HEALTH & BEAUTY

2022

ANNUAL REPORT

LR HEALTH & BEAUTY GROUP

HEALTH & BEAUTY

> **OUR VISION IS TO BE THE WORLD'S MOST ATTRACTIVE COMPANY IN SOCIAL SELLING.**
>
> **OUR MISSION IS TO OFFER PEOPLE THE CHOICE TO LIVE A SELF-DETERMINED LIFE. WE SUCCEED BECAUSE OF OUR BUSINESS OPPORTUNITY AND HIGH-QUALITY HEALTH AND BEAUTY SOLUTIONS.**

LETTER OF CEO

WE BELIEVE IN OFFERING PEOPLE THE CHOICE ...

**DEAR ALL,
THE YEAR 2022 WAS A TURBULENT ONE. IT PRESENTED ALL OF US WORLDWIDE WITH MAJOR CHALLENGES THAT WE RAPIDLY HAD TO LEARN TO DEAL WITH. BUT DESPITE ALL ADVERSITIES, WE HAVE ONCE AGAIN PROVEN THAT OUR BUSINESS MODEL IS RESILIENT IN THE FACE OF CRISES AND WE ARE ABLE TO LOOK TO THE FUTURE WITH CONFIDENCE. I AM PLEASED TO PRESENT OUR ANNUAL REPORT FOR 2022, WHICH HIGHLIGHTS OUR SUCCESSFUL COMPANY AS WELL AS OUR POTENTIAL IN ALL ITS FACETS.**

REALIGNMENT OF THE MANAGEMENT TEAM

Before I deal with how the business developed in 2022 was, I would like to let you know about the changes in our management team that have taken place both during the year under review and in the current year – and that includes me. I assumed the role of Chief Executive Officer (CEO) from Andreas Friesch on May 27, 2022, after having previously served as CFO and COO of LR Global Holding GmbH. I would like to thank Andreas Friesch for his always excellent and trusting co-operation. Together with him and Thomas Heursen, we have navigated the company very successfully through challenging times. We have since continued to drive the further development of the LR Group, further reinforcing the management team with the addition of Andreas Grootz and Patrick Sostmann. Andreas Grootz has been part of the LR Group since 2011 and, in addition to heading the Legal department, he also assumed responsibility for the Expansion division in 2019 and joined the management team as General Manager

DR. ANDREAS LAABS
CEO

Legal & New Markets on July 1, 2022. Patrick Sostmann is no stranger to LR and was already part of the LR management team from 2006 to 2016. We are very pleased that he has returned to the LR Management team as General Manager Sales & Marketing as of February 1, 2023. Welcome back!

MEASURES THAT HAVE LED TO OUR SUCCESS

Overall, the performance of our business in 2022 was characterized by exceptional external circumstances. While we started the reporting year solidly and as forecast in January and February, we had to report a year-on-year decline in sales of around -24 % in March following the outbreak of war in Ukraine. We reacted to this on the one hand by adjusting our strategic alignment and, on the other, by implementing a range of immediate measures to stabilize sales once again. The results have been successful! By offering attractive bonuses and launching discount campaigns, we were able to stabilize the level of sales in the second quarter and also significantly reduce the usual summer gap. Another major lever was the launch of our Zeitgard Pro Cosmetic Device in September 2022. It was the most successful launch in LR's corporate history and its success is continuing. Currently, it is the best blockbuster product in the LR range – and for good reason. Its innovative 4-in-1 technology makes it an effective and unique product in the market. A quantum leap in apparative cosmetics. Thanks to its particularly easy-to-demonstrate instant effect, it is also the perfect recruiting tool for our sales partners. In terms of quality and design, we were also able to convince the experts and are very pleased to have received the German Design Award for 2023.

The sharp rise in inflation and negative consumer sentiment also impacted our business performance in the reporting year. In terms of our business model, however, it also offers opportunities for our sales partners and new recruits alike – by shifting to a new strategic focus: Focusing more strongly on sales partners own business as well as seizing the opportunity to generate additional income. By taking this approach, LR is able to offer everyone a solution for tackling the problem of falling real wages coupled with high inflation. The digital approach

> **“Despite the difficult external circumstances, we were able to achieve a solid result for the reporting year.**

to work, in combination with the Fast Track program for example, gives people the opportunity to achieve a secure, yet rapid, additional income – with no risk whatsoever. Numerous Partners have already seized this opportunity to boost their business. During the last few months of the year in particular, we were able to achieve a very high number of outstanding developments in the higher career levels. This positive development also drove a significant recovery in sales in the second half of the year, which again approached that of our record year of 2021. In the usual LR manner, our sales partners were duly honored on the occasion of our exclusive Award Night earlier this year. This – and many other measures that recognize the outstanding achievements of our sales partners – is what makes our company so special. Everyone is proud to be part of the “LR Family.”

Our sales partners and employees in Ukraine also have an important place in our “LR Family.” The health and safety of all our sales partners and employees is very important to us, so we decided after the outbreak of war to temporarily close our business in Ukraine – while continuing to pay salaries and sales partner bonuses. Following a detailed review of the situation and at the repeated request of local employees and sales partners, business was resumed in the second quarter. With various aid deliveries to Ukraine, organized partly by employees and partly by the company, we stood and continue to stand by our Ukrainian colleagues and help them out where we can.

LETTER OF CEO

SOLID RESULT FOR 2022

Despite the difficult external circumstances, we were able to achieve a solid result for the reporting year. The mid-year sales forecast for 2022, issued following the outbreak of war, was EUR 260 to 270 million, and the forecast EBITDA was EUR 22 to 30 million. In the Q3 report, we then specified this forecast with sales of between EUR 265 million and EUR 270 million and an EBITDA of between EUR 24 million and EUR 30 million. We were ultimately able to report sales at the upper end of the forecast at EUR 269 million and were even able to exceed the forecast EBITDA at EUR 31 million. All in all, it represents a good result achieved under difficult conditions for fiscal year 2022. I would like to explicitly thank our LR sales partners and customers, as well as our employees, business partners and investors, for achieving this result.

The successful bond launch on the capital market at the beginning of 2021 was followed by our listing on the regulated market of NASDAQ Stockholm in January 2022. This clearly demonstrates LR's commitment to the associated transparency in terms of regular and comprehensive reporting of financial and non-financial figures.

2023: A GOOD START TO THE NEW YEAR

We were able to end fiscal year 2022 positively, and the trend has continued into 2023. Right on schedule in January, we commenced the successful launch of our LR FIGUACTIVE products. Under the LR BODY MISSION brand, high-quality products offer everyone a smart way of achieving a good body feeling. After celebrating the 20th anniversary of our Aloe Vera product line in 2022, this year we will be marking the 10th anniversary of Mind Master by offering great promotions. 2023 will also be the "Year of the Orga Leader", an integral part of our ongoing growth strategy. The "Greenfield" project, aimed at further optimizing our IT processes, is also progressing. Moreover, we are pleased to present our first Sustainability Report, which represents a further important step towards even greater sustainability and transparency of non-financial figures.

> **"We were able to end fiscal year 2022 positively, and the trend has continued into 2023.**

OUR VISION IS:
TO BE THE WORLD'S MOST ATTRACTIVE SOCIAL SELLING COMPANY.

Today we can say: We have the best LR ever and have already made a good start to the new fiscal year in 2023. A stable foundation on which we will continue to build in future.

Dr. Andreas Laabs,
CEO

OUR NEWLY FORMED MANAGEMENT TEAM

(from left) Andreas Grootz, General Manager Legal & New Markets | Patrick Sostmann, General Manager Sales & Marketing | Dr. Andreas Laabs, CEO | Thomas Heursen, General Manager Global Partner Relations

... TO LIVE A SELF-DETERMINED LIFE!

BRIEF OVERVIEW

OUR YEAR 2022

SALES[1] (in EUR million)

269.4

FREE CASH FLOW / CASH AT THE END OF THE PERIOD

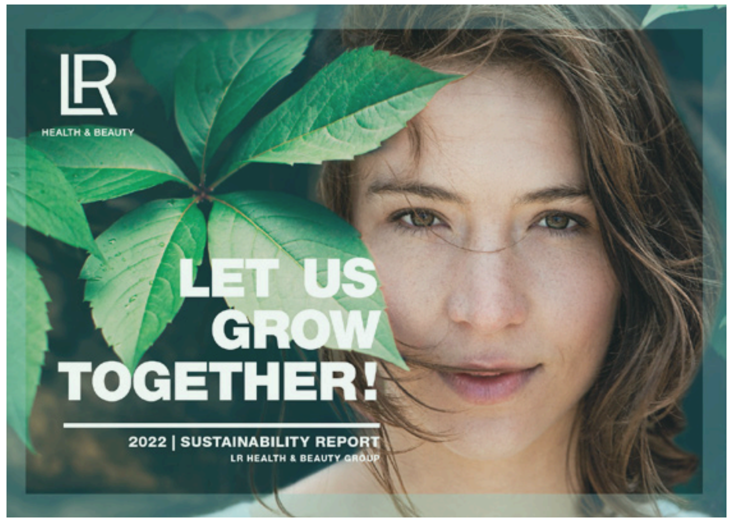
18.2/39.1
(in EUR million)

EBITDA NORMALIZED / REPORTED

36.3/31.3
(in EUR million)

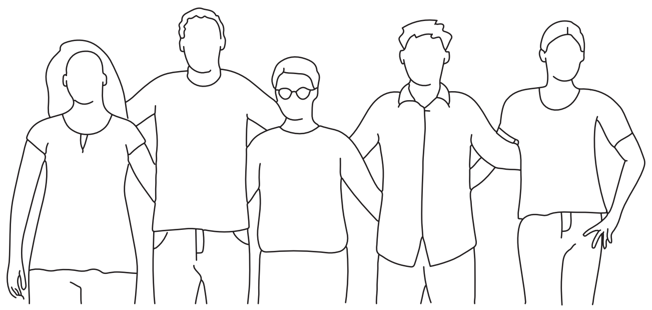
LISTING CORPORATE BONDS OF EUR 125 MILLION ON THE REGULATED MARKET OF NASDAQ STOCKHOLM

[1] Sales as revenue from goods sold



WITH OUR SUSTAINABILITY REPORT 2022 WE HIGHLIGHT OUR ACTIVITIES IN A TRANSPARENT WAY

(Find it at ir.lrworld.com)

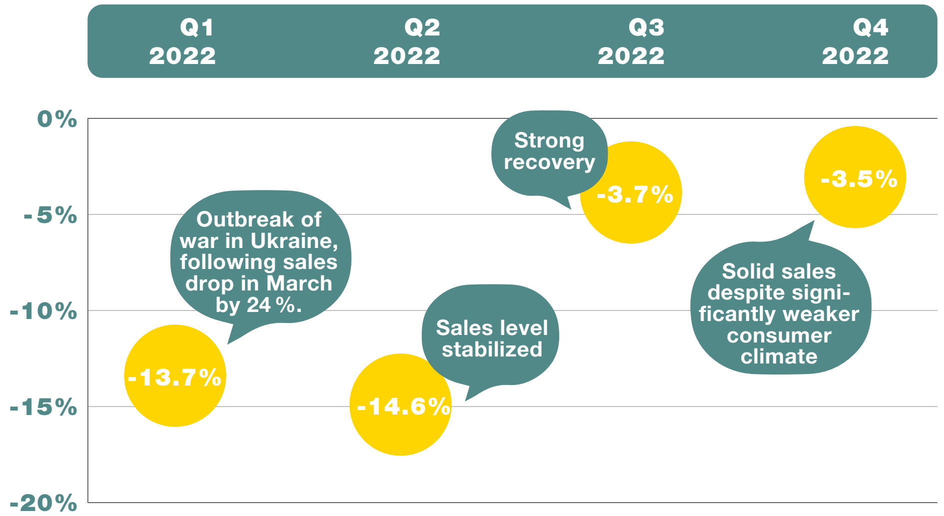


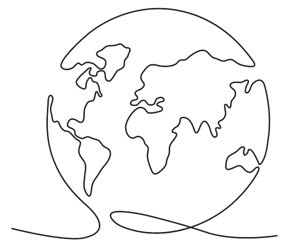
LR SALES PARTNERS

about

300,000

QUARTERLY SALES[1] 2022 VS. PREVIOUS YEAR'S SALES RECORD

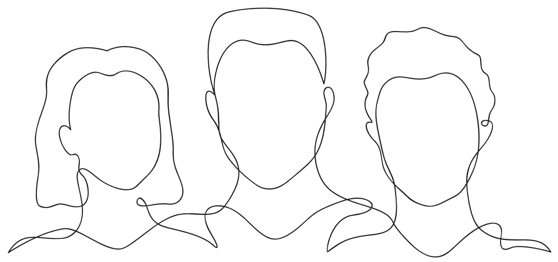




GROUP COMPANIES

in total

32



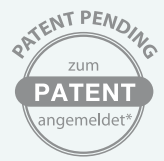
LR EMPLOYEES

over

1,200

NEW PRODUCT LAUNCH

OUR INNOVATIVE ZEITGARD PRO IS THE PERFECT RECRUITING TOOL



LR ANNUAL REPORT 2022 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

OUR COMPANY

As a modern social selling partner, the LR Group distributes approx. 200 different products in the areas of body care, beauty, health and nutrition in 28 countries through the partner community, which comprises about 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 more than 1,200 employees across the globe. With quality "Made in Germany" and a unique business model, we have been a successful European business for the past 37 years and are currently expanding worldwide. In March 2021, we succesfully entered the Asian market and started with LR South Korea.

Since May 27th 2022, the former CFO and COO of LR Global Holding GmbH, Dr Andreas Laabs, assumed the role of Chief Executive Officer (CEO) from Andreas Friesch. Together with Andreas Laabs and Thomas Heursen, Andreas Friesch navigated LR very successful through challenging times. The new CEO Dr Laabs, who has already been part of LR since 2014, is succesfully driving the further development of the LR Group together with Andreas Grootz, General Manager Legal & New Markets, Patrick Sostmann, General Manager Sales & Marketing (started on February 1, 2023), and Thomas Heursen, General Manager Global Partner Relations, as well as his entire management team.

Since 2013, LR is part of the portfolio of the investment company Quadriga Capital. In February 2021 LR Global Holding GmbH successfully entered the capital market by issuing a bond. And in the past years, we continued our dynamic growth course in order to further develop LR into the a leading social selling company. 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 continuously launched. With the new Zeitgard Pro Cosmetic Device launched in autumn 2022, LR achieved a quantum leap in apparative cosmetics. It is an innovative 4-in-1 device and a perfect recruiting tool for our partners worldwide. In January 2023 we had the next big launch: LR FIGUACTIVE. The products are better than ever and within the brand LR BODYMISSION, the high quality products offer everyone the smart way to a good body feeling. One brand with a large LR product segment that has been highly topical for many years and has consistently been one of our international top sellers is our high-quality aloe vera product range – especially our Aloe Vera Drinking Gels. And in 2022 we celebrated the 20th anniversary of Aloe Vera at LR – an absolute power duo!

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 37 years.

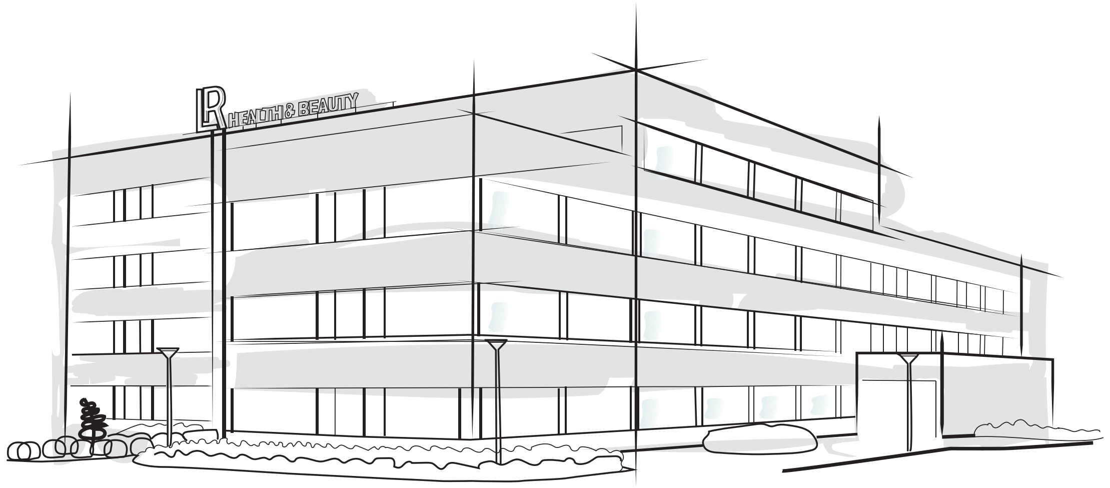
Our customers should feel healthy and beautiful when using our products. Irrespective of place, time, economic crises or pandemics, we are offering an attractive and individual purchasing experience on our digital social selling platforms – 24/7.

SINCE **37**

YEARS SUCCESSFUL IN EUROPE

OVER **1,200**

EMPLOYEES



LR Health & Beauty Headquarter

OUR VISION & MISSION

> **Our Vision is to be the world's most attractive company in social selling.**
> **Our Mission is to offer people the choice to live a self-determined life.**
> **We succeed because of our business opportunity and high-quality health and beauty solutions.**

MORE QUALITY FOR YOUR LIFE

APPROX. **200**

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.

The secret to our success? We have always banked on the quality principle “Made in Germany” and manufacture over 90 % of our products in

> **“With innovative product solutions that cater to people’s growing health & beauty consciousness, we are fully on-trend.**

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 | WWW.IASC.ORG | WWW.SGS-QUALITAETSSIEGEL.DE/EN | FSC | dermatest

OUR BUSINESS CONCEPT

For over 37 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 the past three years, this concept has proven to work well – an added bonus is the team spirit in the LR community. Despite external circumstances, such as the war in Ukraine, high inflation rates, cautious consumer sentiment or globally disrupted supply chains, LR achieved a good and solid result for the financial year 2022. After the drop in sales following the outbreak of the war, LR was able to change its strategic approach very quickly and steer against the negative trend with various measures. In the second half of the year, sales almost reached the level of the record year 2021.

The merging of offline and online activities has become daily business for the partners. With innovative tools such as "LR Connect", our company is well equipped to meet the demands 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 18 countries in which LR is active. At the general meeting on 22 September 2022, Kirsten Ueckmann was elected as the new chairwoman of the LR Global Kids Fund e.V. (LRGKF). She has been an integral part of the LRGKF board team for more than ten years.

OUR AWARDS

GERMAN DESIGN AWARD SPECIAL 2023

2023
GERMAN DESIGN AWARD SPECIAL 2023

LR received the German Design Award 2023 for the Zeitgard Pro Cosmetic Device in the category "Bath and Wellness". The device convinced the top-class jury in the "Excellent Product Design" competition with its modern and timeless product design.

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.

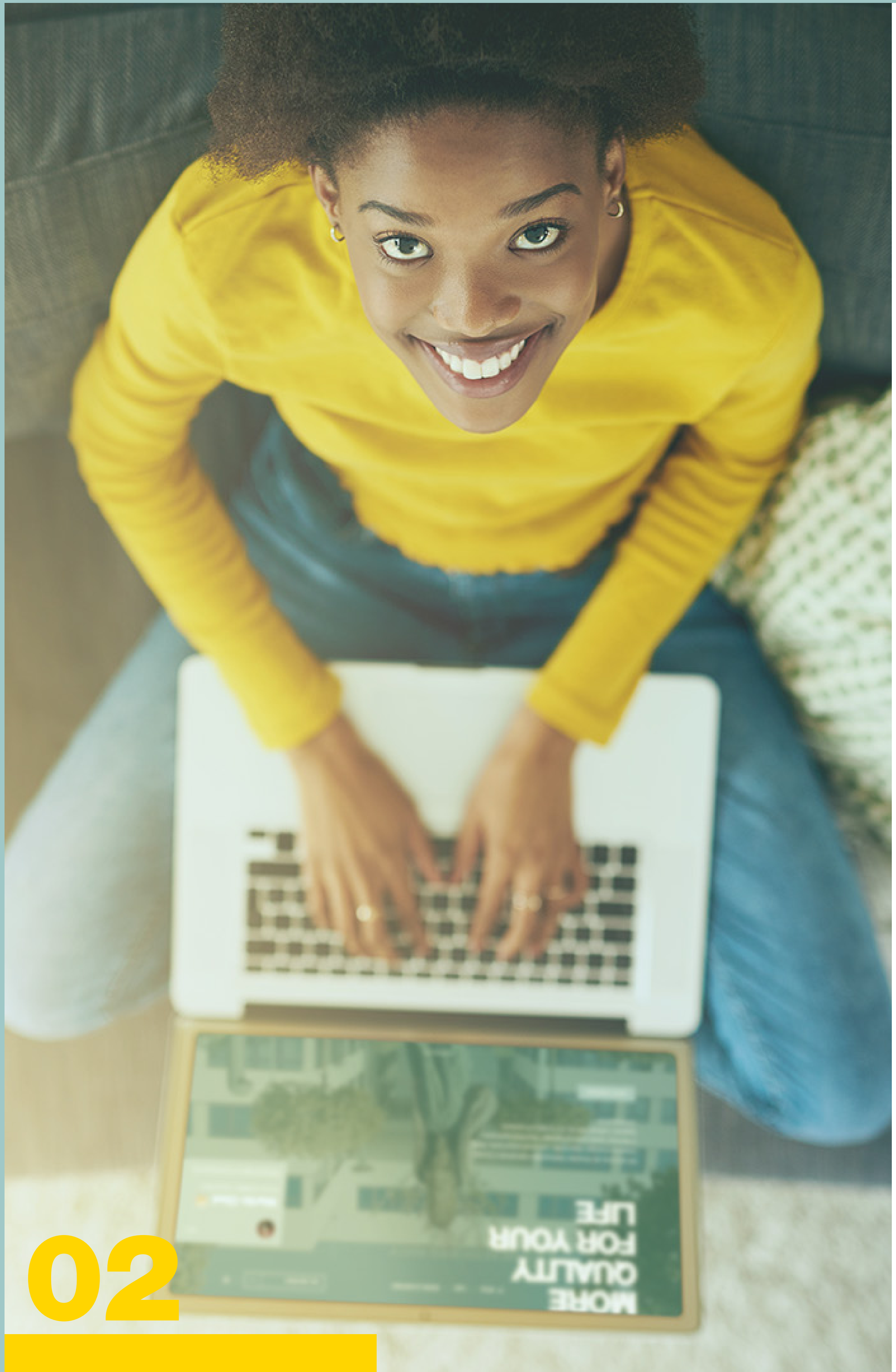
german brand award '19 winner

german brand award '20 winner

2019/20
GERMAN BRAND AWARD

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.



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.

MORE INDEPENDENCE & FLEXIBILITY

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.

"Our unique Fast Track Program e. g., enables its Partners a safe and fast income without any risk.

With this business model for generating an additional income alongside a full-time job, LR also offers a perfect way to compensate for the current high inflation rates. Our unique Fast Track Program e. g., enables its Partners a safe and fast income without any risk. Recognition, motivation and support are just some of the many factors that make the Fast Track Program so attractive to LR Partners. This Program is unique on the market, offers financial security, especially for newcomers, and encourages existing partners to climb the career ladder. A unique program, especially for business introductions and extremely helpful in attracting new partners and future leaders.

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.

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 with specific purposes (e.g. LR Connect App, LR MyOffice, LR 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.

MORE INDEPENDENCE & FLEXIBILITY

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.

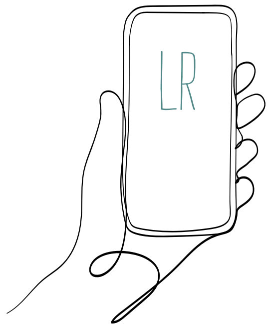
Social Selling means: trust! It is not a new invention. We are taking what we have been doing for years to another level. The next level. We are a company "From people to people for people". With exclusive events, parties, trips around the world and an extraordinary car concept, we reward the performance 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.

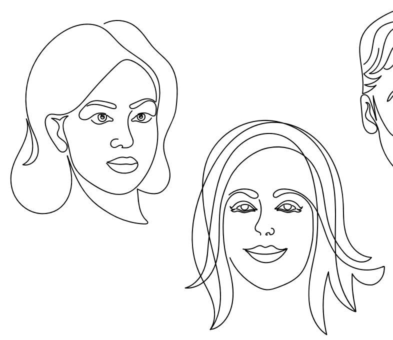
In addition to our LR Partners in Germany, more and more international LR Partners are also using the LR Connect app. Since 2020, the LR Connect app has been rolled out in 22 countries worldwide. In 2022 we successfully rolled out the App in Austria and Switzerland.

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 have recognised the advantages of digital media and have successfully integrated them into their way of working.

SPOTLIGHT ON: THE YOUNG GENERATION
The average age of our sales partners is continuously dropping. The most frequently represented age groups among newcomers in 2022 were 18 – 29 year-olds and 30 – 39 year-olds (as of December 2022).



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 have shown that digital media is making a fundamental contribution to our strong growth.

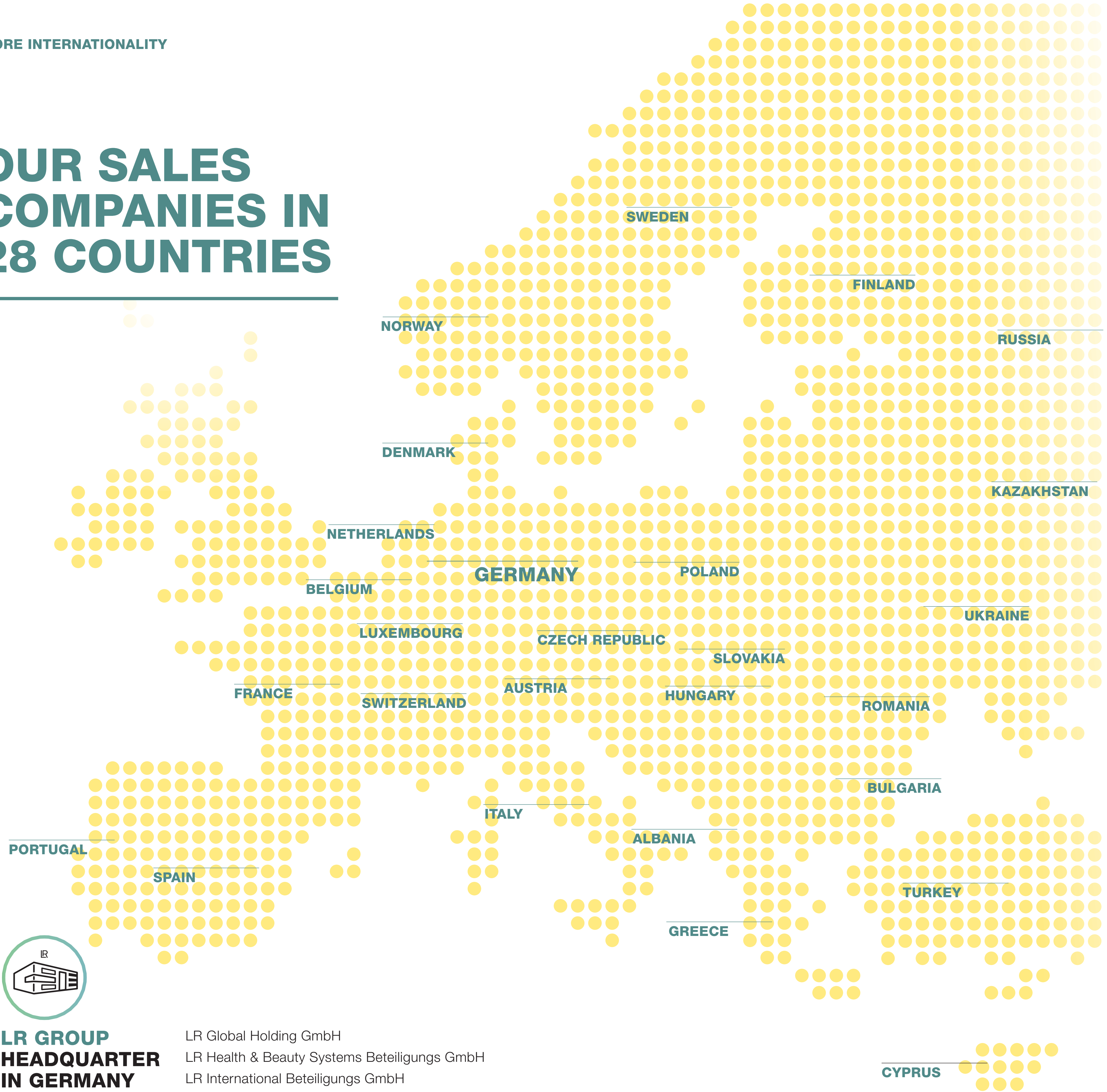
WE BELIEVE IN MORE INTERNATIONALITY

WITH OUR INTERNATIONAL SALES COMPANIES IN 28 COUNTRIES, MORE THAN 1,200 EMPLOYEES AND THOUSANDS OF INDEPENDENT SALES PARTNERS, WE ARE ONE OF THE LEADING DIRECT SALES 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



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
LR Jersey Holding Limited, Jersey
Divanno Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG

The breakdown by regions has changed in 2022.

INTERNATIONAL SALES COMPANIES

REGION 1

AUSTRIA
LR Health & Beauty Systems GmbH

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

GERMANY
LR Deutschland GmbH

NETHERLANDS
LR Health & Beauty Systems BV

SWITZERLAND
LR Health & Beauty Systems AG

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

EXPANSION

SOUTH KOREA
LR Health & Beauty LLC, South Korea

REGION 3

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

BULGARIA
LR Health & Beauty Systems EOOD

DENMARK
LR Health & Beauty Systems ApS

FINLAND
LR Health & Beauty Systems OY

FRANCE
LR Health & Beauty Systems SAS

GREECE / CYPRUS
LR Health & Beauty Systems EPE

HUNGARY
LR Health & Beauty Systems Kft.

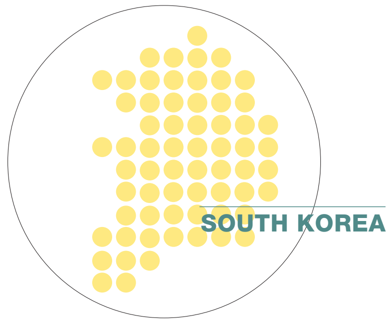
NORWAY
LR Health & Beauty Systems AS

ROMANIA
LR Health & Beauty Systems S.R.L

RUSSIA / KAZAKHSTAN
LR Russ O.O.O

SWEDEN
LR Health & Beauty Systems AB

TURKEY
LR Health & Beauty Systems Ltd.

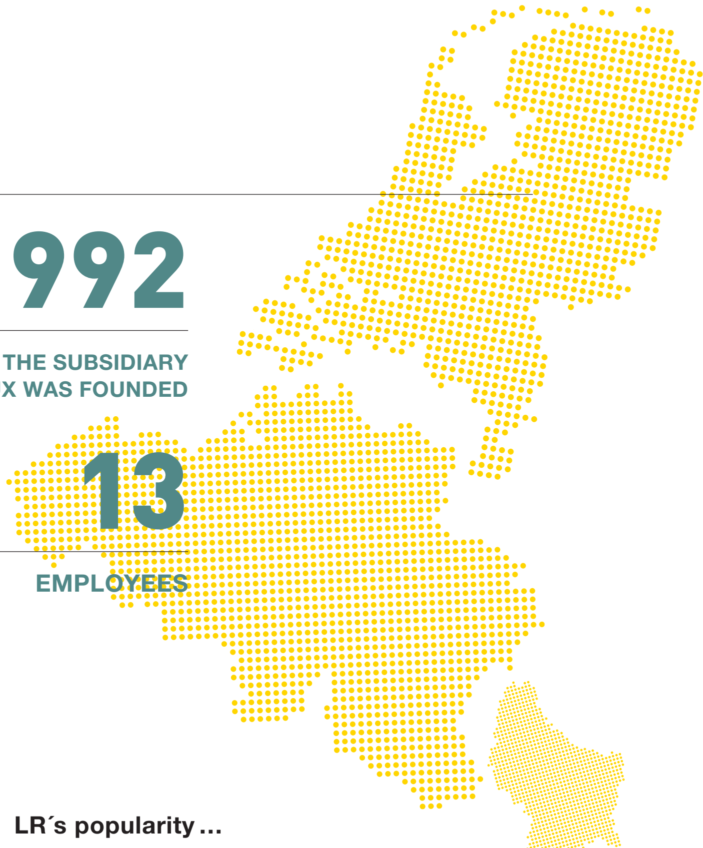


MORE INTERNATIONALITY

OUR COLLEAGUES IN OUR SUBSIDIARIES

REGION 1: BENELUX

REINOUT DOX
MARKETING AND
COMMUNICATION MANAGER
BENELUX



IN **1992**

THE SUBSIDIARY
BENELUX WAS FOUNDED

13

EMPLOYEES

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

... LR offers an environment to continue improving yourself on a personal level. In this job, I get the chance to meet so many different people and learn about their motivations, why they do what they do. I feel that these connections provide personal growth and a broadening of my own perspective. Professionally, this is also the ideal setting for self-improvement. I regularly have to step out of my comfort zone to try and learn new things. That way, I am challenged on a daily basis to always get the best out of myself.

In addition, I love that LR offers the same opportunities to everyone. Whether you have only been a partner for a week or for 10 years, everyone has the same opportunities to climb the ladder. Because of these equal chances, you can see that the passion, motivation and desire for independence is at the same high level in all groups. This combined with the fantastic products makes our beloved slogan "More Quality for your Life" more than true.

LR´s popularity ...

... in the Benelux is very good. LR has established itself at the top when it comes to premium products based on aloe vera. Together with our wonderful Career Plan and rock-solid partnerships, this makes LR one of the leading social selling companies in Belgium, the Netherlands & Luxembourg.

I would describe the year 2022 at LR ...

... as challenging. The past year has been a year of peaks and valleys. A year of festivities, because not only did we celebrate the 20th year of our beloved Aloe Vera products, 2022 was also the year of the 30th anniversary of LR Benelux. A year full of changes, both internal and external. The various events that took place in the world this year presented us, like many other countries, with numerous tough challenges. During such periods, it is important to provide our partners with additional support, because their success is our success.

This continued support paid off, as we reached the absolute peak of 2022 with the launch of the new Zeitgard Pro in October. In short: 2022 was a year full of changes and surprises, from which we emerged as one team stronger than ever before.

REGION 2: ITALY

LAURA BONSIGNORI
BUSINESS ANALYST
ITALY

IN **2006**

THE SUBSIDIARY
ITALY WAS FOUNDED

22

EMPLOYEES

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

... LR stands for strong values that you can believe in. Here, teamwork teaches that cooperation is essential to achieve a common goal. At LR, growth is based on an ethical concept that everyone should take as a model in their daily lives.

LR´s popularity ...

... in Italy is good. Despite the fact that there are many network marketing companies here, some historical, others much "younger", the competition is very high. However, many of these companies do not survive in the market because they are excessively aggressive and unethical.
LR has maintained a clean image for years and even the internet (which is usually very fierce) recognizes this transparency and quality in LR, which should be taken as an example.

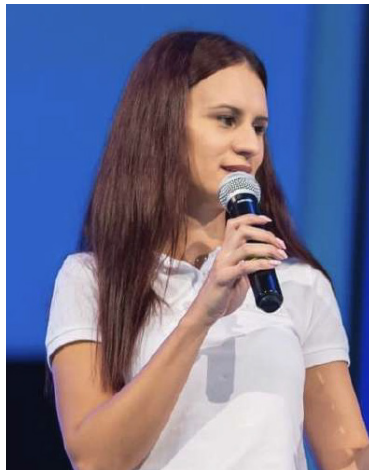
I would describe the year 2022 at LR ...

... as a year of new beginnings after a time when people's faces could only be seen behind a screen. We started the year with an event in Bologna with a few people attending and all wearing masks, we imagined a better future and built our dream map, we started traveling again and were in Ahlen to touch what LR represents to all of us, we started holding hands again and looking each other in the eyes.

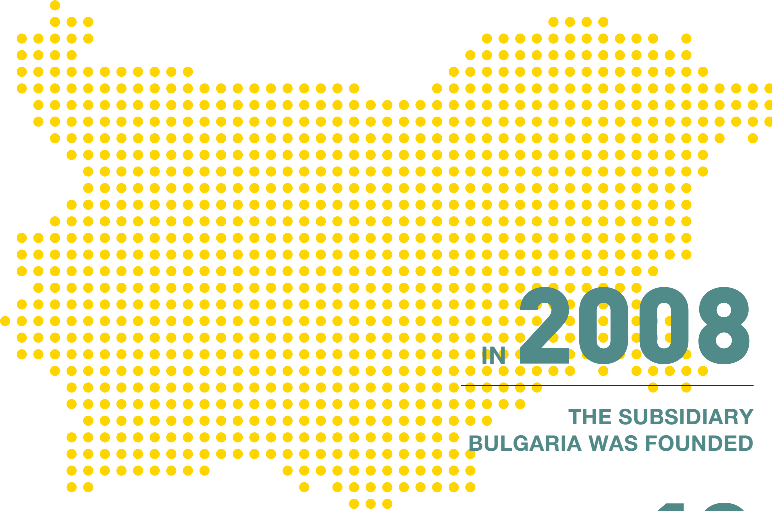
The year 2022 was definitely an abnormal year, but it was a year that taught us a lot, namely that despite difficulties we are able to start again, always!

MORE INTERNATIONALITY

REGION 3: BULGARIA



BETINA IVANOVA
ACCOUNTANT
BULGARIA



IN **2008**

THE SUBSIDIARY BULGARIA WAS FOUNDED

19

EMPLOYEES

I like to be a part of LR because …

… in the short time I have been at LR, my colleagues have not only become just colleagues, but close friends. When I started working in April 2022, they welcomed me kindly and trained me with great patience. LR gives me the opportunity to develop and improve my skills, meet many interesting people and participate in great events.

LR´s popularity …

… in Bulgaria is great because of the high quality products, especially the health products, a unique career plan and the opportunities to improve people's lives.

LR's goal is to improve its products and sell the best beauty and health products in the world, as today's society needs high quality more than ever. Our partners are highly motivated, full of energy and committed to our company. They are also proud to be a part of LR because it is an international company that gives them the opportunity to experience different cultures.

I would describe the year 2022 at LR …

… Bulgaria as very good for me, because I learned a lot of new things and learned about the work process. No matter what challenges and difficulties came up, I managed them very well thanks to the good working atmosphere and my wonderful colleagues. The events we organized during the year were amazing. The launch of the new Zeitgard device was very successful. There was a lot of interest and we achieved a big increase in sales. People are happy with our products, love the company and look forward to every upcoming event we organize.

EXPANSION: SOUTH KOREA

LR SOUTH KOREA – A SUBSIDIARY ON THE ROAD TO SUCCESS!

BJ CHOI
COUNTRY MANAGER
LR SOUTH KOREA

In March 2021, we successfully entered the Asian market and started with LR South Korea. This expansion is a significant driver for the existing business and a positive signal for optimism and future orientation. And since than a lot of important things have happened and will continue to happen in the future. This told us the LR Country Manager of South Korea, BJ Choi and his colleague Sunny Choi who we met during a Leaders Trip in November 2022 at the LR Headquarter in Ahlen, Germany.

More than two years ago, we welcomed LR South Korea into our large international LR family. We are immensely proud of what has happened so far. First, we have successfully launched 33 LR products in South Korea. "The Aloe Vera Drinking Gels and 5in1 Beauty Elixir are our best-selling products."

LR Country Manager of South Korea, BJ Choi told us. "People in South Korea pay attention to their health. They are very health conscious. Our top two products reflect that." During the first Leaders Trip with 14 top South Korean leaders to the LR Headquarter in Ahlen in November 2022, we were able to interview and do a photo shoot for the annual report with the South Korean delegation BJ Choi and his colleague Sunny Choi, Senior Product and Training Manager. Both of them enjoyed the visit to HQ in Ahlen and the good organization of this trip.

In general, they like being part of LR because the cooperation with HQ is incredibly good. Especially the cultural understanding, the acceptance and the respectful communication. And also because of the high-quality products "Made in Germany".

ZEITGARD PRO: THE PERFECT BEAUTY DEVICE FOR THE KOREAN MARKET

The South Korean delegation and all the LR South Korean partners are very much looking forward to the launch of the next LR blockbuster: Zeitgard Pro. This innovative device, already a tremendous success in Germany and many other LR countries, will be launched in South Korea in April 2023.

"For your information, in Korea, premium skin care contribution is remarkably high compared to Europe and other countries. Majority of Korean women want to have cosmetic products with anti-aging function. Nowadays, more people are going to skin clinics. But it is very expensive. So, to have a home esthetic treatment and the launch of Zeitgard Pro in Korea in April is perfect," Sunny Choi told us.

"And although the market for cosmetical devices in Korea is so huge and competitive, the Zeitgard Device has a big plus over others: It is "Made in Germany" and of course Made by LR. The Korean people have confidence in German products," BJ Choi added.

MORE INTERNATIONALITY

EXPANSION: SOUTH KOREA

> **“The Aloe Vera Drinking Gels and 5in1 Beauty Elixir are our best-selling products (...) People in South Korea pay attention to their health. They are very health conscious. Our top two products reflect that.**

(from left) BJ Choi, Country Manager LR South Korea and Sunny Choi, Senior Product & Training Manager

And in general, the image of LR in South Korea is great. “LR products first of all have very high quality, are made in Germany and made by LR. We have never received any complaints because everything is developed by LR,” said BJ. LR as a company is known in South Korea as very ethical, clean and respectful with heart. And considering the Covid period, the image of the company and its products has been great so far.

LR SOUTH KOREA HAS BUILT A LOYAL SALES FORCE

Speaking of Covid – LR South Korea started when the Covid pandemic broke out. “In the beginning, it was a challenge to build a big LR partnership,” BJ told us. “When we launched in 2020, we did not have that many professional sales partners. Many of our partners were those who had never been in network marketing before or only had a few years of experience. So naturally, these partners need more time to build their business and take a leadership role.” In the meantime, however, LR South Korea has built a loyal sales force. Some of the partners who were with LR South Korea from the beginning became successful leaders. They grew step by step and are a good example of the great growth. A total of 14 leaders were rewarded for their great work and perseverance with a trip to the LR Headquarters. One of them, Platinum Orga leader Terry Kim, even had a special recognition dinner at our HQ in honor of his achievements with CEO Andreas Laabs and the two General Managers, Andreas Grootz as well as Thomas Heursen among the other South Korean partners.

2023 WILL BE A BIG YEAR FOR LR SOUTH KOREA

Both ways of working, on and offline, have helped these leaders achieve their goals and drive their business forward. And we are contin-uously developing our tools to fit their needs. The optimization of the Career plan, the introduction of the Rising Star program (analogous to the “Fast Track program”) and the launch of the partner App “My LR 360” (the digital business to go) help LR South Korea and its partners to continue to grow and to be successful.

Overall, South Korea is a big player in the Asian market. The potential of the LR brand in South Korea for the future is high. “We are very confident that our image in Korea will be built gradually and will continue to grow in 2023 and in 2024, which will be a very big year for us!” said BJ. “Steady growth is the key here. And in Korea, we are extremely fortunate to work with a team at HQ that understands this strategy.”

LR is also very proud to continue working with South Korea as a well-developing player in the Asian region. And for further expansions in Asia, the market entry in South Korea has laid the foundation for new LR subsidiaries.

> **“The Korean people have confidence in German products.**

The South Korean Delegation met with LR employees for an Onboarding Meeting at the LR Media Factory in Ahlen.

04

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.

MORE PRODUCT QUALITY

LR ZEITGARD FOR TIMELESS BEAUTY

ZEITGARD PRO – THE INNOVATIVE RECRUITING TOOL

SINCE SEPTEMBER 2022, LR HAS BEEN OFFERING EVERYONE A "BEAUTY STUDIO AT HOME" WITH JUST ONE BLOCKBUSTER PRODUCT. THE ZEITGARD PRO IS A SMART AND INNOVATIVE DEVICE WITH FOUR APPLICATIONS – FOR THE FACE AND BODY. THE DEVICE IMPRESSES EXPERTS IN TERMS OF BOTH ITS QUALITY AND ITS DESIGN. AND THE LR PARTNERSHIP IS ALSO DELIGHTED. NEVER BEFORE HAS AN LR PRODUCT MADE SUCH WAVES. THE LAUNCH OF THIS INNOVATIVE RECRUITING TOOL WAS THE BEST IN THE HISTORY OF LR TO DATE. IDEAL CONDITIONS FOR A SUCCESSFUL BUSINESS!

Innovative, effective, unique – the new Zeitgard Pro is currently LR's most successful blockbuster product. Its predecessors, the ZEITGARD 1 and 2, had already become very popular by offering youthful radiance at the touch of a button through effective anti-aging management. By launching the new generation successor device, the Zeitgard Pro, LR has truly put the icing on the cake.

NEXT LEVEL: HIGH TECH MEETS BEAUTY

Pure expertise and the highest quality: The new Zeitgard Pro Cosmetic Device embodies the new age of beauty. Never before has it been so easy to bring the luxury of professional beauty center treatment into your own home. The patent-pending* Zeitgard Pro Cosmetic Device raises your daily beauty routine to a whole new level. It is an outstanding high-tech device that combines advanced technologies, such as oscillation and ultrasound, with four different beauty tools to offer professional beauty center quality. The smart device identifies the technology to be used as soon as one of its attachments is changed. A daily beauty routine – at the level of beauty center cosmetic treatments – that delivers maximum effect.

GERMAN DESIGN AWARD 2023

PATENT PENDING zum PATENT angemeldet*

FACE CLEANSING TOOL**
Facilitates gentle facial cleansing that is also up to 10 x more effective

OSCILLATION

FACE PEELING TOOL**
Precisely cleanses the skin of blackheads and dead skin cells

ULTRASONICS

FACE SMOOTHING TOOL**
For noticeably firmer and more even skin tone thanks to ultrasound massage

ULTRASONICS

BODY SKINCARE TOOL**
Ensures that the active care product ingredients penetrate deeper into the skin

ULTRASONICS VIBRATION

1 DEVICE – 4 BEAUTY-TOOLS

Developed in collaboration with experts, LR has succeeded in achieving a quantum leap in apparative cosmetics with this device. The innovative feature of this device is that it intelligently changes the requisite technology depending on the attachment used. It offers a total of four different application options tailored to the requirements of the skin. Four different beauty treatments can be selected, with matching attachments for the face and body.

Recommended by experts

Highly effective care formulas

Innovative, high-tech

Scientifically developed and tested cosmetics

*Patent pending in Germany for a cosmetic device with exchangeable attachments for domestic use: Patent no.: 10 2022 200 747.6
**Scientific study conducted by the renowned Institut Dermatest GmbH, 2022 Period of application: 4 weeks, number of test persons: 20.

MORE PRODUCT QUALITY

> **The special here: The Zeitgard Pro Device in combination with the cleaning and care products allow the active ingredients to penetrate deeper into the skin, so that they can demonstrably develop their effect better.**

A BEAUTY CONCEPT FOR BETTER EFFECTIVENESS

From cleansing and care to skin tightening – this beauty concept covers everything. It's a well known fact that optimal facial care begins with clean, clarified skin. In combination with the clarifying cleansing cream, the Face Cleansing Tool provides everything needed for thorough facial cleansing. This is where oscillating technology comes into play. The Face Peeling Tool, in combination with the facial toner, contributes to deep cleansing and rounds off the cleansing routine ideally. Used as part of your daily facial care routine, the Face Smoothing Tool, in combination with the facial care products, guarantees visibly fewer wrinkles. The special feature here is that the Zeitgard Pro, in combination with the cleansing and care products, allows the active ingredients to penetrate deeper into the skin, allowing them to demonstrably develop a better effect. And this is precisely where the ultrasound technology with its innovative active ingredient transport system comes into play. It functions like an anti-aging booster to produce the maximum effect:

INNOVATIVE TECHNOLOGY RECOMMENDED BY EXPERTS

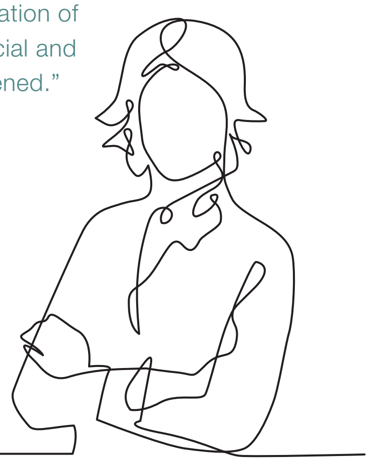
Our expert in dermatology & venereology, Dr. Gerrit Schlippe – with 25 years of experience in cosmetics research – recommends the Zeitgard Pro Cosmetic Device and its dermatological efficacy, which has been confirmed by the well known Dermatest institute***.

> **The Zeitgard Pro Cosmetic Device is a true all-rounder ...**

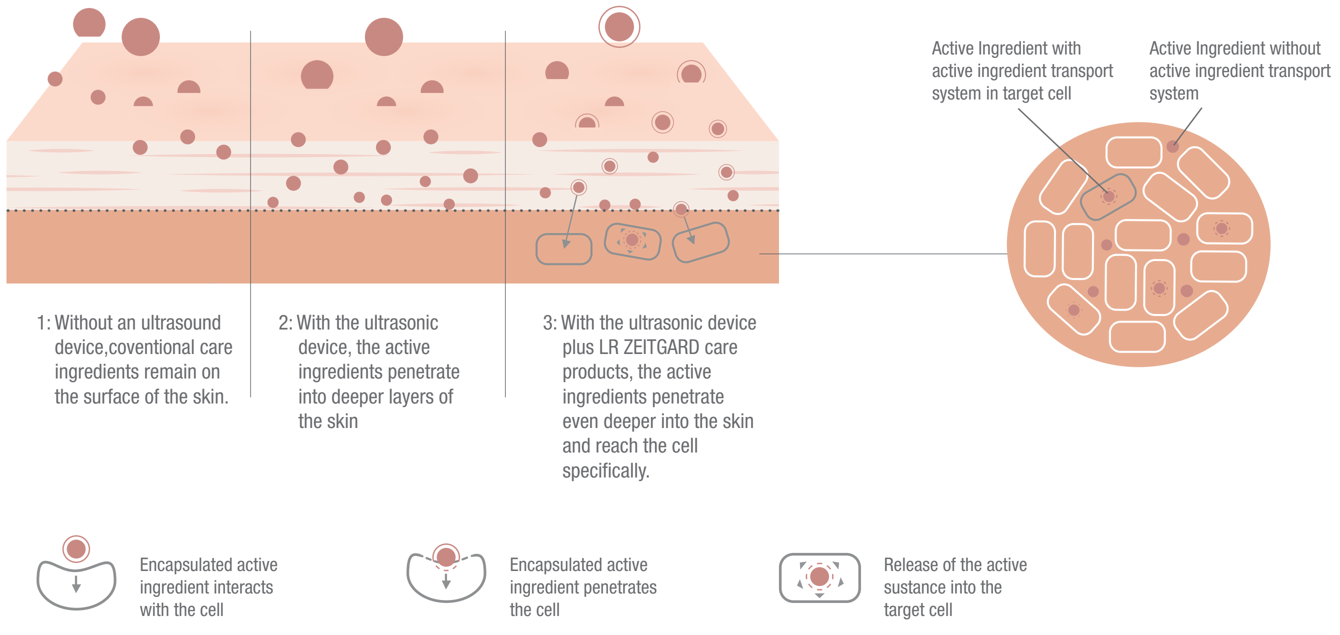
THE EXPERT´S TIP

"The Zeitgard Pro Cosmetic Device is a true all-rounder and can produce effects similar to those of a cosmetics studio. The assumption is made, for example, that active anti-aging ingredients are transported significantly faster and deeper into the skin tissue by ultrasound vibrations. They act like a micromassage, thereby stimulating the formation of new collagen. The result: facial and body contours appear tightened."

Dr. med. Gerrit Schlippe
Specialist in Dermatology & Venereology, with 25 years of experience in cosmetics research.



THE INTERPLAY BETWEEN ULTRASOUND AND LR ZEITGARD CARE



AWARD-WINNING INNOVATION

The "beauty studio for the home" has also impressed some experts in terms of its design. The Zeitgard Pro Cosmetic Device received the German Design Award 2023 in the "Bath and Wellness" category. The device impressed the distinguished jury in the "Excellent Product Design" competition with its modern and timeless design, which is rounded off by the ergonomic handle and inductive charging station.

You can find even more products and details here:
https://shop.lrworld.com/

GERMAN DESIGN AWARD 2023

*** Scientific study by the Dermatest GmbH institute in 2022.

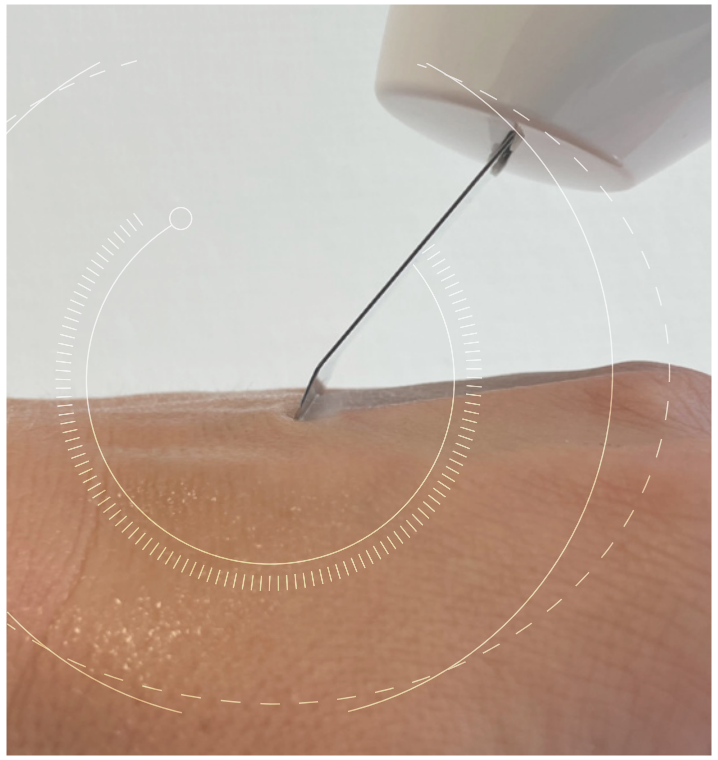
MORE PRODUCT QUALITY

THE INNOVATION FOR A SUCCESSFUL BUSINESS

ZEITGARD
FOR TIMELESS BEAUTY

> “The device is innovative, effective and above all unique. And this uniqueness on the market has been patented*.

PATENT PENDING
zum
PATENT
angemeldet*



But it's not only the experts who are impressed by the Zeitgard Pro – so is the LR Partnership. This is evidenced by the fact that the device launch in September 2022 is considered the most successful in LR's company history.

STRONG SELLING POINTS

Step by step to success – LR offers its Partnership an innovative product that delivers massive potential for success. It's the perfect recruiting tool. On the one hand, the facts speak for themselves: The device is innovative, effective and, above all, unique. And this market uniqueness has been patented*. Convincing selling points. On the other hand, it is an emotional topic that allows partners to speak from their own experience and enthusiasm – during a product presentation, for example. Here, the partner's authenticity, combined with clearly visible results, truly makes its mark. The Zeitgard Pro is excellent for giving quick and easy demonstrations.
For example, an ideal demonstration is how the innovative ultrasound technology works. In this regard the device impresses with its instant and inspiring effects. As part of an LR business presentation, the Zeitgard Pro in the Starter or Business Set empowers and facilitates new partners' entry into the business.

LARGE BASE OF POTENTIAL CUSTOMERS

This is where several target groups can be won over. The Zeitgard Pro offers everyone beautiful skin, regardless of gender, age group or skin requirements. So a large potential customer base exists here.
All in all, the innovative and unique Zeitgard Pro Cosmetic Device – in combination with the LR Partnership's high-quality cleansing and care products – offers the ideal conditions for building a successful business. And the subject of beauty will always be timeless.

*Patent pending in Germany for a cosmetic device with exchangeable attachments for domestic use: Patent no.: 10 2022 200 747.6

05

WE BELIEVE IN MORE RESPONSIBILITIES

FOR US IT IS A MATTER OF COURSE THAT WE TAKE SOCIAL RESPONSIBILITY IN THE HERE AND NOW TO ASSUME SOCIAL RESPONSIBILITY AND TO SUPPORT SUSTAINABLE DEVELOPMENT. IT IS TIME TO ACT, TO BECOME SUSTAINABLE – ENVIRONMENTALLY, SOCIALLY AND ECONOMICALLY. AND LR IS A SUSTAINABLE COMPANY.

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.

100 %

RECYCLED COPY PAPER AT THE HQ IN AHLEN

98 %

OF PRINTED MATERIALS MADE FROM FSC-CERTIFIED OR RECYCLABLE PAPER

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

A DIFFERENT KIND OF PAPER: RECYCLED AND FSC CERTIFIED

FSC
www.fsc.org
FSC® N003255

Magazines and printed media? Product packaging? Paper for everyday use? LR is increasingly focusing on resource conservation and sustainability in these areas. Here, we rely particularly on global market leader, the FSC®, or Forest Stewardship Council®.

The FSC has set itself the goal of promoting ecologically appropriate, socially beneficial and commercially profitable forest management. It therefore monitors and certifies the cultivation of forests and the processing and production of the finished products.

By the end of 2022, we were already able to switch to a significant amount of FSC®-certified and recyclable material in terms of product packaging. So when you receive a printout or copy from our German headquarters, it will actually be printed on 100 % recycled paper. In terms of the paper used to produce various magazines and print media, the figure is as high as 98 % or 736,798 kg! And we have not even reached our goal here yet. We want to continue along this path during the next few years and make conscious and targeted use of FSC®-certified and recyclable material wherever possible.

CARBON FOOTPRINT

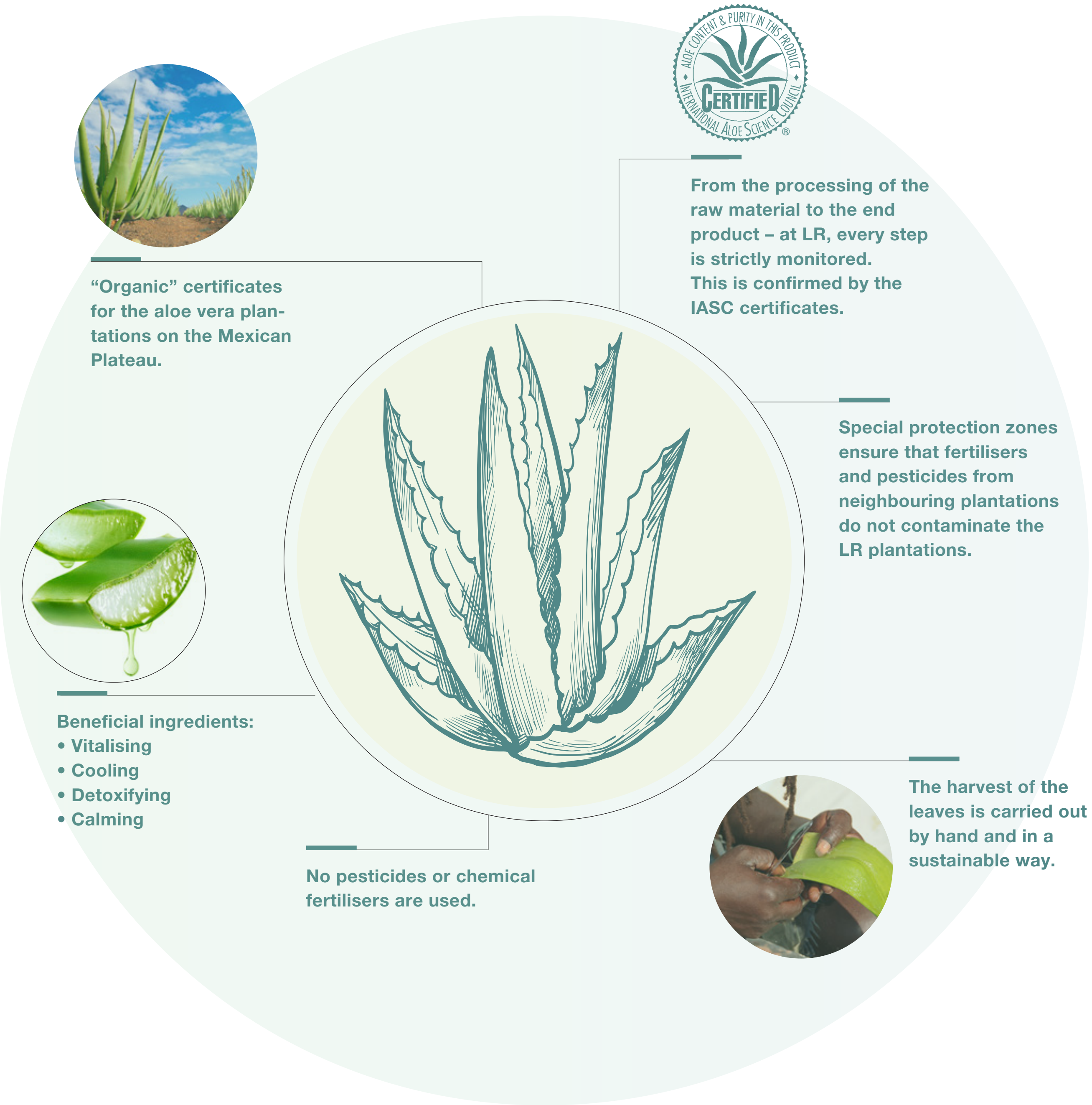
We have already implemented many individual measures to reduce our CO2 emissions as far as possible – and these have been successful. Our intention now is to roll out further measures even more widely in order to realize the greatest possible savings potential. We prepared our first carbon footprint[1] for 2021 and repeated the process for 2022. A carbon footprint is an excellent tool for tackling the issue of reducing CO2 emissions in a coordinated and targeted manner and is a key building block in LR's overall commitment to sustainability.

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.

[1] The carbon footprint is currently calculated without considering upstream and downstream supply chains.

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.

3,200
NUMBER OF PANELS OF OUR NEW PHOTOVOLTAIC SYSTEM

ENERGY NEW PHOTOVOLTAIC SYSTEM

In order to take an even broader approach to meeting the requirements for ecologically sustainable development in future and reducing dependence on external electricity suppliers, LR has focused on generating renewable energies in the past year. Our initial considerations regarding generating energy ourselves using a large-scale photovoltaic system rapidly led to the planning of a solar plant. The energy is generated on the roofs of the aloe vera production facility (The Aloe Vera Drinking Gels and the Mind Master Brain & Body Performance Drinks are produced and bottled here) and logistics hall at the company's Porschestrasse site in Ahlen, Germany. The commissioning of the plant, which comprises around 3,200 photovoltaic panels with a capacity of 1,209 KW/peak, will take place in 2023.

Moreover, in 2022 we succeeded in identifying alternatives for technical equipment that was previously powered by gas. Particular mention should be given here to the procurement of a new, electricity-powered steam generator for our aloe vera production line, which is due to be commissioned at the same time as the photovoltaic system.

32
CHARGING STATIONS FOR E-MOBILITY

6,072
LITERS OF GASOLINE (EQUIVALENT) SAVED BY CHARGING A TOTAL OF 51,009 KW/H OF ELECTRICITY FOR COMPANY VEHICLES

TRAVELLING THE FUTURE IS ELECTRIC

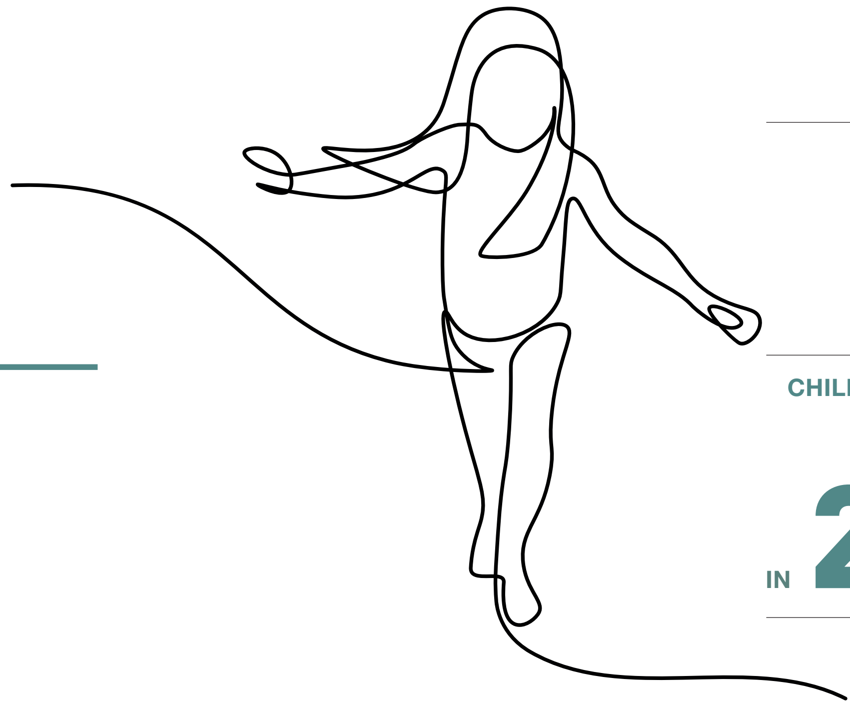
In 2020, we already invested developing an e-mobility charging infrastructure:
So far, 32 charging stations have been installed at our Ahlen site. Twenty of these charging stations are located at our headquarters on Kruppstraße, eight at our aloe vera production site, and four at our in-house advertising agency and IT department.

In 2022, LR's own charging stations had already been used to charge the company's electric cars and hybrid vehicles with 51,009 kWH of electricity, which corresponds to an increase of over 38 % compared to the previous year. Our goal is only to allow new electric cars to be registered as company vehicles from 2025 onwards. We also offer our employees the option of working remotely and have optimized the video conferencing facilities in our offices. For business trips, we recommend that all colleagues travel short distances by train or use an electric or hybrid vehicle from our pool, instead of traveling by air. Furthermore, we offer our employees a bike leasing plan, and are increasingly seeing people cycling to work instead of driving.

MORE RESPONSIBILITIES

ACTING IN A SOCIALLY SUSTAINABLE WAY

FOR US, ACTING IN A SOCIALLY SUSTAINABLE MANNER MEANS CREATING A RESPECTFUL, FAIR AND EXEMPLARY WORKING ENVIRONMENT IN WHICH EVERYONE CAN DEVELOP INDIVIDUALLY AND FREELY. AND AT LR, WE CARE ABOUT THE WELL-BEING OF EVERY INDIVIDUAL.



18
COUNTRIES

18
CHILDREN'S AID PROJECTS

IN **2009**
FOUNDED BY LR EMPLOYEES

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 18 children's aid projects in 18 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".

"It ist important for us to improve the future prospects for disadvantaged children & young people through our corporate philosophy - "More quality for your Life" - At LR we are socially responsible. This is a part of our corporate culture. Donations from our employees, partners and the company are what make the valuable help in the children's aid projects possible in the first instance.

Kirsten Ueckmann, Chairwoman of the board
LR Global Kids Fund e. V.

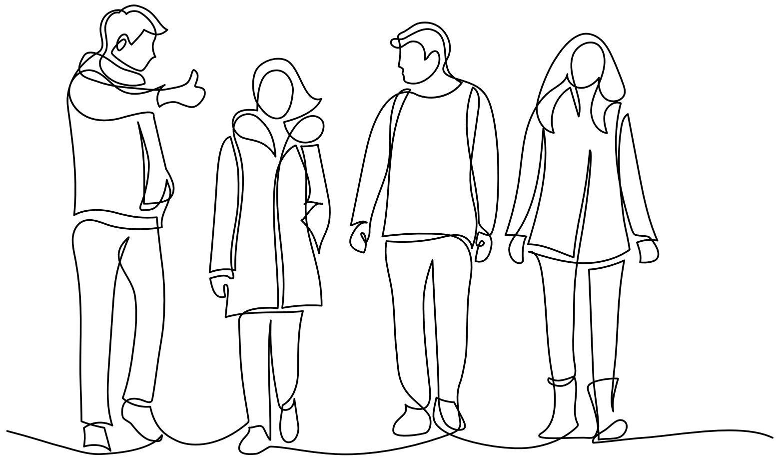
LR GLOBAL KIDS FUND
initiated by LR Health & Beauty

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. Free fruit and water dispensers 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.



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.

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 up to a maximum of 3 days per week, depending on the area of responsibility.

LR IS MORE
MORE FOR EVERYONE

LR is a company for everyone who wants more. Under the hashtag #WEAREMORE, LR launched an employer branding campaign last year to establish LR as an employer brand, boost its reputation and build a better perception of LR as both a company and as an employer. LR is the employer for everyone who wants "more". Greater opportunities, more openness and creativity in a culture that embeds mutual appreciation in its values.

ALL FOR ONE, ONE FOR ALL!

Doing more, creating great things. This is what LR wants to accomplish together with its employees – as a team and always hand in hand. Gender, age, religion, nationality and sexual orientation are irrelevant. "All for one, one for all" is what counts at LR – with respect and tolerance. And the common goal of acting sustainably and continuing to grow always remains in focus.

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.

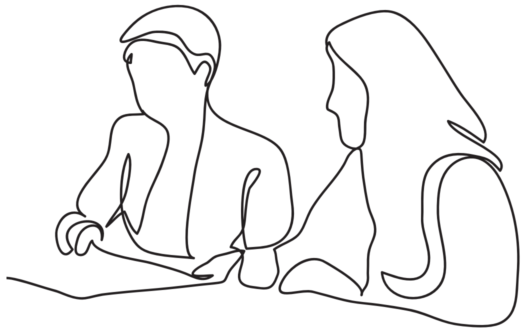
COMPLIANCE EFFECTIVE RISK MANAGEMENT

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, Compliance and at least one general manager – 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.

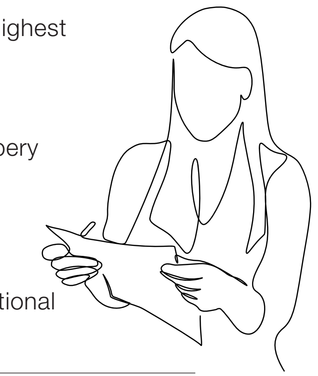
Important pillars of this mutually accepted code are...

...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



WE BELIEVE IN A BRIGHT FUTURE

A GREAT FUTURE LIES AHEAD OF US. FOR MORE THAN 37 YEARS LR HAS SHOWN HOW SUCCESSFUL, STABLE AND FUTURE-ORIENTED THIS GLOBAL COMPANY IS. AND WE STILL BELIEVE IN MORE!

06

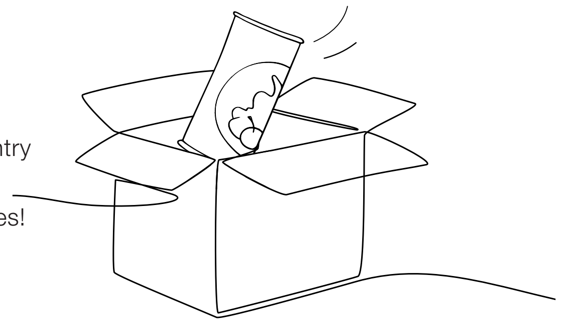
WE BELIEVE IN A BRIGHT FUTURE

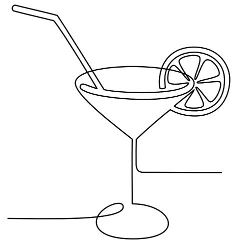
2023 – THE YEAR OF THE ORGA LEADER

THE "YEAR OF THE ORGA LEADER" ALSO FORMS PART OF THE GROWTH STRATEGY WE HAVE DEFINED. SPREAD OVER THE WHOLE OF 2023, VARIOUS MEASURES WILL FOCUS ON THE LR BUSINESS OPPORTUNITY. THIS IS LINKED TO THE OBJECTIVE OF INCREASING THE NUMBER OF ORGA LEADERS, THEREBY GROWING BOTH THE TEAMS OF OUR SALES PARTNERS AND OUR REVENUES.

1

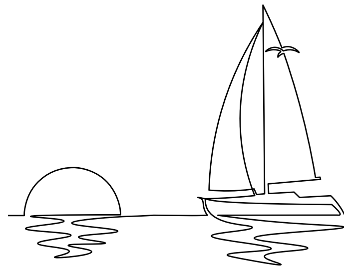
The year was ushered in with a "blockbuster launch": The LR BODY MISSION is given a new look and revised formulas, making distribution easier than ever. It therefore offers the perfect entry path and optimal starting point for developing new careers. A "recipe for success" in two senses! Because strong products are the key requirements for a successful LR Partner!





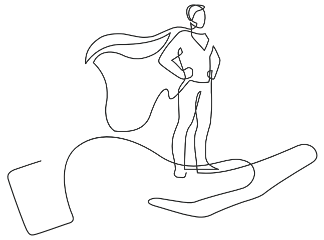
2

The event continues with the biggest summer party in LR's history, with high-spirited dancing and celebrations. It's a wonderful opportunity for exchanging ideas and getting to know other members of the LR family. This year, Orga Leaders are also invited to this top event – pure motivation!



4

Last but not least, the newly designed LR Leadertrip delivers motivation: In contrast to previous events, Orga Leaders now also participate in this popular trip, with some luxury surprises and many special activities. In addition to unique experiences, the most successful LR Partners can share their best tips and tricks and valuable experiences here.



3

Even greater financial freedom! The proven "LR Fast Track" bonus program has been adapted and relaunched as a further measure. Completely new this time around: Orga Leaders can also participate in the Fast Track program. Divided into levels 1 and 2, they receive €2,000 – 2,500 per month depending on the level – for guaranteed income and extra security.

To gain an impression of what it means to be an LR Orga Leader, we are developing a film to support all of these activities. In it, Partners from a range of different countries recount their success stories. The film conveys emotions and highlights LR as an option for realizing dreams and desires. The "Year of the Orga Leader" is part of our growth strategy. On the one hand, it supports the entry of new LR Sales Partners, while on the other, it motivates existing Partners to set themselves higher goals and pursue them with total commitment.

WE BELIEVE IN A BRIGHT FUTURE

QUALITY GROWS SUCCESS

A PERFECT COMBINATION OF THE TRIED AND TESTED AND THE NEWLY INVENTED – THAT'S WHAT THE LR PRODUCT RANGE OFFERS. OUR ALOE VERA DRINKING GELS ALREADY CELEBRATED THEIR ANNIVERSARY LAST YEAR, AND SOME MORE BIRTHDAYS ARE ALSO COMING UP IN THE NEXT FEW MONTHS. TIME TO ADD A FEW NEW CHAPTERS TO THE LR GROWTH STORY ...

Happy Birthday!
Jungle Man has been the top selling men's fragrance for 25 years – so to coincide with World Fragrance Day, a Limited Edition will be released in June, surprising with double content and an exclusive can.

Mind Master can also look back on a long tradition of 10 years. The performance drink for body and mind celebrates a round birthday, providing further proof of the high quality of LR's products:
We are never satisfied with the status quo and are continually seeking to develop our bestsellers. This has allowed us to create two convincing liquid variants over the years – Formula Green and Formula Red – while the Mind Master Extreme Performance Powder has become the perfect support for those on the go. And who knows what else awaits us this year ...?!

But it's not only our classics that present their best side: Our Limited products, that tap into seasonal aspects and current trends, also set us apart. Depending on the season and occasion, both new fragrances and care products are appropriately launched. For example, this year's Summer Limiteds are inspired by refreshing fruits. Pineapple, lime & co. offer an upbeat mood, breathtaking fragrance experiences and perfect care moments!

LR BODY MISSION LAUNCH 2023

10 YEARS MIND MASTER

And – last but not least –
our proven FIGUActive products and popular LR BODY MISSION are also revitalized. Adapted formulae offer even greater pleasure and higher yield, while the modern design, on the other hand, is also really pleasing to the eye.

This special combination of proven favorites and new sensations is another building block in LR's growth strategy and delivers the best basis for achieving attractive figures.

25 YEARS JUNGLE MAN

GREENFIELD: GREEN LIGHT FOR GROWTH

WE ARE COMMITTED TO GROWTH. CONSISTENT GROWTH. THIS IS THE PRECISE REASON WE HAVE FOCUSED SINCE 2021 ON THE GREENFIELD PROJECT AS PART OF LR'S GROWTH STRATEGY. GREENFIELD DOESN'T "JUST" MEAN A NEW ERP SYSTEM AND ESHOP, BUT COMPLETELY REDESIGNED BUSINESS PROCESSES THAT, IN COMBINATION WITH STATE-OF-THE-ART TECHNOLOGY, SHOULD SUPPORT HIGHER SALES VOLUMES. HOW EXACTLY WILL THIS WORK? THE FIRST STEP IS TO THOROUGHLY SCRUTINIZE OUR EXISTING PROCESSES. THESE PROCESSES ARE THEN REDESIGNED WITH CURRENT TECHNICAL FEASIBILITIES IN MIND. FINALLY, THEY ARE IMPLEMENTED AT ALL OF THE LR COMPANIES.

What sounds simple at first is the result of months of brainstorming, creative workshops, idea generation and ingenuity. To this end, we have added distinguished IT expertise to our LR family: By appointing Axel Koß as our new VP Process Management & IT, we have been able to onboard a specialist who possesses explicit know-how for the greenfield implementation. Together with our IT experts, he is currently sparing no effort in finalizing the project.

But our IT department is not the only party involved. To realize a project of this scale, almost all of our departments are combining their forces! For instance, logistics is attributed particular attention. Because we want to remain capable of serving all orders in the familiar LR manner in future too: i.e. immediately! In order to guarantee this, together with the Theodor F. Leifeld-Stiftung we have constructed a new warehouse in parallel with modernizing our technology – to realize a completely redesigned dispatch line, among others.

Such interplay between software and hardware allows our delivery capability to be scaled upwards at short notice. Greenfield therefore provides a solid, modern foundation and an agile system for making future adjustments to the market and technology. It is an important component of the growth strategy defined by LR.

MANAGEMENT REPORT

07

LR GLOBAL HOLDING GMBH, AHLEN / GERMANY

COMBINED MANAGEMENT REPORT ON THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2022

A. FUNDAMENTALS OF THE GROUP

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 Health & Beauty Group (hereinafter referred to as the LR Group, LR or the Group) and its parent company LR Global Holding GmbH (hereinafter referred to as the LR Global) 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 are 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 current parent 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, 2023, 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.

B. BUSINESS REPORT

Overall economy and sector development

After the global economy weakened by more than –3% in 2020 in the wake of the Corona pandemic, the International Monetary Fund[1] (IMF) reports that a significant recovery was already underway in 2021, with growth of 6.2%, despite the ongoing lockdowns, particularly in the first half of the year. In 2022, this upturn cooled off again significantly, with the outbreak of war in Ukraine in particular impacting global economic output, which the IMF estimates to have increased by only 3.4%.

In the euro zone, the most important market for the LR Group, the negative economic effects of the Corona pandemic in 2020 were even more significant than the global average, with a decline in real gross domestic product of –6.4%. With a recovery in 2021 +5.2%, economic output in the euro zone has not returned to pre-crisis levels. According to IMF estimates, economic output in the eurozone will still increase by 3.5% in 2022, despite the war in Europe, high inflation rates and declining consumer confidence. The estimate for Germany, the most important LR market, is significantly below average with a plus of only 1.9%.

In other markets important to the LR Group, the development of real GDP was more positive over the two pandemic years. According to the IMF, after the weakening of economic output in 2020 by –2.7%, Russia again recorded economic growth of +4.7% in 2021, thus exceeding the overall pre-crisis level. The outbreak of war and the subsequent sanctions imposed by the West and counter-sanctions by Russia finally led to a reversal of the positive trend. According to IMF estimates, economic output in Russia declined by –2.2%. In South Korea, an important future market for the LR Group, economic development was positive again at +4.1% in 2021 after a slight slowdown of -0.9% in the first corona year. According to IMF estimates, this positive trend could be maintained in a slightly weakened form in 2022 at +2.6%.

According to the World Federation of Direct Selling Association (WFDSA), direct selling recorded slight sales growth worldwide of +2.3% in 2020 and +1.5% in 2021. Both years saw significantly declining sales in the Chinese market – one of the world's largest direct selling markets (China's share of the total direct selling market 11.2% in 2020 and 9.7% in 2021). Adjusted for this effect, the development of direct selling would be estimated to be even more dynamic at +6.0% and +3.3%. In Europe, the core market of the LR Group, the development was less dynamic with a market growth of +0.1% in 2020 and +3.0% in 2021, but nevertheless following a steady positive trend. At the time of preparing this management report, there are no valid data on the development in 2022. However, LR assumes that the positive trend of recent years will be interrupted for the time being in 2022 with the outbreak of the war in Ukraine. This assessment is based on the largely declining sales figures of competitors subject to reporting requirements.

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

[1] World Economic Outlook Update, January 2023

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 2022, the focus was also on the enhancement of digital solutions to support the sales partners.

Research and development expenditure in the financial year amounted to kEUR 2,736 (PY: kEUR 2,600).

Furthermore, own development costs for self-developed intangible assets in the amount of kEUR 523 (PY: kEUR 1,854) were capitalized. Amortization of capitalized development costs amounted to kEUR 1,288 in the 2022 financial year (PY: kEUR 1,373).

Headcount
During the 2022 financial year, the Group employed an average headcount of 1,261 (PY: 1,295), of which 737 (PY: 765) can be allocated to the German subsidiaries and thereof 219 (PY: 114) to the LR Global Holding GmbH.

In 2022, an average of 17 trainees were employed in the vocational fields of management assistant for marketing communications, IT specialist in system integration, industrial clerk, digital and print media designer, IT specialist in application development, warehouse logistic specialist 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 2022. Of these, a total of 6 trainees have been taken on in the relevant divisions in 2022.
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. In 2022, two more participants were also recruited for a dual study program in business administration, and two places are again planned for the following year.

C. IMPORTANT FINANCIAL PERFORMANCE INDICATORS

In order to analyze the course of business and the Group's position, sales (revenue from sold goods) and EBITDA 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. 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).

Financial performance LR Group
The strong growth course that had already begun in financial year 2019 and was significantly increased over the Corona years in 2020 and 2021 could not be continued in 2022. This was driven in particular by the very different macroeconomic conditions in the respective periods. Supported by exceptionally strong growth in financial year 2020 and the last major lockdowns in several countries, six consecutive monthly sales records were achieved in the first half of 2021. As a result, the first half of 2021 marked the highest sales levels in LR's history. Without these strong supporting conditions, sales performance in January and February 2022 was below 2021 levels but still above 2020 levels, in line with LR Group expectations. With the outbreak of the war in Ukraine, sales (revenue from goods sold) in March 2022 decreased by –23.7% year-on-year.

The Ukrainian subsidiary in Kiev had to be temporarily closed, and further negative effects of the uncertain situation were also felt in other markets, especially in neighboring countries, but also in Central and Western Europe. In addition, high inflation and the resulting change in consumer behavior contributed to the decline in sales.

Since the unexpected sales drop in March, the LR Group has been working on stabilizing the sales development. While the year-on-year decline in sales in the second quarter of 2022 was still –14.6%, the gap was already reduced to –3.7% in the third quarter. In the fourth quarter, which is traditionally very consumer-driven with the Christmas business, the year-on-year sales gap was further reduced to –3.5% despite the significantly weaker consumer climate.

A particularly important building block along the way was the launch of the new patented Zeitgard Pro for innovative facial care in September. It is the most successful product launch in recent years and offers not only high quality for the user, but also a wide range of business opportunities for our sales partners. In addition, the relaunch of the Fast Track Bonus strengthened our sales partners and thus also contributed significantly to the positive sales development.

The sales (revenue from sold goods) amounted to kEUR 269,441 in the financial year 2022 (PY: kEUR 296,239). Of this amount, kEUR 114,280 (PY: kEUR 120,944) is attributable to Region 1[2], kEUR 64,402 (PY: kEUR 80,945) to Region 2[2], and kEUR 89,082

(PY: kEUR 93.421) to Region 3[2]. In addition, there are other sales of kEUR 12,263 (PY: kEUR 12,400), which mainly result from the on-charging of other services to our sales partners. This results in revenues before sales deductions of kEUR 281,704 (PY: kEUR 308,639) and after sales deductions of kEUR 268,309 (PY: kEUR 292,940).

Compared to the previous year, other operating income increased significantly from kEUR 8,673 to kEUR 21,614 in the financial year 2022. This is mainly driven by a significant increase in gains from currency translation from kEUR 5,006 to kEUR 14,900. This includes an effect of kEUR 2,358 from the first-time application of IAS 29 in connection with the hyperinflation in Turkey. The further increase in gains from currency translation is due to the different development of the exchange rates of the main Group currencies in the financial year. However, these high gains from currency translation are simultaneously offset by high expenses from currency translation amounting to kEUR –13,269 (PY: kEUR –5,432), which were reported under other operating expenses. In total, this would result in a positive effect from currency translation of only kEUR 1,631 (PY: kEUR –426).

Cost of materials, as a percentage of overall performance[3], amounts to 18.4% (PY: 19.2%) and is subject to periodic fluctuations caused by seasonality and sales activities during the year.

Personnel expenses decreased from kEUR 54,162 to kEUR 52,678. As a result of the drop in sales following the outbreak of war, various cost-cutting measures were taken, including a temporary hiring freeze, and even thereafter vacant positions were not automatically refilled. This led to a reduction in the number of employees from 1,314 on December 31, 2021, to 1,236 on December 31, 2022, thus limiting the percentage increase in personnel costs in relation to total overall performance to 19.8% (PY: 18.3%).

The Group's other operating expenses are mainly composed of bonuses granted, license fees and distribution costs, as well as selling, consulting and administrative expenses and losses from currency translation. The latter increased significantly from kEUR –5,432 to kEUR –13,269; this is offset by gains from currency translation, resulting in a net positive effect from currency translation of kEUR 1,631 (previous year: kEUR –426) (see section on other operating income). Despite this significant increase in losses from currency translation, other operating expenses were reduced from kEUR 157,462 in the financial year 2021 to kEUR 154,561 in the financial year 2022. The main drivers for this reduction were, on the one hand, various cost-cutting measures implemented after the drop in sales following the start of the war in Ukraine and, on the other hand, the lower bonuses granted due to the lower sales.

Compared to the previous year, EBITDA[4] decreased from kEUR 36,793 to kEUR 31,279. The main reason for this was the decline in sales in the reporting period. Taking into account normalizations of one-time, non-recurring and extraordinary operating expenses, such as expenses in connection with the listing of the corporate bond, totaling kEUR 4,979 (PY: kEUR 4,859), normalized EBITDA amounts to kEUR 36,258 (PY: kEUR 41,652).

Depreciation and amortization decreased slightly from kEUR 14,833 to kEUR 14,229 in the financial year 2022, in particular due to the ending depreciation cycle on the capitalized consultant workforce in March 2022. This results in EBIT[5] of kEUR 17,050 (PY: kEUR 21,960).

[2] The breakdown of regions has changed as of Jan. 1, 2022; for better comparability, the prior-year figures have also been converted to the new structure:
- Region 1 consisting of Austria, Belgium, Germany, Luxembourg, Netherlands and Switzerland
- Region 2 consisting of Italy, Poland, Portugal, Slovakia, Spain, Czech Republic and Ukraine
- Region 3 consisting of Albania, Bulgaria, Cyprus, Denmark, Finland, France, Greece, Hungary, Kazakhstan, Norway, Romania, Russia, Sweden and Turkey.

The financial result of kEUR –12,011 (PY: kEUR –24,139; influenced by the refinancing activities in 2021 and valuation effects) is characterized by the interest payments for the bond in the amount of kEUR 9,372, which increased with the 3M Euribor.

This results in earnings before taxes for the Group of kEUR 5,039 (PY: kEUR –2,179) for the financial year 2022 and, after deduction of income taxes of kEUR 4,248 (PY: kEUR 6,525), an after-tax result of kEUR 791 (PY: kEUR –8,704). After offsetting the other comprehensive income of kEUR –1,246 (PY: kEUR 430), the overall result is kEUR –455 (PY: kEUR –8,274).

With the outbreak of the war in Ukraine, exceptionally sharp increases in inflation rates, declining consumer sentiment, and ongoing difficulties in the global logistics market, the 2022 financial year was characterized by very difficult conditions. Nevertheless, the LR Group was able to achieve its forecast for sales (revenue from sold goods) published after the outbreak of the war at the upper end of the range and even exceed the forecast in EBITDA.

Assets, liabilities, and financial position LR Group

As of December 31, 2022, total assets amounted to kEUR 235,507 (PY: kEUR 231,018), of which kEUR 148,816 (PY: kEUR 149,304) relate to non-current assets. Therein property, plant and equipment decreased only slightly to kEUR 13,048 (PY: kEUR 13,620). Rights of use decreased from kEUR 18,214 to kEUR 16,214, due in particular to a lower number of newly concluded car leasing contracts. The largest position under non-current assets is intangible assets, which increased slightly from kEUR 115,859 to kEUR 118,186. The main item here is goodwill of EUR 101,522 k, which did not change during the reporting period. The increase in intangible assets results primarily from the capitalization of an ongoing IT project to renew the ERP (Enterprise Resource Planning) system and the web shop.

Current assets totaled kEUR 86,691 (previous year: kEUR 81,714). Inventories were built up in the course of fiscal year 2021 due to the difficult situation in the global logistics market and were reduced again in the reporting period. This resulted in a significant reduction compared to the previous year from kEUR 29,599 to kEUR 25,781. Trade receivables are slightly above the previous year's level at kEUR 10,675 (PY: kEUR 10,209). Other assets mainly consist of receivables from the tax office, periodic accrued expenses, as well as other receivables and decreased from kEUR 11,621 to kEUR 9,860 in 2022. This reduction is composed, among other things, of the reduction in prepayments made in the amount of kEUR 461 and decreased receivables from shareholders in the amount of kEUR 512.

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 increased to an exceptionally high level of kEUR 39,139 (PY: kEUR 30,033) as of the reporting date. This was supported by the conclusion of a sale and leaseback agreement for the headquarters building in Ahlen, Germany, with a sales price of kEUR 9,000. In addition, payments for income tax for the profitable years 2020 and 2021 will only become due in the course of the first half of 2023 and will thus not burden the cash level at the end of 2022.

The liabilities side was already fundamentally restructured in 2021. Equity was significantly improved by the contribution of the shareholder loans at the end of November 2021. Accordingly, the capital reserve increased significantly and total equity including non-controlling interests totaled kEUR 29,537 as of December 31, 2021. In the financial year 2022, equity

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

decreased in particular by the slightly negative comprehensive income of kEUR 455 and amounts to kEUR 29,087 as of December 31, 2022.

Following the restructuring of the liabilities side in the financial year 2021, the liabilities are mainly characterized by the corporate bond. 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. Trading on the Open Market of the Frankfurt Stock Exchange commenced on February 3, 2021, and the bond has also been listed on the regulated market of NASDAQ Stockholm since January 26, 2022. The interest rate is composed of the 3M Euribor (with a floor of 0%) and a premium of 7.25 percentage points. The bond has a four-year duration and has a final maturity on February 3, 2025. The carrying amount in the Group[6] of the corporate bond of kEUR 124,571 corresponds to the issue amount less the commission recognized, which is being added back pro rata over the term of the bond.

Compared to the previous year, provisions decreased from kEUR 6,473 to kEUR 5,147. Of this amount, kEUR 500 (PY: kEUR 391) relates to non-current provisions and kEUR 4,647 (PY: kEUR 6,082) to current provisions. The decrease in current provisions is mainly due to the utilization for the organization of partner events following the removal of Corona-related restrictions.

Lease liabilities totaled kEUR 16,990 and were thus below the previous year’s level of kEUR 18,624. Of this amount, kEUR 10,637 (PY: kEUR 12,022) relates to non-current and kEUR 6,353 (PY: kEUR 6,602) to current lease liabilities.

In the reporting period, a sale and leaseback agreement was concluded for the headquarters building in Ahlen, Germany. For settlement purposes, a special purpose vehicle (Divanno Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG) acting as buyer and lessor was used and is fully consolidated. The purchase price amounted to kEUR 9,000 and the lease agreement was concluded for 20 years with an option for a further 10 years. Due to the corresponding bank loan agreement concluded by the special purpose vehicle at favorable conditions (interest rate 2.5% p.a.), EUR 8,469k is reported under liabilities to financial institutions within non-current liabilities and EUR 356k under liabilities to financial institutions within current liabilities.

At kEUR 31,062, trade payables decreased moderately compared to the previous year's figure of kEUR 33,410. This is due in particular to the reduction in inventories.

At kEUR 9,036, other liabilities are slightly below the previous year’s level of kEUR 9,658. In contrast, tax liabilities increased further from kEUR 6,687 to kEUR 7,627. This includes, in particular, income tax payments from the profitable fiscal years 2020 and 2021, which will become due in the first half of 2023.

In the 2022 financial year, the operating cash flow amounted to kEUR 24,248 (PY: kEUR 25,361). All major factors affecting operating cash flow, such as profit, depreciation and amortization, interest expenses, changes in inventories or trade receivable and trade payables, are described in Financial performance LR Group and Assets, liabilities, and financial position LR Group. The cash flow from investing activities amounted to kEUR −6,022 (PY: kEUR −5,583) and thus increased slightly compared to the previous year.

[6] Capitalized value of the bond in the Group according to IFRS different from the capitalized value in LR Global Holding accounted according to German accounting standard (Handelsgesetzbuch)

This results in a free cash flow[7] of kEUR 18,226 (PY: kEUR 19,778). The cash flow from financing activities amounted to kEUR −10,217 (PY: kEUR −22,339; influenced by refinancing activities in 2021 and valuation effects) and also includes kEUR 9,000 from the new concluded sale-and-leaseback agreement.

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. In addition, there is a guarantee facility agreement in the amount of kEUR 2,000, of which kEUR 1,564 had been utilized as of the balance sheet date.

F. POSITION OF THE LR GLOBAL HOLDING GMBH

The entire assets, liabilities, financial position, and financial performance of the LR Group can be illustrated by the financial statements prepared in accordance with German accounting standards (Handelsgesetzbuch).

Financial performance LR Global

Revenue came to kEUR 16,358 in the 2022 financial year (PY: kEUR 11,761) and mainly stemmed from cost allocations to LR Health & Beauty Systems GmbH, Ahlen, for services rendered. Following an internal Group reorganization towards the end of 2021, more personnel were assigned to LR Global, and as a result more services are charged on to LR Health & Beauty Systems GmbH.

Other operating income amounted to kEUR 2,266. The extraordinarily high amount of kEUR 51,608 in the previous year resulted mainly from a reversal of an impairment loss of kEUR 50,315 on the book value of the equity investment.

Personnel expenses increased from kEUR 10,517 to kEUR 15,144 in the reporting period. This strong increase compared to the previous year results from the internal Group reorganization, which was completed in the fourth quarter of 2021. As part of this, a significant number of employees were assigned to LR Global Holding GmbH, while the number of employees at LR Health & Beauty Systems GmbH decreased accordingly. Compared to the end of the third quarter of 2021, the number of employees at LR Global increased from 76 to 214 at the end of fiscal 2022.

Other operating expenses at LR Global, including legal and consulting fees, vehicle expenses and travel expenses, amounted to kEUR 4,289 in the financial year, a significant reduction on the previous year's figure of kEUR 6,632. This is due in particular to the expenses incurred in the previous year as a result of the bond issue. Depreciation and amortization amounted to kEUR 5 (PY: kEUR 15).

The financial result of kEUR −862 (PY: kEUR 2,286) includes interest expenses of kEUR 10,192, thereof kEUR 9,589 from the corporate bond, interest income from LR Health & Beauty Systems Beteiligungs GmbH of kEUR 4,305 and the investment income of kEUR 5,025 (PY: kEUR 12,984) resulting from the profit and loss transfer agreement with LR Health & Beauty Systems Beteiligungs GmbH.

After income taxes of kEUR 2,367 (PY: kEUR 4,847), the net loss for the year was kEUR −4,043 (PY: kEUR 43,645; the extraordinarily high amount in the previous year resulted mainly from the reversal of impairment losses).

[7] Free cash flow as the sum of cash flow from operating activities and cash flow from investing activities

Assets and liabilities LR Global

On the assets side, of total assets of kEUR 351,456 (PY: kEUR 345,098) as of December 31, 2022, non-current assets represent 54.7% (PY: 55.7%) and current assets 45.3% (PY: 44.3%). Non-current assets totaling kEUR 192,128 (PY: kEUR 192,132) consist mainly of the shares in LR Health & Beauty Beteiligungs GmbH, Ahlen, totaling kEUR 192,115 (PY: kEUR 192,115), which were acquired as part of the company purchase on March 7, 2013. Current assets amounted to kEUR 159,290 as of December 31, 2022, (PY: kEUR 152,924) and mainly consist of receivables from affiliated companies. These mainly result from receivables from LR Health & Beauty Systems Beteiligungs GmbH, Ahlen, from distributions, accrued interest and the on-charging of services provided exclusively for LR Health & Beauty Systems GmbH, Ahlen. At the end of the financial year, receivables from shareholders still amounted to kEUR 500 (PY: kEUR 1,090) and other assets to kEUR 1,158 (PY: kEUR 1,268).

The equity and liabilities side was already fundamentally restructured in 2021. In the process, equity was significantly strengthened, so that equity of kEUR 132,601 was reported as of December 31, 2021. Reduced by the accumulated loss of the financial year 2022, the equity of LR Global amounts to kEUR 128,558 as of December 31, 2022.

Provisions comprise tax provisions of kEUR 7,342 (PY: kEUR 6,136) and other provisions of kEUR 1,321 (PY: kEUR 1,422), including provisions for litigation costs, personnel expenses, audit fees, contributions to the Chamber of Industry and Commerce and outstanding supplier invoices.

Following the restructuring of the liabilities side in the financial year 2021, liabilities are mainly characterized by two items. These are, firstly, liabilities to affiliated companies amounting to kEUR 83,537 (PY: kEUR 73,690) resulting mainly from the cash-pooling agreement with LR Health & Beauty Systems GmbH, Ahlen, amounting to kEUR 83,384 (PY: kEUR 73,562) and, secondly, liabilities from the corporate bond[8] amounting to kEUR 126,023 (PY: kEUR 125,806).

The corporate bond issued on February 3, 2021, is senior secured and covered by various covenants. These include a financial covenant relating to the leverage ratio (net interest-bearing debt to EBTIDA of the Group as defined in the bond terms). All covenants and other agreements were duly complied with in the reporting year. The collateral has been deposited with the trustee Nordic Trustee & Agency AB, Stockholm, Sweden, and can be realized in the event of a breach of the bond conditions.

- Shares of selected companies of the Group (kEUR 317,515)
- Cash at banks of selected companies of the Group (kEUR 30,123)
- The IP rights (trademarks) within the Group
- The stocks of selected companies of the Group (kEUR 17,877)
- The intercompany receivables of selected companies of the Group (kEUR 266,030)

Trade payables decreased from kEUR 1,512 to kEUR 73 compared to the previous year. Liabilities to shareholders amounted to kEUR 500 as of December 31, 2022, (PY: kEUR 0). Other liabilities amounted to kEUR 618 at the end of the reporting period (previous year: kEUR 1,098).

[8] Capitalization in LR Global according to German accounting standard (German Commercial Code) differing from capitalization in the Group according to international accounting standard (IFRS)

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 the financial year 2022, the cash flow from operating activities amounts to kEUR 9,372 (PY: kEUR –38,577). All major factors affecting operating cash flow, such as profit, changes in trade receivables or changes in trade payables, are described in Financial performance LR Global and Assets and liabilities LR Global. No investments were made in LR Global, so the cash flow from investing activities amounts to kEUR 0 (previous year: kEUR –15). Cash flow from financing activities amounts to kEUR –9,372 (PY: kEUR 38,592; impacted by the refinancing activities in 2021 and valuation effects) and results from the interest payments for the corporate bond. Cash level remain unchanged at kEUR 0 as of December 31, 2022.

G. NON-FINANCIAL STATEMENT

As a capital market-oriented company, LR Global Holding GmbH is required to issue a non-financial statement in accordance with German accounting standards (Handelsgesetzbuch). This is done by publishing a separate report, the "Sustainability Report 2022". It is published at the same time as the Annual Report and can be found at ir.lrworld.com.

H. 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 at Group level is also prepared on monthly basis for the management and the supervisory board of the LR Health & Beauty SE as the parent company of LR Global.

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. The "TÜV Rheinland"-certified Compliance Management System 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 supervisory 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 regarding 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 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. With the outbreak of war in Ukraine and the resulting sanctions for Russia, there are considerable risks for the further development of business in both countries.

The subsidiary in Ukraine had to be temporarily closed completely in the past year for safety reasons. The risk of a further closure cannot be ruled out for the new financial year either. In addition, there is also a financial risk regarding car leasing agreements that LR has with important sales partners in Ukraine, and which are mainly serviced from the ongoing bonus payments. The Russian market faces considerable risks in the current situation with extensive financial and economic sanctions. The highly volatile exchange rate makes planning difficult and, if unfavorable, can lead to sharp declines in profits from the Russian market. Maintaining payment transactions to and from Russia could be made difficult or almost impossible by further sanctions. In addition, the availability of products for the subsidiary in Russia also represents a risk due to the sanctions and difficult logistics. Likewise, further market 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. Due to the current changes in PCI-DSS requirements (Payment Card Industry Data Security Standard), IT systems must be converted and adapted, particularly in the area of credit card payments, through which a large proportion of sales are processed.

The focus of management is on securing the supply of goods and the supply chain to ensure the ability to deliver at all times. Especially, very precise demand planning plays an important role here, which on the one hand must take into account ensuring the ability to deliver, but on the other hand must not lead to excessive or possibly unsaleable inventories.

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 receivables are continuously monitored in the operational business.

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 during 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. In particular, very precise demand planning plays an important role here, which on the one hand must take into account ensuring the ability to deliver, but on the other hand must not lead to excessive or possibly unsaleable inventories.

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 USD 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 top five non-euro markets in 2022 by sales (revenue from sold goods) were the Czech Republic (Czech koruna), Poland (Polish złoty), Russia / Kazakhstan (Russian ruble / Kazakh tenge), Bulgaria (Bulgarian lev) and Switzerland (Swiss franc).

The general increase in the interest rate level has already significantly increased interest expenses in the past fiscal year. The EUR 125 million corporate bond issued in spring 2021 uses the 3M Euribor as the interest rate benchmark for the variable interest rate, which rose significantly in the past fiscal year. For the first time since 2015, the 3M Euribor rose above 0% in July 2022 and had already exceeded the 2% mark by the end of 2022. If interest rates are sustained or continue to rise, future new and refinancing costs will also be affected.

The liquidity risk is regularly monitored based on 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 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 may interpret the applicable legislation differently. In principle, data protection legislation is a very dynamic area of law in which applicable directives and previous precedents are frequently revised, sometimes with limited or no consideration of the old equipment or systems in use. 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
- Changes in trade or antitrust law or changes in the interpretation of trade or antitrust law in direct sales
- 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.

The majority of the risks described are inherent in the business model, our products, our markets and our own production activities and are closely monitored accordingly.
In addition, newly emerging risks, such as those arising from changes in the geopolitical situation or legislative changes, are identified and assessed as quickly as possible and analyzed for possible countermeasures or safeguards. 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, healthy nutrition, etc. influence the growth of the categories.

In many markets in which the LR Group operates, inflation rates rose at an above-average rate last year (compared to previous years). Unless these price increases are offset by corresponding increases in wages and salaries, real income will fall. Without additional income, falling real incomes lead to a declining standard of living. According to a study[9] by the credit agency CRIFF, which was carried out in the important LR markets of Germany, France, Italy, the Czech Republic, and Slovakia, among others, an average of over 40 % of

[9] Opinium Research, on behalf of CRIF, surveyed 7,000 consumers in European countries (Czech Republic, France, Germany, Italy, Slovakia, and the United Kingdom) between July 8 and 25, 2022.

MANAGEMENT REPORT

those surveyed assume that they will earn extra money from a part-time job to compensate for the increased price level. At this point, the LR Group's business model offers a major advantage. The LR Group offers its sales partners a unique opportunity to build up a secondary income with the greatest possible flexibility.

In addition, there is great potential in the LR Group's expansion strategy. The business can be further expanded through planned market entries in countries in which the LR Group has not been present to date.

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 as well as 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.

I. Outlook

Various factors that are difficult to forecast may have a significant impact on developments in 2023. The further course of the war in Ukraine will not only have a direct impact on the markets in Russia and Ukraine, but also beyond in various ways. Further effects on the already difficult situation of global supply chains since the Corona pandemic cannot be ruled out. The further development of inflation rates, which have already risen sharply worldwide, but especially in LR's core market of Europe, will have a particular impact on economic development, as this will affect both the future interest rate decisions of central banks and fundamental consumer behavior.

The current forecasts of the International Monetary Fund (IMF) show a further weakening of global economic growth. Following very strong economic growth in 2021 and a year 2022 already burdened by war in Europe, rapidly rising inflation rates and subdued consumer spending, the IMF forecasts growth rates of only +2.9% for 2023 and +3.1% for 2024. Although the IMF assumes declining inflation rates of 6.6% in 2023 and 4.3% in 2024 in its forecast, these are still significantly above the level before the Corona pandemic. For the time being, therefore, central bank interest rates are expected to continue to rise or at least remain high, which will weigh on global economic growth. The uncertain developments in the war in Ukraine are also seen as a negative factor for global economic development.

For the euro zone, the IMF forecast predicts significantly lower growth of only +0.7% for 2023. For 2024, growth is forecast to increase slightly again to +1.6%, but this is still significantly lower than in 2021 and 2022. For Germany, the most important LR market, the IMF forecasts even lower growth of +0.1% in 2023 and +1.4% in 2024.

The forecast for the other important markets of the LR Group are very different. Following the decline in GDP of −2.2% in 2022 estimated by the IMF for Russia, a stabilization is assumed with a small plus of 0.3% for 2023 and a slight recovery with a plus of 2.1% for 2024. In South Korea, GDP growth has been stable in recent years. The economic slowdown in the first Corona year was very slight and was already more than compensated for in 2021 with growth of +4.1%. According to IMF estimates, after economic growth of +2.6% in 2022, South Korea will experience slightly weaker growth of +1.7% in 2023 and stable growth of +2.6% in 2024.

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 forecast for the 2022 financial year was published after the outbreak of the war and the subsequent significant drop in sales. With a stabilization of sales and a significant recovery in the second half of the year, the LR Group was able to achieve the forecast at the upper end of the range with sales (merchandise revenues) of kEUR 269,417. EBITDA of kEUR 31,279 could even exceed the forecast.

Due to the ongoing development, which is difficult to assess, especially regarding the war in Ukraine and the mutual sanctions between Russia and the European Union, but also with regard to inflation and the consumer climate, the management assumes that sales (revenue from sold goods) in 2023 will be at the previous year's level.

The management assumes that further cost increases will be largely compensated by price increases, and therefore a slightly lower or stable EBITDA compared to the previous year can be achieved.

Provided that the previously mentioned external factors do not develop negatively and the positive momentum of the sales development from the last two quarters of 2022 continues, a performance above the expected one is possible.

Ahlen, March 31, 2023

LR Global Holding GmbH
– Company management –

Dr. Andreas Laabs (CEO)	Andreas Grootz (General Manager)	Patrick Sostmann (General Manager)

CONSOLIDATED FINANCIAL STATEMENTS

08

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2022

kEUR	Note	Dec. 31, 2022	Dec. 31, 2021
ASSETS			
Non-current assets			
Intangible assets	14.	118,186	115,859
Property, plant and equipment	13.	13,048	13,620
Right-of-use assets	25.	16,214	18,214
Deferred taxes	12.	1,368	1,611
		148,816	**149,304**
Current assets			
Inventories	17.	25,781	29,599
Trade receivables	18.	10,675	10,209
Income tax receivables	19.	1,236	252
Other assets	19.	9,860	11,621
Cash	20.	39,139	30,033
		86,691	**81,714**
TOTAL ASSETS		**235,507**	**231,018**

kEUR	Note	Dec. 31, 2022	Dec. 31, 2021
EQUITY AND LIABILITIES			
Equity			
Subscribed capital		25	25
Capital reserve		160,102	160,102
Currency translation reserve		-6,391	-5,145
Accumulated loss		-124,649	-125,440
Total equity before non-controlling interests		29,087	29,542
Non-controlling interests		0	-5
TOTAL EQUITY	**21.**	**29,087**	**29,537**
Non-current liabilities			
Provisions	23.	500	391
Deferred taxes	12.	3,162	2,972
Liabilities from bonds	16.2	124,571	123,657
Liabilities from loans	16.2	8,469	0
Lease liabilities	25.	10,637	12,022
Other liabilities	24.	1,028	18
		148,367	**139,060**
Current liabilities			
Trade payables	24.	31,062	33,410
Other liabilities	24.	8,008	9,640
Lease liabilities	25.	6,353	6,602
Liabilities from loans	16.2	356	0
Income tax liabilities	24.	7,627	6,687
Provisions	23.	4,647	6,082
		58,053	**62,421**
TOTAL EQUITY AND LIABILITIES		**235,507**	**231,018**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE 2022 FINANCIAL YEAR

kEUR	Note	2022	2021
Revenue	4.	268,309	292,940
Changes in finished goods and work in progress		-2,446	3,746
Other operating income	6.	21,614	8,643
Cost of materials		-48,959	-56,912
a) Raw materials and supplies		-41,560	-46,893
b) Cost of purchased services		-7,399	-10,019
Personnel expenses		-52,678	-54,162
a) Wages and salaries		-44,234	-45,861
b) Expenditures for social security and pension schemes		-8,444	-8,301
Other operating expenses	9.	-154,561	-157,462
EBITDA		**31,279**	**36,793**
Amortization and depreciation		-14,229	-14,833
Interest income	10.	46	47
Interest expenses	11.	-12,057	-24,186
Profit or loss before tax		**5,039**	**-2,179**
Income taxes	12.	-4,248	-6,525
PROFIT OR LOSS FOR THE PERIOD		**791**	**-8,704**
thereof attributable to			
Non-controlling interests		0	6
Shareholders		791	-8,710

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2022 FINANCIAL YEAR

kEUR	2022	2021
Profit or loss for the period	**791**	**-8,704**
Components of other comprehensive income which will be reclassified to profit or loss after tax in subsequent periods	-1,246	430
Currency translation differences	-1,246	430
Components of other comprehensive income which will be not reclassified to profit or loss after tax in subsequent periods	0	0
TOTAL COMPREHENSIVE INCOME	**-455**	**-8,274**
thereof attributable to		
Non-Controlling interests	0	6
Shareholders	-455	-8,280

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR 2022

kEUR		Subscribed capital	Capital reserve	Accumulated loss	Currency translation reserve	Equity before non-controlling interests	Non-controlling interests	Total equity
Jan. 1, 2021	**Note**	**25**	**1,790**	**-116,730**	**-5,575**	**-120,490**	**-11**	**-120,501**
Currency translation differences	21.	0	0	0	430	430	0	430
Profit or loss for the period		0	0	-8,710	0	-8,710	6	-8,704
Contribution of the shareholder loan at nominal value		0	146,325	0	0	146,325	0	146,325
Contribution of unpaid interest on the shareholder loan		0	6,987	0	0	6,987	0	6,987
Grant provided by shareholders		0	5,000	0	0	5,000	0	5,000
Dec. 31, 2021/ Jan. 1, 2022		**25**	**160,102**	**-125,440**	**-5,145**	**29,542**	**-5**	**29,537**
Currency translation differences	21.	0	0	0	-1,246	-1,246	0	-1,246
Profit or loss for the period		0	0	791	0	791	0	791
Withdrawal of non-controlling interests		0	0	0	0	0	5	5
DEC. 31, 2022		**25**	**160,102**	**-124,649**	**-6,391**	**29,087**	**0**	**29,087**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 2022 FINANCIAL YEAR

kEUR		2022	2021
1. Cash flow from operating activities	**Note**		
Profit or loss for the period (including results of minorities)		791	-8,704
Amortization and depreciation (+) of fixed assets	13.	14,229	14,833
Increase (+) / reduction (-) in provisions	23.	-1,326	-1,055
Other non-cash expenses(+) / income (-)		-2,460	-2,233
Losses (+) on the disposal of fixed assets		-2	69
Increase (-) / reduction (+) of inventories, trade receivables and other assets	17. to 19.	5,235	-8,859
Increase (+) / reduction (-) of trade payables and other liabilities	24.	-4,568	4,495
Interest expenses (+) / interest income (-)	10. to 11.	12,011	24,139
Income tax expenses (+) / income (-)	12.	4,248	6,525
Income taxes paid (-)		-3,910	-3,849
CASH FLOW FROM OPERATING ACTIVITIES		**24,248**	**25,361**
2. Cash flow from investing activities			
Payments from (+) the disposal of property, plant and equipment		7	18
Payments for (-) investments in property, plant and equipment		-1,133	-1,496
Payments for (-) investments in intangible assets		-4,896	-4,109
Payments from (+) the disposal of non-current financial assets		0	4
CASH FLOW FROM INVESTING ACTIVITIES		**-6,022**	**-5,583**
3. Cash flow from financing activities			
Proceeds (+) from equity contributions	21.	0	5,000
Proceeds from (+) borrowings	16.2	9,000	0
Payments (-) for interest		-9,506	-14,250
Payments for (-) repayment of (finance) loans		0	-84,800
Repayment (-) of a real estate loan		0	-3,938
Payments from (+) the issue of loans	16.2	0	125,000
Repayment (-) of shareholder loan		0	-40,400
Repayment (-) of borrowings	16.2	-175	0
Repayment (-) of lease liabilities	25.	-9,536	-8,951
CASH FLOW FROM FINANCING ACTIVITIES		**-10,217**	**-22,339**
4. Cash at the end of period			
Net decrease (-) or increase (+) in cash (subtotal 1 to 3)		8,009	-2,561
Changes in cash due to exchange rates		1,097	415
Cash at the beginning of period		30,033	32,179
CASH AT THE END OF PERIOD		**39,139**	**30,033**

LR GLOBAL HOLDING GMBH AHLEN / GERMANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2022 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, 2022 were authorized for issue in accordance with a resolution by the Company's management on April 6, 2023. 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 sites are located in Ahlen (Germany). All subsidiaries are supplied from Ahlen. Research and development is also implemented exclusively in Germany.

The Group markets its products 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 2023, the consolidated financial statements were prepared by management and subsequently submitted to the shareholders' meeting for approval.

LR Health & Beauty SE, Munich, holds all the shares in LR Global. LR Global is included in the consolidated financial statements of LR Health & Beauty SE. The ultimate controlling parent company is 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 consolidated financial statements 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, 2022 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). The term IFRS also includes the applicable International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for the financial year.

The consolidated financial statements have been prepared using the historical cost principle unless a standard provides for a different method.

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

2.2 Consolidation principles

The consolidated financial statements comprise the financial statements of LR Global and its subsidiaries for the year ending December 31, 2022. Control within the meaning of IFRS 10 shall be said to exist if the Group 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, 2022	7	25	32
December 31, 2021	7	25	32

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

	Shareholding (in %)	Currency	Equity holding	Net income*
NAME AND REGISTERED OFFICE	2022		Dec. 31, 2022	2022
ACTIVE DOMESTIC COMPANIES				
LR Health & Beauty Systems GmbH, Ahlen**	100	kEUR	62,974	6,755
LR Health & Beauty Systems Beteiligungs GmbH, Ahlen**	100	kEUR	51,980	5,025
LR-International Beteiligungs GmbH, Ahlen**	100	kEUR	40,122	1,476
LR Partner Benefits GmbH, Ahlen	100	kEUR	-294	-67
LR Deutschland GmbH, Ahlen**	100	kEUR	25	80
Divanno Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	100	kEUR	5	0
ACTIVE FOREIGN COMPANIES				
LR Health & Beauty Systems B.V., Oisterwijk, The Netherlands	100	kEUR	-1,041	130
LR Health & Beauty Systems GmbH, Innsbruck, Austria	100	kEUR	266	228
LR Health & Beauty Systems AG, Steinhausen ZG, Switzerland	100	kCHF	264	114
LR Health & Beauty Systems Kft., Budapest, Hungary	100	kHUF	-82,855	-83,745
LR Health & Beauty Systems ApS, Copenhagen, Denmark	100	kDKK	-22,168	-1,515
LR Health & Beauty Systems EPE, Athens, Greece	100	kEUR	-566	422
LR Cosmetic Belgium b.v.b.a, Herentals, Belgium	100	kEUR	1,646	179
LR Health & Beauty Systems AS, HØnefoss, Norway	100	kNOK	-10,533	-960
L. de Racine Cosmeticos Lda., Loures, Portugal	100	kEUR	-5,303	-123
LR Health & Beauty Systems Sp. z.o.o., Katowice, Poland	100	kPLN	3,142	3,092
LR Health & Beauty Systems Ltd., Istanbul, Turkey	100	kTRY	-44,990	17,093
LR Health & Beauty Systems AB, Klippan, Sweden	100	kSEK	-9,473	-3,995
LR Health & Beauty Systems OY, Turku, Finland	100	kEUR	-496	-127
LR Health & Beauty Systems S.R.L., Milan, Italy	100	kEUR	387	256
LR Health & Beauty Systems EOOD, Sofia, Bulgaria	100	kBGN	473	863
LR Health & Beauty Systems SRL, Bucharest, Romania	100	kRON	-11,759	-145
LR Russ O.O.O, Moscow, Russia	100	kRUB	-483,716	424,756
LR Health & Beauty Systems s.r.o., Malenovice, Czech Republic	100	kCZK	446,148	25,410
LR Health & Beauty Systems SAS, Caluire-et-Curie, France	100	kEUR	920	361
LR Health & Beauty Systems Sh.p.k., Tirana, Albania	100	kALL	-209,642	1,067
LR Health & Beauty Systems SL, Barcelona, Spain	100	kEUR	-2,582	-176
LR Health & Beauty Systems s.r.o., Turzovka, Slovakia	100	kEUR	306	288
LR Health & Beauty Systems TOV, Kiev, Ukraine	100	kUAH	-32,750	-6,333
LR Jersey Holding Limited, Jersey***	100	kGBP	-22	-8
LR Health & Beauty LLC, Seoul, South Korea	100	kKRW	-4,214,464	-2,690,598

* before profit transfer

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

*** amounts according the financial statements as of Dec 31, 2021

Effective May 12, 2022, the Group acquired all shares in Divanno Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz. The purchase price amounts to kEUR 5. The solely asset of this company at the acquisition date was a bank account in the amount of the purchase price. The acquisition is directly related to the sale and leaseback agreement concluded with DAL Deutsche Anlagen Leasing GmbH & Co. KG.

Under the agreement dated November 17, 2022, the Group ceased to be a limited partner of Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG, Frankfurt, without receiving any consideration.

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 value of any non-controlling interest in the acquiree over the net of the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition, measured in accordance with IFRS 3. 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).

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.

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

d) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer. Revenue is recognized in the amount of the consideration expected to be received by the Group in exchange for these goods or 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.. 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 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.

For the geographical indication of sales, the Company aggregates individual countries into groups (see Note 5). The classification into groups is based on the geographical proximity of the individual countries to each other. The Group has adjusted the classification into groups for the financial year 2022 and the comparative period.

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 translated using the functional currency.

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.

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.

Hyperinflation

Due to the development in the financial year 2022 and in the previous financial years, the currency of Turkey is classified as the currency of a hyperinflation economy in the reporting period in accordance with the criteria of IAS 29. Therefore, the business activities there are presented restated for inflation and not on the basis of historical acquisition or production costs. For the restatement to the inflation the consumer price index TÜFE (Tüketici Fiyat

Endeksi) is used. As of December 31, 2022 the value of the index was 1,128.45 (December 31, 2021: 686.95) After the restatement, the single balance sheet items as well as expense and income are translated into the reporting currency of the Group as stated before. Prior-year comparatives have not been restated. The effects resulting from the first-time application of IAS 29 and the differences arising from currency translation are recognized in retained earnings in the currency translation adjustment. The effect of the net position (debtors's gain/creditor's loss) from the hyperinflation adjustment is recognized in other income or expense from currency translation.

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

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

g) Property, plant and equipment

Assets under 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 and machinery: 3 to 15 years
- 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 for small-ticket assets and for short-term contracts. 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 15 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 n) 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. This mainly relates to the transfer to partners of cars leased 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 that are depending on certain events are recognized in the period in which the conditions are met and the revenue is earned.

i) Intangible assets

Beside the goodwill, intangible assets include the long-term customer relationships valued as part of the company acquisition in 2013, acquired software and internally generated intangible assets. Internally generated intangible assets exclusively comprise capitalized development costs. Other internally generated assets such as patents or trademarks are not capitalized. Instead, the corresponding expenses for these assets are recognized in profit or loss in the period in which they are incurred.

Initial recognition and measurement

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.

Subsequent measurement

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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.

The useful life used as a basis for long-term customer relationships is 3 to 9 years and depends on the categorization of the consultant base (see Note 14). For software, a useful life of 3 to 7 years has been assumed. Capitalized development costs are based on useful lives of 4 to 10 years.

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.

j) Financial instruments – initial recognition and subsequent measurement

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

k) Financial assets

Initial recognition and measurement

On initial recognition, financial assets are generally measured at fair value plus transaction costs and classified 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, 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 financial 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.

l) 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

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.

m) 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.

n) 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 post-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 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.

o) Cash

Cash in the balance sheet comprises cash at banks and on hand and is measured at amortized cost.

For the purpose of the consolidated statement of cash flows, cash is as defined above.

p) Provisions

General

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

If the effect of the time value of money is material, 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 23).

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, 2022. 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, 2022:

- Reference to the conceptual framework – Amendments to IFRS 3
- Onerous contracts – Costs of fulfilling a contract – Amendments to IAS 37
- Property, plant and equipment: Proceeds before intended use – Amendments to IAS 16
- IFRS 1 First-time adoption of international financial reporting standards – Subsidiary as a first-time adopter
- IFRS 9 Financial instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

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

2.6 Published standards not yet requiring mandatory application

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

Standard / Interpretation		Mandatoty application in reporting period	Endorsement by the EU Commission	Expected impact
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
IFRS 17	New Standard IFRS 17 Insurance Contracts	2023	yes	not significant
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	2023	yes	not significant
IAS 1	Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	2024	no	not significant
IFRS 16	Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	2024	no	not significant

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
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 25).

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 15.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Other revenue comprises revenue from services rendered such as cost allocations, seminars and events as well as revenue of kEUR 4,882 (PY: kEUR 4,400) recognized over time from subleasing vehicles to partners. The sales deductions mainly comprise revenue-based discounts to partners.

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, 2022	Dec. 31, 2021
Up to 1 year	474	202
Between 1 and 2 years	149	102
Between 2 and 3 years	67	21
More than 3 years	1	0
TOTAL	**691**	**325**

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 into the single regions geographically but grouped individually.

The three reported regions break down in detail as follows:

Region 1 comprises Austria, Belgium, Germany, Luxembourg, Switzerland and the Netherlands.

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

Region 3 comprises Albania, Bulgaria, Cyprus, Denmark, Finland, France, Greece, Hungary, Kazakhstan, Norway, Romania, Russia, Sweden and Turkey.

Until December 31, 2021, the local companies in Denmark, Finland, France, Norway and Sweden were allocated to Region 1. The change in allocation was made to optimize sales management.

The regions are managed by the respective vice presidents of the region. The management board of LR Global is the chief operating decision maker, who separately monitors the region's 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 revenue without other revenue and before sales deductions 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 regions.

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 regions 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 regions in the new structure for the 2022 financial year:

kEUR	Region 1	Region 2	Region 3	Total segments	Adjust-ments	Total
2022						
Revenue from external customers	114,280	64,402	89,082	267,764	1,677	269,441
Revenue from other segments	55,933	1,888	1,530	59,351	-59,351	0
Other revenue	5,778	2,367	2,954	11,099	1,164	12,263
Sales deductions	-4,863	-3,187	-5,424	-13,474	79	-13,395
TOTAL REVENUE	**171,128**	**65,470**	**88,142**	**324,740**	**-56,510**	**268,309**
Segment EBITDA	14,213	5,232	11,672	31,117	162	31,279
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 2021 financial year (in the regional breakdown from January 1, 2022):

kEUR	Region 1	Region 2	Region 3	Total segments	Adjust-ments	Total
2021						
Revenue from external customers	120,944	80,945	93,421	295,310	929	296,239
Revenue from other segments	71,935	1,675	1,355	74,965	-74,965	0
Other revenue	6,128	2,379	2,865	11,372	1,028	12,400
Sales deductions	-5,206	-4,409	-6,084	-15,699	0	-15,699
TOTAL REVENUE	**193,801**	**80,590**	**91,557**	**365,948**	**73,008**	**292,940**
Segment EBITDA	25,928	6,967	7,331	40,226	-3,433	36,793
Goodwill	76,547	14,325	10,647	101,519	0	101,519

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

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

kEUR	2022	2021
D-A-CH	108,458	112,068
Eastern Europe and Asia	105,476	110,745
Western and Northern Europe	30,587	43,081
Southern Europe	24,920	30,345
TOTAL REVENUE FROM EXTERNAL CUSTOMERS	**269,441**	**296,239**

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

6. OTHER OPERATING INCOME

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

kEUR	2022	2021
Currency translation gains	14,900	5,006
Income from recharges to shareholders	1,867	1,012
Own work capitalised	986	472
Sundry other operating income	3,861	2,153
TOTAL OTHER OPERATING INCOME	**21,614**	**8,643**

Currency translation gains also include the debtor's gain of kEUR 2,358 on the monetary items from hyperinflationary valuation in accordance with IAS 29 (refer to explanations under Note 2.4f). The further increase in currency translation gains results from the different development of the exchange rates of the main Group currencies in the financial year.

Sundry other operating income includes income from reversal of impairment losses on receivables written off, 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.

7. PERSONNEL EXPENSES

During the 2022 financial year, the Group employed an average headcount of 1,261 (PY: 1,295), of which 737 (PY: 765) can be allocated to the German subsidiaries and 524 (PY: 530) to the subsidiaries outside Germany. The total number of employees of 1,261 includes 17 (PY: 15) apprentices and 9 (PY: 9) trainees.

8. RESEARCH AND DEVELOPMENT COSTS

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

9. OTHER OPERATING EXPENSES

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

kEUR	2022	2021
Bonuses granted	-88,089	-98,056
Distribution costs	-25,104	-25,142
Administration costs	-15,667	-16,603
Expenses from currency translation	-13,269	-5,432
Legal and consulting fees	-8,167	-8,249
Royalties	-841	-860
Sundry other operating expenses	-3,424	-3,120
TOTAL OTHER OPERATING EXPENSES	**-154,561**	**-157,462**

The decrease in bonuses granted to partners in 2022 is due to the decrease in revenue in the financial year. The increase of expenses from currency translation results from the different development of the exchange rates of the main Group currencies in the financial year.

10. INTEREST INCOME

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

kEUR	2022	2021
Interest income from bank balances	26	30
Other interest income	20	17
TOTAL INTEREST INCOME	**46**	**47**

11. INTEREST EXPENSES

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

kEUR	2022	2021
Interest expenses bonds	-10,286	-8,996
Interest expenses shareholder loan	0	-7,486
Interest expenses bank overdraft/loans	-160	-6,059
Interest expenses lease liabilities	-1,455	-1,320
Other interest expenses	-156	-325
TOTAL INTEREST EXPENSES	**-12,057**	**-24,186**

12. INCOME TAXES

The major items of income tax expenses for the for the financial year ended 31 December 2022 and for the financial year ended 31 December 2021 are as follows:

kEUR	2022	2021
Current income tax	**-3,819**	**-5,810**
Current tax expenses for the financial year	-3,002	-5,517
Current tax expenses for prior years	**-817**	**-293**
Deferred tax income	-429	-715
Origination and reversal of temporary differences		
from deferred tax assets	-139	-636
from deferred tax liabilities	-189	-79
Impairment of deferred tax asset for loss carryforwards	-101	0
TOTAL	**-4,248**	**-6,525**

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 (2022: 31.4%, 2021: 31.4%) for the 2022 financial year can be broken down as follows:

kEUR	2022		2021	
PROFIT OR LOSS FOR THE PERIOD BEFORE TAXES	5,039		-2,179	
Anticipated income tax (2022: 31.4%, 2021: 31.4%)	-1,582		684	
Change in recoverability of deferred tax assets	-2,780		-3,770	
Use of previously unrecognized tax losses	612		0	
Income tax expenses/income for previous years	-817		-293	
Non-deductible tax expenses	-733		-1,269	
Non-deductible business expenses		-257		-652
Trade tax additions		-412		-581
Non-deductible expenses Sec. 8b of the German Corporation Tax Law		-64		-36
Permanent difference	-23		-2,194	
Tax rate difference	1,075		324	
Other	0		-7	
INCOME TAX EXPENSES	**-4,248**		**-6,525**	

Deferred taxes

Deferred taxes can be broken down as follows:

kEUR	Dec. 31, 2022	Dec. 31, 2021
Capitalization of internally generated intangible assets	-3,307	-2,082
Revaluation of fixed-assets in Turkey	-22	0
Valuation of financial assets	-19	-19
Depreciation of buildings	319	-163
Valuation of trade receivables	249	330
Valuation of inventories	335	749
Accrued costs	105	0
Valuation of non-current provisions	94	36
Capitalization of transaction costs for bonds	-456	-675
Valuation of trade payables	483	-110
Valuation of current provisions	20	108
Valuation of other liabilities	0	32
Right-of-use assets and lease liabilities	203	130
Loss carryforwards available for offsetting against future profits	202	303
DEFERRED TAX ASSETS/LIABILITIES, NET	**-1,794**	**-1,361**
Reported in the balance sheet as follows:		
Deferred tax assets	1,368	1,611
Deferred tax liabilities	-3,162	-2,972
DEFERRED TAX ASSETS/LIABILITIES, NET	**-1,794**	**-1,361**

No deferred taxes were recognized in other comprehensive income.

As of December 31, 2022, no deferred tax assets were recognized for interest carry-forwards of kEUR 66,812 (PY: kEUR 64,926). If the interest carryforwards could be utilized, profit would increase by kEUR 18,378 (PY: kEUR 17,859).

Furthermore, the Group did not recognize any deferred tax assets for loss carryforwards of the subsidiaries of kEUR 14,293 (PY: kEUR 10,834) or for temporary differences at the subsidiaries of kEUR 3,654 (PY: kEUR 563), since they were not expected to be usable. Deferred tax assets recognized in connection with the Portuguese subsidiary's loss carry-forward were reassessed and written down by kEUR 101 (PY: 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 3,767 (PY: kEUR 2,314).

Deferred tax liabilities of kEUR 819 (PY: kEUR 819) were not recognized for taxable 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.

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

13. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment can be found in the statement of changes in fixed assets (Appendix to the Notes to the Consolidated Financial Statements).

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

14. INTANGIBLE ASSETS

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

- Goodwill (see Note 15)
- Acquired Software
- Internally generated intangible assets
- Consultant workforce

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 was already fully amortized in previous years. The category 3 consultant workforce has been fully amortized since March 2022.

The development of intangible assets can be found in the statement of changes in fixed assets (Appendix to the Notes to the Consolidated Financial Statement).

15. 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 reporting year 2021 and its comparative period 2020, the Group's goodwill has been allocated to the individual region by reference to the regions' share in the Group's fair value as of June 30, 2021. As of December 31, 2022, the goodwill allocated to the three regions totaled kEUR 101,519 (PY: kEUR 101,519). See Note 5 for details of the allocation of goodwill to the individual region.

Impairment tests were performed on the respective assets at region level as of December 31, 2022. The impairment tests led to no impairment in the 2022 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 9.85% (PY: 9.03%) after tax respectively to 14.36% (PY: 13.16%) before tax. The same rate was applied to all regions due to the cross-border partner structures. From the point of view of the LR Group, it can be assumed 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 2023 to 2025 for the individual countries and Group companies. Due to the project assigned to Region1 for the implementation of a new ERP system and a new e-shop, and the related discrepancy between investments and depreciation and amortization, the planning calculation for Region 1 was carried out up to 2032. A price increase of 6% was used for this forecast period. The expected average revenue growth rate is 5.1% for region 1, 7.7% for region 2 and 10.0% for region 3. As such, the growth rates are in line with the very positive business performance, especially since the 2020 financial year and tie in with the final months of the financial year 2022. The gross profit margin and the EBITDA margin are 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 business activities are also 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 regions might lead to a situation where the carrying amount of the regions materially exceeds its recoverable amount. There is also no need for impairment in case of a change of the interest rate by +5%.

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

16.1 Financial assets

kEUR	Dec. 31, 2022	Dec. 31, 2021
MEASURED AT AMORTIZED COSTS		
Cash	39,139	30,033
Trade receivables	10,675	10,209
Security deposits and other deposits	903	1,185
Other receivables from shareholders	500	1,012
Other financial assets	4,427	3,909
TOTAL FINANCIAL ASSETS	**55,644**	**46,348**
thereof current	55,644	46,348

Other financial assets include commission receivables of kEUR 2,874 (PY: kEUR 3,734).

See Note 18 for details of expenses from financial assets. Interest income from cash is outlined in Note 10.

16.2 Financial liabilities

Interest-bearing loans

kEUR	Interest rate %	Majurity	Dec. 31, 2022	Dec. 31, 2021
Non-current interest-bearing loans				
Liabilities from bonds	Euribor + 7.25	2025	124,571	123,657
Liabilities from loans	2.5	2024-2043	8,469	0
Lease liabilities	7.24 - 18.78	2024-2032	10,637	12,022
Current interest-bearing loans				
Liabilities from loans	2.5	2023	356	0
Lease liabilities	7.24 - 18.78	2023	6,353	6,602
TOTAL INTEREST-BEARING LOANS			**150,386**	**142,281**

The interest-bearing loans are measured at amortized costs.

Liabilities from 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. On January 26, 2022, the Nasdaq Stockholm admitted the corporate bond for trading.

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 at the balance sheet date is 9.204%.

The Group companies have deposited collateral in this context (see Note 26). 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, 2022, the carrying amount of the liabilities from the bond was kEUR 124,571 and included capitalized transaction costs.

Liabilities from loans
In spring 2022, the Group entered into a sale and leaseback agreement with DAL Deutsche Anlagen Leasing GmbH & Co. KG. Under this agreement, the Group has taken out a fixed-interest loan in the amount of kEUR 9,000. The loan has a 20-year term and will be serviced quarterly over this period with a constant annuity. As of December 31, 2022, the carrying amount of the liabilities from loans was kEUR 8,825.

Explanations on lease liabilities can be found under Note 25.

See Note 11 for details of the interest expenses for the individual interest-bearing debt instruments.

Other financial liabilities

kEUR	Dec. 31, 2022	Dec. 31, 2021
Other financial liabilities measured at amortized costs		
Trade payables	31,062	33,410
Other financial liabilities measured at amortized cost	842	1,160
TOTAL FINANCIAL LIABILITIES	**31,904**	**34,570**
thereof non-current	990	1,070
thereof current	30,914	33,500

16.3 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, 2022:

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					
Liabilities from bonds	124,571	106,875	0	0	106,875
Liabilities from loans	8,825	0	7,931	0	7,931

The levels are described in Note 2.4c).

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

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					
Liabilities fom loans	123,657	128,125	0	0	128,125

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

The Group's principal financial liabilities 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's financial assets and liabilities are 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 comprises two main types of risk to which the Group is exposed, namely interest rate risk and currency 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, 2022.

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 2022 financial year had been 100 basis points higher than the yield curve, the financial result would have been kEUR 925 lower. If the interest level in the course of the 2022 financial year had been 100 basis points lower than the yield curve, the financial result would have been kEUR 408 higher.

If the interest level in the course of the previous 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.

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, the Russian ruble and the South Korean Won. 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 440**	**kEUR -360**

The table below shows the sensitivity of consolidated profit or loss before tax for the 2021 financial year:

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

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 loss allowances and group-related loss allowances. The Group also engages debt collection agencies to collect past due receivables. As of December 31, 2022, this affected receivables of kEUR 1,771 (PY: kEUR 1,625). The maximum default risk is the carrying amount of financial assets.

The default risk of trade receivables as of December 31, 2022 breaks down as follows:

		Past due					
	not past due	< 30 days	30-60 days	61-90 days	91-120 days	over 120 days	TOTAL
Gross receivables	6,976	2,738	252	169	94	4,394	**14,623**
Loss allowance	347	38	13	8	5	3,537	**3,948**
Expected credit loss rate	4.97%	1.39%	5.16%	4.73%	5.32%	80.50%	

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

		Past due					
	not past due	< 30 days	30-60 days	61-90 days	91-120 days	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%	

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 undiscounted payments for the Group's financial liabilities including interests 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, 2022						
Liabilities from bonds	0	2,876	8,627	138,044	0	149,547
Liabilities from loans	0	143	430	2,866	7,739	11,178
Other financial liabilities	842	0	0	0	0	842
Trade payables	11,592	14,638	3,841	785	206	31,062
Lease liabilities	0	1,861	5,583	9,259	3,577	20,280
TOTAL	**12,434**	**19,518**	**18,481**	**150,954**	**11,522**	**212,909**

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						
Liabilities from bonds	0	2,266	6,620	144,193	0	153,079
Other financial liabilities	1,160	0	0	0	0	1,160
Trade payables	9,890	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**

16.5 Changes in liabilities arising from financing

kEUR	Jan, 1, 2022	Cash flows	Other	Dec. 31, 2022
2022 financial year				
Liabilities from bonds	123,657	-9,372	10,286	124,571
Liabilities from loans	0	8,825	0	8,825
Lease liabilities	18,624	-9,536	7,902	16,990
TOTAL LIABILITIES FROM FINANCING	**142,281**	**-10,083**	**18,188**	**150,386**

kEUR	Jan. 1, 2021	Cash flows	Other	Dec. 31, 2021
2021 financial year				
Liabilities from bonds	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**	**-12,909**	**-138,559**	**142,281**

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.”

17. INVENTORIES

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

kEUR	Dec. 31, 2022	Dec. 31, 2021
Raw materials and supplies	6,822	7,885
Work in progress	183	187
Finished products	14,804	17,039
Goods for sale	3,474	4,066
Goods in transit	498	422
TOTAL INVENTORIES	**25,781**	**29,599**

The amount of impairment losses on inventories recognized as an expense within cost of materials amounts to kEUR 2,786 (PY: kEUR 1,964). The impairment is largely the result of age-related allowances, depending on the best-before date of the products.

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

18. TRADE RECEIVABLES

kEUR	Dec. 31, 2022	Dec. 31, 2021
Trade receivables	10,675	10,209
TOTAL TRADE RECEIVABLES	**10,675**	**10,209**

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

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

kEUR	2022	2021
As of January 1	-4,593	-3,974
Additions	-446	-1,133
Release	93	142
Utilisation	998	372
AS OF DECEMBER 31	**-3,948**	**-4,593**

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 distribution expenses (see Note 9). Reversals of loss allowances are recognized under other operating income (see Note 6).

19. OTHER ASSETS

kEUR	Dec. 31, 2022	Dec. 31, 2021
OTHER CURRENT ASSETS		
Receivables from VAT	1,540	1,682
Income tax receivables	1,236	252
Security deposits and other deposits	903	1,185
Prepaid expenses	1,330	1,604
Payments on account	746	1,207
Other receivables from shareholders	500	1,012
Other receivables	4,148	3,751
Sundry other assets	694	1,180
TOTAL OTHER ASSETS	**11,097**	**11,873**
thereof financial assets	5,830	6,106

20. CASH

The Group has pledged a part of its cash at banks to fulfill collateral requirements. For further details, please refer to Note 26.

Cash comprised the following as of December 31:

kEUR	Dec. 31, 2022	Dec. 31, 2021
Cash at hand	48	43
Cash at banks	39,091	29,990
CASH	**39,139**	**30,033**

Due to the good creditworthiness of the banks, no loss allowances were necessary.

21. SUBSCRIBED CAPITAL AND CAPITAL RESERVES

The subscribed capital of LR Global amounts to kEUR 25 and is fully paid in.

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

Capital reserve

The capital reserve amounts to kEUR 160,102 at December 31, 2022, und did not change in the 2022 financial year. The capital reserve mainly results from contributions of the shareholders in the financial year 2021.

Currency translation reserve

The reserve for currency translation differences serves to record the differences from the conversion of financial statements of foreign subsidiaries and for foreign currency differences on all monetary items that are designated as part of the Group's net investment in a foreign operation.

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

22. CAPITAL MANAGEMENT

The equity attributable to the shareholders of the parent company is subject to the Group's capital management. The primary objective of the Group's capital management is to ensure that it maintains a 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 2022 financial year, all covenants agreed on in the framework of interest-bearing loans were complied with.

23. PROVISIONS

kEUR	Personnel cost	Year-end and consultancy costs	Other provisions	TOTAL
As of January 1, 2022	1,957	660	3,856	6,473
Addition	905	473	2,045	3,423
Utilization	-713	-544	-2,855	-4,112
Release	-15	-35	-636	-686
Currency effects	7	0	42	49
AS OF DECEMBER 31, 2022	**2,141**	**554**	**2,452**	**5,147**
Thereof				
short-term	1,641	554	2,452	4,647
long-term	500	0	0	500
	2,141	554	2,452	5,147
As of January 1, 2021	2,280	428	4,819	7,527
Addition	761	516	3,196	4,473
Utilization	-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

Personnel provisions mainly include expenses for jubilee payments to employees of kEUR 500 (PY: kEUR 391) and one-time payments in the amount of kEUR 707 (PY: kEUR 745) 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 862 (PY: kEUR 2,107). 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.

24. 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, 2022	Dec. 31, 2021
NON-CURRENT NON-FINANCIAL LIABILITIES		
Other liabilities	1,028	18
CURRENT NON-FINANCIAL LIABILITIES		
Income tax liabilities	7,627	6,687
Liabilities from VAT and other taxes	3,581	4,477
Other liabilities	3,585	4,003
TOTAL NON-FINANCIAL LIABILITIES	**15,821**	**15,185**
CURRENT FINANCIAL LIABILITIES		
Trade payables	31,062	33,410
Other liabilities	842	1,160
TOTAL FINANCIAL LIABILITIES	**31,904**	**34,570**
TOTAL TRADE PAYABLES, INCOME TAX LIABILITIES AND OTHER LIABILITIES	**47,725**	**49,755**

Trade payables and other financial obligations do not bear interest, have different maturities (see Note 16.4) 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.

25. 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, 2021	**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**
Additions	2,159	517	4,337	358	7,371
Disposals	-63	0	-869	-3	-935
Depreciation expense	-2,723	-464	-4,802	-447	-8,436
AS OF DEC. 31, 2022	**9,622**	**1,187**	**4,937**	**468**	**16,214**

The development of lease liabilities as of December 31, 2022 is as follows:

kEUR	2022	2021
AS OF 01.01.	**18,624**	**18,828**
Additions	7,371	8,944
Interest expense	1,455	1,320
Disposals	-935	-1,654
Repayments	-9,525	-8,814
AS OF 31.12.	**16,990**	**18,624**
Current	6,353	6,602
Non-Current	10,637	12,022

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

For further details regarding lease liabilities, see Note 16.

26. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Guarantees

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 30,123),

- the IP rights (trademarks) within the Group,
- the stocks of some of the companies within the Group (kEUR 17,877),
- the intercompany receivables of some of the companies within the Group (kEUR 266,030).

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

Contingent liabilities
ODDO BHF Aktiengesellschaft, Frankfurt am Main, has issued a bank guarantee in the amount of kEUR 100 in favor of Global Collect BV, Hoofddorp, The Netherlands, with LR Health & Beauty Systems GmbH, Ahlen, as principal debtor. The same bank has issued a bank guarantuee of kEUR 500 in favor of the Theodor F. Leifeld Foundation, a bank guarantuee of kEUR 471 in favor of the Beckum Finance Office, a bank guarantee of kEUR 200 in favor of Lufthansa AirPlus Servicekarten GmbH, Neulenburg, and a bank guarantee of kEUR 292.5 in favor of Divanno Grundstücksverwaltungsgesellschaft mbH. As of December 31, 2022, the undrawn committed borrowing facilities of the Group for which all necessary conditions for use were already satisfied amounted to kEUR 436 (PY: kEUR 729).

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, 2022, these guarantees amounted to kEUR 1,861 (PY: kEUR 2,986).

27. 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 Health & Beauty SE supervisory 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	
	2022	2021	2022	2021
Aloco Holding S.à r.l.	0	1,012	0	0
LR Health & Beauty SE	500	78	1,475	122

kEUR	Income from parent company		Expenses to parent companies	
	2022	2021	2022	2021
Aloco Holding S.à r.l.	1,868	1,012	0	7,486
LR Health & Beauty SE	24	78	2,055	102

Conditions of business transactions with related companies and parties
A service agreement has been in place between LR Health & Beauty Systems GmbH and LR Health & Beauty SE since December 1, 2021 for the provision of the management services by the management board of 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 SE and Aloco Holding S.à r.l., Luxembourg.

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

Remuneration to individuals in key positions of the Group

kEUR	2022	2021
Short-term employee benefits	4,857	8,060
TOTAL REMUNERATION TO INDIVIDUALS IN KEY POSITIONS OF THE GROUP	**4,857**	**8,060**

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 29.

28. MEMBERS OF THE MANAGEMENT

The management of LR Global is constituted as follows:

- Dr. Andreas Laabs, CEO (since June 21, 2022, previously Managing Director), Global Sales Operations, Global Finance, Global Human Resources, Marketing, Global Controlling, Process Management & IT, Operations, Hamburg
- Andreas Grootz, Managing Director (since June 21, 2022), General Manager Legal and New Markets, Internal Audit, Information Security & Risk Management & Compliance, Kaarst, Germany
- Andreas Friesch, Spokesman of the Management Board (until June 21, 2022), Global Human Resources, Public Relations, Marketing & Communication, PMO, Global Sales Operations, Sales and International Services, Langenfeld, Germany

29. MEMBERS OF THE ADVISORY BOARD AND ADVISORY BOARD COMPENSATION

With the shareholder's resolution as of July 6, 2022, the Articles of Association of LR Global were changed and the advisory board was dissolved. Until this time the advisory board of the Group parent company consisted 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 2022 financial year, the compensation received by the advisory board amounted to kEUR 33 (PY: kEUR 118).

30. AUDITOR'S FEE

In the 2022 financial year, services provided by the Group's auditors were accounted for as follows:

kEUR	2022	2021
Audit services	248	271
Tax services	0	265
Other services	0	83
TOTAL	**248**	**619**

31. EVENTS AFTER THE REPORTING PERIOD

Mr. Patrick Sostmann, Münster, was appointed Managing Director Sales & Marketing with effect from February 1, 2023.

Ahlen, March 31, 2023

LR Global Holding GmbH
- Company management -

Dr. Andreas Laabs (CEO)	Andreas Grootz (General Manager)	Patrick Sostmann (General Manager)

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE FINANCIAL YEAR 2022

		Acquisition and production costs						Accumulated amortization, depreciation and impairment						Carrying values	
kEUR	Note	As of Jan. 1, 2022	Addition	Disposal (-)	Reclassifi-cation	Currency effects	As of Dec. 31, 2022	As of Jan. 1, 2022	Addition	Disposal (+)	Reclassifi-cation	Currency effects	As of Dec. 31, 2022	As of Dec. 31, 2022	As of Dec. 31, 2021
Intangible assets															
Goodwill	15.	135,059	0	0	0	0	**135,059**	**-33,540**	0	0	0	0	**-33,540**	**101,519**	**101,519**
Software	14.	19,188	780	-355	201	44	**19,858**	**-11,804**	-2,428	354	0	-34	**-13,912**	**5,946**	**7,384**
Internally generated intangible assets	14.	10,920	523	-292	78	0	**11,229**	**-4,788**	-1,288	292	0	0	**-5,784**	**5,445**	**6,132**
Other Intangible Assets	14.	101,748	5,061	-24	-279	-8	**106,498**	**-100,924**	-337	24	0	15	**-101,222**	**5,276**	**824**
		266,915	**6,364**	**-671**	**0**	**36**	**272,644**	**-151,056**	**-4,053**	**670**	**0**	**-19**	**-154,458**	**118,186**	**115,859**
Property, plant and equipment	13.														
Buildings		**12,824**	19	-8	0	67	**12,902**	**-4,129**	-393	8	0	-63	**-4,577**	**8,325**	**8,695**
Technical equipment and machinery		**3,669**	247	0	200	17	**4,133**	**-1,809**	-456	0	0	-17	**-2,282**	**1,851**	**1,860**
Other equipment, office and operating equipment		**9,133**	601	-345	2	272	**9,663**	**-6,272**	-891	341	0	-237	**-7,059**	**2,604**	**2,861**
Assets under construction		**1**	0	0	0	0	**1**	**0**	0	0	0	0	**0**	**1**	**1**
Payments on account		**203**	266	0	-202	0	**267**	**0**	0	0	0	0	**0**	**267**	**203**
		25,830	**1,133**	**-353**	**0**	**356**	**26,966**	**-12,210**	**-1,740**	**349**	**0**	**-317**	**-13,918**	**13,048**	**13,620**
TOTAL		**292,745**	**7,497**	**-1,024**	**0**	**392**	**299,610**	**-163,266**	**-5,793**	**1,019**	**0**	**-336**	**-168,376**	**131,234**	**129,479**

CONSOLIDATED FINANCIAL STATEMENTS

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**
Internally generated 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 equipment, office and operating 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**

INDEPENDENT AUDITOR'S CERTIFICATE TO LR GLOBAL HOLDING GMBH

NOTE ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit opinions
We have audited LR Global Holding GmbH, Ahlen's and its subsidiaries' (the Group) consolidated financial statements, comprising the consolidated balance sheet as of December 31, 2022, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash-flow statement for the fiscal year from January 1 through December 31, 2022, as well as the consolidated notes to the consolidated financial statements, including a summary of significant accounting methods. In addition, we have audited LR Global Holding GmbH's combined management report for the fiscal year 2022.

According to our assessment based on our audit's findings

- the attached consolidated financial statements comply, in all material respects, with IFRS as applicable in the EU, and the supplementary German legal requirements applicable pursuant to Art. 315e (1) HGB and provide, by taking into account these requirements, a true and fair view of the Group's assets and financial position as of December 31, 2022 and of its profit situation for the fiscal year from January 1 through December 31, 2022; and
- the attached combined management report as a whole provides a true and fair view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of the Group's future development.

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

Basis for our audit opinions
We have conducted our audit of the consolidated financial statements and of the combined management report in accordance with Art. 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for the Audit of Financial Statements as issued by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer; "IDW"). Our responsibilities pursuant to these requirements and principles are further described in the section "Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report" in our audit certificate. We are independent from the Group companies in accordance with the requirements pursuant to European law as well as German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Furthermore, we declare in accordance with Article 10 Sec. 2 lit. f) of the EU Audit Regulation that we have not provided any non-audit services prohibited pursuant to Article 5 Sec. 1 of the EU Audit Regulation. We believe the audit evidence we have obtained is sufficient and appropriate in order to provide a basis for our audit opinions expressed on the consolidated financial statements and on the combined management report.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1 through December 31, 2022. These matters have been taken into account in connection with our audit of the consolidated financial statements as a whole, and in forming our audit opinion related herewith; we do not express a separate audit opinion on these matters.

From our perspective, the following matters were of most significance during our audit:

Recoverability of goodwill
Facts and problem
In LR Global Holding GmbH's consolidated financial statements, intangible assets include goodwill in the amount of KEUR 101,519. Goodwill accounts for 43 % of total assets and is therefore of material importance for the Group's financial position. Goodwill is tested for impairment once a year or on an ad hoc basis. Goodwill is tested for impairment on the basis of the recoverable amount, which is determined using a valuation model based on the discounted cash flow method. Such valuation's result is largely based on discretionary assumptions. These include in particular the forecast of future cash inflows in the planning period and the applied discount rates. Therefore, the valuation's result is subject to considerable uncertainty, which is why this matter was of particular importance in the context of our audit.

Audit approach and findings
In order to assess the appropriateness of the future cash flows used in the calculation, we performed an audit of the budgeting process and identified the relevant manual controls integrated in the process and tested their structure and function. We also audited the key assumptions' and the calculation methodology's appropriateness by involving our valuation specialists. We assessed the future cash inflows used in the valuation to determine whether they are consistent with the current budgets prepared by management. We assessed the such planning's underlying assumptions for understandability and consistency with our knowledge of the Group and the individual cash-generating units and other audit findings. In addition, we also critically assessed the parameters used in determining the weighted discount rates applied (in particular the weighted average cost of capital). Overall, the valuation parameters and assumptions applied by the legal representatives are comprehensible.

Reference to further information
The Company's information on goodwill is included in the consolidated notes' sections "Summary of significant accounting methods (a))" and "15. Goodwill".

Other information
The legal representatives are responsible for other information. Other information comprises:

- all parts of the English Annual Report (LR Annual Report 2022) of LR Global Holding GmbH, Ahlen, for the financial year ended December 31, 2022, with the exception of the audited consolidated financial statements and combined management report as well as our audit opinion.

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

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

- is materially inconsistent with the consolidated financial statements, with the content of the audited management report or our knowledge obtained during the audit; or
- otherwise seems to have been materially misstated.

Legal representatives' responsibilities for the consolidated financial statements and the combined management report
The legal representatives are responsible for the preparation of the annual financial statements that comply, in all material respects, with IFRS as applicable in the EUR and the supplementary German legal requirements applicable pursuant to Art. 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, provide a true and fair view of the Group's net assets, financial position, and profit situation. Furthermore, the legal representatives are responsible for such internal controls they have determined as being necessary in order to provide for the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible to assess the Group's ability to continue as a going concern. They also have the responsibility to disclose, as applicable, matters related to the continuation as a going concern. Furthermore, they are responsible for financial reporting based on the going concern principle unless there is an intention to liquidate the Group or to discontinue business operations or if there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides a true and fair 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 the Group's future development. Furthermore, the legal representatives are responsible for such precautions and measures (systems) they have deemed necessary in order to provide for the preparation of a combined management report that is in accordance with applicable German legal requirements, and in order to provide sufficiently appropriate evidence for the statements contained in the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and the combined management report
Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from any material misstatements, whether due to fraud or error, and whether the combined management report as a whole presents a true and fair view of the Group's position and is, in all material respects, consistent with the consolidated financial statements and the knowledge obtained during our audit, complies with German legal requirements and appropriately presents the opportunities and risks of the Group's future development, as well as to issue an audit certificate that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Art. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for the Audit of Financial Statements as issued by the IDW will always detect any material misstatement. Misstatements can arise from fraud or error and are considered material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the combined management report.

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

- identify and assess the risks of material misstatements in the consolidated financial statements and the combined management report, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting any material misstatements resulting from fraud is higher than for those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- obtain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of precautions and measures relevant for the audit of the combined management report in order to plan audit procedures being appropriate under the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting methods applied by the legal representatives and the reasonableness of estimates made by the legal representatives as well as the related disclosures;
- draw conclusions on the appropriateness of the going concern principle applied by the legal representatives and, based on the audit evidence obtained, whether there is a material uncertainty in connection with events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in the audit certificate to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit certificate. However, future events or conditions may cause the Group to cease 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 provide, by taking into account IFRS as applicable in the EU and the supplementary provisions applicable pursuant to Art. 315e (1) HGB, a true and fair view of the Group's assets, liabilities, financial position and profit situation;
- obtain sufficiently appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to express audit opinions on the consolidated financial statements and on the combined 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 combined management report's consistency with the consolidated financial statements, its conformity with German law, and its presentation of the Group's position;
- perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives 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 audit 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 discuss with the supervisors, inter alia, the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system we identify during our audit.

We also provide the supervisors with a declaration that we have complied with the relevant independence requirements, and discuss with them all relationships and other circumstances that may reasonably be expected to affect our independence as well as the related protective measures taken in this regard.

From the circumstances discussed with the supervisors, we determine those matters that were of most significance during the audit of the consolidated financial statements for the current reporting period and therefore constitute key audit matters. We describe these circumstances in our auditor's certificate unless the circumstance's public disclosure should be precluded by any law or other regulation.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the shareholders' meeting on October 17, 2022. We were engaged by the management on October 20, 2022. We have been the auditor of LR Global Holding GmbH since the fiscal year 2022.

RESPONSIBLE AUDITOR
The auditor responsible for the audit is Kathrin Jaeger.

Düsseldorf, April 6, 2023

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Thomas Gloth	**Kathrin Jaeger**
German CPA	German CPA

LR Global Holding GmbH, Ahlen
Consolidated financial statements as of December 31, 2022, and combined management report for the 2022 fiscal year

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MORE QUALITY FOR YOUR LIFE

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