



HEALTH & BEAUTY

# 2024

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**ANNUAL REPORT**

LR HEALTH & BEAUTY SE



# FINANCIAL STATEMENTS

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## FINANCIAL STATEMENTS

**LR HEALTH & BEAUTY SE, MUNICH**  
**STATEMENT OF FINANCIAL POSITIONS AS OF 31 DECEMBER 2024**

kEUR	Dec. 31, 2024	Dec. 31, 2023
<b>NON-CURRENT ASSETS</b>		
Financial assets	281,273	152,458
thereof shares in affiliates	152,458	152,458
thereof loans to affiliates	128,815	0
	<b>281,273</b>	<b>152,458</b>
<b>CURRENT ASSETS</b>		
Receivables and other assets	1,146	619
thereof receivables from affiliates	1,067	619
Cash	0	141
	<b>1,146</b>	<b>760</b>
<b>PREPAID EXPENSES</b>	4,177	0
<b>TOTAL ASSETS</b>	<b>286,596</b>	<b>153,218</b>

**LR HEALTH & BEAUTY SE, MUNICH**  
**STATEMENT OF FINANCIAL POSITIONS AS OF 31 DECEMBER 2024**

kEUR	Dec. 31, 2024	Dec. 31, 2023
<b>EQUITY</b>		
Subscribed capital	10,120	10,120
Capital reserve	142,458	142,458
Accumulated loss	-12,252	-381
	<b>140,326</b>	<b>152,197</b>
<b>PROVISIONS</b>		
Tax provision	1,362	0
Other provisions	919	451
	<b>2,281</b>	<b>451</b>
<b>LIABILITIES</b>		
Liabilities from corporate bond	131,241	0
Trade payables	89	5
Liabilities to shareholders	4,016	500
Liabilities to affiliates	3,364	0
Other liabilities	55	65
	<b>138,765</b>	<b>570</b>
<b>DEFERRED TAX LIABILITIES</b>	5,224	0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>286,596</b>	<b>153,218</b>

## FINANCIAL STATEMENTS

LR HEALTH & BEAUTY SE, MUNICH  
STATEMENT OF PROFIT OR LOSS FOR 2024

kEUR	FY 2024	FY 2023
Revenue	1,552	1,015
Other operating income	46	64
	<b>1,598</b>	<b>1,079</b>
Personnel Expenses	1,537	951
thereof wages and salaries	1,500	930
thereof social security, pension and other benefit costs	37	21
Other Operating Expenses	1,563	211
	<b>3,100</b>	<b>1,162</b>
Other interest and similar income	11,507	0
Expenses from profit or loss transfer agreements	1,975	0
Other interest and similar expenses	13,289	0
	<b>-3,757</b>	<b>0</b>
Income taxes	6,612	0
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>-11,871</b>	<b>-83</b>

LR HEALTH & BEAUTY SE, MUNICH  
STATEMENT OF CASH FLOWS FOR 2024

kEUR	FY 2024	FY 2023
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>		
Profit or loss for the period	-11,871	-83
Reduction (-)/Increase (+) in provisions	468	-653
Increase (-)/Reduction (+) of receivables and other assets	3,401	857
Increase (+)/Reduction (-) of trade payables and other liabilities	-111	-260
Interest expenses (+) / interest income (-)	3,758	0
Income tax expenses (+) / income (-)	6,612	0
Income tax paid (-)	-26	0
	<b>2,231</b>	<b>-139</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for (-) investments in financial assets	-128,800	0
Expenses (-) from profit or loss transfer agreements	-1,975	0
Received interest (+)	10,560	0
	<b>-120,215</b>	<b>0</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from (+) the issue of bonds	124,800	0
Proceeds from (+) shareholder loan	4,000	0
Payments (-) for interest	-10,958	0
	<b>117,842</b>	<b>0</b>
<b>CASH AT THE END OF PERIOD</b>		
Net decrease	-141	-139
Cash and cash equivalents at the beginning of period	141	280
<b>CASH AT THE END OF PERIOD</b>	<b>0</b>	<b>141</b>



# MANAGEMENT REPORT

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## MANAGEMENT REPORT

# LR HEALTH & BEAUTY SE, MUNICH/GERMANY

## COMBINED MANAGEMENT REPORT OF THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2024

### A. FUNDAMENTALS OF THE GROUP

LR Health & Beauty SE, Munich, business address: Kruppstrasse 55, 59227 Ahlen, Germany (hereinafter also referred to as "LR SE"), is a European stock corporation incorporated in Germany pursuant to Art. 3 (2) SE Regulation and is registered in the Munich Commercial Register under HRB no. 258262. The share capital of the company amounts to EUR 10,120 thousand and is divided into 120,000 ordinary shares of no-par value and 10,000,000 no-par value bearer shares. It acts as a holding company with management services and a financing function for subsidiaries.

The LR Health & Beauty Group with its parent company LR Health & Beauty SE (hereinafter referred to as the LR Group, LR or the Group) is an internationally operating group that is primarily active in the cosmetics and food supplements industry. The LR Group is represented by 34 companies worldwide. The Group's production facilities are located in Ahlen (Germany), from which all subsidiaries are supplied. Research and development activities are also conducted exclusively in Germany.

The LR Group markets its products as a social commerce company, 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.

On March 31, 2025, 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

Global economic development continued to be characterized by challenges in 2024. Following moderate growth of 3.3% in the previous year, global economic momentum

slowed further, affected by ongoing geopolitical tensions, higher inflation rates and declining momentum in global trade. According to the International Monetary Fund (IMF)<sup>1</sup>, global growth amounted to 3.2% in 2024, below the historical average of 3.7% (2000–2019).

In the Eurozone, LR Group's most important market, the economy showed a slight recovery. Growth for 2024, which continued to be affected by political uncertainties and weak industrial output, was reported at 0.8%. Germany recorded stagnating to slightly declining economic output of -0.2%, while other countries such as Spain (+3.1%) and Poland (+2.8%) recorded significantly more positive growth.

According to the World Federation of Direct Selling Association (WFDSA)<sup>2</sup>, after sales growth of +2.0% in 2021, direct selling worldwide recorded a slight decline in sales of -1.0% in 2022 and a more significant decline in sales of -2.3% in 2023. In Europe, LR Group's core market, following market growth of +4.4% in 2021, development slumped significantly in 2022 with the outbreak of war in Ukraine and recorded a decline of -1.0%. In 2023, development stabilized again significantly at +3.4%. At the time of preparing this management report, there is no valid data on the development in 2024.

#### Production

A substantial amount of the LR Group's dietary supplements is produced and bottled at the production facility in Ahlen. The LR Group is thus consistently implementing its strategic commitment to the quality promise "Made in Germany." In addition, the Company is strengthening the profitability of this important product range. Most of the cosmetics and care products are also produced at the Ahlen site. In addition, contracts have been concluded with several suppliers. Cosmetic devices are purchased as merchandise in Europe, and accessories in Southeast Asia. The production and the dispatch line in Ahlen are designed for multi-shift operation. Staff shortages are covered by temporary workers. Together with the Theodor F. Leifeld Foundation, a logistics hall was built, for which a new warehouse management system was also set up, which was put into operation in October 2024.

#### 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 that have a significant influence on the launch of new products. In 2024, the focus was also on the enhancement of digital solutions to support the distributors.

Research and development expenditure in the financial year amounted to kEUR 2,601 (PY: kEUR 2,470).

#### Headcount

During the 2024 financial year, the Group employed an average headcount of 1,218 (PY: 1,217), including the Executive Board. Of which, 723 (PY: 714) can be allocated to the German subsidiaries and thereof 2 (PY: 1) to the LR Health & Beauty SE.

In 2024, an average of 18 apprentices were employed in the vocational fields of industrial clerk, digital & print media designer, image & sound media designer, marketing communications clerk, e-commerce clerk, IT specialist for system integration, IT specialist for application development and warehouse logistics specialist. In general, permanent employment after successful completion of the apprenticeship is envisaged.

<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025>

<sup>2</sup> <https://wfdsa.org/global-statistics/>  
<https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwfdsa.org%2Fwp-content%2Fuploads%2F2024%2F09%2FWFDSA-Statistical-Database-2020-2023.xlsx&wdOrigin=BROWSELINK>

## MANAGEMENT REPORT

Within the trainee program, one trainee was employed in the area of sales management in 2024, who is expected to be taken on in a permanent position in this segment in 2025.

The LR Group has a dual study program. In 2024, three participants were recruited for a dual study program in business administration. In 2024, nine dual students were therefore employed in business administration at LR.

### 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.

### D. 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 if it develops products and solutions that 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. LR does not use any quantifiable key figures for the non-financial performance indicators, which is why these key figures are not material for the management of the LR Group.

### E. POSITION OF THE GROUP

The assets, liabilities, financial position, and financial performance of the LR Group are explained on the basis of the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

#### Financial performance of the LR Group

The strong growth trend of the 2019 to 2021 financial years was interrupted in 2022 with the outbreak of war in Ukraine. The macroeconomic conditions have thus changed significantly. The high rise in inflation, the fall in real wages and the resulting sharp rise in interest rates have led to a weakening of consumer sentiment. Immediately after the outbreak of the war, the management began to adjust the strategic direction to the changed conditions and these strategic initiatives were systematically continued in 2024. In particular, this includes the decision to focus much more on the LR Business Opportunity in order to support the careers of our partners in the best possible way and to strengthen the resilience of our business model in the face of persistently weak general consumer sentiment.

In October 2024, we made significant adjustments to the LR career plan with the introduction of the new LR Business Track. This enables our distributors in advanced career stages to receive a guaranteed monthly bonus and thus a secure income if they achieve certain sales targets. The success of the change and the accompanying communication measures is reflected in a significant increase in new careers for LR distributors and double-digit percentage growth rates for new distributors in the last few months of the financial year. Together with the already established LR Fast Track for new distributors, LR thus offers an attractive concept for a quick career start and a successful long-term partnership.

Our strategy aims to make it as easy as possible to start an LR career so that new distributors can earn an additional income alongside a full-time job. In addition, we support our distributors in switching from a part-time position to a full-time position at LR. Thanks to the high-quality products in the starter sets, high entry levels and thus a fast and successful career are possible.

Another important building block was the adaptation of our new product strategy and the accompanying communication process. The last five new product launches, including the nutritional supplements of the LR Health Mission in April 2024 and the decorative cosmetics line LR Zeitgard Signature in September 2024, are among the most successful new product launches in LR's long history.

All these factors contributed to establishing an upward growth trend for LR over the 2024 financial year: In the first quarter, sales growth amounted to 0.8%, in the second quarter 2.6%, in the third 7.2% and in the fourth quarter sales increased by 8.0% compared to the previous year. All in all, LR increased sales by 4.6% for the year as a whole despite a challenging market environment. In the previous year, revenue growth amounted to 2.6%. In total, sales (revenue from goods sold) amounted to kEUR 289,221 in the financial year 2024 (PY: kEUR 276,473). Of this amount, kEUR 174,635 (PY: kEUR 169,211) is attributable to Region Western Europe<sup>3</sup>, which corresponds to growth of 3.2% and kEUR 113,903 (PY: kEUR 105,534) to Region Central Eastern Europe<sup>4</sup>, which grew by 7.9%. Thus, both regions are showing a positive growth trend. In addition, there are other sales of kEUR 11,455 (PY: kEUR 12,282), which mainly result from the on-charging of other services to our distributors. This results in revenues before sales deductions of kEUR 300,676 (PY: kEUR 288,755) and after sales deductions of kEUR 286,025 (PY: kEUR 274,477).

Other operating income remained stable in the 2024 financial year at kEUR 6,732 compared to kEUR 6,279 in the previous year.

The cost of materials decreased to kEUR 50,587 in the 2024 financial year (PY: kEUR 53,397), while at the same time the changes in finished goods and work in progress were negative at kEUR -2,287 (PY: kEUR +4,207). The total of cost of materials and changes in finished goods and work in progress thus increased from kEUR -49,190 in the 2023 financial year to kEUR -52,874 in the 2024 financial year. In relation to sales (revenue from goods sold), this results in a ratio<sup>5</sup> of 18.3%, which corresponds to a slight reduction compared to the previous year with 17.8%. This is based on valuation effects in finished goods, higher customs duties compared to the previous year and unfavorable currency effects.

Personnel expenses increased from kEUR 53,521 to kEUR 57,008. The average number of headcounts in the 2024 financial year was 1,218 and therefore hardly changed compared to the previous year (1,217). In addition to salary and wage adjustments in line with general inflation, one driver is the inflation compensation premium paid out in Germany. Overall, personnel costs in relation to total overall performance<sup>6</sup> have therefore risen to 20.1% (PY: 19.2%).

The Group's other operating expenses are mainly composed of bonuses granted to distributors, license fees and distribution costs, as well as selling, consulting, and administrative expenses, and losses from currency translation. The bonus granted to distributors has increased significantly against the backdrop of increased sales and one-off effects in connection with the change to the career plan that came into force in October 2024.

<sup>3</sup> Region Western Europe consisting of Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and United Kingdom.

<sup>4</sup> Region Central Eastern Europe consisting of Albania, Bulgaria, Czech Republic, Cyprus, Greece, Hungary, Kazakhstan, Poland, Romania, Russia, Slovakia, and Ukraine.

<sup>5</sup> For internal management purposes, LR uses a ratio consisting of the total of cost of materials and changes in finished goods in relation to sales (revenue from goods sold).

<sup>6</sup> Overall performance comprises revenues and changes in finished goods and work in progress.

## MANAGEMENT REPORT

In addition, there was also a significant increase in legal and consulting costs, which is attributable to one-off expenses in connection with the issue of the corporate bond. Overall, other operating expenses have thus increased from kEUR 146,632 in the 2023 financial year to kEUR 155,546 in the 2024 financial year.

Compared to the previous year, EBITDA<sup>7</sup> slightly decreased to kEUR 27,329 (PY: kEUR 31,413), in particular due to the above-mentioned one-off effects. Taking into account normalizations of one-time, non-recurring and extraordinary operating expenses, such as expenses in connection with the refinancing of the corporate bond, totaling kEUR 5,243 (PY: kEUR 3,967), normalized EBITDA amounts to kEUR 32,572 (PY: kEUR 35,380).

Depreciation and amortization decreased slightly from kEUR 13,212 to kEUR 12,818 in the financial year 2024. This results in EBIT<sup>8</sup> of kEUR 14,511 (PY: kEUR 18,201).

The financial result of kEUR –21,219 (PY: kEUR –15,836) is characterized by the one-off expense from the early redemption of the corporate bond of LR Global Holding GmbH and by the interest expenses of the new corporate bond of LR Health & Beauty SE, which increased due to the higher nominal value compared to the previous year.

This results in earnings before taxes for the Group in the amount of kEUR –6,708 (PY: kEUR 2,365) for the 2024 financial year. Despite the negative earnings before taxes, income taxes increased from kEUR 3,320 in the previous year to kEUR 5,115 in the 2024 financial year, which is due in particular to the limited tax deductibility of interest expenses caused by the interest barrier<sup>9</sup>. The after-tax result thus amounts to kEUR –11,823 (PY: kEUR –865). After offsetting the other comprehensive income consisting of currency translation differences of kEUR –1,522 (PY: kEUR –818), the overall result is kEUR –13,345 (PY: kEUR –1,683).

The forecast issued by the LR Group for sales (revenue from goods sold) in the range of kEUR 288,000 to kEUR 292,000 was achieved at kEUR 289,221. The forecast for EBITDA reported in the range of kEUR 26,000 to kEUR 29,000 was also achieved at kEUR 27,329. The Executive Board is therefore satisfied with the development of the 2024 financial year.

### Assets, liabilities, and financial position of the LR Group

As of December 31, 2024, total assets amounted to kEUR 225,571 (PY: kEUR 234,702), of which kEUR 152,218 (PY: kEUR 151,198) relate to non-current assets. Therein property, plant and equipment remained stable at kEUR 12,820 (PY: kEUR 12,966). Rights of use slightly decreased from kEUR 17,439 to kEUR 16,941. The largest position under non-current assets is intangible assets, which increased slightly from kEUR 119,372 to kEUR 120,705. The main item here is the goodwill of kEUR 101,522, which did not change during the reporting period.

Current assets totaled kEUR 73,353 (PY: kEUR 83,504). The inventories built up in the previous year due to the difficult situation on the global logistics market were reduced again in the financial year and now amount to kEUR 26,724 (PY: kEUR 34,612). Trade receivables are slightly above the previous year's level at kEUR 14,591 (PY: kEUR 13,824). Other assets (incl. income tax receivables) mainly consist of receivables from income and other taxes, deposits, periodic accrued expenses, as well as other receivables and increased from kEUR 11,113 to kEUR 12,397 in 2024. At the same time cash decreased in the 2024 financial year to kEUR 19,641 (PY: kEUR 23,955). The Group is largely a single financial entity.

Equity was significantly affected by two factors. On the one hand, the capital reserve increased by kEUR 1,376 due to allocation of the new shareholder loan. On the other hand, equity was reduced by the negative total comprehensive income of kEUR –13,345, resulting in equity totaling kEUR 15,260 as of December 31, 2024. This corresponds to an equity ratio of 6.8% (PY: 11.6%). Adding the remaining amount of the shareholder loan of kEUR 2,872, recognized in non-current liabilities, results in economic equity of kEUR 18,132, which corresponds to an economic equity<sup>10</sup> ratio of 8.0%.

The liabilities are mainly characterized by the corporate bond. On February 19, 2024, LR SE placed a senior secured corporate bond in the amount of EUR 130 million and issue proceeds of around EUR 125 million. The carrying amount of the corporate bond in the Group<sup>11</sup> of kEUR 124,974 corresponds to the issue amount less the acquisition commission recognized, which is added back pro rata over the term of the bond plus accrued interest. The proceeds from the placement were used to refinance the previously existing 2021/2025 bond of LR Global Holding GmbH (ISIN: NO0010894850). In this context, a loan agreement was concluded between LR Global Holding GmbH and LR Health & Beauty SE on March 1, 2024. The bond is issued in the so-called "Nordic Bond Format" under Swedish law and with the involvement of Nordic Trustee & Agency AB as trustee. The bond has an interest rate of 7.5% + 3M EURIBOR (with a floor of zero) and matures on March 6, 2028. It is traded on the Open Market of the Frankfurt Stock Exchange. The terms of the corporate bond require a listing on the regulated market of Nasdaq Stockholm within 12 months of the issue date, which was achieved on time in the new financial year 2025.

Compared to the previous year, provisions decreased from kEUR 4,328 to kEUR 3,671. Of this amount, kEUR 447 (PY: kEUR 356) relates to non-current provisions and kEUR 3,224 (PY: kEUR 3,972) to current provisions.

Lease liabilities totaled kEUR 17,961 and were thus at the previous year's level of kEUR 18,067. Of this amount, kEUR 12,119 (PY: kEUR 12,064) relates to non-current and kEUR 5,842 (PY: kEUR 6,003) to current lease liabilities.

A sale and leaseback agreement for the headquarters building in Ahlen, Germany, was already concluded in the 2022 financial year. 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 corresponding liabilities from loans in the amount of kEUR 8,104 (PY: kEUR 8,470) are divided into non-current liabilities in the amount of kEUR 7,730 and current liabilities in the amount of kEUR 374.

Other liabilities of kEUR 9,749 are below the previous year's level of kEUR 11,293, in particular due to the lower VAT liabilities. Income tax liabilities increased from kEUR 1,184 in the previous year to kEUR 2,820 in the context of LR Health & Beauty SE as the new parent company. At kEUR 34,215, trade payables remained stable compared to the previous year's figure of kEUR 34,748.

In the 2024 financial year, the operating cash flow increased significantly to kEUR 26,962 compared to kEUR 12,874 in the previous year (previous year affected by subsequent tax payments for previous years). All other relevant factors affecting operating cash flow, such as profit, changes in inventories or trade receivable and trade payables, are described in Financial performance of the LR Group and Assets, liabilities, and financial position of the LR Group. The cash flow from investing activities amounted to kEUR –5,601 (PY: kEUR –5,922)

<sup>7</sup>Earnings before interest, taxes, depreciation and amortization.

<sup>8</sup>Earnings before interest and taxes

<sup>9</sup>The interest barrier describes a specific element of German tax law that limits the deduction of interest expenses for tax purposes.

<sup>10</sup>Economic equity defined as reported equity plus long-term shareholder loans with subordination.

<sup>11</sup>Capitalized value of the bond in the Group according to IFRS different from the capitalized value in LR Health & Beauty SE accounted according to German accounting standard (*Handelsgesetzbuch*)



## MANAGEMENT REPORT

and thus decreased slightly compared to the previous year. The main drivers are projects in the areas of digitalization and IT infrastructure as well as the modernization of logistics as part of the Logistics 4.0 project. Overall, this results in a free cash flow<sup>12</sup> of kEUR 21,361 (PY: kEUR 6,952). The cash flow from financing activities amounted to kEUR –25,925 (PY: kEUR –23,019) and is characterized by the early redemption of the former bond due to the issue of the new bond and the associated costs as well as a new shareholder loan.

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.

### F. POSITION OF THE LR HEALTH & BEAUTY SE

The assets, liabilities, financial position, and financial performance of the LR Group is outlined in the financial statements prepared in accordance with German accounting standards (*Handelsgesetzbuch*).

#### Financial performance of LR Health & Beauty SE

Revenue stood at kEUR 1,552 in the 2024 financial year (PY: kEUR 1,015) and mainly derived from cost allocations to LR Health & Beauty Systems GmbH, Ahlen, for services rendered, which were above the previous year's level. The other operating income amounted to kEUR 46 (PY: kEUR 64).

At kEUR 1,537, personnel expenses in the reporting year were higher than in the previous year (kEUR 951), which is due in particular to the extension of the Management Board. Other operating expenses at LR SE include legal and consulting fees, which are the main driver of the significant increase in this financial year in connection with the issue of the corporate bond. They also include allowances for the Supervisory Board and travel expenses. In total, they amounted to kEUR 1,564 and thus increased significantly compared to the previous year (kEUR 211).

The financial result of kEUR –3,757 (PY: kEUR 0) is characterized by interest income from a shareholder loan to LR Global Holding GmbH in the amount of kEUR 11,507 (PY: kEUR 0), by interest payments for the corporate bond 2024/2028 in the amount of kEUR 13,289 and by expenses in the amount of kEUR 1,975 (PY: kEUR 0) from the profit and loss transfer agreement concluded with LR Global Holding GmbH in 2024.

Income taxes for LR Health & Beauty SE as the new parent company of the group amounted to kEUR 6,612 in the 2024 financial year (previous year: kEUR 0).

Overall, this results in a net loss for the year of kEUR –11,871 (PY: kEUR –83).

Due to the effects described above, the company's cost structure changed in the 2024 financial year compared to the previous year.

#### Assets and liabilities of LR Health & Beauty SE

The total assets of LR Health & Beauty SE increased to kEUR 286,597 as of December 31, 2024, compared to the previous year (kEUR 153,218). This significant increase is due to the issue of a corporate bond and the granting of an intercompany loan to LR Global Holding GmbH. The latter is reflected in non-current assets, which increased from kEUR 152,458 as

of December 31, 2023, to kEUR 281,273 as of December 31, 2024. In addition to shares in affiliates, which remained constant at kEUR 152,458 and consist exclusively of the shares in LR Global Holding GmbH, Ahlen, this also includes the new shareholder loan to LR Global Holding GmbH with a carrying amount of kEUR 128,816. Current assets amounted to kEUR 1,146 as of December 31, 2024 (PY: kEUR 760), of which receivables from affiliates increased mainly due to interest receivables in the amount of kEUR 1,067 (PY: kEUR 619). Following the integration of LR Health & Beauty SE into the cash pooling agreement with LR Health & Beauty Systems GmbH, cash has been reduced to kEUR 0 (previous year: kEUR 141).

LR SE's equity amounted to kEUR 140,326 as of December 31, 2024, and decreased by the net loss for the year compared to the previous year of kEUR 152,197.

The provisions totaling kEUR 2,281 (PY: kEUR 451) consist of tax provisions of kEUR 1,362 (PY: kEUR 0) arising from establishing LR SE as the parent company of the Group and other provisions of kEUR 919 (PY: kEUR 451). The latter include, in particular, provisions for personnel costs, audit costs, and outstanding supplier invoices.

The liabilities are mainly characterized by the corporate bond. On February 19, 2024, LR SE placed a senior secured corporate bond in the amount of EUR 130 million and issue proceeds of around EUR 125 million. The carrying amount of the corporate bond at LR Health & Beauty SE<sup>13</sup> amounts to kEUR 131,241. The proceeds from the placement were used to refinance the previously existing 2021/2025 bond of LR Global Holding GmbH (ISIN: NO0010894850). In this context, a loan agreement was concluded between LR Global Holding GmbH and LR Health & Beauty SE on March 1, 2024. The bond is issued in the so-called "Nordic Bond Format" under Swedish law and with the involvement of Nordic Trustee & Agency AB as trustee. The bond has an interest rate of 7.5% + 3M EURIBOR (with a floor of zero) and matures on March 6, 2028. It is traded on the Open Market of the Frankfurt Stock Exchange. The terms of the corporate bond require a listing on the regulated market of Nasdaq Stockholm within twelve months of the issue date, which was achieved on time in the new financial year 2025.

In addition, there are liabilities to shareholders with a carrying amount<sup>14</sup> of kEUR 4,016 (previous year: kEUR 500). On March 7, 2024, LR SE and Aloco Holding S.à r.l concluded an agreement for a fixed-interest shareholder loan in the amount of kEUR 4,000. The loan bears interest at an annual rate of 0.5%. The loan and the associated interest are due on March 30, 2028. Partial or full repayment of the loan is possible at any time.

Together with liabilities to subsidiaries amounting to kEUR 3,364 (PY: kEUR 0), resulting from the cash pooling agreement with LR Health & Beauty Systems GmbH, trade payables of kEUR 89 (PY: kEUR 5) and other liabilities of kEUR 56 (PY: kEUR 65), total liabilities amount to kEUR 138,765 (PY: kEUR 569).

For the 2024 financial year, the cash flow from operating activities amounts to kEUR 2,231 (PY: kEUR –139). All major factors affecting operating cash flow, such as profit, changes in receivables, or changes in liabilities, are described in the sections Financial performance of LR Health & Beauty SE and Assets and liabilities of LR Health & Beauty SE. Cash flow from investing activities amounted to kEUR -120,215 (PY: kEUR 0) and includes the transfer of losses from the profit and loss transfer agreement with LR Global Holding, the issue of the shareholder loan to LR Global Holding GmbH, and the interest payments received for the

<sup>12</sup> Free cash flow as the sum of cash flow from operating activities and cash flow from investing activities

<sup>13</sup> Carrying amount of the bond at LR Health & Beauty SE in accordance with German accounting standards (*Handelsgesetzbuch*) deviating from the carrying amount in the Group, which is reported in accordance with International Financial Reporting Standards (IFRS).

<sup>14</sup> Carrying amount of the shareholder loan in LR Health & Beauty SE in accordance with German accounting standards (*Handelsgesetzbuch*) deviating from the carrying amount in the Group, which is reported in accordance with International Financial Reporting Standards (IFRS).

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shareholder loan. Cash flow from financing activities totaling kEUR 117,842 (PY: kEUR 0) includes the inflows from the shareholder loan from the parent company Alocó Holding S.à r.l., the issue of the corporate bond, and the interest paid on the corporate bond.

### G. 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 on time to all employees involved. The company's financial statements are prepared using a uniform reporting system for the entire Group. 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.

Corporate controlling/Group controlling systematically and regularly analyzes data from the Group using systems of key figures and reports this to the management. Sales are reported per country and region on a daily basis. Sales 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 analyzes of deviations against the plan and previous year at Group level, is also prepared on a monthly basis for the management and the supervisory board of LR SE.

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 opportunities of potential competitors. In order to meet the needs of customers and to distinguish 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, 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 distributors, thus reducing the main risks for our business model.

The Group's ability to acquire partners and to maintain and increase 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 upswing 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 commerce 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 as a result.

The outbreak of war in Ukraine has impaired the previously very stable situation in Europe, LR Group's most important sales market. The LR Group has one sales company in Ukraine and one in Russia, with the Russian company additionally serving the market in Kazakhstan. Business operations in Ukraine have been ensured throughout the last two years, but the risk of a partial or complete closure of the subsidiary in Ukraine cannot be completely ruled out for security reasons. The Russian market faces considerable risks in the current situation with extensive financial and economic sanctions. Maintaining payment transactions to and from Russia could be made difficult 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.

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 controls 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 important 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.

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, or other causes could impair the Group's ability to meet delivery requirements in part or in full.

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In addition, supplier failure or disruptions to supply chains could have negative effects on the manufacture and packaging of the Group's products.

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 a USD basis. Currency hedging takes place if necessary, 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 2024 by sales (revenue from goods sold) were Russia/Kazakhstan (Russian roubles/Kazakh tenge), Poland (Polish złoty), the Czech Republic (Czech koruna), Ukraine (Ukrainian hryvnia), and Bulgaria (Bulgarian lev).

The general increase in the interest rate level over the 2022 and 2023 financial years, which fell only moderately in the past financial year, has significantly increased interest expenses. The EUR 125 million corporate bond issued by the LR Global Holding GmbH subsidiary in spring 2021 was redeemed in March 2024. The refinancing was carried out at the level of LR Health & Beauty SE. The redeemed bond as well as the newly issued bond use the 3M Euribor as the interest rate benchmark for the variable interest rate. In general, variable interest rates entail opportunities and risks.

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 to 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 32 countries, in which very different rules and regulations, e.g., concerning marketing and quality standards for cosmetics and food safety, may 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.

Other relevant 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.
- The data protection regulations and their individual interpretation by the data protection authorities in the different countries.

Strict compliance with the statutory stipulations in the dietary supplements field, especially after the Health Claims Regulation came into force on July 1, 2007, is crucial for reducing risks. In connection with the general regulations applying to health and beauty products, the regulation of hydroxy anthracene derivatives (HAD), chemical substances that can occur naturally in certain parts of aloe vera, is of great importance to the LR Group as a processor of this raw material. The key regulation in this context is Regulation (EC) No 1925/2006 of the European Parliament and of the Council of December 20, 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 of leaves of aloe vera species 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 (SCoPAFF) concluded that a certain number of parts per million (ppm), i.e., 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. In four judgments dated November 13, 2024, the General Court declared the restrictions of Regulation 2021/468 invalid. The EU Commission has appealed against this ruling.

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 safeguards. Overall, we currently see no risks jeopardizing the continuance of the Group and LR SE.

### Opportunities

The business and market risks described are offset by corresponding opportunities in the event of positive developments. There are also potential opportunities arising from the long-term trends in the markets for health and beauty products as well as in digitalization and social media use.

Direct selling as a sales channel continues to gain in attractiveness and thus opens up opportunities for growth. Although the data from the World Federation of Direct Selling Association (WFDSA) shows a break in the global trend for 2022 and 2023, the majority of LR markets have already recorded positive growth again for 2023. In a positively overall developing environment, the LR Group is sharpening its positioning as a successful social commerce company, particularly in the areas of digitalization and social media. Social commerce is an attractive business model that combines the advantages of two worlds. Digital efficiency, customer experience, and consumer knowledge from the e-commerce sector with the advantages of personal relationships, individual sales experience, and the ability to develop new products from direct sales in a targeted and needs-oriented manner. The result is a digital model with the potential to drive consumer engagement with the brand and products, drive targeted product innovation, and create strong customer retention through a loyal customer and distributor community. Supported by low customer

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acquisition costs, the potential for rapid and profitable growth is evident. The sales model is of particular interest to younger target groups, which also opens up attractive growth opportunities. The groups of 18–29-year-olds and 30–39-year-olds together account for around 45% of new LR distributors in Germany, while the German average for this age group is well below 30%. LR supports this trend in particular through the digital solutions and apps developed specifically for LR, such as LR Connect and LR NEO—tools that help LR distributors build their own successful careers in the digital world.

Another important component of the sales model is the retention of distributors through attractive bonuses as part of the LR Career Plan and additional incentives. The career plan is constantly being developed and was expanded in October 2024 to include a new component – the LR Business Track. This includes a guaranteed monthly bonus if certain criteria are met, providing our distributors with a secure income. This instrument makes the LR business even more predictable for distributors and offers them the opportunity not only to build up a secure side income, but also to take the step into the main income stream with LR. Together with the already established LR Fast Track Program for newly started distributors, LR thus offers a consistent concept from the start at LR via a side income in addition to the main income and thus supports the distributors in their successful career development. The above-average development of inflation rates in the previous two financial years, which has not yet returned to the previous level in the 2024 financial year, may lead to falling real wages for many employees if there is no corresponding increase in wages and salaries. Without additional income, falling real wages would lead to a declining quality of life. LR offers its distributors the opportunity to build up a side income with the greatest possible flexibility and, if necessary, to switch to their main job.

The potential of the sales model can be particularly exploited in combination with high-quality and target group-oriented products. For several years, LR has been involving its distributors in the product development process at a very early stage. This ensures that the needs of distributors and consumers are at the center of the process. The result can be seen in the last five major product launches in recent years, which represent the five best product launches in the entire history of LR. These include both new product launches and product relaunches. If LR can maintain this trend in the coming years, it can achieve high growth potential.

In addition to the individual and needs-oriented development of products, the fundamental market trends are also a positive factor for LR. The core areas of LR products are health and beauty solutions, both markets with a long-term positive growth trend. In the health sector in particular, we see an increasing focus on high-quality health products for habitual and therefore regular use. This trend fits with the LR Group's market positioning, with holistic product solutions in the medium to higher price segment. Product solutions such as the metabolic support concept LR Health Mission, launched in April 2024, or the long-standing top sellers in the nutritional supplements segment – the Aloe Vera Drinking Gels – promote long-term customer loyalty with high repurchase rates, including subscriptions. Today, around 85% of sales are generated by repeat customers.

## H. OUTLOOK

Economic development in 2025 will continue to be affected by a number of factors that are difficult to predict. The ongoing war in Ukraine is not only having a direct impact on the markets in Russia and Ukraine, but also has a global impact on energy prices, trade, and geopolitical stability. Renewed disruptions in global supply chains could also have a negative impact on economic momentum. The development of inflation remains an important influencing factor, particularly in Europe, one of the LR Group's core markets. The development of inflation rates not only influences consumer spending, but also central banks' decisions on the future course of monetary policy.

The International Monetary Fund (IMF) expects global economic growth of 3.3% in 2025, which is slightly above the rate of 2024 (3.2%). However, these forecasts remain below the historical annual average of 3.7% (2000–2019). The main reasons for this are the ongoing restrictive monetary policy, the withdrawal of fiscal support, and structural obstacles to growth such as low production growth in many economies.

For the Eurozone, moderate growth of 0.8% is estimated for 2024, while the economy is expected to pick up slightly to 1.0% in 2025. In Germany, the LR Group's most important market, growth is expected to be almost stagnant at -0.2% in 2024 before the economy recovers slightly to +1.1% in 2025. This development reflects the ongoing challenges in the industrial sector and the impact of high energy prices.

The IMF's forecasts show that economic development in 2025 will continue to be characterized by uncertainty, but will also offer opportunities for growth and stabilization with regional differences.

The development of economic performance in the LR markets has different effects on the LR Group's business model. On the one hand, weak or negative economic growth often has an impact on consumer sentiment. On the other hand, in addition to pure product consumption, LR also offers a very attractive and flexible opportunity to generate additional income or main income as a distributor. Depending on the prevailing conditions, the LR Group's business model therefore offers the opportunity to market the consumer business or the distribution model in a more focused manner.

The combination of strategic enhancement of the sales model, new products, and strategic projects, especially in the area of digitalization, has already proven to be very robust under the challenging conditions during the pandemic and following the decline in sales as a result of the outbreak of the war in Ukraine. In addition to significant technical innovations in the digital sector and the further development of the sales remuneration system, the Group is focusing on the development of sustainable storytelling solutions in order to distinguish itself from the online and retail sectors.

The forecast issued by the LR Group for the 2024 financial year has been met. The forecast for sales (revenue from goods sold) in the range of kEUR 288,000 to kEUR 292,000 was achieved at kEUR 289,221. The forecast for EBITDA reported in the range of kEUR 26,000 to kEUR 29,000 was achieved at the upper end of the range at kEUR 27,329.

The development of the overall economic situation and its impact on the various LR markets remains difficult to assess. The further course of the war in Ukraine, the mutual sanctions between Russia and the European Union, the persistence of the current decline in inflation rates and their impact on the general interest rate level, and the general consumer sentiment are factors that are difficult to calculate.

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Against this backdrop, the Management Board expects stable to moderately increasing sales (revenue from goods sold) in the 2025 financial year. Taking into account the expected sales and the absence of one-off costs compared to the previous year, e.g. for the refinancing of the bond, the management assumes that a significantly higher EBITDA can be achieved in the LR Group.

As a holding company, the development of the individual company LR Health & Beauty SE depends on the development of the LR Group and is therefore not controlled individually. Apart from the interest expenses for the new bond issued in the past financial year, the cost structure is expected to remain largely unchanged compared to the previous year.

### I. FINAL DECLARATION ON THE DEPENDENCY REPORT

The Management Board of LR Health & Beauty SE has prepared a report on relationships with affiliated companies for the 2024 financial year in accordance with the German Stock Corporation Act (Section 312 AktG), which contains the following concluding declaration:

“We declare that LR Health & Beauty SE has received appropriate consideration for the legal transactions and measures listed in the report on relationships with affiliated companies in accordance with the circumstances known to us at the time the legal transactions were carried out or the measures were taken or omitted and has not been disadvantaged by the fact that measures were taken or omitted.”

Munich, March 31, 2025

#### LR Health & Beauty SE – Executive Board –



Dr. Andreas Laabs  
(CEO)



Andreas Grootz  
(General Manager)



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