

MÁDARA

organic skincare

MANAGEMENT REPORT OF AS MADARA COSMETICS ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF 2024

REPORTING PERIOD
01.01.2024 - 31.12.2024



PREPARED IN ACCORDANCE WITH LATVIAN LEGISLATION REQUIREMENTS
MARUPE, 2025



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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 19.02.2025	Uldis Iltners – owns 23.88% of shares Lote Tisenkopfa - Iltnere – owns 23.72% of shares Oy Transmeri Group Ab – owns 22.89% of shares Liene Drāzniece – owns 6.77% of shares Zane Tamane – owns 6.33% 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 Gunta Šulte – 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 (until 28.11.2024)
Reporting period	01.01.2024 until 31.12.2024
Previous reporting period	01.01.2023 until 31.12.2023
Subsidiaries	Madara Retail SIA, reg. No 40103212103 – 100% MADARA Cosmetics Inc., reg. No 37-2087771 – 100% Madara Cosmetics LTD, reg. No. 15967488 – 100% Madara Cosmetics GmbH, reg No HRB 177689 – 100% Brand Lab Cosmetics SIA, reg. No. 40205612673 – 100%

DEAR SHAREHOLDERS,

2024 HAS BEEN A YEAR OF GROWTH AND CHANGE FOR AS MADARA COSMETICS (HEREINAFTER, THE COMPANY). WE SET CLEAR GOALS – TO GROW FASTER, STRENGTHEN OUR CORE BRAND MÁDARA, EXPAND IN KEY MARKETS, AND BUILD A STRONGER TEAM. I AM HAPPY TO SHARE THAT WE HAVE MADE GREAT PROGRESS IN ALL THESE AREAS.

A KEY MILESTONE THIS YEAR WAS THE SALE OF THE MOSSA BRAND AND SELF-NAMED PRINT-ON-DEMAND BUSINESS. THIS DECISION HAS HELPED US SHARPEN OUR FOCUS ON THE MÁDARA BRAND AND SPEED UP GROWTH IN PRIVATE LABEL MANUFACTURING. AT THE SAME TIME, WE HAVE KEPT STRONG PARTNERSHIPS WITH THESE BUSINESSES, ENSURING CONTINUED REVENUE THROUGH PRODUCTION AND PRODUCT DEVELOPMENT.

ONE OF THE BIGGEST SUCCESSES OF THE YEAR HAS BEEN GERMANY BECOMING OUR LARGEST EXPORT MARKET. THIS REFLECTS OUR GROWING PRESENCE IN EUROPE AND THE INCREASING DEMAND FOR HIGH-QUALITY, ORGANIC SKINCARE.

INNOVATION REMAINS CENTRAL TO OUR SUCCESS. IN 2024, WE INTRODUCED NEW PRODUCT CATEGORIES, INCLUDING PRESSED POWDERS, FURTHER STRENGTHENING OUR POSITION IN CLEAN MAKEUP. WE EXPANDED OUR SKINONYM FOUNDATION LINE, CONTRIBUTING TO A TOTAL OF 19% GROWTH IN OUR MAKEUP BUSINESS. IN SKINCARE, WE LAUNCHED AN ALTERNATIVE RETINOL LINE EXTENSION AND A NEW MEN'S SKINCARE RANGE, MEETING THE EVOLVING NEEDS OF OUR CUSTOMERS.

TO SUPPORT THIS GROWTH, WE HAVE REINFORCED OUR TOPLINE TEAMS, IMPROVING OUR E-COMMERCE, DATA ANALYTICS, AND INTERNATIONAL SALES CAPABILITIES. THESE INVESTMENTS ARE ALREADY MAKING A DIFFERENCE, HELPING US GROW MORE EFFICIENTLY ACROSS ALL MARKETS.

AS WE ENTER 2025, OUR PRIORITIES REMAIN CLEAR: TO DRIVE INNOVATION, EXPAND OUR REACH ACROSS GEOGRAPHIES AND DIFFERENT CHANNELS, AND CONTINUE BUILDING STRONG, SUSTAINABLE GROWTH. THE SOLID FOUNDATION WE HAVE BUILT THIS YEAR GIVES ME CONFIDENCE IN OUR FUTURE SUCCESS.

THANK YOU FOR YOUR TRUST AND SUPPORT.



GUNTA ŠULTE,
CEO OF MADARA COSMETICS AS

A large, elegant, handwritten signature in white ink, which appears to be 'Gunta Šulte', positioned in the bottom right corner of the page.

THE MOST SIGNIFICANT EVENTS



REFOCUS OF CORE ACTIVITIES

In 2024, the Company took significant steps to refine its business strategy by divesting the MOSSA brand and SELFNAMED.COM. These strategic moves allowed the Company to sharpen its focus on the core MÁDARA brand while ensuring ongoing manufacturing capabilities and innovation through newly established partnerships. This transition is expected to unlock additional growth opportunities in contract manufacturing.

SIA MADARA RETAIL REACHES A REVENUE MILESTONE

SIA MADARA Retail, a subsidiary of the Company, operating four physical stores in Riga's largest shopping centers, achieved a significant revenue milestone by exceeding EUR 1 million in revenue. These stores serve as immersive environments where customers can engage directly with the brand, experience personalized expert guidance and build confidence in the products through hands-on interaction.



GROWTH AND EXPANSION

Germany continued to strengthen its position as a crucial market for MÁDARA, achieving 15% sales growth. The brand onboarded 43 new B2B customers, including a significant partnership with Müller, covering both online and physical retail stores.

MÁDARA further solidified its presence in France by adding over 70 new B2B customers, with a primary focus on pharmaceutical retailers. In addition, the brand carried out major awareness-building activities, including:

- The Skin Tints outdoor campaign in Paris, which reached a broad audience.
- MÁDARA's participation in the Paris Women's Marathon, engaging with over 25,000 people.

Strong performance also continued across the Nordic markets:

- Finland, now 3rd largest export market of the MÁDARA brand after Germany and France, recorded a 15% increase in sales.
- Other Scandinavian markets also saw 15% growth, supported by strategic partnerships with:
 - Boozt.com, a leading online retailer.
 - LYKO, with MÁDARA now present in its first flagship store in Norway.

In 2024, MÁDARA took over the product distribution function in Estonia and Spain, which will help to drive growth in these regions in the future and ensure a more unified brand presence.



PRODUCT INNOVATIONS

Our commitment to innovation and quality excellence continued with new product launches in 2024. Firstly and most importantly, in the Q3 of 2024, we launched several products in Retinol Alternative line, which already had a best-selling Retinol Alternative serum. Featuring a day cream, night cream and eye cream, the expanded line generated nearly EUR 1 million in revenue in 2024, solidifying its role as a key growth driver in the skincare segment.

Secondly, we continued building on the success of MÁDARA makeup, introducing additional SKINONYM foundation shades to cater to a broader audience. The brand also expanded into new makeup categories and also saw notable growth with the launch of talc-free mineral pressed powders and blushes, reflecting MÁDARA's ongoing commitment to offering high-performance, clean formulations.

Thirdly, 2024 marked MÁDARA's long-anticipated debut in men's skincare with the introduction of the HIS Line.



INDUSTRY RECOGNITION

Our efforts to deliver effective and certified cosmetics were recognized by several awards. To name a few:

- Retinol Alternative Serum: Winner of the Dutch Beauty Award 2023/24, named No. 1 Popular Beauty Product in the Green Cosmetics category.
- City CC Cream: Featured among the top CC creams by Dutch Cosmopolitan.
- MÁDARA SPF 30: Listed among the top SPFs by Dutch BAZAAR.
- Anne & Stii Beauty Award 2025:
 - Retinol Alternative Serum: Best product in the Natural & Organic category.
 - HIS Line: Winner of the Men's Favorites award.

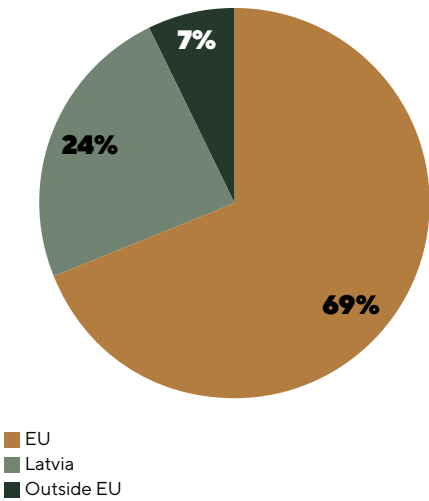


SALES

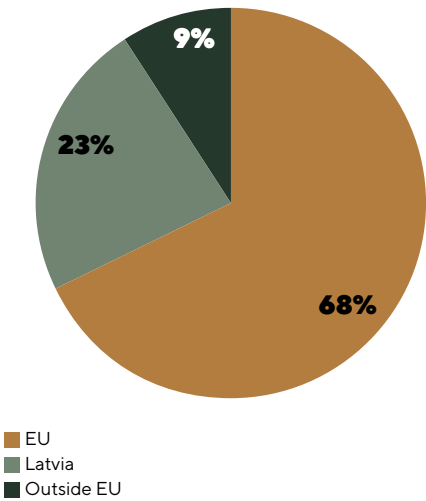
In 2024, the Company achieved a consolidated turnover of approximately EUR 21.52 million, surpassing its guidance of EUR 21.41 million and recording 11% like-for-like year-on-year (y-o-y) growth. Without adjustments, this represented a 6.4% increase compared to the previous year. Management reassessed the Company's like-for-like revenue for 2023 at approximately EUR 19.46 million, based on the assumption of the same business structure following the asset disposals of the MOSSA brand and SELFNAMED.COM. Therefore growth was achieved despite the structural changes and highlights the Company's focus on strengthening the MÁDARA brand and expanding its presence in key European markets. The Company's sales distribution in 2024 shows that 93% of turnover was generated in the European Union, including

Latvia, while 7% came from outside the EU. Latvia's share of turnover decreased by 1 percentage point compared to the previous year, the EU showed slight increase, while the non-EU market dropped by 2 percentage points. In the second half of 2024, 94% of total revenue came from the EU, including Latvia, while 6% was generated outside the EU. Latvia's share of sales increased by 7 percentage points, while the non-EU market share declined by 5 percentage points. These shifts were largely driven by the divestiture of the SIA Cosmetics Nord subsidiary – as of July 1, all sales to SIA Cosmetics Nord are reported under the Latvian market. Overall, the full-year sales distribution remained largely consistent with the previous year's results. The EU continued to dominate the Company's revenue structure, reinforcing its position as the primary market.

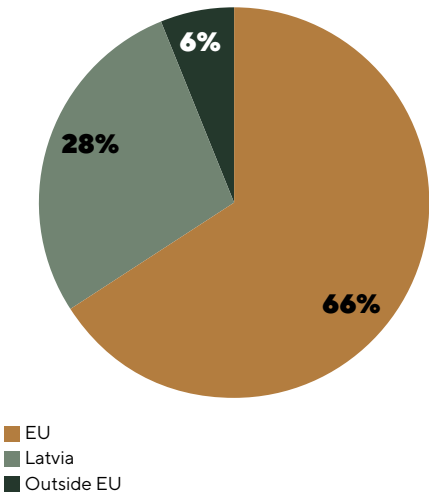
Sales distribution in Latvia, the EU and outside EU (2024)



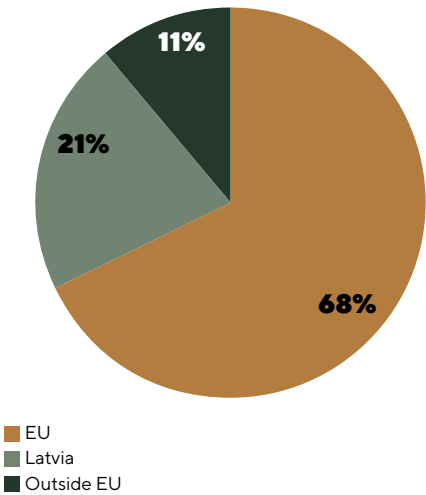
Sales distribution in Latvia, the EU and outside EU (2023)



Sales distribution in Latvia, the EU and outside EU (2024 H2)



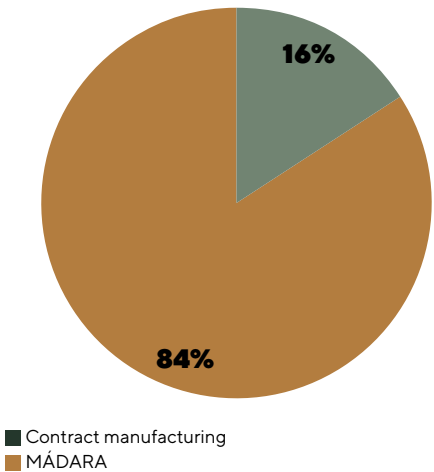
Sales distribution in Latvia, the EU and outside EU (2023 H2)



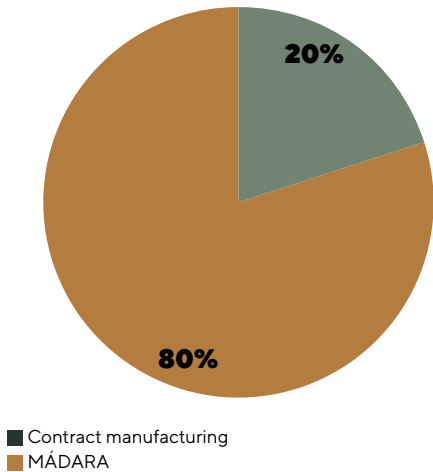
The sales breakdown by product brands in 2024 shows that the MÁDARA brand accounted for 84% of turnover (4 pp increase), while contract manufacturing (now including MOSSA brand as well) contributed 16% (4 pp decrease). In the second half of 2024, the share of contract manufacturing was 18% (5 pp decrease), while the MÁDARA

brand represented 82% (5 pp increase). The decline in contract manufacturing sales is primarily attributed to the divestiture of SIA Cosmetics Nord and the MOSSA brand. Following the sale, the Company continues providing contract manufacturing and product development services to both MOSSA and SIA Cosmetics Nord.

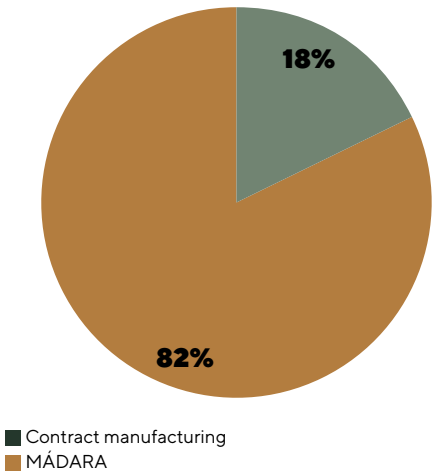
Sales distribution by product categories (2024)



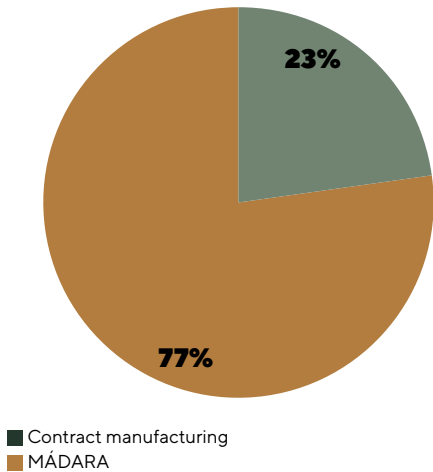
Sales distribution by product categories (2023)



Sales distribution by product categories (2024 H2)



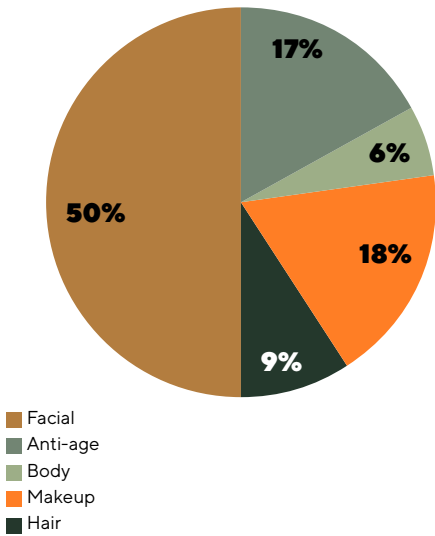
Sales distribution by product categories (2023 H2)



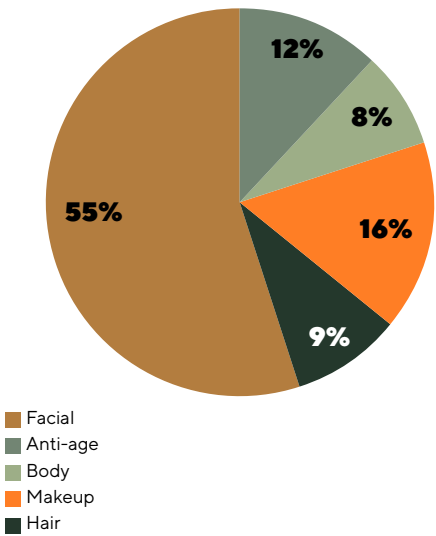
In 2024, Company continued to strengthen its position as an innovator in the natural and organic skincare and makeup segments. MÁDARA's core competence and strategic focus continue to centre on facial care. The combined share of facial and anti-aging products remained stable at 67% of the portfolio, despite shifts within these segments. The anti-aging category grew by 5 percentage points to 17%,

driven by the strong performance of the recently launched Retinol Alternative line. Meanwhile, the makeup segment expanded by 2 percentage points to 18%, supported by the launch of pressed powders and the growth of the Skinonym foundation line. Body care was down 2 pp, while the hair care category remained stable, maintaining its previous share.

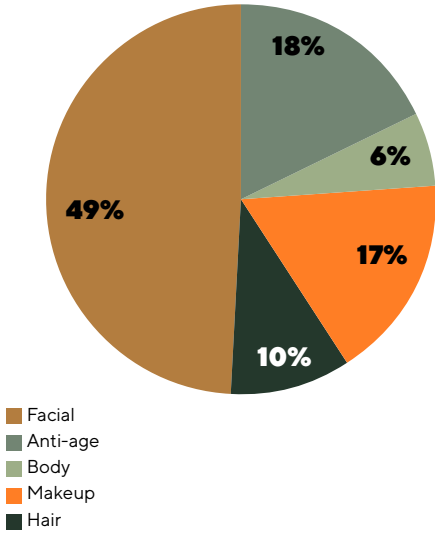
Sales distribution of MÁDARA products by categories (2024)



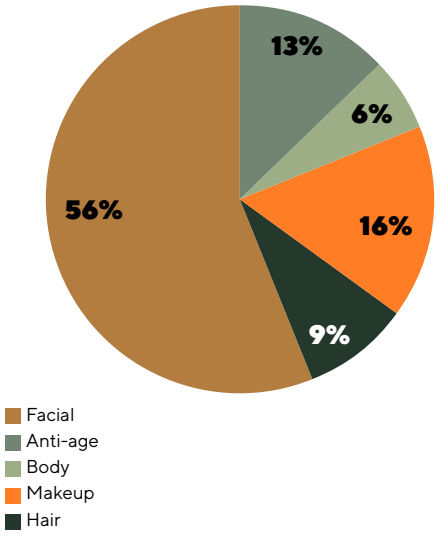
Sales distribution of MÁDARA products by categories (2023)



Sales distribution of MÁDARA products by categories (2024 H2)



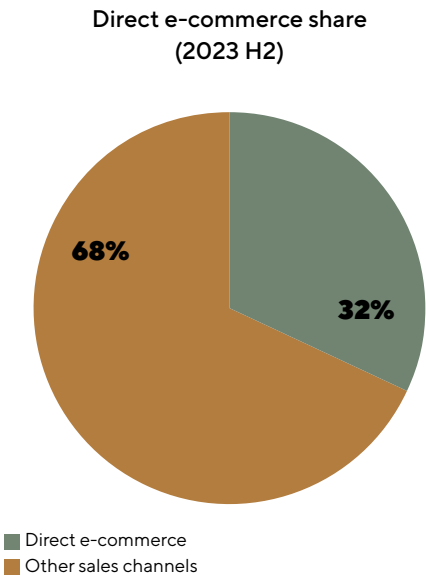
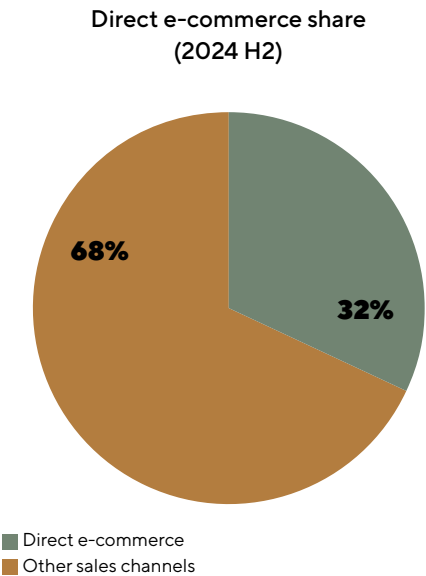
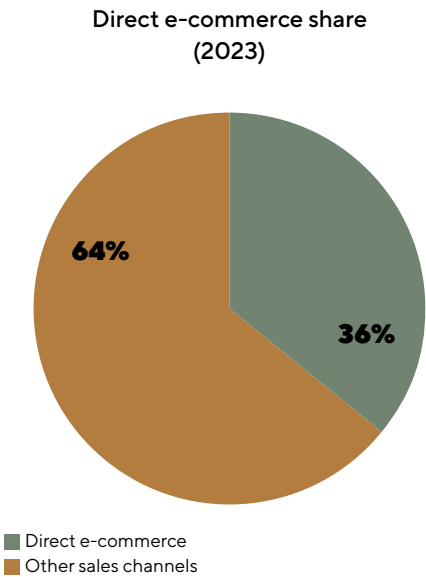
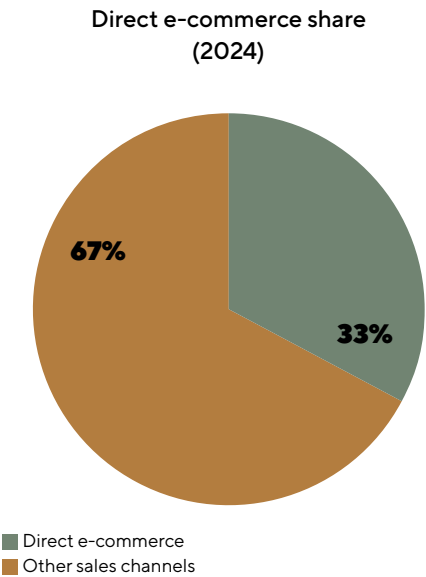
Sales distribution of MÁDARA products by categories (2023 H2)



E-COMMERCE INDICATORS

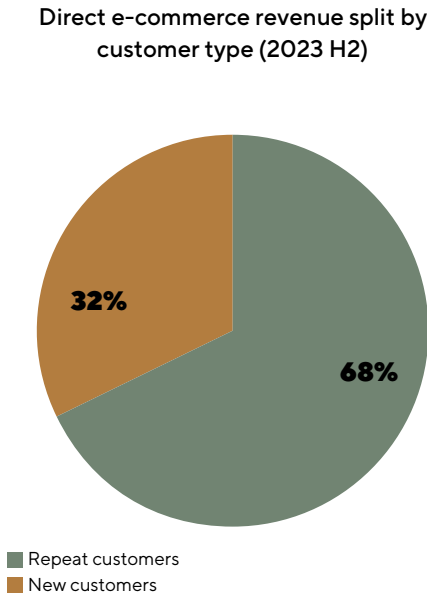
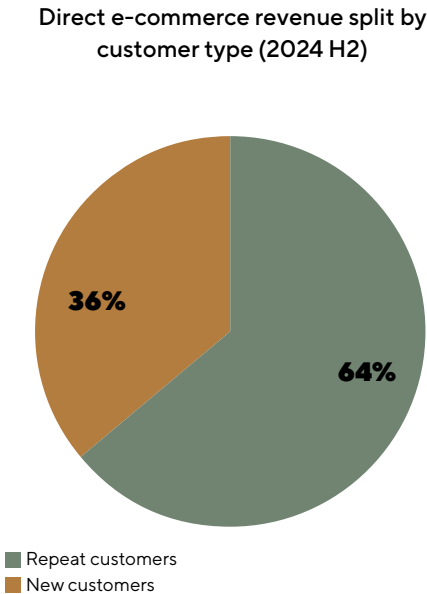
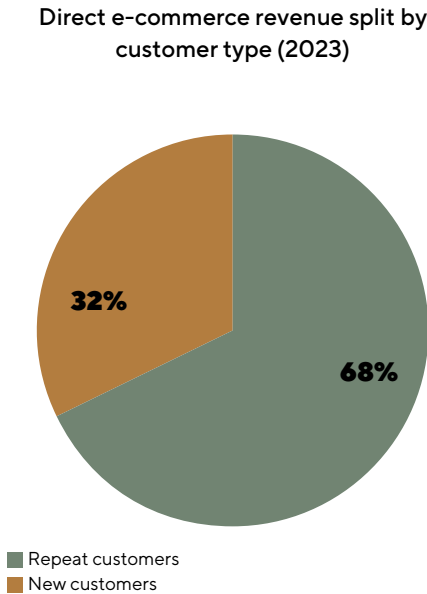
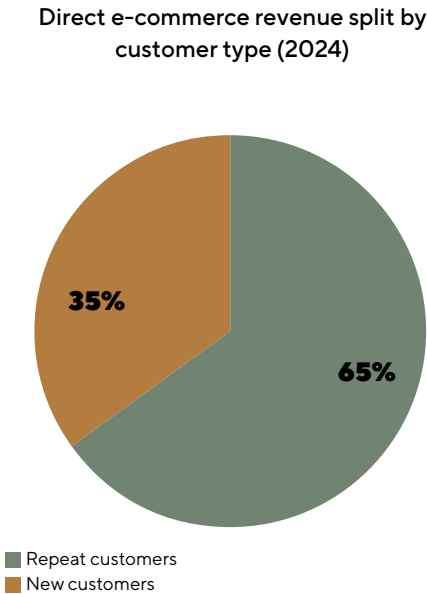
Direct e-commerce remained an important sales channel for the Company, accounting for 33% of the Group’s turnover from product sales in 2024 (down 3 pp y-o-y). Despite the weighting fluctuation, absolute e-commerce revenue continued growing. The decline reflects faster

growth in other sales channels, including B2B partnerships and retail expansions. In the second half of 2024, direct e-commerce accounted for 32% of turnover, the same share observed in the second half of 2023.



Despite the relative decline in share, the Company successfully increased its acquisition of new e-commerce customers. In the second half of 2024, repeat customers accounted for 64% of direct e-commerce revenue

(down 4 pp y-o-y), while new customers contributed 36% (up 4 pp y-o-y). The Company will prioritise and deepen new customer acquisition budgets for a selection of markets in the first half of 2025 as well.



FINANCIAL INDICATORS

The financial indicators described in this paragraph exclude the MOSSA and SELFNAME.COM transactions. In 2024 the Company achieved a gross profit of EUR 14.08 million, reflecting a 5% year-on-year increase. EBITDA amounted to EUR 2.49 million, representing a 14% decline year-on-year, with an EBITDA margin of 12%, down by 2 percentage points. The gross profit margin in the second half of the year remained steady at 64%, while increasing contract manufacturing volumes helped offset lower price impacts, allowing the Company to benefit from economies of scale. Also a 1 pp EBITDA margin improvement was achieved in second half of the year.

The Company’s profitability and liquidity ratios demonstrate continued stability and resilience, positioning the Company well for future growth. Reaffirming the news from 10 February, in 2025, management has set a minimum revenue growth target of a 10% increase y-o-y, equating to revenue guidance of EUR 23.67 million. The management affirms that the Group maintains ample financial resources to support its growth initiatives while also ensuring the distribution of dividends to its shareholders.

Key ratios and indicators (management data)	2024 (unaudited) EUR	2024, MOSSA, SELFNAME.COM deals excluded, (unaudited) EUR	2023 (audited) EUR
Net turnover	21 521 830	21 521 830	20 234 218
Cost of goods sold	(7 441 282)	(7 441 282)	(6 886 013)
Gross profit	14 080 548	14 080 548	13 348 205
Depreciation, amortisation and write-downs	1 020 788	1 020 788	839 854
Leasehold improvements write-off expense	118 819	118 819	101 228
Operating profit	5 808 417	1 351 527	1 962 984
Interest income	251 728	251 728	12 229
Interest expense	(50 898)	(50 898)	(43 988)
Profit before taxes	6 009 247	1 552 357	1 933 151
Net profit for the period	5 455 905	999 015	1 597 379

Key ratios and indicators (management data)	2024 H2 (unaudited) EUR	2024 H2, MOSSA, SELFNAME.COM deals excluded, (unaudited) EUR	2023 H2 (unaudited) EUR
Net turnover	10 314 244	10 314 244	9 952 177
Cost of goods sold	(3 749 860)	(3 749 860)	(3 626 300)
Gross profit	6 564 384	6 564 384	6 325 877
Depreciation, amortisation and write-downs	504 411	504 411	441 500
Leasehold improvements write-off expense	58 837	58 837	53 931
Operating profit	1 227 251	655 033	642 273
Interest income	186 270	186 270	10 969
Interest expense	(30 502)	(30 502)	(31 761)
Profit before taxes	1 383 019	810 801	623 407
Net profit for the period	1 380 302	808 084	613 690

	2024 (unaudited) EUR	2024, MOSSA, SELFNAME.COM deals excluded, (unaudited) EUR	2023 (audited) EUR	2024 H2 (unaudited) EUR	2024 H2, MOSSA, SELFNAME.COM deals excluded, (unaudited) EUR	2023 H2 (unaudited) EUR
EBITDA (TEUR)	6 948	2 491	2 904	1 790	1 218	1 138
Profitability and sustainability ratios						
1. Gross Margin (%)	65	65	66	64	64	64
2. Operating Margin (%)	27	6	10	12	6	6
3. EBITDA Margin (%)	32	12	14	17	12	11
4. Net Margin (%)	25	5	8	13	8	6
5. TTM ROE (%)	35	7	11	35	7	11
6. TTM ROA (%)	31	8	12	31	8	12
Liquidity ratios						
7. Current ratio (x)	6.3	4.6	4.9	6.3	4.6	4.9
8. Quick ratio (x)	4.4	1.9	3.1	4.4	1.9	3.1
9. Working capital (TEUR)	13 591	9 134	9 486	13 591	9 134	9 486
Leverage ratios						
10. Financial debt to equity (x)	-	-	-	-	-	-
11. Debt to equity (x)	0.16	0.22	0.19	0.16	0.22	0.19
12. Net financial debt (TEUR)	(8 601)	(4 523)	(5 487)	(8 601)	(4 523)	(5 487)
13. Net gearing (%)	(50)	(35)	(39)	(50)	(35)	(39)

* 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. EBITDA/Net turnover*100
- 4. Net profit/Net turnover*100
- 5. Trailing 12 Months (TTM) Net Profit/Total equity (average)*100
- 6. TTM Operating profit/Total assets (average)*100
- 7. Current assets/Current liabilities
- 8. (Current assets-Inventories)/Current liabilities
- 9. Current assets-Current liabilities
- 10. Loans from financial institutions/Total equity
- 11. Total debt/Total equity
- 12. Total financial debt-Cash
- 13. (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.

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

CONSOLIDATED INCOME STATEMENT

Classified by function of expense.

	Note	1.01.2024 -31.12.2024 EUR (unaudited)	1.07.2024 -31.12.2024 EUR (unaudited)	1.01.2023 -31.12.2023 EUR (audited)	1.07.2023 -31.12.2023 EUR (unaudited)
Net turnover	2	21 521 830	10 314 244	20 234 218	9 952 177
Cost of goods sold	3	(7 441 282)	(3 749 860)	(6 886 013)	(3 626 300)
Gross profit		14 080 548	6 564 384	13 348 205	6 325 877
Selling expenses	4	(10 406 935)	(4 744 429)	(9 118 938)	(4 632 647)
Administration expenses	5	(2 532 307)	(1 263 313)	(2 199 268)	(1 159 951)
Other operating income	6	4 335 300	231 120	236 236	215 700
Other operating expenses	7	(246 929)	(139 251)	(301 325)	(106 706)
Interest and similar income	8	251 728	186 270	12 229	10 969
Interest and similar expenses	9	(50 898)	(30 502)	(43 988)	(31 761)
Income from sale of participation	10	578 740	578 740	-	-
Profit before corporate income tax		6 009 247	1 383 019	1 933 151	621 481
Corporate income tax for the financial period		(553 342)	(2 717)	(335 772)	(9 717)
Profit for the reporting period		5 455 905	1 380 302	1 597 379	611 764

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

CONSOLIDATED BALANCE SHEET

Assets	Note	31.12.2024 EUR (unaudited)	30.06.2024 EUR (unaudited)	31.12.2023 EUR (audited)	30.06.2023 EUR (unaudited)
Non-current assets					
Intangible assets					
Development costs		-	-	-	-
Concessions, licences, patents, trade marks and similar rights		1 083 259	1 407 751	1 337 192	1 235 448
Other intangible assets		15 127	18 257	21 386	24 516
Prepayments for intangible assets		-	-	12 570	-
Total intangible assets	11	1 098 386	1 426 008	1 371 148	1 259 964
Property, plant and equipment					
Land		468 722	468 722	468 722	468 722
Leasehold improvements		306 636	347 260	400 724	282 234
Plant and equipment		1 671 384	1 963 945	2 077 800	1 505 221
Other fixed assets		309 349	347 507	416 081	426 888
Construction in progress		83 154	38 739	40 758	630 538
Prepayments for property, plant and equipment		15 502	35 391	24 569	15 940
Total property, plant and equipment	12	2 854 747	3 201 564	3 428 654	3 329 543
Non-current financial investments					
Other non-current receivables and other receivables	13	101 949	88 865	96 728	87 972
Other securities and investments	14	691	691	826	826
Total non-current financial investments		102 640	89 556	97 554	88 798
Total non-current assets		4 055 773	4 717 128	4 897 356	4 678 305
Current assets					
Inventories					
Raw materials	15	3 049 331	2 574 764	2 435 579	2 393 747
Finished goods and goods for sale	16	1 575 389	1 605 701	1 762 900	1 984 120
Prepayments for inventories		239 692	562 040	282 168	326 887
Total inventories		4 864 412	4 742 505	4 480 647	4 704 754
Receivables					
Trade receivables	17	1 789 351	2 112 573	1 677 087	1 725 763
Other receivables	18	74 296	136 516	136 590	207 304
Other investments	19	690 000	-	-	-
Accrued revenue		17 466	37 623	12 057	200
Deferred expenses		103 567	217 215	133 975	152 602
Total receivables		2 674 680	2 503 927	1 959 709	2 085 869
Cash	20	8 601 020	10 064 705	5 486 715	6 530 092
Total current assets		16 140 112	17 311 137	11 927 071	13 320 715
Total assets		20 195 885	22 028 265	16 824 427	17 999 020

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

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	31.12.2024 EUR (unaudited)	30.06.2024 EUR (unaudited)	31.12.2023 EUR (audited)	30.06.2023 EUR (unaudited)
Equity					
Share capital	21	378 044	377 658	377 658	377 491
Share premium		4 023 455	4 023 455	4 023 455	4 023 454
Foreign currency revaluation reserve		220	-	-	-
Retained earnings:					
a) prior year retained earnings		7 509 947	7 510 334	8 103 370	8 103 537
b) profit for the period		5 455 905	4 125 601	1 597 379	983 689
Total equity		17 367 571	16 037 048	14 101 862	13 488 171
Liabilities					
Non-current liabilities					
Deferred revenue		279 154	341 451	281 374	-
Total non-current liabilities		279 154	341 451	281 374	-
Current liabilities					
Advances from customers		97 044	301 031	173 995	170 995
Trade payables		665 886	958 950	742 509	1 238 237
Taxes and social insurance contributions	22	508 268	1 114 994	477 446	770 663
Other payables	23	278 909	344 012	286 228	276 744
Deferred revenue		72 075	54 084	54 084	230 940
Accrued liabilities	24	926 978	686 280	706 929	502 050
Unpaid dividends			2 190 415		1 321 220
Total current liabilities		2 549 160	5 649 766	2 441 191	4 510 849
Total liabilities		2 828 314	5 991 217	2 722 565	4 510 849
Total equity and liabilities		20 195 885	22 028 265	16 824 427	17 999 020

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

CONSOLIDATED CASH FLOW STATEMENT

Indirect method

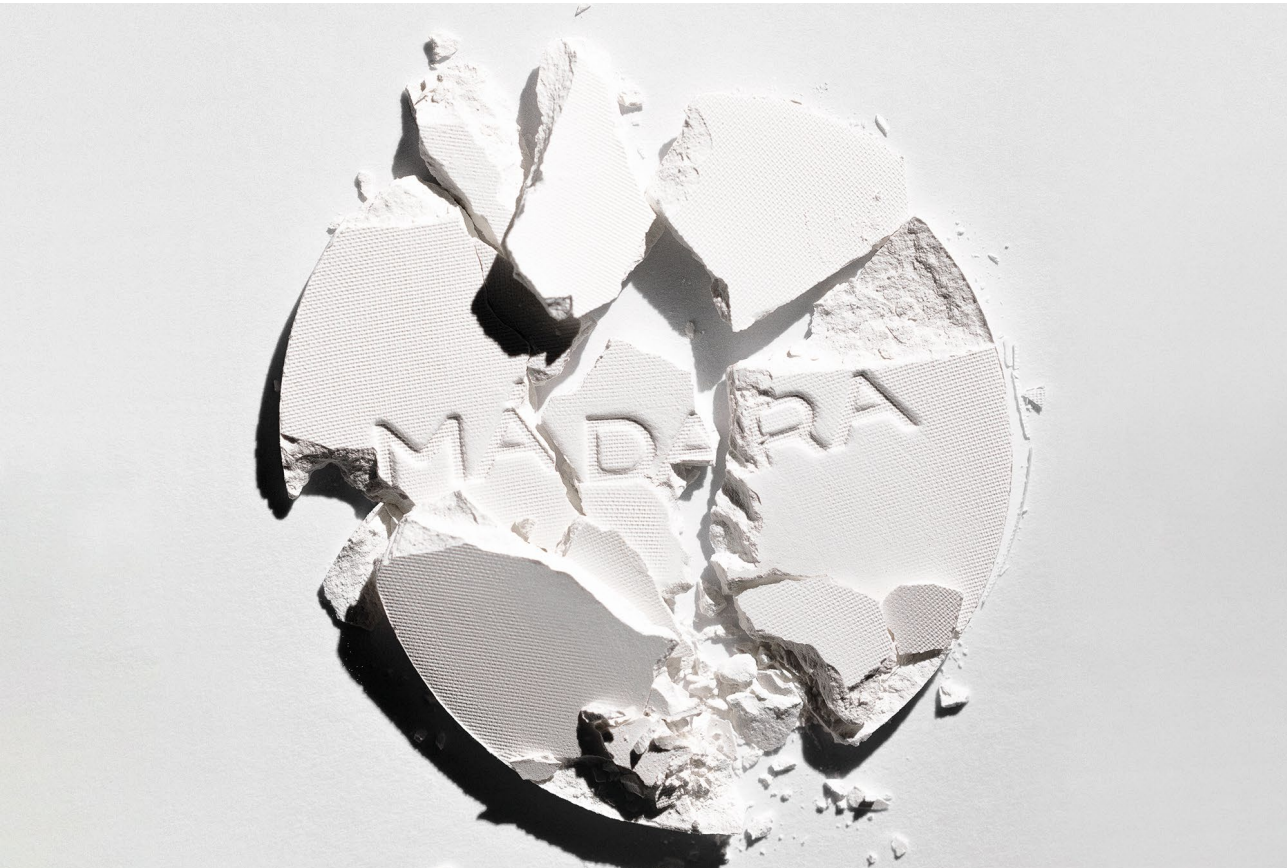
	Note	1.01.2024 -31.12.2024 EUR (unaudited)	1.07.2024 -31.12.2024 EUR (unaudited)	1.01.2023 -31.12.2023 EUR (audited)	1.07.2023 -31.12.2023 EUR (unaudited)
Cash flow of operating activities					
Profit before taxes		6 009 247	1 383 019	1 933 151	621 480
Corrections:					
Depreciation of fixed assets	12	576 283	395 762	530 974	305 981
Amortisation of intangible assets	11	412 019	201 474	410 107	189 450
Disposal of fixed and intangible assets	11, 12	436 966	250 570	-	-
Proceeds from sale of participating interests		(200 000)	(200 000)	-	-
Government and the EU institutions aid		(194 133)	(139 961)	(145 005)	(131 008)
Proceeds from the sale of intangible assets		(4 000 000)	-	-	-
Net revenue from the disposal of property, plant and equipment		(8 825)	2 158	(7 438)	(7 438)
Interest and similar income	8	(34 054)	(21 212)	(12 229)	(10 955)
Interest and similar expenses	9	-	-	-	(521)
Profit before adjustments for current assets and current liabilities		2 997 503	1 871 810	2 709 560	966 989
Corrections:					
(Increase) / decrease in receivables		(29 697)	(771 293)	(339 521)	32 855
(Increase) / decrease in inventories		(383 766)	(121 908)	(240 715)	300 346
Increase / (decrease) in payables and other payables		66 702	819 051	87 450	(343 339)
Gross cash flow of operating activities		2 650 742	1 797 660	2 216 774	956 851
Interest payments		-	-	-	521
Income tax payments		(553 342)	(545 275)	(330 879)	(330 603)
Net cash flow of operating activities		2 097 400	1 252 385	1 885 895	626 769
Investment activities cash flow					
Proceeds from the disposal of other investments		135	-	-	-
Proceeds from the sale of participating interests		200 000	200 000	-	-
Foreign currency revaluation reserve		220	220	-	-
Proceeds from the sale of intangible assets		4 000 000	-	-	-
Acquisition of fixed assets and intangible assets		(574 146)	(168 912)	(1 380 804)	(705 726)
Proceeds from the property, plant and equipment sale		44 463	33 480	7 438	7 438
Loans issued		(690 000)	(690 000)	(13 992)	-
Received interest		33 559	20 717	12 217	10 955
Investment activities cash flow		3 014 231	(604 495)	(1 375 141)	(687 333)
Financing activities cash flow					
Received government and the EU institutions aid		193 089	78 840	346 297	333 106
Repaid financial lease liabilities		-	-	-	-
Dividends paid		(2 190 415)	(2 190 415)	(1 321 220)	(1 321 220)
Repaid loan		-	-	-	-
Financing activities cash flow		(1 997 326)	(2 111 575)	(974 923)	(988 114)
Increase / (decrease) in cash and cash equivalents		3 114 305	(1 463 685)	(464 169)	(1 048 678)
Cash and cash equivalents at the beginning of the reporting period	20	5 486 715	10 064 705	5 950 884	6 530 092
Cash and cash equivalents at the end of the financial period	20	8 601 020	8 601 020	5 486 715	5 481 414

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 EUR	Share premium EUR	Retained earnings EUR	Foreign currency exchange reserves EUR	Total equity EUR
Balance as of 31 December 2022 (audited)	377 391	4 023 455	9 424 857	-	13 825 703
Increase in share capital	267	-	(267)	-	-
Profit for the reporting period	-	-	1 597 379	-	1 597 379
Distribution of dividends	-	-	(1 321 220)	-	(1 321 220)
Balance as of 31 December 2023 (audited)	377 658	4 023 455	9 700 749	-	14 101 862
Increase in share capital	-	-	-	-	-
Profit for the reporting period	-	-	4 075 602	-	4 075 602
Distribution of dividends	-	-	(2 190 415)	-	(2 190 415)
Balance as of 30 June 2024 (unaudited)	377 658	4 023 455	11 585 936	-	15 987 049
Increase in share capital	386	-	(386)	-	-
Profit for the reporting period	-	-	1 380 302	-	1 380 302
Foreign currency revaluation reserve	-	-	-	220	220
Distribution of dividends	-	-	-	-	-
Balance as of 31 December 2024 (unaudited)	378 044	4 023 455	12 965 852	220	17 367 571

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.

	1.01.2024 -31.12.2024 EUR (unaudited)	1.01.2023 -31.12.2023 EUR (audited)
Turnover by geographical markets:		
Revenue from the sale of goods in European Union	14 830 370	13 668 174
Revenue from the sale of goods in Latvia	5 070 487	4 482 142
Revenue from the sale of goods in other markets	1 483 784	1 853 538
Revenue from rendering services	88 392	219 811
Other revenue from the operating services	48 797	10 553
Total	21 521 830	20 234 218
(3) Cost of goods sold		
Materials cost	3 657 413	3 178 987
Remuneration for work	1 835 049	1 661 918
Social security contributions	432 587	391 172
Depreciation of fixed assets and amortisation of intangible assets	403 275	340 383
Costs of production services	214 666	273 627
Research and development costs for new products	207 379	233 082
Premises rental and management costs	196 264	215 140
Working capital write-down	200 823	262 982
Resource costs	96 615	134 977
Write-off of part of long-term investments in leased fixed assets	91 897	85 981
Maintenance costs of the ECOCERT quality certificate	32 465	49 802
Car maintenance and fuel costs	16 919	22 627
Business trip costs	9 850	11 481
Other production and production maintenance costs	46 080	23 854
Total	7 441 282	6 886 013
(4) Selling expenses		
Advertising costs	3 842 130	3 141 029
Remuneration for work	2 110 281	1 863 189
Delivery costs	1 083 035	1 280 697
Sample production costs	700 333	688 221

	1.01.2024 -31.12.2024 EUR (unaudited)	1.01.2023 -31.12.2023 EUR (audited)
Compulsory social security contributions	497 374	440 323
Depreciation of property, plant and equipment and amortisation of intangible assets	510 061	413 041
Costs of intermediation services	598 753	321 272
Cost of maintenance services for trading platforms	135 595	178 588
Costs of promotion of trade events	98 453	281 275
Premises maintenance costs and rent	183 839	169 978
Insurance against sales risks	25 014	28 905
Travel and exhibition costs	66 127	62 957
Royalties	17 404	9 348
WEB shop maintenance costs and other IT costs	109 809	14 662
Car maintenance and fuel costs	15 992	17 442
Depreciation of fixed investments in property, plant and equipment	26 922	15 246
Other costs of sales	385 813	192 765
Total	10 406 935	9 118 938
(5) Administration expenses		
Remuneration for work	911 706	850 606
Office costs	264 642	221 641
Compulsory social security contributions	215 013	200 427
Cash turnover incidental expenses	203 274	184 873
Premises rental and management costs	162 962	119 970
Staff health insurance	93 022	62 521
Depreciation of fixed assets and amortisation of intangible assets	107 452	86 428
Costs of staff sustainability measures	81 424	67 625
Research, consultancy and conference costs	43 996	60 882
Staff catering costs	83 162	79 102
Securities circulation costs	19 057	21 337
Legal and other professional fees	93 618	42 543
Car maintenance and fuel costs	39 218	30 849
Provisions for doubtful debts	15 622	9 129
Travel expenses	6 272	19 464
Communication costs	21 196	20 063
Audit costs *	42 393	38 700
Other management and administration costs	128 278	83 108
Total	2 532 307	2 199 268

*Deloitte Audits Latvia, the auditor of the Parent Company, provided only services related to the statutory audit of financial statements during the reporting year.

	1.01.2024 -31.12.2024 EUR (unaudited)	1.01.2023 -31.12.2023 EUR (audited)
(6) Other operating income		
Revenues from the ERAF projects	194 133	145 005
Revenues from the property, plant and equipment sale	38 189	7 438
Revenue from the current assets sale	-	4 172
Revenue from sale of the brand MOSSA	4 000 000	-
Other revenues	102 978	79 621
Total	4 335 300	236 236
(7) Other operating expenses		
Staff recruitment and training expenses	58 733	134 360
Goods and services purchased for resale	3 681	6 302
Security costs	-	7 815
Labour protection costs	13 795	8 773
Environmental protection costs	34 355	36 731
Donations	4 415	3 455
Representation costs	22 367	20 236
Other costs	109 583	83 653
Total	246 929	301 325
(8) Interest and similar income		
Other interest income	251 728	12 229
Total	251 728	12 229
(9) Interest and similar expenses		
Exchange rate fluctuations	46 143	28 699
Payments for factoring	529	965
Other interest payments	484	45
Lease interest payments	-	-
Penalties paid	3 742	14 279
Total	50 898	43 988
On 1 July 2024, AS MADARA Cosmetics entered into a transaction with SIA SLFNMD for the sale of 100% of the shares in SIA Cosmetics Nord. The transaction resulted in a gain.		
(10) Income from sale of participation*		
Income from sale of participation	578 740	-
Total	578 740	-

*Income from Cosmetics Nord SIA sale



(11) INTANGIBLE ASSETS

	Concessions, patents, licenses, trademarks and similar rights (EUR)	Other intangible assets (EUR)	Intangible investment for the creation of costs (EUR)	Total intangible assets (EUR)
Cost as of 31.12.2023	2 145 364	31 226	12 569	2 189 159
Additions	-	-	410 250	410 250
Disposals	(51 219)	-	-	(51 219)
Disposal of Cosmetics Nord SIA Intangible assets	(355 628)	-	-	(355 628)
Transfers	422 819	-	(422 819)	-
Cost as of 31.12.2024	2 161 336	31 226	-	2 192 562
Accumulated amortisation as of 31.12.2023	808 171	9 840	-	818 011
Amortisation charged	405 760	6 259	-	412 019
Disposals	(44 923)	-	-	(44 923)
Disposal of Cosmetics Nord SIA Intangible assets	(90 931)	-	-	(90 931)
Accumulated amortisation as of 31.12.2024	1 078 077	16 099	-	1 094 176
Net carrying amounts as of 31.12.2023	1 337 193	21 386	12 569	1 371 148
Net carrying amounts as of 31.12.2024	1 083 259	15 127	-	1 098 386

(12) 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)
Cost as of 31.12.2023	468 722	1 074 277	4 789 040	1 232 616	40 757	24 569	7 629 981
Additions	-	-	-	-	93 523	115 267	208 790
Disposals	-	(36 004)	-	(221 042)	-	-	(257 046)
Disposal of Cosmetics Nord SIA fixed assets	-	(4 660)	(163 156)	(43 461)	(2 019)	(2 783)	(216 079)
Transfers	-	25 974	35 572	109 112	(49 107)	(121 551)	-
Cost as of 31.12.2024	468 722	1 059 587	4 661 456	1 077 225	83 154	15 502	7 365 646
Accumulated depreciation as of 31.12.2023	-	673 552	2 711 240	816 535	-	-	4 201 327
Depreciation charged	-	118 709	313 169	144 405	-	-	576 283
Disposals	-	(35 893)	-	(175 714)	-	-	(211 607)
Disposal of Cosmetics Nord SIA fixed assets	-	(3 417)	(34 337)	(17 350)	-	-	(55 104)
Accumulated depreciation as of 31.12.2024	-	752 951	2 990 072	767 876	-	-	4 510 899
Net carrying amounts as of 31.12.2023	468 722	400 725	2 077 800	416 081	40 757	24 569	3 428 654
Net carrying amounts as of 31.12.2024	468 722	306 636	1 671 384	309 349	83 154	15 502	2 854 747

	31.12.2024 EUR (unaudited)	31.12.2023 EUR (audited)
(13) Other non-current receivables and other receivables		
Rent security deposit	101 949	96 728
Total	101 949	96 728
(14) Other securities and investments		
Other investments	6 91	826
Total	691	826
(15) Raw materials		
Raw materials and materials, gross value	2 833 196	2 362 093
Goods in transit	216 135	73 486
Total	3 049 331	2 435 579
(16) Finished goods and goods for sale		
Cosmetic products	1 375 096	1 599 731
Advertising materials	174 402	135 261
Goods in Transit	29 391	31 408
Allowance for slow moving inventories	(3 500)	(3 500)
Total	1 575 389	1 762 900
(17) Trade receivables		
Trade receivables, gross value	1 822 212	1 695 787
Allowance for doubtful trade receivables	(32 861)	(18 700)
Total	1 789 351	1 677 087
(18) Other receivables		
VAT overpayment (Latvia)	-	42 509
VAT overpayment (Germany)	-	6 383
Security deposit	-	882
Other receivables	74 296	86 816
Total	74 296	136 590
(19) Other investments		
Short-term loan Cosmetics Nord SIA	690 000	-
Total	690 000	-
(20) Cash		
Cash in bank accounts and digital payment systems	8 601 020	5 486 715
Total	8 601 020	5 486 715

(21) Share capital

As of 31 December 2024, the registered and fully paid-in share capital of the Group’s Parent Company amounts to EUR 378 403.40 and consists of 3 784 034 shares with a nominal value of EUR 0.10 per share.

Since 2017, AS Madara Cosmetics has implemented a share option programme for its employees as an 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. In 2024, 3 856 employee options were exercised, resulting in 3 856 shares in the Company for the option holders.

The number of employee options that will vest in future years is 32408 (31.12.2023: 36264). The exercise of these options will result in the following benefits for the share options programme participants (employees): 32 408 shares in the Parent Company.

	31.12.2024 EUR (unaudited)	31.12.2023 EUR (audited)
(22) Taxes and social insurance contributions		
Value added tax (OSS)	268 122	244 764
Mandatory state social insurance contributions	129 723	129 139
Personal income tax	67 545	64 327
Corporate income tax	876	5 169
Other taxes and duties (Latvia, Italy, United Kingdom, Germany)	42 002	34 047
Total	508 268	477 446
(23) Other current liabilities		
Salaries	247 309	244 344
Balance of gift cards	11 154	13 656
Other liabilities	20 446	28 228
Total other current liabilities	278 909	286 228
(24) Accrued liabilities		
Accrued liabilities for unused vacations	310 242	336 333
Accrued liabilities for employee remuneration	24 938	215 380
Accrued liabilities for services received	375 663	32 237
Accrued liabilities for goods received	216 135	122 979
Total other current liabilities	926 978	706 929
(25) Group Parent Company’s related party transactions during the reporting year		
	Goods and services provided/ EUR	Goods and services received/ EUR
MC PROPERTIES SIA	1 162	240 383
Madara Cosmetics LTD	22 941	-
Madara Cosmetics Inc	205 256	-
MADARA Retail SIA	522 705	923
Cosmetics Nord SIA*	573 113	18 959
Total	1 325 177	260 265

*For period 01.01.2024-30.06.2024

	31.12.2024 EUR (unaudited)	31.12.2023 EUR (audited)
(26) Number of employees in the Group		
Average number of employees per reporting period, including:	207	215
Members of the Board in the Parent Company	4	4
Members of the Council in the Parent Company	4	5

	1.01.2024-31.12.2024 EUR (unaudited)	1.01.2023-31.12.2023 EUR (audited)
(27) Information on the remuneration of board members and council of the Parent Company		
Board members remuneration for the work at the Board	317 568	341 768
Council members remuneration for the work at the Council	5 333	4 680
Total	322 901	346 448

(28) Off-balance sheet liabilities

On 17 March 2015 the Parent Company of the Group entered into a lease agreement with SIA MC PROPERTIES, registration number 40103872324, for the lease of production and office premises in Mārupe, Zeltiņu iela 131. The Parent Company of the Group has concluded an agreement on lease of office premises with SIA Kalvi at 20A Baložu Street, the term of the agreement is 2026. The Group has concluded lease agreements for retail space in four shopping centres in Riga: Galerija Rīga, Galerija Centrs, Spice, Akropole Alfa. A long-term lease agreement for warehouse and office space at Kauguru iela 6, Riga has been terminated and the Parent Company concluded long-term warehouse and office space lease agreement at Lielmaņi, Marupe. The term of the existing lease agreements is until 2028-2030 with a possibility of extension.

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 2024, the outstanding amount of SIA MC PROPERTIES loan to A/S SWEDBANK was EUR 650 640.

(29) Received ERAF financing

In 2024 the Group participated in and received funding from the European Union support programmes.

(30) 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.

(31) 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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