

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 consists of rolling green hills and a few distant trees.

MÁDARA

organic skincare

MANAGEMENT REPORT OF AS MADARA COSMETICS ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF 2023

**REPORTING PERIOD
01.01.2023 – 31.12.2023**

**PREPARED IN ACCORDANCE WITH LATVIAN LEGISLATION REQUIREMENTS
MARUPE, 2024**



TABLE OF CONTENTS

GENERAL INFORMATION ABOUT THE GROUP	5
STATEMENT	6-7
THE MOST SIGNIFICANT EVENTS	8-11
SALES	12-14
FINANCIAL INDICATORS	16-17
E-COMMERCE INDICATORS	18-19
SELF-NAMED DEVELOPMENT	20-21
 UNAUDITED CONSOLIDATED FINANCIAL REPORT	
Consolidated income statement	23
Consolidated balance sheet	24-25
Consolidated cash flow statement	26
Consolidated statement of changes in equity	27
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	
	28-35



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 01.09.2023	Uldis Iltners - owns 23.88 % of shares Lote Tisenkopfa - Iltnere - owns 23.72 % of shares Oy Transmeri Group Ab - owns 22.89 % of shares Liene Drāzniece - owns 6.78 % of shares Zane Tamane - owns 6.34 % of shares
Type of operation and NACE 2 classification	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 31.12.2023
Previous reporting period	01.01.2022 until 31.12.2022
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% MADARA Cosmetics Inc., reg. No 37-2087771 - 100%

DEAR SHAREHOLDERS,

LOOKING BACK AT 2023, IT CAN BE CHARACTERIZED AS DYNAMIC, FILLED WITH POSITIVE CHANGES AS WELL AS SOME VALUABLE LESSONS LEARNT.

DESPITE A SLOWDOWN IN THE FIRST 6 MONTHS, THE SECOND HALF PROVED OUR TEAM'S ABILITY TO FOCUS AND DELIVER, RESULTING IN DOUBLE-DIGIT GROWTH AND IMPROVED PROFITABILITY COMPARED TO THE PREVIOUS YEAR. THE SECOND HALF OF 2023 WAS ALSO MARKED BY MANY "FIRSTS": NOVEMBER SAW THE HIGHEST SALES IN THE HISTORY OF THE COMPANY, RETINOL ALTERNATIVE SERUM, AFTER ITS LAUNCH IN AUGUST, REACHED ONE OF THE TOP 5 BEST-SELLING PRODUCTS RANKING BY THE END OF THE YEAR, OUR PRODUCTS WERE SOLD IN RECORD NUMBERS OF DOORS IN FRANCE, AND WE STARTED PRESSED POWDER PRODUCTION FOR THE FIRST TIME.

I AM LOOKING FORWARD TO 2024 WITH POSITIVE EXCITEMENT: STRENGTHENING OUR TEAMS AND IN-HOUSE COMPETENCES, INVESTING INTO NEW PRODUCT LAUNCHES AND NEW CUSTOMER ACQUISITION, TO ACCELERATE OUR GROWTH STORY ACROSS EUROPE.



GUNTA ŠULTE,
CEO OF AS MADARA COSMETICS

A stylized, handwritten signature in white ink, featuring a large, elegant loop at the beginning and a fluid, cursive script for the rest of the name.

THE MOST SIGNIFICANT EVENTS OF 2023



REBEL RETINOL:

LAUNCH OF THE RETINOL ALTERNATIVE SERUM

In 2023, we unveiled MÁDARA breakthrough innovation in the world of skincare – Time Miracle Retinol Alternative Serum. A plant-powered alternative to synthetic retinol that's dermatologically proven to match retinol's regenerative powers yet without the chemicals and irritation.

Powered by potent plant-derived retinol alternative complex, age-defying Northern birch water and hyaluronic acid, the serum has rapidly gained appreciation from our customers, already ranking as one of the MÁDARA skincare bestsellers.

6 NEW PRODUCTS ADDED TO THE MÁDARA RANGE

HI-TECH MAKEUP

In addition to the new Time Miracle Retinol Alternative Serum, 5 other new products were launched in 2023. Another instant success story being the Skinonym Semi-Matte Peptide Foundation – a natural finish, light to medium buildable foundation that seamlessly blends with the skin's unique texture and delivers long-term skincare benefits. Since the launch, it has received praise from both everyday makeup users and professional artists worldwide.

In time for the Christmas season, we launched the Dazzle Nights Satin Shine Lipstick. The new collection follows the success of our Velvet Wear Matte Cream Lipsticks, further expanding the offering of natural certified, vegan and cruelty-free lip products, enriched with skin-nourishing ingredients and formulated with 0% synthetic and animal-derived colourants.

DERMATOLOGICALLY PROVEN SKINCARE

In 2023, the MÁDARA bestselling SOS skincare line was joined by its first-ever sensitive, reactive and redness-prone skin-targeted SOS+ fragrance and colourant-free day and night moisturisers. The SOS+ natural organic certified formulas deliver intense hydration and delicate care to improve the look and feel of the skin – right after the first use and over time. Developed in cooperation

with the Finnish Allergy, Skin and Asthma Federation, both moisturisers have been granted an Allergy Label that affirms that the products will not irritate or sensitize the skin, nor cause fragrance sensitivity symptoms or other allergy and asthma reactions.

Additionally, we introduced a new Cannabidiol Concentrate to our Custom Actives range, now offering a wider selection of cosmetic additives that allow customers to tailor skincare products to their unique skin needs.



THE MOST EXTENSIVE SET COLLECTION TO DATE

In response to the high demand for gift sets from our customers in 2022, in 2023 we created our largest assortment of beauty sets to date. With limited-edition and permanent sets, the full 2023 holiday set collection was completed with 25 carefully curated gift skincare and makeup sets. These collections allow customers to not only buy their favourite products at a value price or choose an appropriately designed gift, but also explore our bestselling and new formulas in a smaller package before committing to the full size. Loved by many customers, multiple sets have remained in our permanent collection, and more are in the process to be launched this year.



ENTERING INTO A NEW PRODUCT CATEGORY

As a part of the project “New products with reduced environmental impact in the area of green industry innovation by AS Mádara Cosmetics”, in 2023 we continued to work on the development of new, innovative products with reduced environmental impact. One of the main challenges accomplished this year was the development of mineral pressed powder formulations – a completely new category for Mádara that will allow us to expand the customer-loved makeup range with natural products that match the performance of high-end conventional makeup. The development of pressed powders has enhanced the expertise of Mádara’s R&D team in new product development and facilitating entry into a new cosmetics segment. The acquisition of new equipment has enhanced production efficiency and broadened the range of cosmetics offered. For example, we will soon launch 12 new shades of Skinonym Semi-Matte Peptide Foundation, significantly increasing Mádara’s opportunities in the global makeup market.



AROUND 200 NEW RETAIL DOORS OPENED IN FRANCE

One of the main objectives in MÁDARA export markets in 2023 was expanding our presence in France retail market. We're especially thrilled to complete the year with a milestone – MÁDARA skincare and makeup available in around 200 retail outlets in France, including 125 new pharmacies and 6 new parapharmacies, marking the brand's entry into the pharmacy network.

“Pharmacies have become a crucial retail channel for cosmetics. The fact that MÁDARA skincare and makeup align with their criteria is a gratifying acknowledgement of our product effectiveness. It also represents a pivotal moment for our brand's recognition and availability in France.”

Gunta Šulte, CEO of AS MADARA Cosmetics

STANDING OUT IN RETAIL THE MÁDARA WAY

In 2023, we opened a new MÁDARA brand store in the shopping centre Galleria Riga and refurbished our existing brand store in the shopping centre Spice to elevate the MÁDARA retail experience to the next level.

The interior design idea behind the new and renovated MÁDARA brand stores comes from nature and its power to calm and provide peace. With a preference for authentic and sustainable solutions, the interior uses materials such as metal, gypsum and solid pine. The floor, ceiling, walls and furniture facades are finished with natural lime plaster using volcanic lava dust as a filler.

“Nature was our biggest inspiration. We even went mushroom picking on weekends, casting for the most beautiful chanterelle mushrooms to design and 3D print the unique interior object displayed at the counter.”

Agnese Cīrule, Retail Design Project Manager.



Considering the positive customer feedback received from our pop-up space in Galleries Lafayette in Paris 2022, in 2023 we extended the MÁDARA art-meets-beauty sensory experience by holding pop-up events in shopping centres SOKOS and Stockmann in Helsinki, Finland.

SUSTAINABILITY AND PROCESS EFFICIENCY

Building upon our previous sustainability initiatives, our product development team remains dedicated to enhancing the environmental performance of the whole assortment. Through ongoing research and innovation, we are committed to introducing products that serve as sustainable alternatives to conventional counterparts, for example, Retinol Alternative Serum. Moreover, our production processes are undergoing rigorous scrutiny to ensure efficacy improvements while concurrently reducing environmental impact. By prioritizing the utilization of ethically sourced raw materials and exploring innovative alternatives, we aim to uphold our commitment to sustainability while delivering products that meet the highest standards of performance and eco-consciousness.



NO. 1 GREENEST BRAND IN THE BALTICS 2023

In 2023, MĀDARA was nominated in two categories in the Baltic Brand Forum and recognized as the Greenest Brand in the Baltics. Sustainability is an all-encompassing mindset at MĀDARA Cosmetics, and the Greenest Brand Award is a good reminder to continue our efforts at both corporate and individual level.

SALES

In 2023, the Company posted consolidated turnover of EUR 20.23 million, an increase of 8.2% compared to the previous year. Despite a modest growth rate in the first half of the year, the reasons for which we explained in the first half-year report, the growth rate in the second half of the year was more dynamic, with a positive trend. The Company's consolidated turnover in the second half of 2023 amounted to EUR 9.95 million. This represents an increase of 17.5% compared to the same period last year. The increase in turnover in the second half of 2023 was positively influenced by the stable performance of large markets such as Finland and Latvia. Among the growth markets, France in particular stood out, with the B2B share continuing its steady growth of 15% in the second half of the year, compared to the same period last year. We also saw a very good performance in the Czech market, one of the Company's top 5 sales markets. This produced 50% growth in net sales during the second half of the year, compared to the second half of last year.

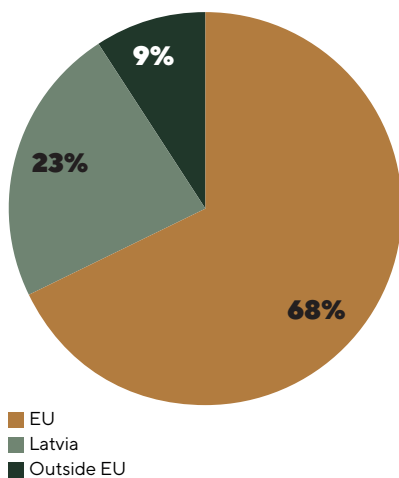
Successful development and launch of new products continued in the second half of 2023, with the innovative Retinol Alternative Serum in the Time Miracle line being one of the most purchased products in the MÁDARA brand assortment since its launch. Other products planned for launch in the coming reporting periods were also actively pursued. One of the brand-

new niches for the Company is the powder category, which will be launched in 2024.

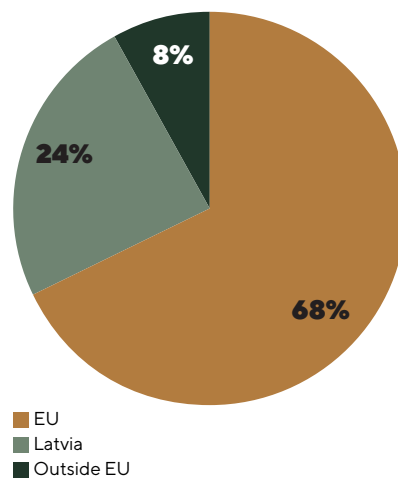
The breakdown of turnover share by geographical region is similar to the previous year and reflects the Company's current development strategy and focus on the European Union market. The majority of turnover is still generated in the European Union (including Latvia). In 2023, the share of turnover from countries outside the European Union has slightly increased (1 percentage point increase), while the share of turnover from Latvia has decreased by 1 percentage point. The geographical breakdown of turnover in the second half of 2023 reflects an increase of 1 percentage point in turnover generated outside the European Union compared to the second half of 2023. In the second half of 2023, 89% of turnover was generated in the European Union, including Latvia, while 11% was generated outside the European Union.

We still see growth potential in focus markets such as Germany, France, Sweden, both in attracting new customers (B2B and B2C) and in the relevance of the brand's innovative products in these markets. In France, for example, around 200 new outlets were opened for the MÁDARA brand this year, including a significant success in furthering the strategic objectives of the brand in the country's pharmacy network.

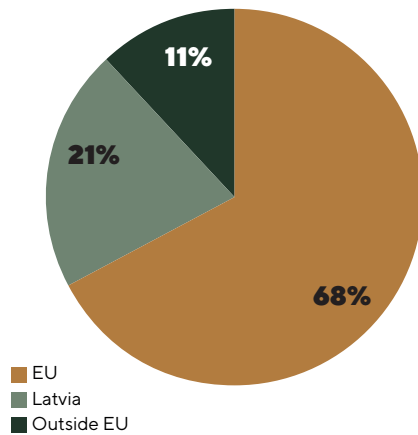
**Sales distribution in Latvia,
the EU and outside EU (2023)**



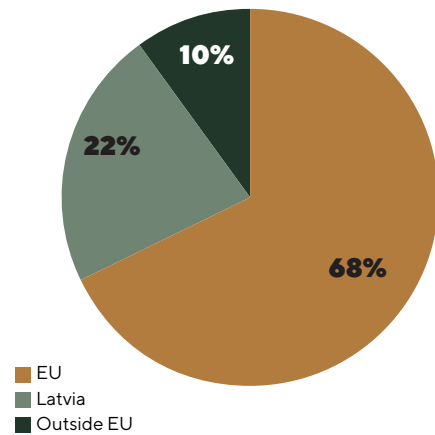
**Sales distribution in Latvia,
the EU and outside EU (2022)**



Sales distribution in Latvia, the EU and outside EU (2023 H2)



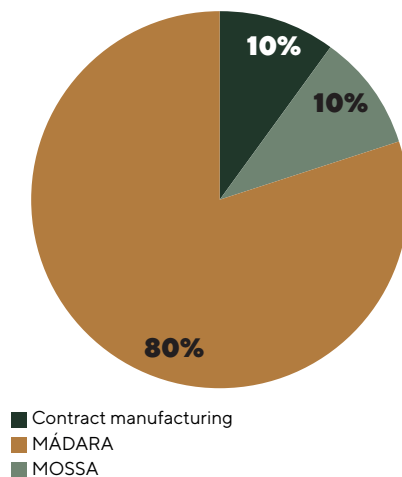
Sales distribution in Latvia, the EU and outside EU (2022 H2)



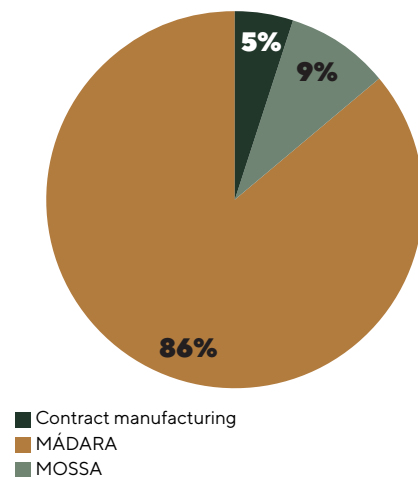
The contract manufacturing segment showed good growth in 2023, which also influenced the sales distribution by product categories. Despite the positive growth of the MÁDARA brand, we can see that the contract manufacturing segment grew substantially,

its share in 2023 increased by 5 percentage points compared to the previous year, while the MÁDARA brand's share of turnover decreased by 3 percentage points year-on-year and the MOSSA brand's share decreased by 2 percentage points.

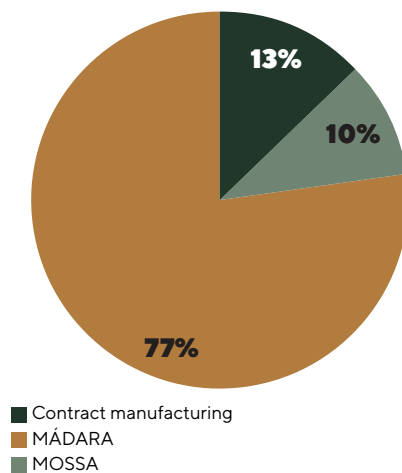
Sales distribution by product categories (2023)



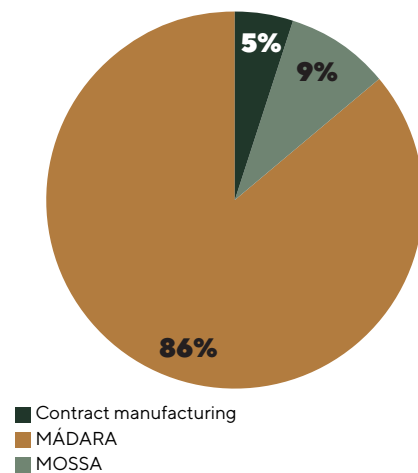
Sales distribution by product categories (2022)



Sales distribution by product categories (2023 H2)



Sales distribution by product categories (2022 H2)



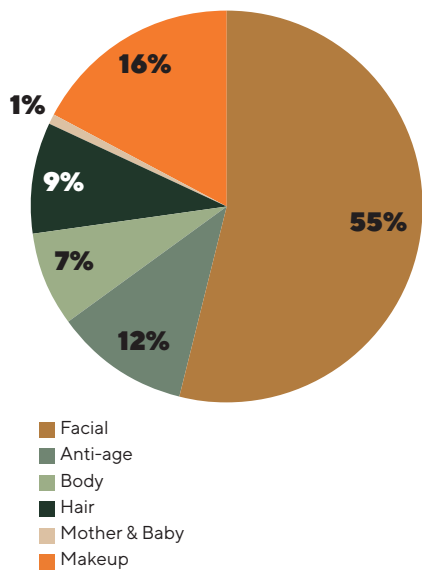
SALES

In 2023, there are no major changes in the sales distribution of the MÁDARA brand products by category compared to the previous year. The share of the face, anti-age, hair and mother & child categories remained unchanged, while the makeup segment has grown by 1 percentage point.

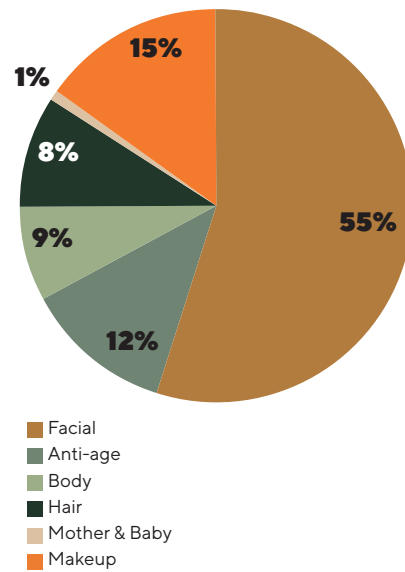
The performance of the MÁDARA category in the second half of 2023 shows clear strengths. The Facial

Care category continues to lead the way, accounting for 56% of turnover, up 2 percentage points compared to the second half of last year. Similarly, the makeup category maintains its importance at 16%, up 1 percentage point year-on-year. In the coming periods, we will continue to focus on strengthening the product mix of the facial care and makeup categories.

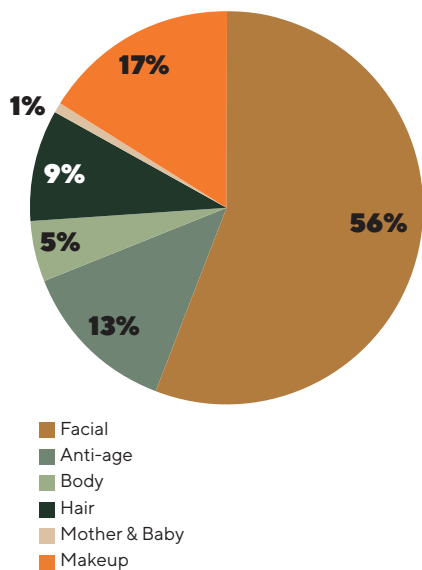
Sales distribution of MÁDARA products by categories (2023)



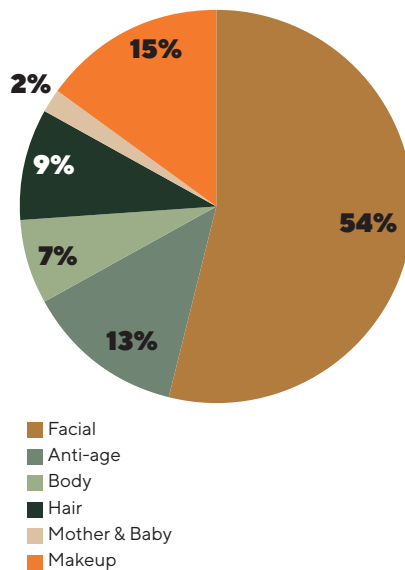
Sales distribution of MÁDARA products by categories (2022)



Sales distribution of MÁDARA products by categories (2023 H2)



Sales distribution of MÁDARA products by categories (2022 H2)





MÁDARA
organic skincare

TIME MIRACLE

HYDRA
FIRM

HYALURON
ICENTRATE JELLY
all skin types



ENSE MOISTURE,
ANTI-AGE

FINANCIAL INDICATORS

In 2023, MÁDARA Cosmetics AS turnover was EUR 20.23 million. In the second half of 2023, the turnover increased by 17.5% compared to the same period last year and reached EUR 9.95 million. In addition, November 2023 marked the highest turnover month in the Company's history. This was significantly impacted by strong growth in most markets, including France (+35%), Germany (+19%), the direct e-commerce channel (+11%) and the successful launch of new products and product sets, compared to last year. An example of this is Retinol Alternative Serum, which since its first sale in August until the end of the year ranked among the top five best-selling products in the MÁDARA assortment. As of 2024, the prices of the MÁDARA brand products have also been revised in line with market price trends and product economics.

In 2023, gross profit and operating profit margins increased by 1 percentage point while the EBITDA margin increased by 0.2 percentage points. EBITDA amounted to EUR 2.90 million, an increase of 8.5% compared to the previous year. We closed the year with a profit before tax of EUR 1.93 million, a 24% improvement on the same period last year, and a profit after tax of EUR 1.60 million, an increase of 42% year-on-year (y-o-y). In 2023, we continued to invest

in sales activities and brand awareness, as well as in strengthening the team (recruiting new specialists and training employees) and in streamlining and optimising internal processes.

Print-on-demand platform SELFNAMED.COM ended 2023 with a loss, thus affecting the Company's profitability. However, this year has seen significant growth, and we remain convinced that the project has growth potential - SELFNAMED.COM ended the second half of 2023 with a EUR 28.9 thousand profit before taxes. Detailed information on SELFNAMED.COM's performance is available in the next section.

In the coming periods, we will actively work on strengthening the loyalty of our existing partners and customers, as well as continue to develop in strategic markets such as Germany, France, and Sweden with long-term potential for attracting new customers and innovating new products. The Company continues to have sufficient financial resources for its growth and development projects.

Management expects to achieve turnover growth of at least 10% in 2024 compared to the previous year.

Key ratios and indicators (management data)	2023 (unaudited) EUR	2022 (audited) EUR	2023 H2 (unaudited) EUR	2022 H2 (unaudited) EUR
Net turnover	20 234 218	18 696 482	9 952 177	8 471 655
Cost of goods sold	-6 886 013	-6 587 382	-3 626 300	-3 041 634
Gross profit	13 348 205	12 109 100	6 325 877	5 430 021
Depreciation, amortisation and write-downs	839 852	1 002 290	441 500	516 476
Leasehold improvements write-off expense	101 228	91 069	53 931	46 733
Operating profit	1 962 984	1 584 320	642 273	316 479
Interest income	12 229	577	10 969	193
Interest expense	-43 988	-30 459	-31 761	-28 668
Profit before taxes	1 931 225	1 554 438	621 481	288 004
Net profit for the period	1 595 453	1 120 826	611 764	288 004

FINANCIAL INDICATORS

Key ratios and indicators	2023 (unaudited) EUR	2022 (audited) EUR	2023 H2 (unaudited) EUR	2022 H2 (unaudited) EUR
EBITDA (TEUR)	2 904	2 678	1 138	880
Profitability and sustainability ratios				
1. Gross Margin (%)	66	65	64	64
2. Operating Margin (%)	9.7	8.5	6.5	3.7
3. EBITDA Margin (%)	14	14	11	10
4. Net Margin (%)	8	6	6	3
5. TTM ROE (%)	11	8	11	8
6. TTM ROA (%)	12	10	12	10
Liquidity ratios				
7. Current ratio (x)	4.97	5.14	4.97	5.14
8. Quick ratio (x)	3.13	3.29	3.13	3.29
9. Working capital (TEUR)	9 484	9 513	9 484	9 513
Leverage ratios				
10. Financial debt to equity (x)	0.00	0,00	-	-
11. Debt to equity (x)	0.19	0.18	0.19	0.18
12. Net financial debt (TEUR)	-5 481	-5 951	-5 481	-5 951
13. Net gearing (%)	-39	-43	-39	-43

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

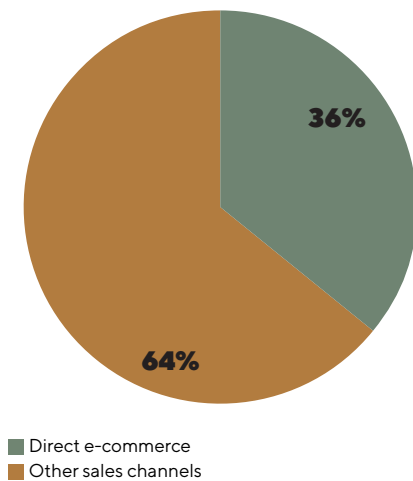
1. Gross profit/Net turnover*100
2. Operating profit/Net turnover*100
3. EBITDA/Net turnover*100
4. Net profit/Net turnover*100
5. Trailing 12 Months (TTM) Net Profit/Total equity (average)*100
6. TTM Operating profit/Total assets (average)*100
7. Current assets/Current liabilities
8. (Current assets-Inventories)/Current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

E-COMMERCE INDICATORS

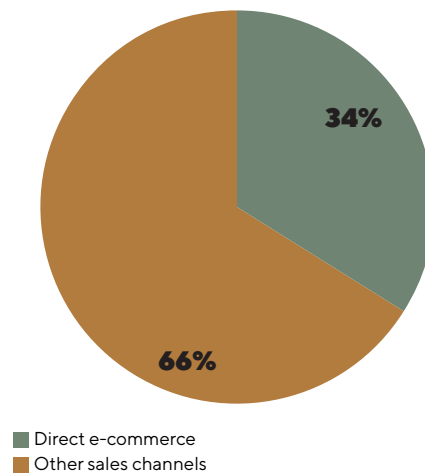
Direct e-commerce accounted for 36% of the parent company's turnover in 2023, up 2 percentage points year-on-year. In addition, direct e-commerce revenues grew by 11.2% on an annual basis, with most of the growth coming from the activities carried out in the first half of the year. In

the second half of 2023, the share of direct e-commerce decreased by 3 percentage points compared to the same period last year, while the channel's turnover remained on a positive growth path, growing at 5% y-o-y in absolute terms.

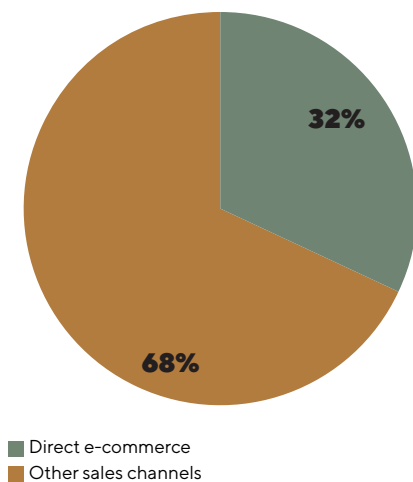
Direct e-commerce share (2023)



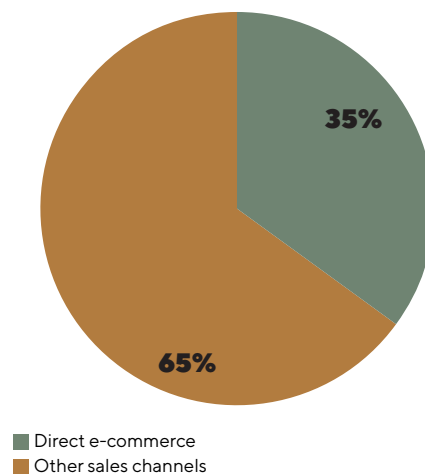
Direct e-commerce share (2022)



Direct e-commerce share (2023 H2)



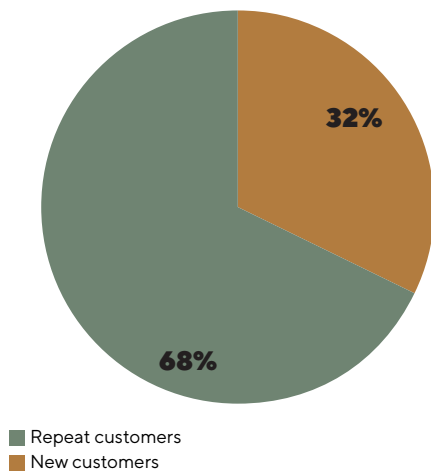
Direct e-commerce share (2022 H2)



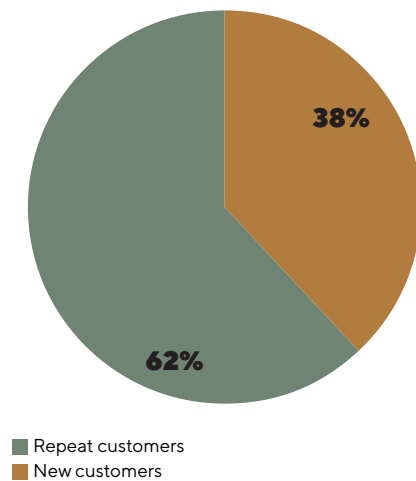
In the second half of 2023, the majority (68%) of direct e-commerce turnover came from customers who are classified as repeat customers by the Company's criteria, while 32% of turnover came from new customers. It can be seen that the Company has been successful in retaining

existing customers, with a 6 percentage point increase in the existing customer base in H2 2023 compared to the same period of the previous year. As in previous years, we will continue to work actively on new customers, retain existing customers and strengthen customer loyalty.

Revenue split by customer type
(2023 H2)



Revenue split by customer type
(2022 H2)



SELFNAMED DEVELOPMENT

In 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 2023, 300% more users registered on the platform than in 2022. Integrations with WooCommerce and Shopify were completed in the first half of the year, while users successfully connected their webstores and used our drop-shipping services in the second half of the year.

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

The existing product range has been expanded in 2023 with 6 new body care products, 2 facial care products in the beginning of the year and 6 more in the second half of the year, among them innovative Vitamin C Serum, Natural Retinol-Alternative Oil Serum, and Botox-Like Peptide Serum.

In 2023, SELFNAMED.COM reached a turnover of EUR 1 086 635, up 360% y-o-y. Turnover for the second half of 2023 stood at EUR 838 626, showcasing substantial 316% growth compared to the EUR 265 783 achieved in the same period last year. The achieved turnover demonstrates strong market interest in the recently launched print-on-demand service.

Gross profit of SELFNAMED.com in 2023 reached EUR 472 727, a 1268% increase compared to EUR 37 275 in 2022. Sales volume increases directly contributed to the sharp growth in gross profit, and it ended the year with improved profitability, as the gross profit margin stood at 44% in 2023 compared to 12% in 2022.

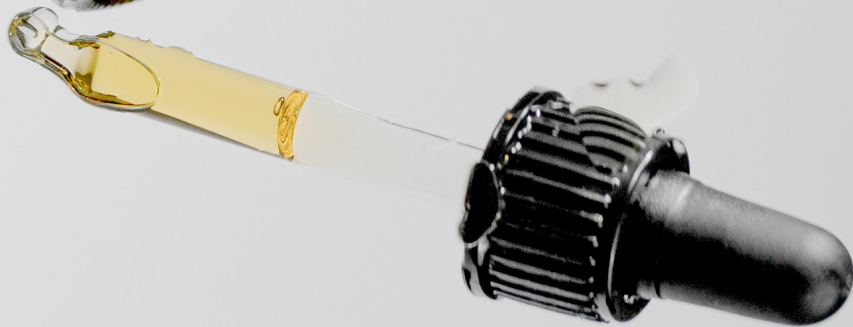
We continued to actively invest in the marketing of the new business to drive faster expansion, which made up a significant part of the sales costs. As a result, in 2023, SELFNAMED.COM worked with losses of EUR 145 061 and negative EBITDA of EUR 56 737. However, a significant milestone was achieved for SELFNAMED.COM, as it ended the second half of 2023 with profit before tax of EUR 28 851, a significant turnaround from the loss of EUR 178 042 in the same period last year.

Key ratios and indicators	2023 (unaudited) EUR	2022 (audited) EUR	2023 H2 (unaudited) EUR	2022 H2 (unaudited) EUR
Net turnover	1 086 635	301 691	838 626	265 783
Cost of goods sold	613 907	264 416	446 256	187 967
Gross profit	472 727	37 275	392 369	77 816
Profit before taxes	-145 061	-320 742	28 851	-178 042
EBITDA	-56 737	-270 168	78 233	-145 697

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

While the bottom line is currently negative, our conviction remains unwavering – this business direction has 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 necessary costs related to brand recognition, a vital investment for the business scale-up and continued success.





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 -31.12.2023 EUR (unaudited)	1.07.2023 -31.12.2023 EUR (unaudited)	1.01.2022 -31.12.2022 EUR (audited)	1.07.2022 -31.12.2022 EUR (unaudited)
Net turnover	2	20 234 218	9 952 177	18 696 482	8 471 655
Cost of goods sold	3	(6 886 013)	(3 626 300)	(6 587 382)	(3 041 634)
Gross profit		13 348 205	6 325 877	12 109 100	5 430 021
Selling expenses	4	(9 139 174)	(4 632 647)	(8 543 425)	(4 063 730)
Administration expenses	5	(2 210 375)	(1 159 951)	(1 964 384)	(1 066 824)
Other operating income	6	235 812	215 700	200 370	104 053
Other operating expenses	7	(271 484)	(106 706)	(217 341)	(87 041)
Interest and similar income	8	12 229	10 969	577	193
Interest and similar expenses	9	(43 988)	(31 761)	(30 459)	(28 668)
Profit before corporate income tax		1 931 225	621 481	1 554 438	288 004
Corporate income tax for the financial period		(335 772)	(9 717)	(433 612)	-
Profit for the reporting period		1 595 453	611 764	1 120 826	288 004

The accompanying notes on pages 28 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Assets	Note	31.12.2023 EUR (unaudited)	30.06.2023 EUR (unaudited)	31.12.2022 EUR (audited)	30.06.2022 EUR (unaudited)
Non-current assets					
Intangible assets					
Development costs		-	-	-	16 078
Concessions, licences, patents, trade marks and similar rights		1 337 192	1 235 448	1 188 664	1 186 008
Other intangible assets		21 386	24 516	27 646	28 667
Prepayments for intangible assets		12 570	-	16 369	22 993
Total intangible assets	10	1 371 148	1 259 964	1 232 679	1 253 746
Property, plant and equipment					
Land		468 722	468 722	468 722	468 722
Leasehold improvements		400 724	282 234	312 688	290 774
Plant and equipment		2 077 800	1 505 221	1 450 499	1 505 679
Other fixed assets		418 100	426 888	388 621	458 951
Construction in progress		38 739	630 538	273 670	40 894
Prepayments for property, plant and equipment		24 569	15 940	233 200	257 062
Total property, plant and equipment	11	3 428 654	3 329 543	3 127 400	3 022 082
Non-current financial investments					
Other non-current receivables and other receivables	12	96 728	87 972	82 736	82 737
Other securities and investments	13	826	826	826	826
Total non-current financial investments		97 554	88 798	83 562	83 563
Total non-current assets		4 897 356	4 678 305	4 443 641	4 359 391
Current assets					
Inventories					
Raw materials	14	2 416 518	2 393 747	2 642 042	2 570 955
Finished goods and goods for sale	15	1 729 675	1 984 120	1 221 757	1 137 672
Prepayments for inventories		258 215	326 887	376 133	329 548
Total inventories		4 404 408	4 704 754	4 239 932	4 038 175
Receivables					
Trade receivables	16	1 677 087	1 725 763	1 385 528	2 184 370
Other receivables	17	178 939	207 304	155 219	126 043
Accrued revenue		12 162	200	24 421	9 329
Deferred expenses		116 128	152 602	55 196	56 062
Total receivables		1 984 316	2 085 869	1 620 364	2 375 804
Cash	18	5 481 414	6 530 092	5 950 884	5 365 512
Total current assets		11 870 138	13 320 715	11 811 180	11 779 491
Total assets		16 767 494	17 999 020	16 254 821	16 138 882

The accompanying notes on pages 28 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	31.12.2023 EUR (unaudited)	30.06.2023 EUR (unaudited)	31.12.2022 EUR (audited)	30.06.2022 EUR (unaudited)
Equity					
Share capital	19	377 658	377 491	377 391	377 058
Share premium		4 023 455	4 023 454	4 023 454	4 023 454
Retained earnings:					
a) prior year retained earnings		8 103 369	8 103 537	8 304 031	8 304 364
b) profit for the period		1 595 453	983 689	1 120 826	840 489
Total equity		14 099 935	13 488 171	13 825 702	13 545 365
Liabilities					
Non-current liabilities					
Other liabilities	20	281 374	-	130 518	-
Total non-current liabilities		281 374	-	130 518	0
Current liabilities					
Advances from customers		157 672	170 995	93 592	104 619
Trade payables		758 933	1 238 237	1 082 166	1 120 024
Taxes and social insurance contributions	21	477 445	770 663	352 949	651 005
Other payables	22	281 325	276 744	247 744	250 522
Deferred revenue		54 084	230 940	3 922	15 428
Accrued liabilities		656 726	502 050	518 228	451 919
Unpaid dividends			1 321 220		
Total current liabilities		2 386 185	4 510 849	2 298 601	2 593 517
Total liabilities		2 667 559	4 510 849	2 429 119	2 593 517
Total equity and liabilities		16 767 494	17 999 020	16 254 821	16 138 882

The accompanying notes on pages 28 to 35 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2023 -31.12.2023 EUR (unaudited)	1.07.2023 -31.12.2023 EUR (unaudited)	1.01.2022 -31.12.2022 EUR (audited)	1.07.2022 -31.12.2022 EUR (unaudited)
Cash flow of operating activities					
Profit before taxes		1 931 224	621 480	1 553 324	288 004
Corrections:					
Corrections of decrease in value of fixed assets	11	564 118	305 981	556 175	244 152
Corrections of decrease in value of intangible assets	10	376 962	189 450	569 341	327 199
Government and the EU institutions aid		(145 005)	(131 008)	(138 384)	(70 207)
Net revenue from the disposal of property, plant and equipment		(7 438)	(7 438)	(20 020)	(2 005)
Interest and similar income	8	(12 217)	(10 955)	(577)	(193)
Interest and similar expenses	9	144	(521)	456	17
Profit before adjustments for current assets and current liabilities		2 707 788	966 989	2 520 315	786 967
Corrections:					
(Increase) / decrease in receivables		(378 130)	32 855	(73 312)	778 816
(Increase) / decrease in inventories		(164 476)	300 346	(36 812)	(140 788)
Increase / (decrease) in payables and other payables		32 442	(343 339)	463 931	(384 787)
Gross cash flow of operating activities		2 197 624	956 851	2 874 122	1 040 208
Interest payments		(144)	521	(456)	(17)
Income tax payments		(330 879)	(330 603)	(419 044)	15 575
Net cash flow of operating activities		1 866 601	626 769	2 454 622	1 055 766
Investment activities cash flow					
Other investments		-	-	-	-
Acquisition of fixed assets and intangible assets		(1 380 803)	(705 726)	(1 507 224)	(649 037)
Proceeds from the property, plant and equipment sale		7 438	7 438	64 026	9 917
Received interest		12 217	10 955	577	193
Investment activities cash flow		(1 361 148)	(687 333)	(1 442 621)	(638 927)
Financing activities cash flow					
Received government and the EU institutions aid		346 297	333 106	251 097	174 323
Repaid financial lease liabilities		-	-	(26 991)	(5 790)
Dividends paid		(1 321 220)	(1 321 220)	(1 885 288)	-
Repaid loan		-	-	-	-
Financing activities cash flow		(974 923)	(988 114)	(1 661 182)	168 533
Increase / decrease in cash and cash equivalents		(469 470)	(1 048 678)	(649 181)	585 372
Cash and cash equivalents at the beginning of the reporting period	18	5 950 884	6 530 092	6 600 065	5 365 512
Cash and cash equivalents at the end of the financial period	18	5 481 414	5 481 414	5 950 884	5 950 884

The accompanying notes on pages 28 to 35 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 (audited)	377 058	4 023 454	10 189 652	14 590 164
Distribution of dividends	-	-	(1 885 288)	(1 885 288)
Increase in share capital	333	-	(333)	-
Profit for the reporting period	-	-	1 120 826	1 120 826
Balance as of 31 December 2022 (audited)	377 391	4 023 454	9 424 857	13 825 702
Distribution of dividends	-	-	(1 321 220)	(1 321 220)
Increase in share capital	100	-	(100)	-
Profit for the reporting period	-	-	983 689	983 689
Balance as of 30 June 2022 (unaudited)	377 491	4 023 454	9 087 226	13 488 171
Increase in share capital	167	-	(167)	-
Profit for the reporting period	-	-	611 764	611 764
Balance as of 31 December 2023	377 658	4 023 454	9 698 823	14 099 935

The accompanying notes on pages 28 to 35 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 - sale of goods and provision of services without value added tax.

	1.01.2023 -31.12.2023 EUR (unaudited)	1.01.2022 -31.12.2022 EUR (audited)
Turnover by geographical markets:		
Revenue from the sale of goods in the European Union	13 668 174	12 543 810
Revenue from the sale of goods in Latvia	4 482 142	4 468 029
Revenue from the sale of goods in other markets	1 853 538	1 514 256
Revenue from the sale of services	219 811	167 719
Other revenue from operating activities	10 553	2 668
Total	20 234 218	18 696 482

(3) Cost of goods sold

Materials cost	3 178 987	3 114 524
Remuneration for work	1 661 918	1 521 583
Social security contributions	391 172	358 447
Depreciation of fixed assets and amortisation of intangible assets	340 383	334 566
Costs of production services	273 627	223 466
Research and development costs for new products	233 082	198 849
Premises rental and management costs	215 140	210 286
Working capital write-down	262 982	221 980
Resource costs	134 977	165 985
Write-off of part of long-term investments in leased fixed assets	85 981	77 029
Amortised portion of development costs	0	32 157
Maintenance costs of the ECOCERT quality certificate	49 802	30 755
Car maintenance and fuel costs	22 627	21 924
Business trip costs	11 481	8 067
Other production and production maintenance costs	23 854	67 764
Total	6 886 013	6 587 382

(4) Selling expenses

Advertising costs	3 141 029	2 631 442
Remuneration for work	1 863 189	1 719 484
Delivery costs	1 280 697	1 178 755
Sample production costs	688 221	841 027
Compulsory social security contributions	440 323	405 800
Depreciation of property, plant and equipment and amortisation of intangible assets	413 041	592 697
Costs of intermediation services	321 272	321 363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	1.01.2023 -31.12.2023 EUR (unaudited)	1.01.2022 -31.12.2022 EUR (audited)
Cost of maintenance services for trading platforms	178 588	216 361
Costs of promotion of trade events	281 275	248 632
Premises maintenance costs and rent	169 978	144 378
Cost of warehousing services	0	18 621
Insurance against sales risks	28 905	22 968
Travel and exhibition costs	62 957	46 624
Royalties	9 348	29 019
WEB shop maintenance costs and other IT costs	14 662	13 413
Representation costs	20 236	11 432
Car maintenance and fuel costs	17 442	12 356
Depreciation of fixed investments in property, plant and equipment	15 246	14 040
Other costs of sales	192 765	75 013
Total	9 139 174	8 543 425
(5) Administration expenses		
Remuneration for work	830 660	743 634
Office costs	221 641	259 358
Compulsory social security contributions	198 773	173 334
Cash turnover incidental expenses	184 873	160 192
Premises rental and management costs	119 970	142 003
Staff health insurance	62 521	64 363
Depreciation of fixed assets and amortisation of intangible assets	86 428	75 027
Costs of staff sustainability measures	67 625	56 770
Research, consultancy and conference costs	60 882	28 388
Staff catering costs	79 102	56 817
Securities circulation costs	21 337	28 692
Legal and other professional fees	42 543	28 310
Car maintenance and fuel costs	30 849	34 812
Provisions for doubtful debts	8 805	9 571
Travel expenses	19 464	8 441
Communication costs	20 063	21 030
Audit costs *	44 350	37 647
Other management and administration costs	110 489	35 995
Total	2 210 375	1 964 384
(6) Other operating income		
Revenues from the ERAF projects	145 005	138 384
Revenues from the property, plant and equipment sale	7 438	20 020
Revenue from the current assets sale	4 172	2 618
Other revenues	79 197	39 348
Total	235 812	200 370

	1.01.2023 -31.12.2023 EUR (unaudited)	1.01.2022 -31.12.2022 EUR (audited)
(7) Other operating expenses		
Staff recruitment and training expenses	134 360	44 696
Goods and services purchased for resale	6 302	12 409
Security costs	7 815	9 368
Labour protection costs	8 773	11 046
Environmental protection costs	36 731	20 001
Donations	3 455	65 000
Other costs	74 048	54 821
Total	271 484	217 341
(8) Interest and similar income		
Other interest income	12 229	577
Total	12 229	577
(9) Interest and similar expenses		
Exchange rate fluctuations	28 699	23 915
Payments for factoring	965	854
Other interest payments	45	-
Lease interest payments	-	216
Penalties paid	14 279	5 474
Total	43 988	30 459

(10) INTANGIBLE ASSETS

	Concessions, patents, licenses, trademarks and similar rights (EUR)	Other intangible assets (EUR)	Intangible investment for the creation of costs (EUR)	Total intangible assets (EUR)
Cost as of 31.12.2022.	1 592 988	31 226	16 369	1 640 583
Additions	0	0	548 576	548 576
Corrections			-	0
Transfers	552 376	-	(552 376)	-
Cost as of 31.12.2023.	2 145 364	31 226	12 569	2 189 159
Accumulated amortisation as of 31.12.2022.	404 324	3 580	-	407 904
Amortisation charged	403 847	6 260	-	410 107
Accumulated amortisation as of 31.12.2023.	808 171	9 840	-	818 011
Net carrying amounts as of 31.12.2022.	1 188 664	27 646	16 369	1 232 679
Net carrying amounts as of 31.12.2023.	1 337 193	21 386	12 569	1 371 148



(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	-	-	-	-	332 482	499 746	832 228
Adjustments					8 743	(8 743)	-
Transfers Disposals	-	-	-	(30 585)	-	-	(30 585)
Disposals	-	191 129	891 650	190 993	(574 138)	(699 634)	-
Cost as of 31.12.2023.	468 722	1 074 277	4 789 040	1 232 616	40 757	24 569	7 629 981
Accumulated depreciation as of 31.12.2022.	-	570 460	2 446 891	683 587	-	-	3 700 938
Depreciation charged	-	103 092	264 349	163 533	-	-	530 974
Disposals	-	-	-	(30 585)	-	-	(30 585)
Accumulated depreciation as of 31.12.2023.	-	673 552	2 711 240	816 535	-	-	4 201 327
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 31.12.2023.	468 722	400 725	2 077 800	416 081	40 757	24 569	3 428 654



	31.12.2023 EUR (unaudited)	31.12.2022 EUR (audited)
(12) Other non-current receivables and other receivables		
Rent security deposit	96 728	82 736
Total	96 728	82 736
(13) Other securities and investments		
Other investments	826	826
Total	826	826
(14) Raw materials		
Raw materials and materials, gross value	2 416 518	2 642 042
Allowance for slow moving inventories	-	-
Total	2 416 518	2 642 042
(15) Finished goods and goods for sale		
Cosmetic products	1 597 914	1 164 185
Advertising materials	135 261	65 072
Allowance for slow moving inventories	(3 500)	(7 500)
Total	1 729 675	1 221 757
(16) Trade receivables		
Trade receivables, gross value	1 695 787	1 416 561
Allowance for doubtful trade receivables	(18 700)	(31 033)
Total	1 677 087	1 385 528
(17) Other receivables		
VAT overpayment	42 509	118 161
Advances of funding from the European institutions	-	-
Security deposit- Mobilly	-	11 520
Other receivables	136 430	25 538
Total	178 939	155 219
(18) Cash		
Cash in bank accounts and digital payment systems	5 481 414	5 950 884
Total	5 481 414	5 950 884

(19) Share capital

As of 31 December 2023, the registered and fully paid-in share capital of the Group's Parent Company amounts to EUR 377 657.80 and consists of 3 776 578 shares with a nominal value of EUR 0,10 per share.

Since 2017, AS Madara Cosmetics 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 to 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.

	31.12.2023 EUR (unaudited)	31.12.2022 EUR (audited)
(20) Taxes and social insurance contributions		
Corporation tax	5 808	-
Value added tax	277 763	184 449
Compulsory national social insurance contributions	129 045	112 208
Personal income tax	64 194	55 827
Natural resources tax	555	365
National Business Risk Levy	80	100
Total	477 445	352 949
(21) Other current liabilities		
Salaries	243 859	215 472
Balance of gift cards	15 894	16 287
Other liabilities	21 572	15 985
Total other current liabilities	281 325	247 744
(22) Accrued liabilities		
Accrued liability for employee remuneration and unused vacations	368 570	338 219
Accrued liabilities for goods and services received	288 156	180 009
Total	656 726	518 228
(23) 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	222 385	111 193
KALVI SIA	28 367	11 998
Total	250 752	123 191
(24) Number of employees in the Group		
Average number of employees per reporting period, including:	215	202
Members of the Board in the Parent Company	3	3
Members of the Council in the Parent Company	5	5

	1.01.2023 -31.12.2023 EUR (unaudited)	1.01.2022 -31.12.2022 EUR (audited)
(25) Information on the remuneration of council and board members		
Board members remuneration for the work at the Board	31 000	21 600
Council members remuneration for the work at the Council	4 680	3 984
Total	35 680	25 584

(26) Off-balance sheet liabilities

On 17 March 2015, the Group's parent Company signed a premises lease agreement for renting production and office space with SIA MC PROPERTIES (registration number 40103872324), which will replace the previous premises lease agreement. The agreement matures in 2025.

Group has concluded lease agreements for rent of premises in five shopping centers in Riga: "Galerija 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.

On 17 March 2015, a mortgage agreement signed between A/S SWEDBANK and Group's Parent Company's lessor MC PROPERTIES SIA on pledged item – real estate on 131 Zeltinu Street, Marupe. Real estate is pledged in favor of A/S SWEDBANK and the Group's Parent Company is guarantor for the MC PROPERTIES SIA obtained borrowings; the amount of the guarantee, in accordance with the terms of the contract, is the amount of the outstanding liabilities. As of 31 December 2023, the outstanding amount of MC PROPERTIES SIA loan to A/S SWEDBANK was EUR 770 758.

(27) Received ERAF financing

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

(28) Financial risk management

The Group's activities are exposed to a variety of financial risks: foreign currency 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 year 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.







WWW.MADARACOSMETICS.COM