



HEALTH & BEAUTY

2021

ANNUAL REPORT
LR GLOBAL HOLDING GMBH



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

LR GLOBAL HOLDING GMBH, AHLEN
BALANCE SHEET AS AT 31 DECEMBER 2021

kEUR	Dec. 31, 2021	Dec. 31, 2020
NON-CURRENT ASSETS		
Intangible assets	0	0
Property, Plant and Equipment	17	17
thereof other equipment, office and operating equipment	17	17
Financial assets	192,115	141,800
thereof Shares in affiliates	192,115	141,800
	192,132	141,817
CURRENT ASSETS		
Receivables and other assets	152,924	92,627
thereof Trade receivables	1	0
thereof Receivables from shareholders	1,090	0
thereof Receivables from affiliates	150,565	91,622
thereof Other assets	1,268	1,005
Cash at hand and at banks	0	0
	152,924	92,627
PREPAID EXPENSES	42	38
DEFERRED TAX ASSETS	0	2,447
CAPITAL DEFICIT	0	62,368
TOTAL ASSETS	345,098	299,297

LR GLOBAL HOLDING GMBH, AHLEN
BALANCE SHEET AS AT 31 DECEMBER 2021

kEUR	Dec. 31, 2021	Dec. 31, 2020
EQUITY		
Subscribed capital	25	25
Capital reserve	152,430	1,105
Accumulated loss	-19,854	-63,498
thereof capital deficit	0	62,368
	132,601	0
PROVISIONS		
Tax provision	6,136	4,090
Other provisions	1,422	1,863
	7,558	5,953
LIABILITIES		
Liabilities from corporate bond	125,806	0
Liabilities to financial institutions	0	43,306
Trade payables	1,512	194
Liabilities to shareholders	0	186,225
Liabilities to affiliates	73,690	59,236
Other liabilities	1,098	694
	202,106	289,655
DEFERRED TAX LIABILITIES	2,833	3,689
TOTAL EQUITY AND LIABILITIES	345,098	299,297

FINANCIAL STATEMENTS

LR GLOBAL HOLDING GMBH, AHLEN
STATEMENT OF PROFIT OR LOSS FOR 2021

kEUR	FY 2021	FY 2020
Revenue	11,761	8,151
Other operating income	51,608	248
	63,369	8,399
Personnel Expenses	10,517	7,575
thereof wages and salaries	9,281	6,810
thereof social security, pension and other benefit costs	1,236	765
Amortization and depreciation of intangible assets and property, plant and equipment	14	9
Other operating expenses	6,632	2,665
	17,163	10,249
Income from investments	12,984	18,303
Other interest and similar income	3,762	2,514
Other interest and similar expenses	14,460	2,933
	2,286	17,884
Income taxes	4,847	3,624
Other taxes	-1	-1
NET PROFIT FOR THE PERIOD	43,644	12,409

LR GLOBAL HOLDING GMBH, AHLEN
STATEMENT OF CASH FLOWS FOR 2021

kEUR	FY 2021	FY 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit or loss for the period	43,644	12,409
Amortization and Depreciations (-) and write-up (-) on fixed assets	-50,301	9
Reduction (-) / Increase (+) in provisions	-441	481
Increase (-) / Reduction (+) of inventories, trade receivables or other assets	-43,555	18,004
Increase (+) / Reduction (-) of trade payables and other liabilities	15,724	-12,281
Interest expenses (+) / interest income (-)	-2,286	-17,884
Income tax expenses (+)	4,847	3,624
Income tax paid (-)	-1,210	158
	-33,578	4,519
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for (-) investments in intangible assets	-7	0
Payments for (-) investments in property, plant and equipment	-7	-8
	-14	-8
CASH FLOW FROM FINANCING ACTIVITIES		
Payments from (+) the issue of bonds	125,000	0
Proceeds (+) from equity contributions	5,000	0
Repayment (-) of shareholder loan	-40,400	0
Repayment (-) of (finance) loans	-43,306	0
Payments (-) for interest	-7,702	-1,036
	38,592	-1,036



MANAGEMENT REPORT

LR GLOBAL HOLDING GMBH AHLEN / GERMANY

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

LR Global Holding GmbH, domiciled at Kruppstrasse 55 in 59227 Ahlen, Germany (hereinafter also referred to as LR Global), is an intermediate holding company with administrative functions. Since March 2013, it has performed various business enablement functions for the LR Group (e.g., controlling, finance). It bills the services rendered on to the group companies.

The LR Group is an internationally operating enterprise with a primary focus on cosmetics and dietary supplements. The LR Group is represented with 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.

LR Global has direct and indirect shareholdings in 31 active subsidiaries via its equity investment.

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 (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.

Revenue

Revenue came to kEUR 11,761 in the 2021 financial year (PY: kEUR 8,151) and mainly stemmed from cost allocations to LR Health & Beauty Systems GmbH, Ahlen, for services rendered.

Research and development

The Company does not conduct any research and development of its own. These activities are carried out solely by the subsidiary LR Health & Beauty Systems GmbH, Ahlen.

Headcount

The Company had 233 employees as of December 31, 2021 (PY: 75).

B. POSITION OF THE COMPANY

Assets and liabilities

The asset side of the balance sheet as of December 31, 2021 mainly comprises the shares in LR Health & Beauty Beteiligungs GmbH, Ahlen, of kEUR 192,115 (PY: kEUR 141,800), which were acquired on March 7, 2013. The impairment loss recognized in 2018 on the book value of the equity investment was reversed in full as of December 31, 2021 (kEUR 50,315) in accordance with Sec. 253 (5) HGB ["Handelsgesetzbuch": German Commercial Code] as there were no longer any reasons for a lower carrying amount owing to the business development.

Receivables from affiliates mainly relate to receivables from LR Health & Beauty Systems Beteiligungs GmbH, Ahlen, for distributions, accrued interest and cost allocations for services that were exclusively provided for LR Health & Beauty Systems GmbH, Ahlen.

Other assets come to kEUR 1,268 in the 2021 financial year (PY: kEUR 1,005) and are mainly made up of VAT receivables.

MANAGEMENT REPORT

The equity and liabilities side of the balance sheet was overhauled in the 2021 financial year. On January 27, 2021 LR Global Holding GmbH issued a corporate bond of kEUR 125,000 at an interest rate of three-month EURIBOR plus 7.25%. 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 proceeds from the bond were used for the full repayment of the liabilities to financial institutions and for repayment of a portion of the shareholder loan.

As of November 30, 2021, the shareholder loan including the interest accrued up to that date was contributed by the shareholder Aloco Holding S.À.R.L., Luxembourg, Luxembourg, to the capital reserve of LR Global Holding GmbH.

Equity rose to kEUR 132,601 following these actions and includes the capital stock of kEUR 25, the capital reserve of kEUR 152,430 (PY: kEUR 1,105) and an accumulated loss of kEUR 19,854 (PY: kEUR 63,498). In the previous year, a capital deficit of kEUR 62,368 was recognized.

Other provisions were recognized for litigation costs (kEUR 51; PY: kEUR 0), personnel expenses (kEUR 1,099; PY: kEUR 1,482), audit fees (kEUR 240; PY: kEUR 154), contributions to the Chamber of Industry and Commerce (kEUR 22; PY: kEUR 15) and outstanding supplier invoices (kEUR 10; PY: kEUR 212).

The pledges, assignments and guarantees 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.

- 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.

Trade payables rose from kEUR 194 in the previous year to kEUR 1,512.

Liabilities to affiliates of kEUR 73,690 (PY: kEUR 59,236) mainly stem from liabilities to LR Health & Beauty Systems GmbH, Ahlen, of kEUR 73,562 (PY: kEUR 59,119).

Liabilities to shareholders come to kEUR 0 as of December 31, 2021 (PY: kEUR 186,226). In February 2021, an amount of kEUR 40,400 was repaid and in November 2021, the shareholder contributed the remaining portion of the shareholder loan (including accrued interest) of kEUR 146,325 to LR Global Holding GmbH's capital reserve.

There were no major investments in the 2021 financial year.

Aside from the corporate bond, the Company is financed through a cash pooling agreement in place between LR Global and the operating company, LR Health & Beauty Systems GmbH, which acts as the cash pool leader.

For 2021, the operating cash flow amounted to kEUR -38,577. The cash flow from investing activities amounted to kEUR -15. The cash flow from financing activities amounted to kEUR 38,592. Cash and cash equivalents were unchanged at kEUR 0 as of December 31, 2021.

The LR Group was in a position to meet its payment obligations at all times.

Financial performance

Revenue came to kEUR 11,761 in the 2021 financial year (PY: kEUR 8,151) and mainly stemmed from cost allocations to LR Health & Beauty Systems GmbH, Ahlen, for services rendered.

The extraordinarily high amount of other operating income is largely due to the reversal of the impairment loss of kEUR 50,315 on the book value of the equity investment.

Personnel expenses came to kEUR 10,517 in the reporting year (PY: kEUR 7,575), amounting to 89.4% (PY: 92.9%) of revenue.

The Company's other operating expenses amounted to kEUR 6,632 (PY: kEUR 2,665). The increase stemmed mainly from bank charges and fees (bond fee).

The financial result of kEUR 2,286 (PY: kEUR 17,884) includes interest on the shareholder loan of kEUR 499 (PY: kEUR 664), interest on the facilities loan of kEUR 119 (PY: kEUR 1,303), interest for bonds of kEUR 8,358 (PY: kEUR 0), an early repayment penalty of kEUR 5,031 (PY: kEUR 0) charged on the repayment of liabilities to financial institutions and investment income of kEUR 12,984 (PY: kEUR 18,303) resulting from the profit and loss transfer agreement with LR Health & Beauty Systems Beteiligungs GmbH.

Income taxes amount to kEUR 4,847 (PY: kEUR 3,624).

The above items give rise to net income for the year of kEUR 43,644 (PY: kEUR 12,409).

The management considers the development of the assets, liabilities, financial position and financial performance to be very positive overall. 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 Company's position, EBITDA and revenue are used as financial performance indicators for management purposes and are compared with the reported forecasts for the current financial year.

D. IMPORTANT NON-FINANCIAL PERFORMANCE INDICATORS

Apart from financial indicators, LR Global's business value is also determined by non-financial indicators, concerning the relationships of the Company with its partners and

MANAGEMENT REPORT

employees as well as the product strategy. LR Global 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 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.

As a holding company, the business performance of LR Global is influenced by the performance of the subsidiaries of the LR Group and therefore by their risks.

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 warehouse 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 its 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 as 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

As a holding company, the development of LR Global depends primarily on the development of its subsidiaries and thus of the entire LR Group.

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 forecast for the 2021 financial year was exceeded by a significant 44.3% due to an increase in services for group companies. EBITDA was approximately kEUR 48,055 higher than forecast due to the reversal of the impairment loss on financial assets. Without this reversal, the result would have been well short of 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 (up or down by 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 of revenue development 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 validly 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 -

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Dr. Andreas Laabs (CFO/COO)



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