

MÁDARA

organic skincare

MANAGEMENT REPORT
OF AS MADARA COSMETICS ON
THE UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR 6 MONTHS OF 2021

REPORTING PERIOD
01.01.2021 - 30.06.2021



GENERAL INFORMATION ABOUT THE GROUP

Name of the Group	MADARA Cosmetics AS
Parent Company	Madara Cosmetics AS
Legal status of the Parent Company	Joint stock company
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 23.92% of shares Lote Tisenkopfa - Iltnere - owns 23.77% of shares Oy Transmeri Group Ab - owns 22.94% of shares Liene Drāzniece - owns 6.79% of shares Zane Tamane - owns 6.45% 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 Paula Tisenkopfa - Member of the Board
Council of the Parent Company	Anna Ramata Stunda - Chairman of the Council Liene Drāzniece - Deputy Chairman of the Council Anna Andersone - Member of the Council Edgars Pētersons - Member of the Council Sari Hannele Rosin - Member of the Council
Reporting period	01.01.2021 until 30.06.2021
Previous reporting period	01.01.2020 until 30.06.2020
Subsidiaries	Madara Retail SIA, reg. No 40103212103 - 100% Cosmetics Nord SIA, reg. No 40103277805 - 100% Madara Cosmetics GmbH, reg No HRB 177689 - 100%



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DEAR SHAREHOLDERS OF AS MADARA COSMETICS,



I am pleased to report that despite the continuing uncertainty related to the COVID-19 pandemic, we have experienced another period of rapid growth and we can present you with the strongest half-year results so far!

In the first 6 months of 2021, we have achieved a 20.6% increase in turnover, which we consider to be an excellent achievement, taking into account the rapid growth in the first half of last year. This has been the strongest half-year so far in terms of financial results.

Growth has been achieved through existing sales channels, and the development is based on our investments and implementations during the previous years. E-commerce is still the fastest growing sales channel, not only for AS MADARA Cosmetics, but also for the industry in general. The company has continued to improve the technological capabilities of the e-commerce department and is one of the most advanced companies of natural cosmetics in Europe in this field, which is also confirmed by the gold award *E-commerce Star 2021* received this year in Latvia in the category "manufacturers".

We are experiencing one of the hottest summers in Europe in the last century, which intensifies concern about climate change. There is a growing need for companies to think about greener and more sustainable solutions in all areas – we also started the year with a product and information campaign dedicated to this topic, *Ocean Love*, which also included the animated short film *A Love Letter From the Ocean*. It aims to raise the public awareness of the impact of the cosmetics industry on the environment, while promoting more responsible consumption. You can read about the sustainability initiatives and improvements implemented by AS MADARA Cosmetics in our ESG report for 2020 (in English) that has been published recently.





The most significant events of the first half of the year include:

Direct distribution in the UK, the Netherlands and Belgium

Continuing our successful experience in Germany and France, where the distribution of products is provided by AS MADARA Cosmetics, and at the beginning of this year we have taken over the distribution in the markets of the United Kingdom, the Netherlands and Belgium. Appropriate employee organisation for the distribution of products in these countries is now in place, and the first 6 months have already proven that direct cooperation with retailers is effective. We expect to be able to achieve significant growth in these countries in the coming periods.



Development and launch of new products

Taking the dynamic nature of the cosmetics industry into account, in the first half of the year we have launched a number of new and innovative products, among which I would like to emphasise mineral sunscreens for the face with SPF50, which have set a new bar in the industry of natural cosmetics. The new formulas offer a high level of sunscreen combined with valuable caring ingredients in a convenient format – the product line offers both the classic emulsion and solid sunscreen in pocket-sized packaging suitable for sports and outdoor activities. In order to offer customers the highest quality and performance, several years have been dedicated to the development of these products. In the first half of the year, we have also added new product categories. The range of the MÁDARA brand now includes gynaecologically approved intimate hygiene products for women. We have also launched a new series of face care products with vitamin C. The new face cream for skin radiance and prevention of pigmentation problems is already among the most purchased MÁDARA products.



The COVID-19 situation and vaccination status

In the first half of the year, all physical sales channels in Latvia resumed operations, including four MÁDARA stores in Riga. The company still strictly adheres to safety measures to avoid the spread of infection among the employees. The measures introduced so far have been effective and individual cases of employee infection have not affected the operations and performance of the company. We have now reached a high level of employee vaccination. Currently 80% of all employees of the company have been vaccinated; in some departments of the company 100% of the employees have been vaccinated. The high proportion of vaccinated employees allows us to organise the company's operations more freely and suggests that COVID-19 will not significantly affect the company's performance in the future.





15th anniversary year of the company

In 2021, MÁDARA brand celebrates its 15th birthday, focusing on its roots through various marketing and communication activities, highlighting its unique, specific Latvian identity, as well as reporting on its achievements to date. In response to the tense situation in the world caused by the everyday conditions of the pandemic, in the first half of 2021, the *Surrender to Nature* campaign addressed the issue of mental health, urging the public to seek closeness of nature, both directly and indirectly.



During this period, we have also received several recognitions and product awards, among which the success of *Derma Collagen* should be emphasised with *The Beauty Shortlist 2021* (the UK) award for the best facial serum of the year, and the ranking of *Grow & Fix Lash and Brow Booster* as the No. 1 product on the top product list of the magazine *VOGUE* in this category (the Netherlands).

"The Best Makeup Brand in Europe 2021."

- The Beauty Shortlist Awards, UK



Acknowledged by

marie claire

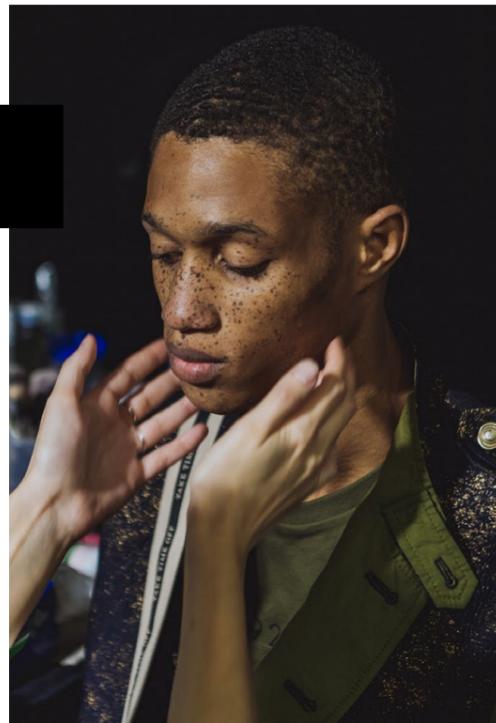
VOGUE

ELLE

Esquire

BAZAAR

Numéro



The official makeup of **DAWEI** show at **Paris Fashion Week** (2019, 2020) and **ICEBERG** men's show at **Milano Fashion Week** (2020)



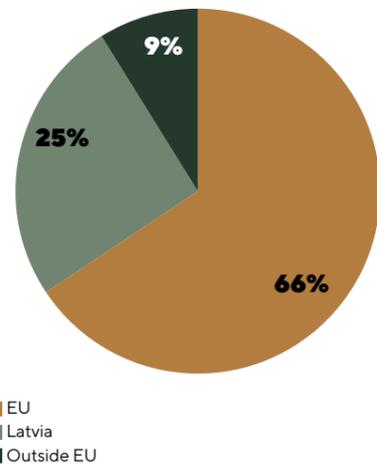
**MEMBER OF THE BOARD
ULDIS ILTNERIS**



SALES

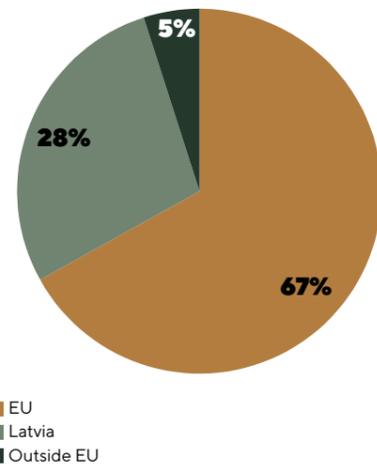
In the first half of 2021, the company continued to grow by reaching a consolidated turnover of EUR 9.91 million and solid growth of 20.6%. The growth was based on the successful development of the existing sales channels, it was also significantly facilitated by the operation of the company's direct e-commerce channels. This year, the company also added new and innovative products to its assortment. In spring 2021, 2 mineral sunscreens for the face with SPF50, vitamin C cream, Time Miracle peeling serum for intensive skin renewal at night, anti-cellulite cream, gynecologically approved intimate hygiene foam and other products were launched.

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



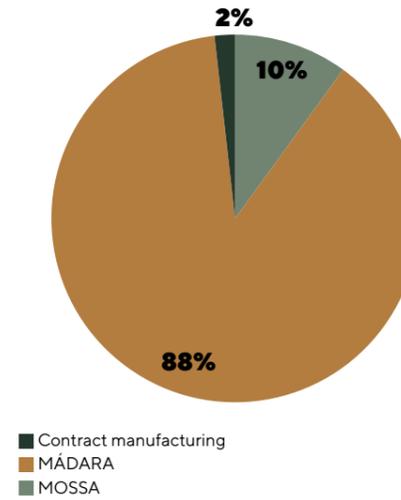
In the first half of 2021, 91% of the turnover was generated in the European Union (including Latvia), 9% was generated outside the European Union, an increase of 4 percentage points compared to the corresponding period last year. Finland was still the largest market outside Latvia. In the

Sales distribution in Latvia, the EU and outside the EU (2020 H1)



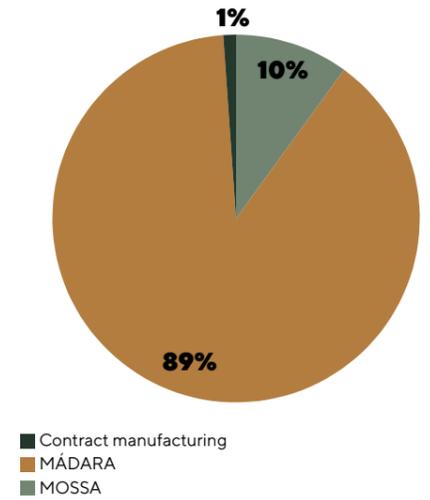
first half of 2021, the turnover in Finland grew by 8% and amounted to EUR 1.42 million. The company continued to actively develop markets in other countries, implementing the direct distribution model in 3 additional countries - the United Kingdom, the Netherlands and Belgium.

Sales distribution by product categories (2021 H1)



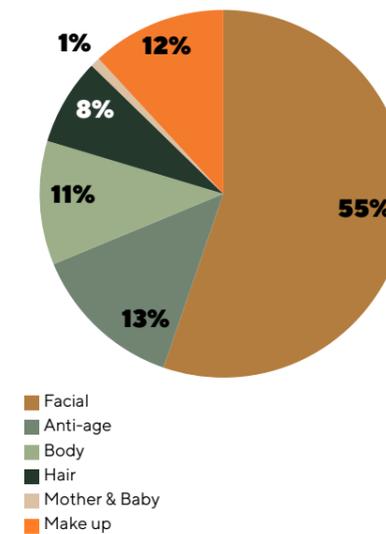
The turnover breakdown by brands shows that the share of contract manufacturing increased by 1 percentage point, an indication of the first success of the new contract manufacturing strategy implementation. The fastest-growing category of the Mádara brand in the first half of 2021 was facial care products, which increased by 3 percentage points compared to the corresponding

Sales distribution by product categories (2020 H1)

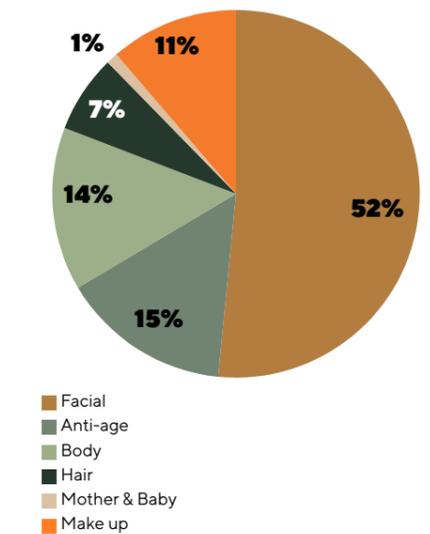


period in 2020. The increase was based on the successful sales performance of several new facial care products. The decrease of 3 percentage points in the body care segment could be explained by the particularly high demand for Mádara's ANTI skin disinfection and skincare line products in the first half of 2020.

Sales distribution of Mádara products by categories (2021 H1)



Sales distribution of Mádara products by categories (2020 H1)

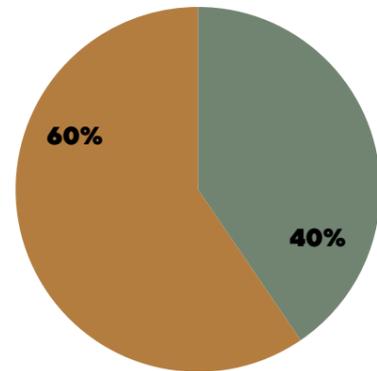


E-COMMERCE INDICATORS

Given that direct e-commerce is an important element of the company's operations, from now on we will offer our shareholders an insight into the performance of direct e-commerce. The direct e-commerce share in the parent

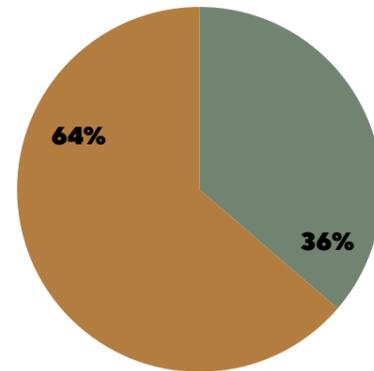
company's revenue continued to grow and amounted to 40% in the first half of 2021, the number of unique users has increased by 47%, while the number of active users (at least 1 purchase in the past 12 months) has increased by 58%.

Direct e-commerce share (2021 H1)



■ Direct e-commerce
■ Other sales channels

Direct e-commerce share (2020 H1)

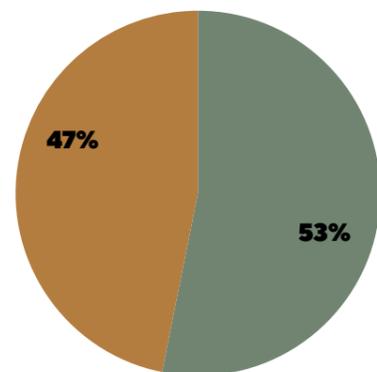


■ Direct e-commerce
■ Other sales channels

The company continued to work successfully with new direct e-commerce customers. According to the company's criteria, a bit less than 50% of the customers in the first half of 2021 were classified as new. The percentage split shows that the share of new customers in the company's e-shops has decreased compared to the results of the first half of 2020. The high percentage of new direct e-commerce customers in the first half of 2020 was a result

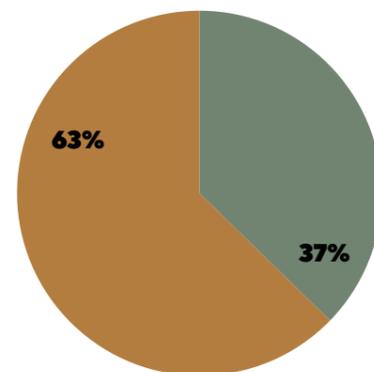
of the COVID-19 pandemic impact on the operations of physical sales channels, as well as a change in customer purchasing habits. In the first half of 2021, turnover from regular customers increased by 97% y-o-y, while turnover from new customers increased by 3%. We will continue working on attracting new customers as well as continuing to work with existing ones.

Direct e-commerce revenue split by customer type (2021 H1)



■ Repeat customers
■ New customers

Direct e-commerce revenue split by customer type (2020 H1)



■ Repeat customers
■ New customers



FINANCIAL INDICATORS

The company continues to improve its profit and profitability indicators. In the first half of 2021, the profit before taxes reached EUR 2.38 million and has achieved a higher growth pace than the turnover. Consolidated turnover in the first half of 2021 grew by 20.6%, while profit before taxes increased by 31.6%.

It is worth mentioning that in the first half of 2021, the company paid out EUR 1.51 million (EUR 0.40 per share) in dividends, consequently paying EUR 0.37 million in taxes.

The company continued to successfully implement research and development of new products within the Competence Centers program, and in the first half of 2021, the company has received EUR 60 thousand support for R&D activities.

Management guidance for the turnover target of the company for 2023 is EUR 27 million and remains unchanged.

Key ratios and indicators	2021 H1 EUR	2020 H1 EUR
Net turnover	9 911 092	8 217 531
Cost of goods sold	(3 137 299)	(3 040 070)
Gross profit	6 773 793	5 177 461
Depreciation, amortization and write-downs	267 160	348 785
Leasehold improvements write-off expense	43 001	41 914
Operating profit	2 384 145	1 767 684
Interest income	769	47 187
Interest expense	(7 305)	(8 087)
Profit before taxes	2 377 609	1 806 784
Net profit for the period	2 004 285	1 806 784



Key Ratios and Indicators	2021 H1 EUR	2020 H1 EUR
EBITDA (TEUR)	2 694	2 158
Profitability and sustainability ratios		
1. Gross Margin (%)	68	63
2. Operating Margin (%)	24	22
3. Net Margin (%)	20	22
4. TTM ROE (%)	30	25
5. TTM ROA (%)	29	21
Liquidity ratios		
6. Current ratio (x)	5.30	5.88
7. Quick ratio (x)	3.41	4.27
8. Working capital (TEUR)	9 664	8 627
Leverage ratios		
9. Financial debt to equity (x)	0.004	0.01
10. Debt to equity (x)	0.17	0.16
11. Net financial debt (TEUR)	(5 881)	(5 421)
12. Net gearing (%)	(45.50)	(47.75)

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

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

CONSOLIDATED FINANCIAL REPORT

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

CONSOLIDATED INCOME STATEMENT

	Note	1.01.2021 -30.06.2021 (unaudited) EUR	1.01.2020 -30.06.2020 (unaudited) EUR
Net turnover	2	9 911 092	8 217 531
Cost of goods sold	3	(3 137 299)	(3 040 070)
Gross profit		6 773 793	5 177 461
Selling expenses	4	(3 819 742)	(2 946 157)
Administration expenses	5	(713 850)	(580 369)
Other operating income	6	184 079	274 532
Other operating expenses	7	(40 135)	(157 783)
Interest and similar income	8	769	47 187
Interest and similar expenses	9	(7 305)	(8 087)
Profit before corporate income tax		2 377 609	1 806 784
Corporate income tax for the financial period		(373 324)	-
Profit for the reporting period		2 004 285	1 806 784

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



CONSOLIDATED BALANCE SHEET

Assets	Note	30.06.2021 EUR (unaudited)	31.12.2020 EUR (audited)
Non-current assets			
Intangible assets			
Development costs		48 235	64 314
Concessions, licences, patents, trade marks and similar rights		516 966	589 267
Prepayments for intangible assets		182 115	12 095
Total intangible assets	10	747 316	665 676
Property, plant and equipment			
Land		213 722	213 722
Leasehold improvements		342 772	378 186
Plant and equipment		1 039 748	1 091 948
Other fixed assets		304 302	333 369
Construction in progress		69 729	31 869
Prepayments for property, plant and equipment		481 274	200 128
Total property, plant and equipment	11	2 451 547	2 249 222
Non-current financial investments			
Other non-current receivables and other receivables	12	68 027	68 027
Other securities and investments		826	826
Total non-current financial investments		68 853	68 853
Total non-current assets		3 267 716	2 983 751
Current assets			
Inventories			
Raw materials	13	2 054 906	2 002 631
Finished goods and goods for sale	14	1 584 029	1 671 361
Prepayments for inventories		598 421	549 484
Total inventories		4 237 356	4 223 476
Receivables			
Trade receivables	15	1 643 799	1 208 837
Other receivables	16	28 389	53 082
Accrued revenue		200	34 500
Deferred expenses		70 779	36 808
Total receivables		1 743 167	1 333 227
Cash	17	5 932 186	5 645 859
Total current assets		11 912 709	11 202 562
Total assets		15 180 425	14 186 313

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

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	30.06.2021 EUR (unaudited)	31.12.2020 EUR (audited)
Equity			
Share capital	18	376 924	376 924
Share premium		4 023 454	4 023 454
Retained earnings:			
a) prior year retained earnings		6 521 094	4 583 619
b) profit for the period		2 004 285	3 445 172
Total equity		12 925 757	12 429 169
Liabilities			
Non-current liabilities			
Other liabilities	19	5 790	26 991
Total non-current liabilities		5 790	26 991
Current liabilities			
Bank borrowings	20	-	5 952
Advances from customers		115 908	76 059
Trade payables		835 219	626 138
Taxes and social insurance contributions	21	607 346	157 405
Other payables	22	273 883	252 504
Accrued liabilities	23	416 522	612 095
Total current liabilities		2 248 878	1 730 153
Total liabilities		2 254 668	1 757 144
Total equity and liabilities		15 180 425	14 186 313

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CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2021 -30.06.2021 (unaudited) EUR	1.01.2020 -30.06.2020 (unaudited) EUR
Cash flow of operating activities			
Profit before taxes		2 377 609	1 806 784
Corrections:			
Depreciation of fixed assets	11	221 225	318 888
Amortisation of intangible assets	10	105 015	87 890
Fixed assets write-downs		18 324	-
Subsidies and grants received		(175 923)	(112 800)
Interest and similar income	8	(769)	(47 183)
Interest and similar expenses	9	7 305	4 583
Profit before adjustments for current assets and current liabilities		2 552 786	2 058 162
Corrections:			
Increase in receivables		(368 390)	(200 894)
(Increase) / decrease in inventories		(13 880)	141 224
Increase in payables and other payables		493 564	480 047
Gross cash flow of operating activities		2 664 080	2 478 539
Interest payments		(7 305)	(4 583)
Income tax payments		(374 824)	-
Net cash flow of operating activities		2 281 951	2 473 956
Investment activities cash flow			
Proceeds from the disposal of other investments		-	950 000
Acquisition of fixed assets and intangible assets		(628 529)	(197 797)
Loans issued		(140 000)	-
Revenue from repayment of loans		140 000	-
Received interest		769	47 183
Investment activities cash flow		(627 760)	799 386
Financing activities cash flow			
Proceeds from subsidies and grants		175 923	68 337
Repaid financial lease liabilities		(30 138)	(29 378)
Dividends paid		(1 507 697)	-
Repaid loan	20	(5 952)	(67 572)
Financing activities cash flow		(1 367 864)	(28 613)
Increase / (Decrease) in cash and cash equivalents		286 327	3 244 729
Cash and cash equivalents at the beginning of the reporting period	17	5 645 859	2 329 384
Cash and cash equivalents at the end of the financial period	17	5 932 186	5 574 113

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (EUR)	Share premium (EUR)	Retained earnings (EUR)	Total equity (EUR)
Balance as of 31 December 2019	374 524	4 023 454	5 147 805	9 545 783
Distribution of dividends	-	-	(561 786)	(561 786)
Increase of share capital	2 400	-	(2 400)	-
Profit for the reporting period	-	-	3 445 172	3 445 172
Balance as of 31 December 2020	376 924	4 023 454	8 028 791	12 429 169
Distribution of dividends	-	-	(1 507 697)	(1 507 697)
Profit for the reporting period	-	-	2 004 285	2 004 285
Balance as of 30 June 2021 (unaudited)	376 924	4 023 454	8 525 379	12 925 757

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



NOTES TO THE FINANCIAL STATEMENTS

Turnover is the income received during the year from the Group's main activities - the provision of services without value added tax. Revenue has been generated from the production and sale of cosmetics.

	1.01.2021 -30.06.2021 (unaudited) EUR	1.01.2020 -30.06.2020 (unaudited) EUR
(2) Turnover by geographical markets:		
Revenue from the sale of goods in the European Union	6 442 746	5 429 863
Revenue from the sale of goods in Latvia	2 501 785	2 281 793
Revenue from the sale of goods in other markets	868 828	401 284
Revenue from the sale of services	91 231	96 338
Other revenue from operating activities	6 502	8 253
Total	9 911 092	8 217 531
(3) Cost of goods sold		
Materials cost	1 715 236	1 643 382
Remuneration for work	675 124	576 916
Social security contributions	158 817	138 881
Depreciation and amortisation	109 976	212 673
Production service costs	102 823	51 455
Current assets write-off	99 444	163 947
New products research and development costs	76 099	59 191
Premises rent and management costs	74 561	74 561
Leasehold improvements write-off	35 981	34 894
Resource costs	28 343	27 238
ECOCERT quality certificate maintenance costs	19 558	19 613
Development costs write-off	16 079	16 079
Other production and production maintenance costs	25 258	21 240
Total	3 137 299	3 040 070
(4) Selling expenses		
Advertising costs	1 369 316	887 789
Remuneration for work	707 637	601 763
Transport costs	631 860	473 167
Sample production costs	354 965	350 509
Social security contributions	167 716	145 510

	1.01.2021 -30.06.2021 (unaudited) EUR	1.01.2020 -30.06.2020 (unaudited) EUR
Trade promotion costs	134 876	106 878
Depreciation and amortisation	123 171	100 407
Intermedium services costs	116 493	33 210
Costs of trading platform maintenance services	70 174	35 165
Premises rent and maintenances costs	46 747	70 892
Royalties	21 599	6 386
Internet store's WEB page maintenance costs and other IT costs	14 424	1 847
Warehouse service costs	11 143	17 620
Car maintenance and fuel costs	8 802	11 096
Leasehold improvements write-off	7 020	7 020
Work trip and exhibitions costs	3 470	63 755
Representation costs	1 426	4 844
Other sales expenses	28 903	28 299
Total	3 819 742	2 946 157
(5) Administration expenses		
Remuneration for work	278 104	224 732
Cash outflow related costs	98 528	77 722
Office costs	94 259	60 233
Social security contributions	58 478	51 072
Premises rent and maintenance costs	35 856	35 856
Depreciation and amortisation	34 013	35 705
Employee health insurance	20 798	8 209
Securities circulation costs	16 366	15 251
Car maintenance, fuel and repair costs	14 607	11 886
Legal and other professional service costs	11 992	4 169
Communication costs	8 127	6 326
Staff sustainability costs	1 516	20 259
Other management and administration costs	41 206	28 949
Total	713 850	580 369
(6) Other operating income		
State aid to overcome the COVID-19 crisis	104 237	-
Revenues from ERAF projects	71 686	112 800
Revenues from the sale of current assets	6 588	138 224
Other revenues	1 568	23 508
Total	184 079	274 532

	1.01.2021 -30.06.2021 (unaudited) EUR	1.01.2020 -30.06.2020 (unaudited) EUR
(7) Other operating expenses		
Nature protection costs	9 395	6 055
Staff recruitment and training costs	7 802	2 503
Donations	6 000	-
Resold purchased goods and services	-	137 004
Other expenses	16 938	12 221
Total	40 135	157 783
(8) Interest and similar income		
Interest income on current financial investments	-	47 129
Other interest income	769	58
Total	769	47 187
(9) Interest and similar expenses		
Foreign currency exchange rate fluctuations	4 698	3 445
Interest on borrowings	17	1 379
Other interest payments	2 590	3 263
Total	7 305	8 087

(10) INTANGIBLE ASSETS

	Development costs EUR	Concessions, patents, licenses, trademarks and similar rights EUR	Prepayments for intangible assets EUR	Total intangible assets EUR
Cost as of 31.12.2020	96 471	927 892	12 095	1 036 458
Additions	-	-	187 505	187 505
Corrections	-	-	(850)	(850)
Transfers	-	16 635	(16 635)	-
Cost as of 30.06.2021	96 471	944 527	182 115	1 223 113
Accumulated amortisation as of 31.12.2020	32 157	338 625	-	370 782
Amortisation charged	16 079	88 936	-	105 015
Accumulated amortisation as of 30.06.2021	48 236	427 561	-	475 797
Net book value as of 31.12.2020	64 314	589 267	12 095	665 676
Net book value as of 30.06.2021	48 235	516 966	182 115	747 316



(11) FIXED ASSETS MOVEMENT TABLE

	Leasehold improvements EUR	Land EUR	Equipment and machinery EUR	Other fixed assets EUR	Construction in progress EUR	Prepayments for property, plant and equipment EUR	Total fixed assets EUR
Cost as of 31.12.2020	769 584	213 722	3 062 909	784 585	31 869	200 128	5 062 797
Additions	-	-	-	-	152 387	289 487	441 874
Disposals	-	-	-	(40 378)	-	-	(40 378)
Transfers	7 587	-	45 841	69 440	(114 527)	(8 341)	-
Cost as of 30.06.2021	777 171	213 722	3 108 750	813 647	69 729	481 274	5 464 293
Accumulated depreciation as of 31.12.2020	391 398	-	1 970 961	451 216	-	-	2 813 575
Depreciation charged	43 001	-	98 041	80 183	-	-	221 225
Disposals	-	-	-	(22 054)	-	-	(22 054)
Accumulated depreciation as of 30.06.2021	434 399	-	2 069 002	509 345	-	-	3 012 746
Net book value as of 31.12.2020	378 186	213 722	1 091 948	333 369	31 869	200 128	2 249 222
Net book value as of 30.06.2021	342 772	213 722	1 039 748	304 302	69 729	481 274	2 451 547



	30.06.2021 EUR (unaudited)	31.12.2020 EUR (audited)
(12) Other non-current receivables and other receivables		
Rent security deposit	68 027	68 027
Total	68 027	68 027
(13) Raw materials		
Raw materials	2 084 165	2 011 548
Allowance for slow moving inventories	(29 259)	(8 917)
Total	2 054 906	2 002 631
(14) Finished goods and goods for sale		
Cosmetic products	1 513 639	1 623 399
Advertising materials	90 695	88 609
Allowance for slow moving inventories	(20 305)	(40 647)
Total	1 584 029	1 671 361
(15) Trade receivables		
Net book value of trade receivables	1 719 816	1 307 136
Allowance for doubtful trade receivables	(76 017)	(98 299)
Total	1 643 799	1 208 837
(16) Other receivables		
Cash in transit	5 137	654
Advance payments for services	3 451	-
Corporate income tax overpayment	-	22 794
VAT overpayment	-	19 620
Other receivables	19 801	10 014
Total	28 389	53 082
(17) Cash		
Cash in bank accounts and cash equivalents	5 932 186	5 645 859
Total	5 932 186	5 645 859

(18) Share capital

As of 30 June 2021, the registered and fully paid-in share capital of the Group's parent company amounts to EUR 376 924.20 and consists of 3 769 242 shares with a nominal value of EUR 0.10 per share.

Since 2017, AS Madara Cosmetics has implemented share options program for its employees as additional motivation and involvement tool. Share options may be acquired by employees of the company, managers of departments and members of Council who have made a significant contribution in the company. The granting of share options is exercised by the Board in accordance with procedures specified in the resolutions of the shareholders' meeting and the amount of options granted. The company does not apply the fair value model to the program of share options and in accordance with the procedure share options are exercised at par value at the expense of retained earnings.

	30.06.2021 EUR (unaudited)	31.12.2020 EUR (audited)
(19) Other non-current liabilities		
Lease liabilities	5 790	26 991
Total other non-current liabilities	5 790	26 991
(20) Banks borrowings	-	5 952
Total	-	5 952
(21) Taxes and social insurance contribution		
Corporate income tax	370 441	-
Social insurance contributions	99 797	86 174
Value added tax	82 320	28 740
Personal income tax	54 437	42 057
Natural resources tax	274	370
Risk duty	77	64
Total	607 346	157 405
(22) Other current liabilities		
Salaries	192 785	164 841
Lease liabilities	45 617	54 555
Balance of gift cards	17 348	18 036
Other liabilities	18 133	15 072
Total other current liabilities	273 883	252 504
(23) Accrued liabilities		
Accrued liabilities for employee remuneration and accrued vacation	313 810	260 904
Accrued liabilities for the received goods and services	102 712	351 191
Total	416 522	612 095
(24) Transactions with related parties during the reporting period		
Related party	Purchases of goods and services during the reporting period	Purchases of goods and services during the previous period
MC PROPERTIES SIA	111 958	111 958
Total	111 958	111 958
(25) Number of employees in the Group		
Average number of employees per reporting period, including:	181	160
Members of the Board in the Parent Company	3	3
Members of the Council in the Parent Company	5	5

	1.01.2021 -30.06.2021 (unaudited) EUR	1.01.2020 -30.06.2020 (unaudited) EUR
(26) Information on the remuneration of council and board members		
Board members remuneration for the work at the Board	11 392	13 325
Council members remuneration for the work at the Council	4 999	1 543
Total	16 391	14 868

(27) Off-balance sheet liabilities

On 17 March 2015, the Group's parent company signed a premises lease agreement for renting production and office space with SIA MC PROPERTIES (registration number 40103872324), which will replace the previous premises lease agreement. The agreement is maturing in 2025.

Group has concluded lease agreements for rent of premises in four shopping centers in Riga: "Galerija centrs", "Spice", "Alfa" and "Akropole". Maturity of these agreements - up to year 2022 - 2024 with possibility to prolong respective maturity.

On 30 June 2015, a mortgage agreement signed between A/S SWEDBANK and Group's parent company's lessor MC PROPERTIES SIA on pledged item - real estate on 131 Zeltinu Street, Marupe. Real estate is pledged in favor of A/S SWEDBANK and the Group's parent company's is a guarantor for the MC PROPERTIES SIA obtained borrowings; the amount of the guarantee, in accordance with the terms of the contract, is the amount of the outstanding liabilities. As at 30 June 2021, the outstanding balance of MC PROPERTIES SIA loan to A/S SWEDBANK was EUR 461 538.

(28) Received ERAF financing

In 2021, the Group participated and received funding from the European Union support programs.

(29) Financial risk management

The Group's activities are exposed to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risk

Foreign currency risk is the risk of financial losses incurred by the Group due to adverse fluctuations in foreign currency exchange rates. This risk arises when financial assets denominated in a foreign currency do not match financial liabilities in that currency which results in open currency positions. The Group does not have any material balances of financial assets and liabilities denominated in currencies. Therefore, during the reporting period, the Group's exposure to foreign currency risk was not significant.

Credit risk

Credit risk is the risk of financial losses incurred as a result of default by a counterparty on its obligation to the Group. Credit risk mainly arises from cash with banks, trade receivables and issued non-current and current loans.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its obligations in full as they fall due. Liquidity risk arises when the maturities of financial assets and liabilities do not match. The aim of the Group's liquidity risk management is to maintain a sufficient amount of cash and its equivalents, and to insure the availability of funding through a 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.

(30) Post balance sheet events

As of the last day of the reporting period until the date of signing these financial statements, there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.





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