



**MÁDARA**  
organic skincare

**MANAGEMENT REPORT  
OF AS MADARA COSMETICS ON  
THE UNAUDITED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR 6 MONTHS OF 2022**

**REPORTING PERIOD  
01.01.2022 – 30.06.2022**





# 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%) as of 12.08.2021	Uldis Iltners – owns 23.92% of shares Lote Tisenkopfa - Iltnere – owns 23.76% of shares Oy Transmeri Group Ab – owns 22.93% of shares Liene Drāzniece – owns 6.79% of shares Zane Tamane – owns 6.35% of shares
Type of operation and NACE code	Manufacture of perfumes and toilet preparations 20.42 Wholesale of perfume and cosmetics 46.45 Retail sale of cosmetic and toilet articles 47.75 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 Uldis Iltners – Member of the Board Tatjana Nagle – Member of the Board
Council of the Parent Company	Anna Ramata Stunda – Chairman of the Council Liene Drāzniece – Deputy Chairman of the Council Anna Andersone – Member of the Council Edgars Pētersons – Member of the Council Sari Hannele Rosin – Member of the Council
Reporting period	01.01.2022 until 30.06.2022
Previous reporting period	01.01.2021 until 30.06.2021
Subsidiaries of the Group	Madara Retail SIA, reg. No 40103212103 – 100% Cosmetics Nord SIA, reg. No 40103277805 – 100% Selfnamed SIA, reg. No 40203354922 – 100% of shares owned by Cosmetics Nord SIA Madara Cosmetics GmbH, reg No HRB 177689 - 100%





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DEAR SHAREHOLDERS OF MADARA COSMETICS AS,

THE FIRST HALF OF 2022 HAS BEEN QUITE EVENTFUL. IT PASSED WITH SOME NOTABLE GLOBAL POLITICAL AND ECONOMIC SHOCKS IN THE BACKGROUND, WHICH BOTH DIRECTLY AND INDIRECTLY IMPACTED THE COMPANY'S OPERATIONS AND DEMANDED THE ADAPTATION TO THE LATTER-DAY SETTING. THE ADAPTATION PROCESS SHOWED THAT THE COMPANY HAS EXCEPTIONAL DIVERSIFIED SALES CHANNELS AND THAT WE CAN COMPENSATE FOR CHANGES IN PARTICULAR CHANNELS WITH THE GROWTH IN OTHER CHANNELS. THE ENVIRONMENT IN THE E-COMMERCE FIELD HIGHLIGHTED THE GROWING COMPETITION IN THE FIRST SIX MONTHS OF 2022, WHILE PHYSICAL SALES CHANNELS HAVE RECOVERED AND SHOW OUTSTANDING GROWTH AFTER THE COLLAPSE CAUSED BY THE PANDEMIC. THE COMPANY HAS ALL THE NECESSARY TOOLS TO ADJUST FOR FURTHER MARKET CHANGES IF THAT IS THE CASE.

IN THE FIRST HALF OF 2022, THE GROUP'S FIRST TECHNOLOGICAL START-UP [SELFNAMED.COM](https://selfnamed.com) WAS LAUNCHED, WHICH OFFERS PERSONALIZED COSMETICS PRODUCT MANUFACTURING WITHOUT ANY LIMITATIONS TO THE MINIMUM ORDER QUANTITY. THIS IS A UNIQUE CONTRACT MANUFACTURING OFFER IN THE COSMETICS INDUSTRY, AND THE CURRENT DYNAMICS GIVE THE GROUND FOR AN OPTIMISTIC SCENARIO REGARDING THE PROJECT'S POTENTIAL. YOU CAN FIND MORE DETAILED INFORMATION FURTHER IN THE REPORT.

THE GLOBAL ENVIRONMENT AND CLIMATE ISSUES ARE STILL AMONG THE MOST TOPICAL AND STIRRING THEMES DISCUSSED WORLDWIDE. TO LEARN MORE ABOUT MADARA COSMETICS AS ACTIONS AND INITIATIVES RELATED TO THE ENVIRONMENT AND SUSTAINABILITY, PLEASE LOOK AT OUR RECENTLY PUBLISHED [ESG REPORT FOR 2021](#).

WE ARE WELL-PREPARED FOR THE NEW CIRCUMSTANCES AND READY TO MOVE ON, GIVING OFF ONLY POSITIVE ENERGY.



ULDIS ILTNERIS  
AS MADARA COSMETICS  
BOARD MEMBER

A handwritten signature in white ink, consisting of a stylized 'U' followed by a series of loops and a final flourish.



# THE MOST SIGNIFICANT EVENTS



## NEW PRODUCT DEVELOPMENT

The Company continues relentless work on new product development. Several product upgrades were launched in the spring of 2022, like 2 new tones of popular *City CC* SPF15 line facial creams and 3 new tones of concealer. Consecutively, 2 long-awaited red color tones not containing animal-origin or artificial dyes complemented our classic *Velvet Wear* lipstick line, which is quite a rarity in the natural and certified makeup segment. Likewise, *Time Miracle Wrinkle Resist* anti-aging eye cream formula was improved, coming together with the new packaging. In line with market and sustainability trends, the eye cream is now available with a multiple-use cooling massage applicator. The MÁDARA body care product line also experienced a revival. Among 2022 spring launches, we can notice AHA body peel, innovative aluminum-free deodorant for men and women, and moisturizing body lotion. The high efficiency of the new products is confirmed with independent dermatological tests.



## DIRECT DISTRIBUTION

In recent years, MÁDARA Cosmetics AS has focused on a direct distribution model. Up until now, direct cooperation with foreign retailers has produced successful results. At the beginning of 2022, we took over product distributor functions in Sweden and Denmark, which has opened new growth opportunities in these markets. Additionally, we have strengthened our team with competent specialists to work with aforementioned markets.

## MÁDARA – NOW ALSO IN GALERIES LAFAYETTE HAUSSMANN IN PARIS

The Company's team keeps putting effort into new physical and digital sales channel acquisitions. Among the most significant accomplishments, we must mention the MÁDARA brand's face, body, and hair care product listing in the world-famous grand department store's *Galeries Lafayette Haussmann* newly opened beauty care section *La Wellness Gallerie* assortment, which unites all industry's top-notch and the most perspective brands. The luxurious department store is one of the most popular tourist destinations in the city, gathering around 37 million visitors every year. The new trading venue is crucial for MÁDARA's brand recognition and prestige in France and worldwide.



## SUSTAINABILITY AND SOCIAL RESPONSIBILITY

In 2021, MÁDARA Cosmetics AS successfully continued to improve countless business processes related to sustainability and efficiency. For the second year, the Company was ranked as the 2<sup>nd</sup> greenest brand in Latvia. More than half of MÁDARA product packaging launched in 2021 contain post-consumer recycled plastics. The Company's production works according to LEAN principles, which allows to increase effectiveness and ensures that an increase in production volumes does not significantly increase the consumption of resources. Additionally, MÁDARA Cosmetics AS supported public-benefit organizations by donating EUR 71 thousand in total to non-governmental organizations such as MARTA Centre, SOS Children's Villages, the oncological patient support organization the Pink Train Foundation, University of Latvia Foundation, and Latvian Fund for Nature.

To read the full ESG report for 2021, please use the following link:

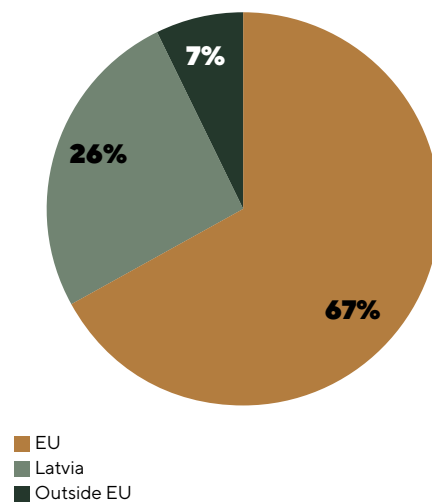
[INVESTORS.MADARACOSMETICS.COM/ESG](https://investors.madaracosmetics.com/ESG)



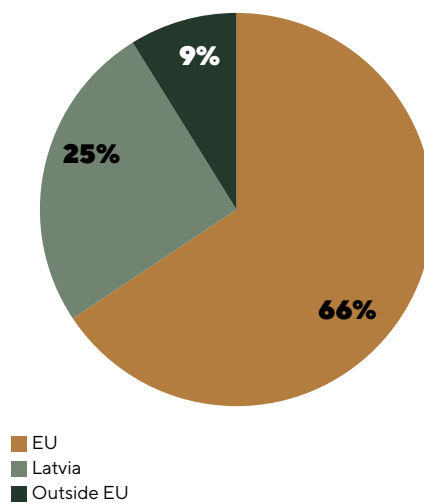
# SALES

Despite the challenging market conditions, the Company maintained a growing trend in the first half of 2022, reaching a consolidated turnover of EUR 10.21 million, an increase of 3% or EUR 301 thousand compared to the corresponding period in 2021. We observe a gradual recovery of physical sales channels, whereas we operate in the e-commerce environment under elevated competition circumstances. Diversifying the Company's sales channels helped adapt to the current market development.

Sales distribution in Latvia, the EU and outside EU (2022 H1)



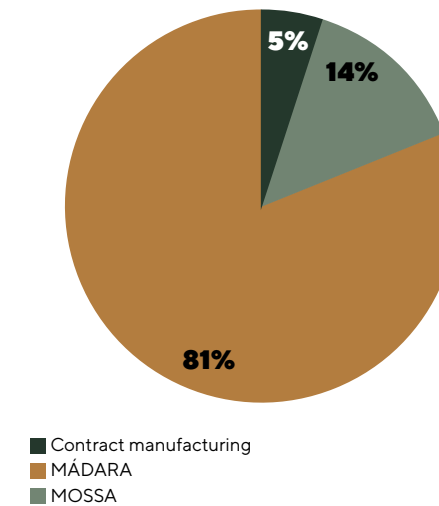
Sales distribution in Latvia, the EU and outside EU (2021 H1)



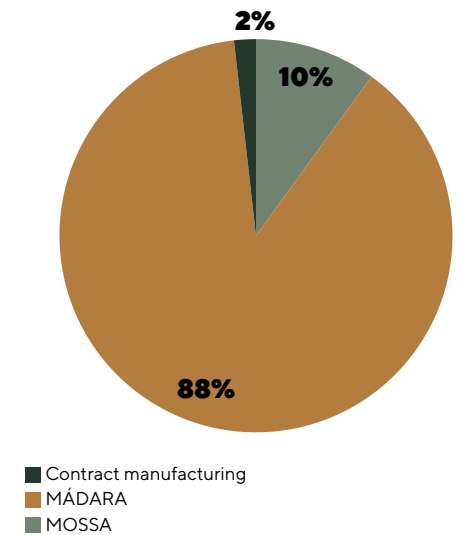
In the first half of 2022, 93% of the turnover was generated in the European Union (including Latvia). The remaining 7% were generated outside the European Union, a decrease of 2 percentage points compared to last year's corresponding period. Finland is still the largest market outside Latvia. In the first half of 2022,

the turnover in Finland grew impressively by 52% and amounted to EUR 2.15 million. The Company actively continued implementing the direct distribution strategy in foreign countries. This year a direct distribution model was implemented in Sweden and Denmark.

Sales distribution by product categories (2022 H1)



Sales distribution by product categories (2021 H1)

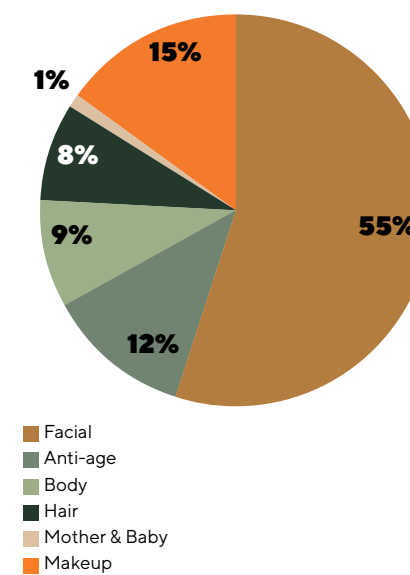


The turnover breakdown by brands shows that the share of contract manufacturing increased by 3 percentage points, an indication of the successful contract manufacturing strategy development in the latest years.

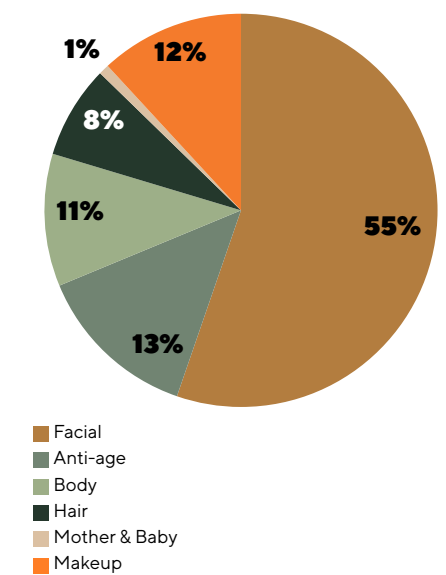
The fastest-growing category of the MĀDARA brand in the first half of 2022 was make up, which increased by

3 percentage points compared to the corresponding period in 2021. The increase was fostered mainly by the excellent sales performance of our new mascara (*Deep Matter Bold Volume Mascara* and *Come Closer Infinite Lash Mascara*) and other current makeup category products.

Sales distribution of MĀDARA products by categories (2022 H1)



Sales distribution of MĀDARA products by categories (2021 H1)





# FINANCIAL INDICATORS

In the first half of 2022, the profit before taxes amounted to EUR 1.27 million, which is a decrease of 46% compared to the same period in 2021. The Company paid out EUR 1.89 million (EUR 0.50 per share) in dividends, paying EUR 471 thousand or 4.6% of the net turnover in taxes.

The gross margin decreased by 3 percentage points in the first half of 2022 compared to the corresponding period in 2021. Some of the main factors for such figures include raw material, transportation, and energy price increases. However, despite rising prices and widespread problems regarding the raw material deficit, the Company has all the necessary materials for production, maintaining a satisfactory yield and competitive product price level.

The 12 percentage point decline in operating margin can be attributed to higher e-commerce advertisement costs, investments related to taken-over direct market development, additional investment for brand recognition boost (2% from the consolidated net turnover),

SELFNAMED losses (1.75% from the consolidated net turnover) and higher depreciation (1.9% from the consolidated net turnover). Although the profitability indicators have worsened, the Company retains enough financial resources to adapt to the new market conditions and perform various upgrowth projects.

The Company continued successfully implementing new product research and development within the Competence Centers program. In the first half of 2022, the Company has received EUR 62 thousand support for R&D activities.

Previously announced management guidance for the turnover target of the Group for 2023 is reduced from EUR 27 million to EUR 22 million. The main reasons for the adjustment are the changes in market development impacted by the global political and economic factors and growing competition in the e-commerce segment. As a result, we predict that the previously set EUR 27 million turnover target could be achieved in 2024.

Key ratios and indicators	2022 H1 EUR	2021 H1 EUR
Net turnover	10 212 458	9 911 092
Cost of goods sold	(3 550 592)	(3 137 299)
<b>Gross profit</b>	<b>6 661 866</b>	<b>6 773 793</b>
Depreciation, amortisation and write-downs	469 728	267 160
Leasehold improvements write-off expense	44 336	43 001
<b>Operating profit</b>	<b>1 274 835</b>	<b>2 384 145</b>
Interest income	384	769
Interest expense	(1 738)	(7 305)
<b>Profit before taxes</b>	<b>1 273 481</b>	<b>2 377 609</b>
<b>Net profit for the period</b>	<b>840 489</b>	<b>2 004 285</b>

Key ratios and indicators	2022 H1	2021 H1
EBITDA (TEUR)	1 789	2 694
<b>Profitability and sustainability ratios</b>		
1. Gross Margin (%)	65	68
2. Operating Margin (%)	12	24
3. Net Margin (%)	8	20
4. TTM ROE (%)	19	30
5. TTM ROA (%)	19	29
<b>Liquidity ratios</b>		
6. Current ratio (x)	4.54	5.30
7. Quick ratio (x)	2.98	3.41
8. Working capital (TEUR)	9 186	9 664
<b>Leverage ratios</b>		
9. Financial debt to equity (x)	0.000	0.004
10. Debt to equity (x)	0.19	0.17
11. Net financial debt (TEUR)	(5 360)	(5 881)
12. Net gearing (%)	(39.57)	(45.50)

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

1. Gross profit/Net turnover\*100
2. Operating profit/Net turnover\*100
3. Net profit/Net turnover\*100
4. Trailing 12 Months (TTM) Net Profit/Total equity (average)\*100
5. TTM Operating profit/Total assets (average)\*100
6. Current assets/Current liabilities
7. (Current assets-Inventories)/Current liabilities
8. Current assets-Current liabilities
9. Loans from financial institutions/Total equity
10. Total debt/Total equity
11. Total financial debt-Cash
12. (Total financial debt-Cash)/Total equity\*100



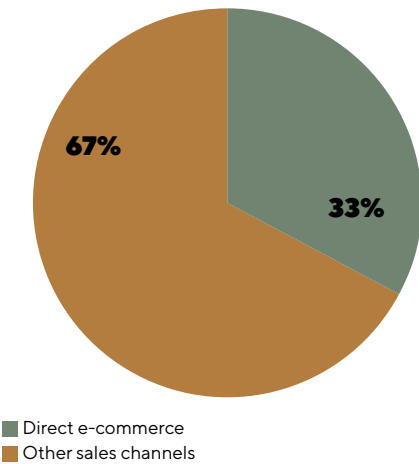
# E-COMMERCE INDICATORS

The first half of 2022 for the e-commerce segment passed in a highly competitive environment. Despite this factor, direct e-commerce still makes up a significant part of the Company's turnover.

The direct e-commerce share in the Parent Company's revenue amounted to 33% in the first half of 2022, a drop of 7 percentage points compared to the results of the first half of 2021.

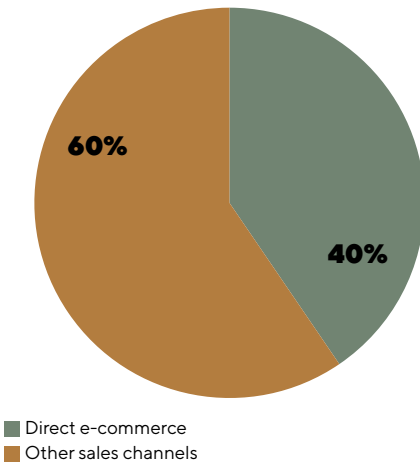
The falling figures in the direct e-commerce share could be explained mainly by the significant competition rise in the e-commerce segment. After the globally rapid e-commerce business development during the COVID-19 pandemic, the growth of the e-commerce field is now more moderate, yet the competition is more saturated. In addition, the performance of e-commerce is also impacted by the growing demand for physical sales channels and its advantages after the mitigation of pandemic-related restrictions.

Direct e-commerce share (2022 H1)



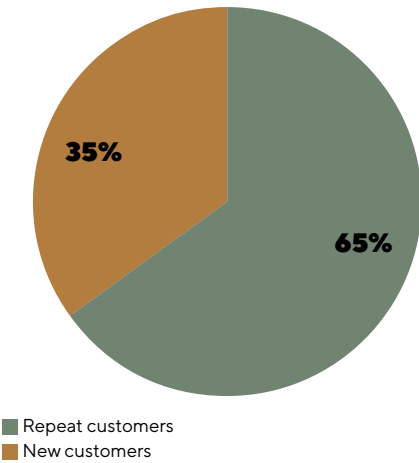
The Company continued to work successfully with new direct e-commerce customers and their acquisition. According to the Company's criteria, more than 1/3 of the customers in the first half of 2022 were classified as new. The percentage split shows that the share of new customers in the Company's e-shops has decreased by 12 percentage points compared to the results of the first half of 2021. However, despite the decline, we find this indicator as satisfactory in the highly competitive environment.

Direct e-commerce share (2021 H1)

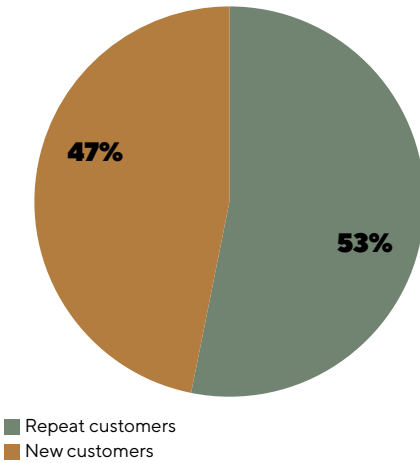


The share and purchases of repeat customers continued to grow – the turnover from regular customers in the first half of 2022 increased by 32% y-o-y. We are planning to continue targeted work on attracting new customers and retaining existing ones.

Revenue split by customer type (2022 H1)



Revenue split by customer type (2021 H1)





# SELFNAMED DEVELOPMENT

From now on, we will offer shareholders some insight into the performance of SELFNAMED, MADARA Cosmetics AS group’s first technological start-up.

This cosmetics manufacturing and packaging print-on-demand business direction was developed in 2021, seeing a specific low-turnover parcel production demand and the absence of market supply. By investing EUR 350 thousand, the Company introduced an individual manufacturing process and a self-service internet platform [selfnamed.com](#). The self-service platform [selfnamed.com](#) was launched in the first quarter of 2022, offering clients a unique opportunity to create their

ECOCERT/COSMOS certified cosmetics line and order products with their brand logo and personalized design without any limitations to the minimum order quantity. The Company’s experience and knowledge in natural cosmetics product manufacturing and post-processing helped to offer a unique face, body, and hair care product assortment, which is regularly broadened.

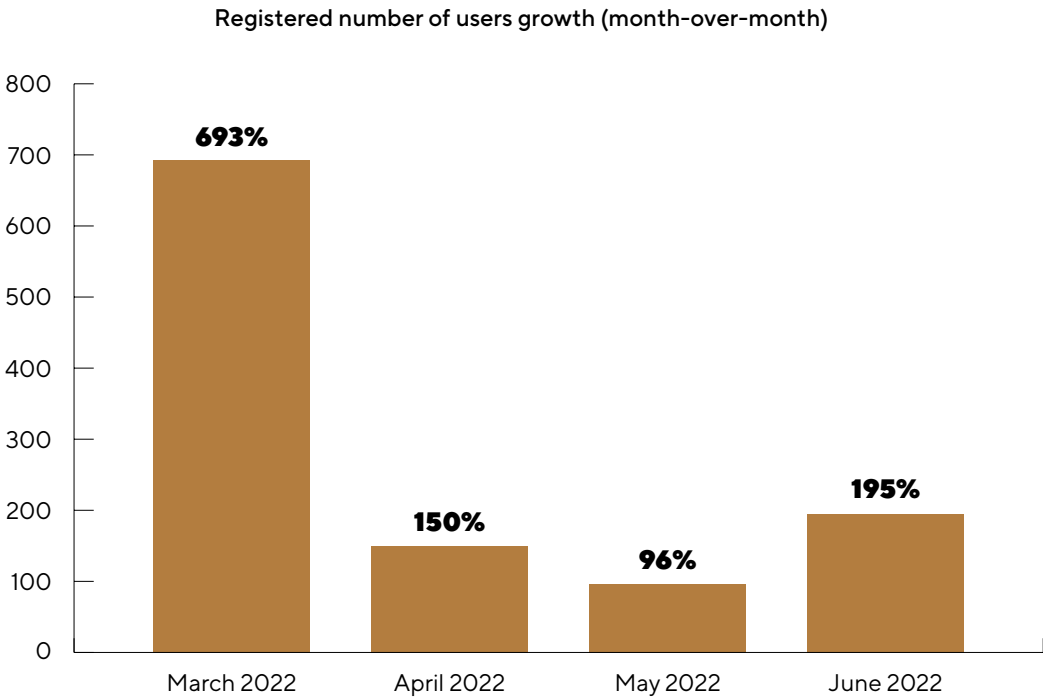
In the first half of 2022, the net turnover for SELFNAMED amounted to EUR 36 thousand, while losses were EUR 143 thousand. Therefore, in order to reach the break-even point and cover the fixed cost base, we must continue to grow the turnover for this business direction.

Key ratios and indicators	2022 H1 EUR
Net turnover	35 908
Cost of goods sold	76 449
Gross profit	(40 541)
Profit before taxes	(142 700)
EBITDA	(124 470)

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

We can observe a positive turnover growth trend for SELFNAMED – the turnover for July 2022 alone has been larger than the turnover of June and May together, which is the effect of clients placing repeated orders and setting up their businesses. Also, the number of clients is

growing each month, a positive signal for future turnover and repeated orders. Of the orders made in the first half of 2022, 33% were repeated orders, making up around half of SELFNAMED’s turnover.



One of the primary tasks for the upcoming periods will be the new client acquisition. In addition, for further progression and client experience improvement, the

SELFNAMED project has applied for additional monetary support to develop a mock-up generator and drop-shipping features.







# CONSOLIDATED FINANCIAL REPORT

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

## CONSOLIDATED INCOME STATEMENT

	Note	1.01.2022 -30.06.2022 EUR (unaudited)	1.01.2021 -30.06.2021 EUR (unaudited)
Net turnover	2	10 212 458	9 911 092
Cost of goods sold	3	(3 550 592)	(3 137 299)
Gross profit		6 661 866	6 773 793
Selling expenses	4	(4 458 117)	(3 819 742)
Administration expenses	5	(888 333)	(713 850)
Other operating income	6	84 323	184 079
Other operating expenses	7	(124 904)	(40 135)
Interest and similar income	8	384	769
Interest and similar expenses	9	(1 738)	(7 305)
Profit before corporate income tax		1 273 481	2 377 609
Corporate income tax for the financial period		(432 992)	(373 324)
Profit for the reporting period		840 489	2 004 285

The accompanying notes on pages 24 to 31 are an integral part of these consolidated financial statements.



## CONSOLIDATED BALANCE SHEET

Assets	Note	30.06.2022 EUR (unaudited)	31.12.2021 EUR (audited)
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Development costs		16 078	32 157
Concessions, licences, patents, trade marks and similar rights		1 186 008	994 507
Other intangible investments		28 667	-
Prepayments for intangible assets		22 993	86 827
<b>Total intangible assets</b>	<b>10</b>	<b>1 253 746</b>	<b>1 113 491</b>
<b>Property, plant and equipment</b>			
Land		468 722	468 722
Leasehold improvements		290 774	306 991
Plant and equipment		1 505 679	1 479 495
Other fixed assets		458 951	418 442
Construction in progress		40 894	213 637
Prepayments for property, plant and equipment		257 062	19 064
<b>Total property, plant and equipment</b>	<b>11</b>	<b>3 022 082</b>	<b>2 906 351</b>
<b>Non-current financial investments</b>			
Other non-current receivables and other receivables	12	82 737	82 124
Other securities and investments		826	826
<b>Total non-current financial investments</b>		<b>83 563</b>	<b>82 950</b>
<b>Total non-current assets</b>		<b>4 359 391</b>	<b>4 102 792</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials	13	2 570 955	2 507 205
Finished goods and goods for sale	14	1 137 672	1 531 759
Prepayments for inventories		329 548	289 856
<b>Total inventories</b>		<b>4 038 175</b>	<b>4 328 820</b>
<b>Receivables</b>			
Trade receivables	15	2 184 370	1 459 592
Other receivables	16	126 043	176 437
Accrued revenue		9 329	12 976
Deferred expenses		56 062	27 819
<b>Total receivables</b>		<b>2 375 804</b>	<b>1 676 824</b>
<b>Cash</b>	<b>17</b>	<b>5 365 512</b>	<b>6 600 065</b>
<b>Total current assets</b>		<b>11 779 491</b>	<b>12 605 709</b>
<b>Total assets</b>		<b>16 138 882</b>	<b>16 708 501</b>

The accompanying notes on pages 24 to 31 are an integral part of these consolidated financial statements.

## CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	30.06.2022 EUR (unaudited)	31.12.2021 EUR (audited)
<b>Equity</b>			
Share capital	18	377 058	377 058
Share premium		4 023 454	4 023 454
Retained earnings:			
a) prior year retained earnings		8 304 364	6 520 961
b) profit for the period		840 489	3 668 691
<b>Total equity</b>		<b>13 545 365</b>	<b>14 590 164</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other liabilities	19	-	346
<b>Total non-current liabilities</b>		<b>-</b>	<b>346</b>
<b>Current liabilities</b>			
Advances from customers		104 619	74 618
Trade payables		1 120 024	942 769
Taxes and social insurance contributions	20	651 005	302 627
Other payables	21	250 522	256 322
Deferred revenue		15 428	15 428
Accrued liabilities	22	451 919	526 227
<b>Total current liabilities</b>		<b>2 593 517</b>	<b>2 117 991</b>
<b>Total liabilities</b>		<b>2 593 517</b>	<b>2 118 337</b>
<b>Total equity and liabilities</b>		<b>16 138 882</b>	<b>16 708 501</b>

The accompanying notes on pages 24 to 31 are an integral part of these consolidated financial statements.



## CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2022 -30.06.2022 EUR (unaudited)	1.01.2021 -30.06.2021 EUR (unaudited)
<b>Cash flow of operating activities</b>			
Profit before taxes		1 273 481	2 377 609
<b>Corrections:</b>			
Depreciation of fixed assets	11	288 802	221 225
Amortisation of intangible assets	10	257 427	105 015
Fixed assets write-downs		-	18 324
Subsidies and grants received		(62 152)	(175 923)
Interest and similar income	8	(384)	(769)
Interest and similar expenses	9	1 298	7 305
<b>Profit before adjustments for current assets and current liabilities</b>		<b>1 758 472</b>	<b>2 552 786</b>
<b>Corrections:</b>			
Increase in receivables		(658 398)	(368 390)
(Increase) / decrease in inventories		290 645	(13 880)
Increase in payables and other payables		511 921	493 564
<b>Gross cash flow of operating activities</b>		<b>1 902 640</b>	<b>2 664 080</b>
Interest payments		(1 298)	(7 305)
Income tax payments		(432 992)	(374 824)
<b>Net cash flow of operating activities</b>		<b>1 468 350</b>	<b>2 281 951</b>
<b>Investment activities cash flow</b>			
Acquisition of fixed assets and intangible assets		(797 145)	(628 529)
Loans issued		-	(140 000)
Revenue from repayment of loans		-	140 000
Received interest		384	769
<b>Investment activities cash flow</b>		<b>(796 761)</b>	<b>(627 760)</b>
<b>Financing activities cash flow</b>			
Proceeds from subsidies and grants		347	175 923
Repaid financial lease liabilities		(21 201)	(30 138)
Dividends paid		(1 885 288)	(1 507 697)
Repaid loan		-	(5 952)
<b>Financing activities cash flow</b>		<b>(1 906 142)</b>	<b>(1 367 864)</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>		<b>(1 234 553)</b>	<b>286 327</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	17	<b>6 600 065</b>	<b>5 645 859</b>
<b>Cash and cash equivalents at the end of the financial period</b>	17	<b>5 365 512</b>	<b>5 932 186</b>

The accompanying notes on pages 24 to 31 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (EUR)	Share premium (EUR)	Retained earnings (EUR)	Total equity (EUR)
<b>Balance as of 31 December 2020</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>
Increase of share capital	134	-	(134)	-
Profit for the reporting period	-	-	3 668 691	<b>3 668 691</b>
<b>Balance as of 31 December 2021</b>	<b>377 058</b>	<b>4 023 454</b>	<b>10 189 652</b>	<b>14 590 164</b>
Distribution of dividends	-	-	(1 885 288)	<b>(1 885 288)</b>
Profit for the reporting period	-	-	840 489	<b>840 489</b>
<b>Balance as of 30 June 2021 (unaudited)</b>	<b>377 058</b>	<b>4 023 454</b>	<b>9 144 853</b>	<b>13 545 365</b>

The accompanying notes on pages 24 to 31 are an integral part of these consolidated financial statements.





# NOTES TO THE FINANCIAL STATEMENTS

## (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.

	1.01.2022 -30.06.2022 EUR (unaudited)	1.01.2021 -30.06.2021 EUR (unaudited)
<b>Turnover by geographical markets:</b>		
Revenue from the sale of goods in the European Union	6 841 318	6 442 746
Revenue from the sale of goods in Latvia	2 644 890	2 501 785
Revenue from the sale of goods in other markets	662 094	868 828
Revenue from the sale of services	62 006	91 231
Other revenue from operating activities	2 150	6 502
<b>Total</b>	<b>10 212 458</b>	<b>9 911 092</b>
<b>(3) Cost of goods sold</b>		
Materials cost	1 785 033	1 715 236
Remuneration for work	759 307	675 124
Social security contributions	179 117	158 817
Depreciation and amortisation	172 986	109 976
Current assets write-off	130 698	99 444
Production service costs	122 796	102 823
New products research and development costs	105 403	76 099
Premises rent and management costs	97 957	74 561
Resource costs	69 024	28 343
Leasehold improvements write-off	36 695	35 981
ECOCERT quality certificate maintenance costs	18 980	19 558
Development costs write-off	16 079	16 079
Other production and production maintenance costs	56 517	25 258
<b>Total</b>	<b>3 550 592</b>	<b>3 137 299</b>
<b>(4) Selling expenses</b>		
Advertising costs	1 432 659	1 369 316
Remuneration for work	876 820	707 637
Transport costs	550 135	631 860
Sample production costs	546 204	354 965
Depreciation and amortisation	267 742	123 171
Social security contributions	206 932	167 716

	1.01.2022 -30.06.2022 EUR (unaudited)	1.01.2021 -30.06.2021 EUR (unaudited)
Mediation service costs	149 398	116 493
Trade promotion costs	115 131	134 876
Costs of trading platform maintenance services	74 990	70 174
Premises rent and maintenances costs	72 347	46 747
Royalties	22 822	21 599
Work trip and exhibitions costs	18 347	3 470
Warehouse service costs	16 265	11 143
Leasehold improvements write-off	7 641	7 020
Representation costs	7 423	1 426
Internet store's WEB page maintenance costs and other IT costs	5 894	14 424
Car maintenance and fuel costs	4 597	8 802
Other sales expenses	82 770	28 903
<b>Total</b>	<b>4 458 117</b>	<b>3 819 742</b>
<b>(5) Administration expenses</b>		
Remuneration for work	329 953	278 104
Office costs	128 626	94 259
Cash outflow related costs	77 727	98 528
Social security contributions	71 009	58 478
Premises rent and maintenances costs	63 170	35 856
Depreciation and amortisation	45 086	34 013
Employee health insurance	33 739	20 798
Legal and other professional service costs	24 467	11 992
Employee catering costs	19 527	-
Securities circulation costs	19 097	16 366
Car maintenance, fuel and repair costs	15 636	14 607
Staff sustainability costs	13 858	1 516
Communication costs	10 071	8 127
Other management and administration costs	36 367	41 206
<b>Total</b>	<b>888 333</b>	<b>713 850</b>
<b>(6) Other operating income</b>		
Revenues from ERAF projects	62 152	71 686
Revenues from the sale of current assets	1 474	6 588
State aid to overcome the COVID-19 crisis	-	104 237
Other revenues	20 697	1 568
<b>Total</b>	<b>84 323</b>	<b>184 079</b>



	1.01.2022 -30.06.2022 EUR (unaudited)	1.01.2021 -30.06.2021 EUR (unaudited)
<b>(7) Other operating expenses</b>		
Donations	60 000	6 000
Staff recruitment and training costs	16 438	7 802
Nature protection costs	8 928	9 395
Other expenses	39 538	16 938
<b>Total</b>	<b>124 904</b>	<b>40 135</b>
<b>(8) Interest and similar income</b>		
Other interest income	384	769
<b>Total</b>	<b>384</b>	<b>769</b>
<b>(9) Interest and similar expenses</b>		
Foreign currency exchange rate fluctuations	440	4 698
Other interest payments	1 298	2 607
<b>Total</b>	<b>1 738</b>	<b>7 305</b>

## ( 10 ) INTANGIBLE ASSETS

	Development costs (EUR)	Concessions, patents, licenses, trademarks and similar rights (EUR)	Other intangible investments (EUR)	Prepayments for intangible assets (EUR)	Total intangible assets (EUR)
<b>Cost as of 31.12.2021</b>	<b>96 471</b>	<b>1 512 575</b>	<b>-</b>	<b>86 827</b>	<b>1 695 873</b>
Additions	-	-	-	390 234	390 234
Corrections	-	-	-	7 448	7 448
Transfers	-	432 363	29 153	(461 516)	-
<b>Cost as of 30.06.2022</b>	<b>96 471</b>	<b>1 944 938</b>	<b>29 153</b>	<b>22 993</b>	<b>2 093 555</b>
<b>Accumulated amortisation as of 31.12.2021</b>	<b>64 314</b>	<b>518 068</b>	<b>-</b>	<b>-</b>	<b>582 382</b>
Amortisation charged	16 079	240 862	486	-	257 427
<b>Accumulated amortisation as of 30.06.2022</b>	<b>80 393</b>	<b>758 930</b>	<b>486</b>	<b>-</b>	<b>839 809</b>
<b>Net carrying amounts as of 31.12.2021</b>	<b>32 157</b>	<b>994 507</b>	<b>-</b>	<b>86 827</b>	<b>1 113 491</b>
<b>Net carrying amounts as of 30.06.2022</b>	<b>16 078</b>	<b>1 186 008</b>	<b>28 667</b>	<b>22 993</b>	<b>1 253 746</b>





( 11 ) FIXED ASSETS MOVEMENT TABLE

	Land (EUR)	Leasehold improve- ments (EUR)	Equipment and machinery (EUR)	Other fixed assets (EUR)	Construc- tion in progress (EUR)	Prepay- ments for property, plant and equiment (EUR)	Total fixed assets (EUR)
Cost as of 31.12.2021	468 722	784 829	3 656 815	959 908	213 637	19 064	6 102 975
Additions			-	-	126 533	280 378	406 911
Adjustments			-	-	(2 378)	-	
Disposals			-	-	-	-	-
Transfers	-	28 119	168 995	142 164	(296 898)	(42 380)	-
Cost as of 30.06.2022	468 722	812 948	3 825 810	1 102 072	40 894	257 062	6 507 508
Accumulated depreciation as of 31.12.2021	-	477 838	2 177 320	541 466	-	-	3 196 624
Depreciation charged	-	44 336	142 811	101 655	-	-	288 802
Accumulated depreciation as of 30.06.2022	-	522 174	2 320 131	643 121	-	-	3 485 426
Net carrying amounts as of 31.12.2021	468 722	306 991	1 479 495	418 442	213 637	19 064	2 906 351
Net carrying amounts as of 30.06.2022	468 722	290 774	1 505 679	458 951	40 894	257 062	3 022 082



	30.06.2022 EUR (unaudited)	31.12.2021 EUR (audited)
( 12 ) Other non-current receivables and other receivables		
Rent security deposit	82 737	82 124
Total	82 737	82 124
( 13 ) Raw materials		
Raw materials	2 570 955	2 507 205
Allowance for slow moving inventories	-	-
Total	2 570 955	2 507 205
( 14 ) Finished goods and goods for sale		
Cosmetic products	1 073 870	1 451 143
Advertising materials	70 302	88 116
Allowance for slow moving inventories	(6 500)	(7 500)
Total	1 137 672	1 531 759
( 15 ) Trade receivables		
Net book value of trade receivables	2 205 832	1 481 054
Allowance for doubtful trade receivables	(21 462)	(21 462)
Total	2 184 370	1 459 592
( 16 ) Other receivables		
Government and EU institutions aid	61 805	32 750
Advance payments for services	27 427	-
Security deposit	26 262	-
Corporate income tax overpayment	-	14 568
VAT overpayment	-	89 933
Other receivables	10 549	39 186
Total	126 043	176 437
( 17 ) Cash		
Cash in bank accounts and cash equivalents	5 365 512	6 600 065
Total	5 365 512	6 600 065

( 18 ) Share capital  
As of 30 June 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 in 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.



	30.06.2022 EUR (unaudited)	31.12.2021 EUR (audited)
<b>( 19 ) Other non-current liabilities</b>		
Lease liabilities	-	346
<b>Total other non-current liabilities</b>	<b>-</b>	<b>346</b>
<b>( 20 ) Taxes and social insurance contributions</b>		
Corporate income tax	421 764	-
Social insurance contributions	113 185	99 659
Personal income tax	57 797	52 928
Value added tax	57 794	149 328
Natural resources tax	365	617
Risk duty	100	95
<b>Total</b>	<b>651 005</b>	<b>302 627</b>
<b>( 21 ) Other current liabilities</b>		
Salaries	223 621	202 027
Lease liabilities	12 100	14 159
Balance of gift cards	5 790	26 645
Other liabilities	9 011	13 491
<b>Total other current liabilities</b>	<b>250 522</b>	<b>256 322</b>
<b>( 22 ) Accrued liabilities</b>		
Accrued liabilities for employee remuneration and accrued vacation	369 155	300 733
Accrued liabilities for the received goods and services	82 764	225 494
<b>Total</b>	<b>451 919</b>	<b>526 227</b>
<b>( 23 ) 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	111 958	111 958
KALVI SIA	11 998	2 000
<b>Total</b>	<b>123 956</b>	<b>113 958</b>
<b>( 24 ) Number of employees in the Group</b>		
Average number of employees per reporting period, including:	205	184
Members of the Board in the Parent Company	3	3
Members of the Council in the Parent Company	5	5

	1.01.2022 -30.06.2022 EUR (unaudited)	1.01.2021 -30.06.2021 EUR (unaudited)
<b>( 25 ) Information on the remuneration of council and board members</b>		
Board members remuneration for the work at the Board	21 600	11 392
Council members remuneration for the work at the Council	3 984	4 999
<b>Total</b>	<b>25 584</b>	<b>16 391</b>

**( 26 ) Off-balance sheet liabilities***(a) Operating lease agreements*

On 17 March 2015, the Group's Parent Company signed a premises rent agreement with related party SIA MC PROPERTIES Reg. No 40103872324 for leasing production and office premises in Marupe, 131 Zeltinu Street. The agreement matures in 2025. Group has concluded lease agreements for rent of premises in four shopping centers in Riga: "Galerija Centrs", "Spice", "AKROPOLE Alfa" and "AKROPOLE Rīga" and a long-term rent agreement for leasing storage and office premises in Riga, 6 Kauguru Street, which is at the same time a legal address for the subsidiary company Cosmetics NORD SIA. Maturity of these agreements – up to the years 2022 – 2024 with a possibility to prolong.

*(b) Issued guarantees*

On 17 March 2015, a mortgage agreement was 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 the 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. As at 30 June 2022, the outstanding amount of the MC PROPERTIES SIA loan to A/S SWEDBANK was EUR 950 936.

**( 27 ) Received ERAF financing**

In 2022, the Group participated and received funding from the European Union support programs.

**( 28 ) 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.

*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.

**( 29 ) Post balance sheet events**

As of the last day of the reporting period 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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