

A woman with long, flowing blonde hair stands in a vast, green field under a cloudy sky. She is wearing a dark, sleeveless dress. The background shows rolling hills and some distant trees.

MÁDARA

organic skincare

**MANAGEMENT REPORT
OF AS MADARA COSMETICS ON
THE UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS FOR 6 MONTHS
OF 2023 REPORTING PERIOD**

**REPORTING PERIOD
01.01.2023 – 30.06.2023**



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GENERAL INFORMATION ABOUT THE GROUP

Name of the Group	MADARA Cosmetics AS
Parent Company	MADARA Cosmetics AS
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%) as of 19.06.2023	Uldis Iltners – owns 23.90% of shares Lote Tisenkopfa - Iltnere – owns 23.73% of shares Oy Transmeri Group Ab – owns 22.91% of shares Liene Drāzniece – owns 6.78% of shares Zane Tamane – owns 6.34% 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 Retail sale via mail order houses or via Internet 47.91
The board members of the Parent Company	Lote Tisenkopfa - Iltnere – Chairman of the Board Uldis Iltners – Member of the Board Tatjana Nagle – Member of the Board Gunta Šulte - Member of the Board from 12.07.2023.
Council of the Parent Company	Anna Ramata Stunda – Chairman of the Council Liene Drāzniece – Deputy Chairman of the Council Anna Andersone – Member of the Council Edgars Pētersons – Member of the Council Sari Hannele Rosin – Member of the Council
Reporting period	01.01.2023 until 30.06.2023
Previous reporting period	01.01.2022 until 30.06.2022
Subsidiaries of the Group	Madara Retail SIA, reg. No 40103212103 – 100% Cosmetics Nord SIA, reg. No 40103277805 – 100% Nord Beauty SIA, reg. No 40203354922 - 100% of shares owned by Cosmetics Nord SIA Madara Cosmetics GmbH, reg No HRB 177689 - 100%

DEAR SHAREHOLDERS OF AS MADARA COSMETICS,

I AM VERY PLEASED TO JOIN THE TEAM. I SEE HUGE POTENTIAL FOR THE RAPID GROWTH OF THE MÁDARA BRAND IN EUROPEAN MARKETS. TO MAKE THIS HAPPEN, OUR MOST IMPORTANT TASKS WILL BE TO INVEST IN TALENTS AND DIGITAL COMMUNICATION, AS WELL AS IN ATTRACTING NEW B2C AND B2B CUSTOMERS.

WE ARE PARTICULARLY OPTIMISTIC ABOUT THE FRENCH AND GERMAN MARKETS, WHERE IN THE FIRST HALF OF 2023 WE HAVE ACHIEVED HEALTHY GROWTH ABOVE THE INDUSTRY AVERAGE, PARTICULARLY IN THE MAKE-UP CATEGORY. THE MADARA BRAND DIRECT E-COMMERCE CHANNEL HAS ALSO ACHIEVED SIGNIFICANT GROWTH.

OUR SALES GROWTH IN THESE FOCUS MARKETS HAS OFFSET OUR SALES DECLINE IN THE FINNISH MARKET IN THE FIRST HALF OF THIS YEAR.

WE CONTINUE TO UPGRADE THE AS MADARA COSMETICS PRODUCTION FACILITY – WITH SUPPORT FROM THE LIAA AND NORWAY GRANTS WE HAVE ACQUIRED THREE NEW PRODUCTION AND ONE FILLING MACHINE. THIS INVESTMENT WILL NOT ONLY ALLOW US TO MANUFACTURE PRODUCTS MORE EFFICIENTLY AND SUSTAINABLY, BUT ALSO TO ENTER NEW COSMETICS SEGMENTS (E.G., PRESSED POWDERS). THE NEW MACHINES WILL BE OPERATIONAL IN THE SECOND HALF OF 2023.

IN THE NEXT HALF OF THE YEAR, WE WILL ALSO CONTINUE TO WORK ACTIVELY ON ATTRACTING NEW CUSTOMERS AND DEVELOPING AND LAUNCHING NEW INNOVATIVE PRODUCTS.



GUNTA ŠULTE,
CEO OF AS MADARA COSMETICS

A stylized, handwritten signature in white ink, which appears to read 'Gunta Šulte', positioned in the bottom right corner of the page.

THE MOST SIGNIFICANT EVENTS



FOCUS ON TINTED MAKE-UP

We have launched successful awareness and sales promotion campaigns focusing on MÁDARA products with skin tone correcting properties (foundations, CC creams, tinted moisturisers and concealers), demonstrating the brand's expertise in this category. A study conducted in the summer of 2023 with 3009 respondents confirms that MÁDARA's tinting cosmetics is currently the No 1 choice in Latvia, with customers appreciating not only the make-up effect but also the natural and safe formulation of the cosmetics. Of the respondents who buy make-up (BB creams and CC creams) with a skin tone correcting effect, 23% confirm that MÁDARA products are their first choice. The campaign has resulted in a 35% increase in sales of tinting products in the channels of French partner NUOO compared to the same period last year. The campaign continues in the next half of the year. The expected y-o-y increase in sales in the second half of the year of this product category: +25%. The newly developed Skinonym Semi-Matte Peptide Foundation has also been released. In response to demand from customers and industry professionals, the range of shades will be extended in the near future to meet the needs of all customers – especially in the brand's focus markets.

FOCUS OF PRODUCT SETS

Based on our research into market needs and seeing the high potential of gift and travel sets to appeal to both new and existing customers of the brand, we have developed and launched 7 new cosmetic sets in the first half of 2023. They combine both full-size products and miniature versions of MÁDARA's most sought-after products, giving customers the opportunity not only to buy their favourite products at a better price or choose an appropriately designed gift, but also to try and explore popular formulas in a smaller package that is also suitable for travel or everyday use. In the second half of the year, the collection will be expanded with several new sets.



60 NEW SALES CHANNELS IN FRANCE

MÁDARA brand cosmetics was welcomed in 60 new sales channels in France in the first half of 2023.

“We carefully evaluate each sales channel and adapt to the local market and customer, which has allowed us to be very successful. I am very happy to see how many French customers and beauticians appreciate our natural cosmetics.”

Aurelia Ohlsson, Export Account Specialist



SUSTAINABILITY AND PROCESS EFFICIENCY

We continue to introduce new solutions to improve our sustainability performance. We have improved the design and construction of our product displays, giving preference to more environmentally friendly, reusable and recyclable materials.

New product development focuses on the use of ethically sourced and innovative raw materials with performance comparable to synthetic ingredients used in conventional cosmetics. We are also systematically reviewing earlier implemented packaging solutions in search of more modern and sustainable alternatives. This includes striving to increase the share of recycled materials – research shows that packaging made from recycled plastics produces 5 times less CO₂ than newly produced plastics.

The full ESG report will be published soon here:

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



SALES

Our consolidated turnover in the first half of 2023 reached EUR 10.28 million, marking a modest increase of 0.7% compared to the same period last year. This growth, while restrained, reflects our ability to navigate market fluctuations and maintain a steady trajectory.

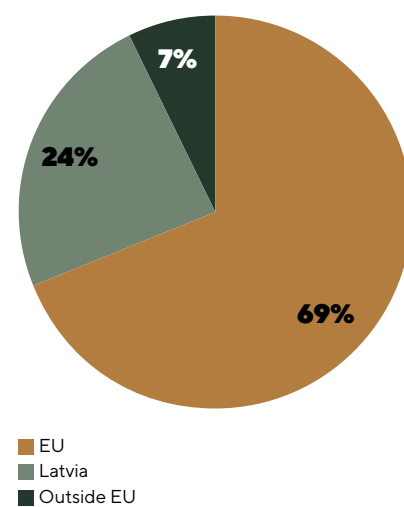
The geographical distribution of our turnover for the first half of 2023 mirrors the pattern observed in the same period of 2022, 93% of our turnover was generated within the European Union, including Latvia. Meanwhile, 7% of our turnover originated from outside the European Union.

It is worth noting that Finland, while still our largest market outside Latvia, experienced a challenge in this period, with a decline of more than 40% in revenue. Over the past year, the adoption of a new inventory planning system and practices by our product distributor in Finland has led to an unexpected consequence of overstocking, subsequently contributing to reduced order volumes during the first half of 2023.

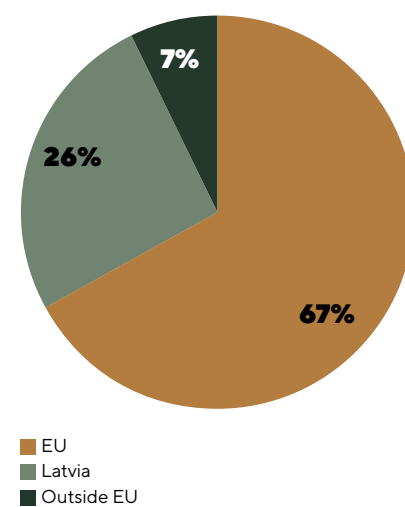
While this decline is significant, it also underscores the importance of our diversification efforts. Our proactive strategies, such as direct distribution models and localized initiatives, have allowed us to manage the impact of these fluctuations better and seek opportunities for recovery faster.

Excluding Finland we witnessed double digit growth in our key European markets. Our biggest strategic European markets, Germany and France, each achieved revenue growth rates exceeding 15%, while growth in smaller markets with a direct distribution model such as the Netherlands, Sweden and the United Kingdom surpassed 20%.

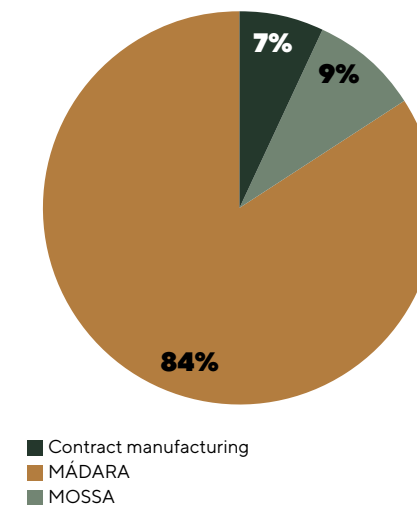
Sales distribution in Latvia, the EU and outside EU (2023 H1)



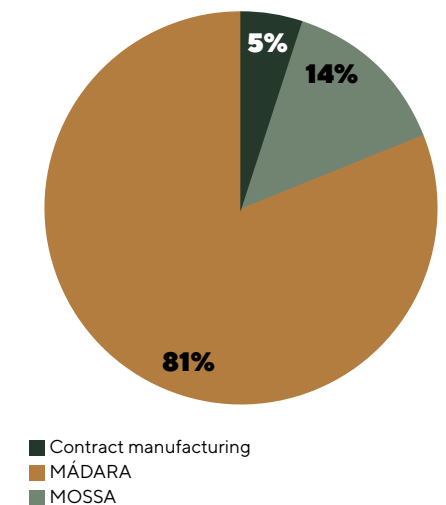
Sales distribution in Latvia, the EU and outside EU (2022 H1)



Sales distribution by product categories (2023 H1)



Sales distribution by product categories (2022 H1)



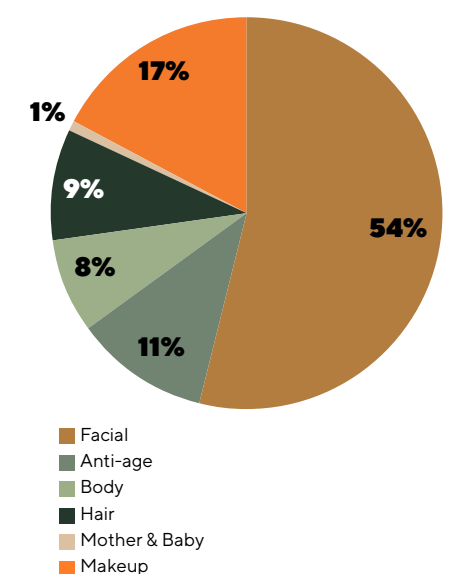
In the first half of 2023, MĀDARA brand's share increased by 3 percentage points, while the MOSSA brand share decreased by 5 percentage points. The decrease in the share of the MOSSA brand is attributed to the overall

situation in the Finnish market, which is its largest market. Also, we note that the share of contract manufacturing is up by 2 percentage points.

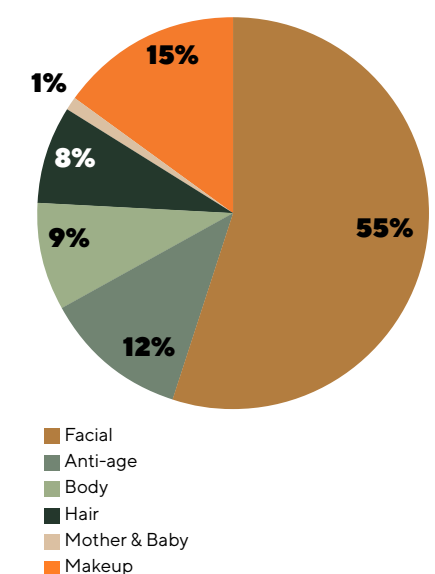
The category performance of MĀDARA products in the first half of 2023 showcases consistent strengths. The facial category remains at the forefront, contributing 54% of sales, marginally lower than in the first half of the previous year. Similarly, the anti-age segment retains

its significance at 11%, down by 1 percentage point year-on-year. On the other hand, the makeup category has increased by 2 percentage points and stood at 17% in the first half of 2023.

Sales distribution of MĀDARA products by categories (2023 H1)



Sales distribution of MĀDARA products by categories (2022 H1)



FINANCIAL INDICATORS

In the first half of 2023, the turnover of the Company amounted to EUR 10.282 million. While turnover growth in the first half of 2023 was modest, gross profit increased by 5% and profit before taxes increased by 3% compared to the same period last year and reached EUR 1.3 million. Our gross margin improved by 3 percentage points while the profit before tax margin improved by 1 percentage point indicating that we have managed to maintain stable profitability with similar turnover result.

SELFNAMED.COM operated with losses of EUR 134 970, which also negatively affected the profitability of the Group (see more about SELFNAMED.COM on page 16).

In line with our commitment to delivering value to our shareholders, EUR 1.321 million (EUR 0.35 per share) were paid out in dividends, consequently more than EUR 300 thousand were paid in taxes.

Management guidance for the turnover target in 2023 remains unchanged at EUR 22 million.

Key ratios and indicators	2023 H1 EUR	2022 H1 EUR
Net turnover	10 282 041	10 212 458
Cost of goods sold	(3 259 713)	(3 550 592)
Gross profit	7 022 328	6 661 866
Depreciation, amortisation and write-downs	398 352	485 814
Leasehold improvements write-off expense	47 297	44 336
Operating profit	1 320 711	1 274 835
Interest income	1 260	384
Interest expense	(12 227)	(1 738)
Profit before taxes	1 309 744	1 273 481
Net profit for the period	983 689	840 489

Key ratios and indicators	2023 H1	2022 H1
EBITDA (TEUR)	1 766	1 805
Profitability and sustainability ratios		
1. Gross Margin (%)	68	65
2. Operating Margin (%)	13	12
3. Net Margin (%)	10	8
4. TTM ROE (%)	9	19
5. TTM ROA (%)	10	19
Liquidity ratios		
6. Current ratio (x)	2.95	4.54
7. Quick ratio (x)	1.91	2.98
8. Working capital (TEUR)	8 810	9 186
Leverage ratios		
9. Financial debt to equity (x)	0.00	0.00
10. Debt to equity (x)	0.33	0.19
11. Net financial debt (TEUR)	(6 530)	(5 360)
12. Net gearing (%)	(43)	(40)

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

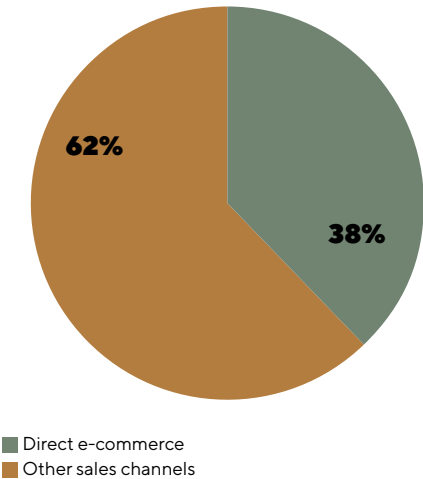
1. Gross profit/Net turnover*100
2. Operating profit/Net turnover*100
3. Net profit/Net turnover*100
4. Trailing 12 Months (TTM) Net Profit/Total equity (average)*100
5. TTM Operating profit/Total assets (average)*100
6. Current assets/Current liabilities
7. (Current assets-Inventories)/Current liabilities
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

E-COMMERCE INDICATORS

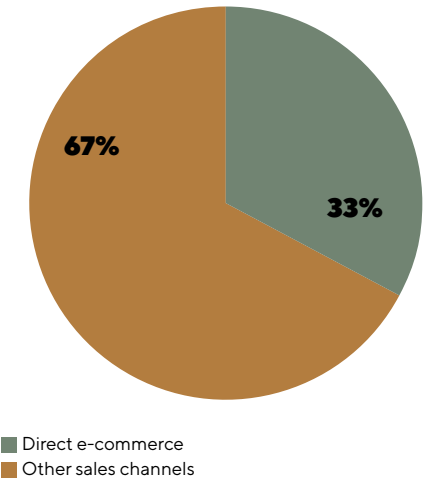
The direct e-commerce contribution was substantial, accounting for 38% of the Parent Company’s revenue in the first half of 2023, which is a 5 percentage point improvement compared to the corresponding period last year. In addition, direct e-commerce revenue grew by 17%, which reflects the effectiveness of our efforts to enhance online customer engagement and optimize user

experience. The Company continued attracting new direct e-commerce customers, as 29% of our sales in this period were attributed to new customers. This showcases our capacity to not only retain our existing customer base but also effectively tap into new markets and demographics. Our biggest strategic markets, Germany and France, achieved 17% and 10% revenue growth, accordingly.

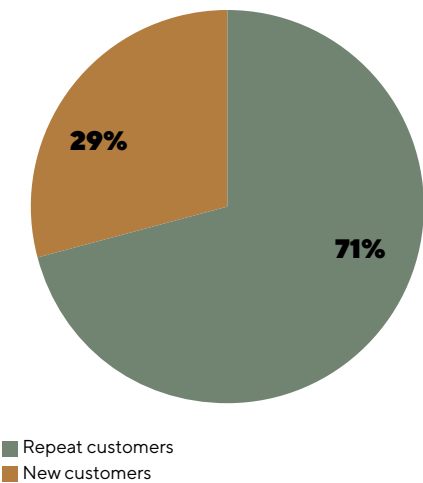
Direct e-commerce share (2023 H1)



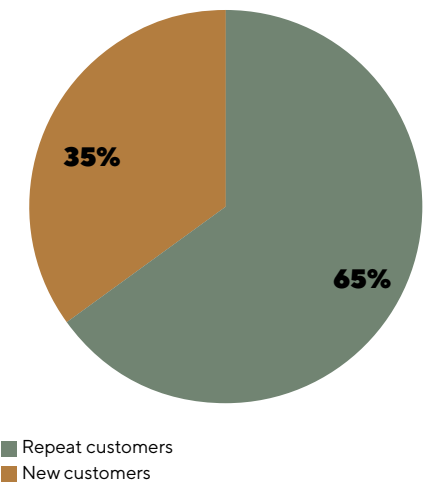
Direct e-commerce share (2022 H1)



Revenue split by customer type (2023 H1)



Revenue split by customer type (2022 H1)



SELFNAMED DEVELOPMENT

In the first half of 2023, SELFNAMED.COM implemented a number of major platform improvements, including the introduction of a mock-up builder that allows the client to automatically build product images with the created designs. Thanks to a number of actions aimed at improving the user experience, the qualitative and quantitative performance of the SELFNAMED.COM platform has improved substantially. In the first half of the year, 50% more users registered on the platform than in the previous half-year. Other indicators have also improved: average time spent on the platform (+50.35%), average number of pages visited (+41.56%). Integrations with WooCommerce and Shopify were completed in the first half of the year, with their integration to the website planned for the second half of the year.

German language content was also added to the website, which has allowed to expand the customer base in Germany. Currently, the biggest export countries for SELFNAMED.COM are the United Kingdom, followed by Germany.

The existing product range has been expanded with 6 new body care products, which will allow to gain new customers in the hospitality segment. At the beginning of the year, 2 facial care products were added to the range, which have already become ones of the best-selling products.

In the second half of the year, SELFNAMED.COM plans to add WooCommerce and Shopify integrations to the

website, as well as more body and facial care products to continue its growth and reach new target audiences.

Turnover for the first half of 2023 stands at EUR 248 009, showcasing substantial 691% growth compared to the EUR 35 908 achieved the same period last year. The achieved turnover demonstrates strong market interest in the recently launched print-on-demand service.

Our gross profit for the first half of 2023 reached EUR 80 358, a significant turnaround from the loss of EUR 40 541 in the same period last year. Sales volume increase directly contributed to the positive gross profit and gross profit margin of 32%.

We continued to actively invest in the marketing of the new business to drive faster expansion, which made up a significant part of the sales costs. As a result, in the first half of 2023, SELFNAMED.COM worked with losses of EUR 173 912 and EBITDA of EUR -134 970.

While the bottom line currently is negative, our conviction remains unwavering – this business direction has a healthy growth and profitability potential. We are confident that our strategic direction aligns with our long-term objectives, but to fully realize its benefits, it is imperative that higher sales volumes are achieved, which will play a pivotal role in not only offsetting fixed costs but also covering the costs related to brand recognition, a vital investment for the continued success.

Key ratios and indicators	2023 H1 EUR	2022 H1 EUR
Net turnover	248 009	35 908
Cost of goods sold	167 651	76 449
Gross profit	80 358	(40 541)
Profit before taxes	(173 912)	(142 700)
EBITDA	(134 970)	(124 470)

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





CONSOLIDATED FINANCIAL REPORT

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

CONSOLIDATED INCOME STATEMENT

Classified by function of expense.

	Note	1.01.2023 -30.06.2023 EUR (unaudited)	1.01.2022 -30.06.2022 EUR (unaudited)
Net turnover	2	10 282 041	10 212 458
Cost of goods sold	3	(3 259 713)	(3 550 592)
Gross profit		7 022 328	6 661 866
Selling expenses	4	(4 506 527)	(4 458 117)
Administration expenses	5	(1 050 424)	(888 333)
Other operating income	6	20 112	84 323
Other operating expenses	7	(164 778)	(124 904)
Interest and similar income	8	1 260	384
Interest and similar expenses	9	(12 227)	(1 738)
Profit before corporate income tax		1 309 744	1 273 481
Corporate income tax for the reporting period		(326 055)	(432 992)
Profit for the reporting period		983 689	840 489

The accompanying notes on pages 24 to 31 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Assets	Note	30.06.2023 EUR (unaudited)	31.12.2022 EUR (audited)
Non-current assets			
Intangible assets			
Concessions, licences, patents, trade marks and similar rights		1 235 448	1 188 664
Other intangible investments		24 516	27 646
Prepayments for intangible assets		-	16 369
Total intangible assets	10	1 259 964	1 232 679
Property, plant and equipment			
Land		468 722	468 722
Leasehold improvements		282 234	312 688
Plant and equipment		1 505 221	1 450 499
Other fixed assets		426 888	388 621
Construction in progress		630 538	273 670
Prepayments for property, plant and equipment		15 940	233 200
Total property, plant and equipment	11	3 329 543	3 127 400
Non-current financial investments			
Other non-current receivables and other receivables	12	87 972	82 736
Other securities and investments		826	826
Total non-current financial investments		88 798	83 562
Total non-current assets		4 678 305	4 443 641
Current assets			
Inventories			
Raw materials	13	2 393 747	2 642 042
Finished goods and goods for sale	14	1 984 120	1 221 757
Prepayments for inventories		326 887	376 133
Total inventories		4 704 754	4 239 932
Receivables			
Trade receivables	15	1 725 763	1 385 528
Other receivables	16	207 304	155 219
Accrued revenue		200	24 421
Deferred expenses		152 602	55 196
Total receivables		2 085 869	1 620 364
Cash	17	6 530 092	5 950 884
Total current assets		13 320 715	11 811 180
Total assets		17 999 020	16 254 821

The accompanying notes on pages 24 to 31 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	30.06.2023 EUR (unaudited)	31.12.2022 EUR (audited)
Equity			
Share capital	18	377 391	377 391
Share premium		4 023 454	4 023 454
Retained earnings:			
a) prior year retained earnings		8 103 537	8 304 031
b) profit for the period		983 689	1 120 826
Total equity		13 488 171	13 825 702
Liabilities			
Non-current liabilities			
Other liabilities		-	130 518
Total non-current liabilities		-	130 518
Current liabilities			
Advances from customers		170 995	93 592
Trade payables		1 238 237	1 082 166
Taxes and social insurance contributions	19	770 663	352 949
Other payables	20	276 744	247 744
Deferred revenue		230 940	3 922
Unpaid dividends		1 321 220	-
Accrued liabilities	21	502 050	518 228
Total current liabilities		4 510 849	2 298 601
Total liabilities		4 510 849	2 429 119
Total equity and liabilities		17 999 020	16 254 821

The accompanying notes on pages 24 to 31 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2023 -30.06.2023 EUR (unaudited)	1.01.2022 -30.06.2022 EUR (unaudited)
Cash flow of operating activities			
Profit before taxes		1 309 744	1 273 481
Corrections:			
Depreciation of fixed assets	11	258 137	288 802
Amortisation of intangible assets	10	187 512	257 427
Subsidies and grants received		(13 997)	(62 152)
Interest and similar income	8	(1 262)	(384)
Interest and similar expenses	9	665	1 298
Profit before adjustments for current assets and current liabilities		1 740 799	1 758 472
Corrections:			
Increase in receivables		(410 985)	(658 398)
(Increase) / decrease in inventories		(464 822)	290 645
Increase in payables and other payables		375 781	511 921
Gross cash flow of operating activities		1 240 773	1 902 640
Interest payments		(665)	(1 298)
Income tax payments		(276)	(432 992)
Net cash flow of operating activities		1 239 832	1 468 350
Investment activities cash flow			
Acquisition of fixed assets and intangible assets		(675 077)	(797 145)
Loans issued		-	-
Revenue from repayment of loans		-	-
Received interest		1 262	384
Investment activities cash flow		(673 815)	(796 761)
Financing activities cash flow			
Proceeds from subsidies and grants		13 191	347
Repaid financial lease liabilities		-	(21 201)
Dividends paid		-	(1 885 288)
Financing activities cash flow		13 191	(1 906 142)
Increase / (Decrease) in cash and cash equivalents		579 208	(1 234 553)
Cash and cash equivalents at the beginning of the reporting period	17	5 950 884	6 600 065
Cash and cash equivalents at the end of the reporting period	17	6 530 092	5 365 512

The accompanying notes on pages 24 to 31 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (EUR)	Share premium (EUR)	Retained earnings (EUR)	Total equity (EUR)
Balance as of 31 December 2021	377 058	4 023 454	10 189 652	14 590 164
Distribution of dividends	-	-	(1 885 288)	(1 885 288)
Increase of share capital	333	-	(333)	-
Profit for the reporting period	-	-	1 120 826	1 120 826
Balance as of 31 December 2022	377 391	4 023 454	9 424 857	13 825 702
Distribution of dividends	-	-	(1 321 220)	(1 321 220)
Increase of share capital	100	-	(100)	-
Profit for the reporting period	-	-	983 689	983 689
Balance as of 30 June 2023 (unaudited)	377 491	4 023 454	9 087 226	13 488 171

The accompanying notes on pages 24 to 31 are an integral part of these consolidated financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(2) 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.

	1.01.2023 -30.06.2023 EUR (unaudited)	1.01.2022 -30.06.2022 EUR (unaudited)
Turnover by geographical markets:		
Revenue from the sale of goods in the European Union	7 004 968	6 841 318
Revenue from the sale of goods in Latvia	2 439 702	2 644 890
Revenue from the sale of goods in other markets	746 817	662 094
Revenue from the sale of services	82 066	62 006
Other revenue from operating activities	8 488	2 150
Total	10 282 041	10 212 458
(3) Cost of goods sold		
Materials cost	1 404 937	1 785 033
Remuneration for work	826 073	759 307
Social security contributions	194 586	179 117
Depreciation and amortisation	165 516	172 986
Production service costs	149 292	122 796
New products research and development costs	119 244	105 403
Premises rent and management costs	109 409	97 957
Current assets write-off	108 177	130 698
Resource costs	76 617	69 024
Leasehold improvements write-off	41 938	36 695
ECOCERT quality certificate maintenance costs	35 061	18 980
Car maintenance, fuel and repair costs	10 918	9 247
Business trip costs	9 621	6 310
Other production and production maintenance costs	8 324	57 039
Total	3 259 713	3 550 592
(4) Selling expenses		
Advertising costs	1 590 960	1 432 659
Remuneration for work	884 344	876 820
Transport costs	709 957	550 135
Sample production costs	342 677	546 204
Social security contributions	208 584	206 932

	1.01.2023 -30.06.2023 EUR (unaudited)	1.01.2022 -30.06.2022 EUR (unaudited)
Depreciation and amortisation	190 020	267 742
Mediation services costs	130 409	149 398
Costs of trading platform maintenance services	130 277	74 990
Trade promotion costs	90 697	115 131
Premises rent and maintenances costs	83 284	72 347
Business trip and exhibitions costs	41 605	18 347
Royalties	5 917	22 822
Internet store's WEB page maintenance costs and other IT costs	5 867	5 894
Representation costs	5 814	7 423
Car maintenance and fuel costs	5 618	4 597
Leasehold improvements write-off	5 359	7 641
Other sales expenses	75 138	99 035
Total	4 506 527	4 458 117
(5) Administration expenses		
Remuneration for work	413 870	329 953
Office costs	107 224	128 626
Social security contributions	95 822	71 009
Cash outflow related costs	77 667	77 727
Premises rent and maintenances costs	60 590	63 170
Employee health insurance	46 396	33 739
Depreciation and amortisation	42 816	45 086
Staff sustainability costs	40 617	13 858
Research consultation and conference costs	32 505	12 685
Employee catering costs	27 434	19 527
Securities circulation costs	17 943	19 097
Legal and other professional service costs	16 554	24 467
Car maintenance, fuel and repair costs	11 891	15 636
Business trip costs	11 776	4 099
Communication costs	8 945	10 071
Other management and administration costs	38 374	19 583
Total	1 050 424	888 333
(6) Other operating income		
Revenues from ERAF projects	13 997	62 152
Revenues from the sale of current assets	1 434	1 474
Other revenues	4 681	20 697
Total	20 112	84 323

	1.01.2023 -30.06.2023 EUR (unaudited)	1.01.2022 -30.06.2022 EUR (unaudited)
(7) Other operating expenses		
Staff recruitment and training costs	94 206	16 438
Nature protection costs	21 198	8 928
Donations	1 598	60 000
Other expenses	47 776	39 538
Total	164 778	124 904
(8) Interest and similar income		
Other interest income	1 260	384
Total	1 260	384
(9) Interest and similar expenses		
Foreign currency exchange rate fluctuations	11 408	440
Other interest payments	819	1 298
Total	12 227	1 738

(10) INTANGIBLE ASSETS

	Concessions, patents, licenses, trademarks and similar rights (EUR)	Other intangible investments (EUR)	Prepayments for intangible assets (EUR)	Total intangible assets (EUR)
Cost as of 31.12.2022.	1 592 988	31 226	16 369	1 640 583
Additions	-	-	214 797	214 797
Corrections	-	-	-	-
Transfers	231 166	-	(231 166)	-
Cost as of 30.06.2023.	1 824 154	31 226	-	1 855 380
Accumulated amortisation as of 31.12.2022.	404 324	3 580	-	407 904
Amortisation charged	184 382	3 130	-	187 512
Accumulated amortisation as of 30.06.2023.	588 706	6 710	-	595 416
Net carrying amounts as of 31.12.2022.	1 188 664	27 646	16 369	1 232 679
Net carrying amounts as of 30.06.2023.	1 235 448	24 516	-	1 259 964



(11) FIXED ASSETS MOVEMENT TABLE

	Land (EUR)	Leasehold improve- ments (EUR)	Equipment and machinery (EUR)	Other fixed assets (EUR)	Construc- tion in progress (EUR)	Prepay- ments for property, plant and equipment (EUR)	Total fixed assets (EUR)
Cost as of 31.12.2022.	468 722	883 148	3 897 390	1 072 208	273 670	233 200	6 828 338
Additions	-	-	-	-	141 557	318 723	460 280
Adjustments	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transfers	-	17 775	183 432	119 465	215 311	(535 983)	-
Cost as of 30.06.2023.	468 722	900 923	4 080 822	1 191 673	630 538	15 940	7 288 618
Accumulated depreciation as of 31.12.2022.	-	570 460	2 446 891	683 587	-	-	3 700 938
Depreciation charged	-	48 229	128 710	81 198	-	-	258 137
Accumulated depreciation as of 30.06.2023.	-	618 689	2 575 601	764 785	-	-	3 959 075
Net carrying amounts as of 31.12.2022.	468 722	312 688	1 450 499	388 621	273 670	233 200	3 127 400
Net carrying amounts as of 30.06.2023.	468 722	282 234	1 505 221	426 888	630 538	15 940	3 329 543



	30.06.2023 EUR (unaudited)	31.12.2022 EUR (audited)
(12) Other non-current receivables and other receivables		
Rent security deposit	87 972	82 736
Total	87 972	82 736
(13) Raw materials		
Raw materials	2 393 747	2 642 042
Allowance for slow moving inventories	-	-
Total	2 393 747	2 642 042
(14) Finished goods and goods for sale		
Cosmetic products	1 882 393	1 164 185
Advertising materials	108 227	65 072
Allowance for slow moving inventories	(6 500)	(7 500)
Total	1 984 120	1 221 757
(15) Trade receivables		
Net book value of trade receivables	1 758 982	1 416 561
Allowance for doubtful trade receivables	(33 219)	(31 033)
Total	1 725 763	1 385 528
(16) Other receivables		
VAT overpayment	88 905	118 161
Government and EU institutions aid	35 183	-
Security deposit	15 152	11 520
Other receivables	68 064	25 538
Total	207 304	155 219
(17) Cash		
Cash in bank accounts and cash equivalents	6 530 092	5 950 884
Total	6 530 092	5 950 884

(18) Share capital

As of 30 June 2021, the registered and fully paid-in share capital of the Group's Parent Company amounts to EUR 377 491.10 and consists of 3 774 911 shares with a nominal value of EUR 0.10 per share.

Since 2017, Madara Cosmetics AS has implemented share options program for its employees as additional motivation and involvement tool. Share options may be acquired by employees of the Company, managers of departments and members of Council who have made a significant contribution in the Company. The granting of share options is exercised by the Board in accordance with procedures specified in the resolutions of the shareholders' meeting and the amount of options granted. The Company does not apply the fair value model to the program of share options and in accordance with the procedure share options are exercised at par value at the expense of retained earnings.

	30.06.2023 EUR (unaudited)	31.12.2022 EUR (audited)
(19) Taxes and social insurance contributions		
Corporate income tax	326 055	-
Value added tax	259 978	184 449
Social insurance contributions	123 475	112 208
Personal income tax	60 778	55 827
Natural resources tax	297	365
Risk duty	80	100
Total	770 663	352 949
(20) Other current liabilities		
Salaries	247 819	215 472
Balance of gift cards	13 487	16 287
Other liabilities	15 438	15 985
Total other current liabilities	276 744	247 744
(21) Accrued liabilities		
Accrued liabilities for employee remuneration and accrued vacation	393 681	338 219
Accrued liabilities for the received goods and services	108 369	180 009
Total	502 050	518 228
(22) Transactions with related parties		
Related party	Purchases of goods and services during the reporting period	Purchases of goods and services during the previous period
MC PROPERTIES SIA	111 193	111 958
KALVI SIA	14 358	11 998
Total	125 551	123 956
(23) Number of employees in the Group		
Average number of employees per reporting period, including:	201	202
Members of the Board in the Parent Company	3	3
Members of the Council in the Parent Company	5	5

	1.01.2023 -30.06.2023 EUR (unaudited)	1.01.2022 -30.06.2022 EUR (unaudited)
(24) Information on the remuneration of council and board members		
Board members remuneration for the work at the Board	21 600	21 600
Council members remuneration for the work at the Council	2 032	3 984
Total	23 632	25 584

(25) Off-balance sheet liabilities*(a) Operating lease agreements*

On 17 March 2015, the Group's Parent Company signed a premises rent agreement with MC PROPERTIES SIA Reg. No 40103872324 for leasing production and office premises in Marupe, 131 Zeltinu Street. The agreement matures in 2025.

Group has concluded lease agreements for rent of premises in four shopping centers in Riga: "Galerija Centrs", "Spice", "Alfa" and "Akropole" and a long-term rent agreement for leasing storage and office premises in Riga, 6 Kauguru Street, which is at the same time a legal address for the subsidiary company Cosmetics NORD SIA. Maturity of these agreements – up to the years 2024 – 2025 with a possibility to prolong.

(b) Issued guarantees

On 17 March 2015, a mortgage agreement was signed between SWEDBANK A/S 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 SWEDBANK A/S and the Group's Parent Company is the guarantor for the MC PROPERTIES SIA obtained borrowings; the amount of the guarantee, in accordance with the terms of the contract, is the amount of the outstanding liabilities. As at 30 June 2023, the outstanding amount of MC PROPERTIES SIA loan to SWEDBANK A/S was EUR 830 818.

(26) Received ERAF financing

In 2023, the Group participated and received funding from the European Union support programs.

(27) 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.

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.

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.

(28) Post balance sheet events

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





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