# LUMENE GROUP OUR YEAR 2021



NORDIC EXPRESSIONS



# LUMENE GROUP

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# VALUES

Values that guide our governance and behaviour.

### Integrity

We are always open, truthful, authentic and respectful of our Nordic values.

### Sustainability

We care about tomorrow as much as today.

## Empowered

We dare to be bold, have courage and the confidence to be different.

### Inspired

We encourage creativity, passion and innovation to deliver true Nordic beauty to our consumers.

# CEO'S REVIEW

The year 2021 was a year of positive change for LUMENE Group. As a group, we hit the pre-pandemic level of net sales with 74.3 m EUR, the international markets driving the growth.

October 2021 kicked off an exciting new era when Verdane, the Northern European specialist growth equity investor, took over the ownership from Langholm Capital. With the new Nordic owner Verdane, we expect to further accelerate our growth and expansion, with an emphasis on e-commerce and digitalisation and tools linked to well managed data management.

#### Growth despite the challenging business environment

The past two years have been challenging in most business sectors. LUMENE, however, succeeded to reach good growth in 2021, achieving 9% increase in net sales and an EBITDA level at 11%, despite the ongoing COVID-19 restrictions in most countries. The best performing markets were Scandinavia with +20% growth and UK +42% growth.

#### LUMENE exiting the Russian market

The war initiated by Russia in early 2022, will naturally have an impact also for LUMENE. Russia and Belarus did represent 11% of our net sales in 2021 and were showing strong growth. In addition, Ukraine was also considered a potential growth market, with a good distribution especially the international beauty chain AC Watson.

Since the attack in February, LUMENE Group has stopped all deliveries from Finland to Russia with an immediate effect. We have excluded the Russian market from our current three-year-plan. We do, however, expect to be back in the Ukrainian market as soon as possible and our Ukrainian partners have showed incredible resilience, already planning to restart the business as soon as possible.

#### E-Commerce a key priority in the strategy

In today's complex environment, we see that our fastest growing channel has become e-commerce, which also is a key priority in our strategy. By managing traditional retail and e-commerce side by side, we ensure that consumers with different shopping habits will find the LUMENE brand easily accessible.

Encouraged by the increasingly important digitalisation of retail, we have also decided to further develop our own D2C business model to be able to satisfy and have an even better direct interaction with our most loyal LUMENE consumers and fans in the future.

From a brand perspective, the launch of Nordic Bloom in the anti-age category has been a tremendous success and has given us a new strong pillar alongside with icons like Nordic-C and Nordic Hydra.

#### Leading the change in sustainability

Consumers all over the world expect brands to be the forerunners in sustainability and show actions that will have a real impact.

LUMENE Group has been leading the change in sustainability for more than two decades. Circular economy has been inbuilt in the strategy even before it became a wider movement in the society.

#### Expectations fot the years to come

For the years to come, we expect good development in our home markets, and rapid growth in the new markets, including Scandinavia, UK and China. Our dynamic e-commerce is expected to reach 30% of our group net sales in the next few years to come.

LUMENE has started an aggressive expansion plan. We are to increase investments not only in growth markets like the UK, Scandinavia and China, but also in our work to further drive the sustainable development. Only then we can succeed in the vision of being the most sustainable beauty brand recognised for its Nordic wildcrafted ingredients among a wide international consumer group.

# 66

LUMENE has started a dynamic expansion plan. We see that the fastest growing channel has become e-commerce.

> **Johan Berg,** CEO, LUMENE Group

LUMEN [LUMO] Nordic blo Anti-wrink & firm

NOPDIC

ESSEN

ORDIC BLOO VITALITY NTI-WRINK REVITALI DIL SERU

LUMO

LUMENt [VALO] NORDIC-C GLOW RENEW

NIGHT SER

## LUMENE GROUP MEGATRENDS SURROUNDING US

The world is constantly changing. Identifying the megatrends and game changers helps us predict the future and modify our procedures accordingly. Responding to megatrends affect our daily operations. Here are what we consider to be the most relevant megatrends impacting our work at LUMENE Group.

#### Sustainability and ethics

Stakeholders expect transparency and sustainability from companies. Environmental awareness is becoming more mainstream, and consumers are more conscious and expect ethical behavior from industry. Certificates and open communications are valued. Companies need to find ways to support the consumers in expressing their ethical values through brands.

#### Demographic change

quality.

#### **Global warming**

climate change.

#### The meaning of beauty

In the post-Covid phase, consumers are placing more emphasis on holistic wellbeing and mental health. Given this change, the role of beauty routines are changing: they offer a moment of relaxation and stress relief, and also an important for self-expression. Body positivity, individualism, and more diversity of ethnicity and age, represent beauty.

#### Circular economy

As the circular economy grows, the use of industrial side streams and recycled materials as ingredients for products and packaging is increasing. Recyclability of packaging is growing.

#### Technology shift

Sharing and finding information is getting easier, which multiplies the information available for consumers. Transparency of business and data is important to help consumers identify relevant and correct information. The growth of e-commerce is gaining momentum from the pandemic and brings new business opportunities.

With the rise of life expectancy and living standards, the impact on product development is significant. There are more consumers and different target groups who expect a wider and more diverse portfolio range. The consumers are capable of investing more money in better

#### Globalisation

The pandemic time has brought many negative effects of globalisation on the surface with the virus spreading with travellers and supply chains suffering. At the same time globally, e-commerce is in huge growth together with localisation, where local products are supported.

Products must be redesigned to meet new requirements, especially in protecting skin and hair against sun. The stakeholders expect more environmentally friendly products and actions to fight the



52

# 403

globally

# 74.3 m EUR

Net sales

# ~13,500 sqm

Production facility in Finland

~600

# ~ 14 000 000 pcs

Number of products produced in 2021

LUMENE [VALO]

NORDIC-C GLOW BOOST ESSENCE

# LUMENE GROUP

better future.

The group's headquarters in Espoo, Finland enables efficient cooperation between the two over 50-year-old brands. This is especially beneficial when studying new environmentally friendly packaging materials and taking new side streamed raw materials into use.

daily operations.



# LUMENE Group today

# LUMENE Group's mission is to offer high performance Nordic beauty for the

LUMENE Group employs over 400 talents internationally, in fields of e.g. R&D, marketing, production, sales and financial management. The group consists of two brands: LUMENE, specialising in skincare and colour cosmetics and CUTRIN, the expert of Nordic hair and scalp.

In 2021 LUMENE Group ownership changed. The new majority owner of the company is a Scandinavian based private equity company Verdane.

In the coming years, with the support of Verdane, LUMENE Group will focus on digitalisation and sustainability work, both on strategic and



# International markets, Scandinavia, UK and China, drive the growth

LUMENE Group's main markets in 2021 consisted of more than 15 different countries. The brand is gaining more awareness and becoming more loved in international markets.

Majority of the group's revenue (52%) still derives from the domestic market Finland.

However, the international markets are the growth drivers and represented a staggering 80% of the revenue growth in 2021. At the same time, growth from the digital channels is constantly accelerating.



# 74.3 m EUR

Net sales

80%

of growth from international markets

# 48%

of Net Sales from international markets

37%

of growth from digital channels

## 16% of Net Sales

from digital channels



Overall business growth



L<u>UMEN</u>

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1.1

HYDRA Nessence LOTION

CH SAP, NORDIC ALG

## LUMENE GROUP - SUSTAINABILITY Comprehensive approach towards circular economy

LUMENE Group's goal is to create a sustainable frontrunner product portfolio in accordance with circular economy principles. We aim to improve the sustainability of each new product compared to the previous launch.



#### Carbon neutrality by the end of 2025

LUMENE Group seeks to minimise its environmental and climate impact. We have significantly reduced emissions from Scope 1 and 2. Our most significant climate and environmental impacts arise from Scope 3 which includes emissions from cradle-to-gate to end-of-life waste treatment in the value chain including ingredients and packaging materials, as well as transport of inbound materials and outbound products, purchased services and emissions from use of sold products.

Our total carbon emission is 9,017.4 tCO $_2$ e and is divided between Scopes 1, 2 and 3 as follows:

**Scope 1** 1.16 tCO<sub>2</sub>e **Scope 2** 28.15 tCO<sub>2</sub>e **Scope 3** 8988.03 tCO<sub>2</sub>e





#### Packaging development, 40 tonnes less plastic

We have expanded the use of our new 45% lighter and recyclable jar, which enables us to save 40 tonnes of plastic material annually. In the beginning of 2022, we launched our powders in new and more sustainable packaging which is recyclable, reusable and partly made from recycled materials.

We continued moving towards recyclability with all our product packaging which are partly made from recycled plastic. We also implemented recycled glass in our serum bottles. With fibre packaging, our folding boxes are now FSC<sup>®</sup> certified and we started implementing FSC<sup>®</sup> materials to our shippers as well to support responsible forest management.

#### Ingredient and formula development

We have improved the circularity of our products by increasing the share of renewable and biodegradable naturally derived ingredients in our formulations. We have also increased the usage of Nordic and upcycled ingredients in the formulations.

The renewed powder packaging is recyclable and reusable and is partly made of recycled plastic.

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Our goal is to create a sustainable frontrunner product portfolio in accordance with circular economy principles.

> **Tiina Isohanni,** Vice President, R&D and Sustainability



LUMENE [VALO] NORDIC-C GLOW REVEAL MOISTURIZER



## LUMENE GROUP - SUSTAINABILITY **INCREASED FOCUS ON** SOCIAL RESPONSIBILITY

Diversity, equity and inclusion are essential elements for continuous innovation. Different views, capabilities, skills and backgrounds are elements that lead to better financial performance through innovative products and processes - and presents organisations with many opportunities. This opportunity comes with the responsibility to create a culture that embraces differences and invites all perspectives to be heard.

At LUMENE Group, we are consistently working to promote our DE&I in recruitment, product development, marketing communication and other areas of the business. Because of our history and strong expertise working with environmental sustainability topics, we are now also placing more focus on the area of social responsibility. In 2021 LUMENE was, for the first time, an official partner of Helsinki Pride.

#### **Diversity, Equity & Inclusion**

To gain more knowledge and to take internal and external stakeholder views onboard, we have established a DE&I working group whose role is to engage and educate internally. In doing so, it leads the organisation on a journey of continuous improvement, working in close collaboration with our community. We are excited about this journey ahead!



Verna Myers







We believe diversity is essential for innovation and long-term success. It enables us to predict and respond to shifts in consumer needs and wants, and to strengthen our company culture.

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**Tiina Frazer,** CMO, LUMENE Finland

#### SMETA standard

Led by the Quality team, LUMENE Group has successfully completed the four pillars of SMETA audit. The high-quality audit encompasses all aspects of responsible business practice, covering labour, safety and health, environment, and business ethics. SMETA complements our management system in terms of sustainability.



#### **STAKEHOLDER SURVEY 2021**

We conducted a sustainability survey for our stakeholders in the end of 2021. For the first time diversity and inclusion were included as new topics in social responsibility.

#### Most important

- Product safety
- Minimising materials harmful for the environment
- Ethical business, anti-corruption and fair competition

#### Best managed

- Product safety
- Natural ingredients
- Boosting Innovation

#### Improvement areas

- Customer involvement
- Sustainable packaging, natural ingredients
- Financial risks and opportunities due to climate change



#### Among the best in industry in Finland and Sweden

#### #1 in Beauty in Finland #4 in Beauty in Sweden

LUMENE brand sustained the No. 1 position in the beauty industry ranking in Sustainable Brand Index™ in Finland, considered as Europe's largest independent brand study. It is based on consumer perceptions.

In 2021 LUMENE brand took part in the survey for the first time in Sweden and ranked No. 4 in the beauty industry.



### Sustainability Awards,

Marie Claire, UK Category: Best progress towards circularity, LUMENE

#### Kicks Conscious Beauty Awards, Kicks, Sweden

Category: Locally produced, LUMENE Invisible Illumination Liquid Blush Pink Blossom.

#### Sustainable Innovation Awards, Good Housekeeping, USA

Category: Low impact personal care, LUMENE

### LUMENE GROUP **R&D, QUALITY AND REGULATORY** Goal to become fully circular

LUMENE Group's approach to beauty begins with Nordic nature by developing unique and potent ingredients. Our goal is to become fully circular and continue to enable a sustainable lifestyle. We apply the latest trends and research in order to innovate and develop winning products with proven efficacy and unique textures consumers love.

We also prepared for 2022 anti-age launches. Essential part of the development work was proving product efficacy by clinical and consumer testing by external laboratories.

In addition to skincare, facial makeup and especially foundations are a strategic product group for us. During 2021, we have been working to replace volatile cyclic silicones in our makeup creams for the 2022 launches, such as Invisible illumination Beauty Serum.

For CUTRIN, the most important development project was related to the HOHDE shampoo and conditioner range with direct colours. Development and production was returned back to our own laboratory and production

#### Product development for mature skin

In 2021, our product development focused on products formulated for mature skin. Nordic Bloom skincare range, which was successfully launched in 2020, was expanded by Nordic Bloom Vitality line designed for a more mature target group. In addition, we introduced a luxurious night elixir to our Nordic Ageless skin care range.

#### New patent applications

In line with the group's IPR strategy we strengthened our expertise in Nordic plant ingredients by filing a new patent application on the effect of Nordic berry ingredients for supporting a healthy skin microbiome. Another patent application on effect of Nordic plants on skin microbiome was prepared in 2021 and filed in the beginning of 2022.

CUTRIN filed a patent application on hair conditioning formula comprising direct dye colorant, hair conditioner and Nordic plant extract.

#### Systematic development of operations

The Quality team has continued the systematic development of our operations in accordance with the standards ISO 9001 Quality management system, ISO 14001 Environmental management system and ISO 22716 Cosmetics Good manufacturing practices, which have been verified by DNV.

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The EU has an ambitious target for sustainable future "green deal", which will significantly modify the legal framework for the cosmetics industry in the coming years. We have been closely following the development of the legislation and have been involved in assessing its impact on the cosmetics industry.

> **Elina Sahramo,** Regulatory Manager



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Our plastic waste does not end up floating in an ocean, but is turned into something useful here in Finland.

> Aija Auhtola, Filling Line Operator



At the factory, we invested in our washing bay functions by updating the equipment with a new ultrasound washing machine. As a part of the automatisation journey, the serum packing line was updated with a new cartoning machine. We also decided on ordering an automatic case packer - this is to help us reduce manual packing and thus supports the wellbeing of our staff.



## LUMENE GROUP - SUPPLY CHAIN Near-zero emissions and efficient machinery

In 2021, the milestone in Operations was cutting production emissions to near-zero. In two years, we have reduced the factory emissions by 92% due to renewable district heating and the last addition being light fuel oil made from renewable resources. We also reduced the water use by 11% per produced product.

Sustainability themes are strongly present also in the supply chain, including logistics, where new projects have been initiated. The aim is to be at the forefront of green logistics. This is guided by the selection of partners and active value chain evaluation.

A new warehouse partnership in support of the D2C business in the U.S. was successfully completed despite the constraints of the pandemic. Sales and Operation Planning (S&OP) as well as Procurement teams faced increased pressure from the supply market towards the end of the year. Both supply disruptions and price increases became the post-pandemic topics. However, any larger supply issues were avoided thanks to good foresight and cooperation. As of October 2021, S&OP and Procurement teams now operate under the same leadership as the rest of the supply chain. This will support synergies throughout the operations.



High performance Nordic beauty for a better future

# LUMENE – BEAUTY BORN OF LIGHT

LUMENE is a brand about naturalness, wildcrafting and Nordic quality. Our mission is to offer high performance Nordic beauty for a better future. Nordic beauty for Lumene is deeper than selecting and using beauty products: It is a way of life, an intangible and holistic state of wellbeing and living. The brand has always been inspired by the Nordic people, their individuality, authenticity, and inner strength – something that is aspired the world over. LUMENE's beauty approach is at the heart of this. A daily moment of self-care and being present to oneself. For many Finns this might be after a sauna. These are the little moments that matter in life.

Our ingredients come from the clean and diverse nature, many from organic certified forests allowing nature to regenerate and not become depleted, and we focus on wild crafting. Wild crafting means harvesting uncultivated plants from their natural or 'wild' habitat, or wherever they may be found, typically by handpicking.

We are working on our formulations in the lab while keeping Nordic nature close to our hearts. This means we can offer products with a unique blend of natural ingredients and tested efficacy. Product safety, efficacy, sensory properties and consumer preferences are always at the forefront.

### Today 50% of the 40 different Nordic ingredients are upcycled from food and forestry industries

Our circular economy thinking goes back to the early 2000s when we started to collaborate with the food industry, and today 50% of the 40 different Nordic ingredients are upcycled from food and forestry industries. The circular approach also allows us to work toward achieving our environmental and social targets as wide participation and engagement is needed to close the loop and allow products and materials circulate to eliminate waste - and deliver better outcomes for all.

LUMENE's vision is to lead the change toward circular beauty and share the wisdom of Nordic beauty to empower authenticity, inner strength, and well-being of our community.

# LUMENE BRAND **HERO PRODUCTS OFFER**





The core of our business is based on what we define as Hero Product Strategy. Through this strategy we keep building our communication and product focus that encapsulates the essence of LUMENE brand's unique selling point.

The Hero Product Strategy has proven to work effectively across all markets. We continue to build and grow in the established markets while Digitalisation expands to the in-store merchandising, meaning that the in new markets the strategy gives us a unique competitive edge, as well retail environment also serves as a communication platform. LUMENE as clear product and communication point of difference. is among the first brands in the Nordics with centrally managed digital screens in the stores.

The core of LUMENE's product portfolio are built around the best sellers. LUMENE Nordic-C [Valo] range is our #1 range and the bestsellers Glow Boost Essence and Arctic Berry Cocktail are the products that best highlight this strategy in practice.

#### Digitalisation expands into merchandising

In the domestic markets in particular, LUMENE is known for the impressive merchandising. Strong in-store positioning gives us a unique possibility to create touchpoints with the consumers and an opportunity to convey product messages regularly.

## LUMENE BRAND LUMENE SKINCARE

The skincare segment showed resilience during the pandemic. Consumers invested in holistic wellbeing and looked for efficient face care products to be used at home. The increased search for products delivering value for money impacted positively the skincare business.

LUMENE skincare sales grew by 10% in 2021. Net sales totalled 35 m EUR.

In 2021, Lumene launched the innovative Nordic Bloom Vitality antiaging range. According to current trends, consumers prefer to look their age and retain their natural beauty, while taking care of their skin with naturally derived formulas and tested efficacy.

LUMENE anti-age category grew by 53% compared to year 2020.

The brand continues to innovate in packaging sustainability and in improved packaging communication.

Both sustainability progress and the efficacy of the products were awarded in Finland, Sweden, Norway, UK, Russia and the U.S. LUMENE skincare products received altogether 12 beauty awards globally in 2021.

Secured significant growth in antiaging category with the overall growth of 53% compared to 2020.

Renovation with new patent pending ingredient to support skin's microbiome and moisture barrier.

Luxurious serum with our most advanced bio-technology ingredients to supports skin's natural night-time repair process for complete rejuvenation.

### Improved packaging communication

#### Launching Nordic Bloom Vitality

### Nordic Hydra Night Cream

#### Nordic-C Night Serum

Introduced an efficacious serum to renew glow in 7 nights.

### Nordic Ageless Night Elixir innovation

Consumer friendly communication on product benefits, ingredients, and packaging recyclability.









## LUMENE BRAND LUMENE MAKEUP

In 2021, the makeup market started to recover from the 2020 Covid-19 impact, though the restrictions continued to affect consumers' lifestyles and retail business.

The 2020 trends, such as enhancing natural beauty and emphasising the importance of sustainability, continue to surge and are expected to remain unique selling points in years to come.

LUMENE makeup sales grew by 10% in 2021. Net sales totalled 25 m EUR.

LUMENE had a strong innovation plan with 15 activations, improving the portfolio across segments and levels. Also, the wider distribution including Norway and e-commerce players were contributing to the growth.

Altogether LUMENE skincare products received four makeup awards in globally in 2021.

#### Make up

+10%

Overall growth

Fanny Lagerwall LUMENE Global Beauty Brand Ambassador



Limited edition eyeshadow, F by Fanny, in cooperation with LUMENE's Global Beauty Brand Ambassador, Fanny Lagerwall. It was sold out within 2 months and was awarded as the best eyeshadow award by Anna magazine in Finland.

#### Invisible Illumination Primer & Setting Spray

Sold out within the first months after the launch.

### CC Cream

Activation around diversity and inclusion, the #1 foundation in Sweden.

### Lipsticks and Nail Lacquers

Improved offering

### **Stay Volume** Mascara

New mascara family launch

#### Ambassador collaboration









## LUMENE BRAND MARKETS

LUMENE's key markets include domestic markets Finland and Sweden as well a strategic markets UK and Norway. We are also strong in travel retail.

In addition, LUMENE operates in 16 other international markets including Eastern Europe, China and the U.S.



Skincare category growth +4% was driven partly by the sucessful launch of Nordic Bloom in the highly competitive anti-age category.

> **Tiina Bensky** General Manager, Finland & Travel Retail

+3% Overall growth

53% of LUMENE



## LUMENE FINLAND THE PRE-EMINENT MARKET LEADER

To drive the growth in the face care category, we continued to invest in Looking at the distribution channels, we saw particularly positive our core skincare ranges Nordic-C and Nordic Hydra. In addition, the development in supermarkets with the growth of +7%. The department brand had a particularly successful launch in the anti-age category with store sales were slightly on the negative side with -4%, largely explained the Nordic Bloom range. We continued the marketing support of our by the Covid-19 restrictions and lack of footfall. core ranges and hero products with 360-mindset, highlighting serums and new innovations to ensure the growth in the category. The skin care Despite the Covid-19 restrictions, our flagship stores, Stockmann and category counts for 57% of LUMENE Finland's total sales. Sokos Helsinki, were proudly serving the customers by our committed

Finland's sales.

LUMENE brand has held a strong presence in its home market Finland for almost 50 years. Grabbing the market leader position already in 1973, only three years after launching, the brand's market share today is estimated to be over 30% with almost 2,000 sales points. LUMENE Finland business unit counts 53% of total brand sales.

#### Skincare driving the growth

The Covid-19 pandemic continued to steer the market development in Finland during 2021. The market grew by +3%, with skincare driving the growth, yet colour cosmetics facing challenges. LUMENE skincare sales continued to grow in line with the market by +4% as consumers kept focusing on holistic beauty and skin care routines during the pandemic.

In the makeup category we saw growth especially in mascaras, eye liners and eye brow products - products that give visible results while wearing a face mask. Makeup category counts 43% of LUMENE

Sustainability, being one of the core values of LUMENE, was at the center of our market actions in Finland. We were able to invest in many sustainable actions on sales points, i.e. reducing the amount of printed material, using more sustainable and certified materials and decreasing the distribution of single usage samples.

#### **Omnichannel sales**

and trained field personnel. Stockmann Helsinki counter was relocated to the main floor in mid-2021, Sokos Helsinki counter renovation planned for early 2022 with our refreshed Nordic concept. In 2021, we continued to develop the omnichannel customer experience and are committed to meet the customer needs in both B&M and online

# DOUBLING THE SALES IN SCANDINAVIA

LUMENE Scandinavia has almost doubled the sales during the past three years and is really enjoying a truly positive momentum for the brand, fuelled by a 100% digital media strategy and continuously new disruptive ways of marketing. 2021 was the best year ever for the brand in Scandinavia with net sales of just below 13M€.

#### Strong sales in the competed swedish market

LUMENE has enjoyed strong sales growth and increased market share in the highly competitive Swedish beauty market for the past years.

The cosmetic industry in Sweden showed strong growth, during 2021 driven by face care. LUMENE pushed that growth and gained market share - the brand grew twice the market.

#### Omnichannel sales

40

The shift towards e-commerce was accelerated by the Covid-19 pandemic and continued during 2021. Omnichannel players like Kicks, Åhléns and Pharma gained growth in sales through their e-commerce channels. Pure players continued to grow, e-commerce sales now accounting for almost 50% of the total LUMENE brand sales in Sweden.

Pharma is major channel for skin care in Sweden and increasingly important channel for LUMENE. We managed to increase the distribution with the major player Apoteket AB in 2021.

#### Skincare as the growth driver

Skincare is the growth driver and LUMENE holds a strong position being the biggest semi-selective face care brand with main beauty players Kicks and Åhléns. The launch of our core anti-age range Nordic Bloom has given the brand another strong pillar to rely on in addition to Nordic-C and Nordic Hydra ranges.

We are very proud of our position as the market leader within foundations and powders. A category where the extensive work in diversity really shows.

#### Launching Norway

LUMENE launched in Norway in the end on 2020. After only one year LUMENE has gained a good brand awareness. It ranks among the TOP10 face care brands with the major beauty retailer VITA. After only a few months in the market, we were recognised with The Face Care of the Year award by the Norwegian Cosmetic Awards.

Denmark is a new exciting opportunity coming up in the beginning of 2022.



+20% Overall growth

Scandinavia

20% of LUMENE brand sales



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# 2021 was the record year for LUMENE Scandinavia.

**Charlotta Sylvén,** General Manager, LUMENE Scandinavia



\*Ref.nr.01709263, Dato:2020-01-10 Källa: Nielsen ScanTrack, DVH + Kicks/Åhléns + LPH, Foundation, Value Sales, MAT TY, w.48 2019. (Copyright © Nielsen.)





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## LUMENE was launched in 45 premium stores of Marks & Spencer's.

Victor Gibson, General Manager of New Markets & eCommerce

## LUMENE UK SUCCESSFUL EXPANSION TO THE UK MARKET

Our Nordic ingredients help set us part in this crowded and competitive space and our high performing natural skincare continues to receive outstanding press as we establish the UK as the key strategic market for LUMENE.

### New strategic retailers each year

In 2020 we welcomed on board John Lewis & Partners, one of the most respected and trusted high retailers in the UK. With our continued success in 2021, we also welcomed Marks & Spencer's and launched in November 2021 into 45 of their premium doors. This now gives LUMENE a nationwide retail distribution with the UK's most respected and trusted online and offline retailers.

Since 2018 we have delivered an annual growth rate of 58% and with our newly established distribution we are estimating to have a record growth year in 2022.

With a combination of strong launches in B&M retailers, such as John Lewis and Marks & Spencer, and fast growing development with leading e-commerce pure player platforms, UK is becoming an increasingly important market for LUMENE.

#### High demand for natural skincare

Demand for natural skincare in the UK remains high and is a key consumer consideration when purchasing skincare, in fact almost 56% of skincare NPD launches carried either natural or organic claims.

Since the brand launch in 2018, we have launched with new strategic retailers each year. Initially the focus has been on online-only beauty retailers, which served us well during the initial pandemic period.





## OTHER LUMENE EXPORT MARKETS DYNAMIC DEVELOPMENT OF EXPORT MARKETS

In addition to the domestic and strategic markets, LUMENE exports to the Eastern Europe and to the U.S. market. China is among the fastest growing markets of LUMENE.

The development in most export markets has been dynamic. In 2021 the export markets counted for 22% of the LUMENE brand net sales and grew by 15%.

#### LUMENE North America - strong focus on e-commerce

In the U.S. we have had a good long term distribution in the National Pharmacy chain CVS, with consumers sales growing faster than the market.

In 2021 LUMENE reorganised the distribution with a stronger focus on 3rd part online retailers such as Target and Amazon e-commerce

LUMENE also established the first D2C e-commerce operation in the USA. E-commerce is expected to be the single most important growth channel in the U.S. market in the next years to come.

#### LUMENE China - fast growth and high potential

Chinese consumers are some of the most educated, questioning and knowledgeable. Despite the market being hyper-competitive and the year starting with more Covid-19 challenges, LUMENE managed to grow significantly in China, particularly in the last two quarters of 2021. The year ended with +83% growth.

We focus on the two Nordic Hydra moisturisers giving us a strong message and positioning. China became the #1 market for Nordic Hydra Intense hydration and Water gel moisturisers.

In 2021, Chinese cosmetic regulatory (CSAR) was renewed. Animal testing is no longer required for all imported cosmetics which allowed also LUMENE regulatory team to start product registration process in China.

The growth is expected to continue with triple digits in 2022.



# CUTRIN - TRUE TO NORDIC HAIR NEEDS

CUTRIN is an independent business unit within the LUMENE Group, operating in professional haircare business. The brand is the pioneer and specialist for fine and thin hair in Nordic climate conditions, with 51 years of experience.

The brand represents 16% of LUMENE Group's turnover.

Altogether CUTRIN operates in 10 markets. The distribution channels include hair salons and other professional haircare channels such as department stores and online stores.

The products are manufactured in five factories in Europe including LUMENE's factory in Espoo, Finland. More production has been moved from abroad to Espoo and this trend will continue in the coming years.

CUTRIN aims to become the major player in Nordic professional haircare.

## Relaunching AINOA wash & care range was the biggest growth driver for CUTRIN brand.

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Samu Hirvas. Managing Director, CUTRIN





100% VEGA





# CUTRIN BRAND Scandinavia.

vs 2020.

Fundamentals of the business remained unchanged during the year 2021: category and country split in CUTRIN portfolio remained similar to that of the previous years.

#### Ainoa relaunch and distribution expansion

The biggest driver for growth was the relaunch of AINOA Wash & Care Going forward, we strive to increase the use of natural ingredients in range. There was also a significant expansion in distribution, resulting an products and the recyclability of the packaging. impressive +67% growth vs 2020.

# **DOUBLE DIGIT GROWTH IN THE BIGGEST MARKETS**

CUTRIN managed to grow in the biggest markets and started important new collaborations, including a distributor in



#### Growth in a challenging business environment

CUTRIN, as well as the whole haircare market, faced challenges due to continued Covid-19 restrictions. Hair salons were closed for long periods in several markets due to lockdowns, hence the consumer visits to salons decreased significantly from time to time.

However, CUTRIN managed to recover well by growing +10% net sales

#### Strong growth and new markets

Three of the biggest markets, Finland, Norway and Russia, all had double digit percentage growth in 2021 while Finland was still leading the way.

In 2021 CUTRIN started new collaborations of which the most significant was the cooperation with a new distributor to run CUTRIN business in Sweden and Denmark.

#### Sustainability at the heart

Sustainability is at the heart of CUTRIN's business. Our philosophy is to develop safe products using natural raw materials from Nordic nature while respecting the LUMENE Group's principles of sustainability.

# Creating a safe and healthy workplace

LUMENE Group's personnel strategy focuses on creating a safe and healthy workplace. Our aim is to ensure the engagement and motivation of our employees.

In the end of 2021 LUMENE Group employed 403 people globally. There were no remarkable changes in the overall amount of staff, yet the headcount has increased slightly from year 2020.

The staff turnover increased in comparison to previous years, which also enabled internal career development opportunities and new hires.

During the pandemic, remote work was highly recommended. When the situation allowed, encounters at the office did take place. Communality was fostered in various virtual platforms e.g. team events in Teams.

The working methods were permanently changed as a new hybrid model was launched.

#### Strong employer brand

LUMENE has maintained the position among one of the most attractive employers among the university students (#6) and professionals (#11) in Finland.

We want to strengthen LUMENE Group's company culture to have an even stronger presence of diversity. We believe that diversity is essential for innovation and long-term success.

#### Developing employee experience

Development measures are targeted on factors that LUMENE Group's employees find the most meaningful:

Meaningful work assignments
Fair and competent immediate supervisor
Work-life balance
Fair salary and perks
The working environment where you can be yourself

The group level eNPS was measured for the first time in 2021, which was +28 and is considered as good.

#### Changes in the LUMENE Group Leadership Team

Kirsi Utti was appointed as the Human Resources Director in December 2021.

Marika Nieminen was appointed as the CFO in December 2021.

**Kirsi Utti** Human Resources Director







#### 2022 HR goals

- Developing employee experience, using eNPS as a KPI
- Fostering communality
- Improving internal communications
- Developing the supervisory work

403 Employees

globally

**83%** Female employees **4.8%** Fixed term employees

**10** Number of nationalities



AGE DISTRIBUTION



## People of LUMENE Group







Right now I am in my dream job at LUMENE. I appreciate the open and supportive working environment and entrepreneurial spirit, the fun and ambitious colleagues, as well as the possibility to influence and grow in my function and role. LUMENE's vision and sustainability approach are very meaningful to me on a personal level.

#### ANNE MÄKELÄ Production Development Engineer, LUMENE

I have worked at LUMENE for over 20 years and yet keep learning new. We have a great team spirit and sharing my knowledge with the colleagues is rewarding – it has allowed both personal and professional growth. Sustainability has always been an important value for me and I love that the topic has lately been elaborated to better cover social aspects as well.

#### ELEONORE LUNDELL eCommerce Manager, LUMENE

The best part of my job is to work in crossfunctional projects that have given me a broad understanding and experience of the whole DTC value chain from IT and logistics to marketing and customer service. Besides this I've been incredibly grateful to work with international markets to broaden my experience outside of the Nordics. It is lovely to see how LUMENE's core values are present in everything we do.



#### NICLAS LAURENT Junior Business Controller, LUMENE

People at LUMENE are allowed and encouraged to take responsibility, express opinions and bring out new ideas. As a young student learning new things is an important priority. Hence, it was an easy decision to stay with the company after a year-long internship in 2021. Being bilingual I also appreciate the opportunity to speak three languages on a daily basis at work.





#### NIKO SHIPLEY Key Account Manager, CUTRIN

I am motivated by the wide scope of my role. Over the years, many of the clients have become close, as selling really is about meeting people. At CUTRIN we have a spirit of happening, there is a great balance of trust and support. Challenging tasks add meaning to the work.

#### JEANETTE GULLBRANDSON Marketing Manager Scandinavia, LUMENE

I love working for a global company that has an extensive industry experience and a strong ambition to grow. Being able to try out new things is motivating and encouraged by the sales growth. Personally, I am proud to work for a company that takes social responsibility.

## LUMENE GROUP Financial performance

LUMENE Group increased both revenues and earnings in the year 2021. We are confident that the group will outperform relevant cosmetics and haircare markets in the years to come.

The group leverages its arctic ingredient know-how and mergers Verdane's specialism in the digitalisation of Nordic brands. Consequently, the Board of Directors is confident of the group's ability to continue as a going concern for the foreseeable future.



#### GROUP EBITDA, MEUR



GROUP OPERATING PROFIT, MEUR



GROUP EQUITY RATIO, %



### LUMENE GROUP FINANCIAL PERFORMANCE Profit and loss account

	1.131.12.2021	1.131.12.2020
	1000€	1000€
GROUP		
Net turnover	74 307	68 013
Variation in stocks of finished goods and in work in progress +/-	-400	-1 826
Other operating income	38	150
Raw materials and services	-20 250	-18 489
Staff expenses	-18 268	-15 625
Depreciation, amortisation and reductions in value	-5 078	-5 805
Other operating expenses	-29 408	-26 828
Operating profit / (loss)	940	-410
Financial income and expenses	-3 991	-3 115
Loss before appropriations and taxes	-3 051	-3 525
Income taxes	-1 298	1 415
Loss for the financial period	-4 349	-2 110

# LUMENE GROUP

ASSETS

Non-current Variatior Other op Raw mat Non-current Current asse Inventor Non curr

> Deferred Short-tei Cash in I

Total current TOTAL ASSE

### EQUITY AND

Capital and r

Share ca Fund of

Retainec

Loss for t

Translati

Capital and r

#### Liabilities

Deferred Other lo

Short-tei

Total liabilitie

TOTAL EQUI

## FINANCIAL PERFORMANCE Balance sheet

	<b>Dec 31, 2021</b> 1 000€	<b>Dec 31, 2020</b> 1 000€
t assets		
on in stocks of finished goods and in work in progress +/-	2 500	2 921
operating income	28 256	31 395
aterials and services	3 375	3 261
t assets	34 131	37 577
sets		
ories	13 707	13 231
urrent receivables	670	0
ed tax assets	3 199	3 991
term receivables	8 603	10 691
n hand and at banks	10 403	10 971
nt assets	36 582	38 885
ETS	70 713	76 462
ID LIABILITIES		
reserves		
capital	225	225
of unrestricted shareholders' equity	120 593	58 210
ed earnings (loss)	-58 940	-56 80
or the financial year	-4 349	-2 110
ation differences	-974	-1 411
reserves	56 555	-1 917
ed tax liabilities	16	21
long-term liabilities	0	17 651
term liabilities	14 143	60 707
ties	14 159	78 379
JITY AND LIABILITIES	70 713	76 462



## LUMENE GROUP STRATEGIC FOCUSES 2022-2025

#### Accelerating international growth

International expansion is the key focus. Successful launches in LUMENE's key strategic markets like UK and Scandinavia as well as China are our most important focuses in the current planning period.

#### Gaining efficiency and growth in e-commerce

A second key initiative is to gain efficiency and growth in the booming e-commerce channels, pure players and D2C are channels where we see the most rapid growth in the past two years as well as in our mid-term forecast.

#### Ensuring the best-selling product portfolio

On the brand and portfolio management side we continue to focus on the hero products, i.e. the best sellers in our product portfolio that are the spearheads in everything we do.

#### Cherishing sustainability

The fourth part of our strategy continues to focus on sustainability, side streaming and the wildcrafted Arctic ingredients. This is the core of LUMENE Group's DNA and the factors that make us unique in the beauty industry. LUMENE GROUP

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