purchasing over 3,000 MWh of green electricity in 2021, CO2 emissions of around 1,100 tons were avoided compared to the German average electricy mix in 2020. We are also examining the extent to which production can be made climate-neutral and whether there are other options for reducing our overall CO2 emissions.

MORE RESPONSIBILITIES

ACTING IN A SOCIALLY SUSTAINABLE WAY

FOR US, ACTING IN A SOCIALLY SUSTAINABLE WAY MEANS MAINTAINING A RESPECTFUL, FAIR AND EXEMPLARY WORK ENVIRONMENT THAT ENABLES EVERYONE TO DEVELOP INDIVIDUALLY AND FREELY. AT LR, WE PAY SPECIAL ATTENTION TO THE SMALLEST AND WEAKEST MEMBERS OF SOCIETY – CHILDREN.

17
COUNTRIES

17
CHILDREN'S AID PROJECTS

1.518
SPONSORING MEMBERS / AMBASSADORS
(Status as of October 2021)

Andreas Friesch at the Lunch Club during a planting campaign.

LR GLOBAL KIDS FUND GIVING CHILDREN OPPORTUNITIES

The LR Global Kids Fund e.V. was founded in 2009. The charity is based on the collective commitment of the company, its employees, sales partners and customers and supports aid projects in countries in which LR is active. And that's what makes it so special: the LRGKF is a charity that was founded by LR employees and offers wholehearted support for children.

An unbureaucratic, transparent and sustainable support is what we aim for. In addition, LR collaborates with reliable aid organisations around the world, such as the RTL Foundation and SOS Children's Villages. All donations go in full to local projects, because LR covers any administrative costs. LR currently supports children and youths in the areas of health and education (e.g. tuition, children's restaurant, language training) in 17 children's aid projects in 17 countries. To this end, the LR Global Kids Fund e.V. also collaborates with renowned and reliable aid organisations. Locally, we work with the children's aid foundation "Stiftung RTL – wir helfen Kindern e. V.", while internationally, we support a number of children's aid projects by "SOS Children's Villages".

> **"At LR, we take social responsibility. It is part of our company culture and goes with our brand promise MORE QUALITY FOR YOUR LIFE.**
>
> **Our claim MORE QUALITY FOR YOUR LIFE not only applies to our products and our business model, but also to our social commitment.**
>
> Andreas Friesch,
> Chairman of the LR Global Kids Fund e.V.
> and CEO of LR Health & Beauty

LR GLOBAL KIDS FUND
initiated by LR Health & Beauty

MORE RESPONSIBILITIES

HEALTH OF OUR EMPLOYEES
FIT FOR THE FUTURE

Health and beauty are not only found in LR's products but in our corporate philosophy, too. Since 2017, LR has offered its employees various services as part of its company health management programme, in order to make a sustainable contribution to maintaining the health of all employees. In addition to regular medical consultations on site, LR offers comprehensive check-ups for all employees at regular intervals.

The occupational health management (OHM) plan also includes a free annual flu jab. In addition, in consultation with the OHM team, professional prevention and fitness courses are offered to employees. Free fruit and water dispensers at all Ahlen sites complete the health management at LR. Employees can also boost their health while helping the climate: with the bike leasing scheme! The company bikes can be used to ride to and from work but also for private trips.

POWERFUL PERFORMANCE
IN TIMES OF CRISIS

Social distancing throughout the COVID-19 pandemic is creating new challenges for our daily work routines.

The LR Crisis Management Team is acting on regular basis responsible for updating and organizing all necessary protective and safety measures always following the most recent governmental requirements – such as providing face masks, Antigen Rapid Tests, Disinfectants, establishing social distancing rules in all relevant areas, involving the company doctor as well as cooperating with the local health departments.

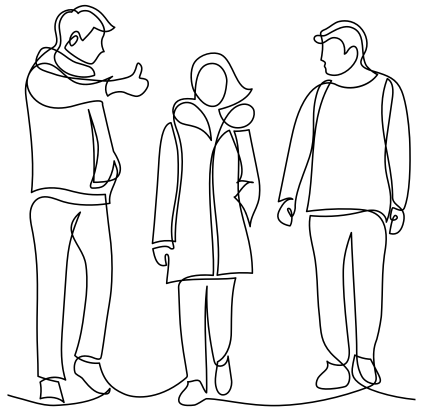
Individual solutions for mobile working has been developed & implemented. These take both operational issues and personal needs into account.

ONBOARDING
EASY INTRODUCTION TO THE COMPANY

Taking new employees "on board" is important to us. To facilitate getting started at LR, LR has established a comprehensive onboarding programme in addition to an orientation plan. An essential part is the mentoring programme. In the first few months at LR, every new employee is accompanied by a personal mentor – a contact person who is ready to assist and guide the newcomer in all professional, personal and organisational matters. The mentoring programme helps to quickly integrate new employees at LR, both on a professional and social level. At the same time, they learn to network within the company right from the start. In addition, the employees take part in a starter seminar and a tour of the company.

FAMILY AND CAREER
YOU CAN HAVE BOTH

At LR, every single employee counts. Therefore, we are always thrilled when mothers – or fathers – return to the company after their baby break, and we support this with various models. Different working models are also available to all other employees and can be arranged in consultation with their manager. For instance, we offer flexible working hours based on a flexitime corridor. In addition, employees may also choose to return as part-time workers. LR also offers mobile work.



TRAINEE CONCEPT
PROMOTING YOUNG PEOPLE HOLISTICALLY

Promoting and developing young talents and offering them a promising future is something LR strives for. In this context, LR is offering a comprehensive training programme, which, to date, covers a total of nine different professional fields. The training is not just about professional qualifications, but also boosts social and personal skills such as confidence, creativity and openness. Close collaboration with the respective manager and the HR department is a fundamental pillar of the training.

Our trainee programme for junior managers "of tomorrow" links theory and practice in a meaningful way, thereby enabling young people to successfully start their professional lives. Over the course of 24 months, the trainees receive comprehensive insights into the various areas of the company and are tasked with responsible jobs right from the start. Thus, they are well prepared for whichever area they decide to later work in. They are truly immersed into the various fields of work. As a global company, work at one of our 28 international locations is, of course, part of the trainee programme. This way, our trainees can experience the international nature of LR at first hand and help to shape it – it also allows them to further expand their social network.

ACTING IN AN ECONOMICALLY SUSTAINABLE WAY

FOR US, ACTING IN AN ECONOMICALLY SUSTAINABLE WAY MEANS FINDING AN ECONOMIC APPROACH THAT IS BASED ON FAIR DEALINGS WITH ALL PARTIES INVOLVED. IN ADDITION, WE ARE LOOKING TO BE ECONOMICALLY SUSTAINABLE IN THE LONG TERM TO ENSURE A BRIGHT FUTURE.

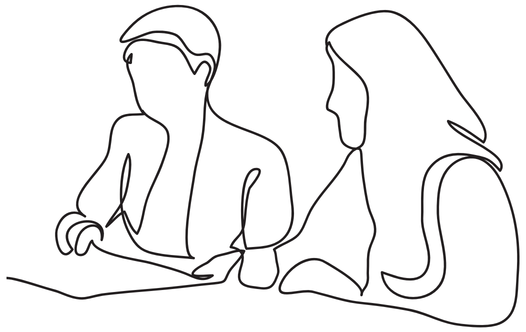
COMPLIANCE
EFFECTIVE RISK MANAGEMENT

Primary aim of the Compliance Management Policy at LR is preventing and clearing up any violations of legal, regulatory, contractual and other requirements, including internal company policies and guidelines. For a better understanding of the compliance aims, we have issued a code of conduct, which regulates important areas such as equal treatment, fair competition, anti-corruption, acceptance of gifts and environmental protection.

The Compliance Committee – made up of Internal Audit, Global Finance, Legal, HR and Compliance – meets regularly several times a year to coordinate and to report. Here, difficult compliance cases, legal news and reports from other LR countries are discussed, as are opportunities for improvement. This is particularly important due to LR's geographical expansion, the ongoing renewal of the product portfolio and the rapidly changing external factors, e.g. due to new legislation.

DIVERSITY
EQUAL TREATMENT, TOLERANCE & EQUAL OPPORTUNITIES

As a social organisation, LR – like society as a whole – is a cooperation of independently acting individuals with different needs. But everyone also contributes knowledge, creativity and their own view of things. We see this diversity as an asset for our company. For us, appreciating our employees is a matter of course. We accept the uniqueness of each individual, irrespective of sex, faith, age, sexual orientation or skin colour. We appreciate one another to learn from one another and to respect the other's personality. Different ways of thinking enable new perspectives. This way, new and creative ideas emerge that lead us on new paths for a better tomorrow. Variety and diversity foster huge innovative potential, both in our employees and in our partners, for an open, tolerant, creative and productive way of working and thinking.



CODE OF CONDUCT
RESPECT & FAIRNESS THROUGHOUT THE COMPANY

LR is a company with integrity and stands for fair, respectful behaviour towards employees and business partners as well as a high level of reliability in all business dealings. Our code of conduct is a key factor for our long-term success: every manager and every employee is obliged to treat one another, the company and business partners with respect, openness and honesty.

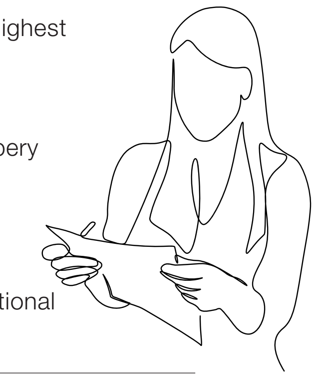
Important pillars of this mutually accepted code are...

...towards our employees:

- Fair and respectful conduct
- Fair payment and promotion of skills
- Equal treatment on all levels, irrespective of sex, religion, age, sexual orientation or skin colour
- Mutual openness and confidentiality with regard to all information

...towards our business partners:

- Customer orientation and highest product quality
- Integrity and loyalty
- Rejection of all kinds of bribery and corruption
- Protection of personal and business data
- Compliance with all international requirements and laws



MANAGEMENT REPORT

07

LR GLOBAL HOLDING GMBH, AHLEN / GERMANY

GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR FROM JANUARY 1, TO DECEMBER 31, 2021

The LR Health & Beauty Group and its parent company LR Global Holding GmbH (hereinafter referred to as the LR Group, LR or the Group) is an internationally operating enterprise with a primary focus on cosmetics and dietary supplements. The LR Group is represented with 32 companies worldwide. The Group's production site supplying all subsidiaries is in Ahlen (Germany). Research and development is also implemented exclusively in Germany.

The LR Group markets its products through direct sales with marketing plans focused on the European and Asian markets. The product range comprises dietary supplements, perfumes, cosmetics, cosmetic devices and accessories. The Company's business is primarily determined by private consumption and the pertinent cosmetics and food laws.

The obligation to prepare consolidated financial statements for LR Global Holding GmbH as parent company arose only with the acquisition of the LR Group at the closing date on March 7, 2013.

LR Global Holding GmbH was transferred to its sister company LR Health & Beauty SE, Munich, in a non-cash contribution by resolution dated November 30, 2021 and is now included in the latter's consolidated financial statements.

On March 31, 2022 the Group's consolidated financial statements were prepared by the management and subsequently submitted to the shareholders' meeting for approval.

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

A. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

Overall economy / sector development

The global economy rebounded in 2021 after the economic downturn as a result of the coronavirus pandemic in 2020. Social and economic life continued to be restricted by lockdowns in many countries in 2021 and company closures, contact limitations and curfews slowed the chain of infection of the virus. These restrictions had an impact on the economic performance of many countries again in 2021, but the effects on the overall development were not as severe as in the previous year. Estimates by the International Monetary Fund[1] (IMF) show that global economic growth was stronger than a mere recovery in 2021, increasing by 5.9% following a 3.1% contraction in the previous year.

In the euro zone, the most important market for the LR Group, the negative economic effects of the coronavirus pandemic in the previous year were even more significant than the global average with negative real GDP growth of 6.4%. However, with a recovery of 5.2% as projected by the IMF, the euro zone's economic performance fell short of its pre-crisis level.

In other markets that are important for the LR Group, real GDP developed more positively throughout the two pandemic years. The IMF estimates that the Russian economy, after shrinking by 2.7% in 2020, grew by 4.5% in 2021, thereby recovering to above its pre-pandemic peak. Turkey's economy saw slight growth of 1.8% in 2020 despite the pandemic and expanded by a strong 11.0% in 2021 according to the IMF. South Korea, an important future market for the LR Group, experienced a modest 0.9% GDP decline in the first coronavirus year before returning to positive growth of 4.0% according to the IMF's estimate.

According to the World Federation of Direct Selling Associations (WFDSA), the social selling industry recorded a decline in revenue worldwide in both 2019 and 2020. However, both years were shaped by a considerable slump in revenue in the Chinese market. Adjusted for this effect, the development for 2019 and 2020 can be considered as stable or slightly growing. According to our assessment, the development in 2021 and also the further development in 2022 still depends on the success of the digitalization of the industry due to the limited personal contact possible in many countries as a result of the coronavirus pandemic.

Production

The production facility for aloe vera drinking gels, set up jointly with the Theodor F. Leifeld-Stiftung, has been producing and bottling a substantial amount of dietary supplement products in Ahlen since 2018. With this step, the LR Group is consistently implementing its strategic commitment to the quality promise “Made in Germany.” In addition, the Company is further strengthening the profitability of this important product category. Most of the cosmetics and care products are also produced at the Ahlen site. In addition, contracts have been concluded with several suppliers. Decorative cosmetics and cosmetic devices are purchased as merchandise in Europe, accessories in Southeast Asia. The production and the dispatch line in Ahlen are designed for multi-shift operation. Staff shortages are covered by temporary workers. In 2021, the foundations for a new logistics building were laid, which is likewise being built by the Theodor F. Leifeld-Stiftung and will be used for a newer and more modern logistics system in the future.

Research and development

In its laboratories, the LR Group develops products for safeguarding and further expanding its market position, mainly in the field of cosmetics and dietary supplements. In addition to the application-oriented research and product developments, the focus is on contacting and negotiating with approval and monitoring authorities which have a significant influence on the launch of new products. In 2021, the focus was also on the rollout and enhancement of digital solutions to support the sales partners.

Research and development expenditure in the financial year amounted to kEUR 2,600 (PY: kEUR 2,203).

[1] World Economic Outlook Update, January 2022

Furthermore, own development costs for self-developed intangible assets in the amount of kEUR 1,854 (PY: kEUR 796) were capitalized. Amortization of capitalized development costs amounted to kEUR 1,373 in the 2021 financial year (PY: kEUR 538).

Headcount
During the 2021 financial year, the Group employed an average headcount of 1,295 (PY: 1,213), of which 765 can be allocated to the German subsidiaries (PY: 716).

In 2021, an average of 15 trainees were employed in the vocational fields of laboratory chemist, management assistant for marketing communications, IT specialist in system integration, industrial clerk, digital and print media designer, IT specialist in application development as well as mechatronics engineer. In general, permanent employment after successful completion of the apprenticeship is envisaged.

Furthermore a trainee program for university graduates started in 2020. An average of nine trainees in the divisions Global Finance, Global Project Management, Logistics, Marketing, New Markets, Sales Management and SCM International took part in this program in 2021. In addition, the LR Group has introduced a dual study program, which started with the first two participants in the field of business administration in 2021. The program will be continued in 2022 and new dual study participants will be employed.

B. POSITION OF THE GROUP

The entire assets, liabilities, financial position and financial performance of the LR Group can be illustrated by the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

Assets, liabilities and financial position
On the asset side, as of December 31, 2021, 64.6% (PY: 67.0%) of the balance sheet total of kEUR 231,018 (PY: kEUR 226,772) were non-current assets, thereof 9.1% (PY: 9.3%) property, plant and equipment, 12.2% (PY: 12.2%) right-of-use assets and 77.6% (PY: 77.0%) intangible assets. The latter mainly constitute goodwill which was capitalized as part of the acquisition of the LR Group on March 7, 2013.

Due to the difficult situation on the world logistics markets, the Group gradually expanded its inventories during the 2021 financial year to safeguard its ability to deliver at all times. This resulted in a significant year-on-year increase from kEUR 23,241 to kEUR 29,599. Trade receivables were down slightly to kEUR 10,209 (PY: kEUR 11,609). Other assets rose to kEUR 11,621 in 2021 (PY: kEUR 7,635).

Capital is allocated centrally via LR Global Holding GmbH, which provides the Group companies with liquidity and manages the issuing of guarantees and letters of comfort for Group companies. The Group is largely a single financial entity.

Cash amounted to kEUR 30,033 as of the reporting date (PY: kEUR 32,179).

The equity and liabilities side of the balance sheet was overhauled in 2021. On January 27, 2021 LR Global Holding GmbH issued a corporate bond of EUR 125 million. The senior secured bond was issued in a private placement to institutional investors mainly in Germany and other European countries. The bond was issued in the “Nordic bond format” in accordance with Swedish law and with the involvement of Nordic Trustee & Agency AB as trustee. The bond was admitted to trading on the Open Market of the Frankfurt Stock Exchange on February 3, 2021 (and has also traded on the NASDAQ Stockholm since January 26, 2022). The carrying amount of the corporate bond is equivalent to the issue amount of EUR 125 million less the commission recognized, which is being added back pro rata over the term of the bond.

The proceeds from the bond were used for the full premature repayment of the liabilities to financial institutions (senior facility agreement, SFA) and of a portion of the shareholder loan in the amount of EUR 40.4 million. As part of the early termination of the SFA, an indemnification payment of EUR 5 million was due to the banking syndicate, which was directly paid as a contribution to the capital reserve by the ultimate parent company of LR Global, Aloco Holding S.à r.l, Luxembourg, Luxembourg.

The term of the shareholder loan was extended in connection with the bond issue and the loan was measured using a market interest rate. The higher expense arising as a result of the measurement for the period from February 4 to November 30, 2021 was kEUR 6,987. Since the loan constitutes a transaction with the shareholders, the difference arising as a result of the measurement was posted as a contribution to the capital reserve. As of November 30, 2021, the shareholder loan including nominal interest accrued up to that date (EUR 146.3 million) was contributed by the shareholder in a non-cash contribution to the free capital reserve of LR Global Holding GmbH pursuant to Sec. 272 (2) No. 4 HGB [“Handelsgesetzbuch”: German Commercial Code].

The LR Group’s equity improved substantially to kEUR 29,542 in 2021 on account of these actions (PY: kEUR -120,490).

Lease liabilities amounted to kEUR 18,624 and are therefore at roughly the level of the previous year (kEUR 18,828). Of this amount, kEUR 12,022 (PY: kEUR 13,014) relates to non-current and kEUR 6,602 (PY: kEUR 5,814) to current lease liabilities.

Trade payables in the amount of kEUR 33,410 rose significantly compared with the previous year (kEUR 27,460) due in particular to the build-up of inventories.

In the 2021 financial year, the operating cash flow amounted to kEUR 25,361 (PY: kEUR 34,471). The cash flow from investing activities amounted to kEUR -5,583 (PY: kEUR -5,870). The cash flow from financing activities amounted to kEUR 22,339 (PY: kEUR -19,102) and included the repayment of the real estate loan for the head office in Ahlen of kEUR 3,938 as well as the matters from the bond issue described above.

The LR Group ensures that it can fulfill its obligations at all times. Its business activities create the basis for its ability to generate sustainable cash flows. The bond market is another major source of funding. See the above explanations in this regard.

Financial performance
The growth course that started in 2019 and continued with a significant increase in 2020 continued with more moderate growth in the 2021 financial year.

The revenue from sold goods amounted to kEUR 296,239 and other revenue to kEUR 12,400 in the 2021 financial year. As a result the LR Group’s revenue before sales deductions amounted to kEUR 308,639 (PY: kEUR 296,440) and after sales deductions to kEUR 292,940 (PY: kEUR 281,227).

Revenue after sales deductions (without revenue of other segments) breaks down into the three regions for segment reporting purposes as follows: region 1 (kEUR 154,926; PY: kEUR 152,333), region 2 (kEUR 78,915; PY: kEUR 78,267) and region 3 (kEUR 57,142; PY: kEUR 49,279).

Compared to the previous year, other operating income increased moderately from kEUR 8,374 to kEUR 8,643 in the 2021 financial year. Cost of materials, as a percentage of overall performance[2], amounts to 19.2% (PY: 18.1%) and is subject to periodic fluctuations caused by seasonality and sales activities during the year.

Personnel expenses increased to kEUR 54,162 (PY: kEUR 51,986) due to transformation processes and expansion in individual markets, as well as general wage and salary development. Nevertheless the ratio of personnel expenses to overall performance decreased slightly from 18.4% to 18.3% due to the revenue growth.

The Group's other operating expenses are mainly composed of bonuses granted, royalties and distribution costs, as well as marketing, consulting and administration costs. The increase from kEUR 150,597 to kEUR 157,462 was largely due to revenue-based bonuses and distribution costs.

Amortization, depreciation and impairment increased in the 2021 financial year from kEUR 12,422 to kEUR 14,833.

Aside from interest expenses of kEUR 8,996 for the bond, the financial result was affected by special effects in interest expenses. A compensation payment of kEUR 5,000 was agreed in connection with the repayment of the liabilities to financial institutions. In addition, the remeasurement of the shareholder loan in connection with its extension gave rise to additional interest expenses of kEUR 6,987. The adjustment is based on measurement using an interest rate corresponding to the observable market rate of 8.5%. The negative interest result increased significantly from kEUR -4,782 to kEUR -24,139 as a result.

EBITDA[3] increased slightly compared to the previous year from kEUR 36,704 (normalized kEUR 42,489) to kEUR 36,793 (normalized kEUR 41,652). Following a consolidated profit of kEUR 14,757 in the previous year, the Group reports a consolidated loss of kEUR -8,704 in the 2021 financial year. This was essentially due to the special effects in interest expenses described above and the increase in amortization, depreciation and impairment as well as tax expenses, which could not be offset by the slightly improved EBITDA.

For an explanation of change in cash and cash equivalents as well as the underlying movements of funds, please refer to the statement of cash flows.

Financing activities
On January 27, 2021, LR Global, the parent company of the Group, placed a senior secured corporate bond in a "Nordic bond format" under Swedish law and with the involvement of Nordic Trustee & Agency AB as trustee with a volume of EUR 125 million. Interest on the corporate bond is paid quarterly. The interest rate is based on the 3-month EURIBOR (at least 0%) plus a margin of 7.25 percentage points. The bond, which is listed on the Frankfurt Stock Exchange (unregulated market) and the NASDAQ Stockholm, has a term of four years and matures on February 3, 2025.

The senior facility agreement (SFA) that was renegotiated with a banking syndicate in October 2018 was terminated on February 4, 2021 and paid back in full including the accrued interest.

The management considers the development of the assets, liabilities, financial position and financial performance to be very positive overall. In particular, the growth course started in the previous years was continued in the 2021 financial year with moderate growth. See the outlook for information on the expected development in the 2022 financial year.

C. IMPORTANT FINANCIAL PERFORMANCE INDICATORS

In order to analyze the course of business and the Group's position, EBITDA and revenue are used as financial performance indicators for management purposes and are compared with the previous year's forecasts for the reporting period. In addition, the LR Group uses normalized EBITDA as a performance indicator to assess the profitability of its operating business. The aim of this key figure is to calculate EBITDA adjusted for one-off, non-recurring and unusual operating expenses and income and, if necessary, adjusted on a pro forma basis.

D. IMPORTANT NON-FINANCIAL PERFORMANCE INDICATORS

Apart from financial indicators, the LR Group's business value is also determined by non-financial indicators, concerning the relationships of the Company with its partners and employees as well as the product strategy. The LR Group is aware that this goal can only be achieved if it is able to retain competent and committed employees in the long term as an attractive and responsible employer and it develops products and solutions which meet the customers' requirements in the future. The Company attaches major importance to sustainably increasing the benefit for partners through its product and service offers.

E. REPORT ON RISKS AND OPPORTUNITIES

Risk management
The internal control system for the accounting process consists of the following subareas:

The Group's internal rules on the preparation of financial statements and accounting (e.g. guidelines, circulars) are made available promptly to all employees involved. The consolidated financial statements are prepared in a uniform Group-wide reporting system. Reconciliation processes for Group-internal business transactions serve to prepare the corresponding consolidation steps. Central contact persons of the LR Group are also in continuous contact with the local subsidiaries in order to ensure IFRS-compliant accounting and compliance with reporting deadlines and obligations.

Information from the Group is gathered in Corporate Controlling/Group Controlling and is systematically and regularly evaluated via KPIs and reported to the management. Revenue is reported per country and region on a daily basis. Revenue and earnings forecasts are prepared regularly. Information on partner productivity (assessed by the number of orders and order value per partner), number of active partners as well as on product quality (assessed by the number of returns, value, article and reason for return) are analyzed on an ongoing basis. A comprehensive reporting package including a statement of profit or loss, balance sheet, cash flow, revenue development by countries and product groups with

[2] Overall performance comprises revenues and changes in finished goods and work in progress.
[3] Earnings before interest, taxes, depreciation and amortization

analyses of deviations against the plan and previous year as well as company-relevant KPIs at Group level is also prepared for the management and the advisory board on a monthly basis.

In addition, the LR Group records risks through the compliance department and the involvement of the operational managers within the context of the risk management system. It serves to identify, assess and control internal and external risks at an early stage. The focus of risk identification is the risk inventory, which determines the main risks on an annual basis. The course of business and the opportunities and risks arising from current business are discussed in the meetings of the company management and the advisory board. In principle, uniform guidelines apply to all business divisions, which are defined by the management of the LR Group and monitored by a central compliance system with the involvement of regional compliance delegates.

Business and market risks
The LR Group operates in a market characterized by a constant change in customer needs and the entry of potential competitors. In order to meet the needs of customers and to differentiate ourselves from potential competitors, new products and services are continually developed and existing products and services improved. Further business development and the success of the business model are based on private demand and the competitiveness of the overall offer (product and business opportunities) on the market. The drivers for future growth and thus business success are the number of new partners, improvement of reselling rates, a consistently good product quality, attractive business opportunities and compensation arrangements for partners as well as country and language-oriented optimization of offers. The proactive steering of the outlined success factors is intended to ensure a positive development of the sales partners, thus reducing the main risks for our business model.

The Group's ability to acquire partners and to maintain and grow sales through its partners can be impacted by negative publicity or a negative public perception of the Group, the Group's competitors or the industry in general. The increase in the use of social and digital media increases the speed and scale at which information, including misinformation, and opinions can be spread. Negative public perception can also include negative publicity with regard to the sales structure of major social selling companies and a negative perception of the business model or products of competitors. A large share of the LR Group's income from the sale of goods is generated with products containing aloe vera. Negative publicity about products containing aloe vera in general could lead to a decline in consumer interest and weaken LR's success factor aloe vera as a result.

The current economic situation due to COVID-19 is being closely monitored in its development by the LR Group. In order to optimally handle the current situation and immediately respond to changing conditions, the management has developed a multi-level emergency plan and set up a COVID-19 crisis team. As a social selling company, the LR Group could also potentially be hit by current measures by governments; however, revenue development in 2020 and 2021 has continued to be very positive. This especially concerns the demand for immune products. The current developments in the pandemic with the Omicron strain are resulting in restrictions on social and economic life being lifted in most countries in which LR operates. Furthermore, experience with the COVID-19 pandemic thus far has shown that the LR Group has a very stable business model for such a situation. Nonetheless, a future negative impact on the further development cannot be ruled out. In particular, implementation of the expansion strategy including the development of the Group's first Asian market in South Korea was made particularly difficult by the locally imposed measures in 2021. Following the exponential rise in the number of cases at the beginning of 2022, the introduction of stricter measures and restrictions by the South Korean government could make it even more difficult for LR to tap into the South Korean market.

The political situation in Europe, the Group's most important sales market, had been very stable over the last few years. This has changed with the escalation in the Russia-Ukraine conflict. The LR Group has one sales company in Ukraine and one in Russia, with the Russian company additionally serving the market in Kazakhstan. The two companies accounted for 10.8% of the LR Group's total revenue from sold goods in the 2021 financial year. The outbreak of war in Ukraine and the sanctions against Russia pose significant risks for the further business development in both countries. Furthermore, additional risks in the countries and markets directly bordering Ukraine cannot be ruled out.

Moreover, the political and economic developments are constantly monitored by the management in order to be able to actively respond to any deterioration in framework conditions.

Operative risks
Continuous control in line with the latest quality and safety regulations ensure top-quality and premium products. In addition to quality assurance of the existing product range, new and refined products are developed here as well. Considerable emphasis is placed on compliance with quality standards of the cosmetics and food regulations to reduce the product risk.

Most orders from partners and customers are placed online through the Group's IT platform. In addition, the LR Group is greatly dependent on IT systems to maintain its revenue streams, communicate efficiently with partners and to receive information on customer behavior and the sales patterns on various markets. This is especially significant against the backdrop of the current IT projects to enhance the mobile apps available to the partners, the Group website, ERP (enterprise resource planning) system and other administrative systems. Unplanned downtime of the Group's IT systems, including the ERP system, due to system failure, computer viruses, denial of service attacks or other reasons therefore poses a considerable risk.

A significant share of the Group's revenue relates to products manufactured and/or packaged at the LR Group's production facilities in Ahlen, Germany. Unplanned downtime at the Group's production facilities due to plant outages, power cuts, natural disasters, supplier insolvency or other causes could impair the Group's ability to meet delivery requirements in part or in full. In addition, supplier failure or disruptions to supply chains could have significant negative effects on the manufacture and packaging of the Group's products. This is especially the case given the currently difficult situation in the global supply chains that emerged in the course of the coronavirus pandemic and that has been further exacerbated by the war in Ukraine. The management's focus is on ensuring the supply of goods and upholding the supply chain to ensure the Group's ability to deliver at all times. To this end, in the current financial year, the inventories was repeatedly and promptly restocked, even beyond the stock levels of previous years.

Payment default risks are reduced by the type of payment methods offered as well as by using credit ratings from external service providers. In addition, accounts receivable are continuously monitored in the operational business.

Further operative risks that might significantly influence the Company are currently not known.

Financial market risks
Foreign currency risks exist with suppliers who deliver on US$ basis. Currency hedging takes place in individual cases, but was not carried out in the reporting period. Significant risks of price changes or default are not known. Foreign currency risks for deliveries to non-European countries are not minimized through financial measures but through shaping the economic conditions (i.e. “natural hedging”). In addition, there are exchange rate risks for the LR Group due to business activities and net investments in subsidiaries from non-euro countries. The Group’s five most important non-euro markets in 2021 were the Czech Republic (Czech koruna), Poland (Polish zloty), Russia/Kazakhstan (Russian ruble/ Kazakhstani tenge), Bulgaria (Bulgarian lev) and Ukraine (Ukrainian hryvnia).

A general rise in interest rates would increase the LR Group’s interest expenses and future refinancing costs. The bond uses EURIBOR in particular as a benchmark rate for its floating rate of interest. Since EURIBOR is currently negative, the rate does not need to be hedged at present. If interest rates rise, this could change and the Group might have to enter into interest rate hedges to cover the interest rate risk.

The liquidity risk is regularly monitored on the basis of budgetary planning. The Group’s liquidity provision provides a sufficient risk buffer for unplanned payments.

Legal risks
In the course of our business activities, risks with an average probability of occurrence and moderate effects on our financial performance and financial position may arise from legal disputes, mainly with respect to competition, patent, tax or contract law or product liability. These risks are actively addressed through internal guidelines and professional legal advice, and attempts are made to mitigate them in advance.

The Group currently operates in 28 countries, in which very different rules and regulations, e.g., concerning marketing and quality standards for cosmetics and food safety, can apply. Non-adherence to such rules and regulations as well as regulatory or statutory changes can result in existing or future licenses and approvals being revoked or not issued or in penalties being imposed or claims being asserted against the Group.

As part of its business activities, the Group uses IT systems in which it collects, uses, transfers and stores personal data on its extensive partner and customer base, which comprises hundreds of thousands of people in all of the LR Group’s markets. Data protection laws in the European Union are particularly comprehensive and complex, with a trend towards stricter enforcement of the requirements for the protection and confidentiality of personal data. In addition, the various data protection authorities in the member states of the European Union can interpret the applicable laws differently, and data protection legislation is a dynamic area of law, in which applicable guidelines and earlier precedents are frequently revised, sometimes with limited or no consideration of the old equipment or systems in use, which increases the complexity. Infringements of data protection regulations can result in investigations and/or other actions by supervisory or other authorities, litigation, fines, sanctions and damage to the LR brand.

Other regulatory factors that could have a negative impact on the Group include:

- The imposition of legal, tax or financial constraints on the Group or its partners that exert financial and/or structural pressure on the Group and its sales model
- Contesting the status of the partners as independent contractors rather than employees or a change in employment laws or regulations or the social security regulations relating to independent contractors, which could result in additional financial obligations, investigations and fines
- Trade defense actions and import or export licenses, restricting LR’s options for selling its products
- Unexpected amendments to laws, ordinances and administrative acts or court rulings, in particular with regard to food product laws, or amendments to guidelines that the Group or its suppliers are required to observe

Strict compliance with the statutory stipulations in the dietary supplements field, especially after the entry into force of the Health Claims Regulation on July 1, 2007, are crucial for reducing risks. In connection with the general regulations applying to health and beauty products, the regulation of hydroxyanthracene derivatives (HAD), chemical substances that can occur naturally in products containing aloe vera, is an issue. The key regulation in this context is Regulation (EC) No 1925/2006 of the European Parliament and of the Council of 20 December 2006 on the addition of vitamins and minerals and of certain other substances to foods. In March 2021, this was amended by Commission Regulation (EU) 2021/468 and now contains a ban on the addition of HAD (and preparations containing HAD) to food, which, according to the wording of the regulation, would have been tantamount to an effective ban on the substance. After the amendment became effective, the Standing Committee on Plants, Animals, Food and Feed (PAFF) concluded that a certain number of parts per million (ppm), this being less than 1 ppm, can apply as a limit of quantification (LOQ) for deeming a substance to substantially contain no HAD. This interpretation was confirmed by the European Commission. The LR Group examines on a regular basis whether it products adhere to the limits specified in Regulation (EC) No 1925/2006 and has not identified any concentrations of HAD above 1 ppm to date.

Overall, we currently see no risks jeopardizing the continuance of the Group.

Opportunities
On the one hand, many of the business and market risks described are offset by corresponding opportunities in the event of a positive development; on the other hand, certain risks are taken in order to exploit potential opportunities. This correlation with the main Group risks creates further opportunities for the LR Group.

Direct sales as a sales channel is becoming more attractive worldwide, thereby opening up future opportunities for the Company. In this environment, the LR Group is reinforcing its positioning as a social selling platform. In addition to the channel-specific advantages, LR also has opportunities on the product level since general trends such since anti-aging, self-medication, etc. influence the growth of the categories.

The increased focus on social selling activities, differentiated, country-specific market cultivation, the current development of new premium range concepts as well as sound training in the LR Academy, combined with a comprehensive car plan and international celebrities as cooperation partners form the basis of a positive future development. A major focus in the past financial year and also in the coming years is the further expansion of digital offerings and services – a field that offers considerable opportunities for the LR Group. The sales concept has also been developed further in the past year to contribute to the partners’ success by means of differentiated market cultivation.

F. OUTLOOK

The course of the coronavirus pandemic will continue to be a main factor for developments in 2022. At the end of 2021 and at the beginning of 2022, the new COVID-19 variant Omicron spread around the world, causing more restrictions on freedom of movement in many countries. In addition, the ongoing difficult situation on the global logistics and procurement markets and potentially higher inflation expectations as a result are likely to impact the world economy in 2022. At the time of preparing this report, it was not possible to predict the extent to which the Russia-Ukraine conflict and resulting sanctions will affect the economy, especially in Europe.

Current forecasts by the International Monetary Fund (IMF) show a positive trajectory for 2022 and 2023 for nearly all markets following the negative development in the first coronavirus year 2020 and an economic recovery in 2021. The IMF projects somewhat more modest growth of 4.4% for the overall global economy in 2022 compared with an estimated economic development according to the IMF of 5.9% in 2021 (as of January 2022 in each case; possible effects of the Russia-Ukraine conflict have not been considered).

For the euro zone, the IMF predicts further recovery in economic performance of 3.9% in 2022, which together with the estimated growth of 5.2% in 2021 would be above the pre-coronavirus level again (negative economic growth of 6.4% in 2020) (as of January 2022; possible effects of the Russia-Ukraine conflict have not been considered).

The forecasts for the other key markets of the LR Group are also positive (as of January 2022; possible effects of the Russia-Ukraine conflict have not been considered): The IMF forecasts economic growth of 2.8% for Russia and relatively moderate growth of 3.3% for Turkey for 2022, which bucked the global trend during the coronavirus pandemic with a slightly positive economic development of 1.2% in 2020 before achieving double-digit growth of an estimated 11.0% in 2021. The downturn in South Korea was very minor in the first coronavirus year, with negative growth of 0.9% according to the IMF, and was more than compensated for by estimated growth of 4.0% in 2021. For 2022, the IMF forecasts more moderate growth of 3.0%. Consequently, positive economic growth can be expected in all markets relevant for the LR Group according to the IMF forecast (as of January 2022; possible effects of the Russia-Ukraine conflict have not been considered).

The combination of strategic enhancement of the sales model, new products and strategic projects, especially in the area of digitalization, has already proved very successful in the challenging environment in the first coronavirus year of 2020 as well as in 2021 with revenue at an all-time high in both years. In addition to significant technical innovations in the online sector and the further development of the sales remuneration system, the Group is focusing on the development of sustainable story-telling solutions in order to differentiate itself from the online and retail sectors.

The slight increase in revenue and EBITDA at the level of the previous year forecasted for the 2021 financial year were achieved with record revenue of kEUR 292,940 and with EBITDA of kEUR 36,793 slightly above the previous year's level.

The LR Group's forecast for the 2022 financial year was initially for revenue similar to the previous-year figure (around 5%), assuming a revenue share of around 12% for Russia and Ukraine. Due to the current Russia-Ukraine conflict and its potential negative economic effects on the markets relevant for the LR Group, an accurate forecast is not possible at present as the concrete effects on the business development of the LR Group are difficult to predict. In particular, it is not currently possible to assess the impact on neighboring countries such as Poland, the Czech Republic and Romania.

A moderate decline in EBITDA was initially forecast for the 2022 financial year, due in particular to the investments in digitalization and the extension of the logistics center. This forecast included a below-average EBITDA margin for Russia and Ukraine. The concrete impact of the Russia-Ukraine conflict and the effects on EBITDA described below cannot be precisely quantified at the current time. On the supply side, neither Russia nor Ukraine are particularly relevant for the LR Group. Nonetheless, the conflict and the resulting sanctions can exacerbate the situation on the logistics and procurement markets. Besides the Russia-Ukraine conflict, rising inflation is also impacting performance. However, the LR Group currently assumes that the effect of the general inflationary trend in costs for materials can be offset by price rises.

Ahlen, March 31, 2022

LR Global Holding GmbH
- Company management -

Andreas Friesch (CEO)   Dr. Andreas Laabs (CFO/COO)

CONSOLIDATED FINANCIAL STATEMENTS

08

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2021

kEUR	Note	Dec. 31, 2021	Dec. 31, 2020
ASSETS			
Non-current assets			
Intangible assets	15.	115,859	116,940
Property, plant and equipment	14.	13,620	14,074
Financial assets	17.1	0	4
Right-of-use assets	28.	18,214	18,571
Deferred taxes	13.	1,611	2,247
		149,304	**151,836**
Current assets			
Inventories	18.	29,599	23,241
Trade receivables	19.	10,209	11,609
Income tax receivables	20.	252	222
Other assets	20.	11,621	7,635
Cash	21.	30,033	32,179
		81,714	**74,886**
TOTAL ASSETS		**231,018**	**226,722**

kEUR	Note	Dec. 31, 2021	Dec. 31, 2020
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		25	25
Capital reserve		160,102	1,790
Currency translation reserve		-5,145	-5,575
Accumulated loss		-125,440	-116,730
Total equity before non-controlling interests		29,542	-120,490
Non-controlling interests		-5	-11
TOTAL EQUITY	**22.**	**29,537**	**-120,501**
Non-current liabilities			
Provisions	24.	391	716
Deferred taxes	13.	2,972	2,893
Liabilities from bonds	27.	123,657	0
Liabilities to shareholders	26.	0	186,226
Lease liabilities	28.	12,022	13,014
Other liabilities	25.	18	3,341
		139,060	**206,190**
Current liabilities			
Trade payables	25.	33,410	27,460
Other liabilities	25.	9,640	11,444
Lease liabilities	28.	6,602	5,814
Liabilities to financial institutions	17.2	0	84,800
Income tax liabilities	25.	6,687	4,704
Provisions	24.	6,082	6,811
		62,421	**141,033**
TOTAL LIABILITIES		**231,018**	**226,722**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE 2021 FINANCIAL YEAR

kEUR	Note	2021	2020
Revenue	4.	292,940	281,227
Changes in finished goods and work in progress		3,746	823
Other operating income	7.	8,643	8,374
Cost of materials	6.	-56,912	-51,137
a) Raw materials and supplies		-46,893	-42,380
b) Cost of purchased services		-10,019	-8,757
Personnel expenses	8.	-54,162	-51,986
a) Wages and salaries		-45,861	-44,439
b) Expenditures for social security and pension schemes		-8,301	-7,547
Other operating expenses	10.	-157,462	-150,597
EBITDA		**36,793**	**36,704**
Amortisation and depreciation		-14,833	-12,422
Interest income	11.	47	96
Interest expenses	12.	-24,186	-4,878
Profit or loss before tax		**-2,179**	**19,500**
Income taxes	13.	-6,525	-4,743
PROFIT OR LOSS FOR THE PERIOD		**-8,704**	**14,757**
thereof attributable to			
Non-controlling interests		6	-4
Shareholders		-8,710	14,761

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2021 FINANCIAL YEAR

kEUR	2021	2020
Profit or loss for the period	**-8,704**	**14,757**
Components of other comprehensive income which will be reclassified to profit or loss after tax in subsequent periods	430	-93
Currency translation differences	430	-93
Components of other comprehensive income which will be not reclassified to profit or loss after tax in subsequent periods	0	0
TOTAL COMPREHENSIVE INCOME	**-8,274**	**14,664**
thereof attributable to		
Non-Controlling interests	6	-4
Shareholders	-8,280	14,668

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR 2021

kEUR		Subscribed capital	Capital reserve	Accumulated loss	Currency translation reserve	Equity before non-controlling interests	Non-controlling interests	Total equity
Jan. 1, 2020	**Note**	**25**	**1,790**	**-131,491**	**-5,482**	**-135,158**	**-7**	**-135,165**
Currency translation differences	22.	0	0	0	-93	-93	0	-93
Profit or loss for the period		0	0	14,761	0	14,761	-4	14,757
Dec. 31, 2020/ Jan. 1, 2021		**25**	**1,790**	**-116,730**	**-5,575**	**-120,490**	**-11**	**-120,501**
Currency translation differences	22.	0	0	0	430	430	0	430
Profit or loss for the period		0	0	-8,710	0	-8,710	6	-8,704
Contribution of the shareholder loan at nominal value	22.	0	146,325	0	0	146,325	0	146,325
Contribution of unpaid interest on the shareholder loan	22.	0	6,987	0	0	6,987	0	6,987
Grant provided by shareholders	22.	0	5,000	0	0	5,000	0	5,000
DEC. 31, 2021		**25**	**160,102**	**-125,440**	**-5,145**	**29,542**	**-5**	**29,537**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 2021 FINANCIAL YEAR

kEUR	Note	2021	2020
1. Cash flow from operating activities			
Profit or loss for the period (including results of minorities)		-8,704	14,757
Amortisation and depreciations (+) of fixed assets	14.	14,833	12,422
Increase (+) / reduction (-) in provisions		-1,055	2,655
Other non-cash expenses(+) / income (-)		-2,233	657
Losses (+) on the disposal of fixed assets		69	0
Increase (-)/reduction (+) of inventories, trade receivables and other assets	18. to 20.	-8,859	-5,261
Increase (+)/reduction (-) of trade payables and other liabilities		4,495	1,127
Interest expenses (+)/interest income (-)	25.	24,139	4,782
Income tax expenses (+) / income (-)	11. to 12.	6,525	4,624
Income taxes paid (-)	13.	-3,849	-1,292
CASH FLOW FROM OPERATING ACTIVITIES		**25,361**	**34,471**
2. Cash flow from investing activities			
Payments from (+) the disposal of property, plant and equipment		18	28
Payments for (-) investments in property, plant and equipment		-1,496	-1,148
Payments from (+) the disposal of intangible assets		0	4
Payments for (-) investments in intangible assets		-4,109	-4,877
Payments from (+) the disposal of non-current financial assets		4	123
Payments for (-) additions to the basis of consolidation		0	-4
CASH FLOW FROM INVESTING ACTIVITIES		**-5,583**	**-5,874**
3. Cash flow from financing activities			
Proceeds (+) from equity contributions	22.	5,000	0
Payments (-) for interest		-14,250	-1,244
Payments for (-) repayment of (finance) loans	17.2	-84,800	-10,000
Repayment (-) of a real estate loan	27.	-3,938	0
Payments from (+) the issue of loans	17.2	125,000	0
Repayment (-) of shareholder loan	26.	-40,400	0
Repayment (-) of lease liabilities	28.	-8,951	-7,858
CASH FLOW FROM FINANCING ACTIVITIES		**-22,339**	**-19,102**
4. Cash at the end of period			
Net decrease (-) or increase (+) in cash (subtotal 1 to 3)		-2,561	9,495
Changes in cash due to exchange rates		415	-116
Cash at the beginning of period		32,179	22,800
CASH AT THE END OF PERIOD		**30,033**	**32,179**

LR GLOBAL HOLDING GMBH AHLEN / GERMANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2021 FINANCIAL YEAR

1. INFORMATION ON THE GROUP

The consolidated financial statements of LR Global Holding GmbH, Ahlen, and its subsidiaries (hereinafter jointly referred to as “the Group”) for the year ended December 31, 2021 were authorized for issue in accordance with a resolution by the Company’s management on April 8, 2022. LR Global Holding GmbH (hereinafter referred to as “LR Global”) is a company with limited liability incorporated in Germany, domiciled in Ahlen, Germany, and registered in the Münster Commercial Register under HRB 14367. The Company has its registered office in Kruppstrasse 55, 59227 Ahlen, Germany.

The Group is an internationally operating enterprise with a primary focus on cosmetics and dietary supplements. LR Global is represented with 32 subsidiaries worldwide. The Group’s production site is located in Ahlen (Germany). All subsidiaries are supplied from Ahlen. Research and development is also implemented exclusively in Germany.

The Group markets its products through direct sales with marketing plans focused on the European and Asian markets. 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 1 January and ends on 31 December.

On 31 March 2022, the consolidated financial statements were prepared by management and subsequently submitted to the shareholders’ meeting for approval.

LR Global was transferred to its sister company LR Health & Beauty SE, Munich, in a non-cash contribution by resolution dated November 30, 2021 and is now included in the latter’s consolidated financial statements. Since this date, LR Health & Beauty SE, Munich, has held all the shares in LR Global. The ultimate controlling parent company remains Aloco Holding S.à r.l., with registered office in Luxembourg, Luxembourg.

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

The Group assets were assessed 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 statements
The consolidated financial statements of LR Global as of December 31, 2021 were prepared in line with the International Financial Reporting Standards (IFRS), as adopted by the EU and by taking into account the applicable regulations under commercial law according to Sec. 315e (1) of the German Commercial Code (HGB). They comply with IFRS as published by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared using the historical cost principle.

The functional currency and reporting currency of the Group is euro (EUR). The consolidated financial statements are prepared in euro as the majority of transactions within the Group is implemented in said currency. 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 statements comprise the financial statements of LR Global and its subsidiaries for the year ending December 31, 2021. Control within the meaning of IFRS 10 shall be said to exist if the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group controls an investee if and only if it has:

- power over the investee (i.e. due to the current existing rights, the Group has the opportunity to control such activities of the investee which have a significant impact on its returns);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor’s returns.

In general, it is assumed 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 an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. These include:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The consolidation of a subsidiary commences on the day on which the Group has attained control over the subsidiary. It ends when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or sold during the reporting period are reported in the consolidated financial statements 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 comprehensive income are allocated to non-controlling interests even if this results in the non-controlling interests having a negative balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

In the event that the Group loses control over the subsidiary, the associated assets are derecognized (including goodwill) as well as liabilities, non-controlling interests and other equity components. Any gain or loss as a result thereof is reported in profit or loss. Any retained investment is measured at fair value. Furthermore, the components of other comprehensive income attributable to the parent company are transferred to profit or loss or retained earnings, as required, and the cumulative currency translation differences are derecognized from equity.

2.3 Basis of consolidation

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

	Germany	International	TOTAL
December 31, 2021	7	25	32
December 31, 2020	7	25	32

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

	Share-holding (in %)	Cur-rency	Equity holding	Net income*
NAME AND REGISTERED OFFICE	2021		Dec. 31, 2021	2021
ACTIVE DOMESTIC COMPANIES				
LR Health & Beauty Systems GmbH, Ahlen**	100	kEUR	62,974	14,675
LR Health & Beauty Systems Beteiligungs GmbH, Ahlen	100	kEUR	51,980	12,984
LR International Beteiligungs GmbH, Ahlen	100	kEUR	40,122	-1,048
LR Partner Benefits GmbH, Ahlen	100	kEUR	-227	3
Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG, Ahlen	94	kEUR	9	-6
LR Deutschland GmbH, Ahlen	100	kEUR	25	-45
ACTIVE FOREIGN COMPANIES				
LR Health & Beauty Systems B.V., Oisterwijk, The Netherlands	100	kEUR	-1,171	-70
LR Health & Beauty Systems GmbH, Innsbruck, Austria	100	kEUR	303	265
LR Health & Beauty Systems AG, Steinhausen ZG, Switzerland	100	kCHF	370	188
LR Health & Beauty Systems Kft., Budapest, Hungary	100	kHUF	-37,311	-52,510
LR Health & Beauty Systems ApS, Copenhagen, Denmark	100	kDKK	-20,653	-818
LR Health & Beauty Systems EPE, Athens, Greece	100	kEUR	-988	-40
LR Cosmetic Belgium b.v.b.a, Herentals, Belgium	100	kEUR	1,467	-257
LR Health & Beauty Systems AS, HØnefoss, Norway	100	kNOK	-9,573	21
L. de Racine Cosmeticos Lda., Loures, Portugal	100	kEUR	-5,180	256
LR Health & Beauty Systems Sp. z.o.o., Katowice, Poland	100	KPLN	2,708	2,919
LR Health & Beauty Systems Ltd., Istanbul, Turkey	100	kTRY	-68,546	-32,896
LR Health & Beauty Systems AB, Klippan, Sweden	100	kSEK	-5,478	-1,067
LR Health & Beauty Systems OY, Turku, Finland	100	kEUR	-369	-80
LR Health & Beauty Systems S.R.L., Milan, Italy	100	kEUR	390	167
LR Health & Beauty Systems EOOD, Sofia, Bulgaria	100	kBGN	-391	410
LR Health & Beauty Systems SRL, Bucharest, Romania	100	kRON	-11,614	-93
LR Russ O.O.O, Moscow, Russia	100	kRUB	-898,657	160,886
LR Health & Beauty Systems s.r.o., Malenovice, Czech Republic	100	kCZK	452,917	29,734
LR Health & Beauty Systems SAS, Caluire-et-Curie, France	100	kEUR	1,935	1,376
LR Health & Beauty Systems Sh.p.k., Tirana, Albania	100	kALL	-210,709	13,514
LR Health & Beauty Systems SL, Barcelona, Spain	100	kEUR	-2,406	-36
LR Health & Beauty Systems s.r.o., Turzovka, Slovakia	100	kEUR	456	438
LR Health & Beauty Systems TOV, Kiev, Ukraine	100	KUAH	-26,417	11,113
LR Jersey Holding Limited, Jersey	100	GBP	1	0
LR Health & Beauty LLC, Seoul, South Korea	100	kKRW	-1,523,866	-3,071,669

* before profit transfer

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

There were no changes in the basis of consolidation in the 2021 financial year.

2.4 Summary of significant accounting policies

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 acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree'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 acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the Group's net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the fair value of the net assets acquired is still in excess of the aggregate consideration transferred after remeasurement, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units which are expected to benefit from the business combination. 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 presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within 12 months after the reporting date, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting 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,
- due to be settled within 12 months after the reporting date, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting 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 initially measures financial instruments at fair value (adjusted for transaction costs). Certain financial instruments are recognized at their fair value at each reporting date (Note 17.3).

Fair value is the price that would be received in case of the sale of 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 to sell the asset or transfer the liability takes place either:

- 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, assuming 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 highest and best use or by selling it to another market participant who would use the asset in its highest 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

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 services. 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 company, the LR Group distributes various personal care, beauty, health and nutrition products using its sales partner structures. Customers are able to register as partners and receive revenue-based discounts on their own transactions. If these partners build up their own sales structures, they also receive bonuses on the revenue generated by their structures based on the LR marketing plan with its staggered bonus system. The higher the partner's own revenue and the revenue generated by their own structure, the higher the bonus they can earn. Besides monetary rewards, bonuses include the opportunity to participate in a car program established by the LR Group under which they can lease cars at cheaper rates or the possibility to qualify for certain LR events.

Sale of goods

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, which according to the terms of sale is generally upon transfer of the goods to the logistics company. The main payment methods are credit card, debit order, cash on delivery and PayPal. The usual payment period is seven days. However, incoming payments may vary due to the payment methods offered to customers.

Other revenue

Other revenue comprises revenue from services to the partners such as seminars, events and other fees. This revenue is recognized at the point in time at which the services were rendered in full. Other revenue also includes rental income for vehicle subleased to partners, which is recognized over time. The payment period is one to seven days.

Sales deductions

As part of the direct sale of its products, the Group grants its partners revenue-based discounts. The amount of revenue-based discounts varies by customer category in the Group's marketing plan. The discounts are treated as sales deductions and deducted from the revenue from the sale of goods. The discounts are recognized as trade payables, since they are only paid out in the month after the order.

Rights of return

Over and above the legal requirements, the Group grants its partners the right to return unopened, undamaged and unused goods within 60 days. The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue.

The expected value is determined by applying the average return rate for the last 12 months to the revenue of the last month of the reporting period. The return rate itself is calculated using the value of the returns in a given month in relation to the incoming orders for that month. As in the previous year, the amount as of the reporting date is immaterial and will therefore not be discussed any further.

Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. For this purpose, the Group recognizes warranty provisions. Details on the accounting method for warranty provisions are contained in section q) Provisions. As in the previous year, the amount as of the reporting date is immaterial and will therefore not be discussed any further.

e) Taxes

Current income tax

Current income tax assets and liabilities 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 reporting 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 taxes

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting 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, 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, 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 reporting 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 reassessed at each reporting 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 recoverability of deferred tax assets is assessed on the basis of the budget and forecast which are also used to test for impairment of assets elsewhere in the financial statements.

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 or substantially enacted at the reporting date.

Deferred tax relating to items recorded outside profit or loss are also recorded outside profit or loss. 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 to reflect any 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 legally enforceable right to set off 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.

Value added tax
Expenses and assets are recognized after deduction of VAT. 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 asset 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 the tax authority is included in the balance sheet under receivables or payables.

f) Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is the parent company's functional currency. The Group determines the functional currency for each company. The items included in the financial statements of each company are measured using the functional currency. The Group applies the direct consolidation method; as soon as a foreign operation is divested, the gain or loss reclassified to profit or loss corresponds to the amount resulting from the application of this method.

Transactions and balances denominated in foreign currencies
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. Tax charges from exchange differences on those monetary items are also recognized directly in other comprehensive income.

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 gain or loss from the translation of non-monetary items measured at fair value is based on the recognition of the gain or loss from the change in the fair value of the item. (Translation differences from items for which the gain or loss from the measurement at fair value is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

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

Group companies
On consolidation, the 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:

EUR 1 =	ISO code	Average exchange rates 2021	Exchange rates at the reporting date Dec. 31, 2021
Albanian lek	ALL	122.4809	120.7600
Pound sterling	GBP	0.8601	0.8400
Bulgarian lev	BGN	1.9558	1.9558
Danish krone	DKK	7.4371	7.4369
Norwegian krone	NOK	10.1655	9.9885
Polish zloty	PLN	4.5648	4.5944
Romanian leu	RON	4.9209	4.9488
Russian ruble	RUB	87.2358	84.9763
Swedish krona	SEK	10.1451	10.2558
Swiss francs	CHF	1.0814	1.0333
South Korean won	KRW	1,353.9378	1,344.9570
Czech koruna	CZK	25.6482	24.8610
Turkish lira	TRY	10.4614	15.1415
Ukrainian hryvnia	UAH	32.2947	30.8835
Hungarian forint	HUF	358.4479	369.8500

g) Property, plant and equipment

Assets under construction 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 significant 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, office and operating equipment: 3 to 23 years

Property, plant or equipment is derecognized either when it is disposed of (i.e., at the date the recipient obtains control) 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 statement of profit or loss when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively 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 for a specific period in exchange for consideration.

Group as a lessee

The Group recognizes and measures all leases according to a single model. The Group does not make use of any of the exemptions granted under IFRS 16. It recognizes liabilities for lease payments and right-of-use assets for the right to use the underlying assets.

Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis using the shorter of the lease term and the estimated useful life of the leases. Broken down by asset class, the leases have the following terms:

- Buildings: up to 10 years
- Equipment and machinery: up to 6 years
- Vehicles: up to 3 years
- IT hardware and other equipment: up to 5 years

The right-of-use assets are also tested for impairment. Details on the accounting policies are provided in section o) Impairment of non-financial assets.

Lease 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 in-substance 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 incremental 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 an option to purchase the underlying asset.

Group as a lessor

Leases in which the Group does not transfer substantially all risks and benefits of ownership of an asset to the lessee are classified as operating leases.

The Group has subleases in place for cars that the Group leases and rents out to partners; these are classified as operating leases. The lease liabilities and the right-of-use assets under the main lease have been recorded by the Group.

Rental income is recognized on a straight-line basis over the term of the leases and is reported under other revenue due to its operating nature. Contingent rents are recognized as income in the period in which they are earned.

i) Borrowing costs

The Group has not capitalized any borrowing costs as part of the cost of an asset in the reporting year or the previous year.

j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Self-developed intangible assets other than capitalized development costs are not recognized. Instead, the cost incurred for these assets is recognized in profit or loss in the period in which it is incurred.

The assets recognized in the balance sheet have finite useful lives with the exception of goodwill.

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 amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. For software, a useful life of 3 to 7 years has been assumed.

Goodwill is tested for impairment at least once a year or whenever there are any indications of impairment. Impairment testing is performed at the level of the cash-generating unit.

An intangible asset 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 derecognition 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 as expenses in the period in which they are incurred. Development costs for self-developed software projects are recognized as an intangible asset if the Group can demonstrate:

- the technical feasibility of completing the software so that the software will be available for use or sale
- its intention to complete the software and its ability to use or sell the software
- the way the asset will generate future economic benefits
- the availability of resources to complete the asset
- 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 amortization and accumulated impairment losses. Amortization begins when development has been completed and the software is available for use. It is amortized over the period of expected future benefit. Amortization is recognized under amortization, depreciation and impairment.

k) 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.

l) Financial assets
Initial recognition and measurement
On initial recognition, financial assets are generally measured at fair value plus transaction costs and classified as 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 exception of trade receivables, the Group measures financial assets at amortized cost plus transaction costs incurred. Trade receivables are measured at the transaction price disclosed in section d) Revenue from contracts with customers.

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

The LR Group holds financial assets exclusively to collect 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, security deposits for rent and bank guarantees, other financial assets as well as cash.

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
The Group recognizes an allowance for expected credit losses (ECL) on all debt instruments. 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 enhancements that are an integral part of the terms of the contract.

For trade receivables, the Group uses a simplified method to calculate expected credit losses. using allowance rates that are based on days past due.

m) Financial liabilities
Initial recognition and measurement
Financial liabilities are initially measured at fair value or fair value less transaction costs. The Group's financial liabilities include trade payables, lease liabilities, other financial liabilities, bonds, and loans and borrowings including bank overdrafts.

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

- Financial liabilities measured at amortized cost (loans and borrowings)

Financial liabilities measured at amortized cost
After initial recognition, interest-bearing loans and borrowings are measured at amortized

cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest method depreciation process.

Amortized cost is 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 underlying the liability is discharged or canceled, or expires. If an existing financial liability is exchanged for another financial liability 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 balance sheet 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.

n) Inventories

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

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

- Raw materials and supplies: First in – first out method (Fifo)
- Finished goods and work in progress: Cost 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 costs necessary to make the sale.

o) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that non-financial assets may be impaired, especially goodwill, other intangible assets or property, plant and equipment and right-of-use assets. 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 such cases, recoverability is tested at the level of the CGU. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered 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.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have 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 previous years. Such reversal is recognized in the statement of profit or loss. Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) 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.

p) Cash

Cash in the balance sheet comprises cash at banks and on hand and is measured at amortized cost. Due to the good creditworthiness of the relevant banks, no loss allowances were required.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are as defined above, net of any outstanding bank overdrafts.

q) 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, 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 under the marketing plan or other rewards. Participants qualify for certain benefits, such as trips, based on the achievement of predefined targets in a specified period; these benefits are only granted after the reporting date. The total provisions are based on the expected cost and the number of qualifying participants as of the reporting date (see Note 24).

The Group recognizes provisions for warranties required by law for the remediation of defects in its technical products that existed at the time of sale. The provisions are based on the historical replacement rate, which is applied to the number of appliances sold and the production cost applicable as of the reporting date.

2.5 Changes in accounting policies
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following amendments were effective for annual periods beginning on or after January 1, 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021

None of these amendments had a material impact on the consolidated financial statements of the Group.

3. ESSENTIAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS

The management makes judgments, estimations and assumptions for preparing the consolidated financial statements that affect the reported amounts of revenue, expenses, 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 affected assets or liabilities.

Judgments
When applying the group accounting policies, the management made the following judgments, which have a significant impact on the amounts recognized in the consolidated financial statements:

Determining the term of leases with renewal and termination options – 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 (see Note 28).

Evaluating debtors' future solvency
The assessment of the recoverability of trade receivables and other financial assets is subject to judgment when evaluating debtors' future solvency.

Estimations and assumptions
The most important assumptions with respect to the future as well as other key sources of estimation uncertainties existing on the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year 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 circumstances and assumptions on future developments might, however, be subject to changes due to market fluctuations and market circumstances beyond the control of the Group. Such changes will only be reflected in the assumptions when they occur.

Impairment of non-financial assets
An 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 its 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 incremental 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 16.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

See Note 5 Operating segments for the breakdown of revenue by geographical region. 63.4% (PY: 61.6%) of revenue from goods was generated with products from the Health area, 33.9% (PY: 35.6%) from the Beauty area and 2.7% (PY: 2.8%) from the Others area.

Other revenue comprises revenue from services rendered such as cost allocations, seminars and events as well as revenue of kEUR 4,400 (PY: kEUR 3,409) recognized over time from subleasing vehicles to partners. The sales deductions mainly comprise revenue-based discounts to partners.

5. OPERATING SEGMENTS

For management purposes, the Group is organized into business units and its respective national companies and establishments are combined into three regions. Local companies are not grouped by geographical location but grouped individually. Segment reporting has been introduced for the first time in the 2021 financial statements, with information also provided for the 2020 comparative period. In this context, the Group's goodwill was allocated to the individual business units by reference to the business unit's share in the Group's fair value in 2021.

The three reported regions break down in detail as follows:

Region 1 comprises Belgium, Denmark, Germany, Finland, France, Luxembourg, the Netherlands, Norway, Austria, Sweden and Switzerland

Region 2 comprises Italy, Poland, Portugal, Slovakia, Spain, Czech Republic and Ukraine

Region 3 comprises Albania, Bulgaria, Greece, Kazakhstan, Romania, Russia, Turkey, Hungary and Cyprus

The "Adjustments" column largely contains the Group's holding and management companies as well as eliminations.

The Company's management board is the chief operating decision maker, who separately monitors the business units' operating results to make decisions about resources to be allocated and assess its performance. For the analysis of business performance and the Group's situation, the management board uses earnings before interest, taxes, depreciation and amortization (EBITDA) as well as gross revenue as financial ratios which are compared with the latest forecast for the reporting period. Group financing (including finance costs, finance income and other income) and income tax expenses are managed on a group basis and are not allocated to operating business units.

Transfer prices between the German production company and the local sales companies are based on the transactional net margin method in accordance with the OECD Guidelines. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The table below shows the revenue, EBITDA and goodwill of the LR Group's business units for the 2021 financial year:

kEUR	Region 1	Region 2	Region 3	Total segments	Adjustments	Total
2021						
Revenue from external customers	155,149	80,945	59,216	295,310	929	296,239
Revenue from other segments	57,066	1,675	1,327	60,068	-60,068	0
Other revenue	7,120	2,379	1,873	11,372	1,028	12,400
Sales deductions	-7,343	-4,409	-3,947	-15,699	0	-15,699
TOTAL REVENUE	**211,992**	**80,590**	**58,469**	**351,051**	**-58,111**	**292,940**
Segment EBITDA	27,865	6,967	5,394	40,226	-3,433	36,793
Goodwill	76,547	14,325	10,647	101,519	0	101,519

The table below shows the revenue, EBITDA and goodwill of the LR Group's business units for the 2020 financial year:

kEUR	Region 1	Region 2	Region 3	Total segments	Adjustments	Total
2020						
Revenue from external customers	153,308	80,857	50,712	284,877	0	284,877
Revenue from other segments	52,334	10,602	1,084	64,020	-64,020	0
Other revenue	6,532	1,988	1,695	10,215	1,348	11,563
Sales deductions	-7,507	-4,578	-3,128	-15,213	0	-15,213
TOTAL REVENUE	**204,667**	**88,869**	**50,363**	**343,899**	**-62,672**	**281,227**
Segment EBITDA	28,793	5,768	4,938	39,499	-2,795	36,704
Goodwill	76,547	14,325	10,647	101,519	0	101,519

Revenue from external customers breaks down by geographical region as follows:

kEUR	2021	2020
Germany	96,328	92,335
France	30,703	31,679
Rest of Europe and Asia	169,208	160,863
TOTAL REVENUE FROM EXTERNAL CUSTOMERS	**296,239**	**284,877**

The breakdown is based on the location of the national companies, which corresponds to the location of the customer.

6. Cost of materials

Cost of materials consists of the following:

kEUR	2021	2020
Cost of raw materials and supplies	-46,893	-42,380
Cost of purchased services	-10,019	-8,757
TOTAL COST OF MATERIALS	**-56,912**	**-51,137**

7. Other operating income

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

kEUR	2021	2020
Currency translation gains	5,006	5,206
Income from recharges to shareholders	1,012	0
Own work capitalised	472	796
Sundry other operating income	2,153	2,372
TOTAL OTHER OPERATING INCOME	**8,643**	**8,374**

Sundry other operating income includes income from written-off receivables, income from the transfer of partner structures, compensation from suppliers and items of income from individual countries which are all insignificant on their own and are therefore grouped under this item.

Income from operating leases – the Group as lessor

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

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

kEUR	Dec. 31, 2021	Dec. 31, 2020
Up to 1 year	202	165
Between 1 and 2 years	102	77
Between 2 and 3 years	21	1
TOTAL	**325**	**243**

TEUR	Dec. 31, 2020	Dec. 31, 2019
Up to 1 year	165	223
Between 1 and 2 years	77	171
Between 2 and 3 years	1	75
TOTAL	**243**	**469**

8. PERSONNEL EXPENSES

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

kEUR	2021	2020
Wages and salaries	-45,861	-44,439
Expenses for social security and pension schemes	-8,301	-7,547
TOTAL PERSONNEL EXPENSES	**-54,162**	**-51,986**

During the 2021 financial year, the Group employed an average headcount of 1,295 (PY: 1,213), of which 765 (PY: 716) can be allocated to the German subsidiaries and 530 (PY: 497) to the subsidiaries outside Germany. The total number of employees of 1,295 includes 15 (PY: 14) apprentices and 9 (PY: 8) trainees.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs reported in the statement of profit or loss for the 2021 financial year amount to kEUR 2,600 (PY: kEUR 2,203).

10. OTHER OPERATING EXPENSES

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

kEUR	2021	2020
Bonuses granted	-98,056	-94,599
Selling expenses	-30,574	-29,960
Administration costs	-16,603	-14,705
Legal and consulting fees	-8,249	-7,715
Royalties	-860	-760
Sundry other operating expenses	-3,120	-2,858
TOTAL OTHER OPERATING EXPENSES	**-157,462**	**-150,597**

The increase in bonuses granted to partners in 2021 is due to the increase in revenue.

11. INTEREST INCOME

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

kEUR	2021	2020
Interest income from bank balances	30	26
Other interest income	17	70
TOTAL INTEREST INCOME	**47**	**96**

12. INTEREST EXPENSES

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

kEUR	2021	2020
Interest expenses bonds	-8,996	0
Interest expenses shareholder loan	-7,486	-664
Interest expenses bank overdraft/loans	-6,059	-3,064
Interest expenses lease liabilities	-1,320	-1,000
Other interest expenses	-325	-150
TOTAL INTEREST EXPENSES	**-24,186**	**-4,878**

13. INCOME TAXES

The major items of income tax expenses for the 2021 and 2020 financial years are as follows:

kEUR	2021	2020
Current income tax		
Current tax expenses	-5,810	-5,137
Deferred tax income		
Origination and reversal of temporary differences	-715	394
from deferred tax assets	-636	473
from deferred tax liabilities	-79	-79
TOTAL	**-6,525**	**-4,743**

No deferred taxes were recognized in other comprehensive income.

The reconciliation between income tax expenses and the product of profit or loss for the period multiplied by the tax rate applicable for the Group (2021: 31.4%, 2020: 31.4%) for the 2021 financial year can be broken down as follows:

kEUR	2021		2020	
PROFIT OR LOSS FOR THE PERIOD BEFORE TAXES	-2,179		19,500	
Anticipated income tax (2021: 31.4%, 20120 31.4%)	684		-6,123	
Change in recoverability of deferred tax assets	-3,770		616	
Income tax expenses/income for previous years	-293		560	
Non-deductible tax expenses	-1,269		-462	
Non-deductible business expenses		-652		-174
Trade tax additions		-581		-278
Non-deductible expenses Sec. 8b of the German Corporation Tax Law		-36		-10
Permanent difference	-2,194		0	
Tax rate difference	324		645	
Other	-7		21	
INCOME TAX EXPENSES	**-6,525**		**-4,743**	

Deferred taxes

Deferred taxes can be broken down as follows:

kEUR	Dec. 31, 2021	Dec. 31, 2020
Capitalisation of self-developed intangibles assets	-2,082	-2,316
Valuation of financial assets	-19	-19
Depreciation of buildings	-163	-160
Valuation of trade receivables	330	283
Valuation of inventories	749	491
Valuation of non-current provisions	36	92
Capitalisation of transaction costs for bonds	-675	0
Valuation of trade payables	-110	-47
Valuation of current provisions	108	125
Valuation of other liabilities	32	64
Right-of-use assets and lease liabilities	130	158
Loss carryforwards available for offsetting against future profits	303	683
DEFERRED TAX ASSETS/LIABILITIES, NET	**-1,361**	**-646**
Reported in the balance sheet as follows:		
Deferred tax asset	1,611	2,247
Deferred tax liability	-2,972	-2,893
DEFERRED TAX ASSETS/LIABILITIES, NET	**-1,361**	**-646**

Of the deferred tax assets reported in the balance sheet, kEUR 1,309 (PY: kEUR 1,810) become due within the next 12 months.

Of the deferred tax liabilities reported in the balance sheet, kEUR 737 (PY: kEUR 0) become due within the next 12 months.

As of December 31, 2021, no deferred tax assets were recognized for interest carryforwards of kEUR 64,926 (PY: kEUR 55,792). If the interest carryforwards could be utilized, profit would increase by kEUR 17,859 (PY: kEUR 15,346).

Furthermore, the Group did not recognize any deferred tax assets for loss carryforwards of the subsidiaries of kEUR 10,834 (PY: kEUR 6,416) or for temporary differences at the subsidiaries of kEUR 563 (PY: kEUR 86), since they were not expected to be usable. Deferred tax assets recognized in connection with the Portuguese subsidiary's loss carryforward were written down by kEUR 380 in the financial year. If losses and temporary differences for which no deferred tax assets were recognized could be used, profit would increase by kEUR 2,314 (PY: kEUR 1,463).

Deferred tax liabilities of kEUR 819 (PY: kEUR 819) were recognized for temporary differences in connection with shares in LR Health & Beauty Systems GmbH of kEUR 52,160 (PY: kEUR 52,160), since there was no intention to dispose of the shares.

14. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment can be found in the statement of changes in fixed assets.

Impairment of property, plant and equipment
There was no evidence for the necessity to carry out an impairment test for property, plant and equipment.

15. INTANGIBLE ASSETS

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

- Goodwill (see Note 16)
- Software
- Self-developed intangible assets
- Consultant workforce

A useful life of three to seven years is assumed for software and self-developed assets.

As part of the business combination in 2013, the partner agreements in place at the time were classified and measured as long-term customer relationships. The partners were classified in the Group's marketing plan according to their qualifications. For amortization purposes, different useful lives were assumed for each category of measured relationships:

	Useful life
Consultant workforce	
Category 1	3 years
Category 2	5 years
Category 3	9 years

The category 1 and 2 consultant workforce has therefore already been fully amortized. The category 3 consultant workforce will be fully amortized in March 2022.

The development of intangible assets can be found in the statement of changes in fixed assets.

16. GOODWILL

Acquired goodwill of kEUR 135,055 arose for the Group from the business combination in 2013. As part of an impairment test, an impairment loss of kEUR 33,536 was recognized on this amount in the 2018 financial year.

In the first ever segment report for the current reporting year and the comparative period, the Group's goodwill has been allocated to the individual business units by reference to the business units' share in the Group's fair value as of June 30, 2021. As of December 31, 2021, the goodwill allocated to the three segments totaled kEUR 101,519 (PY: kEUR 101,519). See Note 5 for details of the allocation of goodwill to the individual business units.

Impairment tests were performed on the respective assets at segment level as of December 31, 2021. The impairment tests led to no impairment in the 2021 financial year.

For the calculation of the impairment test, 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 9.03% (PY: 5.13%) before tax. The same rate was applied to all segments due to the cross-border partner structures. The LR Group believes that a potential purchaser would also use this approach for the same reason. The forecast cash flows for the individual segments is based on budgetary planning for the period from 2022 to 2024 for the individual countries and Group companies. A price increase of 4% was used for this forecast period. The expected average revenue growth rate is 3.9% for region 1, 6.5% for region 2 and 17.9% for region 3. As such, the growth rates are in line with the very positive business performance, especially since the 2020 financial year. The gross profit margin is expected to remain unchanged. The growth rate used to calculate the perpetual annuity was 1% (PY: 1%).

Basic assumptions for value in use calculation
The following assumptions for the calculation of value in use are subject to estimation uncertainties:

- Gross margins
- Discount rates
- Price development
- Revenue growth rate

Gross profit margins – The gross profit margins for the subsequent financial year are calculated using an integrated planning process. The national companies' individual plans are aggregated and grouped into cash-generating units. The management estimates subsequent years in the medium-term plan beyond the budget period at Group level using assumptions based on historical data. The outcome is then broken down to country level.

Discount rates – Discount rates represent the current market assessment of the risks specific to each cash-generating unit. The discount rate was estimated based on the weighted average cost of capital customary within the industry using a peer group of companies with similar product portfolios, i.e., who sell either health or beauty products and whose key business activities are conducted in Europe. The peer group was adjusted in the current financial year to shift the focus to companies selling health products.

Price development – Estimations are based on previous actual price developments, and known future price changes from price increases announced by suppliers are used as an indicator for future price developments.

Revenue growth rate – The growth rates are based on estimates by the management using historical data and the current revenue momentum in the individual markets. The growth rates play an important role in the calculation of future income and consequently also in the calculation of cash flow forecasts beyond the budget period.

Sensitivity of the assumptions made – The management holds the view that, according to prudent judgment, no fundamentally possible change to basic assumptions for determining the value in use of the cash-generating unit might lead to a situation where the carrying amount of the cash-generating unit materially exceeds its recoverable amount. There will be no need for impairment in case of a change of the interest rate by +5%.

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

17.1 Financial assets

kEUR	Dec. 31, 2021	Dec. 31, 2020
MEASURED AT AMORTIZED COSTS		
Cash	30,033	32,179
Trade receivables	10,209	11,609
Receivables from insurance contracts	0	4
Security deposits and other deposits	1,185	793
Other receivables from shareholders	1,012	0
Other financial assets	3,909	3,032
TOTAL FINANCIAL ASSETS	**46,348**	**47,617**
thereof non-current	0	4
thereof current	46,348	47,613

Other financial assets include commission receivables of kEUR 3,734 (PY: kEUR 2,836).

See Note 19 for details of expenses from financial assets. Interest income from cash is outlined in Note 11.

17.2 Financial liabilities

Interest-bearing loans

kEUR	Interest rate %	Majurity	Dec. 31, 2021	Dec. 31, 2020
Non-current interest-bearing loans				
Corporate bond	Euribor + 7.25	2025	123,657	0
Shareholder loan	0.5	2025	0	186,226
Lease liabilities	7.24 - 18.78	2023-2032	12,022	13,014
Current interest-bearing loans				
Facility A	Euribor + Margin	2021	0	43,306
Facility B	Euribor + Margin	2021	0	41,494
Fixed-rate loan Styria		2021	0	3,895
Lease liabilities	7.24 - 18.78	2022	6,602	5,814
TOTAL INTEREST-BEARING LOANS			**142,281**	**293,749**

On January 27, 2021, LR Global, the parent company of the Group, placed a senior secured corporate bond in a “Nordic bond format” under Swedish law and with the involvement of Nordic Trustee & Agency AB, Stockholm, Sweden, as trustee with a volume of EUR 125 million (see Note 27).

The senior facility agreement (SFA) that was renegotiated with a banking syndicate in October 2018 was terminated on February 4, 2021 and facilities A and B were both paid back in full including the accrued interest of kEUR 627. As part of the early termination, an indemnification payment of EUR 5 million became due to the banking syndicate, which was directly paid by the ultimate parent company of LR Global, Aloco Holding S.à r.l, Luxembourg (see Note 22). The expense for the compensation payment was recognized under interest expenses for loans (see Note 12).

The fixed-interest loan of kEUR 3,895 granted by Raiffeisen Bank International AG, Vienna, Austria, to Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG on January 1, 2007 as part of the financing of the property at Kruppstrasse 55 in Ahlen was duly terminated by LR Global and fully repaid on July 27, 2021.

The shareholder loan plus accrued interest was contributed to the capital reserve of LR Global with effect from November 30, 2021 (see Notes 22 and 26).

See Note 12 for details of the interest expenses for the individual interest-bearing debt instruments.

Other financial liabilities

kEUR	Dec. 31, 2021	Dec. 31, 2020
Other financial liabilities measured at amortized costs		
Trade liabilities	33,410	27,460
Other financial liabilities measured at amortized costs	1,160	416
TOTAL FINANCIAL LIABILITIES	**34,570**	**27,876**
thereof non-current	1,070	1,888
thereof current	33,500	25,988

17.3 Fair value

The methods used and assumptions made for determination of fair values can be broken down as follows:

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

The fair values of cash, trade receivables, other financial assets, trade payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments. Consequently, no fair values are reported for these financial instruments.

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

kEUR		Fair value measurement using			
		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities for which a fair value is reported					
Interest bearing loans					
Corporate bond	123,657	128,125	0	0	128,125

The levels are described in Note 2.4c).

The fair value of the corporate bond is based on the observable market price of EUR 102.50 per bond as of December 31, 2021.

Quantitative disclosures for fair value measurement of liabilities according to hierarchy as of December 31, 2020:

kEUR		Fair value measurement using			
		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Carrying amount	Level 1	Level 2	Level 3	Total
Liabilities for which a fair value is reported					
Interest bearing loans					
Fixed-rate loan Styria	3,895	0	3,895	0	3,895
Variable-rate liabilities to financial institutions	84,800	0	84,800	0	84,800
Fixed-rate loan shareholders	186,226	0	186,226	0	186,226

17.4. Objectives and policies of the risk management for financial instruments

The Group's principal financial liabilities comprise corporate bonds, interest-bearing loans and borrowings, trade and other payables, other financial liabilities and bank guarantees. 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 which directly result from its business activity.

The Group is exposed to the following risks.

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 three types of risk: Interest rate risk, foreign currency risk and other price risks such as the commodity price risk. 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, 2021.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates as of the reporting date relates primarily to the corporate bond, which bears interest at a rate of EURIBOR + 7.25 % (with a floor of zero).

If the interest level in the course of the 2021 financial year had been 100 basis points higher than the yield curve, the financial result would have been kEUR 577 lower. Due to the agreed floor, the interest expense would not have changed if the interest rate had been lower.

In the previous year, the interest rate risk chiefly related to the long-term loan granted by a banking syndicate. If the interest level in the course of the previous year had been 100 basis points higher (lower) than the yield curve, the financial result would have been kEUR 951 lower (higher).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates in the course of its operating activities relates primarily to the trade receivables and payables of its national companies denominated in currencies other than EUR.

Foreign currency sensitivity

The following table demonstrates the sensitivity of the consolidated earnings before tax (due to the change in fair values of monetary assets and liabilities) to a reasonably possible change in the EUR exchange rate vs. the Swiss franc, the Polish zloty, the Czech koruna, the Turkish lira, the Ukrainian hryvnia and the Russian ruble. All other variables remain constant. The sensitivity of the individual currencies is grouped in the table, since from the Group's perspective, the sensitivity of the individual currencies is not material as such.

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

	Appreciation	Devaluation
Exchange rate of these currencies against the Euro:	+10%	-10%
EFFECT ON PROFIT OR LOSS BEFORE TAX:	**kEUR 271**	**kEUR -222**

The table below shows the sensitivity of consolidated profit or loss before tax for the 2020 financial year:

	Appreciation	Devaluation
Exchange rate of these currencies against the Euro:	+10%	-10%
EFFECT ON PROFIT OR LOSS BEFORE TAX:	**kEUR 195**	**kEUR -239**

Default risk

The Group is exposed to default risks in the operative area. To largely reduce these risks, outstanding receivables relating to operating activities are continuously monitored. Potential defaults are accounted for using specific and collective loss allowances. The Group also engages debt collection agencies to collect past due receivables. As of December 31, 2021, this affected receivables of kEUR 1,625 (PY: kEUR 1,238). The maximum default risk is the carrying amount of financial assets.

The default risk of trade receivables as of December 31, 2021 breaks down as follows:

	not past due	Past due < 30 days	Past due 30-60 days	Past due 61-90 days	Past due 91-120 days	Past due over 120 days	TOTAL
Gross receivables	5,847	3,084	405	127	121	5,218	**14,802**
Loss allowance	154	93	15	1	2	4,328	**4,593**
Expected credit loss rate	2.63%	3.02%	3.70%	0.79%	1.65%	82.94%	

The default risk of trade receivables as of December 31, 2020 breaks down as follows:

	not past due	Past due < 30 days	Past due 30-60 days	Past due 61-90 days	Past due 91-120 days	Past due over 120 days	TOTAL
Gross receivables	6,141	4,069	260	56	179	4,878	**15,583**
Loss allowance	0	337	110	3	44	3,480	**3,974**
Expected credit loss rate	0.00%	8.28%	42.31%	5.36%	24.58%	71.34%	

Liquidity risks

The liquidity risk is defined as the risk of a company having difficulties to satisfy its obligations from financial liabilities. Based on the high level of cash at the reporting date, the group management regards the liquidity risk as low. To ensure the Group's solvency at all times, cash forecasts are regularly prepared in which the expected cash inflows for the next 13 weeks are compared to the cash outflows for the same period.

The maturities of the Group's financial liabilities, including interest payments, are as follows:

kEUR	On demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial year as of December 31, 2021						
Corporate bond	0	2,266	6,620	144,193	0	153,079
Other financial liabilities	1,160	0	0	0	0	1,160
Trade payables	9,890	17,996	4,445	1,068	11	33,410
Lease liabilities	0	1,954	5,862	10,450	4,241	22,507
TOTAL	**11,050**	**22,216**	**16,927**	**155,711**	**4,252**	**210,156**

kEUR	On demand	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial year as of December 31, 2020						
Fixed-rate loan shareholders	0	0	0	0	186,226	186,226
Variable-rate loan to financial institutions	0	0	84,800	0	0	84,800
Fixed-rate loan Styria	0	0	3,895	0	0	3,895
Other financial liabilities	416	0	0	0	0	416
Trade payables	6,938	14,768	3,866	1,719	169	27,460
Lease liabilities	0	1,657	4,971	9,662	4,845	21,135
TOTAL	**7,354**	**16,425**	**97,532**	**11,381**	**191,240**	**323,932**

17.5 Changes in liabilities arising from financing

kEUR	Jan, 1, 2021	Cash flows	Other	Dec. 31, 2021
2021 financial year				
Corporate bond	0	125,000	-1,343	123,657
Long-term interest-bearing loans from shareholders	186,226	-40,400	-145,826	0
Short-term interest-bearing loan Styria	3,895	-3,895	0	0
Short-term interest-bearing loans from banks	84,800	-84,800	0	0
Lease liabilities	18,828	-8,814	8,610	18,624
TOTAL LIABILITIES FROM FINANCING	**293,749**	**-137,904**	**-137,216**	**18,624**

kEUR	Jan. 1, 2020	Cash flows	Other	Dec. 31, 2020
2020 financial year				
Long-term interest-bearing loans from shareholders	185,561	0	665	186,226
Long-term interest-bearing loans from banks	93,058	-10,000	-83,058	0
Short-term interest-bearing loan Styria	3,895	0	0	3,895
Short-term interest-bearing loans from banks	0	0	84,800	84,800
Lease liabilities	18,714	-6,594	6,708	18,828
TOTAL LIABILITIES FROM FINANCING	**301,228**	**-16,594**	**9,115**	**293,749**

The item "Other" includes the effects of the reclassification of the long-term portion of interest-bearing loans to current liabilities and the effects of accrued but not yet paid interest on interest-bearing loans. Under lease liabilities, the Group also recognizes additions from the measurement of new leases as well as foreign currency changes under "Other."

18. INVENTORIES

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

kEUR	Dec. 31, 2021	Dec. 31, 2020
Raw materials and supplies	7,885	6,552
Work in progress	187	236
Finished products	17,039	13,111
Goods for sale	4,066	2,704
Goods in transit	422	638
TOTAL INVENTORIES	**29,599**	**23,241**

Impairment of inventories recognized as expenditure amounts to kEUR 542 (PY: kEUR 550). The impairment is largely the result of allowances for days inventory on hand.

19. TRADE RECEIVABLES

kEUR	Dec. 31, 2021	Dec. 31, 2020
Trade receivables	10,209	11,609
TOTAL TRADE RECEIVABLES	**10,209**	**11,609**

Trade receivables do not bear interest. Their maturity varies depending on the payment method chosen by the customer.

As of December 31, 2021, trade receivables were impaired at a nominal value of kEUR 4,593 (PY: kEUR 3,974). The development of the allowance account can be broken down as follows (for details, please refer to Note 17.4 Default risk):

kEUR	2021	2020
As of January 1	-3,974	-3,615
Additions	-1,133	-1,000
Release	142	378
Utilisation	372	263
AS OF DECEMBER 31	**-4,593**	**-3,974**

For the recognition of loss allowances, the Group divides the receivables into four categories: receivables not past due, receivables up to 6 months past due, receivables between 6 and 12 months past due and receivables more than 12 months past due. The loss allowances account for the future expected credit losses on the receivables. All loss allowances are recognized in the allowance account under selling expenses (see Note 10).

20. OTHER ASSETS

kEUR	Dec. 31, 2021	Dec. 31, 2020
OTHER NON-CURRENT ASSETS		
Receivables from insurance contracts	0	4
OTHER CURRENT ASSETS		
Receivables from VAT	1,682	1,625
Income tax receivables	252	222
Security deposits and other deposits	1,185	793
Prepaid expenses	1,604	1,057
Payments on account	1,207	715
Other receivables from shareholders	1,012	0
Other receivables	3,751	2,862
Sundry other assets	1,180	583
TOTAL OTHER ASSETS	**11,873**	**7,861**
thereof financial assets	6,106	3,829

21. CASH

As of December 31, 2021, the undrawn committed borrowing facilities of the Group for which all necessary conditions for use were already satisfied amounted to kEUR 729 (PY: kEUR 729).

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

Cash comprised the following as of December 31:

kEUR	Dec. 31, 2021	Dec. 31, 2020
Cash at hand	43	44
Cash at banks	29,990	32,135
CASH	**30,033**	**32,179**

22. SUBSCRIBED CAPITAL AND CAPITAL RESERVES

The development of equity is shown in the statement of changes in equity.

Capital reserve

In the 2021 financial year, the capital reserve increased as a result of the following transactions:

The capital reserve rose by a total of kEUR 153,312 in the 2021 financial year as a result of the contribution of the shareholder loan. Of this amount, kEUR 146,325 relates to the nominal value of the shareholder loan and kEUR 6,987 to unpaid interest (for details, see Notes 26 and 30).

When the term of the shareholder loan was extended on February 4, 2021, the interest rate of 0.5% p.a. applicable since October 1, 2018 was confirmed. The extension of the loan was a substantial contract modification. For this reason, the loan was derecognized at its carrying amount on February 4, 2021 and the new (extended) loan was recognized. Upon initial recognition, the new loan was measured using a market interest rate, since the interest rate did not meet the arm's length requirement compared to the interest rate on the bonds of EURIBOR +7.25%. As a result of the measurement, interest on the loan was recognized at the market interest rate. The difference arising as a result of the measurement for the period from February 4 to November 30, 2021 was kEUR 6,987. Since the loan constitutes a transaction with the shareholders, the difference arising as a result of the measurement was recognized as a contribution to the capital reserve (see Notes 26 and 30).

The SFA in place with a banking syndicate was prematurely terminated as of February 4, 2021. In connection with the premature termination, a compensation payment of EUR 5 million was due to the banking syndicate, which was directly paid as a contribution by the ultimate parent company of LR Global, Aloco Holding S.à r.l, Luxembourg, Luxembourg.

Currency adjustment item

The reserve for currency translation differences serves to record the differences from the conversion of financial statements of foreign subsidiaries.

23. 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 strong credit rating and healthy capital ratios to support its business, maximize shareholder value and ensure compliance with the covenants for the bonds issued. Capital management is achieved through regular planning, control and review of 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 performs direct rolling cash flow planning for short-term capital management purposes and to ensure compliance with covenants. Non-compliance with these covenants can be remedied by injecting further equity capital. In the 2021 financial year, all covenants agreed on in the framework of interest-bearing loans were complied with.

24. PROVISIONS

kEUR	Personnel cost	Year-end and consultancy costs	Other provisions	TOTAL
As of January 1, 2021	2,280	428	4,819	7,527
Addition	761	516	3,196	4,473
Utilisation	-928	-288	-2,027	-3,243
Release	-230	-11	-2,060	-2,301
Currency effects	74	15	-72	17
AS OF DECEMBER 31, 2021	**1,957**	**660**	**3,856**	**6,473**
Thereof				
short-term	1,566	660	3,856	6,082
long-term	391	0	0	391
	1,957	660	3,856	6,473
As of January 1, 2020	1,473	482	2,917	4,872
Addition	1,247	396	3,372	5,015
Utilisation	-307	-439	-1,463	2,209
Release	-5	-7	-76	-88
Currency effects	-129	-3	69	-63
AS OF DECEMBER 31, 2020	**2,279**	**429**	**4,819**	**7,527**
Thereof				
short-term	1,563	429	4,819	6,811
long-term	716	0	0	716
	2,279	429	4,819	7,527

Personnel provisions mainly include expenses for jubilee payments to employees of kEUR 391 (PY: kEUR 648) and one-time payments in the amount of kEUR 745 (PY: kEUR 1,068) which are likely to be used within the next few years. Other provisions include expenses for qualifications, such as trips and events, which were earned in the financial year, in the amount of kEUR 2,107 (PY: kEUR 3,906). These provisions are subject to uncertainties regarding when and whether the planned events or trips can take place due to factors such as the coronavirus pandemic.

25. TRADE PAYABLES, OTHER LIABILITIES AND INCOME TAX LIABILITIES

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

kEUR	Dec. 31, 2021	Dec. 31, 2020
NON-CURRENT NON-FINANCIAL LIABILITIES		
Other liabilities	18	3,341
CURRENT NON-FINANCIAL LIABILITIES		
Income tax liabilities	6,687	4,704
Liabilities from VAT and other taxes	4,477	4,720
Other liabilities	4,003	6,308
TOTAL NON-FINANCIAL LIABILITIES	**15,185**	**19,073**
CURRENT FINANCIAL LIABILITIES		
Trade payables	33,410	27,460
Other liabilities	1,160	416
TOTAL FINANCIAL LIABILITIES	**34,570**	**27,876**
TOTAL TRADE PAYABLES, INCOME TAX LIABILITIES AND OTHER LIABILITIES	**49,755**	**46,949**

Trade payables and other financial obligations do not bear interest, have different maturities (see Note 17.4) and are measured at amortized cost.

Other liabilities chiefly comprise personnel liabilities, generally bear no interest and have a maturity of six months on average.

26. LIABILITIES TO SHAREHOLDERS

kEUR	Dec. 31, 2021	Dec. 31, 2020
Liabilities to shareholders	0	186,226

Following the closing on March 7, 2013, LR Global acquired the international LR Group from Alov S.à r.L, Luxembourg, Luxembourg, by way of a share deal. As part of the purchase, the shareholders granted a loan of EUR 110 million. In the 2015 financial year, the shareholder loan was increased by EUR 10 million. In the 2018 financial year, the shareholder loan was increased by another EUR 12.5 million plus accrued interest. On February 4, 2021, a partial repayment of the shareholder loan of EUR 40.4 million was made as part of the issue of the bonds and the term of the loan was extended by way of the amendment of the subordination agreement until no earlier than the maturity of the bonds on February 3, 2025. When the term was extended, the interest rate of 0.5% p.a. applicable since October 1, 2018 was confirmed. The extension of the loan was a substantial contract modification. For this reason, the loan was derecognized at its carrying amount on February 4, 2021 and the new (extended) loan was recognized at its fair value. Upon initial recognition, the new loan was measured using a market interest rate, since the interest rate did not meet the arm's length requirement compared to the interest rate on the bonds of EURIBOR +7.25% plus a risk premium of 1.25 % to reflect its subordination. As a result of the measurement, interest on the loan was recognized at the market interest rate of 8.5 %. The difference arising as a result of the measurement was recognized in the capital reserve (see Note 22). With effect from November 30, 2021, the shareholder loan plus accrued interest was contributed to the capital reserve of LR Global. The higher expense arising as a result of the market interest rate for the period from February 4, to November 30, 2021 was kEUR 6,987. In the 2021 financial year, the total interest expense for the shareholder loan came to kEUR 7,486 (PY: kEUR 664).

27. LIABILITIES FROM CORPORATE BONDS

On January 27, 2021, LR Global Holding GmbH, the parent company of the Group, placed a senior secured corporate bond (WKN: A3HFM, ISIN: NO0010894850) with a volume of EUR 125 million. It was issued to institutional investors mainly in Germany and other European countries as part of a private placement. The bond was issued in the "Nordic bond format" under Swedish law and with the involvement of Nordic Trustee & Agency AB, Stockholm, Sweden, as trustee. Trading in the Open Market of the Frankfurt Stock Exchange started on February 3, 2021. The terms of the bond require a listing on the regulated market of the Nasdaq Stockholm within 12 months of the issue date.

The bonds bear interest at EURIBOR +7.25% (with a floor of zero). Interest is payable on a quarterly basis. The bonds mature on February 3, 2025. The effective interest rate of the bond is 7.82 %.

The Group companies have deposited collateral in this context (see Note 29). In addition, covenants in the form of an interest coverage ratio and leverage ratio were agreed. The Group is currently not aware of any risk that these covenants will not be met.

As of December 31, 2021, the carrying amount of the liabilities from the bond was kEUR 123,657 and included capitalized transaction costs.

28. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

The Group has concluded leases for buildings, technical equipment and machinery, vehicles and office and operating equipment. The leases for buildings have a contract term of 1 to 10 years. The leases for technical equipment and machinery have a contract term of 1 to 6 years. The leases of the vehicles and of the office and operating equipment have a contract term of 1 to 3 years.

The development of right-of-use assets according to asset classes at the reporting date is as follows:

kEUR	Buildings	Technical equipment and machinery	Vehicles	Office and operating equipment	TOTAL
AS OF JAN. 1, 2020	**11,286**	**2,176**	**4,922**	**94**	**18,478**
Additions	2,166	0	4,181	715	7,062
Disposals	0	-69	0	0	-69
Depreciation expense	-2,468	-487	-3,736	-209	-6,900
AS OF DEC. 31, 2020	**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 DEC. 31, 2021	**10,249**	**1,134**	**6,271**	**560**	**18,214**

The development of lease liabilities as of December 31, 2021 is as follows:

kEUR	2021	2020
AS OF 01.01.	**18,828**	**18,714**
Additions	8,944	7,374
Interest expense	1,320	927
Disposals	-1,654	0
Repayments	-8,814	-8,187
AS OF 31.12.	**18,624**	**18,828**
Current	6,602	5,814
Non-Current	12,022	13,014

For further details regarding lease liabilities, see Note 17.

29. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Guarantees
The pledges, assignments and guarantees, such as shares, cash at banks, IP rights, inventories and intercompany receivables, provided under the loan agreement dated December 22, 2012 were released in full upon termination of the loan agreement on February 4, 2021.

New collateral was deposited with the trustee Nordic Trustee & Agency AB, Stockholm, Sweden, as part of the issue of the senior secured corporate bond on February 3, 2021.

The following serve as collateral in this respect:

- the shares in some of the companies within the Group (kEUR 317,515),
- cash at banks of some of the companies within the Group (kEUR 21,608),
- the IP rights (trademarks) within the Group,
- the stocks of some of the companies within the Group (kEUR 20,941),
- the intercompany receivables of some of the companies within the Group (kEUR 246,774).

The trustee may use the collateral if the terms and conditions of the bond are breached.

Contingent liabilities
In 2011, Dresdner Bank (today: Commerzbank AG) issued a guarantee in favor of Global Collect BV, Hoofddorp, Netherlands, with LR Health & Beauty Systems GmbH, Ahlen, as the principal debtor. In 2016, the same bank issued a rent guarantee in the amount of kEUR 500 for the Theodor F. Leifeld-Stiftung, Ahlen. In 2019, it issued a guarantee of kEUR 471 to the Tax Office Beckum and in 2020, it issued a bank guarantee in the amount of kEUR 200 for the benefit of Lufthansa AirPlus Servicekarten GmbH, Neu-Isenburg. In the 2021 financial year, all of the bank guarantees issued by Commerzbank AG were replaced by ODDO BHF Aktiengesellschaft, Frankfurt am Main, and new guarantees were issued to the beneficiaries.

Payment obligations vis-à-vis the various lessors in different countries have been assumed by the Group for non-payment under a set of lease contracts. As of December 31, 2021, these guarantees amounted to kEUR 2,986 (PY: kEUR 2,358).

30. RELATED PARTY DISCLOSURES

For the Group, related companies and parties pursuant to IAS 24 are companies or parties which directly or indirectly control or are controlled by the Group or are under the joint control of 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 direct parent company of LR Global, LR Health & Beauty SE, Munich, its ultimate parent company, Aloco Holding S.à r.l., Luxembourg, Luxembourg, members of the management board as well as their relatives, members of the LR Global advisory board and subsidiaries of the LR Global Group are defined as related companies or parties.

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

kEUR	Receivables from parent companies		Liabilities to parent companies	
	2021	**2020**	**2021**	**2020**
Aloco Holding S.à r.l.	1,012	0	0	186,226
LR Health & Beauty SE	78	0	122	0

kEUR	Income from parent company		Expenses to parent companies	
	2021	**2020**	**2021**	**2020**
Aloco Holding S.à r.l.	1,012	0	7,486	664
LR Health & Beauty SE	78	0	122	0

In 2021, an amount of EUR 40.4 million was paid to Aloco Holding S.à r.l. as a partial repayment of the shareholder loan.

Conditions of business transactions with related companies and parties

The shareholder loan in place until November 30, 2021 bore interest at a rate of 0.5% p.a. Since this interest rate did not meet the arm's length requirement compared to the interest rate on the bonds of EURIBOR + 7.25%, the shareholder loan was measured using a market interest rate (for details, see Note 26).

With effect from November 30, 2021, the shareholder loan plus accrued interest was contributed to the capital reserve of LR Global (see Note 22).

As of December 1, 2021, the general managers of LR Global were employed as the management board of LR Health & Beauty SE and now perform management services under a service agreement in place between LR Global and LR Health & Beauty SE.

Services provided by external consultants were invoiced to LR Global as part of the contribution of the shares in LR Global to LR Health & Beauty SE. LR Global allocated these expenses to LR Health & Beauty GmbH and Aloco Holding S.à r.l., Luxembourg.

There were no other transactions with related companies or parties in the 2021 financial year.

Remuneration to individuals in key positions of the Group

kEUR	2021	2020
Short-term exmployee benefits	8,060	8,088
TOTAL REMUNERATION TO INDIVIDUALS IN KEY POSITIONS	**8,060**	**5,578**

The amounts shown in the table were recognized as expenditure in the reporting period in connection with individuals in key positions. For the remuneration of the advisory board, see Note 33.

31. 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 in the table below. The Group intends to adopt these new and amended standards and interpretations as of the effective date.

Standard / Interpretation		Mandatoty applica-tion in reporting period	Endorsement by the EU Commission	Expected impact
IAS 16	Proceeds before Intended Use – Amendments to IAS 16	2022	yes	none
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	2022	yes	none
IAS 41	Taxation in Fair Value Measurement - Amendments to IAS 41	2022	no	not significant
IFRS 1	Subsidiary as a First.time Adopter - Amendments to IFRS 1	2022	no	not significant
IFRS 3	Reference to the Conceptual Framework – Amendments to IFRS 3	2022	yes	not significant
IFRS 9	Fees in the "10 per cent" test for Derecognition of Financial Liabilities - Amendments to IFRS 9	2022	no	not significant
IAS 8	Definition of Accounting Estimates – Amendments to IAS 8	2023	yes	not significant
IAS 1	Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	2023	yes	not significant not significant
IAS 1	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	2023	no	not significant
IFRS 17	New Standard IFRS 17 Insurance Contracts	2023	yes	not significant

32. MEMBERS OF THE MANAGEMENT

The management of the Group parent company is constituted as follows:

- Andreas Friesch, Spokesman of the Management, Global Human Resources, Public Relations, Marketing & Communication, PMO, Global Sales Operations, Sales and International Services, Langenfeld, Germany
- Dr. Andreas Laabs, Managing Director Finance and Operations, IT, Legal and Compliance, Audit, New Markets, Supply Chain Management, Procurement, Hamburg, Germany

33. MEMBERS OF THE ADVISORY BOARD AND ADVISORY BOARD COMPENSATION

The advisory board of the Group parent company consists of the following:

- Walter Muyres, entrepreneur, Mönchengladbach, Germany – Executive Chairman
- Christian Berner, entrepreneur, Hamburg, Germany
- Ingeborg Heinsius-Dageförde, entrepreneur, Düsseldorf, Germany
- Dr. Andreas Fendel, Managing Partner, QUADRIGA CAPITAL Eigenkapitalberatung GmbH, Frankfurt am Main, Germany (until March 6, 2022)
- Philipp Jacobi, Managing Partner, QUADRIGA CAPITAL Eigenkapitalberatung GmbH, Frankfurt am Main, Germany

In the 2021 financial year, the compensation received by the advisory board amounted to kEUR 118 (PY: kEUR 320).

34. AUDITOR'S FEE

In the 2021 financial year, services provided by the Group's auditors were accounted for as follows:

kEUR	2021	2020
Audit services	271	166
Tax services	265	243
Other services	83	50
TOTAL	**619**	**459**

35. EVENTS AFTER THE REPORTING PERIOD

On January 26, 2022, the Nasdaq Stockholm admitted the senior secured corporate bond of LR Global (WKN: A3HFM, ISIN: NO0010894850) for trading.

On February 24, 2022, the Russian Federation invaded the territory of Ukraine and precipitated an armed conflict. Consequently, the European Union and other countries imposed economic sanctions on the Russian Federation. See the comments in the management report regarding the potential effects that the armed conflict between the Russian Federation and Ukraine as well as the related sanctions imposed could have on the Company's financial performance. Significant assets whose value could be affected by the conflict and the related sanctions are the goodwill in region 3, inventories for both countries and the right-of-use assets under the leases. The Group regards all other potentially affected assets as immaterial.

Ahlen, March 31, 2022

LR Global Holding GmbH
- Company management -

Andreas Friesch (CEO)   Dr. Andreas Laabs (CFO/COO)

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE FINANCIAL YEAR 2021

		Acquisition and production costs						Accumulated amortization, depreciation and impairment						Carrying values	
kEUR	Note	As of Jan. 1, 2021	Addition	Disposal (-)	Reclassification	Currency effects	As of Dec. 31, 2021	As of Jan. 1, 2021	Addition	Disposal (+)	Reclassification	Currency effects	As of Dec. 31, 2021	As of Dec. 31, 2021	As of Dec. 31, 2020
Intangible assets															
Goodwill	16.	135,059	0	0	0	0	**135,059**	**-33,540**	0	0	0	0	**-33,540**	**101,519**	**101,519**
Software	15.	17,457	1,568	-499	667	-5	**19,188**	**-9,881**	-2,430	495	0	12	**-11,804**	**7,384**	**7,576**
Self-developed intangible assets	15.	8,945	1,854	-89	210	0	**10,920**	**-3,450**	-1,373	35	0	0	**-4,788**	**6,132**	**5,495**
Other Intangible Assets	15.	101,996	687	-14	-877	-44	**101,748**	**-99,646**	-1,324	0	0	46	**-100,924**	**824**	**2,350**
		263,457	**4,109**	**-602**	**0**	**-49**	**266,915**	**-146,517**	**-5,127**	**530**	**0**	**58**	**-151,056**	**115,859**	**116,940**
Property, plant and equipment	14.														
Buildings		**12,679**	195	-31	0	-19	**12,824**	**-3,719**	-447	23	-4	18	**-4,129**	**8,695**	**8,960**
Technical equipment and machinery		**3,361**	310	-4	0	2	**3,669**	**-1,323**	-487	2	0	-1	**-1,809**	**1,860**	**2,038**
Other property, plant and equipment		**8,610**	868	-330	0	-15	**9,133**	**-5,615**	-993	320	4	12	**-6,272**	**2,861**	**2,995**
Assets under construction		**1**	0	0	0	0	**1**	**0**	0	0	0	0	**0**	**1**	**1**
Payments on account		**80**	123	0	0	0	**203**	**0**	0	0	0	0	**0**	**203**	**80**
		24,731	**1,496**	**-365**	**0**	**-31**	**25,830**	**-10,657**	**-1,927**	**345**	**0**	**29**	**-12,210**	**13,620**	**14,074**
Financial assets															
Cash surrender value of employer's pension liability insurance		**4**	0	-4	0	0	**0**	**0**	0	0	0	0	**0**	**0**	**4**
		4	**0**	**-4**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4**
TOTAL		**288,192**	**5,605**	**-971**	**0**	**-80**	**292,745**	**-157,174**	**-7,054**	**875**	**0**	**86**	**-163,266**	**129,479**	**131,018**

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE FINANCIAL YEAR 2020

		Acquisition and production costs						Accumulated amortization, depreciation and impairment						Carrying values	
kEUR	Note	As of Jan. 1, 2020	Addition	Disposal (-)	Reclassifi-cation	Currency effects	As of Dec. 31, 2020	As of Jan. 1, 2020	Addition	Disposal (+)	Reclassifi-cation	Currency effects	As of Dec. 31, 2020	As of Dec. 31, 2020	As of Dec. 31, 2019
Intangible assets															
Goodwill	16.	**135,055**	4	0	0	0	**135,059**	**-33,536**	-4	0	0	0	**-33,540**	**101,519**	**101,519**
Software	15.	**12,487**	2,589	-242	2,647	-25	**17,457**	**-8,501**	-1,679	238	42	19	**-9,881**	**7,576**	**3,986**
Self-developed intangible assets	15.	**7,219**	1,694	-22	54	0	**8,945**	**-2,935**	-538	22	0	0	**-3,451**	**5,494**	**4,284**
Other Intangible Assets	15.	**107,781**	590	-3,628	-2,703	-43	**101,996**	**-101,951**	-1,325	3,628	-42	44	**-99,646**	**2,350**	**5,830**
		262,541	**4,877**	**-3,892**	**-2**	**-68**	**263,457**	**-146,922**	**-3,546**	**3,888**	**0**	**63**	**-146,517**	**116,940**	**115,618**
Property, plant and equipment	14.														
Buildings		**12,591**	136	0	0	-48	**12,679**	**-3,281**	-475	0	0	37	**-3,719**	**8,960**	**9,310**
Technical equip-ment and machi-nery		**3,196**	166	-8	11	-4	**3,361**	**-1,004**	-331	8	0	3	**-1,323**	**2,038**	**2,193**
Other property, plant and equip-ment		**8,756**	790	-631	3	-308	**8,610**	**-5,328**	-1,171	604	0	280	**-5,615**	**2,995**	**3,428**
Assets under construction		**13**	2	-2	-12	0	**1**	**0**	0	0	0	0	**0**	**1**	**13**
Payments on account		**26**	54	0	0	0	**80**	**0**	0	0	0	0	**0**	**80**	**26**
		24,582	**1,148**	**-641**	**2**	**-360**	**24,731**	**-9,613**	**-1,976**	**612**	**0**	**319**	**-10,657**	**14,074**	**14,968**
Financial assets															
Cash surrender value of emp-loyer's pension liability insurance		**127**	0	-123	0	0	**4**	**0**	0	0	0	0	**0**	**4**	**127**
		127	**0**	**-123**	**0**	**0**	**4**	**0**	**0**	**0**	**0**	**0**	**0**	**4**	**127**
TOTAL		**287,250**	**6,025**	**-4,656**	**0**	**-428**	**288,192**	**-156,536**	**-5,522**	**4,501**	**0**	**382**	**-157,174**	**131,018**	**130,714**

INDEPENDENT AUDITOR'S REPORT TO LR GLOBAL HOLDING GMBH

Opinions

We have audited the consolidated financial statements of LR Global Holding GmbH, Ahlen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of profit or loss for the 2021 financial year, consolidated statement of comprehensive income, notes to the consolidated financial statements, including a summary of significant accounting policies, consolidated statement of cash flows and consolidated statement of changes in equity for the 2021 financial year. In addition, we have audited the group management report of LR Global Holding GmbH for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 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 group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other information

The executive directors are responsible for the other information. The other information comprises the remaining parts of the annual report, except for the audited consolidated financial statements and group management report, as well as our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis 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 executive directors are responsible for the preparation of the group 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 executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group 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 group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group 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 group 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 group management report.

Reasonable assurance is a high level of assurance, 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) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive 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 (systems) relevant to the audit of the group 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 the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to 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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- 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 group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis 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 those charged 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.

Hamburg, 11 April 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grummer	Fröhlich
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

WE BELIEVE IN MORE

MORE QUALITY FOR YOUR LIFE

IMPRINT
Publisher:
LR Global Holding GmbH
Kruppstr. 55
D-59227 Ahlen

Manager:
Andreas Friesch (CEO),
Dr. Andreas Laabs (CFO/COO)

Strict COVID-19 protection measures were observed while interviews and photos were obtained.

CONTACT
LRworld.com
IR.LRworld.com
facebook.com/LRworld.de
facebook.com/lrgkf
instagram.com/LRworldofficiallrgkf.com
tel. +49 2382 7813-0
fax +49 2382 7658-287
info@lrworld.com
InvestorRelations@LRworld.com

MORE QUALITY
for your life.