



MÁDARA

organic skincare

MANAGEMENT REPORT
OF AS MADARA COSMETICS ON
THE UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR 6 MONTHS OF 2019

REPORTING PERIOD
01.01.2019-30.06.2019



MÁDARA
organic skincare



INFINITY MIST
PROBIOTIC ESSENCE

GENERAL INFORMATION ABOUT THE GROUP

Name of the Group	Madara Cosmetics
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 24.08 % of shares Lote Tisenkopfa - Iltnerne - owns 23.92 % of shares Zane Tamane - owns 7.61 % of shares Liene Drāzniece - owns 6.83 % of shares Oy Transmeri Group Ab - owns 23.09 % 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 - Iltnerne - 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 Anna Ramata Stunda - Deputy Chairman of the Council Solvita Kurtiša - Member of the Council till 15.01.2019 Anna Andersone - Member of the Council Anu Pauliina Koskinen - Member of the Council Liene Drāzniece - Member of the Council from 29.05.2019
Reporting period	01.01.2019 till 30.06.2019
Previous reporting period	01.01.2018 till 30.06.2018
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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MÁDARA
GUILTY SHADES

DEAR SHAREHOLDERS OF AS MADARA COSMETICS,

THE FIRST HALF OF 2019 HAS BEEN SPENT IN A DYNAMIC ENVIRONMENT SATURATED WITH COLOURS. THE COMPANY HAS MAINTAINED A DOUBLE-DIGIT GROWTH RATE, CONTINUING TO STRENGTHEN ITS POSITION IN ALL THE MOST IMPORTANT CHANNELS. AND THE SATURATION WITH COLOURS HAS BEEN TRULY RICH – WE ARE DELIGHTED AND PROUD TO ANNOUNCE THAT WE HAVE SUCCESSFULLY COMPLETED THE WORK OF LAUNCHING THE MÁDARA ORGANIC MAKEUP LINE AND HAVE COMMENCED PRODUCTION OF IT. CURRENTLY, THE NEW PRODUCTS ARE ON THEIR WAY TO THE RETAIL OUTLETS, AND ALREADY ON 26 SEPTEMBER WE WILL BE READY TO INTRODUCE THEM TO CUSTOMERS AROUND THE WORLD. WORKING ON THIS PROJECT, WE HAVE ACQUIRED AND DEVELOPED UNIQUE COMPETENCIES IN THE DESIGN AND MANUFACTURING OF MAKE-UP PRODUCTS, WHICH WILL HELP STRENGTHEN OUR INDUSTRY ADVANTAGES. I INVITE EVERYONE TO RATE OUR PERFORMANCE!

THE COMING MONTHS PROMISE TO BE VERY ACTIVE AND EVENTFUL – WE ARE MOVING FORWARD FULL OF ENERGY!

Uldis Iltners,
AS MADARA Cosmetics Board Member

KEY EVENTS FOR THE FIRST 6 MONTH OF 2019



A very significant project in the first half of 2019 was the preparation to enter a new major segment – color cosmetics. Color cosmetics globally is the third largest category of the beauty industry following skincare/sun care and hair care. Makeup segment grows with a healthy 6% rate globally. Social media, including selfie-culture are contributing to the transformation and development of the category, giving interesting opportunities for new entries.

The key customer target groups of makeup are millennials (22-37 years old in 2019) and generation Z (up to 22 in 2019). Also described as “eco boomers” these consumers are driving the demand for more sustainable and ethical products.

The perception of makeup as a product with a purely decorative effect starts to decline and consumers pay more attention to the natural origin and quality of makeup ingredients as well as sustainability and health aspects of the formulae and the packaging. Color cosmetics category might start to follow the path of skincare, which experienced a strong shift towards clean beauty over the last decade.

Although trends move towards green, the makeup segment is still dominated by conventional makeup brands with a very few natural concepts.

Considering the market readiness and following a very successful launch of MADARA sun protection products including CC creams (color correction creams) which are skincare-makeup borderline products, the company decided to continue investing in the pigmented formulation R&D expertise and production techniques.





MÁDARA
organic makeup

SKIN
EQUAL

SOFT GLOW
FOUNDATION



The goal of the makeup project in the first half of 2019 was to develop manufacturing techniques and formulations which match a set of important criteria and claims, including natural/organic ingredients, ECOCERT/COSMOS certification, vegan, talc-free and others. Furthermore, packaging materials should be recyclable, which is very rare in the color cosmetics. Although these criteria put significant constraints on the raw materials and packaging choices, the outcome is a range of high-performing products for face, lips, eyes and brows. The combination of product claims, certification, performance on the skin as well as price-value ratio - the "magic" USP - which might give us a significant competitive advantage over conventional and green competitors.



Our production facility is upgraded with two new production machines - a reactor for highly-pigmented formulations and automatic make up filling and capping machine.

Production of makeup branding strategy and communication materials was another key task of the first half of 2019.

The ready-to-launch products to this date are:

- SKIN EQUAL soft glow foundation SPF 15, 10 shades
- THE CONCEALER, 8 shades
- COSMIC DROPS buildable highlighter, 4 shades
- GUILTY SHADES eye and cheek multi-shadow, 6 shades
- GLOSSY VENOM lip gloss, 7 shades
- BROW POMADE, 4 shades.

Further new products and shade variations are in development.

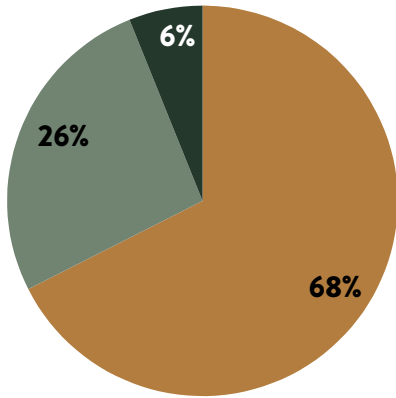
During the reporting period, the company has signed two new contracts about the research and development project implementation as a part of the Latvian Competence Center program, where until the end of 2020 the company expects EUR 0.3 million co-funding. Starting from March 1, 2019, the company is conducting 2 research projects as part of the 2 Competence Center projects - Farmācijas, biomedicīnas un medicīnas tehnoloģiju Kompetences centrs and Viedo Materiālu un Tehnoloģiju Kompetences centrs.



SALES

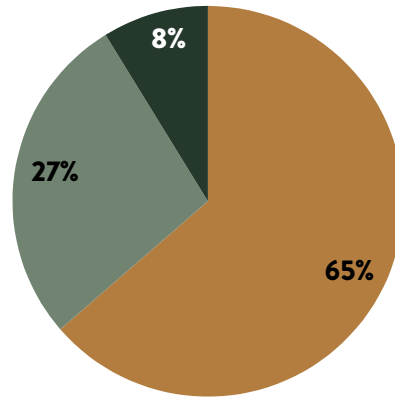
In the first half of 2019, the company reached a 20% increase in turnover compared to the respective prior-year period. The consolidated 6-month turnover amounts to EUR 5.59 million. Our growth has been primarily based on successful operation in the existing distribution channels, strengthening of brand awareness and introduction of new products. In the first half of the year, we introduced new sunscreen and functional hair care products to the market.

Sales distribution in Latvia, the EU and outside EU (2019 H1)



■ EU
■ Latvia
■ Outside EU

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

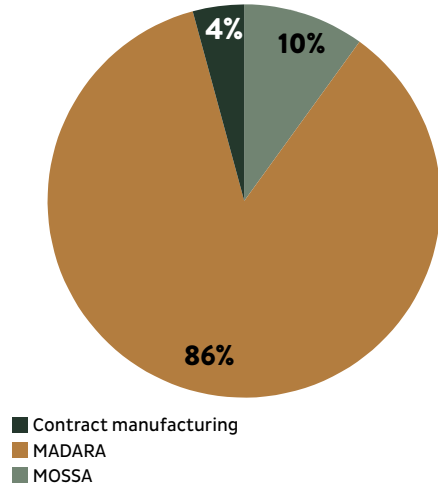


■ EU
■ Latvia
■ Outside EU

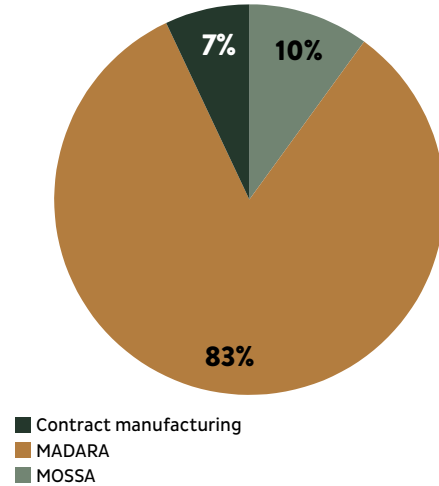
94% of turnover originated in the European Union (including Latvia), while 6% - outside of the EU. Compared to the respective prior-year period, the sales proportion in the European Union (including Latvia) has risen by 2 percentage points, thus corresponding to the

sales strategy designed by the company. The largest market outside of Latvia is Finland. Turnover for the first 6 months of 2019 in Finland amounted to EUR 1.35 million, representing an 8% increase to the same prior-year period.

Sales distribution by product categories (2019 H1)



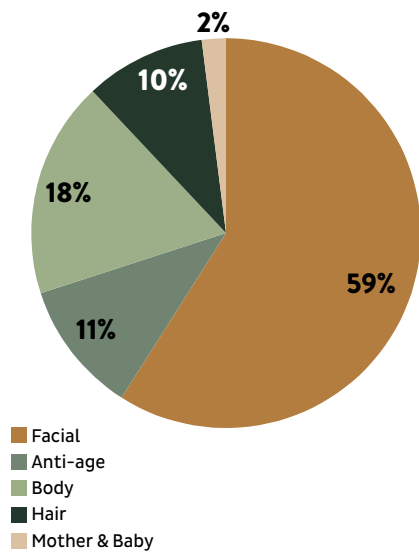
Sales distribution by product categories (2018 H1)



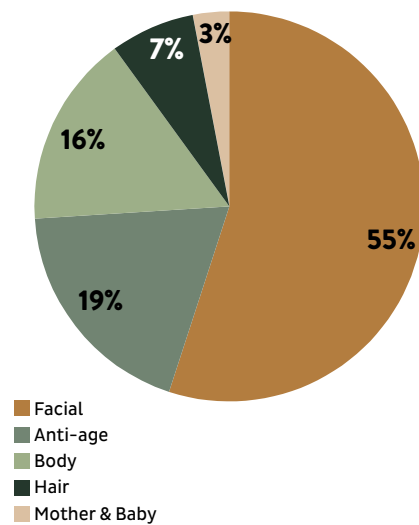
When inspecting sales distribution by categories (MÁDARA, MOSSA and contract manufacturing), a slight 3 percentage point increase of MÁDARA is noticeable, still preserving the overall current contributions.

The division of sales of MADARA products by product groups has slightly changed. The proportion of hair care products has increased by 3 percentage points due to the introduction of new functional hair care products. The increase in body care and face care products was facilitated by the increasing demand for the sun care products in respective categories.

Sales distribution of MÁDARA products by categories (2019 H1)



Sales distribution of MÁDARA products by categories (2018 H1)



FINANCIAL INDICATORS

In the first half of 2019, the company operated with EUR 0.8 million in profit. The profit has decreased because of purposeful and resource-intensive work on the makeup range.

For the makeup product development and implementation project, the company has advanced its organization and processes across all departments. Accordingly, the development and preparation for makeup production in the first half of the year resulted in additional costs for all

departments - the overall impact on the profit margin is estimated to be around 4 percentage points.

Part of the cost of, which is EUR 50,000, has been allocated to long-term investments as a development project in accordance with Latvian legislation.

Given that the new Competence Centres' program started on 01.03.2019, there was no support for R&D activities from the beginning of the year until 01.03.2019.

The main financial indicators are as follows:

Key Ratios and Indicators	2019 H1	2018 H1
Net turnover	5 590 162	4 660 388
Cost of goods sold	-2 133 373	-1 637 581
Gross profit	3 456 789	3 022 807
Depreciation, amortization and write-downs	296 185	200 806
Leasehold improvements write-off expense	39 245	35 703
Operating profit	776 735	981 464
Interest income	42 082	26 183
Interest expense	-9 810	-11 615
Profit before taxes	809 007	996 032
Net profit for the period	809 007	995 991



FINANCIAL INDICATORS

Key Ratios and Indicators	2019 H1	2018 H1
EBITDA (TEUR)	1 112	1 218
Profitability and sustainability ratios		
1. Gross Margin (%)	62	65
2. Operating Margin (%)	12	20
3. Net Margin (%)	14	21
4. ROE (%)	19	26
5. ROA (%)	15	20
Liquidity ratios		
6. Current ratio (x)	5.15	6.30
7. Quick ratio (x)	3.44	4.49
8. Working capital (TEUR)	6 379	6 210
Leverage ratios		
9. Financial debt to equity (x)	0.04	0.11
10. Debt to equity (x)	0.19	0.20
11. Net financial debt (TEUR)	-2 660	-2 807
12. Net gearing (%)	-0.30	-0.35

* 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. Net profit*2/Shareholder's equity (average)*100
5. Operating profit *2/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



MEMBER OF THE BOARD ULDIS ILTNERIS

A handwritten signature in white ink, consisting of a stylized first name followed by a more complex, looped surname.

CONSOLIDATED FINANCIAL REPORT

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

CONSOLIDATED INCOME STATEMENT

	Note	1.01.2019 -30.06.2019 (unaudited) EUR	1.01.2018 -30.06.2018 (unaudited) EUR
Net turnover	2	5 590 162	4 660 388
Cost of goods sold	3	(2 133 373)	(1 637 581)
Gross profit		3 456 789	3 022 807
Selling expenses	4	(2 137 465)	(1 618 060)
Administration expenses	5	(638 741)	(486 483)
Other operating income	6	134 651	87 634
Other operating expenses	7	(38 499)	(24 434)
Interest and similar income	8	42 082	26 183
Interest and similar expenses	9	(9 810)	(11 615)
Profit before corporate income tax		809 007	996 032
Corporate income tax for the financial year		-	(41)
Profit for the reporting period		809 007	995 991

The accompanying notes on pages 20 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Assets	Note	30.06.2019 EUR (unaudited)	31.12.2018 EUR
Non-current assets			
Intangible assets			
Development costs		50 699	-
Concessions, licences, patents, trade marks and similar rights		427 687	380 227
Prepayments for intangible assets		42 444	2 325
Total intangible assets	10	520 830	382 552
Property, plant and equipment			
Land		213 722	213 722
Leasehold improvements		451 359	448 535
Plant and equipment		887 152	860 730
Other fixed assets		296 686	288 209
Construction in progress		7 797	243 178
Prepayments for property, plant and equipment		159 357	1 434
Total property, plant and equipment	11	2 016 073	2 055 808
Non-current financial investments			
Other non-current receivables and other receivables	12	40 000	42 491
Other securities and investments		826	826
Total non-current financial investments		40 826	43 317
Total non-current assets		2 577 729	2 481 677
Current assets			
Inventories			
Raw materials	13	1 168 339	1 039 634
Finished goods and goods for sale	14	994 880	875 982
Prepayments for inventories		465 348	174 519
Total inventories		2 628 567	2 090 135
Receivables			
Trade receivables	15	1 387 947	986 539
Other receivables	16	108 049	107 176
Accrued revenue		51 800	6 034
Deferred expenses		31 142	48 037
Total receivables		1 578 938	1 147 786
Total current financial investments	17	700 000	700 000
Cash	18	3 006 732	3 425 756
Total current assets		7 914 237	7 363 677
Total assets		10 491 966	9 845 354

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	30.06.2019 EUR (unaudited)	31.12.2018 EUR
Equity			
Share capital	19	374 524	374 524
Share premium		4 023 454	4 023 454
Retained earnings:			
a) prior year retained earnings		3 584 700	2 517 550
b) profit for the year		809 007	1 516 579
Total equity		8 791 685	8 432 107
Liabilities			
Non-current liabilities			
Bank borrowings	20	41 666	109 238
Other liabilities	21	111 301	140 680
Deferred revenue		11 824	56 287
Total non-current liabilities		164 791	306 205
Current liabilities			
Bank borrowings	20	135 145	135 145
Advances from customers		83 591	23 977
Trade payables		615 522	357 641
Taxes and social insurance contributions	22	166 097	103 496
Other payables	23	210 500	182 985
Deferred revenue		88 926	88 926
Accrued liabilities		235 709	214 872
Total current liabilities		1 535 490	1 107 042
Total liabilities		1 700 281	1 413 247
Total equity and liabilities		10 491 966	9 845 354

The accompanying notes on pages 20 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2019 -30.06.2019 (unaudited) EUR	1.01.2018 -30.06.2018 (unaudited) EUR
Cash flow of operating activities			
Profit before taxes		809 007	996 032
Corrections:			
Depreciation of fixed assets	11	291 535	220 164
Amortisation of intangible assets	10	44 611	16 345
Revenue from the recognition of ERAF funds		(76 853)	(86 077)
Interest and similar income	8	(42 082)	(26 183)
Interest and similar expenses	9	9 810	11 615
Profit before adjustments for current assets and current liabilities		1 036 028	1 131 896
Corrections:			
Increase in receivables		(429 305)	(74 182)
Increase in inventories		(538 432)	(386 270)
Increase / decrease in payables and other payables		425 861	(124 454)
Gross cash flow of operating activities		494 152	546 990
Interest payments		(9 810)	(11 615)
Income tax payments		-	(53 702)
Net cash flow of operating activities		484 342	481 673
Investment activities cash flow			
Acquisition of fixed assets and intangible assets		(434 689)	(494 606)
Bank guarantee deposit		-	(30 600)
Revenue from repayment of loans		2 491	-
Received interest		42 082	26 183
Investment activities cash flow		(390 116)	(499 023)
Financing activities cash flow			
Proceeds from ERAF funds		32 390	41 614
Repaid financial lease liabilities		(28 639)	(30 083)
Dividends paid		(449 429)	(337 072)
Repaid loan	20	(67 572)	(67 572)
Financing activities cash flow		(513 250)	(393 113)
Decrease in cash and cash equivalents		(419 024)	(410 463)
Cash and cash equivalents at the beginning of the reporting period	18	3 425 756	4 086 345
Cash and cash equivalents at the end of the financial period	18	3 006 732	3 675 882

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (EUR)	Share premium (EUR)	Retained earn- ings (EUR)	Total equity (EUR)
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	-	-	1 516 579	1 516 579
Balance as of 31 December 2018	374 524	4 023 454	4 034 129	8 432 107
Distribution of dividends	-	-	(449 429)	(449 429)
Profit for the reporting period	-	-	809 007	809 007
Balance as of 30 June 2019 (unaudited)	374 524	4 023 454	4 393 707	8 791 685

The accompanying notes on pages 20 to 29 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

	1.01.2019 -30.06.2019 (unaudited) EUR	1.01.2018 -30.06.2018 EUR
(2) Turnover by geographical markets:		
European Union	3 730 920	2 944 901
Latvia	1 456 617	1 277 289
Other countries	336 741	406 004
Revenue from services	65 880	32 146
Other revenue	4	48
Total	5 590 162	4 660 388
(3) Cost of goods sold		
Materials cost	1 015 021	782 243
Remuneration for work	420 392	352 063
Fixed assets depreciation	212 121	149 295
Social security contributions	101 243	84 940
New products research and development costs	78 168	16 527
Premises rent and management costs	74 561	74 561
Current assets write-off	68 053	45 159
Production service costs	60 175	37 735
Leasehold improvements write-off	32 715	32 034
Resource costs	27 869	25 680
New products research and development costs	23 234	19 762
Other production and production maintenance costs	19 821	17 582
Total	2 133 373	1 637 581
(4) Selling expenses		
Advertising costs	585 188	401 289
Remuneration for work	489 231	397 814
Sample production costs	286 721	250 924
Transport costs	247 633	208 314
Work trip and exhibitions costs	134 020	89 041
Social security contributions	118 412	96 078

	1.01.2019 -30.06.2019 (unaudited) EUR	1.01.2018 -30.06.2018 EUR
Marketing bonus costs	83 473	46 170
Intermediate services costs	67 225	22 587
Premises rent and maintenances costs	60 860	49 068
Fixed asset depreciation	17 873	11 549
Royalties	9 200	1 519
Leashold improvements write-off	6 530	3 669
Representation costs	5 996	8 008
Internet store's WEB page maintenance costs and other IT costs	3 617	8 971
Other sales expenses	21 486	23 059
Total	2 137 465	1 618 060
(5) Administration expenses		
Remuneration for work	257 876	186 262
Office costs	68 492	39 943
Depreciation and amortisation	66 191	39 962
Social security contributions	61 100	44 307
Premises rent and maintenance costs	35 856	35 856
Cash outflow related costs	35 511	30 711
Staff sustainability costs	32 410	12 933
Legal and other professional service costs	12 410	25 433
Car maintenance, fuel and repair costs	11 305	11 974
Communication costs	11 085	12 616
Employee health insurance	3 571	5 524
Other management and administration costs	42 934	40 962
Total	638 741	486 483
(6) Other operating income		
Revenues from the ERAF project	84 190	41 614
Revenues from the ERAF project No L-APV-14-0111	44 463	44 463
Other revenues	5 998	1 557
Total	134 651	87 634
(7) Other operating expenses		
Nature protection costs	11 316	4 807
Resold purchased goods and services	5 448	12 384
Other expenses	21 735	7 243
Total	38 499	24 434

	1.01.2019 -30.06.2019 (unaudited) EUR	1.01.2018 -30.06.2018 EUR
(8) Interest and similar income		
Interest income on current financial investments	42 000	25 000
Other interest income	82	1 183
Total	42 082	26 183
(9) Interest and similar expenses		
Other interest payments	6 121	5 578
Interest on borrowings	3 689	6 037
Total	9 810	11 615

(10) INTANGIBLE ASSETS

	Development costs	Concessions, patents, licenses, trademarks and similar rights	Prepayments for intangible assets	Total intangible assets
Cost as of 31.12.2018	-	464 346	2 325	466 671
Additions	50 699	-	132 190	182 889
Disposals	-	-	-	-
Transfers	-	92 071	(92 071)	-
Cost as of 30.06.2019	50 699	556 417	42 444	649 560
Accumulated amortisation as of 31.12.2018	-	84 119	-	84 119
Charge	-	44 611	-	44 611
Disposals	-	-	-	-
Accumulated amortisation as of 30.06.2019	-	128 730	-	128 730
Net book value as of 31.12.2018	-	380 227	2 325	382 552
Net book value as of 30.06.2019	50 699	427 687	42 444	520 830

(11) FIXED ASSETS MOVEMENT TABLE

	Leasehold improvements	Land	Equipment and machinery	Other fixed assets	Construction in progress	Pre payments for property, plant and equipment	Total fixed assets
Cost as of 31.12.2018	675 118	213 722	2 154 452	501 109	243 178	1 434	3 789 013
Additions	-	-	-	-	95 758	161 595	257 353
Disposals	-	-	-	-	-	(3 672)	(3 672)
Transfers	42 100	-	231 288	55 870	(331 139)	-	(1 881)
Cost as of 30.06.2019	717 218	213 722	2 385 740	556 979	7 797	159 357	4 040 813
Accumulated depreciation as of 31.12.2018	226 583	-	1 293 722	212 900	-	-	1 733 205
Calculated depreciation	39 276	-	204 866	47 393	-	-	291 535
Accumulated depreciation as of 30.06.2019	265 859	-	1 498 588	260 293	-	-	2 024 740
Net book value as of 31.12.2018	448 535	213 722	860 730	288 209	243 178	1 434	2 055 808
Net book value as of 30.06.2019	451 359	213 722	887 152	296 686	7 797	159 357	2 016 073

	30.06.2019 EUR	31.12.2018 EUR
(12) Other non-current receivables and other receivables		
Rent security deposit	40 000	40 000
Other non-current receivables	-	2 491
Total	40 000	42 491
(13) Raw materials		
Net book value of raw materials	1 179 795	1 051 090
Allowance for slow moving inventories	(11 456)	(11 456)
Total	1 168 339	1 039 634
(14) Finished goods and goods for sale		
Cosmetic products	956 319	848 024
Advertising materials	38 561	27 958
Total	994 880	875 982
(15) Trade receivables		
Net book value of trade receivables	1 445 039	1 043 631
Allowance for doubtful trade receivables	(57 092)	(57 092)
Total	1 387 947	986 539
(16) Other receivables		
CIT overpayment	53 801	53 801
Security deposit for leased retail premises	28 027	19 729
Payments in PAY PAL system	10 560	8 261
Balance of unpaid collected cash	3 387	3 860
Settlement of operating car lease	2 173	2 645
Prepayments for services	1 046	2 760
VAT overpayment	-	4 348
Other receivables	9 055	11 772
Total	108 049	107 176

	30.06.2019 EUR	31.12.2018 EUR
(17) Total current financial investments		
Short term financial securities (bonds) with a fixed income	700 000	700 000
Total	700 000	700 000
(18) Cash		
Cash in bank accounts	3 006 732	3 425 756
Total	3 006 732	3 425 756
(19) Share capital		
As of 30 June 2019, 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.		
(20) Bank borrowings		
SWEDBANK loan - agreement No 14-009243	113 093	148 806
SWEDBANK loan - agreement No 15-025534	63 718	95 577
Total bank borrowings	176 811	244 383
Non-current borrowings		
SWEDBANK loan - agreement No 14-009243	41 666	77 379
SWEDBANK loan - agreement No 15-025534	-	31 859
Total non-current borrowings	41 666	109 238
Current borrowings		
SWEDBANK loan - agreement No 14-009243	71 427	71 427
SWEDBANK loan - agreement No 15-025534	63 718	63 718
Total current borrowings	135 145	135 145
Total bank borrowings	176 811	244 383
Borrowings split by maturity		
Less than 1 year	135 145	135 145
Over 1 year	41 666	109 238
Total borrowings	176 811	244 383
Borrowings split by currency		
EUR	176 811	244 383
Total borrowings	176 811	244 383

Borrowings interest rates

As of 30 June 2019, 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%.

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 2019, 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 2019, the Company had complied with all loan covenants of the borrowing agreements.

	30.06.2019 EUR	31.12.2018 EUR
(21) Other non-current liabilities		
Lease liabilities	111 301	140 680
Total other non-current liabilities	111 301	140 680
(22) Taxes and social insurance contribution		
Social insurance contributions	71 505	56 972
Value added tax	59 598	18 525
Personal income tax	34 743	27 781
Natural resources tax	199	168
Risk duty	52	50
Total	166 097	103 496
(23) Other current liabilities		
Salaries	130 799	105 233
Lease liabilities	58 385	57 645
Balance of gift cards	13 952	16 063
Other liabilities	7 364	4 044
Total other current liabilities	210 500	182 985
(24) 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	-	898
Total	-	112 856

	30.06.2019 EUR	31.12.2018 EUR
(25) Number of employees in the Group		
Average number of employees per reporting period, including:	142	123
Members of the Board in the Parent Company	3	3
Members of the Council in the Parent Company	4	5
(26) Information on the remuneration of council and board members of the parent company		
Board members remuneration for the work at the Board	4 923	4 482
Council members remuneration for the work at the Council	2 758	3 084
Total	7 681	7 566

(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. Agreement is maturing in 2025.

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 is 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 2019, the outstanding balance of MC PROPERTIES SIA loan to A/S SWEDBANK was EUR 707 692.

(28) 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 until 2020.

In 2019, 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.

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.

(29) 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.

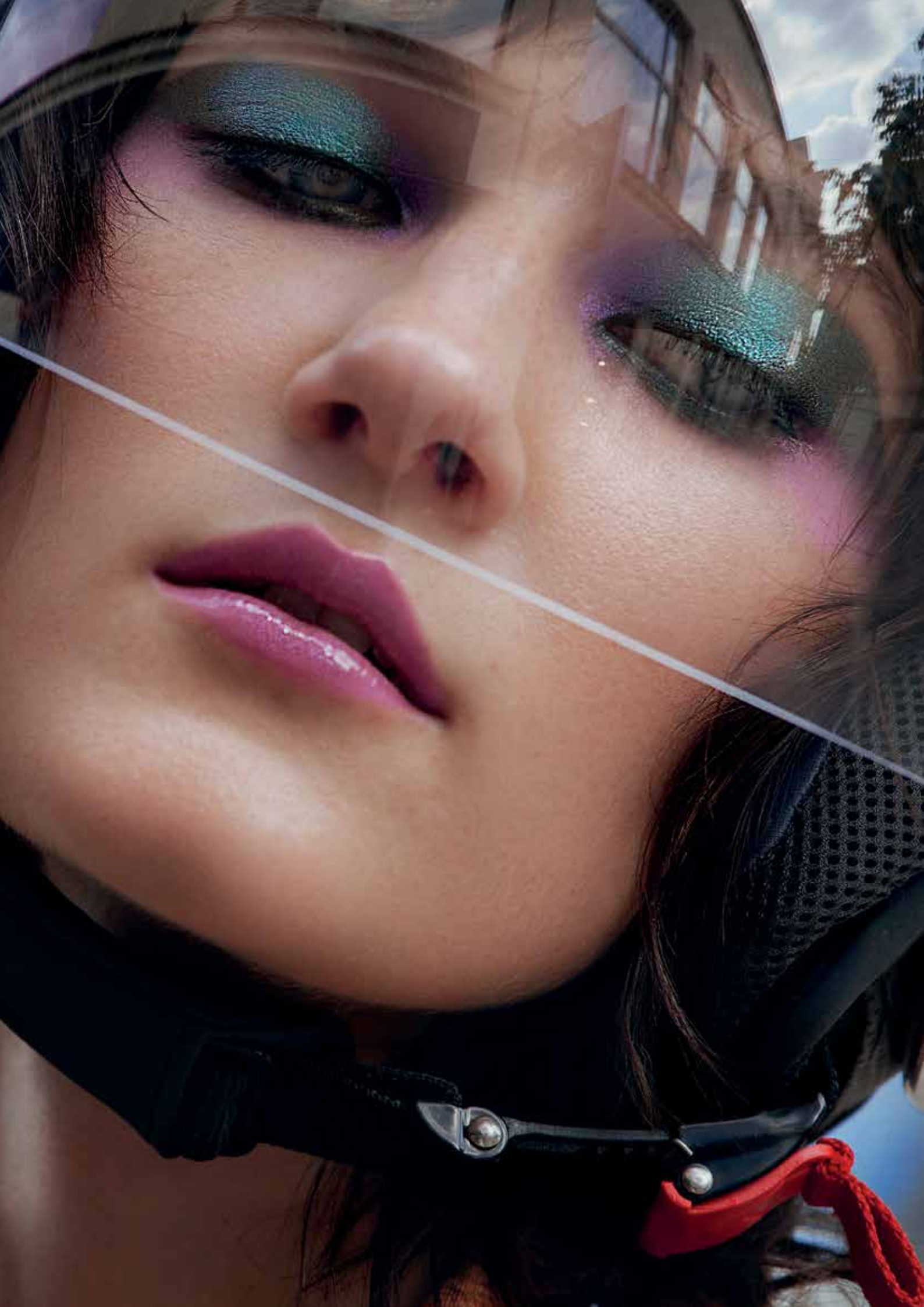
Liquidity risk

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.

(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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