



MÁDARA
organic skincare

**MANAGEMENT REPORT
ON THE UNAUDITED
FINANCIAL STATEMENTS
FOR 6 MONTHS OF 2020**

WEBINAR / 8.09.2020.

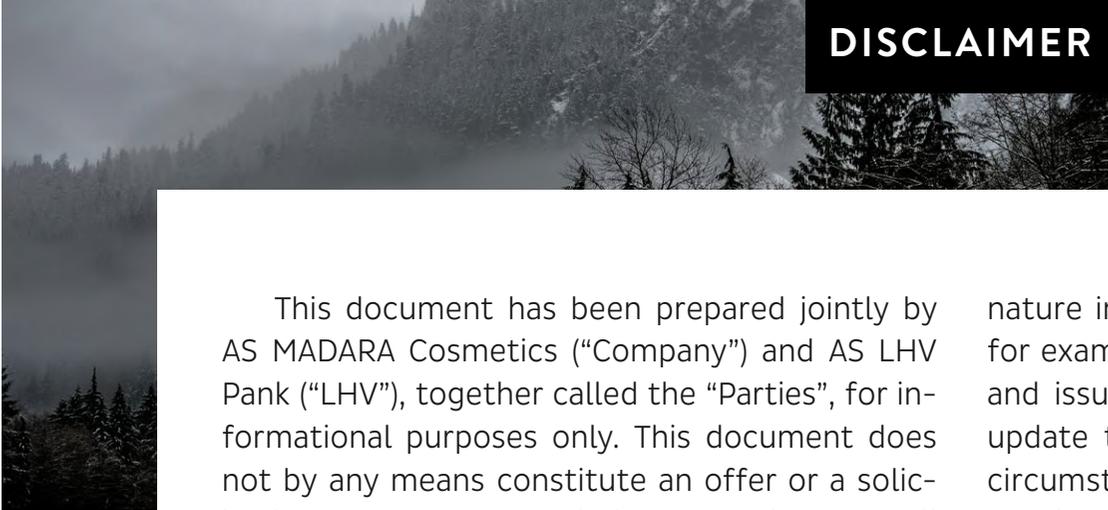
DISCLAIMER

This document has been prepared jointly by AS MADARA Cosmetics (“Company”) and AS LHV Pank (“LHV”), together called the “Parties”, for informational purposes only. This document does not by any means constitute an offer or a solicitation, nor a recommendation to purchase or sell securities, commodities, currencies or other investments referred to herein. This document does not constitute independent investment advice. The document belongs to the Parties. The information contained in this document has been compiled from published sources, which the Parties believe to be reliable and accurate and in good faith.

Although carefully verified, the Parties make no representations or warranties of any kind, expressed or implied, about the completeness, accuracy, reliability or suitability with respect to the information contained herein. Any reliance placed on such information is therefore strictly at the risk of the reader. In no event shall the Parties be liable for any loss or damage including direct, indirect, consequential loss or damage arising in connection with the use of the information contained herein. The Parties shall also assume no other obligations or liability of whatever

nature in connection with this material, such as for example an obligation to ensure the offering and issue of any securities or an obligation to update this information should the underlying circumstances change, etc. No respective claims can be brought against any of the Parties in connection with the information contained herein.

This document contains forward-looking statements that are based on the Parties’ expectations, estimates, projections and assumptions. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those contemplated by such statements. Forward-looking statements are made and based on information available to the Parties on the date of this document. The Parties do not assume, and expressly disclaim, any obligation to update this information, nor do the Parties take any responsibility to guarantee any result predicted in this document to become actual.



1. OVERVIEW H1 2020
2. IMPORTANT EVENTS

FULL MANAGEMENT REPORT AND
UNAUDITED FINANCIAL STATEMENTS H1 2020
AVAILABLE HERE:

<https://bit.ly/3508kZJ>



PRESENTING:

Uldis Iltners, Management Board

PROFILE

BUSINESS CATEGORIES

OWN BRANDS: MÁDARA AND MOSSA
+ CONTRACT MANUFACTURING
SKINCARE & MAKEUP

UNIQUE ELEMENTS/STRENGTHS

UNIQUE ECOCERT&COSMOS CERTIFIED PRODUCTS
OWN LABORATORY/ R&D TEAM
MODERN PRODUCTION FACILITY NEAR RIGA AIRPORT
IN-HOUSE “DESIGN&MARKETING AGENCY”

INNOVATION

ONE OF THE MOST INNOVATIVE ORGANIC CERTIFIED
COSMETICS PRODUCERS IN EUROPE
CLOSE COOPERATION WITH LATVIAN UNIVERSITY
SCIENTIFICALLY PROVEN EFFICACY AND CLAIMS
NEW INNOVATIVE PRODUCT LAUNCHES EVERY YEAR

INVESTOR RELATIONS

LISTED ON NASDAQ RIGA FIRST NORTH (11.2017)
SHAREHOLDERS BENEFITS PROGRAM
ESG REPORTING
RETAIL INVESTOR FRIENDLY

GROWTH TRENDS H1 2020

TURNOVER GROWTH 47% Y-O-Y

EBITDA GROWTH 94% Y-O-Y

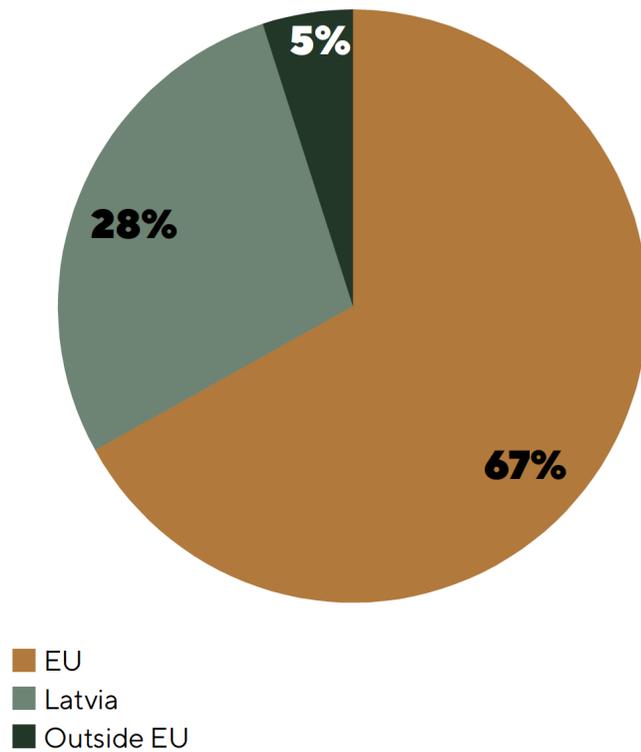
NET PROFIT GROWTH 123% Y-O-Y

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

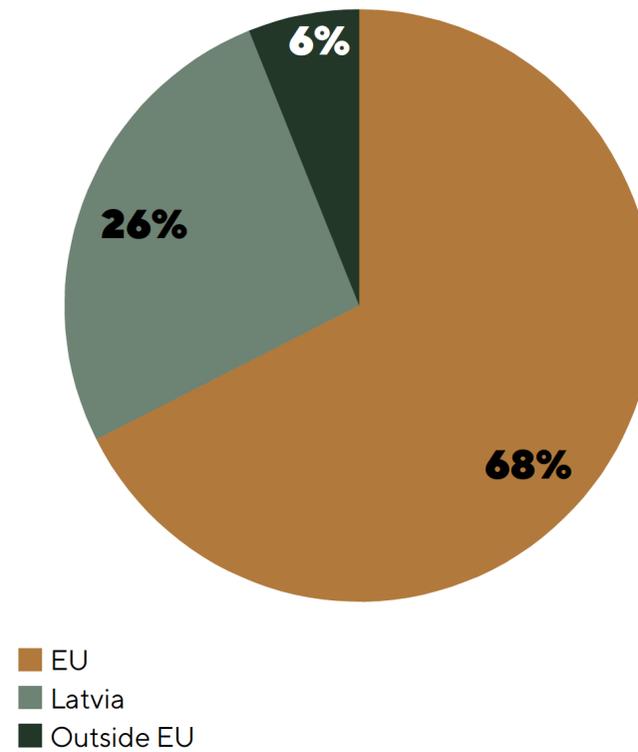
The calculation formulas of the mentioned financial indicators can be found on page 19 of this presentation.

GEOGRAPHICAL SALES BREAKDOWN

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

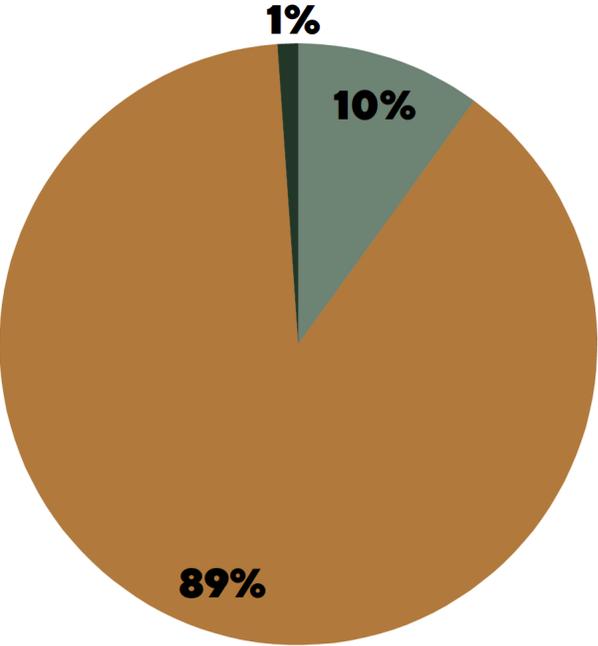


Sales distribution in Latvia, the EU and outside EU (2019 H1)



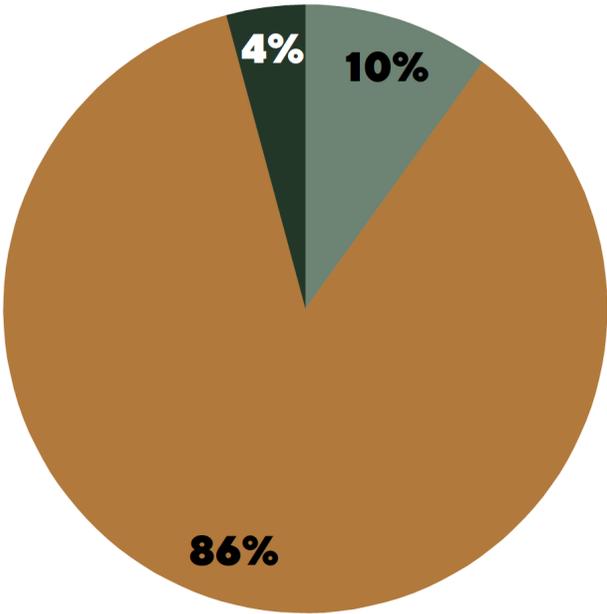
SALES BY CATEGORIES

Sales distribution by product categories
(2020 H1)



- Contract manufacturing
- MÁDARA
- MOSSA

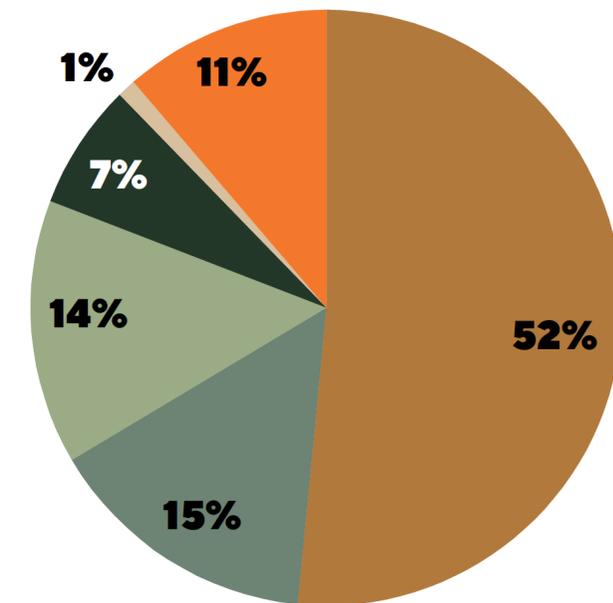
Sales distribution by product categories
(2019 H1)



- Contract manufacturing
- MÁDARA
- MOSSA

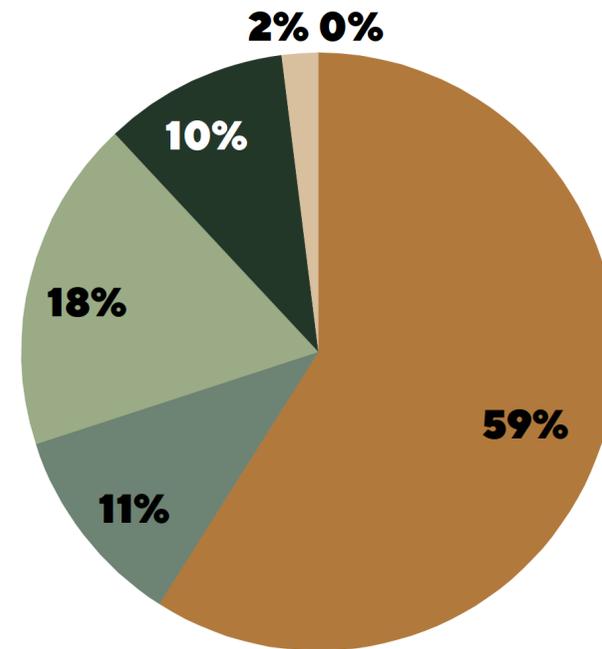
SALES BY PRODUCT GROUPS

Sales distribution of MÁDARA products by categories (2020 H1)



- Facial
- Anti-age
- Body
- Hair
- Mother & Baby
- Make up

Sales distribution of MÁDARA products by categories (2019 H1)



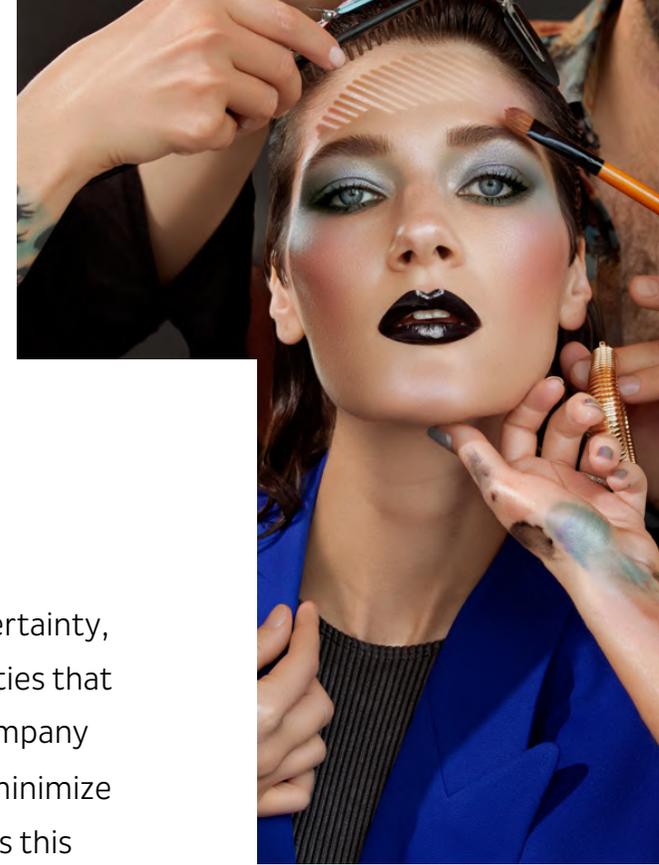
- Facial
- Anti-age
- Body
- Hair
- Mother & Baby
- Make up

FINANCIAL OVERVIEW

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

Turnover target of EUR 15 million in 2020 remains intact.



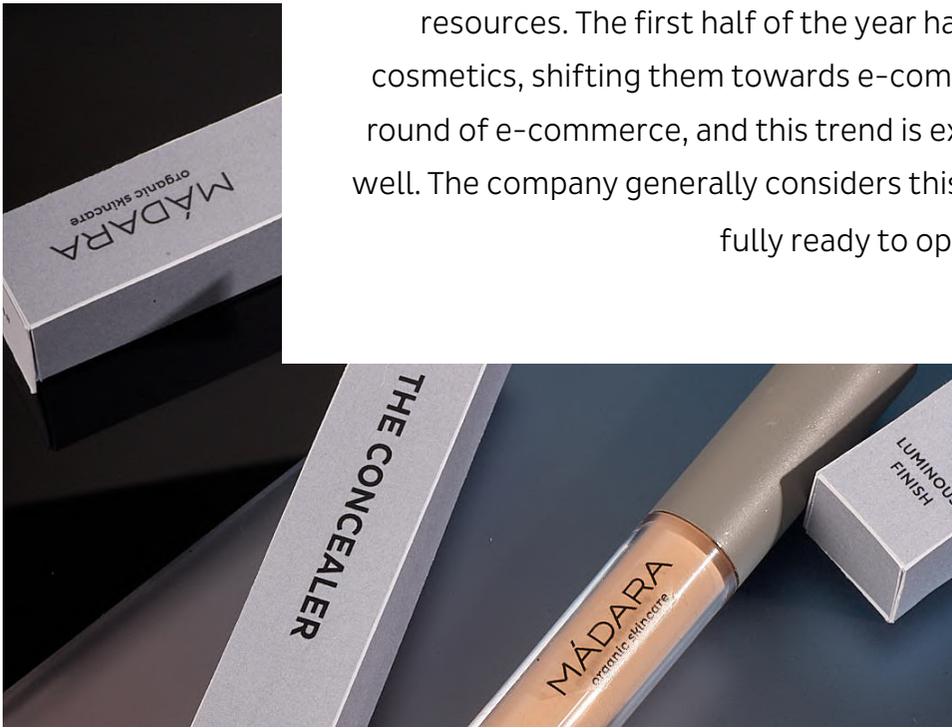
COVID-19 IMPACT

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 minimize 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.



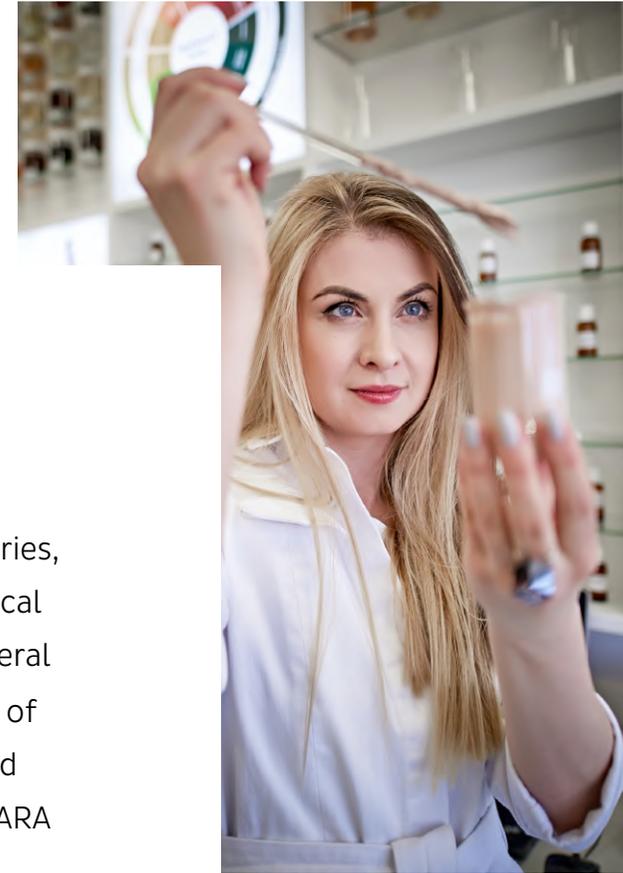
FOCUS ON E-COMMERCE

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.



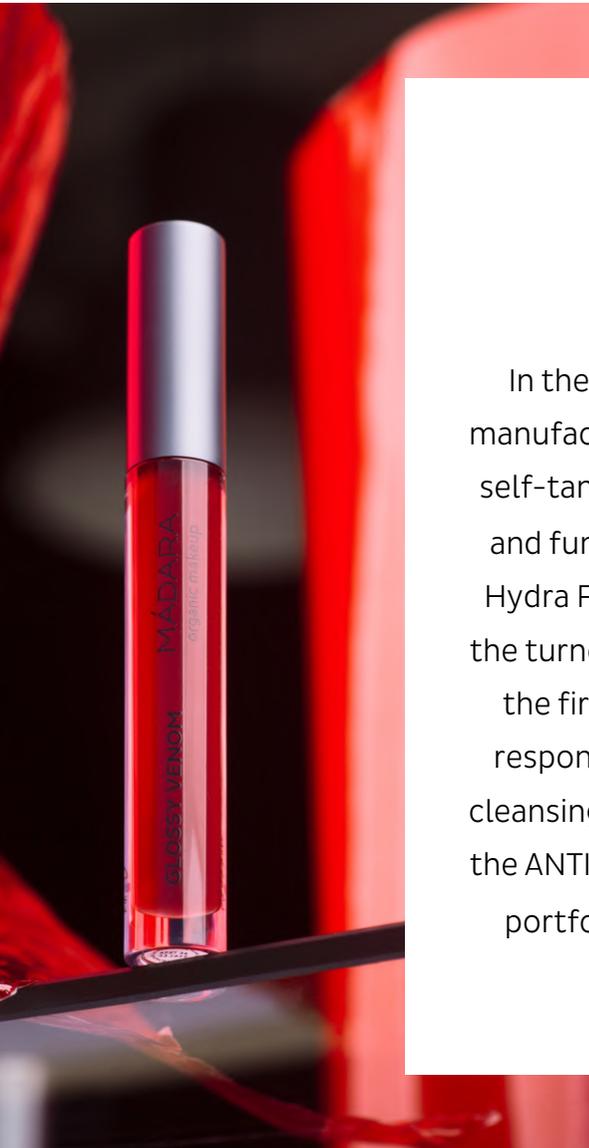
ATTRACTION OF NEW RETAIL CUSTOMERS

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.



KEY EVENTS OF H1 2020



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://INVESTORS.MADARACOSMETICS.COM/ESG/](https://investors.madaracosmetics.com/esg/)



A woman with long blonde hair, wearing a black, long-sleeved, open-front dress, is lying on her back on a lush, green moss-covered hillside. She is looking upwards and to the right, with her right hand resting on her head. The background is a dense, textured wall of moss and some thin, bare branches.

MÁDARA
organic skincare

THANK YOU!



STRUCTURE and FINANCIALS

STRUCTURE (I)

MANAGEMENT



LOTTE TISENKOPFA – ILTNERE

Chairman of management board.
Responsible for new formulas/
development.
Co-operation with scientists.
A spokesperson for the Co.



ULDIS ILTNERIS

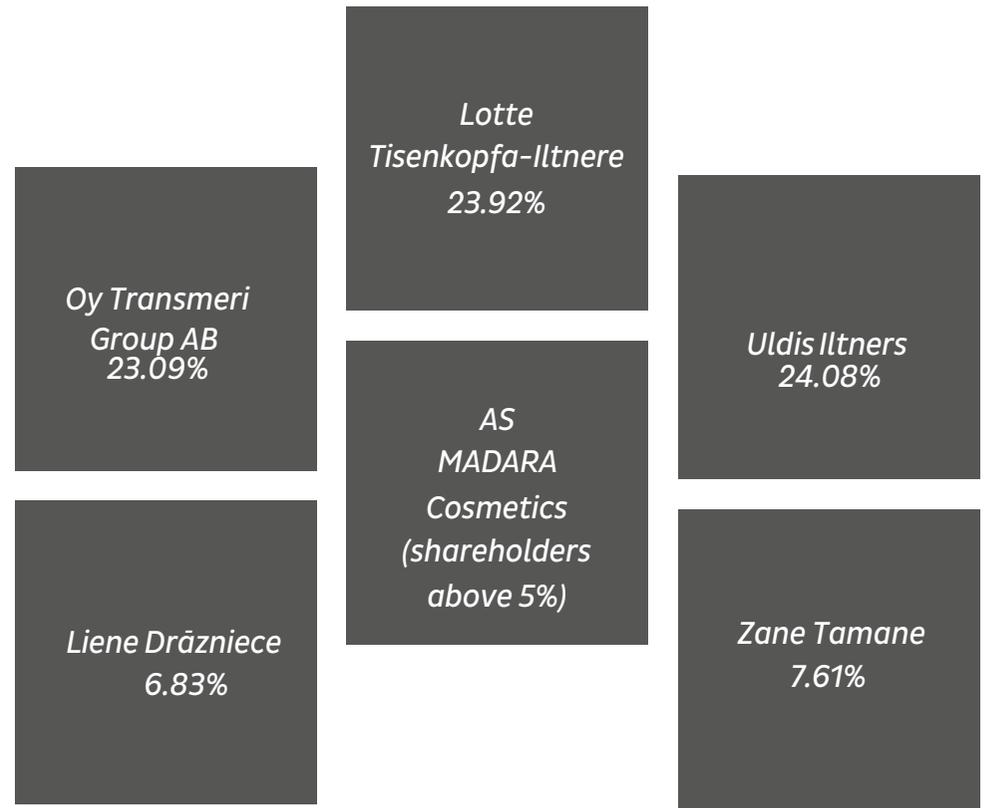
Member of management board.
Responsible for finances
and management of Co.



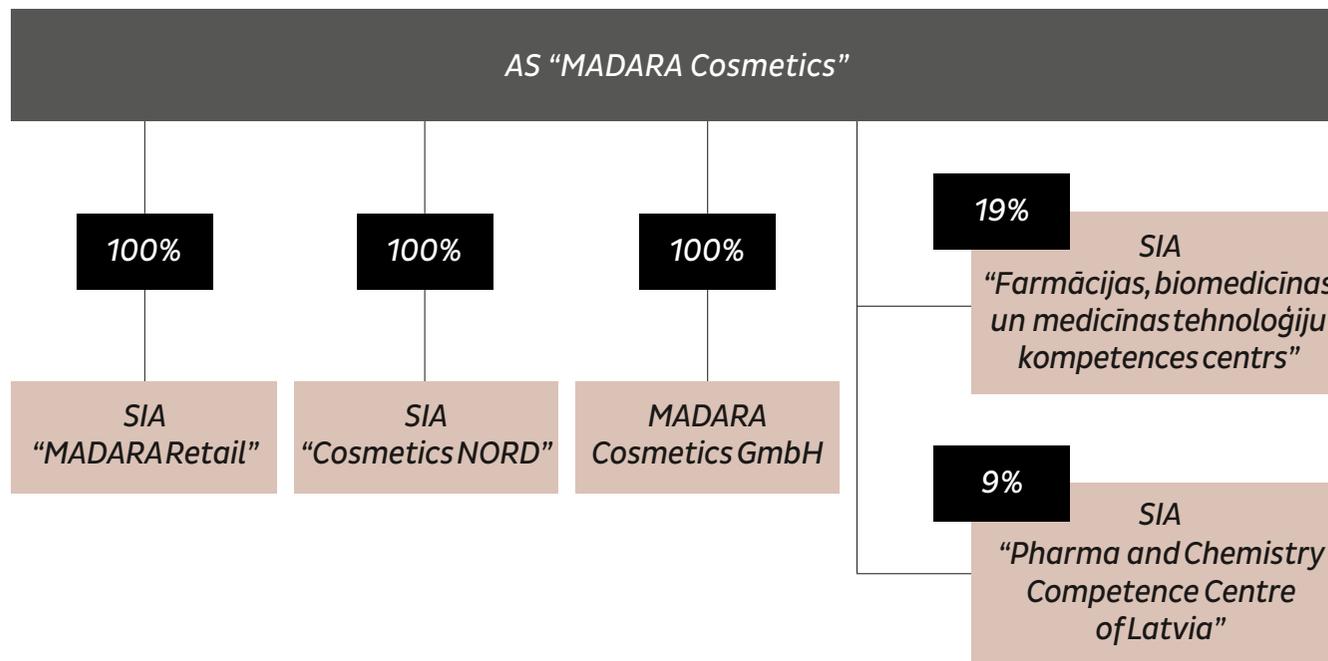
PAULA TISENKOPFA

Member of management board.
Responsible for export and sales.

OWNERSHIP



STRUCTURE (II)



100% SUBSIDIARIES:

- ▶ *MADARA Retail, SIA: runs Latvian retail stores*
- ▶ *Cosmetics NORD, SIA: offers contract manufacturing in MADARA Cosmetics, AS facilities*
- ▶ *MADARA Cosmetics, GmbH: Sales and distribution unit for Germany*

MINORITY SHAREHOLDING COMPANIES:

- ▶ *Farmācijas, biomedicīnas un medicīnas tehnoloģiju Kompetences centrs, SIA: Competence centre established jointly with industry experts*
- ▶ *Pharma and Chemistry Competence Centre of Latvia, SIA: Competence centre established jointly with industry experts*

FINANCIAL OVERVIEW

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

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

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.

Please refer to the full set of financials / financial report which can be found here: <http://bit.ly/3508kzJ>

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

CONSOLIDATED BALANCE SHEET

Assets	Note	30.06.2020 EUR (unaudited)	31.12.2019 EUR
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

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	30.06.2020 EUR (unaudited)	31.12.2019 EUR
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

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2020 -30.06.2020 (unaudited) EUR	1.01.2019 -30.06.2019 (unaudited) EUR
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.

MÁDARA
organic skincare