

A woman with blonde hair, seen from behind, is walking on a sandy beach towards the ocean. She is wearing a long, flowing black dress. The beach is wide and sandy, with some sparse green grass and small plants in the foreground. A large, weathered log lies horizontally across the middle ground. The ocean is in the background, with gentle waves breaking. The sky is not visible, but the overall lighting suggests a bright, sunny day.

# MÁDARA

organic skincare

## MANAGEMENT REPORT OF AS MADARA COSMETICS ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF 2022

REPORTING PERIOD  
01.01.2022 – 31.12.2022





# 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 09.02.2023	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 2 clasification	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 31.12.2022
Previous reporting period	01.01.2021 until 31.12.2021
Subsidiaries	Madara Retail SIA, reg. No 40103212103 – 100% Cosmetics Nord SIA, reg. No 40103277805 – 100% Nord Beauty SIA, reg. No 40203354922, 100% owns Cosmetics Nord SIA Madara Cosmetics GmbH, reg No HRB 177689 – 100%





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DEAR SHAREHOLDERS OF AS MADARA COSMETICS,

2022 WAS A CHALLENGING AND EVENTFUL YEAR WHICH TESTED OUR COURAGE, DETERMINATION, ABILITY TO ADAPT, MASTER LONG-TERM THINKING AND REMAIN COMMITTED TO HUMAN VALUES.

DESPITE GLOBAL GEOPOLITICAL AND ECONOMIC UPSETS AND THE NEW MARKET SITUATION, WE HAVE MANAGED TO KEEP THE COMPANY'S TURNOVER AT THE LEVEL OF THE PREVIOUS YEAR AND GENERATE A PROFIT.

IN 2022, WE STRENGTHENED OUR COMPETENCIES, INTRODUCED MANY SYSTEMIC CHANGES, REGROUPED AND OUTLINED PRECISE FOCAL POINTS FOR OUR FUTURE WORK. ALTHOUGH THE PAST YEAR SLOWED DOWN OUR PREVIOUSLY RAPID GROWTH, WE ARE CONFIDENT THAT IT IS A SHORT PAUSE AND VERY SOON WE WILL SEE THE FRUITS OF OUR STRATEGIC APPROACH AND WILL BE ABLE TO PLEASE OUR SHAREHOLDERS BY RETURNING TO STABLE GROWTH.

WITH DETERMINATION, A UNITED TEAM SPIRIT, OPTIMISM AND HEALTHY AMBITIONS, WE LOOK TO THE FUTURE, AND WE ARE PREPARED FOR A NEW PERIOD OF VERY ACTIVE WORK.



ULDIS ILTNERS  
AS MADARA COSMETICS  
MEMBER OF THE BOARD

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



# THE MOST IMPORTANT EVENTS IN 2022

## IN FOCUS – UNIQUE CUSTOMER EXPERIENCE



Every year, the Company continues to get closer to its end customers and create a unique communication experience. In 2022, the MÁDARA brand was accepted into the select range of the famous *Galleries Lafayette Paris Haussmann* shopping centre in Paris, becoming the first and so far the only beauty product manufacturer from the Baltic States represented at this exclusive retail space.

In September, we opened our *pop-up* space on the shopping centre's beauty and wellness floor *La Wellness Galerie*, acquainting Paris with a new retail design concept which tells the story of the brand and Northern ingredients through art and design elements.

After the campaign, we received positive feedback from *Galleries Lafayette* representatives who noted MÁDARA as an innovative, high-quality and sustainable natural beauty product brand with a strong Nordic personality and invited us to feature at *Galleries Lafayette* in a similar manner next year.



Later, the *pop-up* space was moved to *Sokos* shopping centre in Helsinki.

In 2022, with a special campaign created for that specific market, in which we carefully studied Finnish lifestyle and beauty needs, we celebrated MÁDARA's 12 years in Finland, which is the brand's second largest market after Latvia. The heroes of the campaign were real Finnish women – MÁDARA product enthusiasts. During and after

the campaign, sales through the physical sales channels most important for the brand went up by +25.1% (*Sokos*) and +58.5% (*Stockmann*) in comparison with the same period the year before.

In 2022, the Company also continued to grow its presence in online channels. The well-known international beauty retailer *Sephora* is among the most important new channels acquired last year. Since October 2022, MÁDARA products have been available in the UK *Sephora* online store.

## SELFNAMED GROWTH

In the second half of 2022, AS MADARA Cosmetics' self-service white label cosmetics platform SELFNAMED.COM received support from the European Bank for Reconstruction and Development (EBRD) for its further development. AS MADARA Cosmetics is the first SME in the Baltic states to benefit from EBRD support through the Green Innovation Programme, funded by the European Union's *Horizon 2020* programme.

As part of its support package, the EBRD is financing improvements to the SELFNAMED.COM platform and enhancing the digitalisation of the business model. The total costs of the project are EUR 74 160, out of which EUR 63 036 is support from the EBRD.

The 2 main focus areas the EBRD support is covering, are:

1. A mockup generator, which will allow customers' individual designs to be placed automatically on product images, eliminating the need for physical sample printing sessions and thus reducing both costs and the necessity to allocate human resources for the task. This solution was launched on 2 February 2023.
2. New drop-shipping functionality and SELFNAMED.COM integration with e-commerce platforms such as *Shopify* and *WooCommerce*.

Both features will help reach new target audiences and further grow the Company's turnover.

SELFNAMED.COM has also launched an innovative sample set feature, which allows the customer to order samples with pre-set styles, made specifically for skincare products, and add their logo or brand name to those designs, without having to go through a lengthy design process. This way, the customers can immediately see how their product will look and present it to their colleagues or potential business partners.



## 16 NEW PRODUCTS IN MÁDARA ASSORTMENT

In 2022, 16 new MÁDARA skincare and make-up products were launched most of which, namely 11, were introduced in the second half of 2022. Made for kids, children and adults with sensitive skin, the *KIND* line should be noted among the most important new launches. It is organic certified and fragrance-allergen-free, and was developed in response to the growing demand for affordable multi-purpose products for the entire family.

One of the most popular MÁDARA products of all time AHA Peel Mask has now grown into a whole product line offering peeling solutions for different skin types and needs. Our new peel serum with hyaluronic acid was named Peeling Product of the Year 2022 by Finnish *Eeva* magazine.

*Grow & Fix* brow and lash booster, which in 2021 was named the best brow gel by *VOGUE Netherlands*, is now accompanied by a fixing tinted brow gel in 3 shades. New body care products – fragrant liquid soaps in a larger size, hand and body creams were also added to the MÁDARA assortment.



## MÁDARA – THE BEST CERTIFIED EUROPEAN MAKEUP BRAND

In 2022, the MÁDARA brand continued to establish itself at the international scale regularly winning awards and being mentioned in media publications. The most notable awards in 2022:

- Finalist in category Best Certified European Cosmetics Brand (*Organic Clean Awards*, Spain)
- Finalist in category Best Certified European Makeup Brand (*Organic Clean Awards*, Spain)
- *Grow & Fix*, Best Makeup Product for Lashes and Brows (*Organic Clean Awards: FINALIST*, Spain)
- *The Concealer*, Best Makeup Concealer (*Organic Clean Awards: FINALIST*, Spain)
- ACNE, Best Skincare Line for Acne-Prone Skin (*Beauty Shortlist Awards*, UK)
- *Skin Equal* foundation, Best Makeup Product in the Natural Product Category (*Marie Claire*, Hungary)



## SUSTAINABILITY

In 2022, AS MADARA Cosmetics continued to improve sustainability parameters of its products, as they have the most direct and significant impact on the environment. Now, MÁDARA face toners and body washes come in packaging made from 100% recycled ocean plastic (Prevented Ocean Plastic, POP) collected from along the shores. The new KIND line bottles are also made from 100% post-consumer-recycled material. By actively using recycled materials, we reduce the need for the production of new plastic.

In addition, 1% of KIND product line revenue goes to the *Advocacy Academy* – youth initiative by World Wide Fund for Nature (WWF).

In 2022, *VOGUE Scandinavia* experts ranked MÁDARA among the TOP 10 most sustainable brands. In France, MÁDARA products received a GO FOR GOOD badge, which is a sustainability mark of the *Galleries Lafayette* Group. Before receiving this badge, each product is strictly assessed focusing on sustainability, environmental protection and social responsibility aspects.



## SOCIAL RESPONSIBILITY AND SUPPORT FOR UKRAINE

Since the first days of the war, AS MADARA Cosmetics has taken an active stance against the Russian aggression against Ukraine. The world appreciates natural beauty products, but it also values activism and social work, which is confirmed by the *VOGUE Italia* article about the Company and Lotte's involvement in the events supporting Ukraine. In 2022, the Company implemented a number of projects to raise funds for Ukraine. AS MADARA Cosmetics is a part of the organisation *Entrepreneurs for Peace*. Last year, we donated products and EUR 65 000 to Ukrainians and NGO Centre MARTA which provides legal and psychological support to women and children who have suffered from human trafficking or domestic violence.

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

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



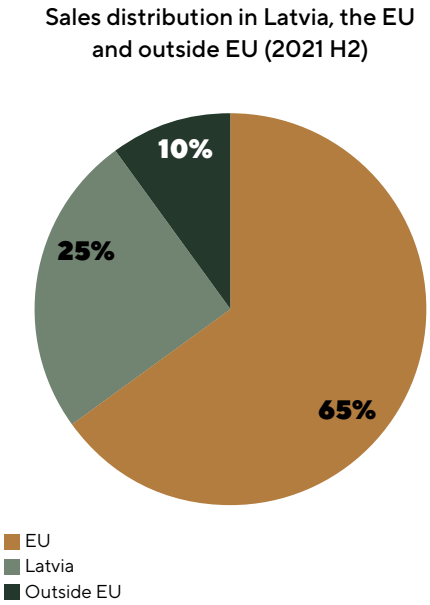
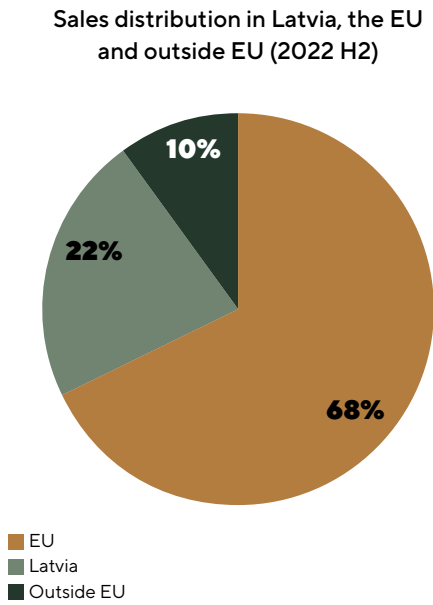
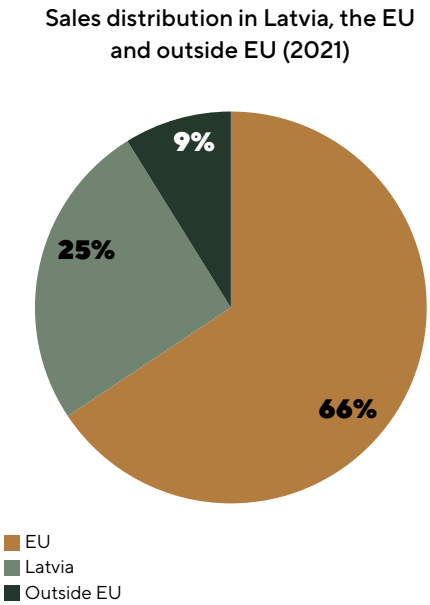
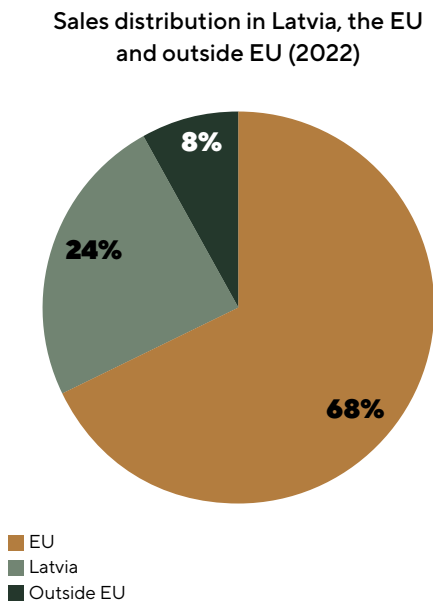
# SALES

In 2022, the Company achieved consolidated turnover of EUR 18.68 million, a 3.5% decrease over the previous year. However, considering the global economic situation and challenging market conditions in 2022, the Company’s management considers this a reasonable outcome.

In the second half of the year turnover amounted to EUR 8.47 million, approximately an 11% reduction compared to the corresponding period last year.

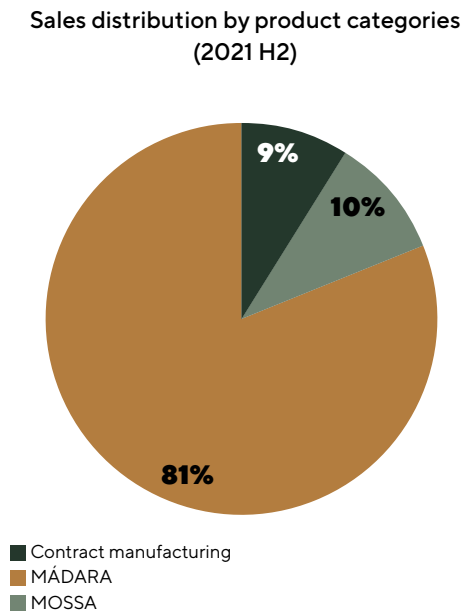
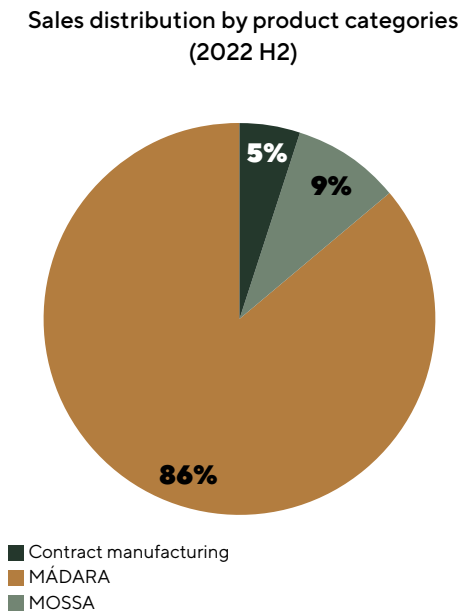
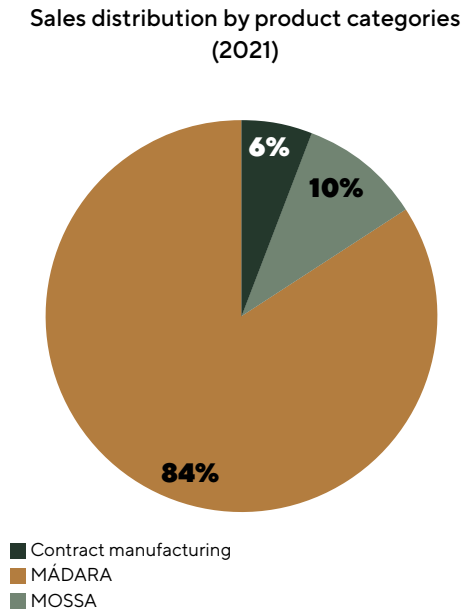
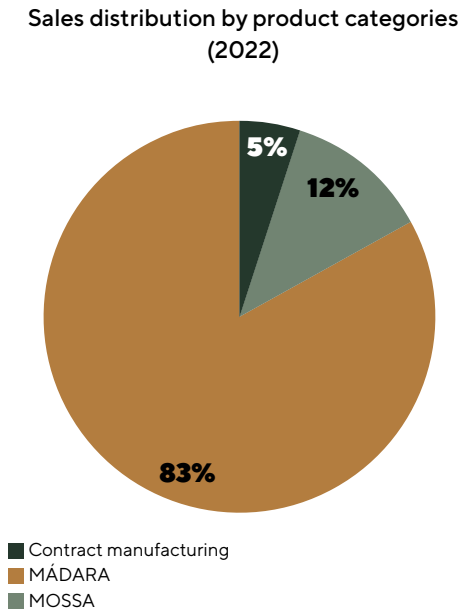
Additionally, the Company defined strategic goals for the subsequent development years with a clear plan and tactics to achieve further growth.

New product development was also one of the highlights of year 2022, in total offering 16 new products. We significantly extended the body-care product assortment, from which we particularly want to emphasize the KIND product line for sensitive skin, while our new PEEL product line nicely supplemented the facial product segment. At the end of November, we also launched our new GROW & FIX tinted brow gel in 3 different shades, which was listed among the best-selling makeup products in the first month on the market. We also continued to improve our current products by upgrading formulations or expanding the range of tones for tinted products.



In 2022, the turnover share from countries in the European Union (excluding Latvia) increased by 2 percentage points while the turnover share of Latvia and countries outside the European Union decreased by 1 percentage point. In the second half of 2022, the turnover share from the countries outside the EU remained unchanged compared to the same period one year ago; however, the turnover share in the European Union (excluding Latvia) has grown by 3 percentage points.

2022 was noteworthy with the direct distribution takeover in two European Union countries – Sweden and Denmark, which we plan to actively develop in the coming periods. So far, we have successfully performed the functions of a direct product distributor in Germany, France, Belgium, the Netherlands and the United Kingdom.

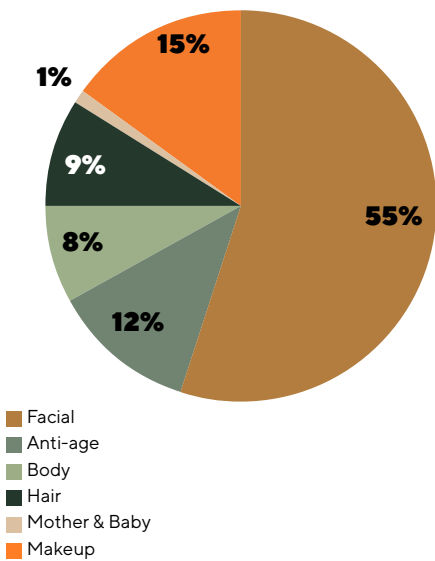




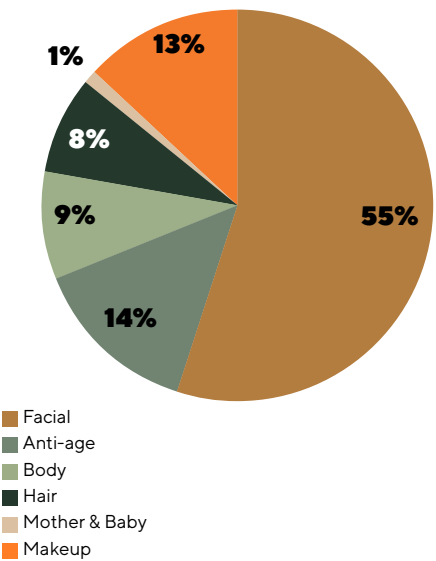
In 2022, the turnover of the MÁDARA brand remained at the previous year's level. As a result, although the MÁDARA brand share decreased by 1 percentage point y-o-y, which was mainly due to the successful MOSSA brand's performance in the first half of 2022, in the second half, we observed a 5-percentage point increase in the share of MÁDARA brand's products compared to the brand share split in the same period one year ago. The share of the contract manufacturing segment decreased by 1 percentage point y-o-y. Nevertheless, in the second half of 2022, we see a decrease of 4 percentage points compared to the second half of 2021, which explains the above-mentioned sales distribution in favour of MÁDARA brand's share growth.

There was a change in the distribution of MÁDARA brand turnover by product groups in 2022. The share of facial products remained unchanged; however, the makeup category grew by 2 percentage points, due to a successful development of tinted products. It can also be noted that the anti-age product segment diminished by 2 percentage points, but the hair category segment increased by 1 percentage point. We want to point out that in the second half of 2022, a 1 percentage point rise was detected for the mother & baby product category, mainly fostered by the launch of the gentle KIND products for sensitive skin.

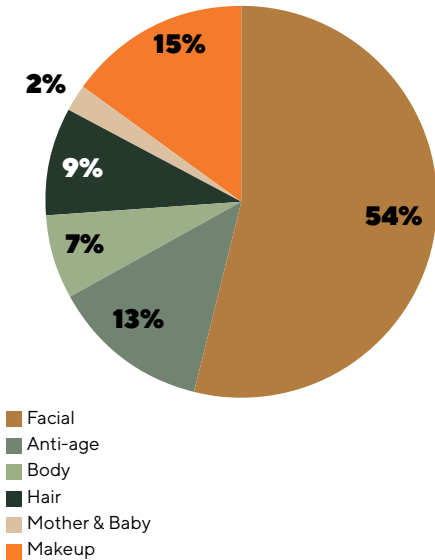
Sales distribution of MÁDARA products by categories (2022)



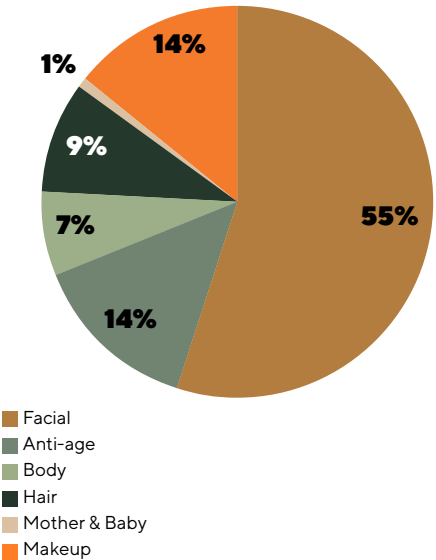
Sales distribution of MÁDARA products by categories (2021)



Sales distribution of MÁDARA products by categories (2022 H2)



Sales distribution of MÁDARA products by categories (2021 H2)

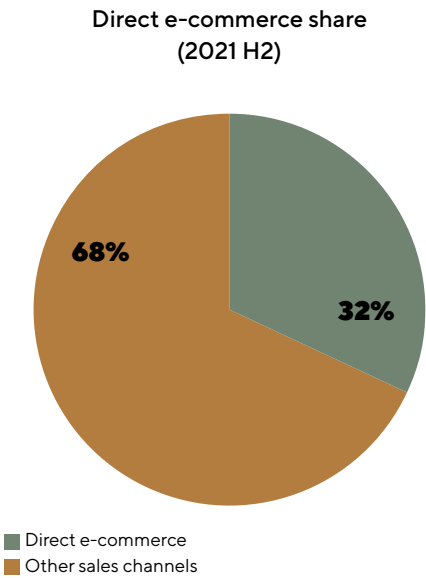
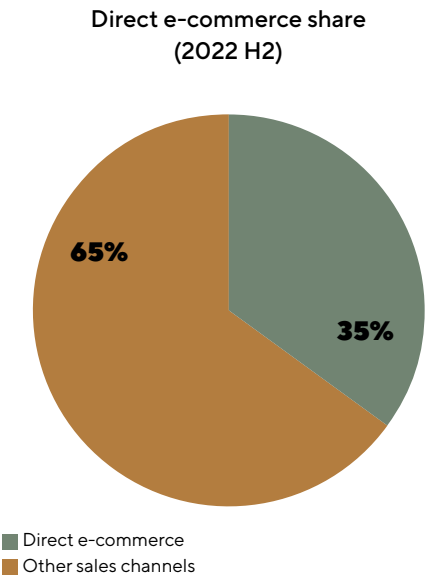
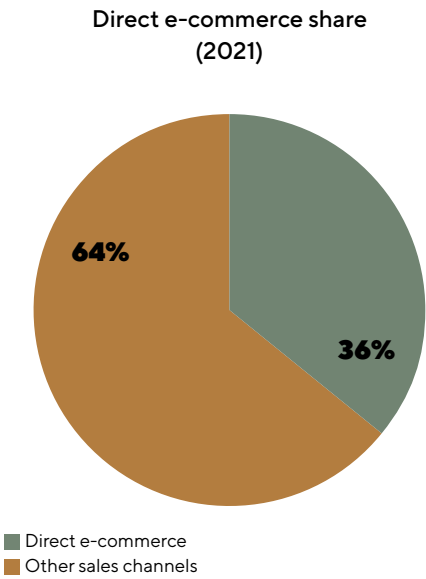
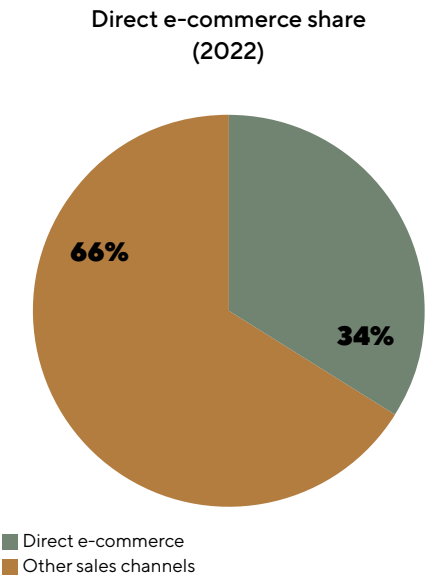




# E-COMMERCE INDICATORS

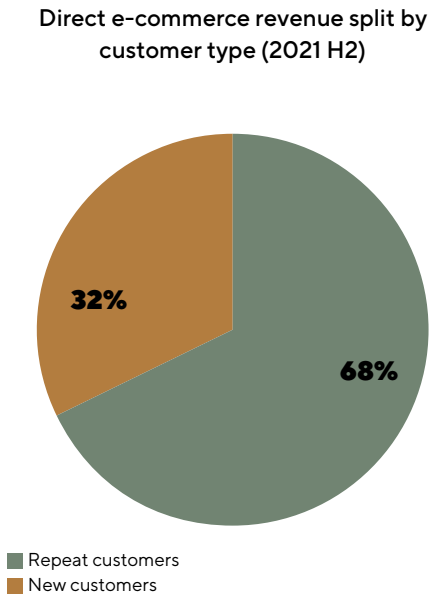
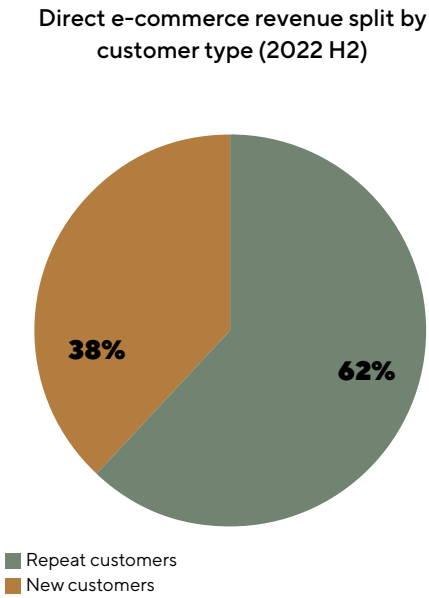
In 2022, the share of direct e-commerce of the parent Company's turnover stood at 34%, which is 2 percentage points less compared to the previous year. Considering the successful recovery of retail channels after the COVID-19 pandemic, a slight e-commerce share

decrease is understandable. However, on a positive note, the Company managed to operate with a marginal direct e-commerce share gain in the second half of 2022, indicating the e-commerce channel's robustness despite the highly competitive environment.



In the second half of 2022, the largest (62%) direct e-commerce turnover share came from customers that were classified as repeat customers according to the Company's criteria; however, 38% of turnover came from new customers. Therefore, it can be noted that the

Company has successfully attracted new customers in the second half of 2022. The new client base is 6 percentage points larger compared to the same period last year. Similarly to the previous years, we will continue rigorous work on attracting new and retaining existing customers.





# FINANCIAL INDICATORS

In 2022, AS MADARA Cosmetics turnover was EUR 18.68 million.

EBITDA was EUR 2.69 million, which is 43% less than the year before. We ended the year with a EUR 1.13 million profit after taxes, which is 69% less than in 2021.

This result is mainly explained by the global political and economic circumstances, i.e. costs driven up by the global slowdown and the energy crisis affected both B2B and B2C customer behaviour and purchasing power and, consequently, the Company's growth rate and profitability in 2022. Despite political and economic upsets, in 2022, we elected not to take a passive and cautious approach, but opt for an active strategy focused on long-term development instead. This means that we were prepared to tolerate lower profitability in the short term to prevent any dramatic cost adjustment due to the current market situation that could slow down our sales momentum when the markets start to rebound.

Notwithstanding the soaring energy costs which have tangibly affected the Company's costs structure both directly and indirectly through increasing raw material prices, we made a strategic decision to keep the product procurement as well as the final prices unchanged in 2022 to avoid limiting the availability of our products to the customers who have already been hurt by inflation.

Because of these factors, our profitability was lower than the year before. Our gross margin went down by 2 percentage points and the operating margin and net margin dropped by 12 and 13 percentage points respectively.

Nonetheless, during that time we were working hard and provided all the conditions necessary to return to stable growth. In 2022, we continued approaching new B2C customers and partnering with new B2B customers. We aimed to raise MÁDARA brand awareness and credibility and invested in streamlining and optimising various internal processes and systems. By recruiting new specialists and raising the competences of our existing ones, we were strengthening our team, which will be an important factor for boosting our growth rate.

Last year, we invested resources in the development of the SELFNAMED.COM *print-on-demand* platform, which worked with losses in its first year of business, thus also affecting the overall financial performance of the Company. However, this year, it has shown stable growth and we are confident that the project has great potential. Detailed information about the SELFNAMED.COM performance is provided in the next section.

In the coming period, we will actively work on strengthening the loyalty of existing partners and customers and continue to develop strategic markets where we have overtaken the direct distribution functions.

As of 2023, our product prices have also been reviewed. We see that the effect of the energy crisis on costs is gradually reducing. The Company has outlined a number of product portfolio development directions from which we expect long-term return.

Management guidance for the turnover target in 2023 remains unchanged at EUR 22 million.

Key ratios and indicators (management data)	2022 EUR	2021 EUR	2022 H2 EUR	2021 H2 EUR
Net turnover	18 684 113	19 368 885	8 471 655	9 454 953
Cost of goods sold	(6 592 226)	(6 310 185)	(3 041 634)	(3 187 584)
<b>Gross profit</b>	<b>12 091 887</b>	<b>13 058 700</b>	<b>5 430 021</b>	<b>6 267 369</b>
Depreciation, amortisation and write-downs	1 002 291	557 047	532 563	289 886
Leasehold improvements write-off expense	91 069	86 441	46 733	43 439
<b>Operating profit</b>	<b>1 591 314</b>	<b>4 026 430</b>	<b>316 479</b>	<b>1 639 600</b>
Interest income	577	1 014	193	245
Interest expense	(30 406)	(13 269)	(28 668)	(7 359)
<b>Profit before taxes</b>	<b>1 561 485</b>	<b>4 014 175</b>	<b>288 004</b>	<b>1 632 486</b>
<b>Net profit for the period</b>	<b>1 128 493</b>	<b>3 668 691</b>	<b>288 004</b>	<b>1 660 326</b>

Key ratios and indicators	2022	2021	2022 H2	2021 H2
EBITDA (TEUR)	2 685	4 670	896	1 973
<b>Profitability and sustainability ratios</b>				
1. Gross Margin (%)	65	67	64	66
2. Operating Margin (%)	9	21	4	17
3. Net Margin (%)	6	19	3	18
4. TTM ROE (%)	8	27	8	27
5. TTM ROA (%)	10	26	10	26
<b>Liquidity ratios</b>				
6. Current ratio (x)	5.02	5.95	5.02	5.95
7. Quick ratio (x)	3.22	3.91	3.22	3.91
8. Working capital (TEUR)	9 404	10 488	9 404	10 488
<b>Leverage ratios</b>				
9. Financial debt to equity (x)	0.00	0.00	0.00	0.00
10. Debt to equity (x)	0.17	0.15	0.17	0.15
11. Net financial debt (TEUR)	(5 951)	(6 573)	(5 951)	(6 573)
12. Net gearing (%)	(43.02)	(45.05)	(43.02)	(45.05)

\* 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



# SELFNAMED DEVELOPMENT

In the second half of 2022, SELFNAMED.COM reached turnover of EUR 265 783, 640% more than in the first half of 2022. However, due to active investment in brand recognition building and marketing, the technological

start-up has yet to reach the break-even point. As a result, the losses in the second half of 2022 amounted to EUR 178 042, and EBITDA stood at EUR -145 697.

Key ratios and Indicators (management data)	2022 H2 EUR	2022 EUR
Net turnover	265 783	301 691
Cost of goods sold	187 967	264 416
Gross profit	77 816	37 275
Profit before taxes	(178 042)	(320 742)
EBITDA	(145 697)	(270 168)

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

We can observe positive performance indicators in the second half of 2022, illustrating the growing interest and rapid development of SELFNAMED.COM. For instance, the registered number of users was 280% more in the second half of 2022 compared to the first half of 2022, acquiring more than 4000 new users. Moreover, orders increased by 310% compared to the first half of 2022. Almost 80% of total orders were repeat orders, making up around two-thirds of SELFNAMED’S turnover for 2022.

As mentioned before, SELFNAMED.COM has received EUR 63 036 support from the European Bank for Reconstruction and Development (EBRD) for further development of the self-service platform.

SELFNAMED.COM has also launched an innovative sample set feature, which allows the customer to order samples with pre-set styles explicitly made for skincare products and add their logo or brand name to those designs without going through a lengthy design process.

Moreover, SELFNAMED.COM added packaging options for some of the items (for example, skincare booster products were launched in amber colour packaging with black droppers), allowing for more branding options. In addition, CBD (cannabidiol) oil booster and CBD eye cream were added to the assortment, along with Sensitive Face & Body Cleanser.

Acquisition of new clients and retention of existing clients will be a top priority for the upcoming periods.







# UNAUDITED CONSOLIDATED FINANCIAL REPORT

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

A full description will be available in the audited annual report.

## CONSOLIDATED INCOME STATEMENT

Classified by function of expense.

	Note	1.01.2022 -31.12.2022 EUR (unaudited)	1.07.2022 -31.12.2022 EUR (unaudited)	1.01.2021 -31.12.2021 EUR (audited)	1.07.2021 -31.12.2021 EUR (unaudited)
Net turnover	2	18 684 113	8 471 655	19 368 885	9 454 953
Cost of goods sold	3	(6 592 226)	(3 041 634)	(6 310 185)	(3 187 584)
Gross profit		12 091 887	5 430 021	13 058 700	6 267 369
Selling expenses	4	(8 521 847)	(4 063 730)	(7 717 049)	(3 897 241)
Administration expenses	5	(1 955 157)	(1 066 824)	(1 520 902)	(773 100)
Other operating income	6	188 376	104 053	381 738	200 579
Other operating expenses	7	(211 945)	(87 041)	(176 057)	(158 007)
Interest and similar income	8	577	193	1 014	245
Interest and similar expenses	9	(30 406)	(28 668)	(13 269)	(7 359)
Profit before corporate income tax		1 561 485	288 004	4 014 175	1 632 486
Corporate income tax for the financial period		(432 992)	-	(345 484)	27 840
Profit for the reporting period		1 128 493	288 004	3 668 691	1 660 326

The accompanying notes on pages 28 to 35 are an integral part of these consolidated financial statements.



CONSOLIDATED BALANCE SHEET

Assets	Note	31.12.2022 EUR (unaudited)	30.06.2022 EUR (unaudited)	31.12.2021 EUR (audited)	30.06.2021 EUR (unaudited)
Non-current assets					
Intangible assets					
Development costs		-	16 078	32 157	48 235
Concessions, licences, patents, trade marks and similar rights		1 188 664	1 186 008	994 507	516 966
Other intangible assets		27 646	28 667	-	-
Prepayments for intangible assets		16 369	22 993	86 827	182 115
Total intangible assets	10	1 232 679	1 253 746	1 113 491	747 316
Property, plant and equipment					
Land		468 722	468 722	468 722	213 722
Leasehold improvements		312 688	290 774	306 991	342 772
Plant and equipment		1 450 499	1 505 679	1 479 495	1 039 748
Other fixed assets		388 621	458 951	418 442	304 302
Construction in progress		41 274	40 894	213 637	69 729
Prepayments for property, plant and equipment		451 119	257 062	19 064	481 274
Total property, plant and equipment	11	3 112 923	3 022 082	2 906 351	2 451 547
Non-current financial investments					
Other non-current receivables and other receivables	12	82 737	82 737	82 124	68 027
Other securities and investments	13	826	826	826	826
Total non-current financial investments		83 563	83 563	82 950	68 853
Total non-current assets		4 429 165	4 359 391	4 102 792	3 267 716
Current assets					
Inventories					
Raw materials	14	2 610 958	2 570 955	2 507 205	2 054 906
Finished goods and goods for sale	15	1 238 457	1 137 672	1 531 759	1 584 029
Prepayments for inventories		372 860	329 548	289 856	598 421
Total inventories		4 222 275	4 038 175	4 328 820	4 237 356
Receivables					
Trade receivables	16	1 365 431	2 184 370	1 459 592	1 643 799
Other receivables	17	139 892	126 043	176 437	28 389
Accrued revenue		13 306	9 329	27 819	200
Deferred expenses		49 669	56 062	12 976	70 779
Total receivables		1 568 298	2 375 804	1 676 824	1 743 167
Cash	18	5 950 884	5 365 512	6 600 065	5 932 186
Total current assets		11 741 457	11 779 491	12 605 709	11 912 709
Total assets		16 170 622	16 138 882	16 708 501	15 180 425

The accompanying notes on pages 28 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	31.12.2022 EUR (unaudited)	30.06.2022 EUR (unaudited)	31.12.2021 EUR (audited)	30.06.2021 EUR (unaudited)
Equity					
Share capital	19	377 391	377 058	377 058	376 924
Share premium		4 023 454	4 023 454	4 023 454	4 023 454
Retained earnings:					
a) prior year retained earnings		8 304 031	8 304 364	6 520 961	6 521 094
b) profit for the period		1 128 493	840 489	3 668 691	2 004 285
Total equity		13 833 369	13 545 365	14 590 164	12 925 757
Liabilities					
Non-current liabilities					
Other liabilities	20	-	-	346	5 790
Total non-current liabilities		-	-	346	5 790
Current liabilities					
Advances from customers		85 720	104 619	74 618	115 908
Trade payables		1 045 962	1 120 024	942 769	835 219
Taxes and social insurance contributions	21	328 249	651 005	302 627	607 346
Other payables	22	246 472	250 522	256 322	273 883
Deferred revenue		134 166	15 428	15 428	-
Accrued liabilities		496 684	451 919	526 227	416 522
Total current liabilities		2 337 253	2 593 517	2 117 991	2 248 878
Total liabilities		2 337 253	2 593 517	2 118 337	2 254 668
Total equity and liabilities		16 170 622	16 138 882	16 708 501	15 180 425

The accompanying notes on pages 28 to 35 are an integral part of these consolidated financial statements.



CONSOLIDATED CASH FLOW STATEMENT

Indirect method

	Note	1.01.2022 -31.12.2022 EUR (unaudited)	1.07.2022 -31.12.2022 EUR (unaudited)	1.01.2021 -31.12.2021 EUR (audited)	1.07.2021 -31.12.2021 EUR (unaudited)
<b>Cash flow of operating activities</b>					
Profit before taxes		1 561 485	288 004	4 014 175	1 632 486
<b>Corrections:</b>					
Corrections of decrease in value of fixed assets	11	556 175	244 152	464 043	242 822
Corrections of decrease in value of intangible assets	10	605 435	327 199	211 600	106 585
Government and the EU institutions aid		(132 359)	(70 207)	(349 705)	(87 345)
Net revenue from the disposal of property, plant and equipment		(2 005)	(2 005)	(2 420)	-
Interest and similar income	8	(236)	(193)	(1 014)	(245)
Interest and similar expenses	9	456	17	6 100	1 434
<b>Profit before adjustments for current assets and current liabilities</b>		<b>2 588 951</b>	<b>786 967</b>	<b>4 342 779</b>	<b>1 895 737</b>
<b>Corrections:</b>					
(Increase) / decrease in receivables		(20 632)	778 816	(60 948)	406 691
(Increase) / decrease in inventories		188 959	(140 788)	(364 972)	(333 707)
Increase / (decrease) in payables and other payables		229 081	(384 787)	432 983	(188 674)
<b>Gross cash flow of operating activities</b>		<b>2 986 359</b>	<b>1 040 208</b>	<b>4 349 842</b>	<b>1 780 047</b>
Interest payments		(456)	(17)	(6 100)	(1 434)
Income tax payments		(417 417)	15 575	(374 707)	-
<b>Net cash flow of operating activities</b>		<b>2 568 486</b>	<b>1 055 766</b>	<b>3 969 035</b>	<b>1 778 613</b>
<b>Investment activities cash flow</b>					
Other investments		-	-	(14 097)	(14 097)
Acquisition of fixed assets and intangible assets		(1 490 212)	(649 037)	(1 798 911)	(1 159 810)
Proceeds from the property, plant and equipment sale		9 917	9 917	20 744	-
Received interest		236	193	1 014	245
<b>Investment activities cash flow</b>		<b>(1 480 059)</b>	<b>(638 927)</b>	<b>(1 791 250)</b>	<b>(1 173 662)</b>
<b>Financing activities cash flow</b>					
Received government and the EU institutions aid		174 670	174 323	344 624	87 345
Repaid financial lease liabilities		(26 990)	(5 790)	(54 555)	(24 417)
Dividends paid		(1 885 288)	-	(1 507 696)	-
Repaid loan		-	-	(5 952)	-
<b>Financing activities cash flow</b>		<b>(1 737 608)</b>	<b>168 533</b>	<b>(1 223 579)</b>	<b>62 928</b>
<b>Increase / decrease in cash and cash equivalents</b>		<b>(649 181)</b>	<b>585 372</b>	<b>954 206</b>	<b>667 879</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>18</b>	<b>6 600 065</b>	<b>5 365 512</b>	<b>5 645 859</b>	<b>5 932 186</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>18</b>	<b>5 950 884</b>	<b>5 950 884</b>	<b>6 600 065</b>	<b>6 600 065</b>

The accompanying notes on pages 28 to 35 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 (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>
Increase in share capital	134	-	(134)	-
Profit for the reporting period	-	-	3 668 691	<b>3 668 691</b>
<b>Balance as of 31 December 2021 (audited)</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 2022 (unaudited)</b>	<b>377 058</b>	<b>4 023 454</b>	<b>9 144 853</b>	<b>13 545 365</b>
Increase in share capital	333	-	(333)	-
Profit for the reporting period	-	-	288 004	<b>288 004</b>
<b>Balance as of 31 December 2022 (unaudited)</b>	<b>377 391</b>	<b>4 023 454</b>	<b>9 432 524</b>	<b>13 833 369</b>

The accompanying notes on pages 28 to 35 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.

	1.01.2022 -31.12.2022 EUR (unaudited)	1.01.2021 -31.12.2021 EUR (audited)
<b>Turnover by geographical markets:</b>		
Revenue from the sale of goods in European Union	12 547 480	12 552 163
Revenue from the sale of goods in Latvia	4 455 371	4 833 273
Revenue from the sale of goods in other markets	1 511 580	1 790 294
Revenue from rendering services	167 016	179 262
Other revenue from the operating services	2 666	13 893
<b>Total</b>	<b>18 684 113</b>	<b>19 368 885</b>
<b>(3) Cost of goods sold</b>		
Materials cost	3 122 197	3 340 726
Remuneration for work	1 521 583	1 386 037
Social security contributions	358 447	325 890
Depreciation and amortisation	334 565	247 963
Production service costs	223 466	206 774
Current assets write-off	221 980	239 018
Premises rent and management costs	210 652	149 123
New product research and development costs	198 359	150 499
Resource costs	165 985	84 000
Leasehold improvements write-off	77 029	72 402
Development costs write-off	32 157	32 157
ECOCERT quality certificate maintenance costs	29 577	24 735
Car maintenance, fuel and repair costs	21 924	20 169
Business trip costs	8 067	-
Other production and production maintenance costs	66 238	30 692
<b>Total</b>	<b>6 592 226</b>	<b>6 310 185</b>
<b>(4) Selling expenses</b>		
Advertising costs	2 637 241	2 753 315
Remuneration for work	1 719 484	1 500 966
Transport costs	1 178 795	1 115 072
Sample production costs	841 027	637 768

	1.01.2022 -31.12.2022 EUR (unaudited)	1.01.2021 -31.12.2021 EUR (audited)
Depreciation and amortisation	592 699	245 513
Social security contributions	405 800	355 015
Mediation services costs	333 228	324 838
Trade promotion costs	247 537	269 347
Maintenance costs of sales platforms	154 431	155 967
Premises rent and maintenances costs	144 378	112 659
Business trip and exhibitions costs	46 594	39 715
Royalties	29 019	54 381
Costs of selling risks	22 968	10 449
Costs of warehouse services	18 621	32 234
Leasehold improvements write-off	14 040	14 039
Internet shop WEB page maintenance costs and other IT costs	13 205	20 351
Car maintenance, fuel and repair costs	12 356	22 547
Representation costs	11 432	7 099
Other sales expenses	98 992	45 774
<b>Total</b>	<b>8 521 847</b>	<b>7 717 049</b>
<b>(5) Administration expenses</b>		
Remuneration for work	733 940	557 485
Office costs	235 101	161 961
Social security contributions	171 373	128 348
Cash outflow related costs	155 027	181 146
Premises rent and maintenances costs	142 003	75 227
Depreciation and amortisation	75 027	63 571
Employee health insurance	64 363	49 314
Employee catering costs	56 817	-
Staff sustainability costs	56 380	64 011
Audit costs	35 847	22 681
Car maintenance, fuel and repair costs	34 812	23 086
Costs of researches, consultations and conferenses	28 388	7 898
Legal and other professional service costs	28 310	31 182
Securities circulation costs	27 742	24 412
Maintenance costs of the resource management and accounting program	21 762	31 747
Communication costs	21 030	16 995
Allowance for doubtful receivables	9 571	4 027
Business trip costs	8 441	353
Membership fees in professional organizations	7 259	4 348
Other management and administration costs	41 964	73 110
<b>Total</b>	<b>1 955 157</b>	<b>1 520 902</b>



	1.01.2022 -31.12.2022 EUR (unaudited)	1.01.2021 -31.12.2021 EUR (audited)
<b>(6) Other operating income</b>		
Revenues from the ERAF projects	132 359	143 603
Revenues from the property, plant and equipment sale	7 912	-
Revenue from the current assets sale	2 618	7 087
State aid to overcome the COVID-19 crisis	-	206 172
Other revenues	45 487	24 876
<b>Total</b>	<b>188 376</b>	<b>381 738</b>
<b>(7) Other operating expenses</b>		
Donations	65 000	77 000
Staff recruitment and training costs	47 363	16 862
Nature protection costs	21 709	23 191
Resold purchased goods and services	12 409	6 621
Labor protection costs	11 046	11 119
Security service costs	9 368	4 380
Other expenses	45 050	36 884
<b>Total</b>	<b>211 945</b>	<b>176 057</b>
<b>(8) Interest and similar income</b>		
Other interest income	577	1 014
<b>Total</b>	<b>577</b>	<b>1 014</b>
<b>(9) Interest and similar expenses</b>		
Currency exchange rate fluctuations	23 862	6 979
Factoring fees	854	4 718
Interest on obligations under finance leases	216	1 365
Interest on borrowings	-	17
Other interest payments	5 474	190
<b>Total</b>	<b>30 406</b>	<b>13 269</b>





**( 10 ) INTANGIBLE ASSETS**

	Develop- ment costs (EUR)	Concessions, patents, licenses, trademarks and similar rights (EUR)	Other intangible assets (EUR)	Prepay- ments 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	-	-	-	681 081	681 081
Adjustments	-	-	-	7 448	7 448
Transfers	-	727 761	31 226	(758 987)	-
Disposals	(96 471)	-	-	-	(96 471)
<b>Cost as of 31.12.2022</b>	<b>-</b>	<b>2 240 336</b>	<b>31 226</b>	<b>16 369</b>	<b>2 287 931</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	32 157	533 604	3 580	-	569 341
Disposals	(96 471)	-	-	-	(96 471)
<b>Accumulated amortisation as of 31.12.2022</b>	<b>-</b>	<b>1 051 672</b>	<b>3 580</b>	<b>-</b>	<b>1 055 252</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 31.12.2022</b>	<b>-</b>	<b>1 188 664</b>	<b>27 646</b>	<b>16 369</b>	<b>1 232 679</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 equipment (EUR)	Total fixed assets (EUR)
<b>Cost as of 31.12.2021</b>	<b>468 722</b>	<b>784 829</b>	<b>3 656 815</b>	<b>959 908</b>	<b>213 637</b>	<b>19 064</b>	<b>6 102 975</b>
Additions	-	-	-	-	253 570	555 561	<b>809 131</b>
Adjustments	-	-	-	-	(2 378)	-	<b>(2 378)</b>
Transfers	-	98 319	240 575	208 167	(423 555)	(123 506)	-
Disposals	-	-	-	(74 835)	-	-	<b>(74 835)</b>
<b>Cost as of 31.12.2022</b>	<b>468 722</b>	<b>883 148</b>	<b>3 897 390</b>	<b>1 093 240</b>	<b>41 274</b>	<b>451 119</b>	<b>6 834 893</b>
<b>Accumulated depreciation as of 31.12.2021</b>	<b>-</b>	<b>477 838</b>	<b>2 177 320</b>	<b>541 466</b>	<b>-</b>	<b>-</b>	<b>3 196 624</b>
Depreciation charged	-	92 622	269 571	193 982	-	-	<b>556 175</b>
Disposals	-	-	-	(30 829)	-	-	<b>(30 829)</b>
<b>Accumulated depreciation as of 31.12.2022</b>	<b>-</b>	<b>570 460</b>	<b>2 446 891</b>	<b>704 619</b>	<b>-</b>	<b>-</b>	<b>3 721 970</b>
<b>Net carrying amounts as of 31.12.2021</b>	<b>468 722</b>	<b>306 991</b>	<b>1 479 495</b>	<b>418 442</b>	<b>213 637</b>	<b>19 064</b>	<b>2 906 351</b>
<b>Net carrting amounts as of 31.12.2022</b>	<b>468 722</b>	<b>312 688</b>	<b>1 450 499</b>	<b>388 621</b>	<b>41 274</b>	<b>451 119</b>	<b>3 112 923</b>

	31.12.2022 EUR (unaudited)	31.12.2021 EUR (audited)
<b>( 12 ) Other non-current receivables and other receivables</b>		
Rent security deposit	82 737	82 124
<b>Total</b>	<b>82 737</b>	<b>82 124</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	2 610 958	2 507 205
Allowance for slow moving inventories	-	-
<b>Total</b>	<b>2 610 958</b>	<b>2 507 205</b>
<b>( 15 ) Finished goods and goods for sale</b>		
Cosmetic products	1 180 885	1 451 143
Advertising materials	65 072	88 116
Allowance for slow moving inventories	(7 500)	(7 500)
<b>Total</b>	<b>1 238 457</b>	<b>1 531 759</b>
<b>( 16 ) Trade receivables</b>		
Trade receivables, gross value	1 395 464	1 481 054
Allowance for doubtful trade receivables	(30 033)	(21 462)
<b>Total</b>	<b>1 365 431</b>	<b>1 459 592</b>
<b>( 17 ) Other receivables</b>		
VAT overpayment	96 559	89 933
Security deposit- Mobilly	11 520	-
State aid to overcome the COVID-19 crisis	-	32 750
CIT overpayment	-	14 568
Other receivables	31 813	39 186
<b>Total</b>	<b>139 892</b>	<b>176 437</b>
<b>( 18 ) Cash</b>		
Cash in bank accounts and digital payment systems	5 950 884	6 600 065
<b>Total</b>	<b>5 950 884</b>	<b>6 600 065</b>

**( 19 ) Share capital**

As of 31 December 2022, the registered and fully paid-in share capital of the Group's Parent Company amounts to EUR 377 391.10 and consists of 3 773 911 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.



	31.12.2022 EUR (unaudited)	31.12.2021 EUR (audited)
<b>( 20 ) Other non-current liabilities</b>		
Lease liabilities	-	346
<b>Total other non-current liabilities</b>	<b>-</b>	<b>346</b>
<b>( 21 ) Taxes and social insurance contributions</b>		
Value added tax ( OSS )	148 287	138 162
Social insurance contributions	120 822	99 659
Personal income tax	58 139	52 928
Other taxes and duties	1 001	11 878
<b>Total</b>	<b>328 249</b>	<b>302 627</b>
<b>( 22 ) Other current liabilities</b>		
Salaries	205 198	202 027
Balance of gift cards	11 322	14 159
Lease liabilities	-	26 645
Other liabilities	29 952	13 491
<b>Total other current liabilities</b>	<b>246 472</b>	<b>256 322</b>
<b>( 23 ) Transactions with related parties</b>		
Related party	Purchases of goods and services during the reporting period	Purchases of goods and services during the previous period
MC PROPERTIES SIA	220 835	220 835
KALVI SIA	25 195	2 000
<b>Total</b>	<b>246 030</b>	<b>222 835</b>
<b>( 24 ) Number of employees in the Group</b>		
Average number of employees per reporting period, including:	202	184
Members of the Board in the Parent Company	3	3
Members of the Council in the Parent Company	5	5

	1.01.2022 -31.12.2022 EUR (unaudited)	1.01.2021 -31.12.2021 EUR (audited)
<b>( 25 ) Information on the remuneration of board members and council of the Parent Company</b>		
Board members remuneration for the work at the Board	43 200	21 620
Council members remuneration for the work at the Council	4 245	6 676
<b>Total</b>	<b>47 445</b>	<b>28 296</b>

**( 26 ) 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 17 March 2015, a mortgage agreement signed between A/S SWEDBANK and Group's Parent Company's lessor SIA MC PROPERTIES 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 SIA MC PROPERTIES obtained borrowings; the amount of the guarantee, in accordance with the terms of the contract, is the amount of the outstanding liabilities. As of 31 December 2022, the outstanding amount of SIA MC PROPERTIES loan to A/S SWEDBANK was EUR 890 877.

**( 27 ) Received ERAF financing**

In 2022 the Group participated in 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, 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.

*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 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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