MÁDARA

organic skincare

MANAGEMENT REPORT OF MADARA COSMETICS AS ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS OF 2026 REPORTING PERIOD

MARUPE, 2026

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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 23.83% of shares Lote Tisenkopfa - Iltnere – owns 23.67% of shares Oy Transmeri Group Ab – owns 22.84% of shares Liene Drāzniece – owns 6.75% of shares Zane Tamane – owns 6.18% 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 Jenni Juhola – Member of the Council from 19.06.2026
Reporting period	01.01.2026 until 30.06.2026
Previous reporting period	01.01.2025 until 30.06.2025
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 2026 SHOWED WHAT FOCUS AND CONSISTENCY CAN DELIVER. GROUP REVENUE GREW BY MORE THAN 17%, AND WE EFFECTIVELY DOUBLED OUR EBITDA COMPARED TO THE SAME PERIOD LAST YEAR.

E-COMMERCE REMAINS THE CORNERSTONE OF OUR STRATEGY FOR FUTURE GROWTH. THE CHANNEL NOW REPRESENTS 40% OF REVENUE, WITH AMAZON, TIKTOK AND ZALANDO COMBINED MORE THAN DOUBLING YEAR-ON-YEAR. THIS IS WHERE WE SEE THE CLEAREST PATH TO SCALE, AND WHERE WE CONTINUE TO INVEST FIRST. FOLLOWING THE SUCCESSFUL TRANSITION TO SHOPIFY IN THE SECOND HALF OF LAST YEAR, WE ARE NOW EFFECTIVELY LEVERAGING THE PLATFORM TO SUPPORT OUR E-COMMERCE GROWTH AND FURTHER ENHANCE THE CUSTOMER EXPERIENCE.

ONE PRODUCT TOLD MUCH OF OUR STORY THIS HALF: MICRO-KERATIN SILK HAIR MIST. WHAT STARTED AS AN EARLY DEMAND SIGNAL IN THE UK BECAME OUR BEST-SELLING PRODUCT BY VOLUME, WITH TURNOVER UP NINE TIMES, UPLIFTING THE ENTIRE HAIR CARE CATEGORY WITH POSITIVE SPILLOVER ACROSS ALL CHANNELS AND MULTIPLE MARKETS.

WE ALSO CONTINUED TO WIDEN OUR B2B FOOTPRINT – FROM BLEU LIBELLULE AND MONOPRIX IN FRANCE TO K-CITYMARKET IN FINLAND, BENU PHARMACIES IN THE NETHERLANDS, AND ALZA IN CZECHIA – ALONGSIDE FURTHER EXPANSION WITH AL-DAWAA IN SAUDI ARABIA AND OUR FIRST STEPS INTO SINGAPORE. CONTRACT MANUFACTURING GREW BY 50% AND NOW MAKES UP 18% OF OUR PORTFOLIO, DRIVEN BY SUCCESSFUL PERFORMANCE OF MOSSA AND SELFNAMED, CONTINUING STRONG CONTRACT MANUFACTURING PARTNERSHIPS WITH BOTH ENTITIES AFTER DIVESTING IN 2024.

WE REMAIN CONFIDENT IN OUR FULL-YEAR TARGET OF AT LEAST EUR 25.54 MILLION IN REVENUE AND A DOUBLE-DIGIT EBITDA MARGIN.

GUNTA ŠULTE,
CEO OF MADARA COSMETICS AS

THE MOST SIGNIFICANT EVENTS

HAIR, HAIR, HAIR...

The Micro-Keratin hair mist attracted considerable attention in the first half of 2026. After early demand signals were identified in the United Kingdom in late 2025, the team rapidly expanded the product's presence beyond the TikTok Shop and rolled out sales campaigns in other markets. This targeted scaling turned the initial interest into sustained demand. The product's revenue grew ninefold, making it the best-selling product by unit volume in the first half of 2026. Overall, revenue in the hair care category across MÁDARA's online channels increased significantly – roughly 2.5 times in the brand's own online store and 3 times on other online marketplaces. A positive effect was also observed in physical retail channels.

OUR PRODUCTS ARE RECOGNISED

In the first half of 2026, MÁDARA received significant international recognition when Dutch supermodel Doutzen Kroes featured the brand's Skin Equal Soft Glow Foundation SPF20 in her beauty routine for Vogue France. Presented to Vogue's multimillion-strong audience without any paid partnership, the endorsement demonstrated the product's strong reputation among globally recognised fashion and beauty professionals. The recognition further strengthened MÁDARA's international visibility and reflected the company's ability to develop high-performing skincare and make-up hybrid products that combine natural-looking results, sun protection and long-term skincare benefits.

Another notable recognition in the first half of the year came from ELLE, which featured Glycolic Glow Toner among the new beauty products to watch.

Age Pro Hydra Firm Hyaluron Jelly and 5% Peel AHA Brightening Peel Mask were named winners of the prestigious Victoire de la Beauté Responsable, one of France's leading beauty awards, following extensive blind consumer testing. The recognition highlights both products' proven effectiveness and strong environmental and ethical credentials, reinforcing MÁDARA's positioning as a high-performance, sustainability-driven skincare brand.

In the first half of the year, MÁDARA also received multiple awards in Estonia. Age Pro Intense Wrinkle Serum was named one of the beauty favourites by Anne & Stiil, Estonia's leading women's fashion magazine. Retinol Alternative Serum and HIS Face Cream each received the "Buduaar Favourite" award.

PRODUCT INNOVATIONS

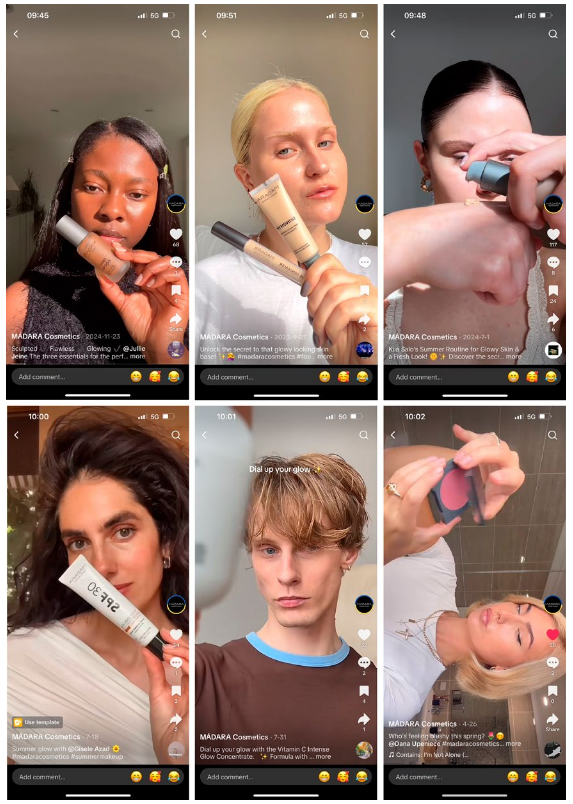
In the first half of this year, the brand continued its product innovation process, offering new product formulas for both the MÁDARA brand and the contract manufacturing portfolios. Ten new MÁDARA products were launched in the first half of 2026, including a rejuvenating serum with exosomes and peptides, an innovative DEWY moisturising serum stick with caffeine, and a tone-correcting CC GO stick with ceramides in six shades. Particularly noteworthy is the DEWY moisturising serum stick, which melts into a light serum when applied to the skin. The newly launched products generated revenue of approximately EUR 600 thousand in the first half of 2026.

MARKETS

In the first half of 2026, MÁDARA continued to expand its presence across various sales channels. In Latvia, the full 25-product assortment was made available in 86 Drogas stores, while the most popular products were made available in all 101 stores. In Finland, a partnership with K-Citymarket was launched. In France, the 15 most in-demand skincare products reached 245 Bleu Libellule stores – one of the country's leading professional cosmetics chains. The full make-up range became available in more than 30 stores of the premium retail chain Monoprix, while the partnership with the MyOrigines platform will make it possible to reach an audience of more than one million potential customers. Products also became available in BENU pharmacies in the Netherlands, in Alnatura, Dennree and Müller stores in Central Europe, and on the Alza platform in the Czech Republic. Outside Europe, the brand expanded its presence in Al-Dawaa pharmacies in Saudi Arabia, and entered the Singapore market.

MÁDARA ENABLES LATVIAN BUSINESSES TO SELL VIA TIKTOK SHOP ACROSS THE EU

During the first half of the year, the team also dedicated resources to planning and preparing for the launch of TikTok Shop in European Union markets, scheduled for the second half of 2026. Previously, this was not possible for companies based in Latvia, but thanks to direct collaboration between MÁDARA and TikTok, Latvian e-commerce businesses will soon be able to sell through TikTok Shop across the EU.



NEW PRODUCTS IN FIRST HALF OF 2026

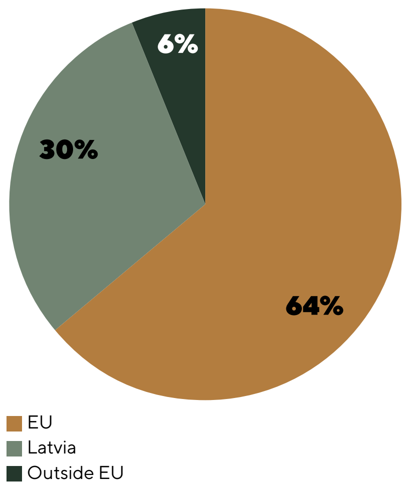
- Rejuvenating serum with exosomes and peptides
- DEEP MOISTURE day cream (improved formula and packaging)
- DEEP MOISTURE night cream (improved formula and packaging)
- DEWY moisturising serum stick with caffeine
- Tone-correcting CC GO stick with ceramides in 6 shades

SALES

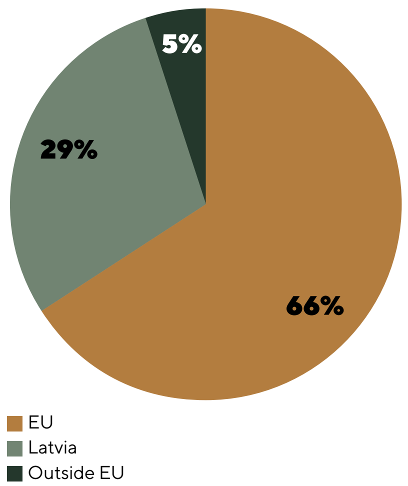
In the first half of 2026, the Group's consolidated turnover grew by 17.5% compared with the corresponding period last year, reaching EUR 13.36 million. Growth was driven mainly by the double-digit growth of the MÁDARA brand in e-commerce channels, as well as a significant increase in turnover in the contract manufacturing segment.

The geographical breakdown of turnover in the first half of 2026 remained similar to the corresponding period of 2025. Latvia accounted for 30% of total turnover, other European Union countries for 64%, and markets outside the European Union generated 6% of turnover. Overall, European Union countries, including Latvia, retained their dominant role, accounting for 94% of the Group's turnover.

Sales distribution by region (2026 H1)



Sales distribution by region (2025 H1)



The MÁDARA brand's share of the Group's portfolio in the first half of 2026 was 82%, which is 4 percentage points lower than in the corresponding period last year, while the contract manufacturing segment accounted for 18%, its share increasing by 4 percentage points. Following the divestment of Mossa and Selfnamed in 2024, we continue to maintain successful partnerships with both companies. The increase in the contract manufacturing segment's share was driven by a 50% increase in turnover, while MÁDARA brand turnover grew by 13%.

The MÁDARA brand's largest market by turnover is Latvia, where turnover remained stable. The brand's largest markets outside Latvia are Germany, France, Finland, the Czech Republic, Slovakia and Spain. Together, these markets account for 45% of brand turnover and delivered 20% growth.

Germany closed the half-year at the level of the first half of 2025. The country's B2B channel turnover grew by 10%, while direct e-commerce continued to operate under fierce competition and growth could not be achieved in this channel. However, as a result of a successful partnership, MÁDARA's presence in the Müller chain was expanded beyond Germany – to Austria, Switzerland and Slovakia.

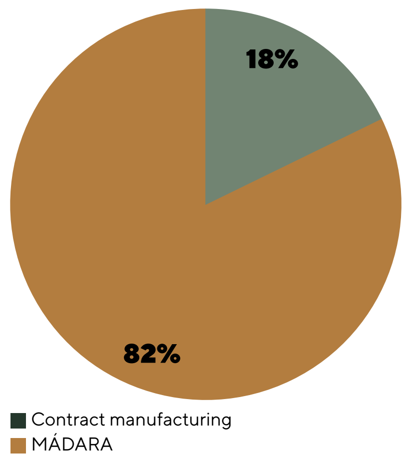
The French market achieved 21% growth. In cooperation with Bleu Libellule, the 15 most popular brand products were introduced in 245 stores. Bleu Libellule is one of France's leading professional beauty retail chains. The brand also expanded its presence in the Monoprix retail chain, offering the full range of make-up products in more than 30 stores.

Spain, where products are available in both B2B and direct e-commerce channels, continued an active growth phase, and turnover grew by 51% compared with the corresponding period last year. The Czech and Slovak markets, served by a single distributor, delivered 68% growth. In the Czech Republic, a successful partnership was launched with Alza – one of the largest online retailers in the country.

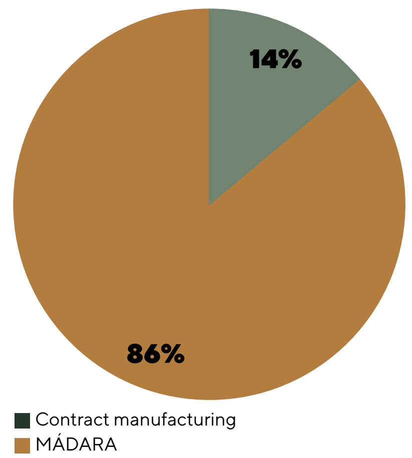
At the end of 2025, the Group agreed on a change to the cooperation model with its Finnish distribution partner Transmeri. As the Group took over management of the direct e-commerce platform, this channel was actively developed during the half-year, achieving 28% turnover growth on a comparable basis. In addition, in Finland the brand entered the K-Citymarket retail chain. Overall, the Finnish market achieved 20% growth, largely driven by the direct e-commerce segment.

In international markets, the brand continues to expand its presence in the Al-Dawaa pharmacy chain in Saudi Arabia, and a partnership with a distributor in Singapore has also been established.

Sales distribution by segment (2026 H1)



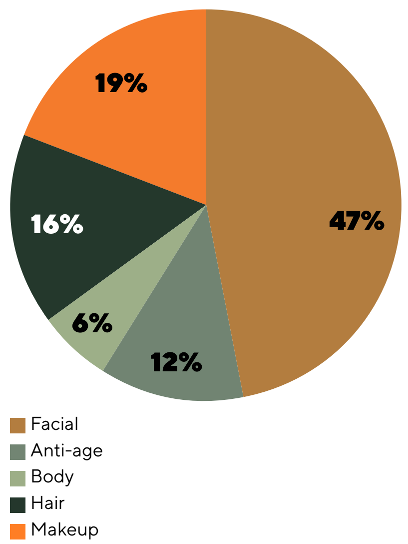
Sales distribution by segment (2025 H1)



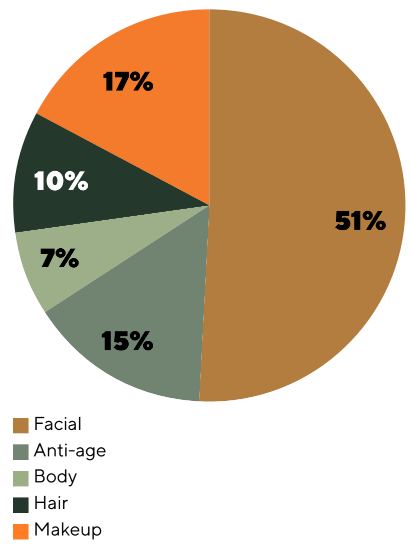
The breakdown of MÁDARA brand product sales by category in the first half of 2026 shows changes compared with the corresponding period of the previous year. The face care, anti-age and make-up categories together still accounted for the largest share of the brand portfolio – 78%, while fluctuations in the share of individual segments are also explained by the assignment of new products to the respective categories. The 5 percentage point decrease in the combined share of these three segments is mainly explained by significant growth in the hair care category in the first half of the year.

The largest changes were seen in the hair care category, whose share increased by 6 percentage points to 16%. The increase in the hair care category's share was mainly driven by the previously mentioned success of the Micro-Keratin SILK Hair Mist. Revenue of the other hair care products, excluding the Micro-Keratin SILK Hair Mist, grew by 24% compared with the corresponding period last year.

Sales distribution of MÁDARA products by categories (2026 H1)



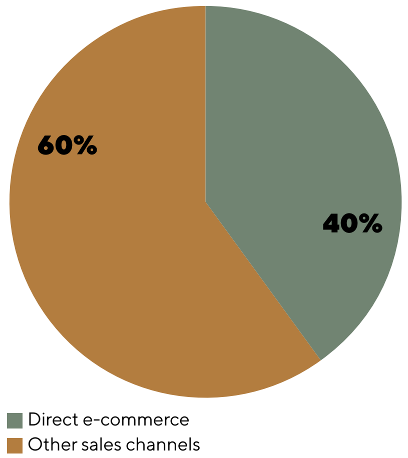
Sales distribution of MÁDARA products by categories (2025 H1)



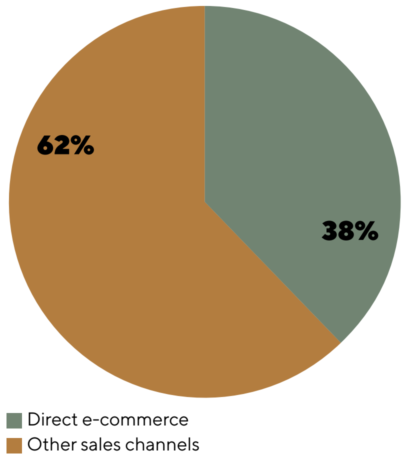
E-COMMERCE INDICATORS

The share of direct e-commerce in total turnover (including the Amazon, Zalando and TikTok channels) was 40% in the first half of 2026, which is 2 percentage points more than in the corresponding period last year. The segment's turnover grew by 24% compared with the corresponding period last year.
The hair care category, led by the Micro-Keratin SILK Hair Mist, was the main driver of online sales growth. The product became the best-selling product across all direct e-commerce channels, while also boosting sales volumes in physical retail channels.
The combined turnover of the Amazon, TikTok Shop and Zalando marketplaces exceeded EUR 800 thousand, doubling compared with the first half of 2025. The TikTok Shop delivered approximately EUR 200 thousand, or half of the total turnover growth, while Amazon turnover grew by 54% and Zalando by 40%.

Direct e-commerce share (2026 H1)

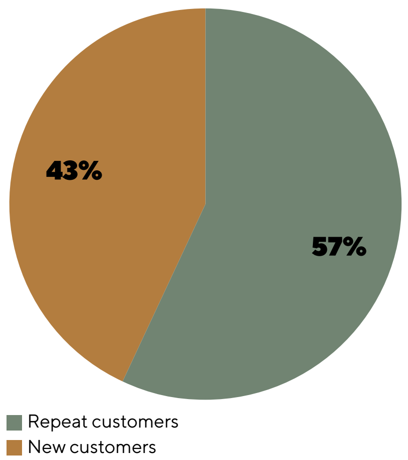


Direct e-commerce share (2025 H1)

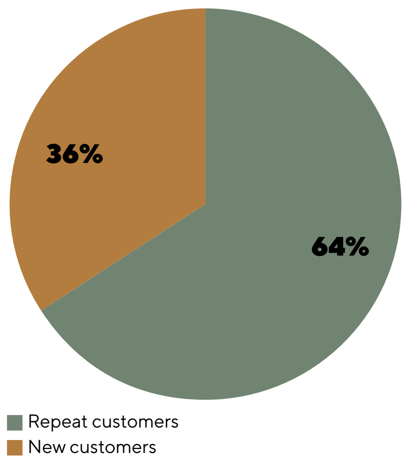


The largest direct e-commerce channel – the MÁDARA official online store – grew turnover by 16%. The largest markets by turnover in the first half of 2026 were Latvia, Germany, Spain, Finland, Estonia and France. Among the most significant markets, Spain showed rapid growth, with turnover increasing by 53%.
At the beginning of the year, MÁDARA took over direct management and logistics of its official online stores in Finland and Italy. Together, the two stores generated revenue of approximately EUR 500 thousand. The Finnish online store's turnover grew by 28%, while Italy's grew by 170%.
New customer purchases in the brand's online store accounted for 43%, a significant 7 percentage point increase compared with the corresponding period last year. The increase was driven by targeted sales campaigns for the Micro-Keratin hair mist, which attracted many new customers, as also mentioned in more detail in the previous sections.

Revenue split by customer type (2026 H1)



Revenue split by customer type (2025 H1)



FINANCIAL INDICATORS

In the first half of 2026, the Group's consolidated turnover grew by 17.5% compared with the corresponding period last year, reaching EUR 13.36 million. Gross profit increased by 19% to EUR 9.14 million, while the gross profit margin rose by 1 percentage point to 68%.

At the same time, the Group's operating efficiency improved. The percentage increase in selling costs was slower than the percentage increase in turnover, while administrative costs decreased compared with the costs of the first half of 2025. As a result, operating profit reached EUR 1.09 million, compared with EUR 196 thousand in the corresponding period last year and the operating profit margin rose from 2% to 8%.

EBITDA in the first half of 2026 reached EUR 1.51 million, almost doubling compared with EUR 759 thousand in the first half of 2025. The EBITDA margin increased by 4 percentage points to 11%. The improvement in profitability was driven by both the increase in turnover and consistent, disciplined cost management. Profit before tax reached EUR 1.10 million, compared with EUR 284 thousand in the corresponding period last year.

Depreciation costs decreased by 30%, or EUR 152 thousand, which is explained by the write-off in 2025 of the previous direct e-commerce platform. Shopify, the new platform, is more efficient in terms of costs as well as maintenance and functionality development.

The Group has made an advance payment for a new production filling machine, in which a total of EUR 664 thousand is planned to be invested. The machine will enable the filling of stick-type products. The innovative melting-texture DEWY moisturising serum stick is one of the products that will be filled on the new production line. The machine will be purchased with support from an ALTUM (Latvian state-owned development finance institution) loan, with the company receiving a 22.5% capital rebate after successful implementation of the production machine.

Management maintains its 2026 target to achieve turnover of at least EUR 25.54 million, corresponding to at least 10% growth, as well as a double-digit EBITDA margin.

Key ratios and indicators	2026 H1 (unaudited) EUR	2025 H1 (unaudited) EUR
Net turnover	13 358 471	11 372 640
Cost of goods sold	(4 219 179)	(3 725 432)
Gross profit	**9 139 292**	**7 647 208**
Depreciation, amortisation and write-downs	349 521	501 586
Leasehold improvements write-off expense	70 422	61 132
Operating profit	**1 089 313**	**196 087**
Interest income	8 706	94 080
Interest expense	(1 856)	(6 059)
Profit before taxes	**1 096 163**	**284 108**
Net profit for the period	**709 794**	**281 961**

Key ratios and indicators	2026 H1 (unaudited) EUR	2025 H1 (unaudited) EUR
EBITDA (TEUR)	1 509	759
Profitability and sustainability ratios		
1. Gross Margin (%)	68	67
2. Operating Margin (%)	8	2
3. EBITDA Margin (%)	11	7
4. Net Margin (%)	5	2
5. TTM ROE (%)	-	11
6. TTM ROA (%)	7	8
Liquidity ratios		
7. Current ratio (x)	3	3
8. Quick ratio (x)	2	2
9. Working capital (TEUR)	9 543	10 476
Leverage ratios		
10. Financial debt to equity (x)	0.013	-
11. Debt to equity (x)	0.36	0.45
12. Net financial debt (TEUR)	(5 304)	(8 954)
13. Net gearing (%)	(42)	(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	1.01.2026 -30.06.2026 EUR (unaudited)	1.01.2025 -30.06.2025 EUR (unaudited)
Revenue	2	13 358 471	11 372 640
Cost of goods sold	3	(4 219 179)	(3 725 432)
Gross profit		**9 139 292**	**7 647 208**
Selling expenses	4	(6 967 450)	(6 288 582)
Administration expenses	5	(1 279 348)	(1 293 200)
Other operating income	6	318 568	252 738
Other operating expenses	7	(121 749)	(122 077)
Interest and similar income	8	8 706	94 080
Interest and similar expenses	9	(1 856)	(6 059)
Profit before corporate income tax		**1 096 163**	**284 108**
Corporate income tax for the reporting year		(386 369)	(2 147)
Profit for the reporting period		**709 794**	**281 961**

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

CONSOLIDATED BALANCE SHEET

Assets	Note	30.06.2026 EUR (unaudited)	31.12.2025 EUR (audited)
Non-current assets			
Intangible assets			
Concessions, patents, licenses,trademarks and similar rights		353 825	392 513
Other intangible assets		5 738	8 868
Prepayments for intangible assets		97 817	30 369
Total intangible assets	**10**	**457 380**	**431 750**
Property, plant and equipment			
Land		468 722	468 722
Leasehold improvements		263 884	300 356
Technological equipment and machinery		1 344 821	1 509 506
Other fixed assets		440 286	471 322
Construction in progress		82 461	38 739
Prepayments for property, plant and equipment		341 177	-
Total property, plant and equipment	**11**	**2 941 351**	**2 788 645**
Non-current financial investments			
Other non-current receivables	12	102 723	102 172
Other securities and investments		691	691
Total non-current financial investments		**103 414**	**102 863**
Total non-current assets		**3 502 145**	**3 323 258**
Current assets			
Inventories			
Raw materials, materials and consumables	13	3 077 589	2 875 629
Unfinished goods		6 283	4 421
Finished goods and goods for sale	14	1 914 529	1 287 916
Prepayments for inventories		668 632	410 130
Total inventories		**5 667 033**	**4 578 096**
Receivables			
Trade receivables	15	2 146 883	2 692 203
Other receivables	16	20 735	43 430
Accrued revenue		153 849	178 577
Deferred expenses		273 523	90 985
Total receivables		**2 594 990**	**3 005 195**
Short term financial investments		**2 500**	**4 500**
Cash and cash equivalents	**17**	**5 465 175**	**5 660 455**
Total current assets		**13 729 698**	**13 248 246**
Total assets		**17 231 843**	**16 571 504**

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

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	30.06.2026 EUR (unaudited)	31.12.2025 EUR (audited)
Equity			
Share capital	18	378 553	378 298
Share premium		4 023 455	4 023 455
Foreign currency revaluation reserve		1 118	3 034
Retained earnings:			
a) prior year retained earnings		7 562 251	9 465 641
b) profit/(loss) for the year		709 794	(388 921)
Total equity		**12 675 171**	**13 481 507**
Liabilities			
Non-current liabilities			
Other loans (Altum)	19	160 676	-
Deferred revenue		209 590	237 220
Total non-current liabilities		**370 266**	**237 220**
Current liabilities			
Advances from customers		1 552	14 813
Trade payables		855 345	851 859
Taxes and mandatory state social insurance contributions	20	1 106 148	690 452
Other liabilities	21	328 047	309 723
Deferred revenue		157 985	133 826
Unpaid dividends		1 000 000	-
Accrued liabilities	22	737 329	852 104
Total current liabilities		**4 186 406**	**2 852 777**
Total liabilities		**4 556 672**	**3 089 997**
Total equity and liabilities		**17 231 843**	**16 571 504**

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

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2026 -30.06.2026 EUR (unaudited)	1.01.2025 -30.06.2025 EUR (unaudited)
Cash flow from operating activities			
Profit before corporate income tax		1 096 163	284 108
Adjustments for:			
Depreciation of property, plant and equipment	11	254 348	286 332
Amortisation of intangible assets	10	49 984	276 386
Impairment of fixed assets		115 611	-
Government and the EU institutions co-financing		(204 208)	(156 283)
Foreign currency revaluation reserve		(1 916)	4 254
Net (loss)/gain on disposal of property, plant and equipment		(9 308)	(17 355)
Other interest and similar income	8	(8 782)	(91 999)
Profit before adjustments for current assets and current liabilities		**1 291 892**	**585 443**
Adjustments for:			
(Increase) / decrease in receivables		430 483	(854 217)
Increase/ (decrease) in inventories		(1 088 937)	236 770
Increase in payables and other payables		(64 794)	(24 313)
Increase in payables and other payables		**568 644**	**(56 317)**
Corporate income tax paid		(12 105)	(2 147)
Net cash flow from operating activities		**556 539**	**(58 464)**
Cash flow from / (used in) investment activities			
Payments for property, plant and equipment and intangible assets		(598 279)	(500 250)
Proceeds from sale of the property, plant and equipment		9 308	17 355
Loans repaid		2 000	690 000
Interest received		8 782	91 019
Net cash flow from / (used in) investing activities		**(578 189)**	**298 124**
Cash flows used in financing activities			
Proceeds from government and the EU institution co-financing		179 908	113 087
Loan received		160 676	-
Dividends paid		(514 214)	-
Net cash flows used in financing activities		**(173 630)**	**113 087**
Net increase / (decrease) in cash and cash equivalents		**(195 280)**	**352 747**
Cash and cash equivalents at the beginning of the reporting year	**17**	**5 660 455**	**8 601 020**
Cash and cash equivalents at the end of the reporting year	**17**	**5 465 175**	**8 953 767**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (EUR)	Share premium (EUR)	Retained earnings (EUR)	Foreign currency revaluation reserve (EUR)	Total equity (EUR)
Balance as of 31.12.2024	**378 044**	**4 023 455**	**12 946 242**	**205**	**17 347 946**
Distribution of dividends	-	-	(3 480 347)	-	**(3 480 347)**
Increase in share capital	254	-	(254)	-	**-**
Profit for the reporting year	-	-	(388 921)	-	**(388 921)**
Foreign currency revaluation reserve	-	-	-	2 829	**2 829**
Balance as of 31.12.2025	**378 298**	**4 023 455**	**9 076 720**	**3 034**	**13 481 507**
Distribution of dividends	-	-	(1 514 214)	-	**(1 514 214)**
Increase in share capital	255	-	(255)	-	**-**
Profit for the reporting year	-	-	709 794	-	**709 794**
Foreign currency revaluation reserve	-	-	-	(1 916)	**(1 916)**
Balance as of 30.06.2026 (unaudited)	**378 553**	**4 023 455**	**8 272 045**	**1 118**	**12 675 171**

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

NOTES TO THE FINANCIAL STATEMENTS

(2) Net turnover

Net revenue 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.

	1.01.2026 -30.06.2026 EUR (unaudited)	1.01.2025 -30.06.2025 EUR (unaudited)
Distribution net turnover by geographical markets:		
Revenue from the sale of goods in the European Union	8 488 515	7 480 453
Revenue from the sale of goods in Latvia	4 043 842	3 235 339
Revenue from the sale of goods in other markets	823 164	607 322
Revenue from the provision of services	1 046	45 297
Other revenue from operating activities	1 904	4 229
Total	**13 358 471**	**11 372 640**
(3) Cost of goods sold		
Material costs	2 280 107	2 012 357
Remuneration for work	517 060	466 543
Social security contributions	121 209	192 843
Depreciation of fixed assets and amortisation of intangible assets (Note 13)	225 212	199 214
Costs of production services	89 303	47 460
Research and development costs for new products	498 453	477 882
Premises rental and management costs	86 819	85 065
Current assets consumed	210 481	59 315
Resource costs	55 665	61 211
Leasehold improvements write-off	51 525	46 747
Maintenance costs of the ECOCERT quality certificate	18 417	14 880
Car maintenance and fuel costs	11 684	4 741
Employee health insurance	20 693	13 645
Business trip costs	18 303	16 329
Other production and production maintenance costs	14 248	27 200
Total	**4 219 179**	**3 725 432**
(4) Selling expenses		
Advertising costs	2 976 756	2 406 629
Remuneration for work	1 296 736	1 263 596
Delivery costs	734 727	598 161
Sample production costs	244 627	395 651
Mandatory state social insurance contributions	306 760	297 211
Depreciation of property, plant and equipment and amortisation of intangible assets	55 101	275 565
Costs of intermediation services	194 681	252 163
Cost of maintenance services for trading platforms	87 672	84 344

	1.01.2026 -30.06.2026 EUR (unaudited)	1.01.2025 -30.06.2025 EUR (unaudited)
Costs of promotion of trade events	90 988	56 948
Employee health insurance	24 087	10 163
Premises maintenance costs and rent	86 735	83 685
Business trips and exhibitions costs	122 607	68 227
Royalties	7 873	7 273
WEB shop maintenance costs and other IT costs	50 496	28 724
Car maintenance and fuel costs	14 033	7 416
Warehousing service costs	102 177	55 455
Employee training and store visit costs	31 856	6 250
Sales activity risk insurance	13 683	9 812
Depreciation of fixed investments in property, plant and equipment	18 897	14 385
Provisions for doubtful debts	67 826	13 175
Cash turnover incidental expenses	124 375	48 714
Other costs of sales	314 757	305 035
Total	**6 967 450**	**6 288 582**
(5) Administration expenses		
Remuneration for work	517 712	526 280
Office costs	118 797	170 950
Mandatory state social insurance contributions	121 749	123 712
Cash turnover incidental expenses	11 212	54 589
Premises rental and management costs	135 195	134 294
Employee health insurance	11 001	14 762
Depreciation of property, plant and equipment and amortisation of intangible assets	69 207	26 807
Personnel sustainability costs	42 386	33 107
Research, consultancy and conference costs	66 474	21 007
Employee meal costs	42 264	45 649
Securities circulation costs	8 643	9 474
Legal and other professional fees	18 807	17 611
Car maintenance and fuel costs	15 391	13 242
Travel expenses	3 073	667
Communication costs	10 474	10 366
Employee training costs	10 409	11 181
Audit costs	9 930	-
Other management and administration costs	66 624	79 502
Total	**1 279 348**	**1 293 200**
(6) Other operating income		
Income from ERAF projects co-financing	204 208	156 283
Income from the sale of current assets	3 808	22 736
Net gain on disposal of property, plant and equipment	9 864	-
Other income	100 688	73 719
Total	**318 568**	**252 738**

	1.01.2026 -30.06.2026 EUR (unaudited)	1.01.2025 -30.06.2025 EUR (unaudited)
(7) Other operating expenses		
Employees recruitment and training costs	20 686	34 864
Nature protection costs	53 302	26 258
Labour protection costs	9 591	14 209
Net loss on disposal of property, plant and equipment	556	-
Proceeds from the sale of property, plant and equipment	27 273	-
Residual carrying amount of property, plant and equipment	27 829	-
Donations	5 200	-
Representation costs	5 980	4 684
Other expenses	26 434	42 062
Total	**121 749**	**122 077**
(8) Interest and similar income		
Interest income from short-term deposits	6 400	94 080
Net gainon foreign currency exchange rate fluctuations	2 306	-
Total	**6 400**	**94 080**
(9) Interest and similar expenses		
Net loss on foreign currency exchange rate fluctuations	-	5 821
Other interest payments	1 856	238
Total	**1 856**	**6 059**

(10) INTANGIBLE ASSETS

	Concessions, patents, licenses, trademarks, and similar rights (EUR)	Other intangible assets (EUR)	Prepayments for intangible assets (EUR)	Advance payments for intangible assets (EUR)	Total intangible assets (EUR)
Cost as of 31.12.2025	**768 392**	**31 226**	**30 369**	**-**	**829 987**
Additions	-	-	81 440	4 537	85 977
Disposals	(10 363)	-	-	-	(10 363)
Transfers	18 529	-	(18 529)	-	-
Cost as of 30.06.2026	**776 558**	**31 226**	**93 280**	**4 537**	**905 601**
Accumulated depreciation 31.12.2025	**375 879**	**22 358**	**-**	**-**	**398 237**
Depreciation charged	56 238	3 130	-	-	59 368
Disposals	(9 384)	-	-	-	(9 384)
Accumulated depreciation 30.06.2026	**422 733**	**25 488**	**-**	**-**	**448 221**
Net carrying amounts 31.12.2025	**392 513**	**8 868**	**30 369**	**-**	**431 750**
Net carrying amounts 30.06.2026	**353 825**	**5 738**	**93 280**	**4 537**	**457 380**

(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 equip-ment (EUR)	Total property, plant and equipment (EUR)
Cost as of 31.12.2025	468 722	1 177 701	4 829 839	1 276 964	38 739	-	7 791 965
Additions	-	-	-	-	165 424	346 878	**512 302**
Disposals	-	-	(12 460)	(92 788)	-	-	**(105 248)**
Transfers	-	33 950	8 160	85 293	(121 702)	(5 701)	**-**
Cost as of 30.06.2026	468 722	1 211 651	4 825 539	1 269 469	82 461	341 177	8 199 019
Accumulated depreciation 31.12.2025	-	877 345	3 320 333	805 642	-	-	5 003 320
Depreciation charged	-	70 422	172 845	86 763	-	-	**330 030**
Disposals	-	-	(12 460)	(63 222)	-	-	**(75 682)**
Accumulated depreciation 30.06.2026	-	947 767	3 480 718	829 183	-	-	5 257 668
Net carrying amounts 31.12.2025	468 722	300 356	1 509 506	471 322	38 739	-	2 788 645
Net carrying amounts 30.06.2026	468 722	263 884	1 344 821	440 286	82 461	341 177	2 941 351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	30.06.2026 EUR (unaudited)	31.12.2025 EUR (unaudited)
(12) Other non-current receivables		
Rent security deposits	102 723	102 172
Total	**102 723**	**102 172**
(13) Raw materials, materials and consumables		
Raw materials and materials, gross value	3 077 589	2 875 629
Goods in transit	-	-
Total	**3 077 589**	**2 875 629**
(14) Finished goods and goods for sale		
Cosmetic products at gross value	1 784 731	1 112 166
Advertising materials	133 298	147 243
Goods in transit	-	32 007
Allowance for obsolete and slow-moving inventories	(3 500)	(3 500)
Total	**1 914 529**	**1 287 916**
(15) Trade receivables		
Trade receivables, gross value	2 191 032	2 710 972
Allowance for doubtful trade receivables	(44 149)	(18 769)
Total	**2 146 883**	**2 692 203**
(16) Other receivables		
VAT overpayment (Latvia, United Kingdom)	-	31 564
Security deposits	-	-
Other receivables	20 735	11 866
Total	**20 735**	**43 430**
(17) Cash and cash equivalents		
Cash in bank accounts	2 159 839	917 430
Short-term deposits in a commercial bank	3 305 336	4 743 025
Total	**5 465 175**	**5 660 455**

(18) Share capital

As of 30 June 2026, 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.

	30.06.2026 EUR (unaudited)	31.12.2025 EUR (unaudited)
(19) Other Loans		
ALTUM loan*	160 676	-
Total	**160 676**	**-**

On 19 February 2026, the Parent Company of the Group, MADARA Cosmetics AS, entered into a loan agreement with the joint stock company "Attīstības finanšu institūcija ALTUM" (Reg. No 50103744891) for a loan (principal) amount of 498 303 EUR. As at 30 June 2026, 160 675.50 EUR of the loan had been disbursed. The final repayment date of the ALTUM loan is 20 January 2031. As security for the loan obligations, the Group has established a commercial pledge over production equipment for a secured claim amount of 498 303 EUR.
The loan agreement provides for the possibility of receiving a capital rebate of 22.5%, provided that the Group fulfils the project implementation and post-monitoring conditions set out in the agreement.

	30.06.2026 EUR (unaudited)	31.12.2025 EUR (unaudited)
(20) Taxes and mandatory state social insurance contributions		
Value added tax (incl. OSS)	411 145	414 536
Mandatory state social insurance contributions	156 411	145 026
Personal income tax	71 632	69 763
Corporate income tax	374 296	11 356
Other taxes and duties (Italy, United Kingdom, France)	92 664	49 771
Total	**1 106 148**	**690 452**
(21) Other liabilities		
Salaries	304 950	285 656
Balance of gift cards	13 801	22 754
Other liabilities	9 296	1 313
Total	**328 047**	**309 723**
(22) Accrued liabilities		
Accrued liabilities for unused vacations	350 018	294 114
Accrued liabilities for services received	345 431	26 458
Accrued liabilities for employee remuneration	41 880	403 888
Accrued liabilities for goods received	-	127 644
Total	**737 329**	**852 104**

(23) Group transactions with related parties

Related party	Purchases of goods and services during the reporting period	Purchases of goods and services during the previous period	Goods sale and provision of services during the reporting period	Goods sale and provision of services during the previous period
Cosmetics NORD SIA	2 180	75	1 815 124	930 082
MC PROPERTIES SIA	133 971	131 292	480	480
KALVI SIA	17 951	17 951	0	0
Transmeri Group Ab Oy	24 592	84 296	833 927	1 069 883
Total	**178 694**	**233 614**	**2 649 531**	**2 000 445**

	30.06.2026 EUR (unaudited)	31.12.2025 EUR (unaudited)
(24) Number of employees in the Group		
Average number of employees per reporting period, including:	208	216
Members of the Board in the Parent Company	4	4
Members of the Council in the Parent Company	2	3

	1.01.2026-30.06.2026 EUR (unaudited)	1.01.2025-30.06.2025 EUR (unaudited)
(25) Information on the remuneration of members of the Council and the Board		
Board members remuneration for the work at the Board	208 731	201 213
Council members remuneration for the work at the Council	2 601	3 139
Total	**211 332**	**204 352**

(26) 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 Balozu Street, the term of the agreement is 2026. The Group has concluded lease agreements for rent of premises in four shopping centres in Riga: "Galerija Rīga", "Galerija Centrs", "Spice" and "AKROPOLE Alfa". The long-term lease agreement for warehouse and office space at 6 Kauguru Street, Riga, has been terminated, and the Parent Company has concluded a new long-term lease agreement for warehouse and office space at Lielmani, Marupe. The maturity of these agreements is up to the years 2028–2030 with a possibility to prolong.

(b) Issued guarantees
On 17 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 2026, the outstanding amount of MC PROPERTIES SIA loan to SWEDBANK A/S was 420 463 EUR (31 December 2025: 480 522 EUR).

(27) Received ERAF financing
In 2026, the Group continues to participate an receive funding from the European Union support programs.

(28) 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 no 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 year, the Group's exposure to foreign currency risk was not significant. The Group does not undertake measures to mitigate the risk.

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.

(29) 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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