



MÁDARA

organic skincare

MANAGEMENT REPORT
OF AS MADARA COSMETICS ON
THE UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
FOR 6 MONTHS OF 2020

REPORTING PERIOD
01.01.2020 – 30.06.2020



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 - Iltnere - owns 23,92 % of shares Oy Transmeri Group Ab - owns 23,09 % of shares Zane Tamane - owns 7,61 % of shares Liene Drāzniece - owns 6,83 % 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	Anna Ramata Stunda - Chairman of the Council, Deputy Chairman of the Council till 28.07.2020 Liene Drāzniece - Deputy Chairman of the Council, Member of the Council till 28.07.2020 Anu Pauliina Koskinen - Member of the Council till 30.06.2020 Zane Tamane - Chairman of the Council till 28.07.2020 Anna Andersone - Member of the Council Edgars Pētersons - Member of the Council from 29.07.2020 Sari Hannele Rosin -Member of the Council from 29.07.2020
Reporting period	01.01.2020 till 30.06.2020
Previous reporting period	01.01.2019 till 30.06.2019
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,

This is probably a much expected review, and you'll be looking forward to seeing how the company is doing at this unusual time. We have good news! These have been the best 6 months in the company's history.

In the first half of 2020, the company has made big steps forward, continuing fast growth and achieving excellent results. At the same time this was also a very unusual period that passed under conditions of great uncertainty and has made the company revise its operational strategy. Looking back, now we can surely say that the company's response to the situation caused by COVID-19 has been right and the series of decisions made in relation to the revisions in operational strategy of the company has allowed us to achieve the fastest growth of recent times.

The results of the first 6 months and the experience gained allow us to look forward to the remaining part of the year with optimism. We will strive to keep up the current dynamics and to use the strengths of the company in order to achieve even higher goals. The company is in an all-time best position for continued growth.

It is also important to mention that the number of shareholders of AS MADARA Cosmetics continues to grow, currently exceeding 850 company shareholders.

Uldis Iltners,
AS MADARA Cosmetics Board Member

KEY EVENTS IN THE FIRST 6 MONTHS OF 2020



When speaking of the key events in the first 6 months, the rapid growth should be mentioned first. This has been the fastest development period in recent years. The turnover of the company, compared to the previous year, has grown by 47% and the net profit – by 123%. What has been the reason for the successful performance?

Several elements should be mentioned here, three of the most important being:

- Focus on e-commerce;
- Attraction of new retail customers, especially in France and Germany;
- Successful market launch of new skincare and makeup products.

Focus on e-commerce

The company has increased its focus on e-commerce sales channels, both operating on the company's own e-commerce platform and cooperating with other e-commerce channels in target markets. Given the fact that the development of e-commerce has been a priority for the company for almost 10 years, the company was



fully prepared to reorient a larger part of its operations in the e-commerce environment in terms of competencies and resources. The first half of the year has significantly changed the buying habits of cosmetics, shifting them towards e-commerce. One could say that this was the winning round of e-commerce, and this trend is expected to be stable and remain in the future as well. The company generally considers this direction to be convenient and profitable and is fully ready to operate in the new order.

Attraction of new retail customers

Interestingly, despite the severe trade restrictions in many European countries, this has also been a successful period for attracting new customers (physical stores). For example, in Germany and France, the company has opened several dozen new outlets in the first half of the year. In our opinion, the situation of COVID-19 has led many outlets to reconsider their operating strategy and reorient their operations to modern natural cosmetics brands, where MÁDARA and MOSSA fit very well.





Successful market launch of new skincare and makeup products

In the first half of the year, the company has continued to prove itself as an innovative manufacturer of natural cosmetics and has launched a number of new products: facial care, self-tanning, make-up removers, herbal active ingredient concentrates, skin disinfectants and functional hair products. The most important of the new products are TIME MIRACLE Hydra Firm Hyaluron Concentrate Jelly and FAKE IT Healthy Glow Self Tan Serum for face, the turnover of which in the first half of the year amounted to EUR 300 thousand. In total in the first six months of the year the new products have brought in EUR 793 thousand.



In response to the situation caused by COVID-19 and the huge increase in demand for hand cleansing and disinfection products, the company launched ANTI line products. The share of the ANTI product line in the total turnover was 3.3%. The ANTI line in the company's product portfolio is of a complementary nature and the company does not plan to focus on the development of this product segment.



Although the situation regarding COVID-19 has created considerable uncertainty, overall the new circumstances have provided a number of new opportunities that the company has successfully used to strengthen its operations. The company has implemented strict measures in the company's office and factory to minimise the risk of infection. The office partly operates on a remote basis and, as this procedure has proven to be effective, its staff will continue to work on a remote basis to a large extent.

The company has developed and implemented a new investor website. We invite investors to keep up with the current information <https://investors.madaracosmetics.com/>.

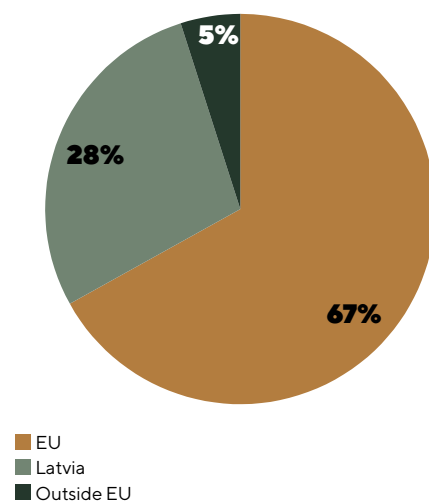
We have compiled the ESG indicators for 2019, which for the first time are available in the Nasdaq QUANDL database <https://www.quandl.com/databases/NESG/data>, a summary of the most important indicators can be viewed here: <https://www.madaracosmetics.com/en/esg>.



SALES

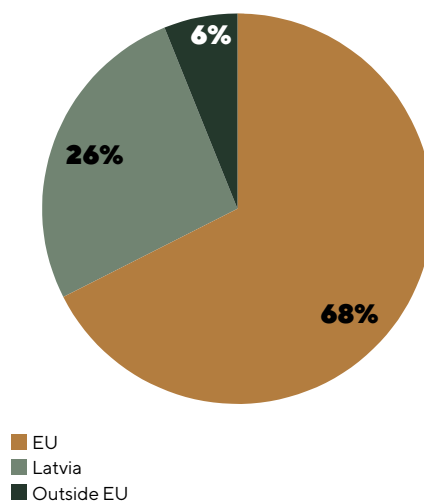
The company continued to grow in the first half of 2020, despite the impact of COVID-19 on the Latvian and foreign economies. The consolidated turnover for the first half of 2020 reached EUR 8.22 million, which is a 47% increase compared to the corresponding period last year. The rapid growth is associated with increasing the efficiency of digital sales channels, attraction of new retail clients and introduction of new products. In the first half of 2020, new face care, self-tanning products, make-up removers, herbal active substance concentrates, skin disinfectants and functional hair products were added to the range.

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



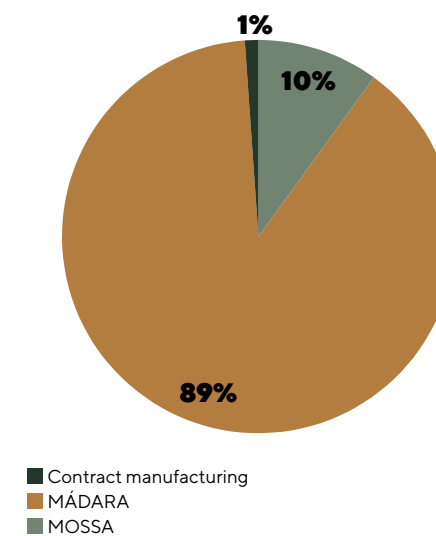
95% of turnover originated in the European Union (including Latvia), while 5% - outside the European Union. Turnover share in the EU (including Latvia) has grown by 1 percentage point compared to the corresponding period last year, which is in line with the company's marketing strategy to increase the brand's market share and recognition in the EU market.

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



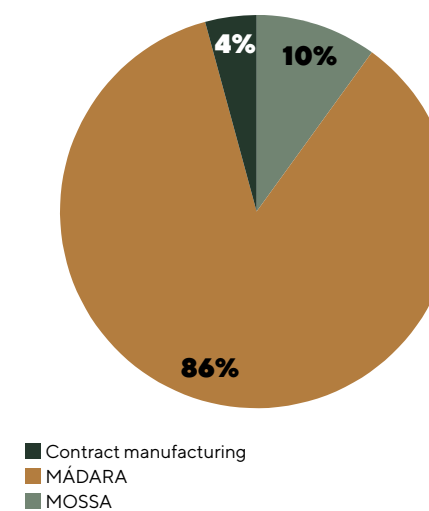
The largest market outside of Latvia is Finland. In the first half of 2020, the turnover in Finland amounts to EUR 1.32 million, which is a 2% decrease compared to the corresponding period last year. The company also continues to develop markets in other countries, such as France, Germany and the United Kingdom.

Sales distribution by product categories (2020 H1)



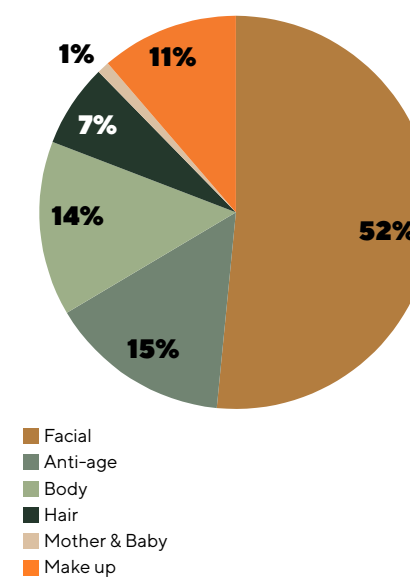
The turnover breakdown by category (MĀDARA, MOSSA and contract manufacturing) indicates an increase of the MĀDARA brand by 3 percentage points. Changes in the sales distribution of the MĀDARA brand by product categories are related to the successful launch of new products. The share of facial products has decreased by

Sales distribution by product categories (2019 H1)

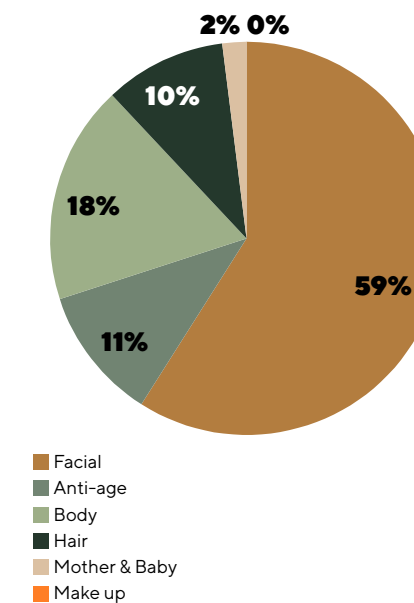


7 percentage points, while the share of anti-age products has increased by 4 percentage points. Also, the share of the makeup category launched in the second half of the previous year makes up to 11% of the MĀDARA brand turnover.

Sales distribution of MĀDARA products by categories (2020 H1)



Sales distribution of MĀDARA products by categories (2019 H1)



FINANCIAL INDICATORS

In the first half of 2020, the company reached an all-time high profit that amounts to EUR 1.81 million and is a 123% increase compared to the corresponding period last year. Profit growth is related to successful sales results and enhancement of operational efficiency. To

add, the company successfully implements research and development of new products within the Competence Centres' program, and in the first half of 2020 has received EUR 68 thousand support for R&D activities. Turnover target of EUR 15 million in 2020 remains intact.

The main financial indicators are as follows:

Key Ratios and Indicators	2020 H1	2019 H1
Net turnover	8 217 531	5 590 162
Cost of goods sold	-3 040 070	2 133 373
Gross profit	5 177 461	3 456 789
Depreciation, amortization and write-downs	348 785	296 185
Leasehold improvements write-off expense	41 914	39 245
Operating profit	1 767 684	776 735
Interest income	47 187	42 082
Interest expense	-8 087	-9 810
Profit before taxes	1 806 784	809 007
Net profit for the period	1 806 784	809 007

Key Ratios and Indicators	2020 H1	2019 H1
EBITDA (TEUR)	2 158	1 112
Profitability and sustainability ratios		
1. Gross Margin (%)	63	62
2. Operating Margin (%)	22	14
3. Net Margin (%)	22	14
4. TTM ROE (%)	25	16
5. TTM ROA (%)	21	12
Liquidity ratios		
6. Current ratio (x)	5.88	5.15
7. Quick ratio (x)	4.27	3.44
8. Working capital (TEUR)	8 627	6 379
Leverage ratios		
9. Financial debt to equity (x)	0.01	0.04
10. Debt to equity (x)	0.16	0.19
11. Net financial debt (TEUR)	-5 421	-2 660
12. Net gearing (%)	-47.75	-30.26

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

- Gross profit/Net turnover*100
- Operating profit/Net turnover*100
- Net profit*2/Shareholder's equity (average)*100
- Trailing 12 Months (TTM) Net Profit/Total equity (average)*100
- TTM Operating profit/Total assets (average)*100
- Current assets/Current liabilities
- (Current assets-Inventories)/Current liabilities
- Current assets-Current liabilities
- Loans from financial institutions/Total equity
- Total debt/Total equity
- Total financial debt-Cash
- (Total financial debt-Cash)/Total equity*100





MEMBER OF THE BOARD
ULDIS ILTNERS

CONSOLIDATED FINANCIAL REPORT

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

CONSOLIDATED INCOME STATEMENT

	Note	1.01.2020 -30.06.2020 (unaudited) EUR	1.01.2019 -30.06.2019 (unaudited) EUR
Net turnover	2	8 217 531	5 590 162
Cost of goods sold	3	(3 040 070)	(2 133 373)
Gross profit		5 177 461	3 456 789
Selling expenses	4	(2 946 157)	(2 137 465)
Administration expenses	5	(580 369)	(638 741)
Other operating income	6	274 532	134 651
Other operating expenses	7	(157 783)	(38 499)
Interest and similar income	8	47 187	42 082
Interest and similar expenses	9	(8 087)	(9 810)
Profit for the reporting period		1 806 784	809 007

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

CONSOLIDATED BALANCE SHEET

Assets	Note	30.06.2020 EUR (unaudited)	31.12.2019 EUR
Non-current assets			
Intangible assets			
Development costs		80 392	96 471
Concessions, licences, patents, trade marks and similar rights		554 622	500 154
Prepayments for intangible assets		52 035	85 075
Total intangible assets	10	687 049	681 700
Property, plant and equipment			
Land		213 722	213 722
Leasehold improvements		407 591	447 318
Plant and equipment		974 255	1 089 745
Other fixed assets		382 595	437 878
Construction in progress		20 700	20 700
Prepayments for property, plant and equipment		22 638	26 468
Total property, plant and equipment	11	2 021 501	2 235 831
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		2 777 403	2 986 384
Current assets			
Inventories			
Raw materials	13	1 410 356	1 556 781
Finished goods and goods for sale	14	1 146 380	1 198 325
Prepayments for inventories		284 170	227 006
Total inventories		2 840 906	2 982 112
Receivables			
Trade receivables	15	1 681 118	1 351 431
Other receivables	16	264 586	308 958
Accrued revenue		4 611	58 663
Deferred expenses		30 358	60 725
Total receivables		1 980 673	1 779 777
Total current financial investments	17	-	950 000
Cash	18	5 574 113	2 329 384
Total current assets		10 395 692	8 041 273
Total assets		13 173 095	11 027 657

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	30.06.2020 EUR (unaudited)	31.12.2019 EUR
Equity			
Share capital	19	374 524	374 524
Share premium		4 023 454	4 023 454
Retained earnings:			
a) prior year retained earnings		5 147 805	3 584 700
b) profit for the year		1 806 784	1 563 105
Total equity		11 352 567	9 545 783
Liabilities			
Non-current liabilities			
Bank borrowings	20	-	5 952
Other liabilities	21	51 407	81 546
Total non-current liabilities		51 407	87 498
Current liabilities			
Bank borrowings	20	41 666	103 286
Advances from customers		97 554	51 706
Trade payables		841 916	498 271
Taxes and social insurance contributions	22	238 511	149 360
Other payables	23	264 515	213 839
Deferred revenue		11 824	56 287
Accrued liabilities		273 135	321 627
Total current liabilities		1 769 121	1 394 376
Total liabilities		1 820 528	1 481 874
Total equity and liabilities		13 173 095	11 027 657

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

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2020 -30.06.2020 (unaudited) EUR	1.01.2019 -30.06.2019 (unaudited) EUR
Cash flow of operating activities			
Profit before taxes		1 806 784	809 007
Corrections:			
Depreciation of fixed assets	11	318 888	291 535
Amortisation of intangible assets	10	87 890	44 611
Revenue from the recognition of ERAF funds		(112 800)	(76 853)
Interest and similar income	8	(47 183)	(42 082)
Interest and similar expenses	9	4 583	9 810
Profit before adjustments for current assets and current liabilities		2 058 162	1 036 028
Corrections:			
Increase in receivables		(200 894)	(429 305)
Increase / (Decrease) in inventories		141 224	(538 432)
Increase / (Decrease) in payables and other payables		480 047	425 861
Gross cash flow of operating activities		2 478 539	494 152
Interest payments		(4 583)	(9 810)
Net cash flow of operating activities		2 473 956	484 342
Investment activities cash flow			
Proceeds from the disposal of other investments		950 000	-
Acquisition of fixed assets and intangible assets		(197 797)	(434 689)
Revenue from repayment of loans		-	2 491
Received interest		47 183	42 082
Investment activities cash flow		799 386	(390 116)
Financing activities cash flow			
Proceeds from ERAF funds		68 337	32 390
Repaid financial lease liabilities		(29 378)	(28 639)
Dividends paid		-	(449 429)
Repaid loan	20	(67 572)	(67 572)
Financing activities cash flow		(28 613)	(513 250)
Increase / (Decrease) in cash and cash equivalents		3 244 729	(419 024)
Cash and cash equivalents at the beginning of the reporting period	18	2 329 384	3 425 756
Cash and cash equivalents at the end of the financial period	18	5 574 113	3 006 732

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (EUR)	Share premium (EUR)	Retained earnings (EUR)	Total equity (EUR)
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	-	-	1 563 105	1 563 105
Balance as of 31 December 2019	374 524	4 023 454	5 147 805	9 545 783
Profit for the reporting period	-	-	1 806 784	1 806 784
Balance as of 30 June 2020 (unaudited)	374 524	4 023 454	6 954 589	11 352 567

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.

	1.01.2020 -30.06.2020 (unaudited) EUR	1.01.2019 -30.06.2019 (unaudited) EUR
(2) Turnover by geographical markets:		
European Union	5 429 863	3 730 920
Latvia	2 281 793	1 456 617
Other countries	401 284	336 741
Revenue from services	96 338	65 880
Other revenue	8 253	4
Total	8 217 531	5 590 162
(3) Cost of goods sold		
Materials cost	1 643 382	1 015 021
Remuneration for work	576 916	420 392
Fixed assets depreciation	212 673	212 121
Current assets write-off	163 947	68 053
Social security contributions	138 881	101 243
Premises rent and management costs	74 561	74 561
New products research and development costs	59 191	78 168
Production service costs	51 455	60 175
Leasehold improvements write-off	34 894	32 715
Resource costs	27 238	27 869
ECOCERT quality certificate maintenance costs	19 613	23 234
Development costs write-off	16 079	-
Other production and production maintenance costs	21 240	19 821
Total	3 040 070	2 133 373
(4) Selling expenses		
Advertising costs	887 789	585 188
Remuneration for work	601 763	489 231
Transport costs	473 167	247 633
Sample production costs	350 509	286 721
Social security contributions	145 510	118 412

	1.01.2020 -30.06.2020 (unaudited) EUR	1.01.2019 -30.06.2019 (unaudited) EUR
Marketing bonus costs	106 878	83 473
Depreciation and amortisation	100 407	17 873
Premises rent and maintenances costs	70 892	60 860
Work trip and exhibitions costs	63 755	134 020
Costs of trading platform maintenance services	35 165	16 771
Intermedium services costs	33 210	29 125
Warehouse service costs	17 620	9 025
Car maintenance and fuel costs	11 096	8 823
Leashold improvements write-off	7 020	6 530
Royalties	6 386	9 200
Representation costs	4 844	5 996
Internet store's WEB page maintenance costs and other IT costs	1 847	3 617
Other sales expenses	28 299	24 967
Total	2 946 157	2 137 465
(5) Administration expenses		
Remuneration for work	224 732	257 876
Cash outflow related costs	77 722	35 511
Office costs	60 233	68 492
Social security contributions	51 072	61 100
Premises rent and maintenance costs	35 856	35 856
Depreciation and amortisation	35 705	66 191
Staff sustainability costs	20 259	32 410
Car maintenance, fuel and repair costs	11 886	11 305
Employee health insurance	8 209	3 571
Communication costs	6 326	11 085
Legal and other professional service costs	4 169	12 410
Other management and administration costs	44 200	42 934
Total	580 369	638 741
(6) Other operating income		
Revenues from the sale of product packaging	138 224	-
Revenues from the ERAF project No L-APV-14-0111	44 463	44 463
Revenues from other ERAF projects	68 337	84 190
Other revenues	23 508	5 998
Total	274 532	134 651

	1.01.2020 -30.06.2020 (unaudited) EUR	1.01.2019 -30.06.2019 (unaudited) EUR
(7) Other operating expenses		
Resold purchased goods and services	137 004	5 448
Nature protection costs	6 055	11 316
Other expenses	14 724	21 735
Total	157 783	38 499
(8) Interest and similar income		
Interest income on current financial investments	47 129	42 000
Other interest income	58	82
Total	47 187	42 082
(9) Interest and similar expenses		
Interest on borrowings	1 379	3 689
Other interest payments	6 708	6 121
Total	8 087	9 810



(10) INTANGIBLE ASSETS

	Development costs	Concessions, patents, licenses, trademarks and similar rights	Prepayments for intangible assets	Total intangible assets
Cost as of 31.12.2019	96 471	6 84 720	85 075	8 66 266
Additions	-	-	93 239	93 239
Transfers	-	126 279	-126 279	-
Cost as of 30.06.2020	96 471	810 999	52 035	9 59 505
Accumulated amortisation as of 31.12.2019	-	184 566	-	184 566
Charge	16 079	71 811	-	87 890
Accumulated amortisation as of 30.06.2020	16 079	256 377	-	272 456
Net book value as of 31.12.2019	96 471	500 154	85 075	6 81 700
Net book value as of 30.06.2020	80 392	554 622	52 035	6 87 049



(11) FIXED ASSETS MOVEMENT TABLE

	Lease- hold 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 31.12.2019	754 227	213 722	2 755 566	733 317	20 700	26 468	4 504 000
Additions	-	-	-	-	37 479	67 079	104 558
Transfers	2 188	-	84 451	21 749	(37 479)	(70 909)	-
Cost as of 30.06.2020	756 415	213 722	2 840 017	755 066	20 700	22 638	4 608 558
Accumulated depreci- ation as of 31.12.2019	306 909	-	1 665 821	295 439	-	-	2 268 169
Calculated depreciation	41 915	-	199 941	77 032	-	-	318 888
Accumulated depreci- ation as of 30.06.2020	348 824	-	1 865 762	372 471	-	-	2 587 057
Net book value as of 31.12.2019	447 318	213 722	1 089 745	437 878	20 700	26 468	2 235 831
Net book value as of 30.06.2020	407 591	213 722	974 255	382 595	20 700	22 638	2 021 501

	30.06.2020 EUR (unaudited)	31.12.2019 EUR
(12) Other non-current receivables and other receivables		
Rent security deposit	68 027	68 027
Total	68 027	68 027
(13) Raw materials		
Net book value of raw materials	1 439 615	1 586 040
Allowance for slow moving inventories	(29 259)	(29 259)
Total	1 410 356	1 556 781
(14) Finished goods and goods for sale		
Cosmetic products	1 073 568	1 138 210
Advertising materials	92 921	80 224
Allowance for slow moving inventories	(20 109)	(20 109)
Total	1 146 380	1 198 325
(15) Trade receivables		
Net book value of trade receivables	1 765 743	1 436 056
Allowance for doubtful trade receivables	(84 625)	(84 625)
Total	1 681 118	1 351 431
(16) Other receivables		
Short-term loan to KALVI SIA	250 000	250 000
Balance of unpaid collected cash	3 712	6 279
Accrued coupon for bond	-	32 527
Other receivables	10 874	20 152
Total	264 586	308 958

	30.06.2020 EUR (unaudited)	31.12.2019 EUR
(17) Total current financial investments		
Short term financial securities (bonds) with a fixed income	-	950 000
Total	-	950 000
(18) Cash		
Cash in bank accounts and cash equivalents	5 574 113	2 329 384
Total	5 574 113	2 329 384
(19) Share capital		
As of 30 June 2020, 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	41 666	77 379
SWEDBANK loan - agreement No 15-025534	-	31 859
Total bank borrowings	41 666	109 238
Non-current borrowings		
SWEDBANK loan - agreement No 14-009243	-	5 952
Total non-current borrowings	-	5 952
Current borrowings		
SWEDBANK loan - agreement No 14-009243	41 666	71 427
SWEDBANK loan - agreement No 15-025534	-	31 859
Total current borrowings	41 666	103 286
Total bank borrowings	41 666	109 238
Borrowings split by maturity		
Less than 1 year	41 666	103 286
Over 1 year	-	5 952
Total borrowings	41 666	109 238
Borrowings split by currency		
EUR	41 666	109 238
Total borrowings	41 666	109 238

Borrowings interest rates

As of 30 June 2020, the effective interest rate on the non-current borrowing No 14-009243 was 3 month EURIBOR + 3.3%.

Borrowings maturity dates

The maturity date of the non-current borrowing No 14-009243 is 22 January 2021.

Pledges

The Group has pledged a portion of its assets as security for bank borrowings. As of 30 June 2020, the Company's assets in amount of EUR 1 340 900 had been pledged to secure agreement No 14-009243.

Bank loan covenants

During the reporting period and as of 30 June 2020, the Company had complied with all loan covenants of the borrowing agreement.

	30.06.2020 EUR (unaudited)	31.12.2019 EUR
(21) Other non-current liabilities		
Lease liabilities	51 407	81 546
Total other non-current liabilities	51 407	81 546
(22) Taxes and social insurance contribution		
Value added tax	97 867	49 145
Social insurance contributions	94 343	67 933
Personal income tax	45 854	32 086
Natural resources tax	390	144
Risk duty	57	52
Total	238 511	149 360
(23) Other current liabilities		
Salaries	179 371	130 392
Lease liabilities	59 894	59 134
Balance of gift cards	18 061	16 424
Other liabilities	7 189	7 889
Total other current liabilities	264 515	213 839
(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
Total	-	111 958

	30.06.2020 EUR (unaudited)	31.12.2019 EUR
(25) Number of employees in the Group		
Average number of employees per reporting period, including:	151	146
Members of the Board in the Parent Company	3	3
Members of the Council in the Parent Company	5	5
(26) Information on the remuneration of council and board members of the parent company		
Board members remuneration for the work at the Board	13 325	4 923
Council members remuneration for the work at the Council	1 543	2 758
Total	14 868	7 681

(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.
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 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 of 30 June 2020, the outstanding balance of MC PROPERTIES SIA loan to A/S SWEDBANK was EUR 584 615.

(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 2020 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 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.





