A/S Madara Cosmetics

Consolidated financial statements
for the period from 1 January 2017
till 30 June 2017
prepared in accordance with
Latvian statutory requirements,
*and Independent auditors' report**

* This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

Riga, 2017

CONTENTS

GENERAL INFORMATION ABOUT THE GROUP

Name of the Group	Madara Cosmetics
Parent Company	Madara Cosmetics AS (till 11.01.2017.: Limited liability company)
Parent Company's registration number	No 40003844254
Registration place and date	Riga, 28 July 2006
Parent Company's legal address	Zeltinu Street 131, Marupe, LV-2167
Shareholders	Liene Drāzniece - 8 % Uldis Iltners - 28 % Zane Tamane - 12 % Lote Tisenkopfa - Iltnere - 28 % Paula Tisenkopfa - pieder 4 % daļu ALPS Investments, A/S, Reg No 40103684497 - 20 %
Type of operation	Manufacture of perfumes and toilet preparations 20.42 Wholesale of perfume and cosmetics 46.45 Retail sale of cosmetic and toilet articles 47.75
The board members of the Parent Company	Lote Tisenkopfa - Iltnere - Chairman of the Board Uldis Iltners - Member of the Board Solvita Kurtiša - Member of the Board
Council of the Parent Company	Paula Tisenkopfa - Chairman of the Council Liene Drāzniece - Deputy Chairman of the Council Zane Tamane - Member of the Council The Council started work on 11 January 2017
Reporting period	1/1/2017 till 6/30/2017
Previous reporting period	1/1/2016 till 6/30/2016
Subsidiaries	Madara Retail SIA, reg. No 40103212103 - 100% Cosmetics Nord SIA, reg. No 40103277805 - 100% Madara Cosmetics GmbH, reg No HRB 177689 - 100%
Independent Auditors:	Deloitte Audits Latvia SIA Reg. No 40003606960 Licence No 43 4a Gredu Street, Riga, LV-1019, Latvia
Certified Auditor	Jeļena Mihejenkova Certified Auditor Certificate No 166

MANAGEMENT REPORT

The Group, for which this consolidated statement is prepared, consists of parent company MADARA Cosmetics AS and subsidiaries MADARA Retail SIA, Cosmetics NORD Ltd. and Madara Cosmetics GmbH (Germany).

The main types of activities of the Group is the production of daily care cosmetics with the brand names "MÁDARA" and "MOSSA", providing services of contract manufacturing and sales of cosmetics in Germany.

The Group's parent company operates in leased office and manufacturing premises in 131 Zeltinu Street, Marupe, which is one of the most modern and the largest in terms of capacity cosmetic plants in the Baltic and Northern Europe.

MADARA Retail SIA runs three MADARA brand stores in Riga shopping centers - Galerija centrs, Spice and Alfa.

The main activity of Cosmetics NORD SIA is the provision of contract manufacturing services using the production infrastructure and capacity of MADARA Cosmetics AS. Providing contractual manufacturing services is part of a growing business for the Group and the growth is expected in the future. In the reporting year, the subsidiary provided contractual manufacturing services to nine clients mostly in the Scandinavian countries.

MADARA Cosmetics GmbH provides cosmetics trading services in Germany and organizes the distribution of products manufactured by the parent company on the German market.

The reporting period has been completed successfully, the financial objectives have been exceeded and the Group steadily continues the current growth pace.
In the first half of 2017, the Group has successfully worked on the sales channels developed in previous years, reaching a 37,9% growth in turnover for the corresponding period of 2016. The profit of the company has increased along with increase of turnover to EUR 811,210 before income tax. The EBITDA result for the first half of 2017 is EUR 1,03 million, which is more than twice as high as in the first half of 2016. EBITDA result has been higher than the increase in turnover and shows an increase in the Group's operating efficiency, which was largely due to the efficient use of processes and production capacity at Zeltinu street 131, Marupe.

In spite of the rapid growth of the Group, the production capacity available in the existing plant is sufficient to continue the current development pace of the Group. In the first half of 2017, the improvement of the production process was continued by investing EUR 269,300, which also includes the acquisition of the deemed shares in the property "Lamberti-1", in Marupe region in the area of 1.1 ha. The purchased land is adjacent to the existing plant at Zeltinu street 131, in Marupe. In the future it will be used for the construction of additional plant, warehouse and office space.
Production development will continue with the aim of becoming a technologically strongest cosmetics manufacturing Group in the Baltic and Northern European region.

During the reporting period, the Group continued to actively invest in research and development of new products. The Parent company is a participant in the competence center SIA "Farmācijas, biomedicīnas un medicīnas tehnoloģiju kompetences centrs", In cooperation with which the Company's research program is implemented. In the second half of 2017, through this program, it is planned to introduce several new products in the market based on studies carried out in previous periods.

In 2017, the parent company of the Group MADARA COSMETICS AS won the 2nd place in the Corporate Reputation Top as the Company with the best reputation among all Latvian companies and the 1st place in its industry. The Corporate Reputation Top also recognized the Chairmen of the Board Lote Tisenkopfa-Iltnere as one of the best company's manager in Latvia and the Company is recognized with the highest export potential among Latvian companies.

The Group's online store www.madaracosmetics.lv and internet stores of individual contries was further developed during the reporting period.

In the future, the growth of the Group will be based on the expansion on foreign markets - development of foreign markets, which will consolidate and expand operations in the existing export markets and launch operations in several new markets. In the first half of 2017, the Group's organization has been improved to achieve this goal and 10 new working places have been created. The Company's organization improvement will continue in the future.

In the reporting period, co-operation with cosmetic raw materials and packaging suppliers has also been developed, diversifying suppliers and reducing supply risks.

Since the end of the reporting year no material changes have taken place which would not be reflected in the financial statements and would be significant to assess the Group's assets and liabilities, its financial position and the financial result of the reporting year.

Lote Tisenkopfa - Iltnere
Chairman of the Board

Solvita Kurtiša
Member of the Board

Uldis Iltners
Member of the Board

15 August 2017

CONSOLIDATED INCOME STATEMENT
(by turnover method)

	Note	1.01.2017 -30.06.2017	1.01.2016 -30.06.2016 (unaudited)
		EUR	EUR
Net turnover	2	3,585,078	2,600,669
Cost of goods sold	3	(1,360,952)	(1,276,870)
Gross profit		**2,224,126**	**1,323,799**
Selling expenses	4	(1,035,199)	(806,143)
Administration expenses	5	(421,133)	(235,806)
Other operating income	6	71,794	60,570
Other operating expenses	7	(15,388)	(12,031)
Interest and similar income		-	7
Interest and similar expenses	8	(12,990)	(11,522)
Profit before corporate income tax		**811,210**	**318,874**
Corporate income tax for the financial year	9	(85,500)	(41,718)
Profit after corporate income tax calculation		**725,710**	**277,156**
Costs of changes in deferred tax liabilities	9	(13,116)	-
Profit for the reporting period		**712,594**	**277,156**

The accompanying notes on pages 11 to 27 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Assets	Note	6/30/2017 EUR	12/31/2016 EUR
Non-current assets			
Intangible assets			
Concessions, licences, patents, trade marks and similar rights		9,602	11,575
Prepayments for intangible assets		5,000	-
Total intangible assets	10	**14,602**	**11,575**
Property, plant and equipment			
Leasehold improvements		505,558	544,821
Plant and equipment		870,158	853,850
Other fixed assets		192,947	174,889
Construction in progress		180,174	2,670
Prepayments for property, plant and equipment		14,621	12,305
Total property, plant and equipment	11	**1,763,458**	**1,588,535**
Non-current financial investments			
Other non-current receivables and other receivables	12	42,513	42,513
Other securities and investments	13	826	826
Total non-current financial investments		**43,339**	**43,339**
Total non-current assets		**1,821,399**	**1,643,449**
Current assets			
Inventories			
Raw materials	14	783,242	755,590
Finished goods and goods for sale	15	586,487	456,582
Prepayments for inventories		104,799	74,072
Total inventories		**1,474,528**	**1,286,244**
Receivables			
Trade receivables	16	887,858	899,368
Other receivables	17	35,677	39,010
Accrued revenue		-	28,154
Deferred expenses		8,488	19,033
Total receivables		**932,023**	**985,565**
Cash	18	**1,005,212**	**579,638**
Total current assets		**3,411,763**	**2,851,447**
Total assets		**5,233,162**	**4,494,896**

The accompanying notes on pages 11 to 27 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	6/30/2017 EUR	12/31/2016 EUR
Equity			
Share capital	19	106,660	106,652
Share premium		761,236	761,236
Other reserves		-	-
Retained earnings:			
a) prior year retained earnings		2,021,845	1,218,741
b) profit for the year		712,594	803,104
Total equity		**3,602,335**	**2,889,733**
Liabilities			
Non-current liabilities			
Bank borrowings	20	311,956	379,529
Other liabilities	21	141,915	53,526
Deferred revenue		189,676	234,139
Deferred tax liabilities	9	86,783	73,505
Total non-current liabilities		**730,330**	**740,699**
Current liabilities			
Bank borrowings	20	135,145	135,145
Advances from customers		32,636	26,372
Trade payables		198,723	251,683
Taxes and social insurance contributions	22	170,658	113,609
Other payables	23	140,028	108,322
Deferred revenue		104,768	88,926
Accrued liabilities		118,539	140,407
Total non-current liabilities		**900,497**	**864,464**
Total liabilities		**1,630,827**	**1,605,163**
Total equity and liabilities		**5,233,162**	**4,494,896**

The accompanying notes on pages 11 to 27 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2017 -30.06.2017	1.01.2016 -30.06.2016 (unaudited)
		EUR	EUR
Cash flow of operating activities			
Profit before taxes		811,210	318,874
Corrections:			
Depreciation of fixed assets	11	201,206	166,960
Amortisation of intangible assets	10	1,973	2,432
Revenue from the recognition of ERAF funds		(44,463)	(46,522)
Interest and similar income		-	(7)
Interest and similar expenses	8	12,990	11,522
Profit before adjustments for current assets and current liabilities		**982,916**	**453,259**
Corrections:			
Increase in receivables		212,596	128,572
Increase in inventories		(157,521)	(253,476)
(Decrease)/increase in payables and other payables		(104,537)	(175,696)
Gross cash flow of operating activities		**933,454**	**152,659**
Interest payments		(12,990)	(11,522)
Income tax payments		(53,370)	(27,923)
Net cash flow of operating activities		**867,094**	**113,214**
Investment activities cash flow			
Other investments		-	(3,083)
Acquisition of fixed assets and intangible assets		(354,425)	(107,382)
Received interest		-	7
Investment activities cash flow		**(354,425)**	**(110,458)**
Financing activities cash flow			
Proceeds from ERAF funds		8	2,059
Repaid financial lease liabilities		(19,530)	(8,519)
Dividends paid		-	(60,240)
Repaid loan	20	(67,573)	(67,572)
Financing activities cash flow		**(87,095)**	**(134,272)**
Increase/(decrease) in cash and cash equivalents		**425,574**	**(131,516)**
Cash and cash equivalents at the beginning of the reporting year	18	**579,638**	**363,790**
Cash and cash equivalents at the end of the financial year	18	**1,005,212**	**232,274**

The accompanying notes on pages 11 to 27 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	EUR	EUR	EUR	EUR	EUR
Balance as of 31 December 2015	**106,652**	**761,236**	**63**	**1,338,678**	**2,206,629**
Distribution of dividends		-		(120,000)	**(120,000)**
Denomination of the share capital			(63)	63	-
Profit for the reporting period	-	-	-	803,104	**803,104**
Balance as of 31 December 2016	**106,652**	**761,236**	-	**2,021,845**	**2,889,733**
Share issue	8	-	-	-	**8**
Profit for the reporting period	-	-	-	712,594	**712,594**
Balance as of 30 June 2017	**106,660**	**761,236**	-	**2,734,439**	**3,602,335**

The accompanying notes on pages 11 to 27 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) STATEMENT OF ACCOUNTING POLICIES - GENERAL INFORMATION

Basis of preparation of the financial statements

Consolidated financial statements have been prepared in accordance with the Laws of the Republic of Latvia on Accounting and on Annual Reports and Consolidated Annual Reports. The statement of profit and loss is prepared according to turnover costs method. Balance sheet position "Deferred tax liabilities" is recognized and valued in accordance with International Accounting Standard No. 12 "Income taxes" requirements.

Accounting principles applied

The consolidated financial statements have been prepared in accordance with the following policies:

a) Going concern assumption – the Group will continue as a going concern.
b) Evaluation principles are consistent with the prior year.
c) Items have been valued in accordance with the principle of prudence:

- the financial statements reflect only the profit generated till the date of the balance sheet;
- all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the balance sheet date;
- all impairments and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.

d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses have been matched with revenue for the
e) Asset and liability items have been valued separately.
f) The consolidated financial statements contains all items, that have considerable influence in evaluation and economic decision making.
g) Business transactions are recorded taking into account their economic content and substance, not merely the legal form.

Consolidation principles

Subsidiaries in which the Group directly or indirectly controls the economic activities of the Company are consolidated. Control is obtained when the Company has the ability to influence the financial and management issues in the subsidiary, thus benefiting from it. Control is achieved if the Company is entitled to manage the company's financial and economic policies, as well as to benefit from its transactions. Acquisition or purchase method is used in consolidation of the Group's subsidiaries. Subsidiaries are consolidated from the date when the Group gains control and excluded from consolidation on the date of sale of subsidiarie. Financial statements of subsidiaries are consolidated in the financial statements of the Group by consolidating assets, liabilities and income and expenses. All intercompany transactions, balances between the Group companies and ungained profit or loss from transactions among the Group companies are not included in consolidation. If necessary, the accounting policies of the Group's subsidiaries have been changed to ensure consistency with the accounting and valuation methods used by the Group.

The reporting period of the consolidated financial statements

The consolidated financial statements cover the period from 1 January to 30 June 2017.

Translation of foreign currencies

The accompanying financial statements are presented in the currency of the European Union, the Euro (hereinafter – EUR), which is the Company's functional and presentation currency.

All transactions denominated in foreign currencies are translated into the EUR at the European Central Bank rate of exchange prevailing on the transaction day. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the European Central Bank rate of exchange prevailing on 31 December.

	6/30/2017	**12/31/2016**
USD	1.1412	1.0541
SEK	9.6398	9.5525
GBP	0.8793	0.8562
DKK	7.4366	7.4344

The gain or loss arising from fluctuations in foreign currency exchange rates are recognised in the statement of profit or loss.

Related parties

Related parties are shareholders of the Company and Board members, their close family members and companies controlled by these persons or companies in which these persons have significant influence.

Intangible assets and fixed assets

Intangible assets and fixed assets are recognized at their cost of acquisition less depreciation and amortisation. Fixed assets are recognized as assets if their cost of acquisition exceeds EUR 600.

Acquired assets under EUR 600 are recognised as low value inventory.
The cost of fixed assets comprises its purchase price, import duties and non-refundable purchase taxes, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
Only the rights acquired for consideration are recognized as "Concessions, patents, licences, trademarks and similar rights".

Depreciation and amortisation is calculated over the useful life of the asset according to the straight-line method applying the following depreciation rates as the basis of calculation:
Intangible assets:

Licences	20-33	%
Other intangible assets	20	%

Fixed assets:

Machinery	20	%
Hardware and electronic equipment	33	%
Vehicles	20	%
Other fixed assets	20	%

Intangible assets and fixed assets (continued)

The gain or loss arising from the sale of fixed assets are recognized in the statement of profit or loss for the respective
Repair and renovation expenses increasing the useful life or the value of the fixed asset are capitalized and depreciated over their useful life. Other repair and maintenance expenses are charged in income statement of the reporting period they are incurred.
Leasehold improvements are capitalized and are included in the asset's carrying amount. Leasehold improvements are amortised over the shorter of the useful life of the improvement and the term of the lease agreement on a straight-line basis.
Research costs are recognized in the income statement of the reporting period they are incurred. The Company's development costs are capitalized when its future recoverability can reasonably be demonstrated. Amortisation is calculated over the period of development cost recovery.

Impairment of non-current assets

If the value of non-current asset on the balance sheet date is lower than its acquisition value less accumulated depreciation, the asset is valued at its lower value.

Valuation of inventories

The cost of inventories is stated using the weighted average price method.
Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of product completion and selling expenses.
Inventories are recognized at net realisation value by decreasing the cost of inventories by the amount of provisions made.

Receivables

Receivables are recognized according to the amount of initial invoices, less allowances for doubtful debts. Allowances are made if receipt of the full amount of the debt is doubtful. Debts are written off if their recovery is considered as impossible.

Cash and cash equivalents

Cash and cash equivalents includes cash in bank accounts.

Financial instruments

- *Non-current loans and claims*

is financila assets which are created by the Company by providing money or rendering services directly to the debtor and which are not intended to be sold immediately or in short time period. Loans are recognised initially at cost value which is calculated by adding loan related issuance costs to the loan fair value. Subsequent to initial recognition all loans are stated at amortised cost, using the actual interest rate method. The amortised value is calculated using loan issueance costs as well as any discounts or bonuses related to the loan. The profit or loss arising from amortisation is recognised in the income statement under interest income and expenses. Appropriate provisions are created if an asset is impaired.

- *Other non-current financial investments*

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Loans are recognised initially at cost value which is calculated by adding loan related issuance costs to the loan fair value. Subsequent to initial recognition all loans are stated at amortised cost, using the actual interest rate method.

Available-for-sale financial assets are financial assets which are not issued loans, invoices and held-to-maturity investments. These assets can be sold in order to increase liquidity or interest rates in case of changes in rates or capital value. Available-for-sale financial assets are recognised at fair value. Changes in the carrying amount of available-for-sale financial assets are recognised in the equity under the revaluation reserve. Provisions are created if there is objective indication on impairment of an asset.

- *Current financial investments*

are financial assets held for sale which are acquired or incurred for the primary purpose of making a profit from short-term fluctuations in price or profit margins. Current financial investments are recognised at fair value. Changes in the carrying amount of current financial investments are recognised in the income statement.

Finance lease liabilities

Finance lease assets initially are recognized at their purchase value, recognizing the same amount of liabilities. Depreciation is calculated within all the economically useful life of the assets. The interest element of lease payments is charged to the income statement so that as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over

Revenue recognition

Revenue from the sale of goods is recognized as soon as a significant portion of ownership rights and risks of goods are transferred to the customer, and the reward can be measured reliably.
Revenue from rendering of services is recognized in proportion to the stage of completion of the order.
Revenue from dividends are recognized when the shareholder's rights arise to receive dividends.
Interest income is recognized in the corresponding period of time.

Corporate income tax

Corporate income tax includes current and deferred taxes. Corporate income tax is recognized in the income statement.

The tax for the reporting period is calculated in accordance with the requirements of the tax laws of each country.

Deferred corporate income tax is calculated for differences caused by temporary differences, which are caused by differences between the value of assets and liabilities in the financial statements and their value for tax purposes. Deferred tax is calculated by applying 15% tax rate provided in the law. The mentioned differences have mainly occurred due to different depreciation rates of fixed assets, which are used in the tax and financial accounting, for individual non-deductible accruals for tax purposes.

Fair value

The fair value represents the value, at which an asset may be disposed of or liabilities performed under normal market conditions. If, in the opinion of the management, the fair value of financial assets and liabilities may differ substantially from their accounting value, the fair value is disclosed in notes to financial statements.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as income and expenses. The management has assessed the income statement and believes that the financial statements give a true and fair view of the financial position of the Group based on all the information currently available.

Government support

Government grants are recognized in the Group's balance sheet when there is assurance that the specific Group company will comply with the conditions for the support and the Company has rights to receive Government grant. If Government grant is received for long-term investments, Grants are recognized as deferred income under liabilities in the balance sheet.

(2) Net turnover

Turnover is the income received during the year from the Group's main activities - the provision of services without value added tax. Revenue has been generated from the production and sale of cosmetics.

Turnover by geographical markets:

	1.01.2017 -30.06.2017	**1.01.2016 -30.06.2016 (unaudited)**
	EUR	**EUR**
European Union	2,328,289	1,690,771
Latvia	1,053,101	827,161
Other	473,101	294,115
Revenue from services	20,467	18,967
Trade discounts	(291,212)	(232,650)
Other revenue	1,332	2,305
Total	**3,585,078**	**2,600,669**

(3) Cost of goods sold

	1.01.2017 -30.06.2017	**1.01.2016 -30.06.2016 (unaudited)**
	EUR	**EUR**
Materials cost	659,156	692,468
Remuneration for work	268,317	204,675
Fixed assets depreciation	133,122	128,740
Premises rent and management costs	74,561	110,747
Social security contributions	63,274	48,027
Current assets write-off	35,345	18,779
Leasehold improvements write-off	31,341	10,096
Production service costs	28,067	16,194
Resource costs	24,775	23,794
New products research and development costs	16,575	17,687
Other production and production maintenance costs	26,419	5,663
Total	**1,360,952**	**1,276,870**

(4) Selling expenses

	1.01.2017 -30.06.2017	**1.01.2016 -30.06.2016 (unaudited)**
	EUR	**EUR**
Remuneration for work	262,424	157,242
Advertising costs	213,018	231,813
Sample production costs	135,319	32,730
Transport costs	131,954	126,276
Social security contributions	47,559	43,431
Work trip and exhibitions costs	45,132	17,694
Marketing bonus costs	38,370	22,558
Premises maintenance and rent costs	38,215	37,546
Packaging materials costs	22,066	20,190
Fixed assets depreciation	21,616	25,949
Internet store's WEB page maintenance costs and other IT costs	11,438	9,181
Leashold improvements write-off	7,922	7,922

(4) Selling expenses (continued)

Representation costs	7,505	6,844
Royalties	6,502	3,411
Other sales expenses	46,159	63,356
Total	**1,035,199**	**806,143**

(5) Administration expenses

	1.01.2017 -30.06.2017 EUR	1.01.2016 -30.06.2016 (unaudited) EUR
Remuneration for work	171,953	111,749
Office costs	65,071	46,820
Social security contributions	54,259	20,176
Legal and other professional service costs	44,255	4,448
Cash outflow related costs	20,964	16,793
Communication costs	12,388	7,025
Depreciation and amortisation	9,181	4,607
Employee health insurance	2,824	5,067
Other management and administration costs	40,238	19,121
Total	**421,133**	**235,806**

(6) Other operating income

	1.01.2017 -30.06.2017 EUR	1.01.2016 -30.06.2016 (unaudited) EUR
Revenues from the ERAF project No L-APV-14-0111	44,463	44,463
Revenues from the ERAF project No 1.2.1.1/16/A/006	27,056	-
Revenues from the ERAF project No L-ĀTA-15-3765	-	2,059
Revenue from sales of current assets	-	1,617
Other revenues	275	12,431
Total	**71,794**	**60,570**

(7) Other operating expenses

	1.01.2017 -30.06.2017 EUR	1.01.2016 -30.06.2016 (unaudited) EUR
Resold purchased goods and services	6,262	-
Nature protection costs	1,853	2,352
Other expenses	7,273	9,679
Total	**15,388**	**12,031**

(8) Interest and similar expenses

	1.01.2017 -30.06.2017	1.01.2016 -30.06.2016 (unaudited)
	EUR	EUR
Interest on borrowings	8,328	10,706
Other interest payments	4,662	816
Total	**12,990**	**11,522**

(9) Corporate income tax for the financial year

Significant components of corporate income tax:

	1.01.2017 -30.06.2017	1.01.2016 -30.06.2016 (unaudited)
	EUR	EUR
Current corporate income tax charge	(85,500)	(41,718)
Deferred tax charge	(13,116)	-
Total	**(98,616)**	**(41,718)**

Corporate income tax and deferred tax for the reporting period are calculated using the effective tax rate calculated for 2016 - 12.15%. The tax for the reporting period in 2017 is calculated proportionaly to the cost of corporate income tax and deferred tax expense.

(10) Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Total intangible assets
	EUR	EUR
Cost as of 31.12.2016	**63,808**	**63,808**
Additions	5,000	**5,000**
Cost as of 30.06.2017	**68,808**	**68,808**
Accumulated amortisation as of 31.12.2016	**52,233**	**52,233**
Charge	1,973	**1,973**
Accumulated amortisation as of 30.06.2017	**54,206**	**54,206**
Net book value as of 31.12.2016	**11,575**	**11,575**
Net book value as of 30.06.2017	**14,602**	**14,602**

(11) Fixed assets movement table

	Leasehold improve-ments	Equipment and machinery	Other fixed assets	Construc-tion in progress*	Prepay-ments for property, plant and equipment	Total fixed assets
	EUR	EUR	EUR	EUR	EUR	EUR
Cost as of 31.12.2016	**620,071**	**1,613,456**	**421,017**	**2,670**	**12,305**	**2,669,519**
Additions	-	-	-	373,813	2,316	**376,129**
Transfers	-	142,079	54,230	(196,309)	-	-
Cost as of 30.06.2017	**620,071**	**1,755,535**	**475,247**	**180,174**	**14,621**	**3,045,648**
Accumulated depreciation as of 31.12.2016	**75,250**	**759,606**	**246,128**	-	-	**1,080,984**
Calculated depreciation	39,263	125,771	36,172	-	-	**201,206**
Accumulated depreciation as of 30.06.2017	**114,513**	**885,377**	**282,300**	-	-	**1,282,190**
Net book value as of 31.12.2016	**544,821**	**853,850**	**174,889**	**2,670**	**12,305**	**1,588,535**
Net book value as of 30.06.2017	**505,558**	**870,158**	**192,947**	**180,174**	**14,621**	**1,763,458**

* - Construction in progress includes the acquired property "Lamberti-1" in the Marupe district, which includes land deemed shares of 1.1 ha.

(12) Other non-current receivables and other receivables

	6/30/2017 EUR	12/31/2016 EUR
Rent security deposit	40,000	40,000
FBMT Kompetences Centrs SIA	2,513	2,513
Total	**42,513**	**42,513**

(13) Other securities and investments

	6/30/2017 EUR	12/31/2016 EUR
Other investments	826	826
Total	**826**	**826**

(14) Raw materials

	6/30/2017 EUR	12/31/2016 EUR
Net book value of raw materials	789,039	769,078
Allowance for slow moving inventories	(5,797)	(13,488)
Total	**783,242**	**755,590**

(15) Finished goods and goods for sale

	6/30/2017 EUR	12/31/2016 EUR
Cosmetic products	570,544	438,490
Advertising materials	15,943	18,092
Total	**586,487**	**456,582**

(16) Trade receivables

	6/30/2017 EUR	12/31/2016 EUR
Net book value of trade receivables	899,573	911,083
Allowance for doubtful trade receivables	(11,715)	(11,715)
Total	**887,858**	**899,368**

	6/30/2017 EUR	12/31/2016 EUR
Allowance for doubtful trade receivables at the begining of the reporting period	11,715	11,715
Allowances created	-	-
Recovered doubtful receivables	-	-
Doubtful receivables write-off	-	-
Allowance for doubtful trade receivables at the end of the reporting period	**11,715**	**11,715**

(17) Other receivables

	6/30/2017 EUR	12/31/2016 EUR
Security deposit for leased retail premises	14,282	14,282
Settlement of operating car lease	4,060	4,533
Balance of unpaid collected cash	3,761	4,864
Payments in PAY PAL system	1,149	293
Other receivables	12,425	15,038
Total	**35,677**	**39,010**

(18) Cash

	6/30/2017 EUR	12/31/2016 EUR
Cash in bank accounts	1,005,212	579,638
Total	**1,005,212**	**579,638**

(19) Share capital

As of 30 June 2017, the registered and fully paid-in share capital of the Group's parent Company amounts EUR 106 660 and consists of 1 066 600 shares with a nominal value of EUR 0,10 per share.

(20) Bank borrowings

	6/30/2017 EUR	12/31/2016 EUR
SWEDBANK loan - agreement No 14-009243	255,948	291,661
SWEDBANK loan - agreement No 14-025534	191,153	223,013
Total bank borrowings	**447,101**	**514,674**

Non-current borrowings	6/30/2017 EUR	12/31/2016 EUR
SWEDBANK loan - agreement No 14-009243	184,520	220,234
SWEDBANK loan - agreement No 14-025534	127,436	159,295
Total non-current borrowings	**311,956**	**379,529**

Current borrowings	6/30/2017 EUR	12/31/2016 EUR
SWEDBANK loan - agreement No 14-009243	71,427	71,427
SWEDBANK loan - agreement No 14-025534	63,718	63,718
Total current borrowings	**135,145**	**135,145**
Total bank borrowings	**447,101**	**514,674**

(20) Bank borrowings (continued)

Borrowings split by maturity	**6/30/2017 EUR**	**12/31/2016 EUR**
Less than 1 year	135,145	135,145
Over 1 year	311,956	379,529
Total borrowings	**447,101**	**514,674**

Borrowings split by currency	**6/30/2017 EUR**	**12/31/2016 EUR**
EUR	447,101	514,674
Total borrowings	**447,101**	**514,674**

Movement in borrowings	**6/30/2017 EUR**	**12/31/2016 EUR***
Borrowings at the beginning of the reporting period	**514,674**	**649,819**
Proceeds from borrowings	-	-
Repayment of borrowings	(67,573)	(135,145)
Borrowings at the end of the reporting period	**447,101**	**514,674**

* - repaid loans during 2016

Borrowings interest rates

As of 30 June 2017, the effective interest rate on the non-current borrowing No 14-009243 was 3 month EURIBOR + 3.3%; on the non-current borrowing No 15-025534 - 3 month EURIBOR + 3.5%; on the credit line facilities - 3 month EURIBOR + 2.5%. Interest on non-used credit line limit amount - 1% per annum.

Borrowings maturity dates

The maturity date of the non-current borrowing No 14-009243 is 22 January 2021, the maturity date of the non-current borrowing No 15-025534 is 30 June 2020. The maturity date of the credit line facilities - 17 February 2018.

Undrawn committed borrowing facilities

As of 30 June 2017, the Company had an access to EUR 600 000 of undrawn credit line facilities.

Pledges

The Group has pledged a portion of its assets as security for bank borrowings. As of 31 December 2016, the Company's assets in amount of EUR 1 340 900 had been pledged to secure agreement No 14-009243 and assets in amount of EUR 420 000 had been pledged to secure agreement No 15-025534. On 17 February 2016, the Group has signed commercial pledge agreement and has pleged assets in amount of EUR 840 000 to secure the credit line.

Bank loan covenants

During the reporting period and as of 30 June 2017, the Company had complied with all loan covenants of the borrowing agreements.

(21) Other non-current liabilities

	6/30/2017 EUR	**12/31/2016 EUR**
Lease liabilities	141,915	53,526
Total other non-current liabilities	**141,915**	**53,526**

(22) Taxes and social insurance contributions

	6/30/2017 EUR	12/31/2016 EUR*
Corporate income tax	84,160	52,197
Social insurance contributions	41,477	35,267
Personal income tax	23,144	19,450
Value added tax	21,838	6,657
Risk duty	39	38
Total	**170,658**	**113,609**

The amount of the corporate income tax liabilities also includes the calculated tax for the reporting period in accordance with the information provided in Note 10.

(23) Other current liabilities

	6/30/2017 EUR	12/31/2016 EUR
Salaries	75,135	64,863
Lease liabilities	43,626	25,167
Balance of gift cards	13,905	12,785
Advance payment balance	499	902
Other liabilities	6,863	4,605
Total other current liabilities	**140,028**	**108,322**

(24) Transactions with related parties during the reporting period

Related party	Sales of goods and services	Purchases of goods and services
MC PROPERTIES SIA	-	111,958
Wolf Candles SIA	-	18,523
Total	**-**	**130,481**

(25) Number of employees in the Group

	6/30/2017	12/31/2016
Average number of employees per reporting year	94	84

(26) Information on the remuneration of council and board members of the parent company

	6/30/2017	12/31/2016
Total	1,250	2,058

(27) Off-balance sheet liabilities

On 17 March 2015, the Group's parent company signed a premises lease agreement for renting production and office space with SIA MC PROPERTIES (registration Number 40103872324), which will replace the previous premises lease agreement. Agreement is maturing in 2025.

On 30 June 2015, a mortgage agreement was signed between Swedbank A/S and MC Properties SIA regarding premises leased to the Group's parent company. As a pledge for the agreement stands MC Properties real estate located in Zeltinu street 131, Marupe. The Parent company is the warrantor of pledge for the total amount of EUR 1'138'461.

(28) Received ERAF financing

In the previous years, the Parent company received the European Union co-financing in the project Entrepreneurship and innovation, sub-program - High value-added investments.

Under the terms of the aid agreement, the Parent company has no right to lease, pledge, sell or otherwise encumber equipment and property created through state aid co-financing untill 2020.

In 2017, the Group participated and received funding from the support centers of competence of the ERAF within the framework of the operational program "Growth and Employment", in the sub-program "Support for the development of new products and technologies within the competence centers".

(29) Financial risk management

The Group's activities are exposed to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk

Procentu likmju risks

Koncerna ilgtermiņa aizņēmumi no kredītiestādēm ir ar mainīgu procentu likmi, līdz ar to Sabiedrība ir pakļauta procentu likmju izmaiņu riskam.

Foreign currency risk

Foreign currency risk is the risk of financial losses incurred by the Group due to adverse fluctuations in foreign currency exchange rates. This risk arises when financial assets denominated in a foreign currency do not match financial liabilities in that currency which results in open currency positions. The Group does not have any material balances of financial assets and liabilities denominated in currencies. Therefore, during the reporting year the Group's exposure to foreign currency risk was not significant.

Credit risk

Credit risk is the risk of financial losses incurred as a result of default by a counterparty on its obligation to the Group. Credit risk mainly arises from cash with banks, trade receivables and issued non-current and current loans.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics.

(29) Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its obligations in full as they fall due. Liquidity risk arises when the maturities of financial assets and liabilities do not match. The aim of the Group's liquidity risk management is to maintain sufficient amount of cash and its equivalents, and to insure the availability of funding through sufficient amount of committed bank credit line facilities to settle its obligations at a given date. The Group assesses the repayment term matching of its financial assets and liabilities and the stability of long-term investment sources of funding on a regular basis.

(30) Post balance sheet events

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.

The financial statements approved by:

Lote Tisenkopfa - Iltnere Chairman of the Board	Solvita Kurtiša Member of the Board	Uldis Iltners Member of the Board

The financial statements prepared by:

Armands Bērziņš
Chief accountant

15 August 2017

Deloitte.

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INDEPENDENT AUDITOR'S REVIEW REPORT

Translation from Latvian

To the shareholders of AS "Madara Cosmetics":

Report on the Financial Statements

We have reviewed the accompanying consolidated financial statements of AS "Madara Cosmetics" and its subsidiaries (the Group), set out on pages 6 to 27 that comprise the Group's balance sheet as of 30 June 2017 and the statement of profit and loss, statement of changes in shareholder's equity and cash flow statement for the period from 1 January 2017 to 30 June 2017, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of consolidated financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.
The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as of 30 June 2017 and the results of its operations, cash flows and changes in the shareholders' equity for the period from 1 January 2017 to 30 June 2017 in accordance with Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Other matters

The consolidated statement of profit and loss, consolidated statement of changes in shareholder's equity and consolidated cash flow statement for the period from 1 January 2016 to 30 June 2016 has not been audited.

Deloitte Audits Latvia SIA
Licence No. 43
Jeļena Mihejenkova
Board member
Certified auditor
Certificate No. 166
Riga, Latvia
15 August 2017