



MÁDARA
organic skincare

**MANAGEMENT REPORT
ON THE UNAUDITED
FINANCIAL STATEMENTS
FOR 2020**

WEBINAR / 8.03.2021.

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1. OVERVIEW 2020
2. IMPORTANT EVENTS

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

<https://bit.ly/3qiriG6>



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 PROGRAMME
ESG REPORTING
RETAIL INVESTOR FRIENDLY

GROWTH TRENDS 2020

TURNOVER GROWTH 39.3% Y-O-Y

EBITDA GROWTH 93.2% Y-O-Y

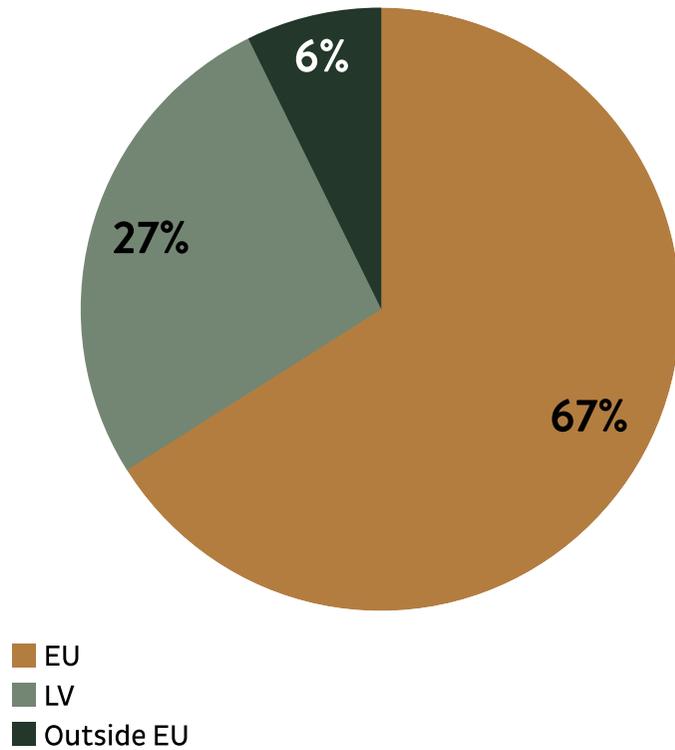
NET PROFIT GROWTH 119.4% Y-O-Y

Key ratios and indicators	2020	2019	2020 H2	2019 H2
EBITDA (TEUR)	4 218	2 183	2 059	1 088
Profitability and sustainability ratios				
1. Gross Margin (%)	68	61	73	61
2. Operating Margin (%)	22	13	22	12
3. Net Margin (%)	21	14	21	13
4. TTM ROE (%)	31	17	31	17
5. TTM ROA (%)	28	14	28	14
Liquidity ratios				
6. Current ratio (x)	7.49	5.77	7.49	5.77
7. Quick ratio (x)	4.77	3.63	4.77	3.63
8. Working capital (TEUR)	9 456	6 647	9 456	6 647
Leverage ratios				
9. Financial debt to equity (x)	0.01	0.03	0.01	0.03
10. Debt to equity (x)	0.12	0.16	0.12	0.16
11. Net financial debt (TEUR)	(5 558)	(2 079)	(5 558)	(2 079)
12. Net gearing (%)	(44.78)	(21.78)	(44.78)	(21.78)

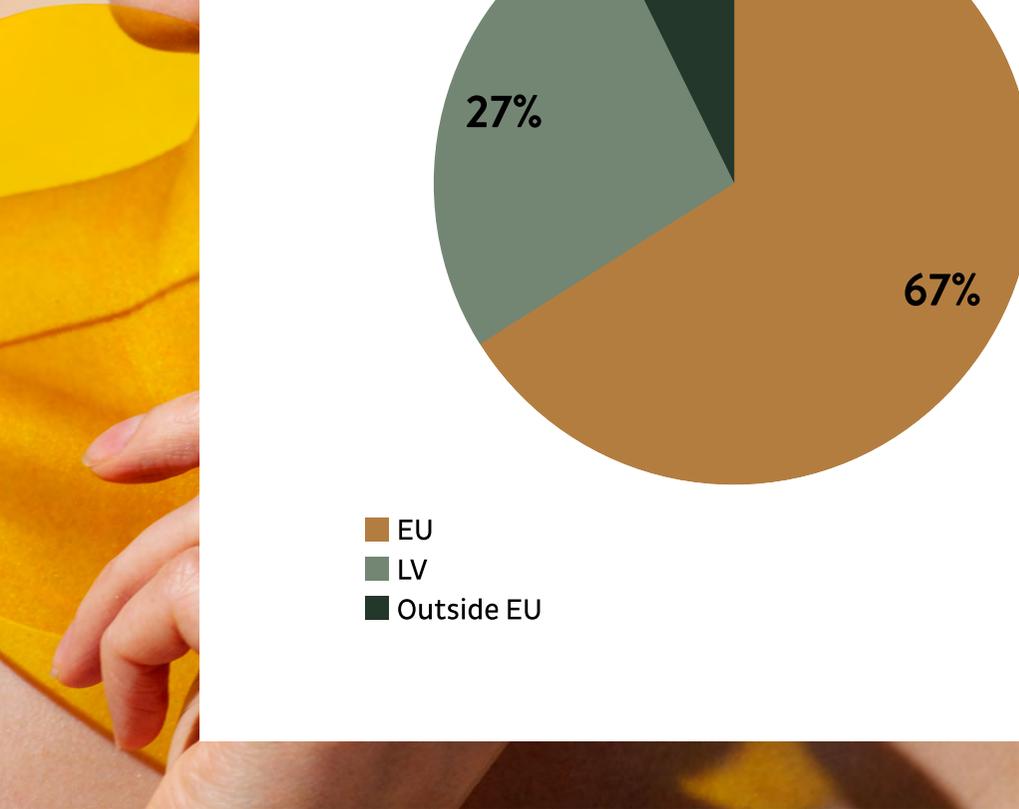
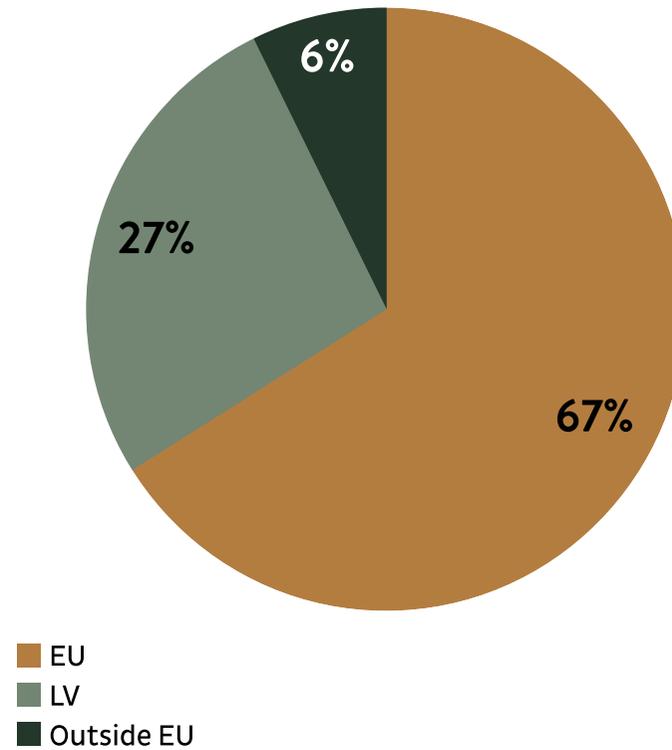
The calculation formulas of the mentioned financial indicators can be found on page 19 of this presentation.

GEOGRAPHICAL SALES BREAKDOWN

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

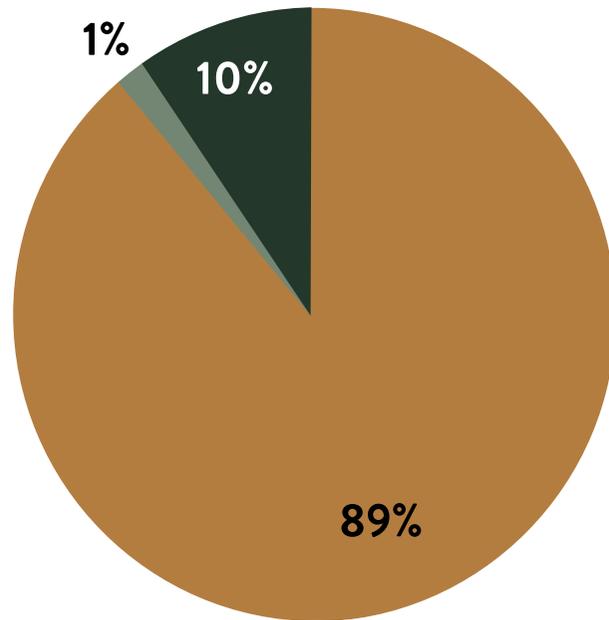


Sales distribution in Latvia, the EU and outside EU (2019)



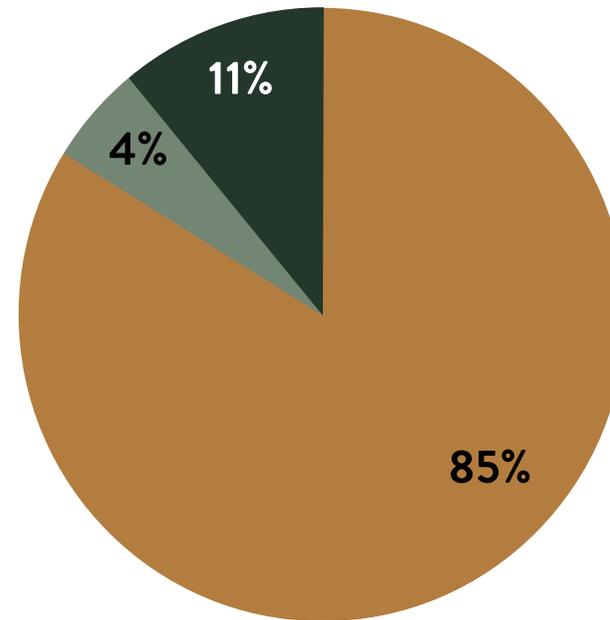
SALES BY CATEGORIES

Sales distribution by product categories
(2020)



- MADARA
- MOSSA
- Contract manufacturing

Sales distribution by product categories
(2019)

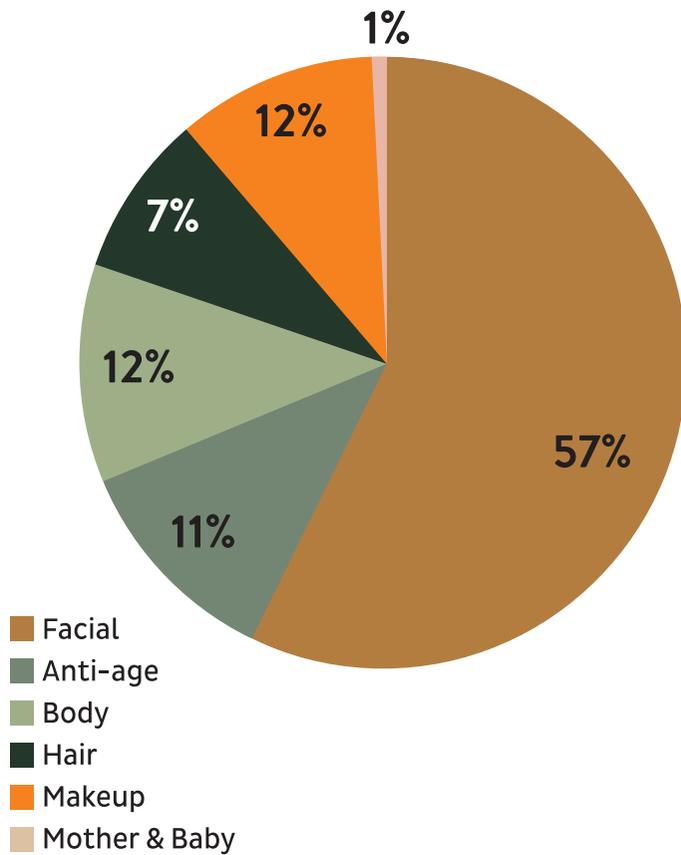


- MADARA
- MOSSA
- Contract manufacturing

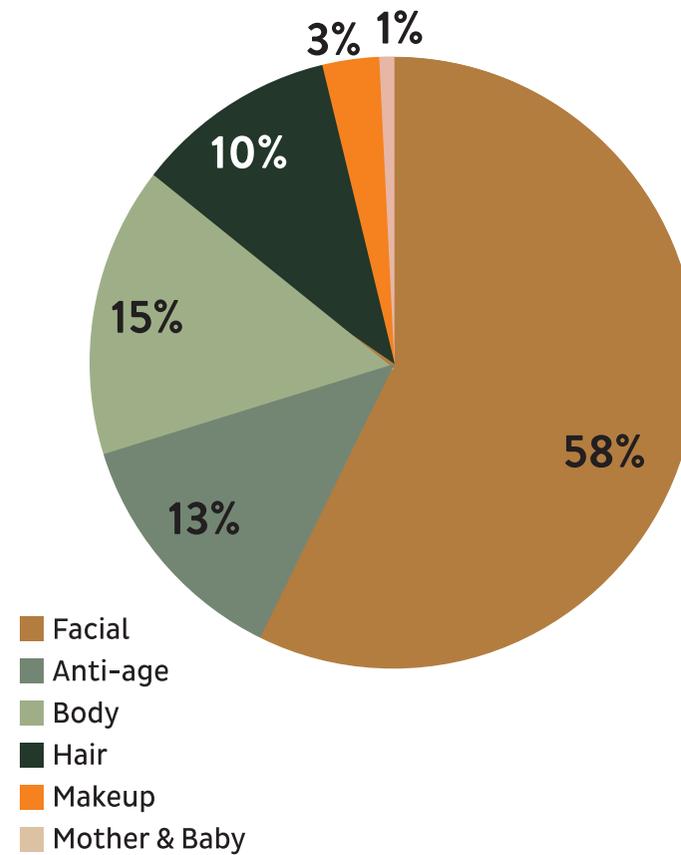


SALES BY PRODUCT GROUPS

Sales distribution of MÁDARA products by categories (2020)



Sales distribution of MÁDARA products by categories (2019)



FINANCIAL OVERVIEW

The main financial indicators are as follows.

Key ratios and indicators	2020	2019	2020 H2	2019 H2
Net turnover	16 078 244	11 546 205	7 860 713	5 954 989
Cost of goods sold	(5 190 974)	(4 462 151)	(2 150 904)	(2 335 968)
Gross profit	10 887 270	7 084 054	5 709 809	3 619 021
Depreciation, amortisation and write-downs	(614 976)	(626 964)	(266 191)	(330 779)
Leasehold improvements write-off expense	(84 489)	(80 324)	(42 575)	(41 079)
Operating profit	3 518 268	1 475 920	1 750 584	715 856
Interest income	57 014	105 869	9 827	63 787
Interest expense	(28 456)	(18 684)	(20 369)	(8 732)
Profit before taxes	3 546 826	1 563 105	1 740 042	770 911
Net profit for the period	3 428 924	1 563 105	1 622 140	770 911

Turnover target of EUR 27 million in 2023 remains intact.

ADAPTING TO THE NEW SITUATION AND FOCUS ON DEVELOPMENT

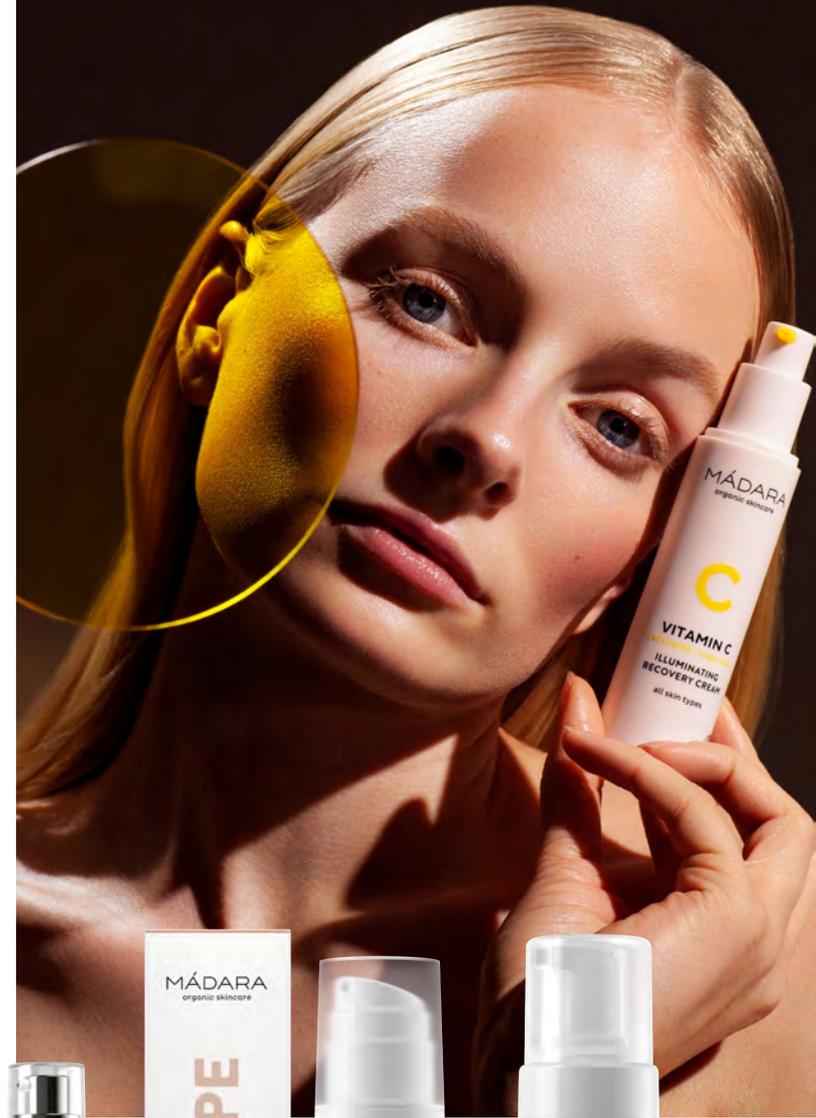
The highlight of last year was the adaptation of the Company to the new regime created by the Covid-19 pandemic, while at the same time continuing the rapid development of the Company. Turnover growth of nearly 40% is the fastest growth in recent years. The Company's well-diversified sales channels with a relatively high proportion of e-commerce allowed us to not only compensate for the decline of some sales channels, but also to experience growth. The revenue share from direct e-commerce has risen by 14 percentage points in comparison to 2019. The work and the investments in the development of e-commerce during the former years has been fully justified. AS MADARA Cosmetics has advantages and better preparedness in this respect than most direct competitors in Europe. In general, last year meant that the sales of cosmetics was weighted heavily in favour of e-commerce, and it will continue to be an important focus for the Company. Rapid and integrated development processes of the new products also played an important role in achieving good results, as the Company was able to respond quickly and launch new, demanded products. Also, the popularity of sustainably created and natural products in Europe has grown rapidly over the past year, and this trend is very beneficial for the Company.



DEVELOPMENT OF NEW PRODUCTS

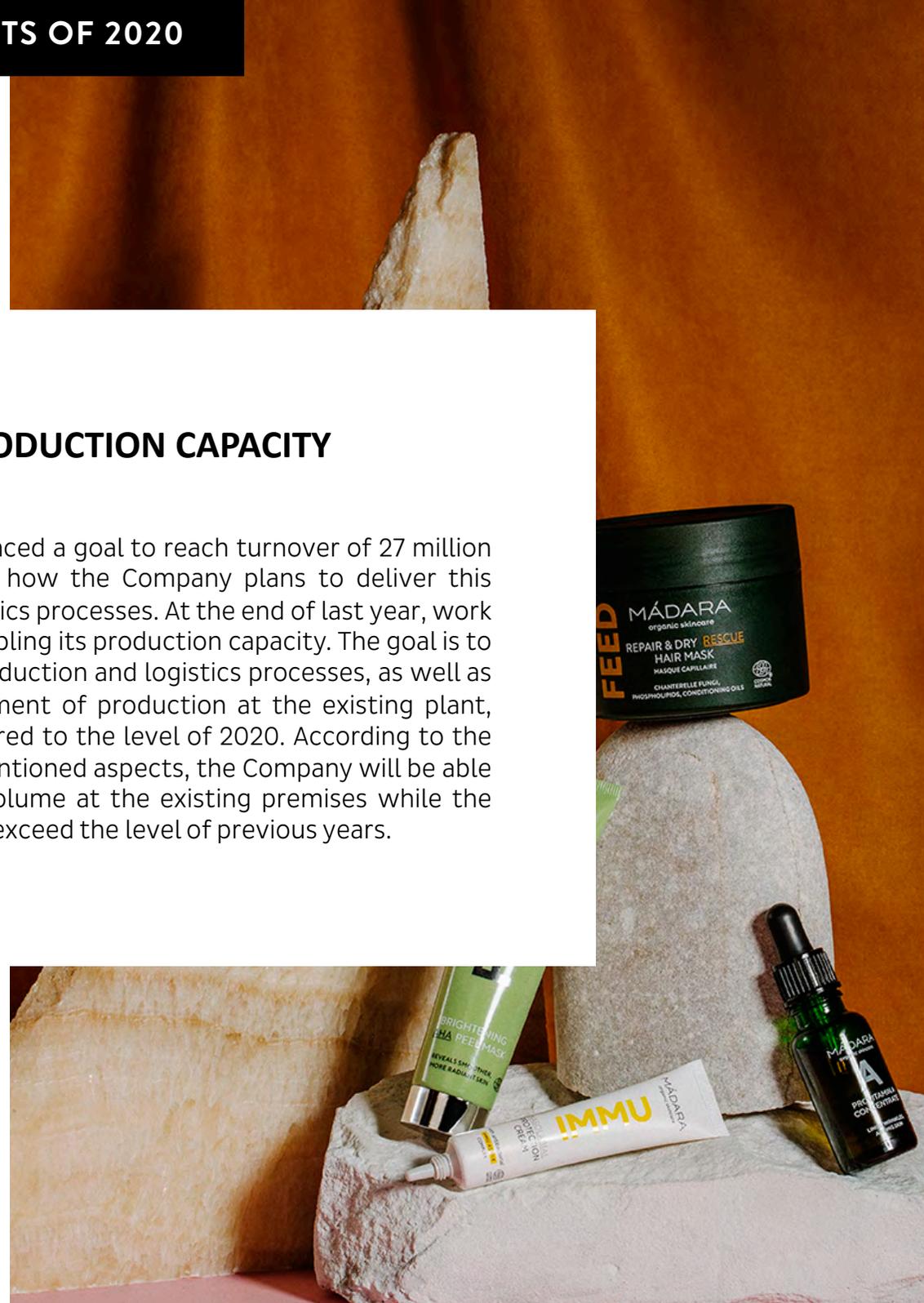
In 2020, the Company introduced a number of new products to the market, continuing to prove itself as an innovative and contemporary manufacturer of natural cosmetics. New products have been added to the existing categories, as well as new categories have been launched. Among the new product categories, the ACNE range for problem prone skin should be highlighted, which has successfully attracted a new segment of cosmetics users for the Company. We are also pleased to announce that we have started the production of both classic lip balms and long-awaited lipsticks, which is an important addition to our makeup line. By investing more than EUR 100 000 in 2020, lipstick production equipment was added to the production facility, which allows flexible production of various types and shapes of lip care and decorative cosmetics products.





DOUBLING THE PRODUCTION CAPACITY

At the end of 2020, the Company announced a goal to reach turnover of 27 million euros in 2023. Shareholders might ask, how the Company plans to deliver this increase in terms of production and logistics processes. At the end of last year, work began on preparing the Company for doubling its production capacity. The goal is to improve the Company's organisation, production and logistics processes, as well as to supplement the technological equipment of production at the existing plant, doubling the production capacity compared to the level of 2020. According to the management, by improving the abovementioned aspects, the Company will be able to ensure doubling of the production volume at the existing premises while the capital investments will not significantly exceed the level of previous years.





Please follow the Company news and current affairs
on our investor page:

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



A close-up photograph of two women. On the left, a woman with reddish-brown hair is shown in profile, applying a tube of lipstick to her lips. Her eyes are closed. On the right, another woman with dark, curly hair is looking towards the first woman. The background is a plain, light-colored wall.

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

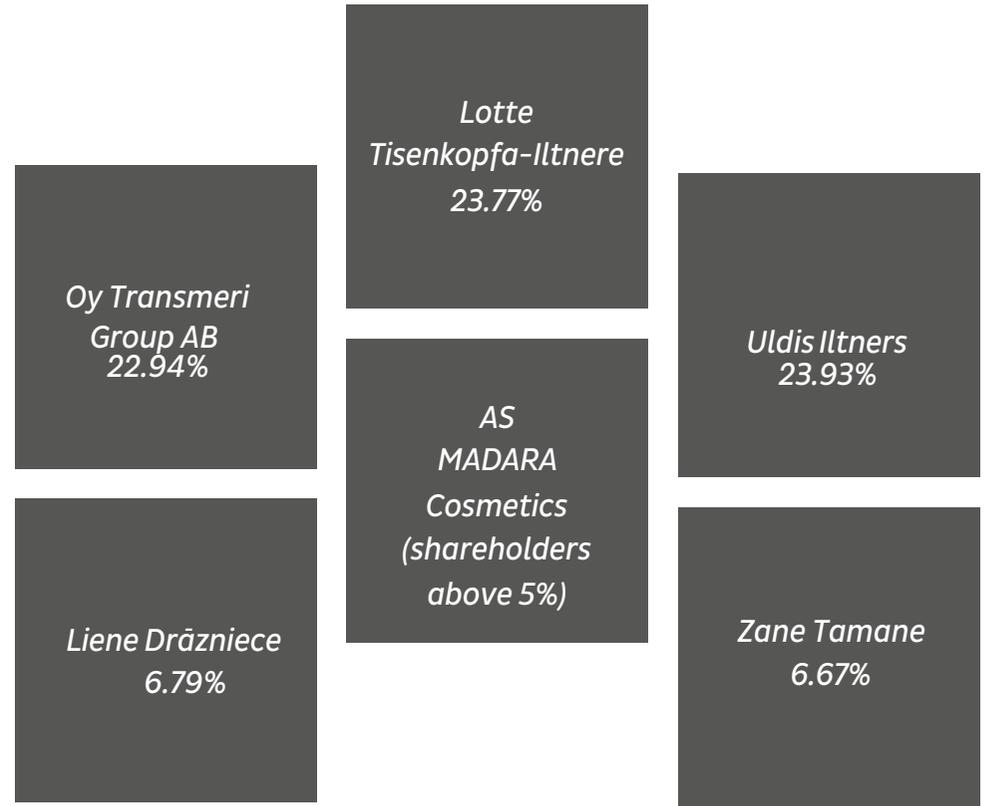
Member of management board.
Responsible for finances
and management of Co.



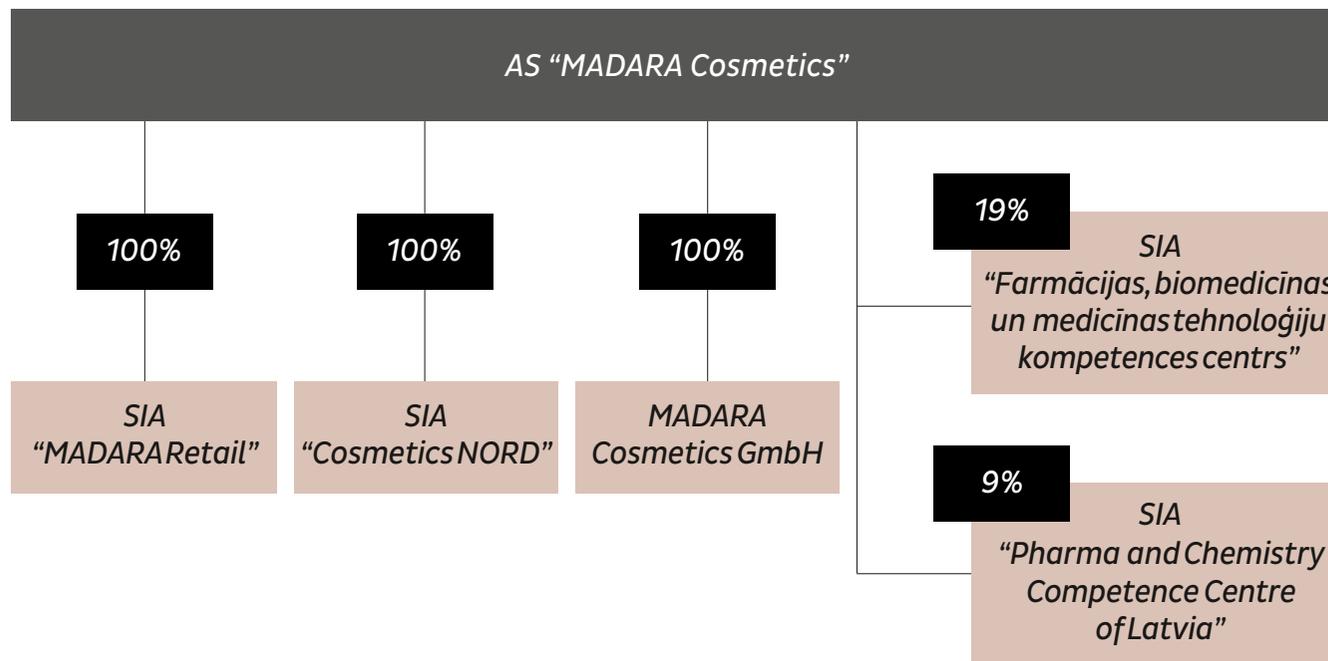
PAULA TISENKOPFA

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 at MADARA Cosmetics, AS facilities*
- ▶ *MADARA Cosmetics, GmbH: Sales and distribution unit for Germany*

MINORITY SHAREHOLDINGS:

- ▶ *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	2019	2020 H2	2019 H2
EBITDA (TEUR)	4 218	2 183	2 059	1 088
Profitability and sustainability ratios				
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4. TTM ROE (%)	31	17	31	17
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Liquidity ratios				
6. Current ratio (x)	7.49	5.77	7.49	5.77
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8. Working capital (TEUR)	9 456	6 647	9 456	6 647
Leverage ratios				
9. Financial debt to equity (x)	0.01	0.03	0.01	0.03
10. Debt to equity (x)	0.12	0.16	0.12	0.16
11. Net financial debt (TEUR)	(5 558)	(2 079)	(5 558)	(2 079)
12. Net gearing (%)	(44.78)	(21.78)	(44.78)	(21.78)

* 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/Net turnover*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

By turnover method

	Note	01.01.2020 -31.12.2020 unaudited EUR	1.07.2020 -31.12.2020 unaudited EUR	1.01.2019 -31.12.2019 audited EUR	1.07.2019 -31.12.2019 unaudited EUR
Net turnover	2	16 078 244	7 860 713	11 546 205	5 954 989
Cost of goods sold	3	(5 190 974)	(2 150 904)	(4 462 151)	(2 335 968)
Gross profit		10 887 270	5 709 809	7 084 054	3 619 021
Selling expenses	4	(6 311 325)	(3 365 168)	(4 497 098)	(2 355 070)
Administration expenses	5	(1 197 570)	(617 201)	(1 288 697)	(607 331)
Other operating income	6	404 761	130 229	256 150	99 225
Other operating expenses	7	(264 868)	(107 085)	(78 489)	(39 989)
Interest and similar income	8	57 014	9 827	105 869	63 787
Interest and similar expenses	9	(28 456)	(20 369)	(18 684)	(8 732)
Profit before corporate income tax		3 546 826	1 740 042	1 563 105	770 911
Corporate income tax for the financial year		(117 902)	(117 902)	-	-
Profit for the reporting period		3 428 924	1 622 140	1 563 105	770 911

Please refer to the full set of financials / financial report which can be found here: <https://bit.ly/3qirjG6>

CONSOLIDATED BALANCE SHEET

Assets	Note	31.12.2020 unaudited EUR	30.06.2020 unaudited EUR	31.12.2019 audited EUR	30.06.2019 unaudited EUR
Non-current assets					
Intangible assets					
Development costs		64 314	80 392	96 471	50 699
Concessions, licences, patents, trade marks and similar rights		589 267	554 622	500 154	427 687
Prepayments for intangible assets		12 095	52 035	85 075	42 444
Total intangible assets	10	665 676	687 049	681 700	520 830
Property, plant and equipment					
Land		213 722	213 722	213 722	213 722
Leasehold improvements		378 186	407 591	447 318	451 359
Plant and equipment		1 091 948	974 255	1 089 745	887 152
Other fixed assets		333 369	382 595	437 878	296 686
Construction in progress		31 869	20 700	20 700	7 797
Prepayments for property, plant and equipment		200 128	22 638	26 468	159 357
Total property, plant and equipment	11	2 249 222	2 021 501	2 235 831	2 016 073
Non-current financial investments					
Other non-current receivables and other receivables	12	68 027	68 027	68 027	40 000
Other securities and investments	13	826	826	826	826
Total non-current financial investments		68 853	68 853	68 853	40 826
Total non-current assets		2 983 751	2 777 403	2 986 384	2 577 729

CONSOLIDATED BALANCE SHEET

Assets	Note	31.12.2020 unaudited EUR	30.06.2020 unaudited EUR	31.12.2019 audited EUR	30.06.2019 unaudited EUR
Current assets					
Inventories					
Raw materials	14	1 703 305	1 410 356	1 556 781	1 168 339
Finished goods and goods for sale	15	1 712 015	1 146 380	1 198 325	994 880
Prepayments for inventories		540 226	284 170	227 006	465 348
Total inventories		3 955 546	2 840 906	2 982 112	2 628 567
Receivables	16	1 208 901	1 681 118	1 351 431	1 387 947
Trade receivables	17	52 669	264 586	308 958	108 049
Other receivables		14 503	4 611	60 725	51 800
Accrued revenue		36 807	30 358	58 663	31 142
Deferred expenses		1 312 880	1 980 673	1 779 777	1 578 938
Total current financial investments	18	-	-	950 000	700 000
Cash	19	5 645 859	5 574 113	2 329 384	3 006 732
Total current assets		10 914 285	10 395 692	8 041 273	7 914 237
Total assets		13 898 036	13 173 095	11 027 657	10 491 966

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	31.12.2020 unaudited EUR	30.06.2020 unaudited EUR	31.12.2019 audited EUR	30.06.2019 unaudited EUR
Equity					
Share capital	20	376 924	374 524	374 524	374 524
Share premium		4 023 454	4 023 454	4 023 454	4 023 454
Retained earnings:					
a) prior year retained earnings		4 583 619	5 147 805	3 584 700	3 584 700
b) profit for the year		3 428 924	1 806 784	1 563 105	809 007
Total equity		12 412 921	11 352 567	9 545 783	8 791 685

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	31.12.2020 unaudited EUR	30.06.2020 unaudited EUR	31.12.2019 audited EUR	30.06.2019 unaudited EUR
Liabilities					
Non-current liabilities					
Bank borrowings	21	-	-	5 952	41 666
Other liabilities	22	26 991	51 407	81 546	111 301
Deferred revenue		-	-	-	11 824
Total non-current liabilities		26 991	51 407	87 498	164 791
Current liabilities					
Bank borrowings	21	5 952	41 666	103 286	135 145
Advances from customers		76 136	97 554	51 706	83 591
Trade payables		610 174	841 916	498 271	615 522
Taxes and social insurance contributions	23	157 451	238 511	149 360	166 097
Other payables	24	253 191	264 515	213 839	210 500
Deferred revenue		-	11 824	56 287	88 926
Accrued liabilities		355 220	273 135	321 627	235 709
Total current liabilities		1 458 124	1 769 121	1 394 376	1 535 490
Total liabilities		1 485 115	1 820 528	1 481 874	1 700 281
Total equity and liabilities		13 898 036	13 173 095	11 027 657	10 491 966

CONSOLIDATED CASH FLOW STATEMENT

Indirect method

	Note	1.01.2020 -31.12.2020 unaudited EUR	1.07.2020 -31.12.2020 unaudited EUR	1.01.2019 -31.12.2019 audited EUR	1.07.2019 -31.12.2019 unaudited EUR
Cash flow of operating activities					
Profit before taxes		3 546 826	1 740 042	1 563 105	770 911
Corrections:					
Depreciation of fixed assets	11	545 406	226 518	606 558	315 022
Amortisation of intangible assets	10	186 216	98 326	100 732	56 121
Revenue from the recognition of ERAF funds		(227 059)	(114 259)	(242 479)	(142 062)
Interest and similar income	8	(55 010)	(7 823)	(105 499)	(63 787)
Interest and similar expenses	9	8 536	3 950	13 834	8 732
Profit before adjustments for current assets and current liabilities		4 004 915	1 946 754	1 936 251	944 937
Corrections:					
Increase / decrease in receivables		(87 499)	161 737	(552 229)	269 803
Increase / decrease in inventories		(659 324)	(858 584)	(839 490)	(499 875)
Increase / decrease in payables and other payables		234 778	(240 269)	498 492	(181 240)
Gross cash flow of operating activities		3 492 870	1 009 638	1 043 024	533 625
Interest payments		(8 536)	(3 950)	(13 834)	(8 732)
Income tax payments		(140 447)	(140 447)	-	-
Net cash flow of operating activities		3 343 887	865 241	1 029 190	524 893

CONSOLIDATED CASH FLOW STATEMENT

Indirect method

	Note	1.01.2020 -31.12.2020 unaudited EUR	1.07.2020 -31.12.2020 unaudited EUR	1.01.2019 -31.12.2019 audited EUR	1.07.2019 -31.12.2019 unaudited EUR
Investment activities cash flow					
Other investments		-	-	(250 000)	(250 000)
Acquisition of fixed assets and intangible assets		(728 988)	(531 192)	(1 186 461)	(751 771)
Issued loans		-	-	(250 000)	(250 000)
Proceeds of loan repayments		250 000	250 000	2 491	-
Received interest		55 010	7 823	85 915	63 787
Investment activities cash flow		(423 978)	(273 369)	(1 598 055)	(1 187 984)
Financing activities cash flow					
Proceeds from ERAF funds		170 772	102 435	114 712	82 322
Proceeds from the disposal of investments		950 000	-	-	-
Repaid financial lease liabilities		(59 134)	(25 061)	(57 645)	(29 006)
Dividends paid		(561 786)	(561 786)	(449 429)	-
Repaid loan	21	(103 286)	(35 714)	(135 145)	(67 573)
Financing activities cash flow		396 566	(520 126)	(527 507)	(14 257)
Increase / decrease in cash and cash equivalents		3 316 475	71 746	(1 096 372)	(677 348)
Cash and cash equivalents at the beginning of the reporting period	19	2 329 384	5 574 113	3 425 756	3 006 732
Cash and cash equivalents at the end of the financial period	19	5 645 859	5 645 859	2 329 384	2 329 384

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
Distribution of dividends	-	-	(561 786)	(561 786)
Increase in share capital	2 400	-	(2 400)	-
Profit for the reporting period	-	-	1 622 140	1 622 140
Balance as of 31 December 2020 (unaudited)	376 924	4 023 454	8 012 543	12 412 921



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