



MÁDARA

organic skincare

AS MADARA COSMETICS
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2018
TILL 30 JUNE 2018

PREPARED IN ACCORDANCE WITH
LATVIAN STATUTORY REQUIREMENTS



GENERAL INFORMATION ABOUT THE GROUP

Name of the Group	Madara Cosmetics
Parent Company	Madara Cosmetics AS
Legal status of the Parent Comapany	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 %)	Lote Tisenkopfa - Iltnere - owns 23,92 % of shares Uldis Iltners - owns 23,92 % of shares Sustainable Investments SIA - owns 17,09 % of shares Zane Tamane - owns 10,25 % of shares Liene Drāzniece - owns 6,83 % of shares Oy Transmeri Group Ab - owns 6,00 % 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
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	Zane Tamane - Chairman of the Council Liene Drāzniece - Deputy Chairman of the Council till 21.05.2018 Anna Ramata Stunda - Deputy Chairman of the Council from 22.05.2018 Solvita Kurtiša - Member of the Council Anna Andersone - Member of the Council Anu Pauliina Koskinen - Member of the Council
Reporting period	01/01/2018 till 30/06/2018
Previous reporting period	01/01/2017 till 30/06/2017
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,

IN THE FIRST 6 MONTHS OF 2018, AS MADARA COSMETICS HAS SOLIDLY MAINTAINED ITS HISTORICAL GROWTH RATE, INCREASING ITS TURNOVER BY 30% AND ACHIEVING AN EXCELLENT FINANCIAL RESULT. OUR GROWTH IS LARGELY DUE TO CONQUERING NEW DISTRIBUTION CHANNELS, PROMOTING BRAND AWARENESS AND SUCCESSFULLY INTRODUCING NEW PRODUCTS TO THE MARKET.

NATURAL COSMETICS CONTINUES TO BE A TOPICAL AND RAPIDLY GROWING BEAUTY INDUSTRY SEGMENT IN EUROPE, CREATING POSITIVE PRECONDITIONS FOR OUR FUTURE DEVELOPMENT. THE COMPANY IS ARDENTLY WORKING ON SEVERAL DEVELOPMENT PROJECTS TO CONTINUE STRENGTHENING ITS POSITION IN THE GROWING MARKET.

KEY EVENTS IN THE FIRST 6 MONTHS OF 2018:



1

- Highly successful introduction of new products. We take most pride in our sunscreen product line - one of the most successful introductions of a new product in recent years. The company's assumptions regarding the demand for these products in the market have come true as shown by the sales results - all 4 new sunscreen products rank among MÁDARA TOP10 bestsellers in the first half of 2018. The company plans to develop this category by creating new, innovative sunscreen products.

2

INNOVATION and SURPRISE

are values MÁDARA represents; the new products of 2018 also speak volumes of our ability: range of natural sunscreens, BOOSTER ampoules, RE:GENE Volume Rebuild Lifting Mask and VOLCANO/CHARCOAL fragranced soap bars that embody all our sustainability values.



3

- During the first half of the year we focused particularly on the upgrading of our e-commerce system and implementation of IT projects to automate our operations. The current e-commerce system has undergone several significant improvements and has acquired additional tools that promote the system's operating effectiveness. Among the most notable IT projects we highlight the implementation of business intelligence system to let us process data and perform analytics more quickly, consequently translating into a more efficient decision-making process across all departments. We have invested EUR 113 000 in upgrading the e-commerce system and implementing IT projects.



4

The company also continues to enhance its manufacturing processes. We made a procurement in the first half of the year and ordered two filling machines:

- automated cosmetic filling and capping line (EUR 207 295);
- high-performing tube filling machine for cosmetic products (EUR 277 400).

Both machines will be supplied and installed by the end of the year and will help to increase production efficiency during the filling and packaging process.



5

New sales venues: in the first half of 2018 MÁDARA has successfully entered chain stores that have been targeted for several years. One of the most impressive achievements is the introduction of the brand to John Bell & Croyden and Selfridges Cosmetic Departments in the United Kingdom. In Finland, which is currently the largest market of the company outside of Latvia, MÁDARA is now also available in Hehku stores. Increasingly more often, MÁDARA products are also entering pharmacy chains with MÁDARA announcing itself in the Norwegian (Apotek Boots) and Albanian (Parafarmaci) markets and strengthening its positions in Hungary (Unipatika). Our products are also available in 20 Healthy Planet shops in Canada.

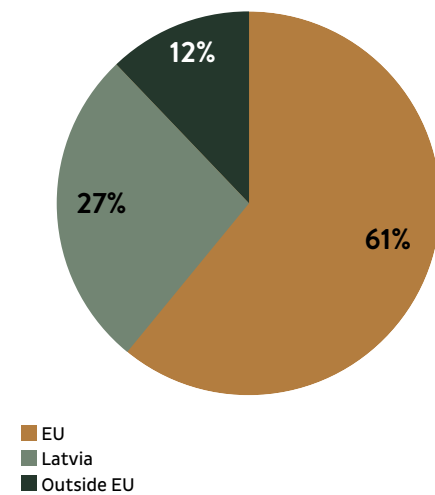


SALES

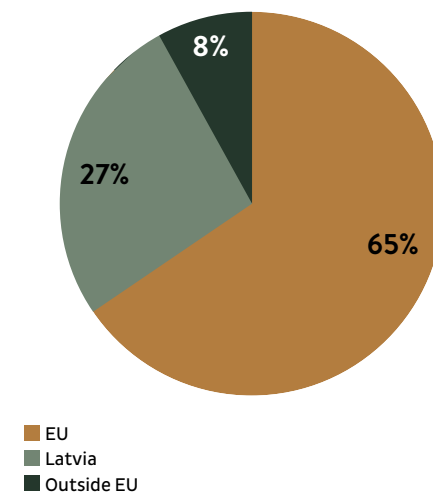


In the first 6 months of 2018, we continued the rapid growth trend and achieved an increase in turnover of 30% compared to the respective prior year period. The company's consolidated 6-month turnover amounts to EUR 4.66 million. Our growth has been primarily based on successful operation in the existing distribution channels, attraction of new clients, strengthening of brand awareness and introduction of new products. Sales of our new sunscreen products particularly contributed to our development. Management turnover guidance for 2018 (EUR 10m) remains intact.

Sales distribution in LV, the EU and outside of the EU (2017 H1)



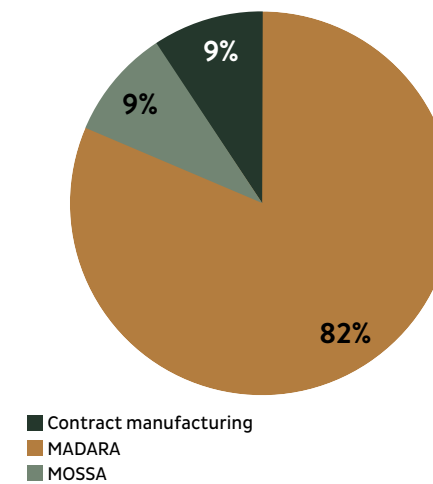
Sales distribution in LV, the EU and outside of the EU (2018 H1)



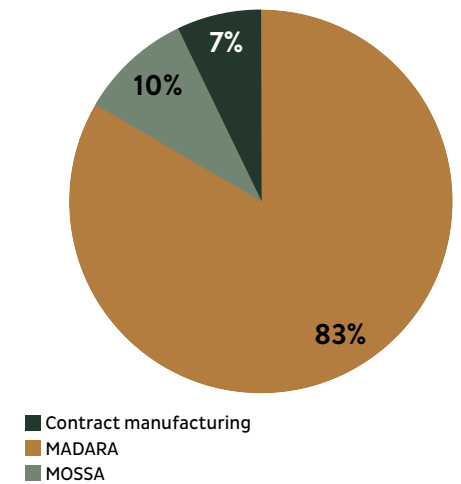
92% of turnover originates in the European Union (including Latvia), while 8% – outside of the EU. Compared to the respective prior year period, the sales proportion in the European Union (including Latvia) has grown by 4 percentage points, thus corresponding to

the sales strategy designed by the company. The largest market outside of Latvia is Finland. Turnover for the first 6 months of 2018 in Finland amounted to EUR 1.27 million, representing a 75% increase.

Sales distribution of MADARA products in 2017 H1



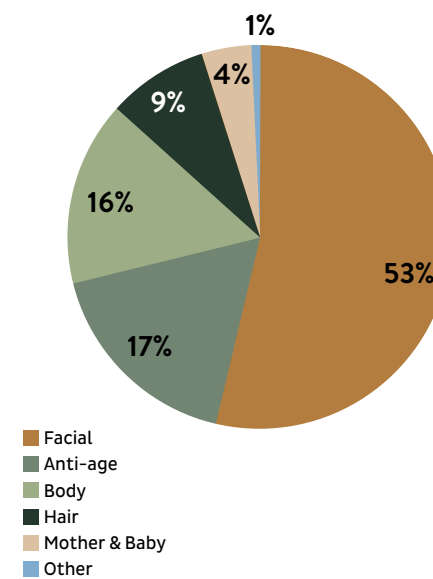
Sales distribution of MADARA products in 2018 H1



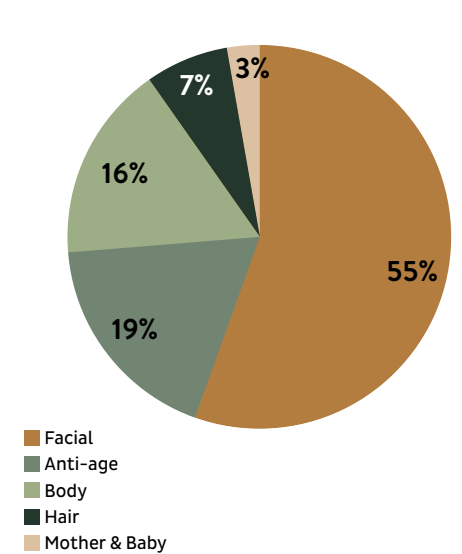
When inspecting sales distribution by categories (MÁDARA, MOSSA and contract manufacturing), we can observe a slight proportional increase of MÁDARA and MOSSA brands, preserving the overall current contributions.

Also, the division of sales of MADARA products by product groups retains the current proportions, with a slight increase in facial skin care and anti-age products, thus matching the MÁDARA target.

Sales distribution by product categories: facial, body and anti-age cosmetics, hair care products, children cosmetics etc. in comparison to distribution in 2017 H1



Sales distribution by product categories: facial, body and anti-age cosmetics, hair care products, children cosmetics etc. in comparison to distribution in 2018 H1



FINANCIAL INDICATORS

In the first half of 2018 the company achieved excellent financial results, generating profit of nearly EUR 1 million, which is the highest 6-month result to date. Compared to the respective prior year period, we

have managed to improve our manufacturing process efficiency, increasing our gross profit margin by 3 percentage points.

The main financial indicators are as follows:

Key Ratios and Indicators	2018 H1	2017 H1
Revenue	4 660 388	3 585 078
Cost of goods sold	-1 637 581	-1 360 952
Gross profit	3 022 807	2 224 126
Depreciation of property, plant and equipment	-184 460	-161 943
Leasehold improvements write-off expense	-35 703	-39 263
Operating profit	981 464	824 200
Interest income	26 183	-
Interest expense	-11 615	-12 990
Profit before taxes	996 032	811 210
Net profit for the reporting period	995 991	712 594

Key Ratios and Indicators	2018 H1	2017 H1
EBITDA (TEUR)	1 218	1 027
Profitability and sustainability ratios		
1. Gross Margin (%)	65	62
2. Operating Margin (%)	21	23
3. Net Margin (%)	21	20
4. ROE (%)	26%	44%
5. ROA (%)	21%	34%
Liquidity ratios		
6. Current ratio	6.30	3.79
7. Quick ratio	4.49	2.15
8. Working capital (TEUR)	6 210	2 511
Leverage ratios		
9. Financial debt to equity	11%	18%
10. Debt to equity	20%	45%
11. Net financial debt (TEUR)	-2 807	-373
12. Net gearing	-35%	-10%

* 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*2/Shareholder's equity (average)*100
4.

Net profit*2/Total assets (average)*100
5.

Net profit/Total assets*100
6.

Current assets/Current liabilities
7.

(Current assets-Inventories)/Current liabilities
8.

Current assets-Current liabilities
9.

Loans from financial institutions/Total equity*100
10.

Total debt/Total equity*100
11.

Total financial debt-Cash
12.

(Total financial debt-Cash)/Total equity*100





VALDES LOCEKLIS ULDIS ILTNERS

UNAUDITED FINANCIAL STATEMENTS IN THE FIRST 6 MONTHS OF 2018

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

CONSOLIDATED INCOME STATEMENT

	Note	2018 I-VI (unaudited)	2017 I-VI
Net turnover	2	4 660 388	3 585 078
Cost of goods sold	3	-1 637 581	-1 360 952
Gross profit		3 022 807	2 224 126
Selling expenses	4	-1 618 060	-1 035 199
Administration expenses	5	-486 483	-421 133
Other operating income	6	87 634	71 794
Other operating expenses	7	-24 434	-15 388
Interest and similar income	8	26 183	-
Interest and similar expenses	9	-11 615	-12 990
Profit before corporate income tax		996 032	811 210
Corporate income tax for the reporting period	10	-41	-98 616
Profit for the reporting period		995 991	712 594

The accompanying notes on pages 11 to 27 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Assets	Note	30/06/2018 (EUR) (unaudited)	31/12/2017 (EUR)
Non-current assets			
Intangible assets			
Concessions, licences, patents, trade marks and similar rights		173 132	133 361
Concessions, licences, patents, trade marks and similar rights		66 081	7 899
Total intangible assets	11	239 213	141 260
Property, plant and equipment			
Land		133 237	133 237
Leasehold improvements		482 927	476 443
Plant and equipment		664 968	751 348
Other fixed assets		284 914	268 060
Construction in progress		78 298	14 874
Prepayments for property, plant and equipment		193 878	14 065
Total property, plant and equipment	12	1 838 222	1 658 027
Non-current financial investments			
Other non-current receivables and other receivables	13	14 065	40 000
Other securities and investments	14	826	826
Total non-current financial investments		71 426	40 826
Total non-current assets		2 148 861	1 840 113
Current assets			
Inventories			
Raw materials	15	1 047 088	859 164
Finished goods and goods for sale	16	872 665	674 319
Prepayments for inventories		203 831	96 392
Total inventories		2 123 584	1 629 875
Receivables			
Trade receivables	17	973 701	923 709
Other receivables	18	101 554	85 823
Accrued revenue		-	18 293
Deferred expenses		7 225	34 210
Total receivables		1 082 480	1 062 035
Total current financial investments		500 000	500 000
Cash		3 675 882	4 086 345
Total current assets		7 381 946	7 278 255
Total assets		9 530 807	9 118 368

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	30/06/2018 (EUR) (unaudited)	31/12/2017 (EUR)
Equity			
Share capital	21	374 524	374 524
Share premium		4 023 454	4 023 454
Retained earnings:			
a) prior year retained earnings		2 517 550	1 608 525
b) profit for the period		995 991	1 246 097
Total equity		7 911 519	7 252 600
Liabilities			
Non-current liabilities			
Bank borrowings	22	176 811	244 383
Other liabilities	23	169 686	182 042
Deferred revenue		100 750	145 213
Total non-current liabilities		447 247	571 638
Current liabilities			
Bank borrowings	22	135 145	135 145
Advances from customers		41 502	77 164
Trade payables		436 888	542 648
Taxes and social insurance contributions	24	94 385	122 086
Other payables	25	183 619	161 253
Deferred revenue		88 926	88 926
Accrued liabilities		191 576	166 908
Total current liabilities		1 172 041	1 294 130
Total liabilities		1 619 288	1 865 768
Total equity and liabilities		9 530 807	9 118 368

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	2018 I-VI EUR (unaudited)	2017 I-VI EUR
Cash flow of operating activities			
Profit before taxes		996 032	811 210
Corrections:			
Depreciation of fixed assets	12	220 164	201 206
Amortisation of intangible assets	11	16 345	1 973
Revenue from the recognition of ERAF funds		-86 077	-44 463
Interest and similar income	8	-26 183	-
Interest and similar expenses	9	11 615	12 990
Profit before adjustments for current assets and current liabilities		1 131 896	982 916
Corrections:			
Increase / decrease in receivables		-74 182	212 596
Increase in inventories		-386 270	-157 521
Decrease in payables and other payables		-124 454	-104 537
Gross cash flow of operating activities		546 990	933 454
Interest payments		-11 615	-12 990
Income tax payments		-53 702	-53 370
Net cash flow of operating activities		481 673	867 094
Investment activities cash flow			
Acquisition of fixed assets and intangible assets		-494 606	-354 425
Bank guarantee deposit		-30 600	-
Received interest		26 183	-
Investment activities cash flow		-499 023	-354 425
Financing activities cash flow			
Proceeds from ERAF funds		41 614	8
Repaid financial lease liabilities		-30 083	-19 530
Dividends paid		-337 072	-
Repaid loan	22	-67 572	-67 573
Financing activities cash flow		-393 113	-87 095
Decrease / increase in cash and cash equivalents		-410 463	425 574
Cash and cash equivalents at the beginning of the reporting year		4 086 345	579 638
Cash and cash equivalents at the end of the financial year		3 675 882	1 005 212

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (EUR)	Share premium (EUR)	Retained earn- ings (EUR)	Total equity (EUR)
Balance as of 31 December 2016	106 652	761 236	2 021 845	2 889 733
Distribution of dividends	-	-	-200 000	-200 000
Increase in share capital	213 320	-	-213 320	-
Issue of shares	54 552	3 262 218	-	3 316 770
Profit for the reporting period	-	-	1 246 097	1 246 097
Balance as of 31 December 2017	374 524	4 023 454	2 854 622	7 252 600
Distribution of dividends	-	-	-337 072	-337 072
Profit for the reporting period	-	-	995 991	995 991
Balance as of 30 June 2018 (unaudited)	374 524	4 023 454	3 513 541	7 911 519

NET TURNOVER

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.

	1.01.2018-30.06.2018 (unaudited) EUR	1.01.2017-30.06.2017 EUR
(2) Turnover by geographical markets:		
European Union	2 944 901	2 193 990
Latvia	1 277 289	934 441
Other countries	406 004	434 849
Revenue from services	32 146	20 467
Other revenue	48	1 331
Total	4 660 388	3 585 078
(3) Cost of goods sold		
Materials cost	782 243	659 156
Remuneration for work	352 063	268 317
Fixed assets depreciation	149 295	133 122
Social security contributions	84 940	63 274
Premises rent and management costs	74 561	74 561
Current assets write-off	45 159	35 345
Production service costs	37 735	28 067
Leasehold improvements write-off	32 034	31 341
Resource costs	25 680	24 775
New products research and development costs	16 527	16 575
Other production and production maintenance costs	37 344	26 419
Total	1 637 581	1 360 952
(4) Selling expenses		
Advertising costs	401 289	213 018
Remuneration for work	397 814	262 424
Sample production costs	250 924	135 319
Transport costs	208 314	131 954
Social security contributions	96 078	47 559
Work trip and exhibition costs	89 041	45 132
Premises rent and maintenance costs	49 068	38 215
Marketing bonus costs	46 170	38 370
Intermediate services costs	22 587	34 290
Fixed asset depreciation	11 549	21 616

	1.01.2018-30.06.2018 (unaudited) EUR	1.01.2017-30.06.2017 EUR
Internet store's WEB page maintenance costs and other IT costs	8 971	11 438
Representation costs	8 008	7 505
Leashold improvements write-off	3 669	7 922
Royalties	1 519	6 502
Other sales expenses	23 059	33 935
Total	1 618 060	1 035 199
(5) Administration expenses		
Remuneration for work	186 262	171 953
Social security contributions	44 307	54 259
Depreciation and amortisation	39 962	9 181
Office costs	39 943	29 215
Premises rent and maintenance costs	35 856	35 856
Cash outflow related costs	30 711	20 964
Legal and other professional service costs	25 433	44 255
Staff sustainability costs	12 933	2 383
Communication costs	12 616	12 388
Car maintenance, fuel and repair costs	11 974	6 201
Employee health insurance	5 524	2 824
Other management and administration costs	40 962	31 654
Total	486 483	421 133
(6) Other operating income		
Revenues from the ERAF project No L-APV-14-0111	44 463	44 463
Revenues from the ERAF project No 1.2.1.1/16/A/006	23 733	27 056
Revenues from the ERAF project No SKV-L-2017-215	17 881	-
Other revenues	1 557	275
Total	87 634	71 794
(7) Other operating expenses		
Resold purchased goods and services	12 384	6 262
Nature protection costs	4 807	1 853
Other expenses	7 243	7 273
Total	24 434	15 388

	1.01.2018-30.06.2018 EUR	1.01.2017-30.06.2017 EUR
(8) Interest and similar income		
Interest income on current financial investments	25 000	-
Other interest income	1 183	-
Total	26 183	-
(9) Interest and similar expenses		
Interest on borrowings	6 037	8 328
Other interest payments	5 578	4 662
Total	11 615	12 990
(10) Corporate income tax for the financial year		
Current corporate income tax charge	-41	8 550
Deferred tax charge	-	13 116
Total	-41	98 616

(11) INTANGIBLE ASSETS

	Concessions, patents, licenses, trademarks and similar rights	Prepayments for intangible assets	Total intangible assets
Cost as of 31.12.2017	189667	7899	197 566
Additions	-	114298	114 298
Disposals	-5080	-	-5080
Transfers	56116	-56116	-
Cost as of 30.06.2018	240 703	66 081	304 784
Accumulated amortization as of 31.12.2017	56 306	-	65 306
Charge	16 345	-	16 345
Disposals	-5 080	-	-5 080
Accumulated amortisation as of 30.06.2018	67 571	-	67 571
Net book value as of 31.12.2017	133 361	7 899	141 260
Net book value as of 30.06.2018	173 132	66 081	239 213

(12) FIXED ASSETS MOVEMENT TABLE

	Leasehold improve- ments	Land	Equipment and ma- chinery	Other fixed assets	Con- struction in pro- gress	Pre pay- ments for property, plant and equip- ment	Total fixed assets
Cost as of 31.12.2017	629 467	133 237	1 771 957	577 380	14 874	14 065	3 140 980
Additions	-	-	-	-	220 545	233 372	114 298
Disposals	-	-	-	-	-	53 559	53 559
Transfers	4 187	-	54 879	60 055	157 121	-	-
Cost as of 30.06.2018	671 654	133 237	1 826 836	637 435	78 298	193 878	3 541 338
Accumulated depreci- ation as of 31.12.2017	153 024	-	1 020 609	309 320	-	-	1 482 953
Calculated depreciation	35 703	-	141 259	43 201	-	-	220 163
Accumulated depreci- ation as of 30.06.2018	188 727				67 571	-	67 571
Net book value as of 31.12.2017	476 443	133 237	751 348	268 060	14 874	14 065	1 658 027
Net book value as of 30.06.2018	482 927	133 237	664 968	284 914	78 298	193 878	1 838 222

	30/06/2018 (EUR)	31/12/2017 (EUR)
(13) Other non-current receivables and other receivables		
Rent security deposit	40 000	40 000
Bank guarantee deposit	30 600	-
Total	70 600	40 000
(14) Other securities and investments		
Other investments	826	826
Total	826	826
(15) Raw materials		
Net book value of raw materials	1 051 720	863 796
Allowance for slow moving inventories	4 632	4 632
Total	1 047 088	859 164
(16) Finished goods and goods for sale		
Cosmetic products	851 886	655 718
Advertising materials	20 779	18 601
Total	872 665	674 319
(17) Trade receivables		
Net book value of trade receivables	976 364	926 372
Allowance for doubtful trade receivables	2 663	2 663
Total	973 701	923 709
(18) Other receivables		
CIT overpayment	56 222	-
Security deposit for leased retail premises	19 729	14 282
Prepayments for inventories	4 246	8 614
Settlement of operating car lease	3 155	3 591
Balance of unpaid collected cash	3 593	5 808
Payments in PAY PAL system	2 635	1 092
VAT overpayment	-	39 288
Other receivables	11 974	13 148
Total	101 554	85 823

	30/06/2018 (EUR)	31/12/2017 (EUR)
(19) Total current financial investments		
Short term financial securities (bonds) with a fixed income	500 000	500 000
Total	500 000	500 000
(20) Cash		
Cash in bank accounts	3 675 882	4 086 345
Total	3675 882	4 086 345
(21) Share capital		
As of 30 June 2018, the registered and fully paid-in share capital of the Group's parent Company amounts EUR 374524,20 and consists of 3 745 242 shares with a nominal value of EUR 0,10 per share.		
(22) Bank borrowings		
SWEDBANK loan - agreement No 14-009243	184 520	220 234
SWEDBANK loan - agreement No 15-025534	127 436	159 294
Total bank borrowings	311 956	379 528
Non-current borrowings		
SWEDBANK loan - agreement No 14-009243	113093	148807
SWEDBANK loan - agreement No 15-025534	63718	95576
Total non-current borrowings	176 811	244 383
Current borrowings		
SWEDBANK loan - agreement No 14-009243	71427	71427
SWEDBANK loan - agreement No 15-025534	63718	63718
Total current borrowings	135 145	135 145
Total bank borrowings	311 956	379 528
Borrowings split by maturity		
Less than 1 year	135 145	135 145
Over 1 year	176 811	2 44 383
Total borrowings	311 956	379 528
Borrowings split by currency		
EUR	311 956	379 528
Total borrowings	311 956	379 528
Movement in borrowings		
Borrowings at the beginning of the reporting period	379 528	447 101
Proceeds from borrowings	-	-
Repayment of borrowings	-67572	-67572
Borrowings at the end of the reporting period	311 956	379 528

Borrowings interest rates

As of 30 June 2018, the effective interest rate on the non-current borrowing No 14-009243 was 3 month EURIBOR + 3.3%; on the non-current borrowing No 15-025534 - 3 month EURIBOR + 3.5%; on the credit line facilities - 3 month EURIBOR + 2.5%. Interest on non-used credit line limit amount - 1% per annum.

Borrowings maturity dates

The maturity date of the non-current borrowing No 14-009243 is 22 January 2021, the maturity date of the non-current borrowing No 15-025534 is 30 June 2020.

Pledges

The Group has pledged a portion of its assets as security for bank borrowings. As of 30 June 2018, the Company's assets in amount of EUR 1 340 900 had been pledged to secure agreement No 14-009243 and assets in amount of EUR 420 000 had been pledged to secure agreement No 15-025534.

Bank loan covenants

During the reporting period and as of 30 June 2018, the Company complied with all loan covenants of the borrowing agreements.

	30/06/2018 (EUR)	31/12/2017 (EUR)
(23) Other non-current liabilities		
Lease liabilities	500 000	500 000
Total other non-current liabilities	500 000	500 000
(24) Taxes and social insurance contribution		
Corporate income tax	-	49176
Social insurance contributions	57837	46972
Personal income tax	28200	25894
Value added tax	8297	-
Risk duty	51	44
Total	94 385	122 086
(25) Other current liabilities		
Salaries	104617	83595
Lease liabilities	57393	55360
Balance of gift cards	14998	13858
Other liabilities	6611	8440
Total other current liabilities	183 619	161 253
(26) Transactions with related parties during the reporting period		
Related party	Sales of goods and services	Purchases of goods and services
MC PROPERTIES SIA	-	111 958
Wolf Candles SIA	-	1 879
Total	176 811	113 837

	30/06/2018 (EUR)	31/12/2017 (EUR)
(27) Number of employees in the Group		
Average number of employees per reporting period, including:	114	99
Members of the Board in the Parent Company	3	3
Members of the Council in the Parent Company	5	4
(28) Information on the remuneration of council and board members of the parent company		
Board members remuneration for the work at the Board	4 482	1250
Council members remuneration for the work at the Council	3 084	-
Total	7 566	1 250

(29) 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. Agreement is maturing in 2025.

On 30 June 2015, a mortgage agreement was signed between Swedbank A/S and MC Properties SIA regarding premises leased to the Group's parent company. As a pledge for the agreement stands MC Properties real estate located in Zeltinu street 131, Marupe. The Parent company is the warrantor of the pledge for the total amount of EUR 1'138'461.

(30) Received ERAF financing

In the previous years, the Parent company received the European Union co-financing in the project Entrepreneurship and innovation, sub-program - High value-added investments.

Under the terms of the aid agreement, the Parent company has no right to lease, pledge, sell or otherwise encumber equipment and property created through state aid co-financing untill 2020.

In 2018 the Group participated and received funding from the European Union support programs

(31) 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

Interest rate risk

The Group's has non-current borrowings with variable interest rate from credit institutions. Therefore it is exposed to any changes in interest rates.

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.

(31) Financial risk management (continued)

Credit risk

Credit risk is the risk of financial losses incurred as a result of default by a counterparty on its obligation to the Group. Credit risk mainly arises from cash with banks, trade receivables and issued non-current and current loans. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its obligations in full as they fall due. Liquidity risk arises when the maturities of financial assets and liabilities do not match. The aim of the Group's liquidity risk management is to maintain sufficient amount of cash and its equivalents, and to insure the availability of funding through sufficient amount of committed bank credit line facilities to settle its obligations at a given date. The Group assesses the repayment term matching of its financial assets and liabilities and the stability of long-term investment sources of funding on a regular basis.

(32) Post balance sheet events

As of the last day of the reporting period until the date of publishing 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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