



MÁDARA
organic skincare

MANAGEMENT REPORT

ON THE UNAUDITED
FINANCIAL STATEMENTS FOR 2019

01.01.2019 - 31.12.2019



TABLE OF CONTENTS

Statement	2
GENERAL INFORMATION ABOUT MADARA COSMETICS GROUP	5
THE MOST IMPORTANT EVENTS IN 2019	6
SALES	10
FINANCIAL INDICATORS	13
UNAUDITED CONSOLIDATED FINANCIAL REPORT	
Consolidated income statement	15
Consolidated balance sheet	16
Consolidated cash flow statement	18
Consolidated statement of changes in equity	19
Notes to the unaudited consolidated financial statements	20

DEAR SHAREHOLDERS OF AS MADARA COSMETICS,

THE COMPANY HAS COMPLETED 2019 WITH A MORE THAN 20% INCREASE IN TURNOVER, FOR THE FIRST TIME EXCEEDING THE SIGNIFICANT THRESHOLD OF 10 MILLION EUROS. THIS HAS BEEN ACHIEVED BY 13 YEARS OF CONSISTENT, ENERGETIC WORK AND A STRONG BELIEF THAT NATURAL COSMETICS IS THE FUTURE OF THE INDUSTRY.

AS WE ENTER A NEW DECADE, THE COMPANY HOLDS A BETTER POSITION THAN EVER BEFORE. WE HAVE ALL THE RESOURCES WE NEED TO IMPLEMENT OUR FUTURE DEVELOPMENT PLANS. THE MARKET SITUATION IS EXPECTED TO REMAIN POSITIVE AND THE COMPANY HAS EXCELLENT OPPORTUNITIES TO CONTINUE A RAPID GROWTH PHASE.

JOIN US ON THIS EXCITING JOURNEY!



ULDIS ILTNERIS
AS MADARA COSMETICS BOARD MEMBER

A handwritten signature in black ink, appearing to be 'U. Iltners', located below the printed name.



GENERAL INFORMATION ABOUT MADARA COSMETICS GROUP

Name of the Group	Madara Cosmetics
Parent Company	MADARA Cosmetics AS
Registration number of the Parent Company	No 40003844254
Registration place and date	Riga, 28 July 2006
Registered address of Parent Company	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 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-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 Anu Pauliina Koskinen - Member of the Council Anna Andersone - Member of the Council Liene Drāzniece – Member of the Council from 29.05.2019 Solvita Kurtiša - Member of the Council till 15.01.2019
Reporting period	01/01/2019 till 31/12/2019
Previous reporting period	01/01/2018 till 31/12/2018
Subsidiaries	Madara Retail SIA, reg. No 40103212103 - 100% Cosmetics Nord SIA, reg. No 40103277805 - 100% Madara Cosmetics GmbH, reg. No HRB 177689 - 100%

THE MOST IMPORTANT EVENTS IN 2019:



DEVELOPMENT OF THE MAKEUP LINE AND ITS SUCCESSFUL LAUNCH IN THE MARKET

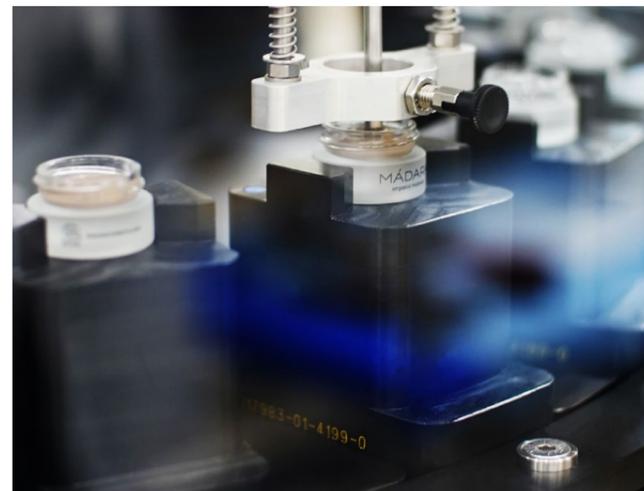
A particularly important event in 2019 was the development of the makeup line and its successful launch at the end of September. By the end of the year, the sales of makeup were launched in several focus countries of the Company, such as Latvia, Finland, Germany and France. Feedback and market response is very positive and is expected to promote acquisition of broader sales channels in 2020. This year it is planned to launch the sales of makeup in a number of new countries, as well as to expand the sales channels in the countries where the sale has already been launched. In 2020 the proportion of makeup from total turnover could be 7-10%, with a gradual increase in the following years.

Two new, modern production devices have been installed at our plant – a reactor for high-pigmentation products and an automatic makeup filling and sealing device. Total long-term investments in the makeup development project were around EUR 470 000, out of which EUR 96 000 were development expenses and EUR 374 000 were investments in makeup production equipment.

Currently the range of makeup products includes:

- ▶ “SKIN EQUAL”, Soft Glow Foundation SPF 15, 10 shades;
- ▶ CONCEALER, 6 shades;
- ▶ “COSMIC DROPS”, Buildable Highlighter, 4 shades;
- ▶ “GUILTY SHADES”, Eye & Cheek Multi-Shadow, 5 shades;
- ▶ “GLOSSY VENOM”, Lip Gloss, 7 shades;
- ▶ BROW POMADE, 3 shades.

The development of makeup products continues and in 2020 both new products and new shades of the existing products are planned to be launched in the market.





INVESTMENTS IN DEVELOPMENT

2019 has been a significant year of investments and is the second year in a row when the long-term investments of the Company have exceeded EUR 1m. Apart from the above mentioned investments in the development of makeup, comprehensive investments have been made in all company departments and an organization has been created which is optimal for further development activities of the Company. In 2020, the Company plans to reduce its long-term investments and focus more on using its existing organization and resources to develop the Company.



IMPROVEMENT AND AUTOMATION OF COMPANY PROCESSES

2019 has also been significant due to the improvement and automation of company processes. Among the most important ones we can mention the following: the implementation of the Business Intelligence tool has been completed, which has significantly improved supply chain management and data analytics. The process of developing new products has also been significantly improved, which will speed up the development and introduction of new products into the market, while at the same time significantly reducing the occurrence of potential deficiencies. Last year the Company also began work on implementing a production resource planning system that will allow more efficient planning and utilization of the existing production resources. Implementation of the system is planned to be completed in 2020.

OPENING OF THE BRAND STORE IN THE SHOPPING CENTRE AKROPOLE

Along with the opening of the Shopping Centre Akropole in the spring of 2019, the Company opened its 4th MÁDARA brand store in Riga, which has become a popular shopping destination for MÁDARA products and has strengthened overall sales results in Latvia.



When assessing the performance of the Company, we also invite investors to refer to the latest ESG report on sustainability, which characterizes the Company's activities related to sustainability, social responsibility and corporate governance. Full ESG report is available here:

[MADARACOSMETICS.COM/EN/ESG](https://www.madaracosmetics.com/en/esg)



SALES

In 2019, turnover of the Company increased by 21% compared to the same period last year and amounted to EUR 11.55m. Out of which EUR 5.95m was generated during the second half of 2019, which was a 23% increase compared to the same period in 2018.

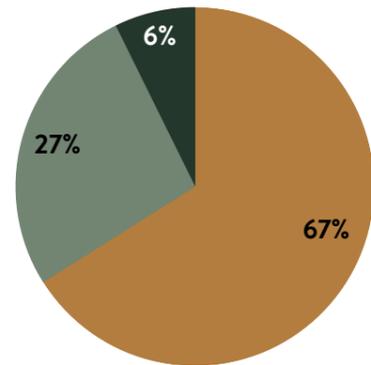
The driving force of the Company's development has been a steady development of existing sales channels.

During the first half of the year, several sun protection products and functional hair products were launched. In the second half of the year, the Company's assortment was expanded with a makeup range, which was a significant step in the Company's development, as well as natural cosmeceutical additives. In the second half of 2019, 7% of the MÁDARA brand turnover came from the new makeup range.

In 2019, 94% of the turnover originated in the European Union (including Latvia), 6% came from outside the EU. The sales proportion in the European Union (including Latvia) has increased by 2 percentage points compared

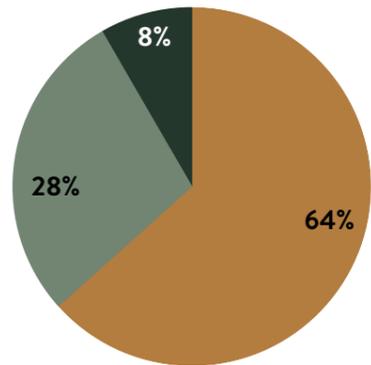
to the respective period in 2018. In the EU, the largest share of turnover was generated in Finland, amounting to EUR 2.5m.

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



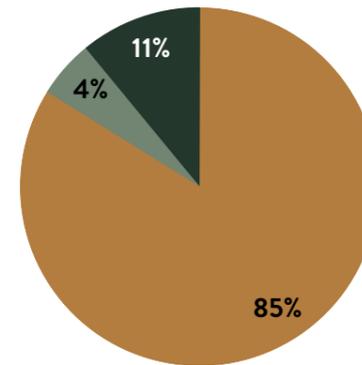
ES
LV
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Sales distribution in Latvia, the EU and outside EU (2018)



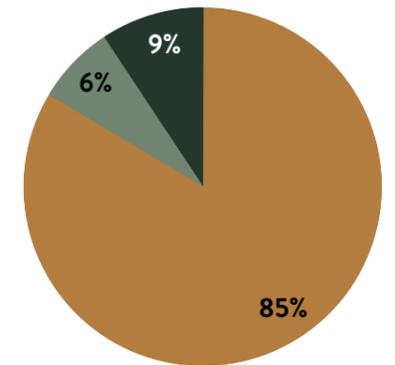
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Sales distribution by product categories (2019)



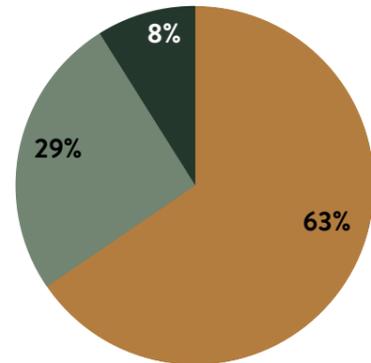
MADARA
MOSSA
Contract manufacturing

Sales distribution by product categories (2018)



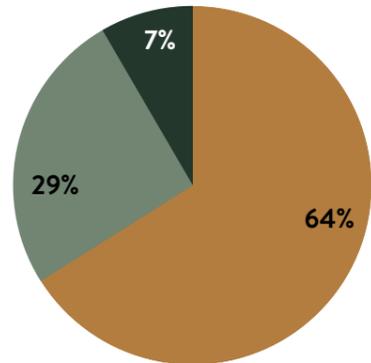
MADARA
MOSSA
Contract manufacturing

Sales distribution in Latvia, the EU and outside EU (2019 H2)



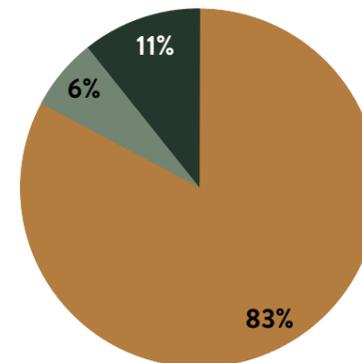
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Outside ES

Sales distribution in Latvia, the EU and outside EU (2018 H2)



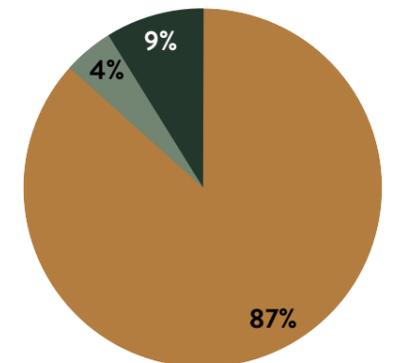
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Sales distribution by product categories (2019 H2)



MADARA
MOSSA
Contract manufacturing

Sales distribution by product categories (2018 H2)



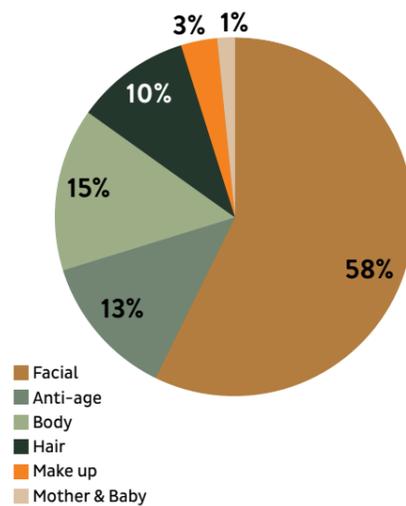
MADARA
MOSSA
Contract manufacturing

FINANCIAL INDICATORS

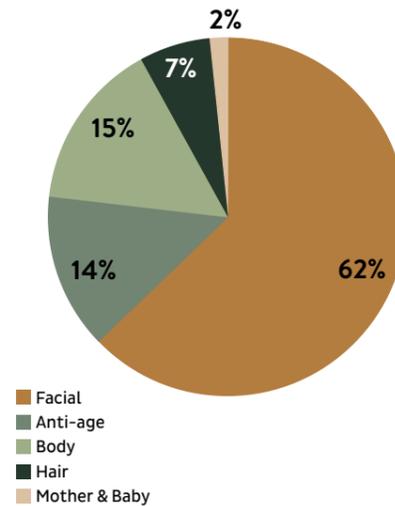
The breakdown of turnover by product categories indicates that the share of the MÁDARA brand remained unchanged on a year-on-year basis, but there has been a 2 percentage point increase in the MOSSA brand share and a 2 percentage point decrease in contract manufacturing. The increase in the MOSSA brand share was due to more resources allocated towards brand development.

The breakdown of MÁDARA by product groups has been affected by the newly launched products. The share of hair care products has increased by 3 percentage points on a year-on-year basis, due to the launch of functional hair products. Released in September 2019, makeup represents 3% of the MÁDARA turnover of the year 2019. Due to that, the share of other product categories of MÁDARA has decreased.

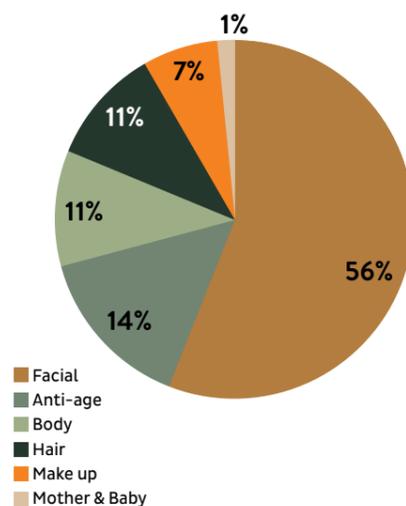
Sales distribution of MÁDARA products by categories (2019)



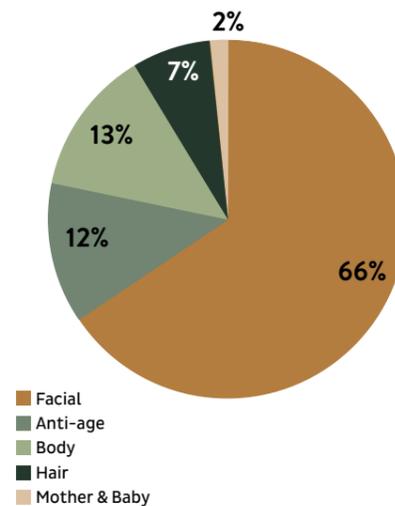
Sales distribution of MÁDARA products by categories (2018)



Sales distribution of MÁDARA products by categories (2019 H2)



Sales distribution of MÁDARA products by categories (2018 H2)



In 2019, the Company has exceeded EUR 10m in turnover. With a 21% increase compared to the previous year, the Company generated EUR 11.5m in turnover. EBITDA has risen by 11%, reaching EUR 2.2m in 2019. Profit for the year 2019 amounted to EUR 1.58m, a 4% increase compared to the respective period in 2018. Slower profit growth was attributable to the development costs of the new makeup project in the first half of the year, which had an

impact on profit margins. The second half of 2019 has been more successful for the Company compared to the same period last year, resulting in a 54% increase in profit. The Company foresees that the new makeup line will experience a significant sales boost over the next few years, contributing to the Company's long-term development. Turnover target of EUR 15 million in 2020 remains intact.

The main financial indicators are as follows.

Key ratios and indicators	2019	2018	2019 H2	2018 H2
Net turnover	11 545 151	9 529 315	5 954 989	4 853 360
Cost of goods sold	-4 469 341	-3 478 157	-2 335 968	-1 846 219
Gross profit	7 075 810	6 051 158	3 619 021	3 007 141
Depreciation, amortisation and write-downs	626 966	432 843	330 781	232 037
Leasehold improvements write-off expense	80 324	73 560	41 079	37 857
Operating profit	1 492 591	1 473 980	715 856	471 647
Interest income	105 869	64 776	63 787	38 593
Interest expense	-18 542	-22 002	-8 732	-10 387
Profit before taxes	1 579 918	1 516 579	770 911	499 853
Net profit for the period	1 579 918	1 516 579	770 911	499 719

Key ratios and indicators	2019	2018	2019 H2	2018 H2
EBITDA (TEUR)	2 200	1 980	1 088	742
Profitability and sustainability ratios				
1. Gross Margin (%)	61	64	61	62
2. Operating Margin (%)	13	15	12	10
3. Net Margin (%)	14	16	13	10
4. TTM ROE (%)	18	19	18	19
5. TTM ROA (%)	14	13	14	13
Liquidity ratios				
6. Current ratio (x)	6.19	6.65	6.19	6.65
7. Quick ratio (x)	3.95	4.76	3.95	4.76
8. Working capital (TEUR)	6 692	6 257	6 692	6 257
Leverage ratios				
9. Financial debt to equity (x)	0.02	0.27	0.02	0.27
10. Debt to equity (x)	0.14	0.17	0.14	0.17
11. Net financial debt (TEUR)	-2 139	-3 041	-2 139	-3 041
12. Net gearing (%)	-22.36	-36.06	-22.36	-36.06

* 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. Trailing 12 Months (TTM) Net Profit/Total equity (average)*100
5. TTM Operating profit/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

UNAUDITED CONSOLIDATED FINANCIAL REPORT

The financial statements have been prepared in accordance with Republic of Latvia accountancy Standards, full description coming in annual report.

CONSOLIDATED INCOME STATEMENT

By turnover method

	Notes	01.01.2019 -31.12.2019 (unaudited)	1.07.2019 -31.12.2019 (unaudited)	1.01.2018 -31.12.2018 (audited)	1.07.2018 -31.12.2018 (unaudited)
Net turnover	2	11 545 151	5 954 989	9 529 315	4 853 360
Cost of goods sold	3	-4 469 341	-2 335 968	-3 478 157	-1 846 219
Gross profit		7 075 810	3 619 021	6 051 158	3 007 141
Selling expenses	4	-4 492 535	-2 355 070	-3 554 105	-1 936 636
Administration expenses	5	-1 246 072	-607 331	-1 124 514	-638 315
Other operating income	6	233 876	99 225	174 479	88 073
Other operating expenses	7	-78 488	-39 989	-73 038	-48 616
Interest and similar income	8	105 869	63 787	64 776	38 593
Interest and similar expenses	9	-18 542	-8 732	-22 002	-10 387
Profit before corporate income tax		1 579 918	770 911	1 516 754	499 853
Corporate income tax for the financial year		-	-	-175	-134
Profit for the reporting period		1 579 918	770 911	1 516 579	499 719

The accompanying notes on pages 20 to 31 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Assets	Notes	31/12/2019 (EUR) (unaudited)	30/06/2019 (EUR) (unaudited)	31/12/2018 (EUR) (audited)	30/06/2018 (EUR) (unaudited)
Non-current assets					
Intangible assets					
Development costs		96 471	50 699	-	-
Concessions, licences, patents, trade marks and similar rights		500 154	427 687	380 227	173 132
Prepayments for intangible assets		85 075	42 444	2 325	66 081
Total intangible assets	10	681 700	520 830	382 552	239 213
Property, plant and equipment					
Land		213 722	213 722	213 722	133 237
Leasehold improvements		447 318	451 359	448 535	482 927
Plant and equipment		1 089 745	887 152	860 730	664 968
Other fixed assets		437 878	296 686	288 209	284 914
Construction in progress		20 700	7 797	243 178	78 298
Prepayments for property, plant and equipment		26 468	159 357	1 434	193 878
Total property, plant and equipment	11	2 235 831	2 016 073	2 055 808	1 838 222
Non-current financial investments					
Other non-current receivables and other receivables	12	40 000	40 000	42 491	70 600
Other securities and investments	13	826	826	826	826
Total non-current financial investments		40 826	40 826	43 317	71 426
Total non-current assets		2 958 357	2 577 729	2 481 677	2 148 861
Current assets					
Inventories					
Raw materials	14	1 532 696	1 168 339	1 039 634	1 047 088
Finished goods and goods for sale	15	1 130 398	994 880	875 982	872 665
Prepayments for inventories		217 445	465 348	174 519	203 831
Total inventories		2 880 539	2 628 567	2 090 135	2 123 584
Receivables					
Trade receivables	16	1 385 726	1 387 947	986 539	973 701
Other receivables	17	331 853	108 049	107 176	101 554
Accrued revenue		44 011	51 800	6 034	-
Deferred expenses		60 725	31 142	48 037	7 225
Total receivables		1 822 315	1 578 938	1 147 786	1 082 480
Total current financial investments	18	950 000	700 000	700 000	500 000
Cash	19	2 329 384	3 006 732	3 425 756	3 675 882
Total current assets		7 982 238	7 914 237	7 363 677	7 381 946
Total assets		10 940 595	10 491 966	9 845 354	9 530 807

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Notes	31/12/2019 (EUR) (unaudited)	30/06/2019 (EUR) (unaudited)	31/12/2018 (EUR) (audited)	30/06/2018 (EUR) (unaudited)
Equity					
Share capital	20	374 524	374 524	374 524	374 524
Share premium		4 023 454	4 023 454	4 023 454	4 023 454
Retained earnings:					
a) previous periods retained earnings		3 584 700	3 584 700	2 517 550	2 517 550
b) profit for the period		1 579 918	809 007	1 516 579	995 991
Total equity		9 562 596	8 791 685	8 432 107	7 911 519
Liabilities					
Non-current liabilities					
Bank borrowings	21	5 952	41 666	109 238	176 811
Other liabilities	22	81 546	111 301	140 680	169 686
Deferred revenue		-	11 824	56 287	100 750
Total non-current liabilities		87 498	164 791	306 205	447 247
Current liabilities					
Bank borrowings	21	103 286	135 145	135 145	135 145
Advances from customers		50 303	83 591	23 977	41 502
Trade payables		474 707	615 522	357 641	436 888
Taxes and social insurance contributions	23	150 615	166 097	103 496	94 385
Other payables	24	207 841	210 500	182 985	183 619
Deferred revenue		56 287	88 926	88 926	88 926
Accrued liabilities		247 462	235 709	214 872	191 576
Total current liabilities		1 290 501	1 535 490	1 107 042	1 172 041
Total liabilities		1 377 999	1 700 281	1 413 247	1 619 288
Total equity and liabilities		10 940 595	10 491 966	9 845 354	9 530 807

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2019 -31.12.2019 EUR (unaudited)	1.07.2019 -31.12.2019 EUR (unaudited)	1.01.2018 -31.12.2018 EUR (audited)	1.07.2018 -31.12.2018 EUR (unaudited)
Cash flow of operating activities					
Profit before taxes		1 579 918	770 911	1 516 741	499 853
Corrections:					
Depreciation of fixed assets	11	606 558	315 022	455 483	235 319
Amortisation of intangible assets	10	100 732	56 121	65 437	26 876
Fixed assets write-off		-	-	-	22 216
Revenue from the recognition of ERAF funds		-218 915	-142 062	-168 629	-78 739
Interest and similar income	8	-105 869	-63 787	-64 776	-38 597
Interest and similar expenses	9	18 542	8 732	22 002	10 387
Profit before adjustments for current assets and current liabilities		1 980 966	944 937	1 826 258	677 315
Corrections:					
Increase / decrease in receivables		-592 426	269 803	-367 050	-33 471
Increase / decrease in inventories		-748 492	-499 875	-382 084	29 625
Decrease / increase in payables and other payables		387 730	-181 240	114 007	-87 192
Gross cash flow of operating activities		1 027 778	533 625	1 191 131	586 277
Interest payments		-18 542	-8 732	-22 002	-10 387
Income tax payments		-	-	-100 709	-134
Net cash flow of operating activities		1 009 236	524 893	1 068 420	575 756
Investment activities cash flow					
Other investments		-250 000	-250 000	-200 000	-200 000
Acquisition of fixed assets and intangible assets		-1 186 461	-751 771	-1 139 942	-630 536
Issued loans		-250 000	-250 000	-2 491	-2 491
Proceeds of loan repayments		2 491	-	-	30 600
Received interest		105 869	63 787	64 776	38 597
Investment activities cash flow		-1 578 101	-1 187 984	-1 277 657	-763 830
Financing activities cash flow					
Proceeds from issue equity shares		-	-	-	-
Proceeds from ERAF funds		114 712	82 322	79 703	34 276
Repaid financial lease liabilities		-57 645	-29 006	-58 838	-28 755
Dividends paid		-449 429	-	-337 072	-
Repaid loan	21	-135 145	-67 573	-135 145	-67 573
Financing activities cash flow		-527 507	-14 257	-451 352	-62 052
Decrease / increase in cash and cash equivalents		-1 096 372	-677 348	-660 589	-250 126
Cash and cash equivalents at the beginning of the reporting period	19	3 425 756	3 006 732	4 086 345	3 675 882
Cash and cash equivalents at the end of the financial period	19	2 329 384	2 329 384	3 425 756	3 425 756

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (EUR)	Share premium (EUR)	Retained earnings (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
Profit for the reporting period	-	-	770 911	770 911
Balance as of 31 December 2019 (unaudited)	374 524	4 023 454	5 164 618	9 562 596

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(2) NET TURNOVER

Turnover is the revenue generated during the period from the Group's main operating activities – the wholesale of goods and provision of the services less value added tax and discounts given. The revenue generated from production and wholesale of cosmetic products.

Turnover by geographical markets:

	1.01.2019 -31.12.2019 EUR (unaudited)	1.01.2018 -31.12.2018 EUR
Revenue from the sale of goods in European Union	7 551 346	5 991 218
Revenue from the sale of goods in Latvia	3 091 768	2 702 891
Revenue from the sale of goods in other markets	711 383	741 522
Revenue from rendering services	178 564	93 407
Revenue from the sale of stands	12 090	-
Other revenue	-	277
Total	11 545 151	9 529 315

(3) COST OF GOODS SOLD

	1.01.2019 -31.12.2019 EUR (unaudited)	1.01.2018 -31.12.2018 EUR
Materials cost	2 167 325	1 631 384
Remuneration for work	858 195	713 236
Fixed asset depreciation	438 538	307 177
Social security contributions	206 709	171 943
Premises rent and management costs	149 123	149 123
Current assets write-off	147 662	140 493
Production service costs	147 390	96 874
New product research and development costs	141 733	80 440
Leasehold improvements write-off	66 741	64 487
Resource costs	56 982	53 212
ECOCERT quality certificate maintenance costs	25 331	27 101
Business trip costs	17 143	17 617
Purchased goods and services for sale	15 134	-
Car maintenance, fuel and repair costs	10 206	-
Other production and production maintenance costs	21 129	25 070
Total	4 469 341	3 478 157

(4) SELLING EXPENSES

	1.01.2019 -31.12.2019 EUR (unaudited)	1.01.2018 -31.12.2018 EUR
Advertising costs	1 312 677	927 626
Remuneration for work	1 053 080	859 726
Sample production costs	523 054	508 035
Transport costs	482 518	425 054
Social security contributions	255 038	207 416
Marketing bonus costs	215 686	147 174
Business trip and exhibitions costs	166 543	146 195
Premises rent and maintenances costs	131 292	106 270
Intermediate services costs	93 669	59 775
Maintenance costs of sales platforms	41 927	24 054
Fixed asset depreciation	41 258	35 466
Costs of warehouse services	22 562	7 793
Car maintenance, fuel and repair costs	22 000	21 686
Sales training and store inspection costs	17 279	11 319
Royalties	16 970	2 852
Leasehold improvements write-off	13 583	9 073
Representation costs	8 739	23 483
Other sales expenses	74 660	31 108
Total	4 492 535	3 554 105

(5) ADMINISTRATION EXPENSES

	1.01.2019 -31.12.2019 EUR (unaudited)	1.01.2018 -31.12.2018 EUR
Remuneration for work	500 389	421 787
Depreciation and amortisation	147 170	90 200
Office costs	127 801	111 185
Social security contributions	119 258	100 516
Cash outflow related costs	78 124	66 851
Premises rent and maintenances costs	71 712	71 712
Staff sustainability costs	39 101	17 979
Costs related to the circulation of securities	20 980	11 099
Car maintenance, fuel and repair costs	20 284	15 143
Communication costs	19 813	20 832
Legal and other professional service costs	16 417	31 024
Employee health insurance	14 633	9 837
Audit costs	12 840	15 680
Work trip costs	5 562	-
Allowance for doubtful receivables	1 491	57 092
Other management and administration costs	50 497	83 577
Total	1 246 072	1 124 514

(6) OTHER OPERATING INCOME

	1.01.2019 -31.12.2019 EUR (unaudited)	1.01.2018 -31.12.2018 EUR
Revenues from the ERAF project No L-APV-14-0111	88 926	88 926
Revenues from other ERAF projects	129 989	79 703
Other revenues	14 961	5 850
Total	233 876	174 479

(7) OTHER OPERATING EXPENSES

	1.01.2019 -31.12.2019 EUR (unaudited)	1.01.2018 -31.12.2018 EUR
Nature protection costs	22 383	10 992
Donations	12 500	20 000
Resold purchased goods and services	4 917	21 154
Labor protection costs	3 783	3 786
Other expenses	34 905	17 106
Total	78 488	73 038

(8) INTEREST AND SIMILAR INCOME

	1.01.2019 -31.12.2019 EUR (unaudited)	1.01.2018 -31.12.2018 EUR
Interest income on current financial investments	100 729	54 555
Other interest income	5 140	10 221
Total	105 869	64 776

(9) INTEREST AND SIMILAR EXPENSES

	1.01.2019 -31.12.2019 EUR (unaudited)	1.01.2018 -31.12.2018 EUR
Interest on borrowings	6 235	10 886
Interest on obligations under finance leases	4 361	5 830
Currency exchange rate fluctuations	4 223	3 217
Factoring fees	3 238	1 805
Other interest payments	485	264
Total	18 542	22 002

(10) INTANGIBLE ASSETS

	Concessions, patents, licenses, trademarks and similar rights	Prepayments for intangible assets	Development costs	Total intangible assets
Cost as of 31.12.2018	463 859	2 325	-	466 184
Additions	-	311 115	96 471	407 586
Adjustments	487	-7 706	-	-7 219
Transfers	220 659	-220 659	-	-
Disposals	-285	-	-	-285
Cost as of 31.12.2019	684 720	85 075	96 471	866 266
Accumulated amortisation as of 31.12.2018	83 632	-	-	83 632
Amortization charged	100 732	-	-	100 732
Adjustments	487	-	-	487
Disposals	-285	-	-	-285
Accumulated amortisation as of 31.12.2019	184 566	-	-	184 566
Net book value as of 31.12.2018	380 227	2 325	-	382 552
Net book value as of 31.12.2019	500 154	85 075	96 471	681 700

(11) FIXED ASSETS MOVEMENT TABLE

	Leasehold improvements	Land	Equipment and machinery	Other fixed assets	Construction in progress	Prepayments 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	-	-	-	-	763 428	522 169	1 285 597
Disposals	-	-	-47 122	-24 472	-1 881	-497 135	-570 610
Transfers	79 109	-	648 236	256 680	-984 025	-	-
Cost as of 31.12.2019	754 227	213 722	2 755 566	733 317	20 700	26 468	4 504 000
Accumulated depreciation as of 31.12.2018	226 583	-	1 293 722	212 900	-	-	1 733 205
Depreciation charged	80 326	-	419 221	107 011	-	-	606 558
Disposals	-	-	-47 122	-24 472	-	-	-71 594
Accumulated depreciation as of 31.12.2019	306 909	-	1 665 821	295 439	-	-	2 268 169
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 31.12.2019	447 318	213 722	1 089 745	437 878	20 700	26 468	2 235 831

(12) OTHER NON-CURRENT RECEIVABLES AND OTHER RECEIVABLES

	31/12/2019 EUR	31/12/2018 EUR
Rent security deposit	40 000	40 000
Other receivables	-	2 491
Total	40 000	42 491

(13) OTHER SECURITIES AND INVESTMENTS

	31/12/2019 EUR	31/12/2018 EUR
Other investments	826	826
Total	826	826

(14) RAW MATERIALS

	31/12/2019 EUR	31/12/2018 EUR
Net book value of raw materials	1 544 696	1 051 090
Allowance for slow moving inventories	-12 000	-11 456
Total	1 532 696	1 039 634

(15) FINISHED GOODS AND GOODS FOR SALE

	31/12/2019 EUR	31/12/2018 EUR
Cosmetic products	1 050 084	848 024
Advertising materials	80 314	27 958
Total	1 130 398	875 982

(16) TRADE RECEIVABLES

	31/12/2019 EUR	31/12/2018 EUR
Net book value of trade receivables	1 444 309	1 043 631
Allowance for doubtful trade receivables	-58 583	-57 092
Total	1 385 726	986 539

(17) OTHER RECEIVABLES

	31/12/2019 EUR	31/12/2018 EUR
Short term loan to SIA KALVI *	250 000	-
Advance payment for bond coupons	32 527	-
Security deposit for leased retail premises	28 027	19 729
Balance of unpaid collected cash	7 405	3 860
Payments in PAY PAL system	2 259	8 261
CIT overpayment	256	53 801
Other receivables	11 379	21 525
Total	331 853	107 176

* Loan granted to SIA KALVI, co-owned by Uldis Iltners and Lote Tisenkopfa-Iltnere, approved by the Council of the Parent Company. Loan repayment due 18 August 2020, annual interest rate - 5%.

(18) TOTAL CURRENT FINANCIAL INVESTMENTS

	31/12/2019 EUR	31/12/2018 EUR
Short term financial securities (bonds) with a fixed income	950 000	700 000
Total	950 000	700 000

(19) CASH

	31/12/2019 EUR	31/12/2018 EUR
Cash in bank accounts	2 329 384	3 425 756
Total	2 329 384	3 425 756

(20) SHARE CAPITAL

As of 31 December 2019, the registered and fully paid-in share capital of the Group's parent Company amounts EUR 374 524.20 and consists of 3 745 242 shares with a nominal value of EUR 0.10 per share.

(21) BANK BORROWINGS

	31/12/2019 EUR	31/12/2018 EUR
SWEDBANK loan - agreement No 14-009243	77 379	148 807
SWEDBANK loan - agreement No 15-025534	31 859	95 576
Total bank borrowings	109 238	244 383

NON-CURRENT BORROWINGS

SWEDBANK loan - agreement No 14-009243	5 952	77 379
SWEDBANK loan - agreement No 15-025534	-	31 859
Total non-current borrowings	5 952	109 238

CURRENT BORROWINGS

SWEDBANK loan - agreement No 14-009243	71 427	71 427
SWEDBANK loan - agreement No 15-025534	31 859	63 718
Total current borrowings	103 286	135 145

Total bank borrowings	109 238	244 383
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BORROWINGS SPLIT BY MATURITY

Less than 1 year	103 286	135 145
Over 1 year	5 952	109 238
Total borrowings	109 238	244 383

BORROWINGS SPLIT BY CURRENCY

EUR	109 238	244 383
Total borrowings	109 238	244 383

MOVEMENT IN BORROWINGS

Borrowings at the beginning of the reporting period	244 383	379 528
Proceeds from borrowings	-	-
Repayment of borrowings	-135 145	-135 145
Borrowings at the end of the reporting period	109 238	244 383

BORROWINGS INTEREST RATES

As of 31 December 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 31 December 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 31 December 2019, the Company had complied with all loan covenants of the borrowing agreements.

(22) OTHER NON-CURRENT LIABILITIES

	31/12/2019 EUR	31/12/2018 EUR
Lease liabilities	81 546	140 680
Total other non-current liabilities	81 546	140 680

(23) TAXES AND SOCIAL INSURANCE CONTRIBUTIONS

	31/12/2019 EUR	31/12/2018 EUR
Social insurance contributions	68 455	56 972
Value added tax	50 337	18 525
Personal income tax	31 771	27 781
Other taxes and duties	52	218
Total	150 615	103 496

(24) OTHER CURRENT LIABILITIES

	31/12/2019 EUR	31/12/2018 EUR
Salaries	130 391	105 233
Lease liabilities	59 134	57 645
Balance of gift cards	15 519	16 063
Other liabilities	2 797	4 044
Total other current liabilities	207 841	182 985

(25) TRANSACTIONS WITH RELATED PARTIES

Related party	Sales of goods and services	Purchases of goods and services
MC PROPERTIES SIA	-	220 835
Wolf Candles SIA	-	1 201
Total	-	222 036

(26) NUMBER OF EMPLOYEES IN THE GROUP

	31/12/2019 EUR	31/12/2018 EUR
Average number of employees per reporting period, including:	146	123
Members of the Board in the Parent Company	3	3
Members of the Council in the Parent Company	5	5

(27) INFORMATION ON THE REMUNERATION OF COUNCIL AND BOARD MEMBERS OF THE PARENT COMPANY

	31/12/2019 EUR	31/12/2018 EUR
Board members remuneration for the work at the Board	9 846	9 332
Council members remuneration for the work at the Council	5 914	3 643
Total	15 760	12 975

(28) 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). The agreement matures in 2025.

On 30 June 2015, a mortgage agreement was signed between Swedbank A/S and MC Properties SIA regarding premises leased to the Group's parent company. As a pledge for the agreement stands MC Properties real estate located in Zeltinu street 131, Marupe. The Parent company is the warrantor of the pledge for the total amount of EUR 646 153.

(29) RECEIVED ERAF FINANCING

In 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 in and received funding from European Union support programs.

(30) 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 foreign currencies. Therefore, during the reporting period the Group's exposure to foreign currency risk was not significant.

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.

(31) POST BALANCE SHEET EVENTS

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment or disclosure in the financial statements or notes thereto.



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