LUMENE GROUP

OUR YEAR 2022

LUMENE BEAUTY BORN OF ARCTIC LIGHT

CUTRIN

NORDIC EXPRESSIONS





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VALUES, MISSION, VISION | LUMENE GROUP

VALUES

The 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 confidence to be different.

Inspired

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

MISSION

To develop high-performing sustainable beauty products for a better future.

VISION

To be the Nr 1 Beauty brand from the Nordics, recognised for the Sustainable arctic wildcrafted ingredients among a wide international consumer group.



THE YEAR 2022 PROVED THE RESILIENCE OF THE BEAUTY INDUSTRY

CEO'S REVIEW | LUMENE GROUP

The beauty business has again demonstrated its resilience against external factors and continued its global growth in the face of disruption. LUMENE Group outperformed expectations in an extreme external environment.



We achieved the best turnover of the decade.

Johan

BERG CEO, LUMENE Group

The wildcrafted ingredients, such as lingonberry, cloudberry and birch sap, are processed and utilised as raw materials in highly effective LUMENE products. Their clinically proven effectiveness is well known. The role of sustainability will continue to be a key focus of the LUMENE Group going forward.

In the coming years, LUMENE will continue to follow our omnichannel strategy, focussing strongly on our best-selling ranges Nordic-C, Nordic Hydra and Nordic Bloom. We expect LUMENE to be considered the clear number one in Nordic beauty!

In addition to our world-class products and strong strategy, the true key to our success continues to be the power of the motivated and ambitious LUMENE Group Team.

The company's values of honesty, sustainable development, empowerment, and inspiration create an open and inspiring environment where employees have the freedom to think, act and collaborate towards our shared goals.

Johan Berg joins the board of LUMENE Group from 1st May 2023. Adrian Innergard has been appointed as the new CEO.

After three years of Covid and a brutal war in Europe that caused the LUMENE Group to lose three established markets, Russia, Belarus, and Ukraine, I could not have imagined that we would achieve our best turnover of the decade.

The team has done a fantastic job of accelerating the business in existing home markets as well as in new ones. Our home market, Finland, has managed to grow by +7% and the Scandinavian business by +23%. In addition to this, our business in China achieved 133% growth compared to the previous year.

We continue to support our Ukrainian partner in their efforts to revive their business despite the ongoing Russian attacks.

Our strong performance in 2022 is proof that focusing on our bestselling products, which we call "hero products," has been a successful strategy in our home market as well as in new strategic markets.

Part of our recent success is due to increased digitisation and digital communication. More than 40% of our sales in Sweden, our second largest market, come from e-commerce, either through our strong partners or from our own lumene.com platform.

LUMENE GROUP TODAY | LUMENE GROUP



LUMENE GROUP TODAY

LUMENE's mission is to develop high-performing sustainable beauty products for a better future.

The Finnish-based LUMENE Group is a leading Nordic expert in holistic beauty. The group consists of two brands: LUMENE, specialising in skincare and colour cosmetics, and CUTRIN, the Nordic hair and scalp expert.

The group employs over 330 talents internationally in fields like R&D, marketing, production, sales and financial management.

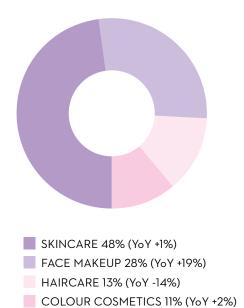
The group's headquarters, laboratory and factory are all located under one roof in Espoo, Finland. The majority, 85%, of the group's products are manufactured in Espoo.

Our centralised operations are particularly beneficial when studying and testing new, more sustainable packaging materials and taking new side-streamed raw materials into use.

Since September 2021, the majority owner of the LUMENE Group has been the Scandinavian-based private equity firm Verdane, a growth partner for ambitious companies that will thrive in a sustainable world.

In the coming years, with the support of Verdane, the LUMENE Group will continue to focus on advancing digitalisation and sustainability in both strategic and daily operations.

LUMENE GROUP SALES BY BUSINESS SECTORS



OUR JOURNEY TO DATE

The pharmaceutical company Orionyhtymä Oy introduced LUMENE, a beauty brand inspired by Nordic nature. The brand was named after Lake Lummenne, located in Kuhmoinen, Central Finland. Lumen is also a Latin word for light.

LUMENE had become the market leader in Finland. The brand still holds this position. LUMENE also introduced lipsticks and their iconic blue cases.

Within three years from launch,

The 1990s saw the launch of LUMENE's first comprehensive body care range, Body Aktiva.

The new cosmetics plant was inaugurated in Kauklahti, Espoo. LUMENE's skincare and face makeup products are still manufactured in this factory.

Noiro Oy changed its name to LUMENE Oy. The LUMENE Group was taken into use to describe the group's subsidiaries.

LUMENE carried out an extensive rebranding project which included new product concepts and formulas, packaging and a new visual brand identity.

LUMENE Oy was acquired by the Scandinavian-based private equity company Verdane, a growth partner for ambitious companies that aim to thrive in a sustainable world.

a variety of products that reflect the diversity in society. LUMENE is taking steps to advocate for diversity, equity and inclusion, product-first. Towards the end of the year, LUMENE is looking to begin its journey as a B-Corp-certified brand.

To support international growth, LUMENE takes active steps to offer

The CUTRIN haircare brand was established, specialising in fine Nordic hair needs. The name comes from the Latin words Cutis (skin/scalp) and Crisnis (hair).

1980s

In the 1980s, LUMENE increased its exports, especially to neighbouring countries Sweden and Russia. The LUMENE green range started to gain popularity in beauty salons. The ingredients used in the range included rose water and extracts of jojoba and marigold.

Collaboration with the food industry kicked off. The LUMENE Vitamin+ range, infused with cloudberry seed oil and vitamin C, was launched in the spring of 2001. The Vitamin+ cream was selected as "the best European anti-aging cream" in a Europe-wide consumer magazine study. This recognition boosted LUMENE's international brand awareness.

Orion-yhtymä Oyj sold Noiro, a business unit specializing in cosmetics and hygiene products, to funds managed by the private equity company CapMan, the private equity company Langholm Capital LLP and the company's executive management.

2010

The LUMENE WaterSmart programme was launched with the aim of reducing water consumption and raising awareness for more sustainable production. LUMENE also started to cooperate with the Finnish Association for Nature Conservation.

2020

The LUMENE brand celebrated its 50th anniversary by launching its sustainability strategy based on circularity. At the same time, factory emissions were cut by 92%. LUMENE was also selected by Finnish consumers as the leading sustainable beauty brand. 2022

LUMENE invests in e-commerce development and a redefined international growth plan. The company withdrew from the Russian, Ukrainian and Belarussian markets and launched operations in Germany and Denmark. LUMENE has offices in Sweden, the UK, the USA and Finland and a distribution network spanning over 15 countries.



Tiina ISOHANNI

AWARD-WINNING **FORMULATIONS** AND PIONEERING **CIRCULAR BEAUTY**

pping a 36-year-long career, Tiina lsohanni is moving off the bench and over to a new role on the LUMENE Group's board of directors.

In 1986, a 27-year-old R&D Chemist joined pharmaceutical company Orion-yhtymä Oy Noiro, (later LUMENE Oy) for very personal reasons. She suffered from atopic skin and knew first-hand the impact that the right cream could have on the skin and overall wellbeing.

Since then, Tiina Isohanni has conducted pioneering research on Nordic raw materials. She has developed the formulation strategy for naturally derived nature empowered by Nordic ingredients. Under her leadership, the LUMENE Group's R&D team has developed award-winning and market-leading skincare products and patented formulations.

Tiina has been instrumental in the development of the LUMENE Group's environmental sustainability strategy, including the first sustainability report in 2019. She has played a pivotal role in introducing industrial byproducts into the cosmetics industry. Throughout the years, the company has received multiple recognitions for its sustainability efforts and for being the industry front-runner in circular beauty.

In 2023, Tiina stepped away from her operational role as VP of R&D and Sustainability and continues to steer the LUMENE Group as a member of the board.



What are some of the most important developments in cosmetic science that you have witnessed over your career?

Tiina: The huge development of naturally derived ingredients really stands out - this includes quality, safety and efficacy, as well as the potential to replace most of the synthetic and animal-based ingredients commonly used. It has happened step by step and will continue going forward. Another important development is biotechnology, which enables the development of many ingredients and the ability to modify their properties. I would highlight the increased use of Nordic natural ingredients from wild nature and from side streams of the food and forest industries. These, in particular, have been a passion for me.

Is there product in the LUMENE range that holds a special place in your heart and, if so, why?

Tiina: Definitely. Our global best-seller, LUMENE Nordic-C Glow Boost

Essence holds a very special place. It contains multiple ingredients from arctic wild cloudberries, two of which are upcycled, developed from food industry side streams. We have two patents and one pending connected to this product. Additionally, clinical and consumer studies have been carried out with very positive results.

What has it been like as a woman in the world of cosmetic chemistry and how has that changed over time?

Tiina: In the Nordics, particularly in R&D, women dominate the business of cosmetics. To me it has felt very natural to be surrounded by females. Women have traditionally been more familiar with and interested in beauty formulas. Of course, R&D has more of a scientific approach to skincare products. I am happy that we've recently gained more gender diversity in our R&D team at LUMENE. Diversity is essential for innovation.

Is the board of directors a place you would have imagined yourself as a young chemist?

Tiina: As a young chemist I hardly understood that governmental bodies like the board even existed! Little by little, over the years, I have become more involved in the business processes and operations.

What training or experience as a scientist do you plan to leverage in this new role?

Tiina: Right now, I am participating in a training programme organised by the Chamber of Commerce covering the roles and responsibilities of board members, including several case studies. I also carefully follow future developments and trends in the cosmetics business. I am particularly happy that one of my areas of expertise, sustainability, has also become a movement in the beauty business.

How do you hope to be remembered by your colleagues in the lab?

Tiina: I hope that they remember my passion, knowledge and experience. Also, I hope they feel that I took responsibility in difficult situations and that we solved problems together. I truly feel honoured to have led a team of such talented individuals and I really appreciate all of their hard work and expertise.

LUMENE BRAND | LUMENE GROUP



THE LUMENE BRAND BEAUTY BORN OF ARCTIC LIGHT

LUMENE blends the magic of nature, the power of Arctic light and the wisdom of science to give your skin the Nordic glow.

LUMENE is a brand about naturalness, wild-crafted ingredients and Nordic quality. Our mission is to develop high-performing sustainable beauty products 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.

Light in the North is like no place else. After the long, dark winter comes 24 hours a day of intense summer sun. Magic happens. Everything that grows here is supercharged as nature makes up for lost time. Unlock the secrets of the Arctic light with products made to turn extreme light into extreme benefits for your skin.

Our skin innovations combine light-charged natural active ingredients like cloudberries, birch sap and lingonberries with the power of science - to give your skin the Nordic glow.



LET'S CELEBRATE THE UNIQUE BEAUTY WE HAVE IN OURSELVES

As a leading Nordic beauty brand, we share the Nordic values of holistic well-being and authenticity. For this reason, we have long been committed to never digitally retouching our models' facial features, bodies or skin in our advertising.

LUMENE BRAND | LUMENE GROUI LUMENE SKINCARE Skincare was one of the least affected beauty categories during Covid, as consumers had more time and headspace to focus on themselves. This resulted in consumers spending more time and money on self-care and looking for ways to make a positive change for themselves and the environment around them. +1% Overall growth (+7% excl. Russia) 202 SKU

Demand for efficacy and proven results

During 2022, consumers have looked for clinically proven solutions and the latest potent ingredients. Our combination of light-charged natural actives from wildcrafted Nordic ingredients and the power of science sits at the centre of our innovation strategy.

LUMENE skincare's growth in 2022 was driven by the steady performance of Serums and Day Moisturisers in our home markets and successful market expansion into new markets like Norway, Denmark and China. Highlights of the year included the successful brand refresh of our Nordic Hydra range, resulting in +21% range growth, followed by +26% range growth of our Nordic Bloom anti-aging range thanks to market expansion and the successful launch of Nordic Bloom Vegan Collagen.

Appealing to younger consumers

With the continued power of beauty influencers and the growing impact of social media on the beauty industry, we are happy to see the rise in younger consumers taking an interest in skincare and looking for help in finding the right skincare products for their needs. This has led to LUMENE's growing appeal among younger consumers, which was a key aspiration behind the launch of our Nordic Clear range and Nordic Bloom Vegan Collagen products - designed with young millennials and Gen-Z consumers in mind. Inclusivity has also been a key focal point, as we not only want to cater to consumers of all ages but also all skin types so that consumers from all around the world can enjoy LUMENE skincare.

Sustainability at the core of new product development

The accelerated demand for sustainable and mindful consumption was evident in LUMENE's positive sales performance for skincare in 2022. Going into 2023, our strategy will remain unchanged, with sustainability, efficacy and inclusivity at the forefront of both our innovation and Hero Product Strategy as we continue to make great strides in all areas.



NORDIC HYDRA OAT MILK OIL CLEANSER

A four-time award-winning cleanser enriched with upcycled Nordic oat and packed in fully recyclable monomaterial packaging.



NORDIC CLEAR

We expanded our skincare offering by launching a collection specifically designed for combination, oily and blemish-prone skin. It caters to new consumers like young adults, millennials and Gen Z, all genders.



NORDIC BLOOM VEGAN COLLAGEN

We introduced new innovative products, Vegan Collagen Essence and Eye Serum, to the top-selling pro-aging Nordic Bloom collection, securing growth of 26% vs. 2021.



IMPROVED NORDIC HYDRA WITH REFILLS

We added new and improved iconic Nordic Hydra day creams and a serum with triple hyaluronic acid and birch sap for clinically tested 72H deep hydration. We also introduced recyclable refills made with 72% less packaging material.

lumene brand | lumene group



LUMENE MAKEUP AND COLOUR COSMETICS



The return to normality gave the global makeup industry a much-needed boost. LUMENE's makeup category bounced back in 2022 to exceed pre-Covid sales performance, with consumers reinvesting in their makeup routine and returning to pre-pandemic habits.

Sharp increase in makeup sales

While the overall consumption of makeup retracted during Covid, the category did not stand still. We saw a sharp increase in LUMENE makeup sales, up +14% driven by a +19% growth in face makeup.

The self-care trend that was accelerated throughout Covid has also quickly penetrated the makeup industry, with consumers looking for makeup products with more caring formulas and skincare benefits. This resulted in a +27% sales increase for our skincare-infused makeup range Invisible Illumination and the resulting 2022 innovations within the range. Our new Invisible Illumination Serum-in-Concealer is already becoming a big hit amongst consumers.

Beauty products inspiring creativity

Social media and beauty influencers continued to flourish and TikTok quickly become a driving force in the makeup industry, with consumers, brands and influencers finding new creative and innovative ways to promote products and share beauty tips. This resulted in an increase in demand for TikTok-friendly beauty products that allow for creativity and imagination. This was also a key inspiration behind the launch of our Skin Tone Perfectors in 2022, which quickly became a viral hit.

Accelerating sustainability work

We made a lot of progress within our category in 2022 by using more fully recyclable and recycled materials in our packaging and updating our shade selection to be more inclusive. We still have even more work to do in this area, but we believe we are on the right path to accelerating our journey over 2023.

Going into 2023, our primary focus will be to continue to bring new innovative products to the makeup category while accelerating our sustainability work and progress with diversity and inclusion.

MAKEUP & COLOUR COSMETICS

+14% Overall 245 SKUs



SKIN TONE PERFECTORS

A viral hit that exceeded sales expectations and sold out at all retailers in Sweden during a TikTok campaign.



CC CREAM

Our pillar grew even taller now the #1 CC in Sweden and Finland's most loved foundation.



INVISIBLE ILLUMINATION

We upgraded our skincare-infused makeup favourites with even more caring formulations and an improved shade range, blurring the line between skincare and makeup.



POWDER COMPACT

We launched a reusable, recyclable powder compact with refills. The pack is lighter and partially made of recycled plastics. The product was awarded as a runner-up in the packaging category at the global Sustainable Beauty Awards.

HERO PRODUCTS | LUMENE GROUP



LUMENE BRAND

HERO PRODUCTS OFFER COMPETITIVE EDGE

LUMENE's international growth is based on our Hero Product Strategy and strong in-store communication.

The core of our business is based on what we call the Hero Product Strategy. The aim is to build our communication and product focus around capturing the essence and unique selling point of the LUMENE brand.

The Hero Product Strategy has proven to work effectively across all markets. We continue to build and grow in our established markets. In new markets, the strategy gives us a unique competitive edge and clear product and communication point of difference.

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

Digitalisation expands into merchandising

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

Digitalisation also extends to in-store merchandising, meaning that the retail environment also serves as a communication platform. LUMENE is among the first brands in the Nordics with centrally managed digital screens in stores.

LUMENE BEST SELLERS



LUMENE BRAND

FINLAND, SCANDINAVIA AND CHINA ARE KEY BUSINESS DRIVERS

LUMENE products are currently sold in more than 15 countries. The more established markets build the base and support brand building in new markets.

The majority of LUMENE's sales come from the home market of Finland, while growth is driven heavily by Scandinavian and Chinese markets.

Travel retail is also showing robust growth after the pandemic.

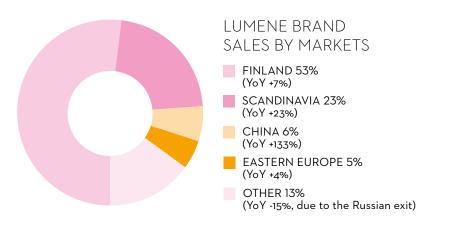
Building a solid foundation internationally with key retailers

In other international markets, the brand has established itself on the high streets and in beauty e-com by partnering with key local retailers like A.S. Watson in Eastern Europe, John Lewis and Marks & Spencer in the UK, and CVS in the USA. Instead of heavily expanding the product range, the focus continues to be on awareness-building through the hero products.

Out of all the channels, Brick and Mortar still represents the majority of sales, although we see dynamic growth in digital sales and continue to invest in that area. In 2022, LUMENE launched a dedicated e-com store for the UK to deliver a best-in-class customer experience in that market.

In addition to having warehouses in Finland and the USA, the brand opened a local warehouse in the UK in 2022. This has enabled LUMENE to be more reactive to local retailer needs and sales spikes. Wholesale delivery times have since gone down from three weeks to five working days.







GROWTH DRIVERS | LUMENE GROUP



LUMENE FINLAND

50 YEARS OF BEAUTY MARKET DOMINANCE

As the market leader in Finland, LUMENE delivered yet another great year of growth. Driven by the makeup category, the year 2022 was one of the best in a decade. Local production continues to be an important factor influencing purchase decisions, as are the sustainability targets LUMENE is committed to achieving.

Strengthening the market leader position

LUMENE is an iconic Finnish brand. It achieved market leader status in Finland in 1973, just three years after its launch. In the face of growing competition in the beauty market, LUMENE has not only defended its position for 50 years but also shown strong growth. The preference for domestic products continues to be strong, and domesticity is also a big part of our communications. Finnish consumers ranked LUMENE as the most sustainable beauty brand, according to Sustainable Brand Index 2022.

Outperformed category growth at major retailers

In early 2023, LUMENE Finland appointed a new Sales Director to further strengthen the relationship with trade partners. In 2022, the brand performed exceptionally well, with both skincare and makeup outperforming category growth at all major retailers. The post-Covid bounce-back of the cosmetics business was highly driven by makeup sales.



Favouring locals continues to be a consumer trend.

Tiina BENSKY Vice President, Finland & Operations

New launches support brand relevance and excitement

One of the most important launches for the Finnish market in 2022 was our Nordic Bloom Vegan Collagen products. These anti-age products attracted a new, somewhat younger consumer group and accelerated anti-aging category growth by up to +11%. To support the launch, the team put together a first-ever Nordic PR event, with a 360 brand experience in Finland. The event brought together influencers from various Nordic markets to collaborate on user-generated content. Driven by the group's sustainability goals, another major launch was the introduction of refills for Nordic Hydra moisturisers –as the first semi-selective brand.

Expectations for further growth

The year 2023 will surely come with ups and downs. Growing inflation and the rising cost of living will contribute to consumers' price sensitivity. At home in Finland, LUMENE continues to offer consumers excellent value for money in different price categories, which means we can expect continued growth in the new year.



+7% Overall growth

of LUMENE brand sales

GROWTH DRIVERS | LUMENE GROUP LUMENE GROUP | GROWTH DRIVERS

LUMENE TRAVEL RETAIL

A SHOWCASE TO THE WORLD

LUMENE's travel retail business unit is primarily intended to showcase the brand and spark international interest. In 2022, the travel retail business ramped up faster than expected after Covid shut everything down overnight. Our sustainable skincare is popular as many retailers are looking to expand their future-friendly category, LUMENE skincare is attracting a lot of interest.

Pre-pandemic investments showing dynamic growth

The travel business has faced major challenges during the global pandemic followed by waves of variants. In 2019, pre-Covid, LUMENE invested heavily in the travel retail business by opening 20 new points of sales with a focus on Nordic and Asian travellers.

The business showed the first true signs of recovery in April 2022. Ferries were the first to ramp up business with one of the world's most climate-smart vessels, Viking Glory. Since then, the LUMENE travel retail business has been bouncing back faster than expected, with sales up +116% vs 2021 in both ferries and airports.

Future-friendly category booming

Our sustainable products are popular with retailers looking to expand their future-friendly category. In contrast to big cosmetics giants, LUMENE's heritage, sustainability credentials and brand story are seen as appealing among retailers and international passengers.

In the Nordic airports, LUMENE's key partners are Heinemann and Dufry. Sales at the Copenhagen and Oslo airports operated by Heinemann are growing along with domestic sales and brand awareness. Dufry has provided LUMENE more shelf space and opened a new point of sale in Stockholm Arlanda Airport, and a new Dufry store was opened in Helsinki Airport at the end of 2022 in a prime location.

Travel retail business in the midst of an expansion phase

LUMENE's travel retail business is currently in the midst of an expansion phase. The main focus is on growing sales with existing retailers, but we also plan to expand the business on ferries and in key airports in the Nordics and Northern Europe.

In the wake of China lifting its pandemic restrictions in late 2022, Asian passengers are likely to return to Finland. Asian passengers made up 60% of the pre-pandemic LUMENE customer base at Helsinki Airport, where LUMENE was ranked the airport's number one brand.

The brand's first flagship store is set to open in Helsinki Airport's non-Schengen area in the summer of 2023. This is a major investment that is expected to further increase brand awareness and credibility internationally.

+116% Overall growth Countries





BESTSELLING RANGES IN TRAVEL RETAIL:



1. NORDIC-C



2. NORDIC HYDRA



3. NORDIC BLOOM

GROWTH DRIVERS | LUMENE GROUP

LUMENE SCANDINAVIA

EXCEEDING ALL EXPECTATIONS

Despite macroeconomic turbulence, the cosmetics market in Scandinavia is booming. LUMENE Scandinavia had yet another record year in 2022. Fuelled by positive brand momentum, the brand is growing in all channels and categories.

Overtaking big competitors in Sweden

LUMENE is a well-established and trusted brand in Sweden, with aided brand awareness at 69%. The brand is present in all major sales channels in Sweden, including 850 B&M stores and 10 major e-commerce players. The brand has overtaken many big competitors and is growing faster than the market.

In recent years, our skincare focus has been on the hero products Nordic-C, Nordic Hydra and the foundations. The Nordic Bloom range delivered the desired results and established an important position in the anti-age category, with growth of 29%.

Makeup category bounced back

Growth in 2022 was driven by the makeup category. LUMENE has retained its market leader position in foundations, with four CC cream shades ranked among the top-selling foundations in Sweden.



The digital-only media strategy has proven to be the right move, combined with a clear influencer strategy. Entering TikTok in 2022 created an exciting buzz, particularly around the skin tone perfectors. Playful products that create hype and entice a younger customer base are important to the brand.

LUMENE makeup distribution grew by 30% in Sweden, while the overall business grew by 20%.

On trend in Norway and Denmark

LUMENE entered Norway at the end of 2020 and Denmark in 2022. The brand is now establishing its position as a Nordic beauty brand in the entire Nordic region.

The Norwegian beauty market has traditionally been focused on selective brands and the travel retail business. Denmark, on the other hand, is strong on big local brands. LUMENE fits well with the beauty trends of these markets.

Partnering with major retailers to build brand awareness

In Norway, the LUMENE brand is widely distributed in leading beauty channels like VITA and H&M. LUMENE is ranked among the best-selling skincare brands of VITA. As the next step, LUMENE makeup is launching in VITA stores in early 2023.

In Denmark, LUMENE's biggest distributor is Matas. The collaboration started with selected stores, but after just six months distribution was widened to cover almost the entire Matas chain. Complemented by distribution in the department stores Magasin and Salling, LUMENE has now partnered with all targeted Brick and Mortar distributors in Denmark.



+23%

Overa growt

th **2**

23%

of LUMENE brand sales



2022 was yet another record year for LUMENE Scandinavia.

Charlotta SYLVÉN

Vice President, Scandinavia



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GROWTH DRIVERS | LUMENE GROUP LUMENE GROUP | GROWTH DRIVERS



LUMENE CHINA

ENTERING GENERAL TRADE AND **DELIVERING TRIPLE-DIGIT GROWTH**

As a niche brand in the hyper-competitive Chinese market, LUMENE's strategy focuses on building credibility and increasing awareness of the benefits of our natural ingredients backed by science.



Entering general trade

Until 2021, LUMENE's sole access to the Chinese market was through cross-border sales. After changes to the Chinese cosmetics regulations (CSAR) in 2021, LUMENE's regulatory team was able to start the product registration process, without animal testing, in the country. With a strict Covid policy and lockdowns in place in key commercial and industrial cities, LUMENE finally entered China's general trade in the last quarter of the year. The year ended with +133% growth, making China the fastest-growing market for LUMENE.

Expanding with purpose

China is a large and complex market, with lots of growth potential for LUMENE. Awareness and credibility are built through a hero product strategy that supports the brand strengths while addressing the core skincare needs of consumers.

There are five skincare products on the market. The focus is strongly on Nordic Hydra Water Gel and Nordic Hydra Intense Hydration Moisturizer, for which China is the biggest LUMENE market. Range extensions are selected based on how much they add value to the core strengths of the brand.



+133% Overall growth 6% of LUMENE brand sales

GROWTH DRIVERS | LUMENE GROUP



LUMENE E-COMMERCE

E-COMMERCE IN THE FAST LANE

With technology increasingly integrated into our everyday lives, the growth of e-commerce brings new business opportunities. Today, e-commerce is LUMENE's fastest growing channel. Further developing the consumer website enables the brand to have a direct relationship with people, engaging them on a more personal level.

+36% D2C growth

Natural Glow Skin Tone Perfector is the most sold unit in LUMENE D2C in 2022.

Increasing product accessibility

E-commerce is LUMENE's fastest growing channel. External online partners, i.e. pure players, represent 15% of channel sales and showed double-digit growth. LUMENE also invests in our own consumer website, where we're able to have a direct relationship with consumers and engage with them on a more personal level. In total, the e-commerce channels account for 21% of LUMENE brand sales.

Increased conversion on the consumer website

One of the biggest goals has been to improve the customer experience on the LUMENE D2C website. Delivery options have been increased and the purchasing process was simplified to boost conversion. As a result, sales conversion increased by +29% in 2022 and traffic has been growing steadily. There was a minor drop in the average transaction value due to the shift from skincare to makeup sales. Still, total D2C sales grew by +36%. The peak month for LUMENE.com was November, with campaigns like Singles' Day and Black Friday driving sales.

Continuous technical and brand-led improvements

In line with the international ambitions of the brand, the key focus for the D2C team is boosting sales in the US and the UK. LUMENE aims to increase consumer understanding by making better use of data and incorporating artificial intelligence into all D2C operations.

A plan to totally revamp the look and feel of the LUMENE D2C website was scoped at the end of 2022 and started in early 2023. A UK-specific website has also been launched and a German website is expected to be launched in early 2023. We will continue to make technical and brand-led improvements to the site.

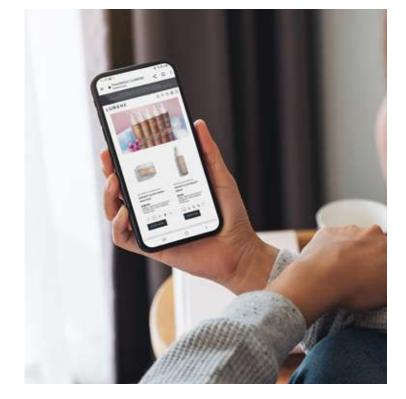
Changes in team structure

To take advantage of emerging opportunities in e-commerce, LUMENE appointed a Commercial Director, D2C, who has since strengthened the team with her specialised expertise.



An increased number of lumene.com vistors end up purchasing products.

Jessica
TAXELL
Commercial Director,
Global D2C, LUMENE







CUTRIN - TRUE TO NORDIC HAIR NEEDS

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

CUTRIN is an independent business unit within the LUMENE Group, operating in the professional haircare space. The brand is a pioneer and the top specialist in fine and thin hair in Nordic climate conditions, with 52 years of experience.

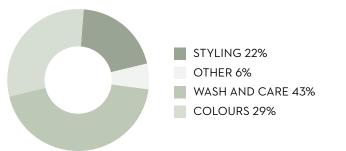
The brand represents 12% of the LUMENE Group's turnover.

CUTRIN's main markets are Finland and the other Nordic countries. Distribution channels include hair salons and other professional haircare channels, such as department stores and online stores.

CUTRIN

+5% Overall growth (excl. Russia)

12% of LUMENE Group sales



CUTRIN | LUMENE GROUP LUMENE GROUP | CUTRIN

FOCUSING ON THE NORDIC MARKETS AND INTRODUCING A NEW BRAND IN THE PORTFOLIO

CUTRIN's strategy focuses on strengthening our brand position in our home market, Finland, and and in the other Nordic countries. Closing the Russian business caused a major shift in CUTRIN's operations, but new and promising markets have opened up and we have launched a new brand called Promise.



Main focus on colour products

As a professional haircare brand, CUTRIN has faced challenges due to Covid and macroeconomic instability. Hairdressers, many of whom are private entrepreneurs, have been hesitant to make new investments. The emphasis continues to be on colour products and increasing distribution. To cover the Russian gap in sales, CUTRIN has focused on necessities and gaining a bigger market share in the Nordics.

Overall, excluding Russia, CUTRIN's net sales grew by +5% in 2022. Significant growth is expected in 2023.

Extending the offering by introducing a new brand

The CUTRIN portfolio gained a new brand with the long-awaited launch of Promise in 2022. CUTRIN's role is to be a distributor, and many of the products are also manufactured in LUMENE's factory in Espoo, Finland.

Since launching in the autumn of 2022, over 600 salons in Finland have added Promise to their product ranges and are seeing promising re-purchase rates. Initial feedback from both salons and consumers has been very positive.

- Promise is a salon-only product series to drive sales back to the hair salons
- Combination of unique design, high-performing formulas and affordable price
- 10 haircare and 10 styling products
- Plans to launch in Sweden, Norway and Denmark in 2023



Diversifying the product portfolio opens new doors for CUTRIN.

Samu Hirvas, Managing Director, CUTRIN





PROMISE WHAT?

- Two beauty awards within six months after launch

PEOPLE | LUMENE GROUP

ENRICHED EMPLOYEE EXPERIENCE THROUGH INCLUSIVENESS

The LUMENE Group's personnel strategy focuses on strengthening the crossfunctional collaboration and inclusivity for a strong, one LUMENE team.

The HR function has consciously increased its visibility and interaction with group personnel, promoting inclusivity and enriching the employee experience. An ongoing dialogue is supported with strengthened bi-lingual (Finnish-English) internal communication, i.e. regular HR coffees, an internal magazine and an improved intranet platform. Employees are encouraged to share ideas and concerns via anonymous communication channels.

Work-life balance is enhanced by continuing a hybrid work model and offering employees an easy-to-access wellbeing service, Auntie. Employees can book a confidential one-on-one meeting with a qualified mental health professional to talk through their feelings, worries and thought processes.



LUMENE GROUP DIVERSITY CLAUSE:

Diversity and inclusion are an important part of everything we do at LUMENE Group. We want to invest in diverse knowledge and wisdom because it adds value to our community and business. We thrive on diversity and welcome applicants of all genders, ages, ethnicities, abilities, beliefs, orientations and backgrounds.

employees

Nationalities

Attracting diverse future talents

In 2022, LUMENE was once again ranked among the TOP10 most attractive employers by students and business professionals in Finland, according to an independent study conducted by Universum.

We believe that diversity adds value to our business and community, which is why LUMENE is using new and even more innovative ways to secure diverse talents. We have also clarified our employer communications throughout the recruitment process and added a diversity clause to recruitment ads.







Appointments to key roles in 2022

Alain Mavon has been appointed as VP R&D and Sustainability. He continues Tiina Isohanni's pioneering work in harnessing the raw materials of Nordic nature in cosmetics as well as the development of comprehensive circular economy principles within personal care. Alain has more than 25 years of experience in cosmetics research, approximately 60 scientific publications and has participated in the development of several patented innovations. Alain is a member of the LUMENE Group's leadership team.

Jessica Taxell has been appointed as Commercial Director, Global D2C. She is responsible for running and developing the global lumene.com site and e-commerce sales. Jessica is a member of the LUMENE Group's leadership team.

Phillip Christie has been appointed as Director, Global Product Marketing. He is responsible for the Global Product Marketing function covering category and portfolio management, new product development and new launch support.

EMPLOYEE GROUP & AGE



Goals for 2023:

- eNPS 50 (currently 37)
- Defining next generation leadership and competences needed
- Employer branding, with focus on recruitment and external visibility



LUMENE y Business Students

PEOPLE | LUMENE GROUP

LIFE AT THE LUMENE GROUP

Satu-Maria AHO



Head of Export CUTRIN

Taking a Finnish brand and products to the international market excites and inspires me, especially when they are backed by strong product development and genuine values. CUTRIN's position under LUMENE's arm offers a unique insight into the core of the Nordic concept of beauty.

Jakob **RIDDARHAAGE**



Digital Graphic Designer LUMENE

LUMENE's culture, where trust and encouragement lead the way, has proven to be a good fit for me. Sustainability as a value is part of everything - not only products but also the culture itself. I am happy to be a part of the positive change.

Elina **FALCK**



Junior Key Account Manager LUMENE

Over the years I have worked in a number of sales roles in the company. I love working for an interesting domestic brand that offers high quality products. My personal values are in line with the company's sustainability approach. Working with a team of ambitious professionals brings joy to the work we do every day.

Kornelia WAWRZKOW



Retail Skincare Consultant, UK LUMENE

Although LUMENE is an established brand in Finland, here in the UK we still get to build brand awareness and dynamic growth. I appreciate the opportunity for personal development and love being part of a passionate and sustainable company with a goal of fully supporting inclusivity. This makes the future of the organisation

Tarja ESKELINEN



Technician LUMENE

I feel honoured to have worked at LUMENE for over 20 years. The best thing about my job is that I get to work on products that I am genuinely excited about. I appreciate the independence of the work and the support of colleagues and supervisors that is always available.

Jani KINNUNEN



Education Manager CUTRIN

I find the diverse and varied work tasks motivating. CUTRIN offers global hair fashion made for the northern weather conditions and hair quality. I am proud of our own product development and manufacturing, training programs and the wide and comprehensive product selection for haircare professionals.

SUSTAINABILITY | LUMENE GROUP

INVESTING IN DE&I AND CORPORATE CITIZENSHIP

The LUMENE Group's success is based on the celebration of Nordic people, nature and culture. Historically, Finland has been at the forefront of equality and embracing inclusion. It was the first European country to give women the right to vote and stand for election in 1906. Today, as the leading Nordic beauty brand, we continue to celebrate the same values: integrity, empowerment, inspiration, and sustainability – caring about tomorrow as much as today.

The employee experience is part of our social responsibility at the LUMENE Group. We believe that an inclusive culture attracts diversity and boosts wellbeing, innovation and productivity.

In 2022, we conducted both an audit and internal and external stakeholder surveys on diversity, equity and inclusion (DE&I). Later in the year, the LUMENE Group established an action-oriented group of internal DE&I ambassadors. The role of these 17 people is to make sure that DE&I is on the daily agenda, and to develop, monitor and report on the company's progress in making our workplace inclusive. The group has put together a DE&I vision and strategy with a concrete action plan focusing on 1) internal DE&I awareness and education, 2) promoting psychological safety and inclusion, and 3) building DE&I into the fabric of new product development, starting with the concept. Part of this work involves inviting consumers

to become an active part of our decision-making, and to make meaningful contributions to society.

In 2023 and beyond, this journey of learning, personal growth and engaging in continuous dialogue with our community will continue.

Contributing to the wellbeing of the surrounding society

A functioning society is an important competitive factor for companies operating in the Nordics. The LUMENE Group is an active corporate citizen contributing to the wellbeing of society and collaborating beyond company borders. In 2022, LUMENE was ranked number one in social innovation by the Finnish Innovation Index, in collaboration with the Hanken School of Economics.

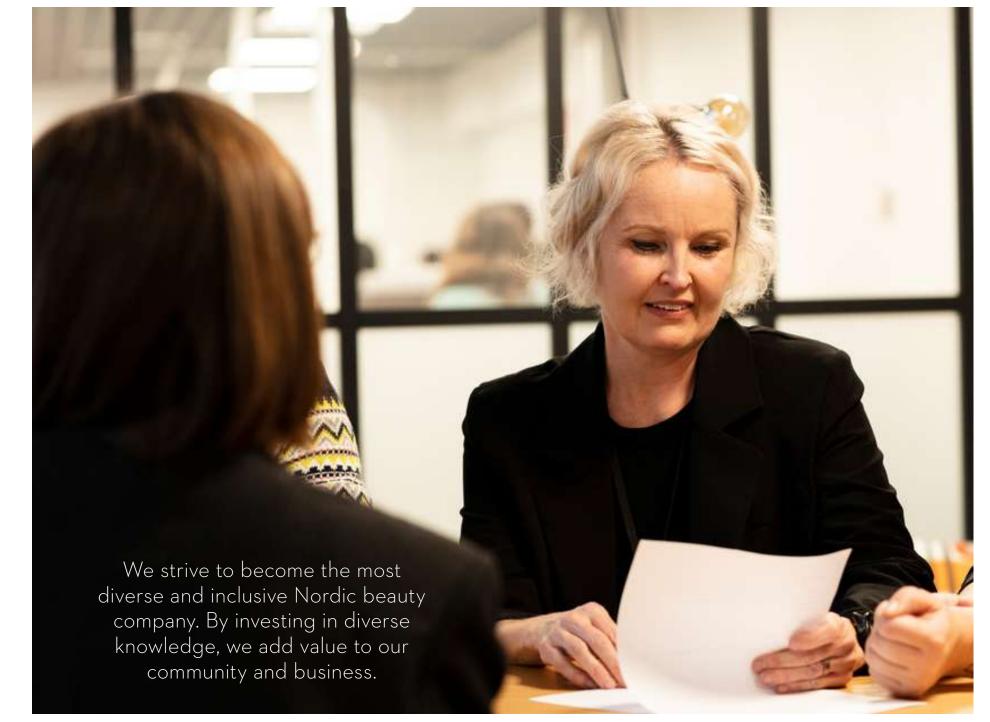
In 2022, our CSR activities centred around supporting youth well-being and mental health, and the preservation of Finland's natural biodiversity. Some of our long-term NGO partners include Girl's House of Espoo, Tukikummit, and Helsinki Pride. Our years-long collaboration with the Finnish Association for Nature Conservation (FANC) also continues.

The group also began collaborating with Kotimaanapu (Charity Finland), donating 54 used laptops to support the remote studies of young people in Finland.

After the Russian attack on Ukraine began at the end of February 2022, the LUMENE Group took immediate action to support the children and families of Ukraine, donating €100,000 through UNICEF. Since then, the company has continued to provide hygiene and cosmetics products to Ukrainian families through various NGOs both in Finland and in Ukraine.

One of the company's last charitable gifts of the year was the donation of 1,000 advent calendars to hospital nurses in Espoo, Finland. This was our way of recognising the amazing work done by nurses over the past few challenging years.





CREATING BEAUTY THAT RESPECTS THE LIMITED RESOURCES OF OUR PLANET

LUMENE's beauty products draw their essence from wild ingredients found in Nordic nature. We deliver high performance and respect nature through circularity-based innovation.

For us, circularity comes naturally. Nordic culture has always valued nature highly. Here, people are encouraged to spend time in nature, to pick berries and other nutrient-rich treasures, to feel the clean air and water on their skin.

LUMENE owes its existence to nature. We've been pioneering circularity for 20 years and counting. We want nature to thrive forever - so our aim is to make products and packaging with respect for our planet's limited resources.

SUSTAINABILITY | LUMENE GROUP



Nordic plants have unique properties thanks to the region's harsh conditions and the Nordic cycle of light, which boosts the production of antioxidants in berries and plants. Their natural strength makes them superior, as they are packed with vitamins, omega fatty acids, minerals and phytosterols. We never compromise on the efficacy, safety or sensory properties of our products. Our target is to offer a skincare range that is around 95% naturally-derived by 2025.

In 2022, we added oat milk, camelina oil and nettle extract to our raw material portfolio as new Nordic ingredients. We currently use over 40 different Nordic ingredients in LUMENE and CUTRIN products, half of which are upcycled from the food and forestry industries. There are also currently a few new Nordic ingredients in the R&D phase.

On average, our LUMENE skincare and CUTRIN wash and care formulations are over 90% naturally-derived today. The goal is to reach a 95% naturally derived skincare portfolio by the end of 2025. That percentage is slightly lower for makeup products, but it's increasing with each new launch.

Circularity-based innovation, inside and out

Our commitment to circularity is also highlighted in our packaging choices. Minimising environmental impact and ensuring product safety are the highest priorities when choosing the packaging we use for our products. The goal is to minimise packaging material, maximise packaging recyclability, and utilise recycled materials whenever possible. The LUMENE Group's packaging development is guided by the five Rs: reduce, reuse, recyclable, recycled, renewable.

As a group, we aim to maximise the recyclability of all packaging, which is why we are already using mostly recycled and renewable materials. By 2025, 100% of the materials in our strategic skincare packaging will be recycled and/or renewable.

Standardised quality control

The Quality Team has continued the systematic development of group operations in accordance with the ISO 9001 Quality Management System, the ISO 14001 Environmental Management System, and ISO 22716 Cosmetics Good Manufacturing Practices, verified by DNV.



1. Picking berries from Finnish nature.



2. Extraction of berry food side streams of various upcycled ingredients.



3. Product development and manufacturing at LUMENE, Espoo, Finland.



4. Sustainably safe high-performing skincare, crafted in the Finnish wilderness.

SUSTAINABILITY | LUMENE GROUP LUMENE GROUP | SUSTAINABILITY

ACTION TO COMBAT CLIMATE CHANGE

Our sustainability approach and actions are holistic and systematic. We work closely with all our stakeholders across the value chain, following the mission of developing high-performing sustainable beauty products for a better future.

We are in the process of setting the Science Based Targets for LUMENE Group. The preliminary goal is to reduce absolute Scope 1, 2 and 3 greenhouse gas (GHG) emissions by 42% by the end of year 2030.

Typically, the ratio between Scopes 1 & 2 and Scope 3 is 20:80. However, thanks to the effective emission reduction in the operations, Scopes 1 and 2 represent only 2.1% of total emissions of LUMENE Group. Scope 3 emissions are 9 999 tCO2e and it represents 97.9% of total emissions.

In 2022, a new, third-party CO2 emission calculation tool was introduced. This creates strong ownership and improved accuracy for CO2 emission calculations in the LUMENE Group's value chain.

With the increased knowledge about the emissions and factors impacting the numbers, we can engage our suppliers, service providers and customers to reduce the emissions with us.

SUSTAINABLE VALUE CHAIN





Research and development

Consumer expectations and trends are taken into account in product development. With eco-design we minimize the environmental impact of our raw materials and packaging.





Sustainable sourcing

During the life cycle of a product, raw material and packaging production generate a large part of a product's environmental impact. By choosing our partners carefully we can minimize that impact. Sourcing ethically and locally, we can support local employment and economic prosperity.





Production

The corner stones of sustainable business are maintaining competitiveness, reducing our ecological footprint and taking care of employee wellbeing. The majority of contract manufacturers are audited to make sure same standards are kept as we have in our own factory.



Logistics and transport play an important role in LUMENE Group's business operations. Transport optimization and careful selection of partners helps in reducing the environmental impact. Transportation emissions can be reduced especially by avoiding air transport.



End-life phase

We want to reduce the environmental impact of our products by promoting circular economy. We aim to develop biodegradable formulas and decrease the amount of materials used in our packs and increase the use of recycled and recyclable materials.





Focus on growing consumers' understanding of sustainability

Beauty and cosmetics play a central role in self-expression and wellbeing for many consumers. We support growing our consumers understanding on how sustainability and circular beauty are part of building a better future for all.





Retail and customers

With strong relationship with our retail partners and customers we provide our consumers innovative products. Together with our partners we can reduce waste and energy consumption in the operations, and implement programs to educate and engage consumers on sustainable practices.





SUPPLY CHAIN | LUMENE GROUP



LOCAL PRODUCTION AS A COMPETITIVE ADVANTAGE

The LUMENE Group's own factory manufactures 85% of its products. In 2022, 15 million skincare, colour cosmetics and haircare products were produced in our factory in Espoo, Finland. Sustainability and transparency are key to the international supply chain, where the role of a certified network is increasingly emphasised.

Local production and close partnerships

The LUMENE Supply Chain employs 110 people, the majority of whom work in manufacturing, packing and support functions at the factory. The office staff includes sales and operations planning, procurement, factory management, logistics and customer service teams. Close cooperation with external logistics and shipping service providers has enabled warehouse partnerships in Finland, the USA and, most recently, the UK.

The biggest supply chain push of the year was the opening of the new warehouse in the UK. In addition, the global supply fluctuations were handled excellently.

Sustainable supply chain

Key sustainability measures were the further development of plastic recycling, continuing the efficiency of water use and sustainability training for personnel. Sustainable sourcing and procurement were the main focuses of the renewed plan for future supply chain initiatives.

The role of green logistics is expedited

The transition to totally green logistics is complex and time-consuming due to our tiered logistics partnership chains and a global customer base that spans from east to west.

Increased efficiency and improved working processes

In the first half of the year, the production pace was increased to three work shifts. In the second half, we returned to the more common two-shift model. The temporary increase in volumes proved the ability of our production capacity to handle forecasted increases in volume. During the three-shift period, efficiency was 11% higher than in the same period in the previous year.

The previous year's investment in a new automatic packer was delayed due to component shortages. The focus was then shifted to improving ways of working, including better ergonomic and standardised working processes.

The long-awaited new machinery arrived at the end of 2022 and the year 2023 began with new learnings on robotics technologies.



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CORPORATE GOVERNANCE | LUMENE GROUP

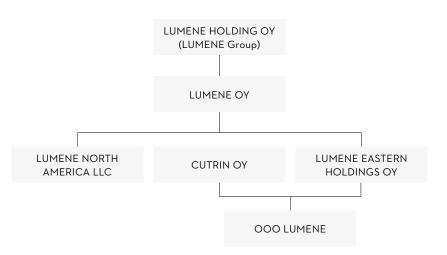
FOSTERING LONG-TERM INVESTMENT AND BUSINESS INTEGRITY

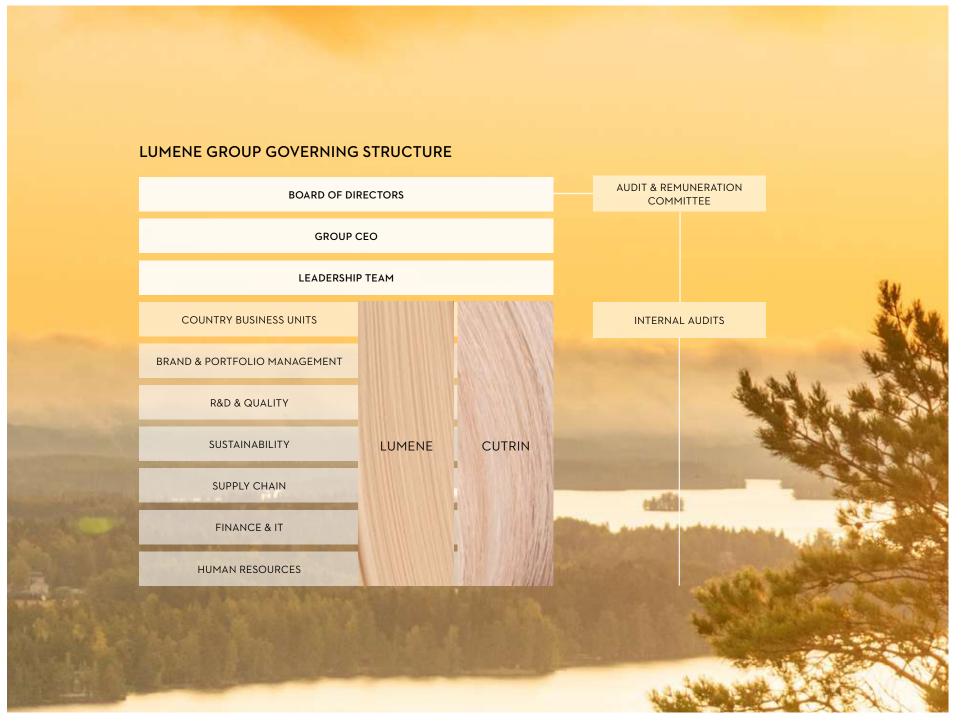
For all of us at the LUMENE Group, good corporate governance is not only about following legal requirements, but also about being accountable, transparent, fair and responsible in our daily operations. Good corporate governance helps support business growth and inclusive societies.

The LUMENE Group refers to the parent company, Lumene Holding Oy, and its subsidiaries. The LUMENE Group's statutory governing bodies are shareholder meetings, the board of directors, the managing director (CEO), and the auditor.

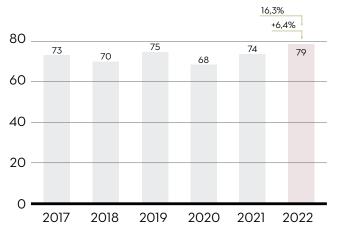
At the LUMENE Group, we want to run our business honestly, collaborate with partners and charities, respect internationally-recognised human rights, and avoid all forms of animal testing. We act in compliance with laws, regulations and good governance practices. We regularly train our employees in our Code of Conduct to build awareness and make sure everyone has the knowledge and guidance to make responsible everyday decisions.

We are committed to respecting internationally-recognised human rights across our entire value chain. All suppliers are committed to adhering to the principles of our Supplier Code of Conduct.

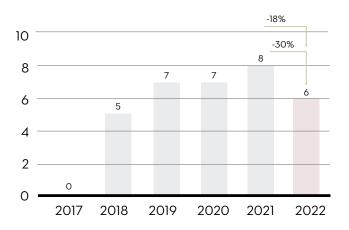




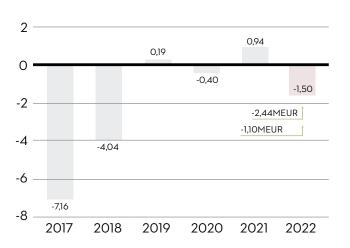
GROUP NET SALES, MEUR



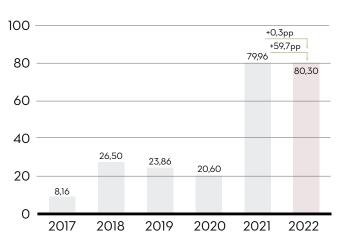
GROUP EBITDA. MEUR



GROUP OPERATING PROFIT, MEUR



GROUP EQUITY RATIO. %



STRATEGIC FOCUSES 2022-2025

Accelerating international growth and be recognised as the Nr 1 Nordic Beauty player

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

Our strategy continues to focus on sustainability, side streaming and wildcrafted Arctic ingredients. This is at the core of LUMENE Group's DNA and make us unique in the beauty industry.

Increasing organisational diversity

Transform the LUMENE Group to a truly international organisation with a diverse team with high digital competence and a broad cultural background.

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