



# MÁDARA

organic skincare

MANAGEMENT REPORT  
OF AS MADARA COSMETICS ON  
THE UNAUDITED CONSOLIDATED  
FINANCIAL STATEMENTS OF 2021

REPORTING PERIOD  
01.01.2021 – 31.12.2021

PREPARED IN ACCORDANCE WITH LATVIAN LEGISLATION REQUIREMENTS  
MARUPE, 2022





# GENERAL INFORMATION ABOUT THE GROUP

| Name of the Group                           | MADARA Cosmetics AS  |
|---|--|
| Parent Company                              | Madara Cosmetics AS  |
| 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, Latvia  |
| Shareholders (above 5%)<br>as of 09.02.2022 | Uldis Iltners – owns 23.92% of shares<br>Lote Tisenkopfa - Iltnere – owns 23.76% of shares<br>Oy Transmeri Group Ab – owns 22.93% of shares<br>Liene Drāzniece – owns 6.79% of shares<br>Zane Tamane – owns 6.35% of shares          |
| Type of operation and NACE code             | Manufacture of perfumes and toilet preparations 20.42<br>Wholesale of perfume and cosmetics 46.45<br>Retail sale of cosmetic and toilet articles 47.75<br>Retail sale via mail order houses or via Internet 47.91                    |
| The board members of the Parent Company     | Lote Tisenkopfa - Iltnere – Chairman of the Board<br>Uldis Iltners – Member of the Board<br>Paula Tisenkopfa – Member of the Board until 29.08.2021<br>Tatjana Čornija – Member of the Board from 30.08.2021                         |
| Council of the Parent Company               | Anna Ramata Stunda – Chairman of the Council<br>Liene Drāzniece – Deputy Chairman of the Council<br>Anna Andersone – Member of the Council<br>Edgars Pētersons – Member of the Council<br>Sari Hannele Rosin – Member of the Council |
| Reporting period                            | 01.01.2021 until 31.12.2021  |
| Previous reporting period                   | 01.01.2020 until 31.12.2020  |
| Subsidiaries                                | Madara Retail SIA, reg. No 40103212103 – 100%<br>Cosmetics Nord SIA, reg. No 40103277805 – 100%<br>Madara Cosmetics GmbH, reg No HRB 177689 – 100%   |





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DEAR SHAREHOLDERS OF AS MADARA COSMETICS,

WE HAVE SUCCESSFULLY COMPLETED THE 15<sup>TH</sup> YEAR OF OUR OPERATIONS – AND IT HAS BEEN A YEAR OF GROWTH IN ALL AREAS.

WE HAVE CONTINUED TO STRENGTHEN OUR POSITION AS ONE OF THE MOST INNOVATIVE MANUFACTURERS OF NATURAL COSMETICS IN EUROPE, INCREASING OUR TURNOVER BY 20% AND CONTINUING TO COMBINE NATURE, SCIENCE, MODERN TECHNOLOGIES AND SUSTAINABILITY IN COSMETIC PRODUCTS OF EVEN HIGHER QUALITY.

IN 2021, WE HAVE SUCCESSFULLY CONTINUED TO IMPLEMENT OUR GROWTH STRATEGY AND MOVED CLOSER TO THE END CUSTOMER, BOTH BY INCREASING SALES IN THE [MADARACOSMETICS.COM](https://www.madaracosmetics.com) ONLINE STORE TO 35% OF TOTAL CONSOLIDATED TURNOVER AND BY EXPANDING COOPERATION WITH THIRD-PARTY ONLINE STORES. WE ARE ALSO CONTINUING DISTRIBUTION IN INCREASINGLY MORE COUNTRIES AND ARE WORKING DIRECTLY WITH RETAILERS.

WE ARE MOVING FORWARDS WITH A TRULY POSITIVE VIEW AND ENERGY.



ULDIS ILTNERIS  
AS MADARA COSMETICS  
BOARD MEMBER

A handwritten signature in white ink, consisting of a stylized 'U' followed by a large, flowing 'I' and a final flourish.



## THE MOST IMPORTANT EVENTS IN 2021



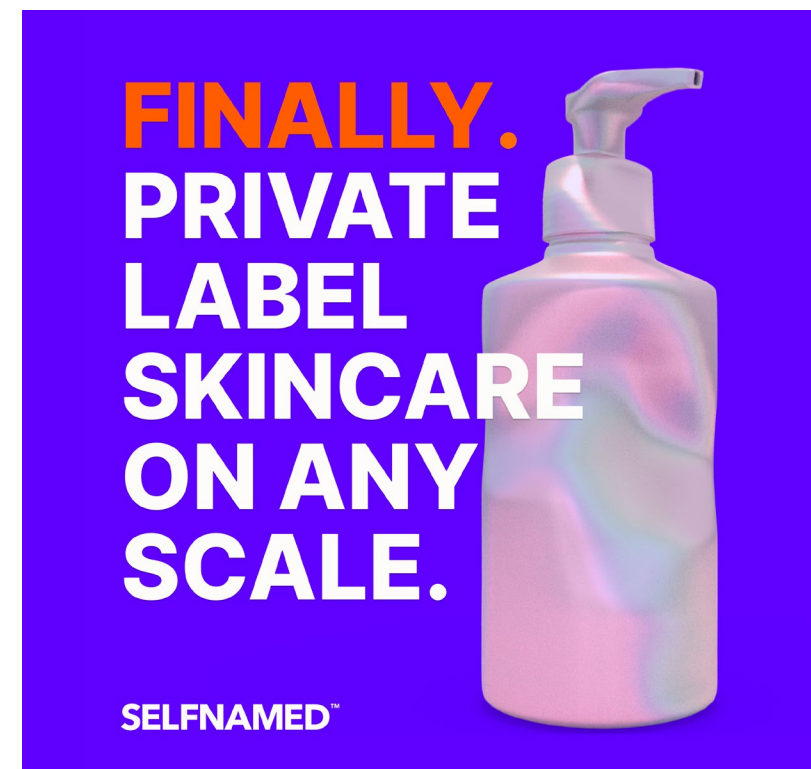
### CLOSER TO THE END CUSTOMER

The Company continued to move closer to end customers last year. The turnover of the [madaracosmetics.com](https://www.madaracosmetics.com) online store, which is one of the most important sales channels of the Company, reached 35% of total consolidated turnover, which is 2 percentage points more than a year earlier. Last year, significant technical improvements were made to the website and online store, placing particular focus on user-friendly shopping on mobile devices. The turnover of third-party online stores has also increased. The Company currently cooperates with more than 10 leading online cosmetics stores in Europe, such as [douglas.de](https://www.douglas.de), [flaconi.de](https://www.flaconi.de), [feelunique.com](https://www.feelunique.com).

The turnover of third-party online stores is expected to continue its rapid growth. Another important aspect is the takeover of distributor roles – we have been working according to such a principle in Germany and France for more than 5 years. Last year we successfully took over distributor functions in the Netherlands, Belgium and United Kingdom; in January 2022 – also in Sweden and Denmark. Moving closer to the end customers has proven to be a successful strategy and we will continue to implement this policy.

### SELFNAMED.COM

We call this project the first technological startup of AS MADARA Cosmetics. Following the trends and responding to the growing demand for small batch production, within Cosmetics Nord, a subsidiary of AS MADARA Cosmetics that provides contract manufacturing services, we have created a new print-on-demand self-service platform [selfnamed.com](https://selfnamed.com), where customers can create their own assortment from the available cosmetics catalogue, prepare the packaging design and order products without any minimum volume limit. A new product range has been developed for this project, along with a special printing and processing process for executing such type of orders. This allows one to execute the orders in a few days, and in combination with the unlimited minimum order volume it creates a unique offer in the cosmetics contract manufacturing segment. The total investments in the project until February 2022 are EUR 350 000. Currently work continues to further develop the product catalogue and to improve the [selfnamed.com](https://selfnamed.com) self-service platform.



## SUSTAINABILITY INITIATIVES

In 2021, we joined the Business Sustainability Council of Latvia, which unites companies from various industries with the goal of exchanging knowledge, increasing public awareness of sustainability and creating a more sustainable business environment in Latvia. The Company also decided to begin the B Corp certification process, which is an internationally recognized standard for sustainable and forward-thinking companies. We continue to support the NGO Centrs MARTA, as well as the associated partner of the World Wide Fund for Nature (WWF) in Latvia to protect and replenish natural meadows. We have also donated EUR 10 000 to the Botanical Garden of the University of Latvia, for the support of the revitalisation project of the historic linden alley. The Company has worked at improving e-commerce practices, offering less CO<sub>2</sub> intensive deliveries.



### 16 NEW PRODUCTS IN THE MÁDARA RANGE

In 2021, 16 new skincare and makeup products were launched under the MÁDARA brand. The most significant new products include technologically complex formulas of vitamin C cream and serum, products of even higher protection in the highly demanded SPF line, as well as the long-awaited Deep Matter Bold Volume Mascara, which already ranked among the best-selling MÁDARA products in the first month after it was launched. In close cooperation with dermatologists, the development of the ACNE line has been continued, offering natural and effective solutions for acne-prone skin. A product of completely new category has also been added to the assortment – natural certified, gynecologically tested intimate wash for women.



### NEW PRODUCTS FOR 2021

#### MÁDARA

TIME MIRACLE Radiant Shield Day Cream SPF15  
TIME MIRACLE Reface Sleep & Peel Overnight Serum  
Vitamin C Illuminating Recovery Cream  
SOS Hydra Intense Rose Jelly  
INTIM Hyaluron-Lactic Intim Wash  
SHAPE Caffeine-Maté Cellulite Cream  
SPF50 Plant Stem Cell Ultra-Shield Sunscreen

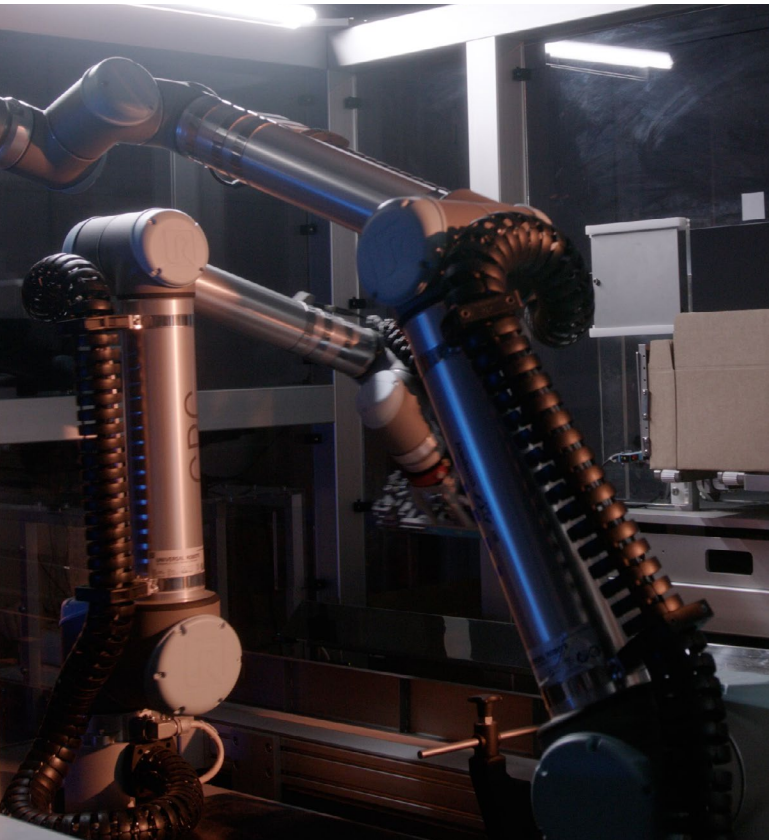
SPF50 Pro-Active Sunscreen stick  
ACNE Hydra-Derm Balancing Fluid  
ACNE Sebum Control Clear Skin Wash  
BOOST Amino-fill 3D Lifting Booster  
BOOST Hyaluronic Collagen Booster  
Vitamin C Intense Glow Concentrate

#### MAKEUP

VELVET WEAR Matte Cream Lipstick, tone - WHISPER  
VELVET WEAR Matte Cream Lipstick, tone - AURA

DEEP MATTER Bold Volume Mascara





## AUTOMATION OF PRODUCTION PROCESSES

In the second half of 2021 the first robots joined our production team, facilitating the packaging of products in the primary packaging and transportation boxes. The new equipment allows to streamline and speed up manual and monotone operations.

## AWARDS AND RECOGNITIONS

MÁDARA skincare products regularly receive recognition in international competitions. In 2021, MÁDARA Derma Collagen Hydra-Fill Firming Serum was recognised as the best serum in several categories at the Beauty Shortlist Awards (UK). MÁDARA ACNE Acute Spot Roll-On was recognised as the best product for acne-prone skin. MÁDARA makeup products have also been ranked highly – MÁDARA Skin Equal Soft Glow Foundation SPF15 has been recognised as the best foundation, and MÁDARA Velvet Wear Matte Cream Lipstick has been recognised as the best lipstick. In the Dutch Beauty Awards 2021 – an important event in the Netherlands – MÁDARA skincare products were nominated in the Green Beauty and Innovative Beauty categories.



## THE TEAM

In 2021, we celebrated the 15<sup>th</sup> anniversary of the Company and the strength of our team. Currently, our team already unites more than 200 professionals from Latvia

and abroad. We all work together every day with a mission to bring nature closer to contemporary people.



Please follow the Company news and current affairs on our investor page:

**INVESTORS.MADARACOSMETICS.COM**



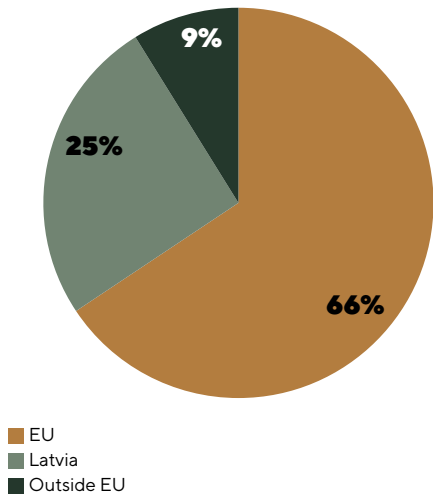
# SALES

In 2021 the Company achieved consolidated turnover of EUR 19.37 million, reaching a 20% increase over the previous year. In the second half of the year, turnover amounted to EUR 9.45 million, also a 20% increase compared to the corresponding period last year.

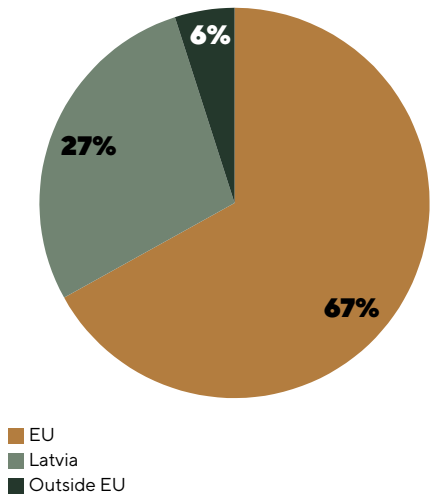
The Company continued to pursue a growth strategy and we moved closer to our end customers. We developed the direct e-commerce channel, launching a new online store platform [madaracosmetics.com](https://madaracosmetics.com) at the end of 2021.

In 2021 new products continued to be developed, in total offering 16 new ones. We are especially proud of our most challenging products from the development perspective – SPF 50 sunscreen products, vitamin C concentrate and cream, as well as our first Deep Matter Bold Volume Mascara. Already in the first month on the market, the mascara listed among the best-selling products of the MÁDARA brand. We also continued to improve and expand the body care product group plus product group for acne-prone skin, as well as our lipstick line.

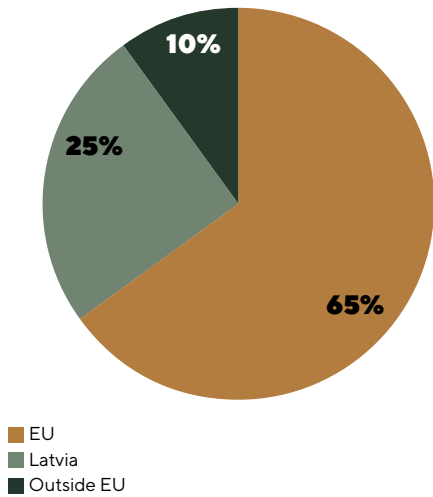
Sales distribution in Latvia, the EU and outside EU (2021)



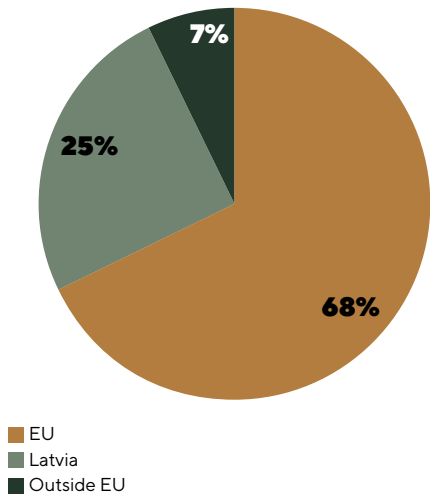
Sales distribution in Latvia, the EU and outside EU (2020)



Sales distribution in Latvia, the EU and outside EU (2021 H2)



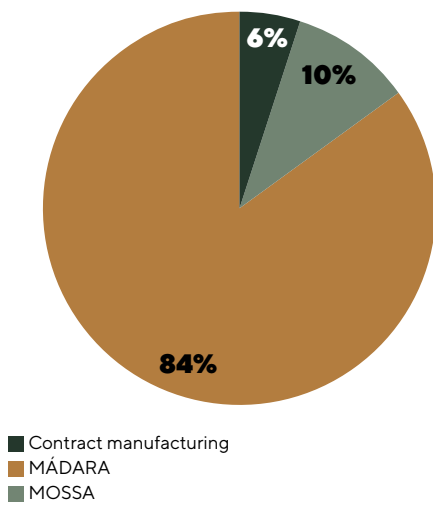
Sales distribution in Latvia, the EU and outside EU (2020 H2)



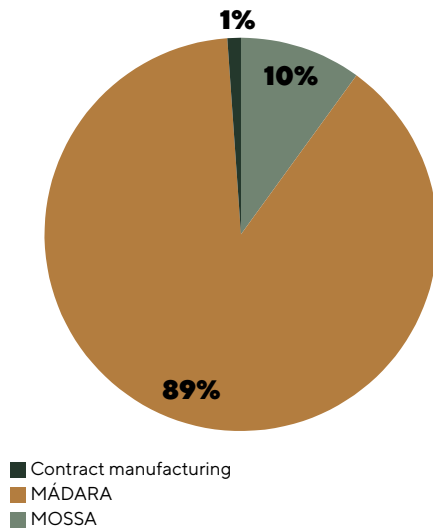
In 2021, Latvia's turnover increased by 14% compared to the previous year. In the European Union (excluding Latvia) turnover grew by 18%, while outside the European Union 89% turnover growth was achieved, which also affected the distribution of revenue share by region. We see that in 2021, the turnover share from countries outside of the European Union increased by 3 percentage points, while the turnover share of Latvia decreased by 2 percentage points, turnover share of the European Union (excluding Latvia) decreased by 1 percentage point.

2021 was noteworthy with the direct distribution takeover in three European Union countries – Belgium, the Netherlands and the United Kingdom. So far, we successfully performed the functions of a direct product distributor in Germany and France, and in the beginning of 2022 we took over distribution in two more countries – Sweden and Denmark.

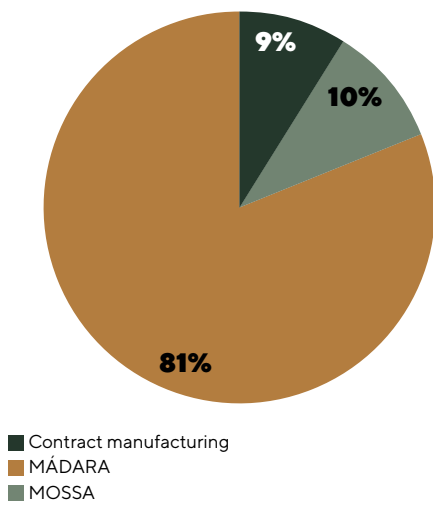
Sales distribution by product categories (2021)



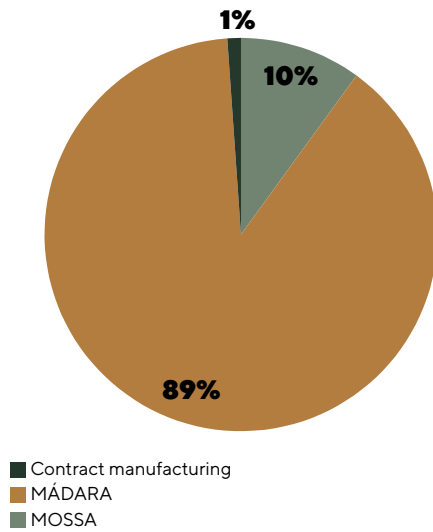
Sales distribution by product categories (2020)



Sales distribution by product categories (2021 H2)



Sales distribution by product categories (2020 H2)



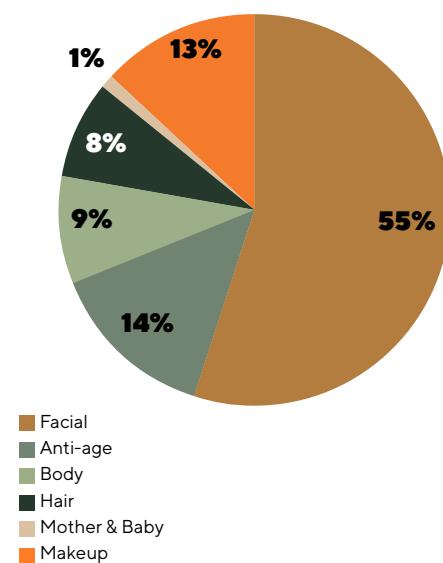


In 2021, the turnover of the MÁDARA brand continued healthy growth, however the MÁDARA brand share decreased by 5 percentage points year-on-year and by 8 percentage points in the second half of the year. This is attributed to the successful development of the contract manufacturing segment. The share of the contract manufacturing segment increased by 5 percentage points year-on-year, while the second half of the year saw a material 8 percentage points increase. The development of the contract manufacturing is in line with the Company's strategy, growth is planned in the future periods as well.

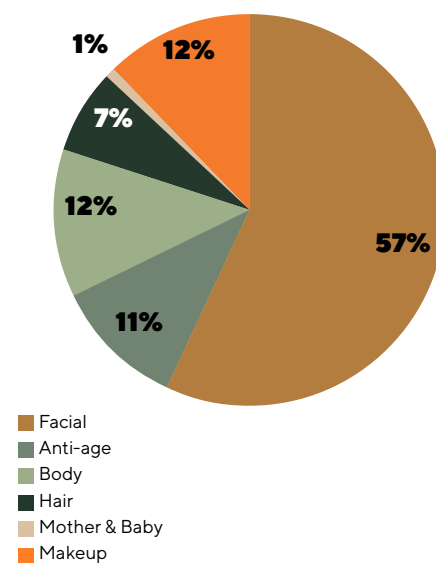
The share of the MOSSA brand remained stable at 10%.

There was a change in the distribution of MÁDARA brand turnover by product groups. The share of facial products decreased by 2 percentage points, while the anti-age product segment grew by 3 percentage points, attributed to the successful development of the Time Miracle product line. There was also a 3 percentage point drop in the body product category products and a slight 1 percentage point increase in each of the hair and makeup categories.

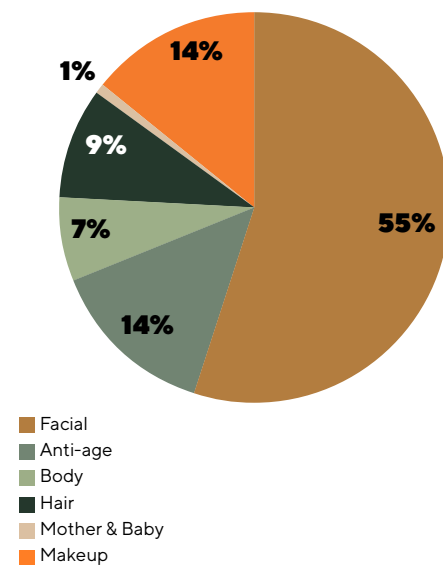
Sales distribution of MÁDARA products by categories (2021)



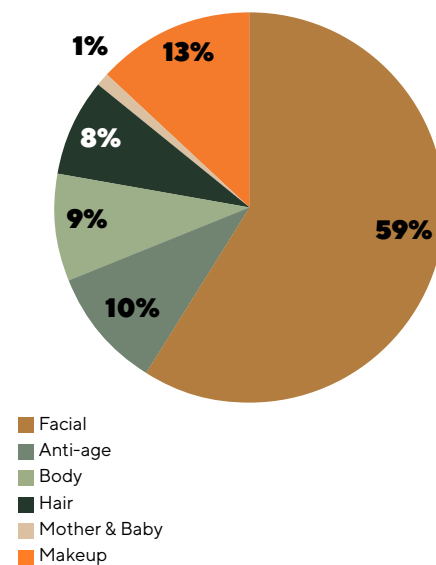
Sales distribution of MÁDARA products by categories (2020)



Sales distribution of MÁDARA products by categories (2021 H2)



Sales distribution of MÁDARA products by categories (2020 H2)





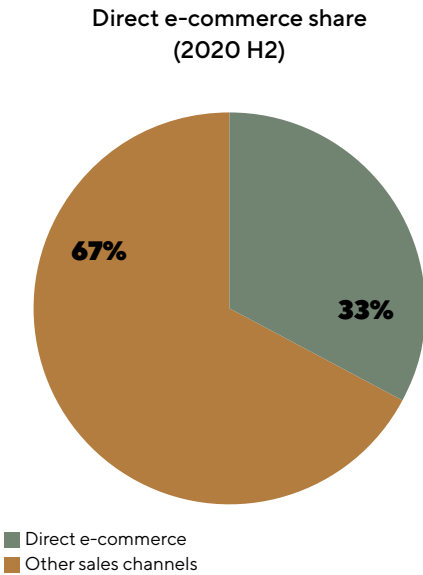
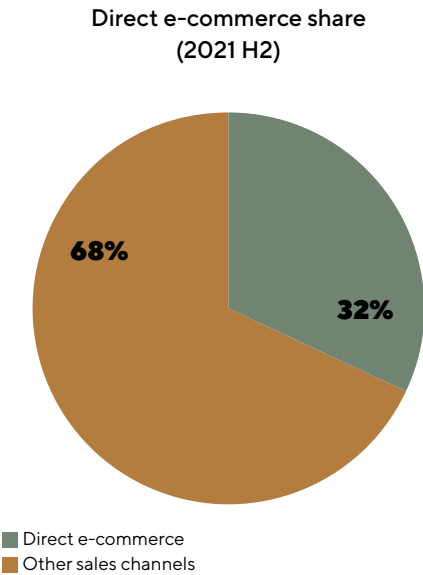
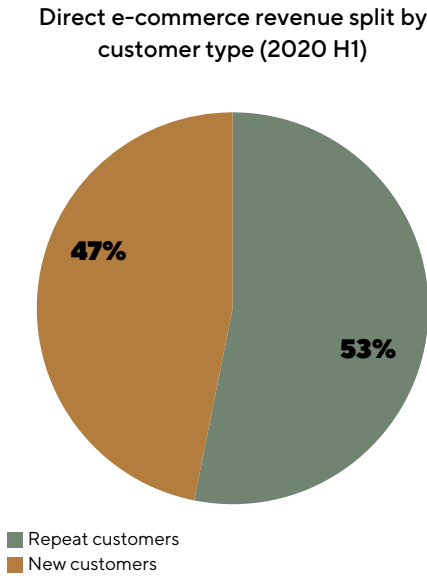
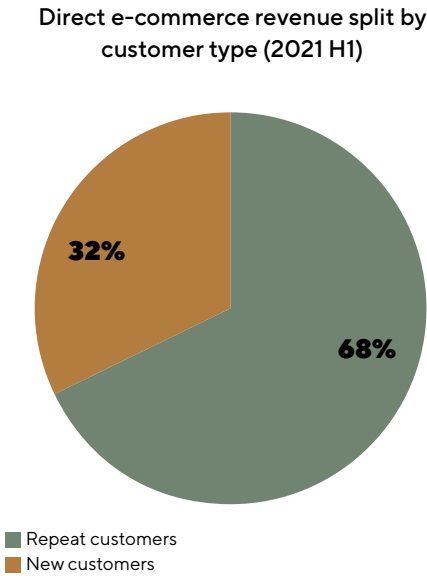
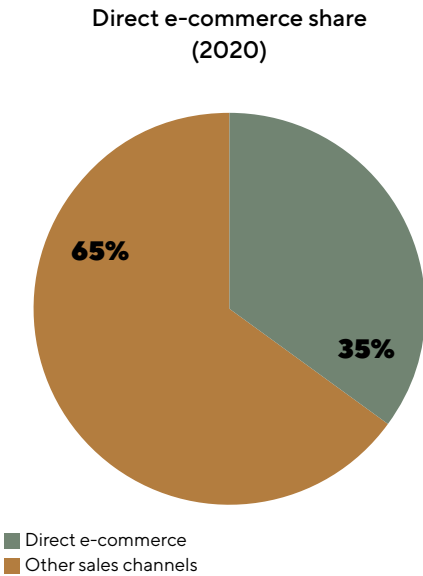
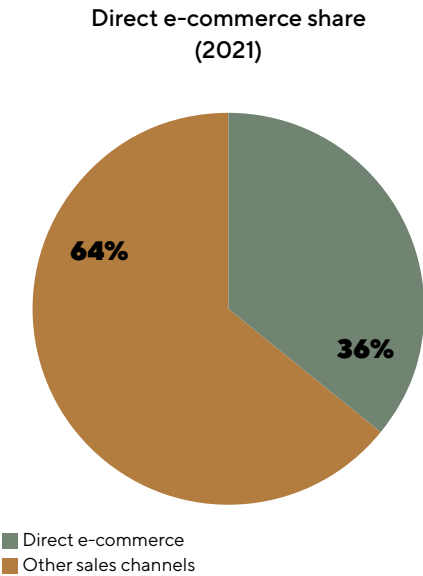
# E-COMMERCE INDICATORS

We continue providing shareholders with an insight into the performance of direct e-commerce. In 2021 turnover of direct e-commerce increased by 28%, its share of

the parent Company's revenue stood at 36%, a 1 percentage point increase compared to the previous year.

The number of unique users increased by 19% in the second half of 2021 and by 32% year-on-year. The number of active users (at least 1 purchase in the previous year) increased by 115% compared to the previous year. In the second half of 2021, the largest (68%) direct e-commerce turnover part came from customers that according to Company's criteria were classified as repeat customers,

32% of turnover came from new customers. We will continue to work on attracting new and retaining existing customers. At the end of 2021, we launched a new online store platform [madaracosmetics.com](https://www.madaracosmetics.com), which we plan to develop further on a regular basis. We expect that the new online store will have a positive impact on the results of direct e-commerce in the coming periods.





# FINANCIAL INDICATORS

In 2021, EBITDA was EUR 4.67 million, a 10% increase over the previous year. We closed the year with a EUR 3.66 million profit after taxes showing a 6% increase compared to the previous year. Nevertheless, profitability indicators were slightly lower. The gross profit margin and operating profit margins decreased by 1 percentage point, while the net profit margin reduced by 2 percentage points. At the end of the year, by investing over EUR 500 000, we launched the new online store platform [madaracosmetics.com](https://madaracosmetics.com).

We expect that the new website and its expanded capabilities will improve customer shopping experience and promote further growth of our direct e-commerce channel.

Also in 2021, we actively worked on the Selfnamed [selfnamed.com](https://selfnamed.com) print-on-demand project. As of February 2022, EUR 350 000 had been invested in the

project, part of which was recognized as an expense in the Income statement.

The Company continued to implement research and development of new products within the Competence Centres programme, and in 2021 received EUR 130 000 support for R&D activities.

Management guidance for the turnover target of the Company for 2023 is EUR 27 million and remains unchanged.

Growth will be based on stronger emphasis on direct product distribution markets that we took over in 2021 and 2022, we will work on new markets and growth markets (including third party online stores), actively continue improving our own online store as well as cooperation with our existing partners. Growth is also expected in the contract manufacturing and print-on-demand segment.

| Key ratios and indicators                  | 2021<br>EUR       | 2020<br>EUR       | 2021 H2<br>EUR   | 2020 H2<br>EUR   |
|--|-------------------|-------------------|------------------|------------------|
| Net turnover                               | 19 366 045        | 16 074 581        | 9 454 953        | 7 860 713        |
| Cost of goods sold                         | (6 324 883)       | (5 216 275)       | (3 187 584)      | (2 150 904)      |
| <b>Gross profit</b>                        | <b>13 041 162</b> | <b>10 858 306</b> | <b>6 267 369</b> | <b>5 709 809</b> |
| Depreciation, amortisation and write-downs | 557 046           | 614 976           | 289 886          | 266 191          |
| Leasehold improvements write-off expense   | 86 440            | 84 489            | 43 439           | 42 575           |
| <b>Operating profit</b>                    | <b>4 023 745</b>  | <b>3 534 516</b>  | <b>1 639 600</b> | <b>1 750 584</b> |
| Interest income                            | 1 014             | 57 014            | 245              | 9 827            |
| Interest expense                           | (14 664)          | (28 456)          | (7 359)          | (20 369)         |
| <b>Profit before taxes</b>                 | <b>4 010 095</b>  | <b>3 563 074</b>  | <b>1 632 486</b> | <b>1 740 042</b> |
| <b>Net profit for the period</b>           | <b>3 664 611</b>  | <b>3 445 172</b>  | <b>1 660 326</b> | <b>1 622 140</b> |

| Key ratios and indicators                      | 2021    | 2020    | 2021 H2 | 2020 H2 |
|--|---------|---------|---------|---------|
| EBITDA (TEUR)                                  | 4 667   | 4 234   | 1 973   | 2 059   |
| <b>Profitability and sustainability ratios</b> |         |         |         |         |
| 1. Gross Margin (%)                            | 67      | 68      | 66      | 73      |
| 2. Operating Margin (%)                        | 21      | 22      | 17      | 22      |
| 3. Net Margin (%)                              | 19      | 21      | 18      | 21      |
| 4. TTM ROE (%)                                 | 27      | 31      | 27      | 31      |
| 5. TTM ROA (%)                                 | 26      | 28      | 26      | 28      |
| <b>Liquidity ratios</b>                        |         |         |         |         |
| 6. Current ratio (x)                           | 6.14    | 6.47    | 6.14    | 6.47    |
| 7. Quick ratio (x)                             | 4.05    | 4.03    | 4.05    | 4.03    |
| 8. Working capital (TEUR)                      | 10 494  | 9 472   | 10 494  | 9 472   |
| <b>Leverage ratios</b>                         |         |         |         |         |
| 9. Financial debt to equity (x)                | 0.00    | 0.01    | 0.00    | 0.01    |
| 10. Debt to equity (x)                         | 0.14    | 0.14    | 0.14    | 0.14    |
| 11. Net financial debt (TEUR)                  | (6 573) | (5 580) | (6 573) | (5 580) |
| 12. Net gearing (%)                            | (45.06) | (44.89) | (45.06) | (44.89) |

\* EBITDA = Operating profit + depreciation expense + amortisation expense + leasehold improvements write-off expense

- Gross profit/Net turnover\*100
- Operating profit/Net turnover\*100
- Net profit/Net turnover\*100
- Trailing 12 Months (TTM) Net Profit/Total equity (average)\*100
- TTM Operating profit/Total assets (average)\*100
- Current assets/Current liabilities
- (Current assets-Inventories)/Current liabilities
- Current assets-Current liabilities
- Loans from financial institutions/Total equity
- Total debt/Total equity
- Total financial debt-Cash
- (Total financial debt-Cash)/Total equity\*100





# UNAUDITED CONSOLIDATED FINANCIAL REPORT

The financial statements have been prepared in accordance with Republic of Latvia accountancy Standards.

## CONSOLIDATED INCOME STATEMENT

|   | Note | 1.01.2021<br>-31.12.20 21<br>EUR (unaudited) | 1.07.2021<br>-31.12.2021<br>EUR (unaudited) | 1.01.2020<br>-31.12.2020<br>EUR (audited) | 1.07.2020<br>-31.12.2020<br>EUR (unaudited) |
|---|------|--|---|---|---|
| Net turnover                                  | 2    | 19 366 045                                   | 9 454 953                                   | 16 074 581                                | 7 860 713                                   |
| Cost of goods sold                            | 3    | (6 324 883)                                  | (3 187 584)                                 | (5 216 275)                               | (2 150 904)                                 |
| <b>Gross profit</b>                           |      | <b>13 041 162</b>                            | <b>6 267 369</b>                            | <b>10 858 306</b>                         | <b>5 709 809</b>                            |
| Selling expenses                              | 4    | (7 716 983)                                  | (3 897 241)                                 | (6 294 735)                               | (3 365 168)                                 |
| Administration expenses                       | 5    | (1 486 950)                                  | (773 100)                                   | (1 221 272)                               | (617 201)                                   |
| Other operating income                        | 6    | 384 658                                      | 200 579                                     | 437 521                                   | 130 229                                     |
| Other operating expenses                      | 7    | (198 142)                                    | (158 007)                                   | (245 304)                                 | (107 085)                                   |
| Interest and similar income                   | 8    | 1 014  | 245   | 57 014                                    | 9 827                                       |
| Interest and similar expenses                 | 9    | (14 664)                                     | (7 359)                                     | (28 456)                                  | (20 369)                                    |
| <b>Profit before corporate income tax</b>     |      | <b>4 010 095</b>                             | <b>1 632 486</b>                            | <b>3 563 074</b>                          | <b>1 740 042</b>                            |
| Corporate income tax for the financial period |      | (345 484)                                    | 27 840                                      | (117 902)                                 | (117 902)                                   |
| <b>Profit for the reporting period</b>        |      | <b>3 664 611</b>                             | <b>1 660 326</b>                            | <b>3 445 172</b>                          | <b>1 622 140</b>                            |

The accompanying notes on pages 26 to 33 are an integral part of these consolidated financial statements.



## CONSOLIDATED BALANCE SHEET

| Assets   | Note      | 31.12.2021<br>EUR (unaudited) | 30.06.2021<br>EUR (unaudited) | 31.12.2020<br>EUR (audited) | 30.06.2020<br>EUR (unaudited) |
|--|-----------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
| <b>Non-current assets</b>                                      |           |                               |                               |                             |                               |
| <b>Intangible assets</b>                                       |           |                               |                               |                             |                               |
| Development costs  |           | 32 157                        | 48 235                        | 64 314                      | 80 392                        |
| Concessions, licences, patents, trade marks and similar rights |           | 994 507                       | 516 966                       | 589 267                     | 554 622                       |
| Prepayments for intangible assets                              |           | 74 452                        | 182 115                       | 12 095                      | 52 035                        |
| <b>Total intangible assets</b>                                 | <b>10</b> | <b>1 101 116</b>              | <b>747 316</b>                | <b>665 676</b>              | <b>687 049</b>                |
| <b>Property, plant and equipment</b>                           |           |                               |                               |                             |                               |
| Land   |           | 468 722                       | 213 722                       | 213 722                     | 213 722                       |
| Leasehold improvements   |           | 306 991                       | 342 772                       | 378 186                     | 407 591                       |
| Plant and equipment  |           | 1 479 495                     | 1 039 748                     | 1 091 948                   | 974 255                       |
| Other fixed assets   |           | 418 442                       | 304 302                       | 333 369                     | 382 595                       |
| Construction in progress                                       |           | 213 636                       | 69 729                        | 31 869                      | 20 700                        |
| Prepayments for property, plant and equipment                  |           | 20 864                        | 481 274                       | 200 128                     | 22 638                        |
| <b>Total property, plant and equipment</b>                     | <b>11</b> | <b>2 908 150</b>              | <b>2 451 547</b>              | <b>2 249 222</b>            | <b>2 021 501</b>              |
| <b>Non-current financial investments</b>                       |           |                               |                               |                             |                               |
| Other non-current receivables and other receivables            | 12        | 82 124                        | 68 027                        | 68 027                      | 68 027                        |
| Other securities and investments                               | 13        | 826                           | 826                           | 826                         | 826                           |
| <b>Total non-current financial investments</b>                 |           | <b>82 950</b>                 | <b>68 853</b>                 | <b>68 853</b>               | <b>68 853</b>                 |
| <b>Total non-current assets</b>                                |           | <b>4 092 216</b>              | <b>3 267 716</b>              | <b>2 983 751</b>            | <b>2 777 403</b>              |
| <b>Current assets</b>  |           |                               |                               |                             |                               |
| <b>Inventories</b>   |           |                               |                               |                             |                               |
| Raw materials  | 14        | 2 558 295                     | 2 054 906                     | 2 002 631                   | 1 410 356                     |
| Finished goods and goods for sale                              | 15        | 1 414 347                     | 1 584 029                     | 1 671 361                   | 1 146 380                     |
| Prepayments for inventories                                    |           | 289 652                       | 598 421                       | 549 484                     | 284 170                       |
| <b>Total inventories</b>                                       |           | <b>4 262 294</b>              | <b>4 237 356</b>              | <b>4 223 476</b>            | <b>2 840 906</b>              |
| <b>Receivables</b>   |           |                               |                               |                             |                               |
| Trade receivables  | 16        | 1 465 346                     | 1 643 799                     | 1 208 837                   | 1 681 118                     |
| Other receivables  | 17        | 178 142                       | 28 389                        | 53 082                      | 264 586                       |
| Accrued revenue  |           | 1 000                         | 200                           | 36 808                      | 4 611                         |
| Deferred expenses  |           | 28 598                        | 70 779                        | 34 500                      | 30 358                        |
| <b>Total receivables</b>                                       |           | <b>1 673 086</b>              | <b>1 743 167</b>              | <b>1 333 227</b>            | <b>1 980 673</b>              |
| <b>Cash</b>  | <b>18</b> | <b>6 600 065</b>              | <b>5 932 186</b>              | <b>5 645 859</b>            | <b>5 574 113</b>              |
| <b>Total current assets</b>                                    |           | <b>12 535 445</b>             | <b>11 912 709</b>             | <b>11 202 562</b>           | <b>10 395 692</b>             |
| <b>Total assets</b>  |           | <b>16 627 661</b>             | <b>15 180 425</b>             | <b>14 186 313</b>           | <b>13 173 095</b>             |

The accompanying notes on pages 26 to 33 are an integral part of these consolidated financial statements.

## CONSOLIDATED BALANCE SHEET

| Equity and liabilities                   | Note      | 31.12.2021<br>EUR (unaudited) | 30.06.2021<br>EUR (unaudited) | 31.12.2020<br>EUR (audited) | 30.06.2020<br>EUR (unaudited) |
|--|-----------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
| <b>Equity</b>                            |           |                               |                               |                             |                               |
| Share capital                            | 19        | 377 058                       | 376 924                       | 376 924                     | 374 524                       |
| Share premium                            |           | 4 023 454                     | 4 023 454                     | 4 023 454                   | 4 023 454                     |
| Retained earnings:                       |           |                               |                               |                             |                               |
| a) prior year retained earnings          |           | 6 520 961                     | 6 521 094                     | 4 583 619                   | 5 147 805                     |
| b) profit for the period                 |           | 3 664 611                     | 2 004 285                     | 3 445 172                   | 1 806 784                     |
| <b>Total equity</b>                      |           | <b>14 586 084</b>             | <b>12 925 757</b>             | <b>12 429 169</b>           | <b>11 352 567</b>             |
| <b>Liabilities</b>                       |           |                               |                               |                             |                               |
| <b>Non-current liabilities</b>           |           |                               |                               |                             |                               |
| Other liabilities                        |           | 346                           | 5 790                         | 26 991                      | 51 407                        |
| <b>Total non-current liabilities</b>     | <b>21</b> | <b>346</b>                    | <b>5 790</b>                  | <b>26 991</b>               | <b>51 407</b>                 |
| <b>Current liabilities</b>               |           |                               |                               |                             |                               |
| Bank borrowings                          | 20        | -                             | -                             | 5 952                       | 41 666                        |
| Advances from customers                  |           | 83 254                        | 115 908                       | 76 059                      | 97 554                        |
| Trade payables                           |           | 915 303                       | 835 219                       | 626 138                     | 841 916                       |
| Taxes and social insurance contributions | 22        | 302 010                       | 607 346                       | 157 405                     | 238 511                       |
| Other payables                           | 23        | 268 583                       | 273 883                       | 252 504                     | 264 515                       |
| Deferred revenue                         |           | -                             | -                             | -                           | 11 824                        |
| Accrued liabilities                      |           | 472 081                       | 416 522                       | 612 095                     | 273 135                       |
| <b>Total current liabilities</b>         |           | <b>2 041 231</b>              | <b>2 248 878</b>              | <b>1 730 153</b>            | <b>1 769 121</b>              |
| <b>Total liabilities</b>                 |           | <b>2 041 577</b>              | <b>2 254 668</b>              | <b>1 757 144</b>            | <b>1 820 528</b>              |
| <b>Total equity and liabilities</b>      |           | <b>16 627 661</b>             | <b>15 180 425</b>             | <b>14 186 313</b>           | <b>13 173 095</b>             |

The accompanying notes on pages 26 to 33 are an integral part of these consolidated financial statements.



CONSOLIDATED CASH FLOW STATEMENT

Indirect method

|   | Note      | 1.01.2021<br>-31.12.20 21<br>EUR (unaudited) | 1.07.2021<br>-31.12.2021<br>EUR (unaudited) | 1.01.2020<br>-31.12.2020<br>EUR (audited) | 1.07.2020<br>-31.12.2020<br>EUR (unaudited) |
|---|-----------|--|---|---|---|
| <b>Cash flow of operating activities</b>                                    |           |  |   |   |   |
| Profit before taxes   |           | 4 010 095                                    | 1 632 486                                   | 3 563 074                                 | 1 740 042                                   |
| <b>Corrections:</b>   |           |  |   |   |   |
| Corrections of decrease in value of fixed assets                            | 11        | 464 043                                      | 242 822                                     | 545 405                                   | 226 518                                     |
| Corrections of decrease in value of intangible assets                       | 10        | 229 924                                      | 106 585                                     | 186 216                                   | 98 326                                      |
| Revenue from the recognition of ERAF funds                                  |           | (159 031)                                    | (87 345)                                    | (254 728)                                 | (114 259)                                   |
| Interest and similar income   | 8         | (714)  | (245)                                       | (55 010)                                  | (7 823)                                     |
| Interest and similar expenses   | 9         | 3 881  | 1 434                                       | 8 578                                     | 3 950                                       |
| <b>Profit before adjustments for current assets and current liabilities</b> |           | <b>4 548 198</b>                             | <b>1 895 737</b>                            | <b>3 993 535</b>                          | <b>1 946 754</b>                            |
| <b>Corrections:</b>   |           |  |   |   |   |
| Increase / decrease in receivables  |           | (61 989)                                     | 406 691                                     | (119 166)                                 | 161 737                                     |
| Increase / decrease in inventories  |           | (298 650)                                    | (333 707)                                   | (918 886)                                 | (858 584)                                   |
| Increase / decrease in payables and other payables                          |           | 356 125                                      | (188 674)                                   | 493 977                                   | (240 269)                                   |
| <b>Gross cash flow of operating activities</b>                              |           | <b>4 543 684</b>                             | <b>1 780 047</b>                            | <b>3 449 460</b>                          | <b>1 009 638</b>                            |
| Interest payments   |           | (3 881)                                      | (1 434)                                     | (8 578)                                   | (3 950)                                     |
| Income tax payments   |           | (374 707)                                    | -   | (140 447)                                 | (140 447)                                   |
| <b>Net cash flow of operating activities</b>                                |           | <b>4 165 096</b>                             | <b>1 778 613</b>                            | <b>3 300 435</b>                          | <b>865 241</b>                              |
| <b>Investment activities cash flow</b>                                      |           |  |   |   |   |
| Other investments   |           | (14 097)                                     | (14 097)                                    | -   | -   |
| Acquisition of fixed assets and intangible assets                           |           | (1 788 335)                                  | (1 159 810)                                 | (728 988)                                 | (531 192)                                   |
| Issued loans  |           | -  | -   | 950 000                                   | -   |
| Proceeds of loan repayments   |           | -  | -   | 250 000                                   | 250 000                                     |
| Received interest   |           | 714  | 245   | 59 621                                    | 7 823                                       |
| <b>Investment activities cash flow</b>                                      |           | <b>(1 801 718)</b>                           | <b>(1 173 662)</b>                          | <b>530 633</b>                            | <b>(273 369)</b>                            |
| <b>Financing activities cash flow</b>                                       |           |  |   |   |   |
| Proceeds from ERAF funds  |           | 159 031                                      | 87 345                                      | 209 613                                   | 102 435                                     |
| Repaid financial lease liabilities  |           | (54 555)                                     | (24 417)                                    | (59 134)                                  | (25 061)                                    |
| Dividends paid  |           | (1 507 696)                                  | -   | (561 786)                                 | (561 786)                                   |
| Repaid loan   | 20        | (5 952)                                      | -   | (103 286)                                 | (35 714)                                    |
| <b>Financing activities cash flow</b>                                       |           | <b>(1 409 172)</b>                           | <b>62 928</b>                               | <b>(514 593)</b>                          | <b>(520 126)</b>                            |
| <b>Increase / decrease in cash and cash equivalents</b>                     |           | <b>954 206</b>                               | <b>667 879</b>                              | <b>3 316 475</b>                          | <b>71 746</b>                               |
| <b>Cash and cash equivalents at the beginning of the reporting period</b>   | <b>18</b> | <b>5 645 859</b>                             | <b>5 932 186</b>                            | <b>2 329 384</b>                          | <b>5 574 113</b>                            |
| <b>Cash and cash equivalents at the end of the financial period</b>         | <b>18</b> | <b>6 600 065</b>                             | <b>6 600 065</b>                            | <b>5 645 859</b>                          | <b>5 645 859</b>                            |

The accompanying notes on pages 26 to 33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Share capital<br>EUR | Share premium<br>EUR | Retained<br>earnings<br>EUR | Total equity<br>EUR |
|---|----------------------|----------------------|-----------------------------|---------------------|
| <b>Balance as of 31 December 2019 (audited)</b>   | <b>374 524</b>       | <b>4 023 454</b>     | <b>5 147 805</b>            | <b>9 545 783</b>    |
| Distribution of dividends                         | -                    | -                    | (561 786)                   | <b>(561 786)</b>    |
| Increase in share capital                         | 2 400                | -                    | (2 400)                     | -                   |
| Profit for the reporting period                   | -                    | -                    | 3 445 172                   | <b>3 445 172</b>    |
| <b>Balance as of 31 December 2020 (audited)</b>   | <b>376 924</b>       | <b>4 023 454</b>     | <b>8 028 791</b>            | <b>12 429 169</b>   |
| Distribution of dividends                         | -                    | -                    | (1 507 696)                 | <b>(1 507 696)</b>  |
| Profit for the reporting period                   | -                    | -                    | 2 004 285                   | <b>2 004 285</b>    |
| <b>Balance as of 30 June 2021 (unaudited)</b>     | <b>376 924</b>       | <b>4 023 454</b>     | <b>8 525 380</b>            | <b>12 925 758</b>   |
| Increase in share capital                         | 134                  | -                    | (134)                       | -                   |
| Profit for the reporting period                   | -                    | -                    | 1 660 326                   | <b>1 660 326</b>    |
| <b>Balance as of 31 December 2021 (unaudited)</b> | <b>377 058</b>       | <b>4 023 454</b>     | <b>10 185 572</b>           | <b>14 586 084</b>   |

The accompanying notes on pages 26 to 33 are an integral part of these consolidated financial statements.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (2) Net turnover

Turnover is the income received during the year from the Group's main activities - sale of goods and provision of services without value added tax.

|   | 1.01.2021<br>-31.12.2021<br>EUR (unaudited) | 1.01.2020<br>-31.12.2020<br>EUR (audited) |
|---|---|---|
| <b>Turnover by geographical markets:</b>          |   |   |
| Revenue from the sale of goods in European Union  | 12 551 896                                  | 10 665 000                                |
| Revenue from the sale of goods in Latvia          | 4 829 893                                   | 4 238 904                                 |
| Revenue from the sale of goods in other markets   | 1 790 294                                   | 947 727                                   |
| Revenue from rendering services                   | 179 262                                     | 203 661                                   |
| Revenue from the sale of stands                   | 14 700                                      | 19 289                                    |
| <b>Total</b>                                      | <b>19 366 045</b>                           | <b>16 074 581</b>                         |
| <b>(3) Cost of goods sold</b>                     |   |   |
| Materials cost                                    | 3 363 384                                   | 2 467 138                                 |
| Remuneration for work                             | 1 386 037                                   | 1 187 136                                 |
| Social security contributions                     | 325 890                                     | 285 534                                   |
| Fixed asset depreciation                          | 247 963                                     | 329 791                                   |
| Current assets write-off                          | 237 518                                     | 256 818                                   |
| Production service costs                          | 204 812                                     | 161 973                                   |
| Premises rent and management costs                | 149 123                                     | 149 123                                   |
| New product research and development costs        | 148 778                                     | 137 921                                   |
| Resource costs                                    | 84 000                                      | 54 413                                    |
| Leasehold improvements write-off                  | 72 401                                      | 70 449                                    |
| Development costs write-off                       | 32 157                                      | 32 157                                    |
| ECOCERT quality certificate maintenance costs     | 24 735                                      | 31 660                                    |
| Car maintenance, fuel and repair costs            | 20 169                                      | 20 626                                    |
| Business trip costs                               | -   | 1 449                                     |
| Other production and production maintenance costs | 27 916                                      | 30 087                                    |
| <b>Total</b>                                      | <b>6 324 883</b>                            | <b>5 216 275</b>                          |
| <b>(4) Selling expenses</b>                       |   |   |
| Advertising costs                                 | 2 748 899                                   | 2 181 187                                 |
| Remuneration for work                             | 1 500 026                                   | 1 251 894                                 |
| Transport costs                                   | 1 114 032                                   | 889 125                                   |

|   | 1.01.2021<br>-31.12.2021<br>EUR (unaudited) | 1.01.2020<br>-31.12.2020<br>EUR (audited) |
|---|---|---|
| Sample production costs   | 637 764                                     | 631 724                                   |
| Social security contributions                                       | 354 786                                     | 303 286                                   |
| Intermediate services costs   | 317 808                                     | 144 744                                   |
| Trade promotion costs   | 259 164                                     | 235 303                                   |
| Fixed asset depreciation  | 245 512                                     | 214 367                                   |
| Maintenance costs of sales platforms                                | 147 137                                     | 71 442                                    |
| Premises rent and maintenances costs                                | 112 659                                     | 133 687                                   |
| Royalties   | 54 381                                      | 27 917                                    |
| Business trip and exhibitions costs                                 | 39 414                                      | 64 391                                    |
| Costs of warehouse services   | 32 234                                      | 34 163                                    |
| Car maintenance, fuel and repair costs                              | 22 562                                      | 20 179                                    |
| Internet shop WEB page maintenance costs and other IT costs         | 20 341                                      | 3 421                                     |
| Leasehold improvements write-off                                    | 14 039                                      | 14 040                                    |
| Representation costs  | 7 111                                       | 10 842                                    |
| Other sales expenses  | 89 114                                      | 63 023                                    |
| <b>Total</b>  | <b>7 716 983</b>                            | <b>6 294 735</b>                          |
| <b>(5) Administration expenses</b>                                  |   |   |
| Remuneration for work   | 534 173                                     | 447 826                                   |
| Cash outflow related costs  | 181 111                                     | 153 128                                   |
| Office costs  | 145 734                                     | 146 571                                   |
| Social security contributions                                       | 123 949                                     | 103 821                                   |
| Premises rent and maintenances costs                                | 75 227                                      | 71 712                                    |
| Depreciation and amortisation                                       | 63 571                                      | 70 818                                    |
| Staff sustainability costs  | 57 140                                      | 25 347                                    |
| Employee health insurance   | 49 314                                      | 14 799                                    |
| Membership fees in professional organizations                       | 38 948                                      | 5 332                                     |
| Legal and other professional service costs                          | 31 182                                      | 40 965                                    |
| Maintenance costs of the resource management and accounting program | 29 105                                      | 10 208                                    |
| Securities circulation costs  | 24 412                                      | 23 254                                    |
| Car maintenance, fuel and repair costs                              | 23 086                                      | 21 810                                    |
| Audit costs   | 22 681                                      | 20 145                                    |
| Communication costs   | 16 995                                      | 13 746                                    |
| Allowance for doubtful receivables                                  | 5 698                                       | 19 206                                    |
| Work trip costs   | 353   | 3 658                                     |
| Other management and administration costs                           | 64 271                                      | 28 926                                    |
| <b>Total</b>  | <b>1 486 950</b>                            | <b>1 221 272</b>                          |



|  | 1.01.2021<br>-31.12.2021<br>EUR (unaudited) | 1.01.2020<br>-31.12.2020<br>EUR (audited) |
|--|---|---|
| <b>(6) Other operating income</b>                |   |   |
| State aid to overcome the COVID-19 crisis        | 206 172                                     | -   |
| Revenues from the ERAF projects                  | 159 031                                     | 254 728                                   |
| Revenue from the current assets sale             | 7 087                                       | 22 221                                    |
| Revenue from the resold packaging                | -   | 148 075                                   |
| Other revenues                                   | 12 368                                      | 12 497                                    |
| <b>Total</b>                                     | <b>384 658</b>                              | <b>437 521</b>                            |
| <b>(7) Other operating expenses</b>              |   |   |
| Donations  | 77 000                                      | 42 000                                    |
| Nature protection costs                          | 20 988                                      | 17 753                                    |
| Security service costs                           | 18 370                                      | 2 505                                     |
| Staff recruitment and training costs             | 16 862                                      | 10 695                                    |
| Labor protection costs                           | 11 159                                      | 17 051                                    |
| Resold purchased goods and services              | 6 620                                       | 134 098                                   |
| Other expenses                                   | 47 143                                      | 21 202                                    |
| <b>Total</b>                                     | <b>198 142</b>                              | <b>245 304</b>                            |
| <b>(8) Interest and similar income</b>           |   |   |
| Interest income on current financial investments | -   | 47 129                                    |
| Other interest income                            | 1 014                                       | 9 885                                     |
| <b>Total</b>                                     | <b>1 014</b>                                | <b>57 014</b>                             |
| <b>(9) Interest and similar expenses</b>         |   |   |
| Currency exchange rate fluctuations              | 8 374                                       | 19 592                                    |
| Factoring fees                                   | 4 718                                       | 3 833                                     |
| Interest on obligations under finance leases     | 1 365                                       | 2 872                                     |
| Interest on borrowings                           | 17  | 1 828                                     |
| Other interest payments                          | 190   | 331                                       |
| <b>Total</b>                                     | <b>14 664</b>                               | <b>28 456</b>                             |





**( 10 ) INTANGIBLE ASSETS**

|  | Concessions, patents,<br>licenses, trademarks<br>and similar rights<br>(EUR) | Prepayments for<br>intangible assets<br>(EUR) | Development<br>costs<br>(EUR) | Total<br>intangible<br>assets<br>(EUR) |
|--|--|---|-------------------------------|--|
| <b>Cost as of 31.12.2020</b>                         | <b>927 892</b>   | <b>12 095</b>                                 | <b>96 471</b>                 | <b>1 036 458</b>                       |
| Additions  | -  | 647 890                                       | -                             | 647 890                                |
| Adjustments  | -  | (850)   | -                             | (850)                                  |
| Transfers  | 584 683  | (584 683)                                     | -                             | -                                      |
| <b>Cost as of 31.12.2021</b>                         | <b>1 512 575</b>   | <b>74 452</b>                                 | <b>96 471</b>                 | <b>1 683 498</b>                       |
| <b>Accumulated amortisation<br/>as of 31.12.2020</b> | <b>338 625</b>   | <b>-</b>                                      | <b>32 157</b>                 | <b>370 782</b>                         |
| Amortisation charged                                 | 179 443  | -   | 32 157                        | 211 600                                |
| <b>Accumulated amortisation<br/>as of 31.12.2021</b> | <b>518 068</b>   | <b>-</b>                                      | <b>64 314</b>                 | <b>582 382</b>                         |
| <b>Net book value as of 31.12.2020</b>               | <b>589 267</b>   | <b>12 095</b>                                 | <b>64 314</b>                 | <b>665 676</b>                         |
| <b>Net book value as of 31.12.2021</b>               | <b>994 507</b>   | <b>74 452</b>                                 | <b>32 157</b>                 | <b>1 101 116</b>                       |

**( 11 ) FIXED ASSETS MOVEMENT TABLE**

|  | Leasehold<br>improve-<br>ments<br>(EUR) | Land<br>(EUR)  | Equipment<br>and<br>machinery<br>(EUR) | Other<br>fixed<br>assets<br>(EUR) | Construc-<br>tion in<br>progress<br>(EUR) | Prepay-<br>ments for<br>property,<br>plant and<br>equipment<br>(EUR) | Total fixed<br>assets<br>(EUR) |
|--|---|----------------|--|-----------------------------------|---|--|--------------------------------|
| <b>Cost as of 31.12.2020</b>                             | <b>769 584</b>                          | <b>213 722</b> | <b>3 062 909</b>                       | <b>784 585</b>                    | <b>31 869</b>                             | <b>200 128</b>   | <b>5 062 797</b>               |
| Additions  | -                                       | -              | -                                      | -                                 | 528 262                                   | 612 490  | 1 140 752                      |
| Disposals  | -                                       | -              | (7 700)                                | (91 618)                          | -   | 543  | (98 775)                       |
| Transfers  | 15 245                                  | 255 000        | 601 606                                | 266 941                           | (346 495)                                 | (792 297)  | -                              |
| <b>Cost as of 31.12.2021</b>                             | <b>784 829</b>                          | <b>468 722</b> | <b>3 656 815</b>                       | <b>959 908</b>                    | <b>213 636</b>                            | <b>20 864</b>  | <b>6 104 774</b>               |
| <b>Accumulated<br/>depreciation as of<br/>31.12.2020</b> | <b>391 398</b>                          | <b>-</b>       | <b>1 970 961</b>                       | <b>451 216</b>                    | <b>-</b>                                  | <b>-</b>   | <b>2 813 575</b>               |
| Depreciation<br>charged                                  | 86 440                                  | -              | 214 059                                | 163 544                           | -   | -  | 464 043                        |
| Disposals  | -                                       | -              | (7 700)                                | (73 294)                          | -   | -  | (80 994)                       |
| <b>Accumulated<br/>depreciation as of<br/>31.12.2021</b> | <b>477 838</b>                          | <b>-</b>       | <b>2 177 320</b>                       | <b>541 466</b>                    | <b>-</b>                                  | <b>-</b>   | <b>3 196 624</b>               |
| <b>Net book value as of<br/>31.12.2020</b>               | <b>378 186</b>                          | <b>213 722</b> | <b>1 091 948</b>                       | <b>333 369</b>                    | <b>31 869</b>                             | <b>200 128</b>   | <b>2 249 222</b>               |
| <b>Net book value as of<br/>31.12.2021</b>               | <b>306 991</b>                          | <b>468 722</b> | <b>1 479 495</b>                       | <b>418 442</b>                    | <b>213 636</b>                            | <b>20 864</b>  | <b>2 908 150</b>               |

|   | 31.12.2021<br>EUR (unaudited) | 31.12.2020<br>EUR (audited) |
|---|-------------------------------|-----------------------------|
| <b>( 12 ) Other non-current receivables and other receivables</b> |                               |                             |
| Rent security deposit   | 82 124                        | 68 027                      |
| <b>Total</b>  | <b>82 124</b>                 | <b>68 027</b>               |
| <b>( 13 ) Other securities and investments</b>                    |                               |                             |
| Other investments   | 826                           | 826                         |
| <b>Total</b>  | <b>826</b>                    | <b>826</b>                  |
| <b>( 14 ) Raw materials</b>                                       |                               |                             |
| Raw materials and materials, gross value                          | 2 558 295                     | 2 011 548                   |
| Allowance for slow moving inventories                             | -                             | (8 917)                     |
| <b>Total</b>  | <b>2 558 295</b>              | <b>2 002 631</b>            |
| <b>( 15 ) Finished goods and goods for sale</b>                   |                               |                             |
| Cosmetic products   | 1 347 245                     | 1 623 399                   |
| Advertising materials   | 72 102                        | 88 609                      |
| Allowance for slow moving inventories                             | (5 000)                       | (40 647)                    |
| <b>Total</b>  | <b>1 414 347</b>              | <b>1 671 361</b>            |
| <b>( 16 ) Trade receivables</b>                                   |                               |                             |
| Trade receivables, gross value                                    | 1 487 478                     | 1 307 136                   |
| Allowance for doubtful trade receivables                          | (22 132)                      | (98 299)                    |
| <b>Total</b>  | <b>1 465 346</b>              | <b>1 208 837</b>            |
| <b>( 17 ) Other receivables</b>                                   |                               |                             |
| VAT overpayment   | 76 647                        | 19 620                      |
| State aid to overcome the COVID-19 crisis                         | 32 750                        | -                           |
| Advance payments for services                                     | 22 915                        | -                           |
| CIT overpayment   | 14 568                        | 22 794                      |
| Other receivables   | 31 262                        | 10 668                      |
| <b>Total</b>  | <b>178 142</b>                | <b>53 082</b>               |
| <b>( 18 ) Cash</b>  |                               |                             |
| Cash in bank accounts and digital payment systems                 | 6 600 065                     | 5 645 859                   |
| <b>Total</b>  | <b>6 600 065</b>              | <b>5 645 859</b>            |

**( 19 ) Share capital**

As of 31 December 2021, the registered and fully paid-in share capital of the Group's parent Company amounts to EUR 377 057.60 and consists of 3 770 576 shares with a nominal value of EUR 0.10 per share.

Since 2017, AS Madara Cosmetics has implemented share options program for its employees as additional motivation and involvement tool. Share options may be acquired by employees of the Company, managers of departments and members of Council who have made a significant contribution to the Company. The granting of share options is exercised by the Board in accordance with procedures specified in the resolutions of the shareholders' meeting and the amount of options granted. The Company does not apply the fair value model to the program of share options and in accordance with the procedure share options are exercised at par value at the expense of retained earnings.



|  | 31.12.2021<br>EUR (unaudited)                                      | 31.12.2020<br>EUR (audited)                                       |
|--|--|---|
| <b>( 20 ) Bank borrowings</b>  |  |   |
| SWEDBANK loan  | -  | 5 952   |
| <b>Total bank borrowings</b>   | <b>-</b>   | <b>5 952</b>  |
| <b>Bank loan covenants</b><br>During the reporting period the parent Company had complied with all loan covenants of the borrowing agreements. |  |   |
| <b>( 21 ) Other non-current liabilities</b>  |  |   |
| Lease liabilities  | 346  | 5 790   |
| <b>Total other non-current liabilities</b>   | <b>346</b>   | <b>5 790</b>  |
| <b>( 22 ) Taxes and social insurance contributions</b>   |  |   |
| Value added tax (OSS)  | 138 162  | -   |
| Social insurance contributions   | 98 679   | 86 174  |
| Personal income tax  | 52 929   | 42 057  |
| Value added tax (Germany)  | 11 166   | 28 740  |
| Other taxes and duties   | 1 074  | 434   |
| <b>Total</b>   | <b>302 010</b>   | <b>157 405</b>  |
| <b>( 23 ) Other current liabilities</b>  |  |   |
| Salaries   | 202 027  | 164 841   |
| Lease liabilities  | 26 645   | 54 555  |
| Balance of gift cards  | 20 402   | 18 036  |
| Other liabilities  | 19 509   | 15 072  |
| <b>Total other current liabilities</b>   | <b>268 583</b>   | <b>252 504</b>  |
| <b>( 24 ) Transactions with related parties</b>  |  |   |
| <b>Related party</b>   | <b>Purchases of goods and services during the reporting period</b> | <b>Purchases of goods and services during the previous period</b> |
| MC PROPERTIES SIA  | 223 916  | 223 916   |
| <b>Total</b>   | <b>223 916</b>   | <b>223 916</b>  |
| <b>( 25 ) Number of employees in the Group</b>   |  |   |
| Average number of employees per reporting period, including:   | 184  | 160   |
| Members of the Board in the Parent Company   | 3  | 3   |
| Members of the Council in the Parent Company   | 5  | 5   |

|  | 1.01.2021<br>-31.12.2021<br>EUR (unaudited) | 1.01.2020<br>-31.12.2020<br>EUR (audited) |
|--|---|---|
| <b>( 26 ) Information on the remuneration of board members and council of the parent Company</b> |   |   |
| Board members remuneration for the work at the Board   | 21 620                                      | 21 105                                    |
| Council members remuneration for the work at the Council   | 6 676                                       | 11 806                                    |
| <b>Total</b>   | <b>28 296</b>                               | <b>32 911</b>                             |

**( 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. The agreement matures in 2025.

On 30 June 2015, a mortgage agreement signed between A/S SWEDBANK and Group's Parent Company's lessor MC PROPERTIES SIA on pledged item – real estate on 131 Zeltinu Street, Marupe. Real estate is pledged in favor of A/S SWEDBANK and the Group's Parent Company is guarantor for the MC PROPERTIES SIA obtained borrowings; the amount of the guarantee, in accordance with the terms of the contract, is the amount of the outstanding liabilities. In 2021, the mortgage agreement was amended and the amount of liabilities recalculated. Hence, as of 31 December 2021, the outstanding amount of MC PROPERTIES SIA loan to A/S SWEDBANK was EUR 1 010 995.

**( 28 ) Received ERAF financing**

In 2021 the Group participated in and received funding from the European Union support programs.

**( 29 ) Financial risk management**

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

*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 period 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.

*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.









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