

MÁDARA

organic skincare

MANAGEMENT REPORT OF MADARA COSMETICS AS ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS OF 2025 REPORTING PERIOD



REPORTING PERIOD
01.01.2025 – 30.06.2025



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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%)	Uldis Iltners – owns 23.84% of shares Lote Tisenkopfa - Iltnere – owns 23.68% of shares Oy Transmeri Group Ab – owns 22.86% of shares Liene Drāzniece – owns 6.76% of shares Zane Tamane – owns 6.19% 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 Edgars Pētersons – Deputy Chairman of the Council from 20.06.2025 Kati Sulin – Member of the Council from 20.06.2025 Liene Drāzniece – Deputy Chairman of the Council until 20.06.2025
Reporting period	01.01.2025 until 30.06.2025
Previous reporting period	01.01.2024 until 30.06.2024
Subsidiaries of the Group	Madara Retail SIA, reg. No 40103212103 – 100%, Latvia MADARA Cosmetics Inc., reg. No 37-2087771 – 100%, the USA Madara Cosmetics LTD, reg. No 15967488 – 100%, the UK Madara Cosmetics GmbH, reg. No HRB 177689 – 100%, Germany Brand Lab Cosmetics SIA, reg. No 40203612673 – 100%, Latvia

DEAR SHAREHOLDERS,

THE FIRST HALF OF 2025 MARKED TWO IMPORTANT TRANSITIONS FOR MADARA COSMETICS AS (HEIREINAFTER, THE GROUP).

E-COMMERCE IS AT THE HEART OF WHAT WE DO – WE TESTED NEW GROWTH AVENUES AND MARKETS FOCUSING ON NEW USER ACQUISITION. AT THE SAME TIME, WITH SHIFTING DYNAMICS IN PHYSICAL RETAIL, WE HAVE REFOCUSED OUR STRATEGY TO GROW BRAND PRESENCE AND VISIBILITY BY ENTERING LARGER REGIONAL CHAINS AND BY CHALLENGING WHAT THE CONVENTIONAL BEAUTY RETAILER’S SHELVES SHOULD LOOK LIKE.

OUR FOCUS ON THE CORE BRAND HAS DELIVERED RESULTS – TURNOVER GREW BY 9% ON A LIKE-FOR-LIKE BASIS, REACHING EUR 11.37 MILLION IN THE FIRST HALF OF THE YEAR. THE MÁDARA BRAND NOW REPRESENTS 86% OF OUR PORTFOLIO.

WE EXPANDED OUR PRESENCE IN EUROPE, WITH MÁDARA PRODUCTS ENTERING MÜLLER, DRUNI, NOCIBÉ AND OH MY CREAM STORES, AND MORE THAN 120 NEW RETAIL LOCATIONS ADDED. AT THE SAME TIME, OUR E-COMMERCE CONTINUED TO GROW, NOW REPRESENTING 38% OF TURNOVER. AMAZON MORE THAN DOUBLED AND TIKTOK IS SHOWING STRONG POTENTIAL. TO SUPPORT FUTURE GROWTH, WE ALSO STARTED MÁDARA E-STORE MIGRATION TO SHOPIFY.

INNOVATION STAYED AT THE HEART OF OUR PROGRESS. WE LAUNCHED 17 NEW PRODUCTS, INCLUDING THE SUCCESSFUL AGE PRO LINE AND SPF50 SUNSCREEN STICK, WHICH QUICKLY BECAME A BESTSELLER IN SPAIN. OUR PRODUCTS RECEIVED POSITIVE MENTIONS FROM INTERNATIONAL CREATORS AND OPINION LEADERS, FURTHER STRENGTHENING BRAND VISIBILITY.

IN 2025 WE ALSO COMPLETED B CORP CERTIFICATION, CONFIRMING OUR COMMITMENT TO SUSTAINABLE AND RESPONSIBLE BUSINESS PRACTICES.

WHILE INVESTMENTS IN PILOT PROJECTS HAD A SLIGHT DOWNWARDS SHORT-TERM IMPACT ON PROFITABILITY, WE ARE CONFIDENT IN OUR STRATEGY. OUR FOCUS AHEAD IS CLEAR – TO CONTINUE GROWING AND TO DRIVE PROFITABILITY THROUGH DISCIPLINED EXECUTION AND INNOVATION.

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 read 'Gunta Šulte', is positioned in the bottom right corner of the page.

THE MOST SIGNIFICANT EVENTS

E-COMMERCE IN THE CENTER OF LONG-TERM GROWTH

The pilot projects initiated already at the end of 2024 continued in the first half of 2025 to enable the Group to identify new long-term growth channels in addition to the existing ones. Among these were pilot campaigns for customer acquisition in the USA, the launch of a TikTok Shop in the United Kingdom, further development of the Amazon channel, as well as testing projects for new brand concepts in the e-commerce environment through the newly established Brand Lab Cosmetics SIA.

After evaluating the results of the first half-year, the Group has defined the scaling of Amazon and TikTok channels in existing markets and expansion into new markets as one of its key strategic directions going forward.

Simultaneously, in third-party online channels such as Flaconi, Zalando, and Boozt, various tools for more effective placement of content and advertising were tested. These activities were reflected in the rapid growth of the MÁDARA brand on those platforms.

Regarding the Group's own e-commerce platform, the migration from Magento to Shopify was initiated in the first half of 2025. The transition is planned to begin with the first test markets in the third quarter. This marks a significant step towards a more optimised user experience and higher efficiency in the use of internal resources – both by reducing website development costs and improving marketing investment returns.



REACHING REGIONAL RETAILER SHELVES

Another strategic direction in which the Group has implemented significant changes is the approach to defining B2B customer profiles. Historically, the focus was placed on niche and smaller-scale clients; however, the work carried out over the past 12 months, including the reassessment of team resources and process improvement, has enabled the Group to reorient toward cooperation with medium and large retail chains.

As a result of this strategy, the MÁDARA brand appeared on the physical store shelves of players such as Druni, Nocibé, Müller, Oh My Cream, and Doz already in the second quarter of 2025. In addition, the foundations for entering new regions were laid in the first half of the year, with further development expected to be addressed in more detail by the management in the third quarter.

GROWTH THROUGH NEW PRODUCTS

In the first half of 2025, the Group actively worked on new product introductions to the market, launching a total of 17 new products. The most significant innovations include the creation of the Age Pro line and the introduction of an SPF50 sunscreen in stick format. This product rapidly became the best-selling MÁDARA product in the Spanish market in the second quarter. MÁDARA also received several positive mentions from social media content creators. For instance, U.S.-based creator Demi Ngai, with 3.4 million TikTok followers, gave favourable reviews to several products. Meanwhile, British actress Emma Mackey (Barbie, Sex Education, etc.) praised the MÁDARA SPF30 sunscreen as one of her favorite cosmetic products in an interview with Harpers Bazaar.



SUSTAINABILITY AS A CORE VALUE

The first half of the year marked a significant turning point in the Group's sustainability journey.

With the completion of the B Corp certification process, MADARA Cosmetics reinforced its commitment to the highest standards of responsible, sustainable and socially impactful business practices. MADARA Cosmetics AS became the second Latvian enterprise to achieve this internationally recognised certification, validating its governance, environmental sustainability, employee wellbeing, and community engagement according to B Lab standards.

Find more detailed information on the ESG report here:

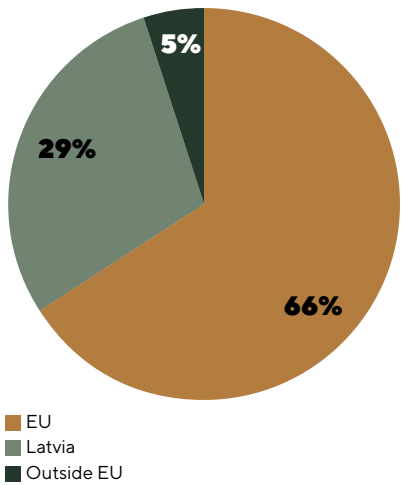
[INVESTORS.MADARACOSMETICS.COM/ESG](https://investors.madaracosmetics.com/esg)

SALES

In the first half of 2025, the Group’s consolidated turnover, based on like-for-like data, increased by 9%, reaching EUR 11.37 million. Meanwhile, excluding adjustments, growth amounted to 1% compared to the same period last year, reflecting the short-term impact from the sale of the MOSSA brand to Oy Transmeri Ab on April 30, 2024, and price review according to contract manufacturing conditions, plus the divestment of SELFNAMED.COM (COSMETICS Nord SIA), effective from July 1, 2024. During the first half of the year, the geographical sales split remained similar to the respective period last year,

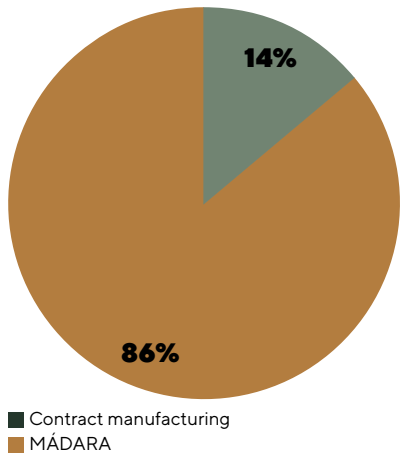
marking stable export activity. In the European Union (including Latvia) 95% of total turnover was generated, with Latvia accounting for 29% and other EU countries – 66%. Meanwhile, 5% of turnover was generated outside the European Union. The biggest shift compared to the first half of 2024 was the 9 percentage point increase in Latvia’s share. These changes were largely driven by the divestment of SIA Cosmetics Nord – from July 1, 2024, all sales to SIA Cosmetics Nord are included in Latvian market data.

Sales distribution in Latvia, the EU and outside EU (2025 H1)

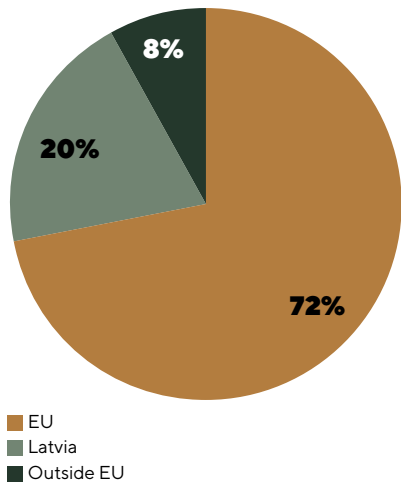


The share of the MÁDARA brand in the Group’s portfolio in the first half of 2025 was 86% (a 4pp increase), while the

Sales distribution by product categories (2025 H1)

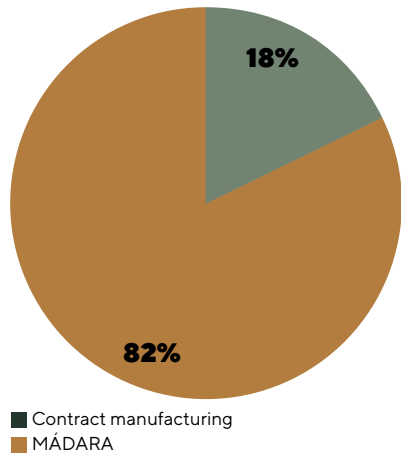


Sales distribution in Latvia, the EU and outside EU (2024 H1)



contract manufacturing segment (including the MOSSA brand) decreased by 4pp to 14%.

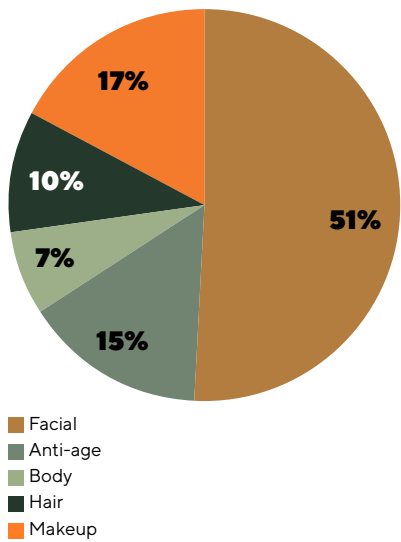
Sales distribution by product categories (2024 H1)



Speaking about the MÁDARA brand, in the first half of 2025 the Latvian market, which remains the Group’s largest by turnover, showed 13% growth compared to the same period last year, continuing stable development at the local level. The top 5 export markets outside Latvia are: Germany, France, Finland, Estonia, and the Czech Republic/Slovakia (combined). Among these, Germany stands out as the largest export market with 24% growth, where the B2B channel grew by 28%, and direct e-commerce by 20%. This growth is supported by a balanced and diversified channel portfolio that ensures a stable growth pace and allows the market to significantly influence the Group’s overall growth. In France, 7% overall growth was recorded, with e-commerce showing stronger dynamics (17%), while the B2B segment developed more moderately (3%). Some markets experienced stagnation or decline in growth, impacting the overall pace, including Finland, the Netherlands, and Belgium. Finland, which until recently was the second-largest market after Latvia, maintained its turnover at the level of same period last year. Currently, Germany’s turnover is 2.5 times higher than in Finland, reducing the relative impact of Finland’s growth on the overall turnover, although it still remains material.

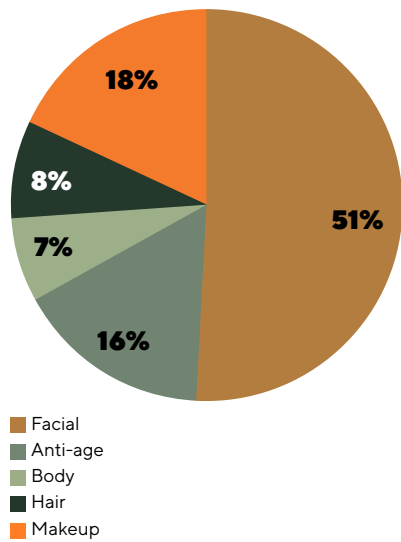
At the same time, focused work continued on attracting new B2B clients, including testing new geographic regions. The focus was on medium and large-scale partners that can ensure commercially efficient cooperation and help raise brand awareness. At the same time, there is a noticeable reduction in the number and turnover of small clients in the MÁDARA brand portfolio, which is the result of a deliberate strategy – the Group is shifting focus to larger clients, aiming to optimise sales activity and ensure a higher long-term return both in terms of turnover and brand positioning. Among the most important B2B developments is the expansion of cooperation with Müller – the number of retail stores increased from 4 (in 2024) to 70, with presence in Germany, Switzerland, and Austria. By the end of the year, the goal is to surpass the 100-store mark. Cooperation has also been launched with Druni, one of the leading cosmetics retailers in Spain, as well as with Nocibé, where products are already available in 50 retail locations across France. Additionally, the brand has successfully started working with Oh My Cream in both France and the United Kingdom.

Sales distribution of MÁDARA products by categories (2025 H1)



The category split of the MÁDARA brand remained similar to the first half of the previous year. The largest share belongs to facial care, followed by makeup and anti-aging segments. In the first half of 2025, 17 new products were introduced to the market or significantly improved versions of previous products were launched. Among the most notable launches is the AGE PRO line – an innovative skincare series for mature skin, developed as a next-generation solution to the previously popular Time Miracle

Sales distribution of MÁDARA products by categories (2024 H1)



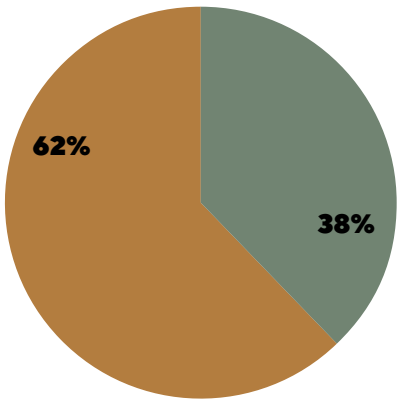
line. In the sun protection category, the SPF 50 sunscreen stick was reintroduced to the market, now with improved packaging and a more efficient production process. In the makeup category, the brand expanded its offering with five lightly tinted serums (H₂O Tint), a new bronzer, and entered a new subcategory – eye and brow pencils. The newly launched products in the first half of 2025 generated turnover exceeding EUR 800 thousand.

E-COMMERCE INDICATORS

Going forward, direct e-commerce indicators will include sales channels such as AMAZON and TIKTOK. In the first half of 2025, direct e-commerce – including AMAZON and TIKTOK – accounted for 38% of the Group’s total turnover, which is 3 percentage

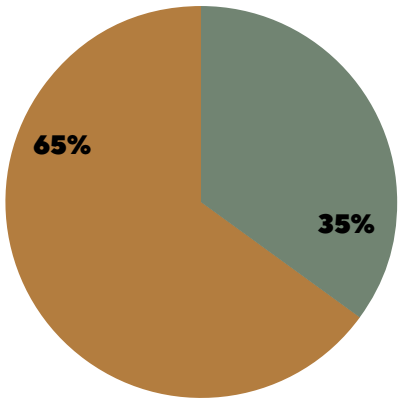
points more than in the corresponding period last year. Direct e-commerce turnover grew by approximately 11%, with the MÁDARA e-store demonstrating 7% growth, and the AMAZON channel more than doubling its turnover.

Direct e-commerce share (2025 H1)



■ Direct e-commerce
■ Other sales channels

Direct e-commerce share (2024 H1)

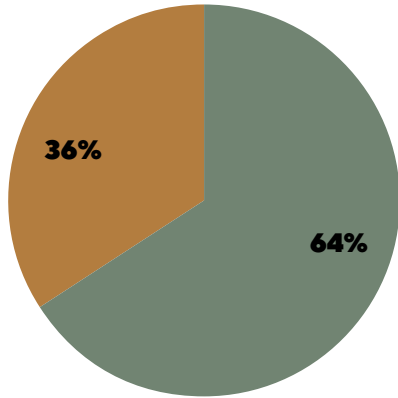


■ Direct e-commerce
■ Other sales channels

During the first half of the year, various experiments were conducted with new markets, sales channels, and content formats. While some of these delivered positive results, several experimental directions proved unsuccessful and did not yield the expected returns, thus putting pressure on overall profitability. Latvia continues to lead as the largest market for the brand’s e-store. The five leading export markets outside Latvia in the first half of 2025 were Germany, Estonia, France, Spain, and the Netherlands. All of these markets, except the Netherlands, recorded double-digit growth, with Spain

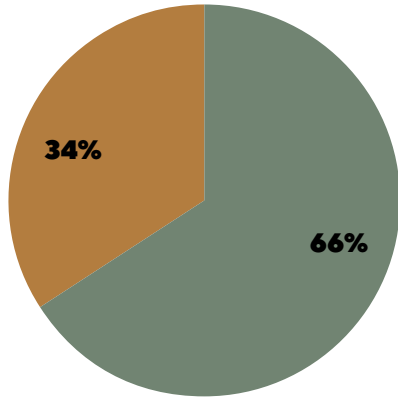
standing out significantly – turnover in this market nearly tripled compared to the same period in 2024. The achievement of these results was greatly influenced by a higher volume of localised content creation and the implementation of various new customer acquisition strategies, which allowed for more effective engagement of target audiences in each market. In the first half of 2025, there was also continued positive momentum in new customer acquisition – purchases by new customers accounted for 36% of the brand’s e-store turnover, up 2 percentage points compared to the same period in 2024.

Turnover split by customer type (2025 H1)



■ Repeat customers
■ New customers

Turnover split by customer type (2024 H1)



■ Repeat customers
■ New customers

At the same time, a decline in turnover was observed in several of the brand’s e-stores. This was mostly impacted by a strategic decision to concentrate resources – both financial and team time – on priority markets and to gradually phase out localised e-commerce platforms in regions not defined as strategically important. The AMAZON channel experienced 107% growth in the first half of the year compared to the same period last year, achieved through a strategic shift from outsourcing to building an internal team. This allowed for significant improvement and acceleration in the optimisation and scaling process of the channel. There is also a visible positive synergy between channels – higher activity in Spain’s MÁDARA e-store has contributed to this market becoming the fastest-growing country on the European AMAZON platform, with an impressive 317% growth compared to the same period last year. In the first half of 2025, the U.S. e-store was also actively tested. However, in the short term, this experiment did not yield the desired results – market dynamics, high customer acquisition costs, and logistics efficiency did not meet the set objectives. This negatively affected not only the project itself but also the Group’s overall profitability. Given the results, active market development in this region has been paused for now, and it is expected that this will not

have a negative impact on profitability in the second half of the year. In contrast, positive development was observed on the TikTok platform. Work on this channel began at the start of 2025 as part of a broader strategy to develop alternative digital sales channels. Currently, activities are focused on TikTok in the United Kingdom, with plans to expand to other countries in the future. Despite the fact that the return on the project in the first half of 2025 was negative, a positive turnover growth trend is visible. In the second half of the year, the team will continue working on scaling turnover together with the TikTok client support team. The goal is to reach the break-even point already in the second half of this year. Additionally, in the first half of the year, a strategic decision was made to modernise the e-commerce infrastructure, initiating active work on transitioning the MÁDARA brand’s e-store to the Shopify platform, which was assessed as the most promising solution for long-term growth. Shopify was selected based on its advantages – ease of use, reliability, wide integration capabilities with marketing and sales tools, as well as flexibility for international commerce needs. As the platform allows for a reduction in technical maintenance burden and enables a stronger focus on customer experience and sales results, it was recognised as the most suitable solution for the Group’s e-commerce development strategy.



FINANCIAL INDICATORS

As mentioned earlier, in the first half of 2025, the Group’s consolidated turnover, on a like-for-like basis, grew by 9%, reaching EUR 11.37 million. Excluding adjustments, actual growth amounted to 1% compared to the same period last year. The gross profit margin remained at the previous year’s level – 67%, which in monetary terms represents EUR 7.66 million.

EBITDA in the first half of 2025 reached EUR 759 thousand, with an EBITDA margin of 7%. Profit before tax amounted to EUR 284 thousand and the net profit margin was 2%, representing a decrease compared to the same period last year. Compared to H1 2024 results, excluding the MOSSA and SELFNAMED.COM transactions, the EBITDA margin declined by 4 percentage points.

Profitability was significantly impacted by several pilot projects, including testing of new brand concepts through Brand Lab Cosmetics, the U.S. e-store pilot project, and TikTok channel development in the United Kingdom. The overall impact of these initiatives on profitability is approximately 3 percentage points, with more than EUR 300 thousand invested in these projects, which were recorded as period expenses and had an immediate impact on profitability.

Brand Lab Cosmetics SIA was established at the end of 2024 with the goal of testing various e-commerce brand concepts. In the first eight months of operation, more than

10 concepts were developed, 4 of which were tested via the Shopify platform and primarily through Meta advertising channels. Although various directions were tested, none of the concepts achieved healthy e-commerce indicators or sustainable investment returns; therefore, a decision was made to pause the project at this time. The team consisted of 2 people, with the rest of the services outsourced. Test markets were Europe and the USA. Total investments in the project reached EUR 150 thousand.

After evaluating the potential and investment returns of both the MÁDARA brand and Brand Lab Cosmetics pilot projects, work will continue in the near future only on scaling TikTok in the United Kingdom, while Brand Lab Cosmetics and the U.S. e-store projects will be paused for the time being.

To improve profitability, several efficiency enhancement measures are being implemented, including adjustments in team structure and resource allocation, as well as process optimisation. Management acknowledges that the current profitability indicators have not been sufficient and targeted steps for remedying this are planned in the second half of 2025. The goal is to improve profitability by reaching a double-digit EBITDA margin level in the coming periods.

The Group management’s defined minimum turnover growth target for 2025 of 10% – or EUR 23.67 million – remains unchanged.

Key ratios and indicators	2025 H1 EUR	2024 H1 EUR	2024 H1 MOSSA, SELFNAMED.COM deals excluded, EUR
Net turnover	11 372 640	11 207 586	11 207 586
Cost of goods sold	(3 711 787)	(3 691 422)	(3 691 422)
Gross profit	7 660 853	7 516 164	7 516 164
Depreciation, amortisation and write-downs	501 586	516 377	516 377
Leasehold improvements write-off expense	61 132	59 982	59 982
Operating profit	196 087	4 581 166	696 494
Interest income	94 080	65 458	65 458
Interest expense	(6 059)	(20 396)	(20 396)
Profit before taxes	284 108	4 626 228	741 556
Net profit for the period	281 961	4 075 603	190 931

Key ratios and indicators	2025 H1	2024 H1	2024 H1 MOSSA, SELFNAMED.COM deals excluded
EBITDA (TEUR)	759	5 158	1 273
Profitability and sustainability ratios			
1. Gross Margin (%)	67	67	67
2. Operating Margin (%)	2	41	6
3. EBITDA Margin (%)	7	46	11
4. Net Margin (%)	2	36	2
5. TTM ROE (%)	11	32	5
6. TTM ROA (%)	8	26	7
Liquidity ratios			
7. Current ratio (x)	3	3	3
8. Quick ratio (x)	2	2	2
9. Working capital (TEUR)	10 476	11 611	11 611
Leverage ratios			
10. Financial debt to equity (x)	-	-	-
11. Debt to equity (x)	0.45	0.37	0.37
12. Net financial debt (TEUR)	(8 954)	(10 065)	(10 065)
13. Net gearing (%)	(63)	(63)	(63)

* 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



CONSOLIDATED FINANCIAL REPORT

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

CONSOLIDATED INCOME STATEMENT

Classified by function of expense.

	Note	1.01.2025 -30.06.2025 EUR (unaudited)	1.01.2024 -30.06.2024 EUR (unaudited)
Net turnover	2	11 372 640	11 207 586
Cost of goods sold	3	(3 711 787)	(3 691 422)
Gross profit		7 660 853	7 516 164
Selling expenses	4	(6 239 868)	(5 656 169)
Administration expenses	5	(1 355 559)	(1 263 773)
Other operating income	6	252 738	4 104 180
Other operating expenses	7	(122 077)	(119 236)
Interest and similar income	8	94 080	65 458
Interest and similar expenses	9	(6 059)	(20 396)
Profit before corporate income tax		284 108	4 626 228
Corporate income tax for the reporting period		(2 147)	(550 625)
Profit for the reporting period		281 961	4 075 603

The accompanying notes on pages 22 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Assets	Note	30.06.2025 EUR (unaudited)	31.12.2024 EUR (audited)
Non-current assets			
Intangible assets			
Concessions, licences, patents, trademarks and similar rights		926 209	1 047 237
Other intangible assets		11 997	15 127
Prepayments for intangible assets		106 421	-
Total intangible assets	10	1 044 627	1 062 364
Property, plant and equipment			
Land		468 722	468 722
Leasehold improvements		292 631	306 636
Technological equipment and machinery		1 574 558	1 671 261
Other fixed assets		380 447	309 349
Construction in progress		54 994	83 154
Prepayments for property, plant and equipment		38 541	15 502
Total property, plant and equipment	11	2 809 893	2 854 624
Non-current financial investments			
Other non-current receivables	12	102 172	101 949
Other securities and investments		691	691
Total non-current financial investments		102 863	102 640
Total non-current assets		3 957 383	4 019 628
Current assets			
Inventories			
Raw materials, materials and consumables	13	2 962 579	3 049 331
Finished goods and goods for sale	14	1 286 496	1 555 598
Prepayments for inventories		359 904	240 820
Total inventories		4 608 979	4 845 749
Receivables			
Trade receivables	15	2 544 378	1 801 457
Other receivables	16	72 377	73 025
Accrued revenue		67 047	53 630
Deferred expenses		249 193	103 567
Total receivables		2 932 995	2 031 679
Short-term financial investments	17	-	690 000
Cash	17	8 953 767	8 601 020
Total current assets		16 495 741	16 168 448
Total assets		20 453 124	20 188 076

The accompanying notes on pages 22 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	30.06.2025 EUR (unaudited)	31.12.2024 EUR (audited)
Equity			
Share capital	18	378 298	378 044
Share premium		4 023 455	4 023 455
Foreign currency revaluation reserve		4 459	205
Retained earnings:			
a) prior year retained earnings		9 465 641	7 509 947
b) profit for the year		281 961	5 436 295
Total equity		14 153 814	17 347 946
Liabilities			
Non-current liabilities			
Deferred revenue		279 154	279 154
Total non-current liabilities		279 154	279 154
Current liabilities			
Advances from customers		122 306	109 123
Trade payables		815 579	666 220
Taxes and mandatory state social insurance contributions	19	610 958	508 268
Other liabilities	20	308 177	278 312
Deferred revenue		75 221	72 075
Unpaid dividends		3 480 345	-
Accrued liabilities	21	607 570	926 978
Total current liabilities		6 020 156	2 560 976
Total liabilities		6 299 310	2 840 130
Total equity and liabilities		20 453 124	20 188 076

The accompanying notes on pages 22 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2025 -30.06.2025 EUR (unaudited)	1.01.2024 -30.06.2024 EUR (unaudited)
Cash flow from operating activities			
Profit before corporate income tax		284 108	4 626 228
Adjustments for:			
Depreciation of fixed assets	11	286 332	180 521
Amortisation of intangible assets	10	276 386	210 545
Fixed assets write-downs		-	186 396
Subsidies and grants received		(156 283)	(54 172)
Foreign currency revaluation reserve		4 254	-
Net (loss)/gain on disposal of property, plant and equipment		(17 355)	(4 010 983)
Other interest and similar income	8	(91 999)	(12 842)
Other interest and similar expense	9	-	-
Profit before adjustments for current assets and current liabilities		585 443	1 125 693
Adjustments for:			
(Increase) / decrease in receivables		(854 217)	741 596
(Increase) / decrease in inventories		236 770	(261 858)
Increase / (decrease) in payables and other payables		(24 313)	(739 849)
Gross cash flow from operating activities		(56 317)	865 582
Interest payments		-	-
Corporate income tax paid		(2 147)	(8 067)
Net cash flow from operating activities		(58 464)	857 515
Cash flow from / (used in) investment activities			
Purchase of shares in related companies		-	(12 500)
Proceeds from sale of other investments		-	135
Payments for property, plant and equipment and intangible assets		(500 250)	(405 234)
Net proceeds from sale of property, plant and equipment		17 355	4 010 983
Loans repaid		690 000	-
Interest received		91 019	12 842
Net cash flow from / (used in) investing activities		298 124	3 606 226
Cash flows used in financing activities			
ERAF financing received		113 087	114 249
Repaid financial lease liabilities		-	-
Dividends paid		-	-
Net cash flows used in financing activities		113 087	114 249
Net increase / (decrease) in cash and cash equivalents		352 747	4 577 990
Cash and cash equivalents at the beginning of the reporting period	17	8 601 020	5 486 715
Cash and cash equivalents at the end of the reporting period	17	8 953 767	10 064 705

The accompanying notes on pages 22 to 29 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 revaluation reserve (EUR)	Total equity (EUR)
Balance as of 31.12.2023	377 658	4 023 455	9 700 749	-	14 101 862
Distribution of dividends	-	-	(2 190 415)	-	(2 190 415)
Increase in share capital	386	-	(386)	-	-
Profit for the reporting year	-	-	5 436 295	-	5 436 295
Foreign currency revaluation reserve	-	-	-	205	205
Balance as of 31.12.2024	378 044	4 023 455	12 946 242	205	17 347 946
Distribution of dividends	-	-	(3 480 345)	-	(3 480 345)
Increase in share capital	254	-	(254)	-	-
Profit for the reporting year	-	-	281 961	-	281 961
Foreign currency revaluation reserve	-	-	-	4 254	4 254
Balance as of 30.06.2025 (unaudited)	378 298	4 023 455	9 747 602	4 459	14 153 814

The accompanying notes on pages 22 to 29 are an integral part of these consolidated financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(2) Net turnover

Net turnover is the revenue generated during the year from the main operating activities – the sale of goods and rendering services less value added tax and discounts granted. Revenue is generated from the production and sale of cosmetics, as well as from the provision of services and the sale of makeup stands.

	1.01.2025 -30.06.2025 EUR (unaudited)	1.01.2024 -30.06.2024 EUR (unaudited)
Breakdown of net turnover by geographical markets:		
Revenue from the sale of goods in the European Union	7 480 453	8 046 309
Revenue from the sale of goods in Latvia	3 235 339	2 196 632
Revenue from the sale of goods in other markets	607 322	852 869
Revenue from the provision of services	45 297	110 674
Other revenue from operating activities	4 229	1 102
Total	11 372 640	11 207 586
(3) Cost of goods sold		
Raw materials consumed	2 012 357	1 740 603
Remuneration for work	820 956	936 108
Social security contributions	192 843	221 019
Depreciation and amortisation	199 214	212 476
Production service costs	47 460	111 585
R&D costs for new products	123 469	104 732
Premises rent & maintenance	85 065	114 980
Current assets write-off	59 315	114 648
Resource costs	61 211	45 290
Leasehold improvements write-off	46 747	45 384
ECOCERT certificate maintenance costs	14 880	11 776
Car maintenance, fuel & repair	4 741	9 937
Business trip costs	16 329	7 202
Other production/maintenance costs	27 200	15 682
Total	3 711 787	3 691 422
(4) Selling expenses		
Advertising and marketing costs	2 406 629	2 113 737
Remuneration for work	1 263 596	1 110 516
Transportation costs	598 161	580 270
Production costs of product samples	395 651	454 672
Mandatory state social insurance contributions	297 211	261 711
Depreciation of property, plant and equipment and amortisation of intangible assets	275 565	278 657

	1.01.2025 -30.06.2025 EUR (unaudited)	1.01.2024 -30.06.2024 EUR (unaudited)
Intermediate services costs	252 163	288 236
Maintenance costs of sales platforms	84 344	61 242
Trade promotion costs	56 948	56 473
Employee health insurance	10 163	12 108
Premises rent and maintenance costs	83 685	100 011
Business trips and exhibitions costs	68 227	40 837
Royalties	7 273	11 260
E-shop website maintenance costs and other IT costs	28 724	54 875
Car maintenance, fuel and repair costs	7 416	7 931
Warehousing service costs	55 455	-
Employee training and store visit costs	6 250	-
Sales activity risk insurance	9 812	13 550
Leasehold improvements write-off	14 385	14 598
Other selling expenses	318 210	195 485
Total	6 239 868	5 656 169
(5) Administration expenses		
Remuneration for work	526 280	466 867
Office costs	170 950	151 696
Mandatory state social insurance contributions	123 712	110 075
Cash transactions related costs	103 303	93 863
Premises rent and maintenance costs	134 294	69 027
Employee health insurance	28 407	40 536
Depreciation of property, plant and equipment and amortisation of intangible assets	26 807	25 244
Personnel sustainability costs	33 107	49 979
Research consultation and conference costs	21 007	44 900
Employee meal costs	45 649	33 413
Securities circulation costs	9 474	8 533
Legal and other professional service costs	17 611	62 284
Car maintenance, fuel and repair costs	13 242	15 221
Business trip costs	667	3 741
Communication costs	10 366	11 279
Employee training costs	11 181	6 887
Other management and administration costs	79 502	70 228
Total	1 355 559	1 263 773
(6) Other operating income		
Income from ERAF projects co-financing	156 283	54 172
Income from the sale of current assets	22 736	36 158
Proceeds from the sale of goodwill	-	4 000 135
Other operating income	73 719	13 715
Total	252 738	4 104 180

	1.01.2025 -30.06.2025 EUR (unaudited)	1.01.2024 -30.06.2024 EUR (unaudited)
(7) Other operating expenses		
Employee recruitment and training costs	34 864	28 364
Nature protection costs	26 258	11 860
Occupational safety costs	14 209	5 627
Donations	-	825
Representation costs	4 684	18 445
Other operating expenses	42 062	66 629
Total	122 077	107 678
(8) Interest and similar income		
Other interest income	94 080	65 458
Total	94 080	65 458
(9) Interest and similar expenses		
Net loss on foreign currency exchange rate fluctuations	5 821	18 311
Other interest payments	238	2 085
Total	6 059	20 396

(10) INTANGIBLE ASSETS

	Concessions, patents, licenses, trademarks, and similar rights (EUR)	Other intangible assets (EUR)	Prepayments for intangible assets (EUR)	Total intangible assets (EUR)
Cost as of 31.12.2024.	2 161 336	31 226	-	2 192 562
Additions	28 668	-	229 981	258 649
Corrections	-	-	-	-
Disposals	-	-	-	-
Transfers	123 560	-	(123 560)	-
Cost as of 30.06.2025.	2 313 564	31 226	106 421	2 451 211
Accumulated amortisation as of 31.12.2024.	1 114 099	16 099	-	1 130 198
Amortization charged	273 256	3 130	-	276 386
Disposals	-	-	-	-
Accumulated amortisation as of 30.06.2025.	1 387 355	19 229	-	1 406 584
Net carrying amounts 31.12.2024.	1 047 237	15 127	-	1 062 364
Net carrying amounts 30.06.2025.	926 209	11 997	106 421	1 044 627



(11) PROPERTY, PLANT AND EQUIPMENT

	Land (EUR)	Leasehold improve- ments (EUR)	Techno- logical equipment and machinery (EUR)	Other fixed assets and equipment (EUR)	Assets under construc- tion (EUR)	Prepay- ments for property, plant and equipment (EUR)	Total property, plant and equipment (EUR)
Cost as of 31.12.2024.	468 722	1 059 587	4 661 456	1 077 225	83 154	15 502	7 365 646
Additions	-	-	-	-	82 614	158 987	241 601
Adjustments	-	-	-	-	-	-	-
Disposals	-	-	-	(49 191)	-	-	(49 191)
Transfers	-	47 126	64 567	135 029	(110 774)	(135 948)	-
Cost as of 30.06.2025.	468 722	1 106 713	4 726 023	1 163 063	54 994	38 541	7 558 056
Accumulated depreciation 31.12.2024.	-	752 951	2 990 195	767 876	-	-	4 511 022
Depreciation charged	-	61 131	161 270	63 931	-	-	286 332
Disposals	-	-	-	(49 191)	-	-	(49 191)
Accumulated depreciation 30.06.2025.	-	814 082	3 151 465	782 616	-	-	4 748 163
Net carrying amounts 31.12.2024.	468 722	306 636	1 671 261	309 349	83 154	15 502	2 854 624
Net carrying amounts 30.06.2025.	468 722	292 631	1 574 558	380 447	54 994	38 541	2 809 893



	30.06.2025 EUR (unaudited)	31.12.2024 EUR (unaudited)
(12) Other non-current receivables		
Rent security deposits	102 172	101 949
Total	102 172	101 949
(13) Raw materials, materials and consumables		
Raw materials and consumables, net book value	2 962 579	3 049 331
Allowance for slow-moving inventories	-	-
Total	2 962 579	3 049 331
(14) Finished goods and goods for sale		
Cosmetic products	1 098 613	1 326 819
Advertising materials	191 383	174 402
Goods in transit	-	57 877
Allowance for slow-moving inventories	(3 500)	(3 500)
Total	1 286 496	1 555 598
(15) Trade receivables		
Trade receivables, net book value	2 565 917	1 834 318
Allowance for doubtful trade receivables	(21 539)	(32 861)
Total	2 544 378	1 801 457
(16) Other receivables		
VAT overpayment (Germany)	1 326	-
Security deposits	239	239
Other receivables	70 812	72 786
Total	72 377	73 025
(17) Cash		
Cash in bank accounts	6 053 767	1 062 668
Short-term deposits in a commercial bank	2 900 000	7 538 352
Total	8 953 767	8 601 020

(18) Share capital
As of 30 June 2025, the issued and fully paid share capital of the Group’s Parent Company is EUR 378 298.40, consisting of 3 782 984 shares; the nominal value of one share is EUR 0.10.

Since 2017, Madara Cosmetics AS has implemented an employee option programme as an additional tool for employee motivation and engagement. Employee options can be granted to the Company’s employees, heads of departments, and board members who have made a significant contribution to the Company. The allocation of employee options is carried out by the Board in accordance with the procedures and the volume of options determined by the shareholders’ meeting. The Company does not apply the fair value model to the option program, and in accordance with the stated procedures, the exercise of the options is carried out at nominal value, charged against retained earnings.

	30.06.2025 EUR (unaudited)	31.12.2024 EUR (audited)
(19) Taxes and mandatory state social insurance contributions		
Value added tax (incl. OSS)	337 673	279 253
Mandatory state social insurance contributions	162 135	129 722
Personal income tax	80 252	67 545
Corporate income tax	142	876
Other taxes and duties (Latvia, Italy, United Kingdom, France)	30 756	30 872
Total	610 958	508 268
(20) Other liabilities		
Salaries	299 505	247 308
Balance of gift cards	8 466	20 163
Other liabilities	206	10 841
Total	308 177	278 312
(21) Accrued liabilities		
Accrued liabilities for unused vacations	370 163	310 243
Accrued liabilities for services received	237 407	385 096
Accrued liabilities for employee remuneration	-	24 938
Accrued liabilities for goods received	-	206 701
Total	607 570	926 978
(22) Transactions with related parties		
Related party	Purchases of goods and services during the reporting period	Purchases of goods and services during the previous period
Cosmetics NORD SIA	75	-
MC PROPERTIES SIA	131 292	121 910
KALVI SIA	17 951	17 114
Transmeri Group Ab Oy	84 296	96 835
Total	233 614	235 859
(23) Number of employees in the Group		
Average number of employees per reporting period, including:	216	207
Members of the Board in the Parent Company	4	4
Members of the Council in the Parent Company	3	5

	1.01.2025 -30.06.2025 EUR (unaudited)	1.01.2024 -30.06.2024 EUR (unaudited)
(24) Information on the remuneration of members of the Council and the Board		
Board members remuneration for the work at the Board	201 213	151 544
Council members remuneration for the work at the Council	3 139	3 301
Total	204 352	154 846

(25) Off-balance sheet liabilities and contingent liabilities

(a) Operating lease agreements

On 17 March 2015, the Parent Company entered into a premises rent agreement with MC PROPERTIES SIA, Reg. No 40103872324, for leasing production and office premises in Marupe, 131 Zeltinu Street. The agreement matures in 2030. The Parent Company of the Group has concluded an agreement on lease of office premises with Kalvi SIA at 20A Baložu Street, the term of the agreement is 2026. Group has concluded lease agreements for rent of premises in four shopping centers in Riga: “Galerija Centrs”, “Spice”, “AKROPOLE Alfa” and “Galerija Rīga”. The long-term lease agreement for warehouse and office space at 6 Kauguru street, Riga, has been terminated, and the Parent Company has concluded new long-term lease agreement for warehouse and office space at Lielmani, Marupe. Maturity of these agreements – up to the years 2028–2030 with a possibility to prolong.

(b) Issued guarantees

On 15 March 2015, a mortgage agreement was signed between SWEDBANK A/S 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 favour of SWEDBANK A/S 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 of 30 June 2025, the outstanding amount of MC PROPERTIES SIA loan to A/S SWEDBANK was EUR 590 581 (31 December 2024: EUR 650 640).

(26) Received ERAF financing

In 2025, the Group continues to participate an receive funding from the European Union support programs.

(27) Financial risk management

The Group’s and the Company’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 companies do not hold any material balances of financial assets and liabilities denominated in other currencies. Therefore, during the reporting period, the Group’s exposure to foreign currency risk was not significant.

Credit risk

Credit risk is the risk that the Group will incur a financial loss as a result of the counterparty being unable to meet its obligations to the Group’s entities. Credit risk arises principally from cash at banks, trade receivables and/or long-term and short-term borrowings. In order to reduce this risk, the Group monitors trade receivables on a regular basis and, if necessary, takes additional debt recovery measures.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of similar counterparties. Certain trade receivables of the Parent Company are insured.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations in full and on time. Liquidity risk arises when the maturities of financial assets and liabilities do not coincide. The Group’s liquidity risk management objective is to maintain adequate cash and cash equivalents and to ensure adequate funding through bank credit facilities to enable the Group to meet its obligations as they fall due.

The Parent Company of the Group regularly assesses the matching of financial assets and liabilities by maturity and the stability of funding sources for long-term investment.

(28) Events after the reporting date

During the period from the last day of the reporting year until the date of the signing of this financial statement, there have been no events that should result in adjustments or be reflected in this financial statement.





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