

MÁDARA

organic skincare

MANAGEMENT REPORT OF MADARA COSMETICS AS ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR 6 MONTHS OF 2024 REPORTING PERIOD



REPORTING PERIOD
01.01.2024 – 30.06.2024



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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%)	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 6.77% of shares Zane Tamane – owns 6.33% 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	01.01.2024 until 30.06.2024
Previous reporting period	01.01.2023 until 30.06.2023
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,

THE FIRST HALF OF THE YEAR HAS BEEN A PERIOD OF SOLID GROWTH AND STRATEGIC FOCUS FOR MADARA COSMETICS AS. WE HAVE CONCENTRATED OUR EFFORTS ON EXPANDING AND ACCELERATING OUR CORE BUSINESS – THE MÁDARA BRAND. AS PART OF OUR STRATEGY, WE COMPLETED TWO IMPORTANT CORPORATE REORGANIZATION PROJECTS – CARVING OUT AND SELLING THE MOSSA BRAND AND ALSO THE SELFNAMED.COM PRINT-ON-DEMAND BUSINESS (COSMETICS NORD SIA). THESE DECISIONS WERE MADE TO STREAMLINE OUR OPERATIONS WHILE SECURING FUTURE REVENUE OPPORTUNITIES WITH BOTH ENTITIES, ENSURING THAT PRODUCTION AND NEW PRODUCT DEVELOPMENT REMAIN IN-HOUSE.

INNOVATION CONTINUES TO BE AT THE HEART OF OUR SUCCESS. OUR PRESSED POWDERS HAVE OUTPERFORMED SALES EXPECTATIONS, NIACINAMIDE ALTERNATIVE SHOWED STRONG SALES NUMBERS PROVING INCREASING DEMAND FOR NATURAL ALTERNATIVES TO CONVENTIONAL PRODUCTS, AND BRINGING NEW SHADES TO OUR SKINONYM FOUNDATIONS, WE LAUNCHED THE SKINTINTS CAMPAIGN. AS A RESULT WE GREW OUR TINTED BUSINESS SEGMENT BY 15%. THESE OUTCOMES REFLECT OUR COMMITMENT TO MEETING THE EVOLVING NEEDS OF OUR CUSTOMERS.

A SIGNIFICANT MILESTONE DURING THIS PERIOD WAS OUR DEBUT AT THE MARIONNAUD PHYSICAL FLAGSHIP STORE IN PARIS AND SIGNING AN AGREEMENT WITH BOOZT.COM. THIS MARKS AN IMPORTANT STEP IN EXPANDING OUR BRAND PRESENCE IN KEY MARKETS AND DEMONSTRATES OUR ABILITY TO PARTNER WITH LEADING RETAILERS AND ONLINE CHANNELS ON A GLOBAL SCALE.

LOOKING AHEAD, WE ARE RELENTLESSLY WORKING TO SECURE A ROBUST INNOVATION PIPELINE FOR THE SECOND HALF OF THE YEAR. TO NAME A FEW, OUR PLANS INCLUDE THE LAUNCH OF AN ALTERNATIVE RETINOL LINE EXTENSION, A NEW MEN'S SKINCARE LINE, AND A RANGE OF BLUSHES. WE WILL ALSO ACTIVELY EXPAND OUR REACH BY TEAMING UP WITH NEW PHYSICAL RETAILERS AND LAUNCHING COOPERATION WITH GLOBAL ONLINE RETAILERS.

THANK YOU FOR YOUR ONGOING TRUST AND SUPPORT!



GUNTA ŠULTE,
CEO OF MADARA COSMETICS AS

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

THE MOST SIGNIFICANT EVENTS

SKIN TINTS BRAND CAMPAIGN

In Q2 of 2024, MÁDARA launched its most extensive brand campaign to date, with the objective of popularizing the tinted makeup category and introducing the brand's first-ever pressed powder formula – Air Equal Soft Silk Mineral Powder. The campaign has resulted in a 15% increase in sales of tinting compared to the same period last year. The campaign encompassed both local and international marketing activities, which were executed across various platforms. These included outdoor advertisements, such as posters and videos in Paris's central metro station and retail locations throughout France, Germany, Finland, Estonia, Latvia and other focus countries in Europe. Additionally, a pop-up event was held at the contemporary art museum Fotografiska in Tallinn. The campaign was also extended online across all sales channels, including the international website and social media platforms.



LAUNCHING PRESSED POWDERS AND EXPANDING THE MAKEUP RANGE

As part of the project "New Products with Reduced Environmental Impact in the Area of Green Industry Innovation by MADARA Cosmetics AS", MÁDARA launched its first-ever talc and titanium dioxide-free mineral pressed powder formula in 2024, which has already received excellent feedback from customers. This strategic launch allowed the brand to enter a completely new and highly sought-after category within the makeup industry.

"This project has been pivotal in our Company's development – enhancing our R&D team's proficiency in new product development and facilitating entry into a new cosmetics segment. Additionally, new equipment acquisitions have enhanced production efficiency and helped us to expand our makeup range. For instance, the Skinonym Semi-Matte Peptide Foundation is now available in 18 shades, significantly boosting MÁDARA opportunities in the global makeup market."

Gunta Šulte, CEO of MADARA Cosmetics AS

THE BESTSELLER – RETINOL ALTERNATIVE SERUM

Since the launch of the Time Miracle Botanic Retinol Alternative Serum in Autumn 2023, around 12 000 units have been sold as of June 30, 2024. This potent, plant-powered formula has gained international recognition and was named the No. 1 Popular Beauty Product in the Green Cosmetics category at the prestigious Dutch Beauty Awards 2024, proving that botanical alternatives can be just as effective as conventional formulas. Since its launch, the Retinol Alternative Serum has been ranked within the TOP 3 bestselling MÁDARA skincare products.

Building on the success of the Retinol Alternative Serum, the MÁDARA laboratory team has been actively perfecting new formulas powered by our renowned innovative retinol alternative complex, with plans to expand the range in Autumn 2024.



SKINCARE INNOVATIONS

Following the success of the best-selling Time Miracle Botanic Retinol Alternative Serum, MÁDARA continues to pioneer certified natural alternatives to mainstream synthetic skincare solutions, in 2024 launching a natural niacinamide alternative that matches the skin refining, brightening and balancing effects of conventional niacinamide. The Botanic Niacinamide Alternative 5-in-1 Serum formula is based on a potent complex of nature's richest ingredients that deliver intense skin refining results without being aggressive.

In addition, the Omega 3-6-9 Concentrate has joined the Custom Actives collection, expanding the range of certified natural, extraordinarily rich cosmeceutical additives that can be easily mixed into your daily skincare routine for more targeted care.

RE-SETTING BRAND FOCUS

In the first half of 2023, MADARA Cosmetics AS finalized the Company's current business strategy, resetting the core focus on the MÁDARA brand. As a result, the Company successfully sold its two subsidiary brands: MOSSA, a lower price range natural skincare and makeup brand, and SELFNAMED.COM, a dropshipping customizable skincare product platform.

In April 2024, MADARA Cosmetics AS signed a binding agreement with related party Oy Transmeri Ab ("Transmeri") for the asset-based carve-out and future contract manufacturing facilitation for the MOSSA brand. The SELFNAMED.COM platform transaction is structured as a management buyout and is deemed to have been undertaken with a related party, completing the larger steps to focus entirely on MÁDARA and its expansion in international markets.

"Efficient use of corporate resources is critical in creating long-term shareholder value. Both transactions not only enable us to re-focus on our core strengths – MÁDARA corporate and brand long-term strategy execution and it also confirms the Company's ability to generate valuable brand-related assets. Particular attention will be towards MÁDARA brand awareness building in France, Germany and Sweden."

Gunta Šulte, CEO of MADARA Cosmetics AS

SUSTAINABILITY AND PROCESS EFFICIENCY

We continue to introduce new solutions to improve our sustainability performance.

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.

Find more detailed information on the ESG report here:

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



BOLSTERING SALES FORCES

The Company has bolstered its sales force with a Chief Marketing Officer, who brings a robust digital business background. The team expansion also includes local sales representatives in France, Germany and the Netherlands, as well as an online marketplace specialist to enhance growth on global e-commerce platforms like Amazon. Moreover, the Company's operational departments have been reinforced to support this strategic push.



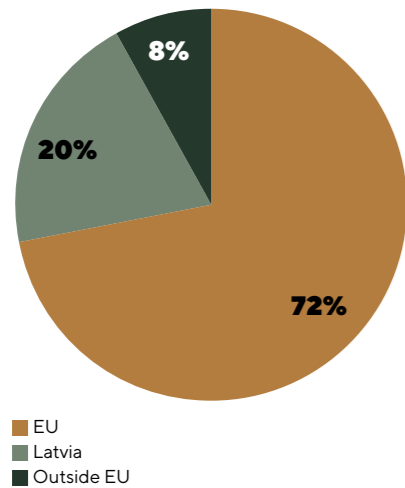
SALES

The consolidated turnover in the first half of 2024 reached EUR 11.21 million, 9% more than during the same period last year. This growth reflects a positive trend and the ability to maintain steady momentum. The impact of the MOSSA brand carve out described in the previous section should also be taken into account. The revision of the cooperation model and alignment of prices with the contract manufacturing model had a negative impact on net turnover growth in the short term, estimated at 2 percentage points of net turnover growth.

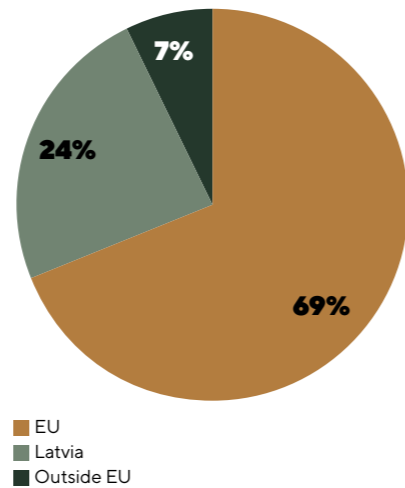
The geographical breakdown of turnover in the first half of 2024 reflects the trend same trend as a year ago, with 92% of sales generated in the European Union, including Latvia, while 8% generated outside the European Union.

It should be noted that compared to the first half of 2023, Latvia's share of sales in the first half of 2024 has decreased by 4 percentage points, while the share in the European Union and outside the European Union has increased. In the first half of 2024, we experienced double-digit growth in our European B2B focus markets – Germany (+11%) and France (+15%), which are now the two largest markets for the MÁDARA brand in the European Union and fit the Company's strategy and client portfolio diversification needs. The year was also notable for the takeover of the distribution function in Estonia, where we have also successfully implemented brand awareness-raising activities.

Sales distribution in Latvia, the EU and outside EU (2024 H1)



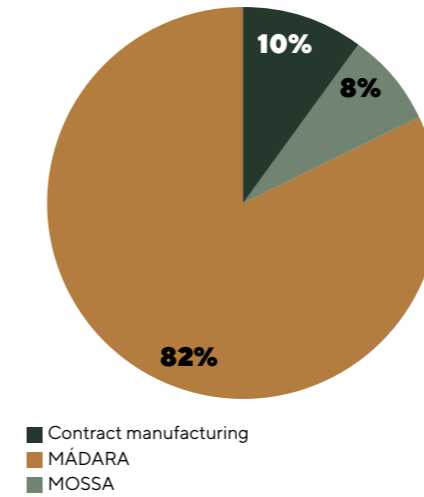
Sales distribution in Latvia, the EU and outside EU (2023 H1)



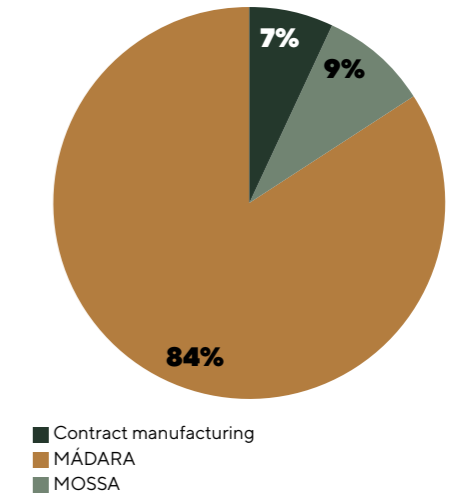
In the first half of 2024, 82% of the Group's sales came from the MÁDARA brand, 8% from the MOSSA brand and 10% from contract manufacturing. Compared with the first half of 2023, the MÁDARA brand's share of sales turnover decreased by 2 percentage points, the MOSSA brand's share decreased by 1 percentage point and the contract manufacturing share increased by 3 percentage points. The increase in sales in the contract manufacturing division is due to substantial

growth in net turnover of the Group's subsidiary Cosmetics Nord SIA in the first half of 2024 compared to the first half of 2023. Despite an increase in turnover, Cosmetics Nord SIA continued to negatively dilute the overall profitability of the group in the first half of the year. The decrease in the share of the MOSSA brand is due to the aforementioned sale of the brand to Oy Transmeri Ab on 30 April 2024 and a price review relating to contract manufacturing conditions.

Sales distribution by product categories (2024 H1)



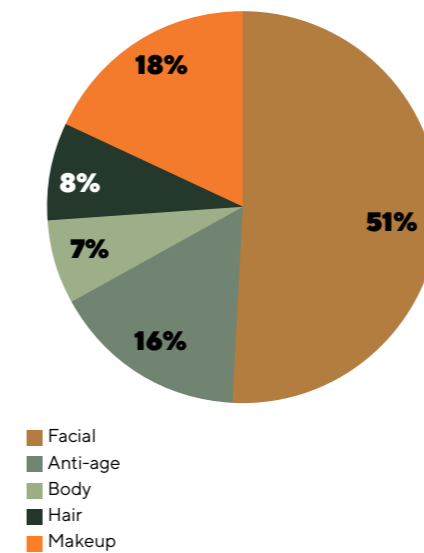
Sales distribution by product categories (2023 H1)



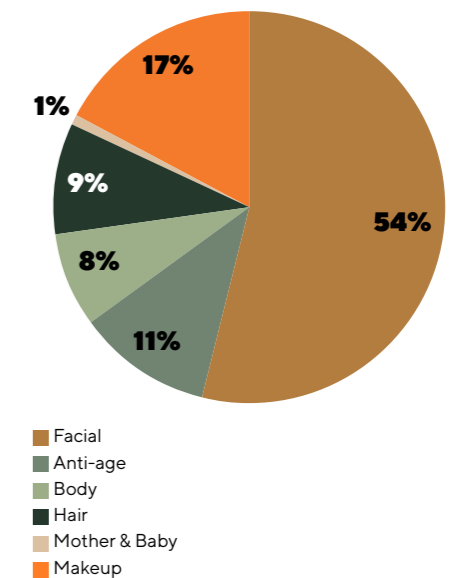
The performance of the MÁDARA product category in the first half of 2024 shows clear strengths. The Facial Care category continues to lead the way, accounting for 51% of turnover, while the Anti-ageing segment maintains its importance at 16%. Compared to the same period last year, the Facial Care category is down by 3 percentage points, while the Anti-ageing segment is up by 5 percentage points. The increase in the anti-ageing category is due to the substantial turnover contribution of Retinol Alternative Serum in the anti-ageing category, which was launched

in the second half of 2023 and has been one of the top-selling products in the MÁDARA portfolio since its launch. The share of the make-up category in MÁDARA's product mix has increased by 1 percentage point, reaching 18% in the first half of 2024. The increase in the makeup category is due to the launch of new pressed powder products in spring 2024. Given the brand's strategic focus on the facial care category and the small share of the mother and baby category, we will henceforth include this category under the body care segment.

Sales distribution of MÁDARA products by categories (2024 H1)



Sales distribution of MÁDARA products by categories (2023 H1)



FINANCIAL INDICATORS

In the first half of 2024 the Company's net turnover amounted to EUR 11.21 million, increasing by 9% compared to the same period last year. Gross profit for the first half of 2024 amounted to EUR 7.52 million. This represents an increase of 7% compared to last year. The gross profit margin decreased by 1 percentage point in the first half of 2024, mainly due to the product segments sold and their respective profitability levels.

Profit before tax for the first half of 2024 amounted to EUR 4.63 million. This represents an increase of 253% compared to the same period last year. The sharp increase in profit before tax is due to the sale of the MOSSA brand to Oy Transmeri Ab on 30 April 2024 for EUR 4 million. Profit before taxes excluding the sale of MOSSA and SELFNAME.COM (including transaction-related administrative expenses of EUR 115 thousand) amounted to EUR 741.56 thousand.

The financial indicators described below exclude MOSSA and SELFNAME.COM transactions.

The EBITDA margin for the first half of 2024 was 11%, down 6 percentage points compared to the same period last year. Margins were impacted by a significant increase in sales and administration expenses, including the expenses from the sale of MOSSA and SELFNAME.COM.

A significant part of the increase in sales expenses is higher spending on physical and digital advertising (over EUR 500 thousand), including the Skin Tints brand campaign mentioned above. Investing in physical and digital advertising reflects the Company's aim to attract more new customers. Although the increase in advertising expenses in the first half of 2024 was higher by more than EUR 500 thousand compared to the first half of 2023, as a

share of net turnover it increased by 3.4 percentage points. The second largest items are sales and marketing employee costs and outsourcing (above EUR 400 thousand). As mentioned above, the team has been strengthened with a number of strategic positions to support growth, as well as a revision of salaries for existing employees.

A significant part of the increase in administration costs (EUR 115 thousand) is related to the MOSSA and SELFNAME.COM transaction related costs. The sale of the MOSSA brand to Oy Transmeri Ab was finalized on 30 April 2024. On July 1st, 2024, the Group signed a binding agreement for the sale of 100% of the shares in Cosmetics Nord SIA, which owns SELFNAME.COM print-on-demand platform. While the proceeds from the SELFNAME.COM sale will be reflected in the financial results for the second half of 2024, the associated costs were incurred in the first half of 2024.

The other increase is associated with salary increases of the existing administration employees.

The net profit margin was also significantly impacted by the highest ever dividend payout of EUR 2.19 million (dividend payment to shareholders in July), on which corporate income tax of EUR 547.60 thousand was paid.

The management had initially projected a turnover growth target of at least 10% for 2024, aiming for EUR 22.25 million, compared to the previous year. However, accounting for the sale of the MOSSA brand and SELFNAME.COM, which will impact 2024 turnover, the like-for-like turnover for 2023 was approximately EUR 19.46 million. Consequently, the revised minimum growth target for 2024 has been adjusted to EUR 21.41 million, reflecting the updated base.

Key ratios and indicators	2024 H1 EUR	2023 H1 EUR	2024 H1 MOSSA, SELFNAME.COM deals excluded, EUR
Net turnover	11 207 586	10 282 041	11 207 586
Cost of goods sold	(3 691 422)	(3 259 713)	(3 691 422)
Gross profit	7 516 164	7 022 328	7 516 164
Depreciation, amortisation and write-downs	516 377	398 352	516 377
Leasehold improvements write-off expense	59 982	47 297	59 982
Operating profit	4 581 166	1 320 711	696 494
Interest income	65 458	1 260	65 458
Interest expense	(20 396)	(12 227)	(20 396)
Profit before taxes	4 626 228	1 309 744	741 556
Net profit for the period	4 075 603	983 689	190 931
Sales expenses	(5 662 506)	(4 506 527)	(5 662 506)
Administration expenses	(1 268 994)	(1 050 424)	(1 153 666)
Other operating income	4 104 180	20 112	104 180
Other operating expense	(107 678)	(164 778)	(107 678)

Key ratios and indicators	2024 H1	2023 H1	2024 H1 MOSSA, SELFNAME.COM deals excluded
EBITDA (TEUR)	5 158	1 766	1 273
Profitability and sustainability ratios			
1. Gross Margin (%)	67	68	67
2. Operating Margin (%)	41	13	6
3. EBITDA Margin (%)	46	17	11
4. Net Margin (%)	36	10	2
5. TTM ROE (%)	32	9	5
6. TTM ROA (%)	26	10	7
Liquidity ratios			
7. Current ratio (x)	3.04	2.95	3.04
8. Quick ratio (x)	2.21	1.91	2.21
9. Working capital (TEUR)	11 611	8 810	11 611
Leverage ratios			
10. Financial debt to equity (x)	-	-	-
11. Debt to equity (x)	0.38	0.33	0.38
12. Net financial debt (TEUR)	(10 065)	(6 530)	(10 065)
13. Net gearing (%)	(63)	(43)	(63)

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

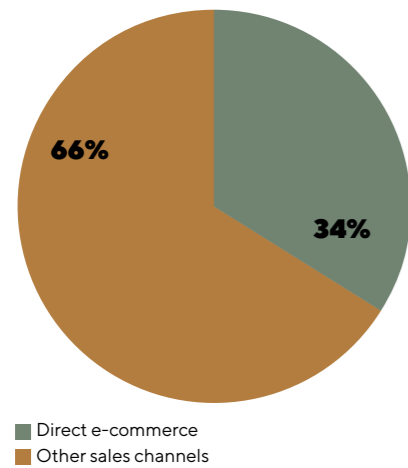
- Gross profit/Net turnover*100
- Operating profit/Net turnover*100
- EBITDA/Net turnover*100
- Net profit/Net turnover*100
- Trailing 12 Months (TTM) Net Profit/Total equity (average)*100
- TTM Operating profit/Total assets (average)*100
- Current assets/Current liabilities
- (Current assets-Inventories)/Current liabilities
- Current assets-Current liabilities
- Loans from financial institutions/Total equity
- Total debt/Total equity
- Total financial debt-Cash
- (Total financial debt-Cash)/Total equity*100

E-COMMERCE INDICATORS

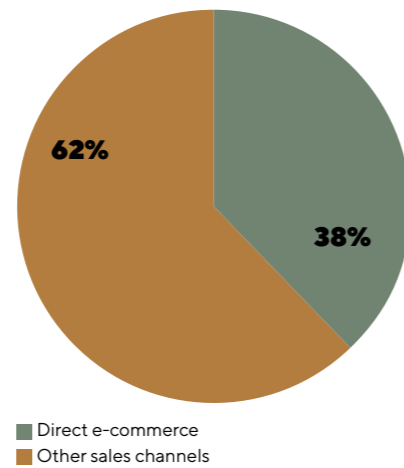
In the first half of 2024, direct e-commerce accounted for 34% of the Group's turnover from the sale of goods, a decrease of 4 percentage points compared to the same

period last year. The decrease is attributable to a faster growth rate in other sales channels.

Direct e-commerce share (2024 H1)



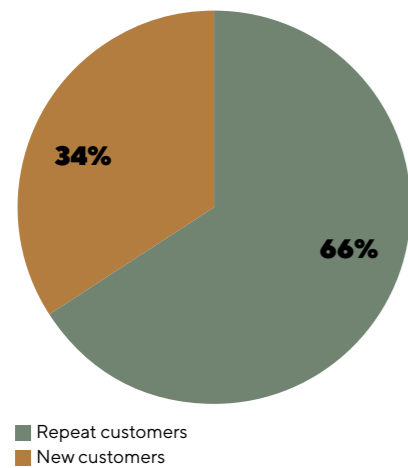
Direct e-commerce share (2023 H1)



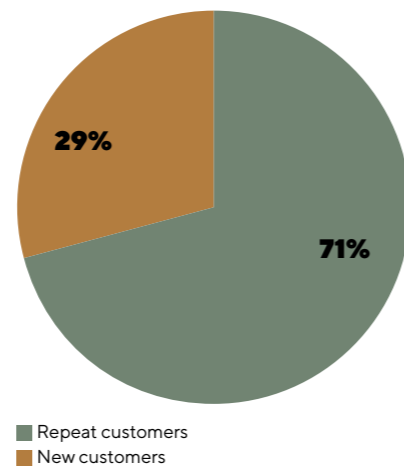
The Company continued to attract new direct e-commerce customers, with new customers accounting for 34% of turnover in the period, an increase of 5

percentage points compared to the first half of 2023. Attracting new customers will continue to be strategically important during the coming periods.

Turnover split by customer type (2024 H1)



Turnover split by customer type (2023 H1)



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	1.01.2024 -30.06.2024 EUR (unaudited)	1.01.2023 -30.06.2023 EUR (unaudited)
Net turnover	2	11 207 586	10 282 041
Cost of goods sold	3	(3 691 422)	(3 259 713)
Gross profit		7 516 164	7 022 328
Selling expenses	4	(5 662 506)	(4 506 527)
Administration expenses	5	(1 268 994)	(1 050 424)
Other operating income	6	4 104 180	20 112
Other operating expenses	7	(107 678)	(164 778)
Interest and similar income	8	65 458	1 260
Interest and similar expenses	9	(20 396)	(12 227)
Profit before corporate income tax		4 626 228	1 309 744
Corporate income tax for the reporting period		(550 625)	(326 055)
Profit for the reporting period		4 075 603	983 689

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



CONSOLIDATED BALANCE SHEET

Assets	Note	30.06.2024 EUR (unaudited)	31.12.2023 EUR (audited)
Non-current assets			
Intangible assets			
Concessions, licences, patents, trade marks and similar rights		1 407 751	1 337 192
Other intangible investments		18 257	21 386
Prepayments for intangible assets		-	12 570
Total intangible assets	10	1 426 008	1 371 148
Property, plant and equipment			
Land		468 722	468 722
Leasehold improvements		347 260	400 724
Plant and equipment		1 963 945	2 077 800
Other fixed assets		347 507	416 081
Construction in progress		38 739	40 758
Prepayments for property, plant and equipment		35 391	24 569
Total property, plant and equipment	11	3 201 564	3 428 654
Non-current financial investments			
Other non-current receivables and other receivables	12	88 865	96 728
Other securities and investments		691	826
Total non-current financial investments		89 556	97 554
Total non-current assets		4 717 128	4 897 356
Current assets			
Inventories			
Raw materials	13	2 574 764	2 435 579
Finished goods and goods for sale	14	1 605 701	1 762 900
Prepayments for inventories		562 040	282 168
Total inventories		4 742 505	4 480 647
Receivables			
Trade receivables	15	2 112 573	1 677 087
Other receivables	16	136 516	136 590
Accrued revenue		37 623	12 057
Deferred expenses		217 215	133 975
Total receivables		2 503 927	1 959 709
Cash	17	10 064 705	5 486 715
Total current assets		17 311 137	11 927 071
Total assets		22 028 265	16 824 427

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	377 658	377 658
Share premium		4 023 455	4 023 455
Retained earnings:			
a) prior year retained earnings		7 510 334	8 103 370
b) profit for the period		4 075 603	1 597 379
Total equity		15 987 050	14 101 862
Liabilities			
Non-current liabilities			
Other liabilities		341 451	281 374
Total non-current liabilities		341 451	281 374
Current liabilities			
Advances from customers		301 031	173 995
Trade payables		958 948	742 509
Taxes and social insurance contributions	19	1 114 994	477 446
Other payables	20	344 012	286 228
Deferred revenue		54 084	54 084
Unpaid dividends		2 190 415	-
Accrued liabilities	21	736 280	706 929
Total current liabilities		5 699 764	2 441 191
Total liabilities		6 041 215	2 722 565
Total equity and liabilities		22 028 265	16 824 427

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

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	1.01.2024 -30.06.2024 EUR (unaudited)	1.01.2023 -30.06.2023 EUR (unaudited)
Cash flow of operating activities			
Profit before taxes		4 626 228	1 309 744
Corrections:			
Depreciation of fixed assets	11	180 521	258 137
Amortisation of intangible assets	10	210 545	187 512
Fixed assets write-downs		186 396	-
Subsidies and grants received		(54 172)	(13 997)
Gain on disposal of property, plant and equipment and intangible assets, net		(4 010 983)	-
Interest and similar income	8	(12 842)	(1 262)
Interest and similar expenses	9	-	665
Profit before adjustments for current assets and current liabilities		1 125 693	1 740 799
Corrections:			
(Increase) / decrease in receivables		741 596	(410 985)
(Increase) / decrease in inventories		(261 858)	(464 822)
Increase / (decrease) in payables and other payables		(739 849)	375 781
Gross cash flow of operating activities		865 582	1 240 773
Interest payments		-	(665)
Income tax payments		(8 067)	(276)
Net cash flow of operating activities		857 515	1 239 832
Investment activities cash flow			
Purchase of shares in creative companies		(12 500)	-
Proceeds from the disposal of other investments		135	-
Acquisition of fixed assets and intangible assets		(405 234)	(675 077)
Proceeds from disposals of property, plant and equipment and intangible assets, net		4 010 983	-
Received interest		12 842	1 262
Investment activities cash flow		3 606 226	(673 815)
Financing activities cash flow			
ERAF financing received		114 249	13 191
Repaid financial lease liabilities		-	-
Dividends paid		-	-
Financing activities cash flow		114 249	13 191
Increase / (Decrease) in cash and cash equivalents		4 577 990	579 208
Cash and cash equivalents at the beginning of the reporting period	17	5 486 715	5 950 884
Cash and cash equivalents at the end of the reporting period	17	10 064 705	6 530 092

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 2022	377 391	4 023 455	9 424 857	13 825 703
Distribution of dividends	-	-	(1 321 220)	(1 321 220)
Increase of share capital	267	-	(267)	-
Profit for the reporting period	-	-	1 597 379	1 597 379
Balance as of 31 December 2023	377 658	4 023 455	9 700 749	14 101 862
Distribution of dividends	-	-	(2 190 415)	(2 190 415)
Increase of share capital	-	-	-	-
Profit for the reporting period	-	-	4 075 603	4 075 603
Balance as of 30 June 2024 (unaudited)	377 658	4 023 455	11 585 937	15 987 050

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. Turnover has been generated from the production and sale of cosmetics.

	1.01.2024 -30.06.2024 EUR (unaudited)	1.01.2023 -30.06.2023 EUR (unaudited)
Turnover by geographical markets:		
Revenue from the sale of goods in the European Union	8 046 309	7 004 968
Revenue from the sale of goods in Latvia	2 196 632	2 439 702
Revenue from the sale of goods in other markets	852 869	746 817
Revenue from the sale of services	110 674	82 066
Other revenue from operating activities	1 102	8 488
Total	11 207 586	10 282 041
(3) Cost of goods sold		
Materials cost	1 740 603	1 404 937
Remuneration for work	936 108	826 073
Social security contributions	221 019	194 586
Depreciation and amortisation	212 476	165 516
Production service costs	111 585	149 292
New products research and development costs	104 732	119 244
Premises rent and management costs	114 980	109 409
Current assets write-off	114 648	108 177
Resource costs	45 290	76 617
Leasehold improvements write-off	45 384	41 938
ECOCERT quality certificate maintenance costs	11 776	35 061
Car maintenance, fuel and repair costs	9 937	10 918
Business trip costs	7 202	9 621
Other production and production maintenance costs	15 682	8 324
Total	3 691 422	3 259 713
(4) Selling expenses		
Advertising costs	2 113 737	1 590 960
Remuneration for work	1 110 516	884 344
Transport costs	580 270	709 957
Sample production costs	454 672	342 677
Social security contributions	261 711	208 584

	1.01.2024 -30.06.2024 EUR (unaudited)	1.01.2023 -30.06.2023 EUR (unaudited)
Depreciation and amortisation	278 657	190 020
Mediation services costs	288 236	130 409
Costs of trading platform maintenance services	61 242	130 277
Trade promotion costs	56 473	90 697
Premises rent and maintenances costs	100 011	83 284
Business trip and exhibitions costs	40 837	41 605
Royalties	11 260	5 917
Internet store's WEB page maintenance costs and other IT costs	54 875	5 867
Representation costs	18 445	5 814
Car maintenance and fuel costs	7 931	5 618
Insurance against sales risks	13 550	0
Leasehold improvements write-off	14 598	5 359
Other sales expenses	195 485	75 138
Total	5 662 506	4 506 527
(5) Administration expenses		
Remuneration for work	466 867	413 870
Office costs	151 696	107 224
Social security contributions	110 075	95 822
Cash outflow related costs	93 863	77 667
Premises rent and maintenance costs	69 027	60 590
Employee health insurance	52 644	46 396
Depreciation and amortisation	25 244	42 816
Staff sustainability costs	49 979	40 617
Research consultation and conference costs	44 900	32 505
Employee catering costs	33 413	27 434
Securities circulation costs	8 533	17 943
Legal and other professional service costs	62 284	16 554
Car maintenance, fuel and repair costs	15 221	11 891
Business trip costs	3 741	11 776
Communication costs	11 279	8 945
Other management and administration costs	70 228	38 374
Total	1 268 994	1 050 424
(6) Other operating income		
Revenues from ERAF projects	54 172	13 997
Revenues from the sale of current assets	36 158	1 434
Proceeds from the sale of goodwill	4 000 135	0
Other revenues	13 715	4 681
Total	4 104 180	20 112

	1.01.2024 -30.06.2024 EUR (unaudited)	1.01.2023 -30.06.2023 EUR (unaudited)
(7) Other operating expenses		
Staff recruitment and training costs	28 364	94 206
Nature protection costs	11 860	21 198
Donations	825	1 598
Other expenses	66 629	47 776
Total	107 678	164 778
(8) Interest and similar income		
Other interest income	65 458	1 260
Total	65 458	1 260
(9) Interest and similar expenses		
Foreign currency exchange rate fluctuations	18 311	11 408
Other interest payments	2 085	819
Total	20 396	12 227

(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 31.12.2023.	2 145 364	31 226	12 569	2 189 159
Additions	-	-	307 175	307 175
Disposals	(41 769)	-	-	(41 769)
Transfers	319 744	-	(319 744)	-
Cost as of 30.06.2024.	2 423 339	31 226	-	2 454 565
Accumulated amortisation as of 31.12.2022.	808 171	9 840	-	818 011
Amortisation charged	248 245	3 129	-	251 374
Disposals	(40 828)	-	-	(40 828)
Accumulated amortisation as of 30.06.2024.	1 015 588	12 969	-	1 028 557
Net carrying amounts as of 31.12.2023.	1 337 193	21 386	12 569	1 371 148
Net carrying amounts as of 30.06.2024.	1 407 751	18 257	-	1 426 008



(11) FIXED ASSETS MOVEMENT TABLE

	Land (EUR)	Leasehold improvements (EUR)	Equipment and machinery (EUR)	Other fixed assets (EUR)	Construction in progress (EUR)	Prepayments for property, plant and equipment (EUR)	Total fixed assets (EUR)
Cost as of 31.12.2023.	468 722	1 074 277	4 789 040	1 232 616	40 757	24 569	7 629 981
Additions	-	878	-	1 775	66 068	29 338	98 059
Adjustments	-	-	-	-	18 516	(18 516)	-
Disposals	-	(36 004)	-	(148 652)	-	-	(184 656)
Transfers	-	6 572	57 784	22 246	(86 602)	-	-
Cost as of 30.06.2024.	468 722	1 045 723	4 846 824	1 107 985	38 739	35 391	7 543 384
Accumulated depreciation as of 31.12.2023.	-	673 552	2 711 240	816 535	-	-	4 201 327
Depreciation charged	-	60 915	171 639	82 904	-	-	315 458
Disposals	-	(36 004)	-	(138 961)	-	-	(174 965)
Accumulated depreciation as of 30.06.2024.	-	698 463	2 882 879	760 478	-	-	4 341 820
Net carrying amounts as of 31.12.2023.	468 722	400 725	2 077 800	416 081	40 757	24 569	3 428 654
Net carrying amounts as of 30.06.2024.	468 722	347 260	1 963 945	347 507	38 739	35 391	3 201 564



	30.06.2024 EUR (unaudited)	31.12.2023 EUR (audited)
(12) Other non-current receivables and other receivables		
Rent security deposit	88 865	96 728
Total	88 865	96 728
(13) Raw materials		
Raw materials	2 574 764	2 435 579
Allowance for slow moving inventories	-	-
Total	2 574 764	2 435 579
(14) Finished goods and goods for sale		
Cosmetic products	1 495 612	1 599 731
Advertising materials	113 589	135 261
Goods on the move	-	31 408
Allowance for slow moving inventories	(3 500)	(3 500)
Total	1 605 701	1 762 900
(15) Trade receivables		
Net book value of trade receivables	2 131 273	1 695 787
Allowance for doubtful trade receivables	(18 700)	(18 700)
Total	2 112 573	1 677 087
(16) Other receivables		
VAT overpayment Latvia	36 629	42 509
VAT overpayment Germany	971	6 383
Security deposit	22 178	882
Other debtors	76 738	86 816
Total	136 516	136 590
(17) Cash		
Cash in bank accounts and cash equivalents	10 064 705	5 486 715
Total	10 064 705	5 486 715

(18) Share capital

As at 30 June 2024, the registered and fully paid share capital of the Parent Company was EUR 377 657.80, consisting of 3 776 578 shares with a nominal value of EUR 0.10 per share.

Since 2017, Madara Cosmetics AS has implemented a options programme for its employees as an additional motivation and involvement tool. Share options may be acquired by employees of the Company, managers of departments and members of the 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 programme of share options and in accordance with the procedure share options are exercised at par value at the expense of retained earnings.

	30.06.2024 EUR (unaudited)	31.12.2023 EUR (audited)
(19) Taxes and social insurance contributions		
Value added tax (OSS)	292 573	244 764
Corporation tax	547 765	5 169
Compulsory national social security contributions	150 603	129 139
Personal income tax	93 789	64 327
Other taxes and duties (Latvia, Italy, UK)	30 264	34 047
Total	1 114 994	477 446
(20) Other current liabilities		
Salaries	296 476	244 344
Balance of gift cards	13 128	13 656
Other liabilities	34 408	28 228
Total other current liabilities	344 012	286 228
(21) Accrued liabilities		
Accrued liabilities for employee remuneration and accrued vacation	415 949	368 570
Accrued liabilities for the received goods and services	320 331	338 359
Total	736 280	706 929
(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	121 910	111 193
KALVI SIA	17 114	14 358
Total	139 024	125 551
(23) Number of employees in the Group		
Average number of employees per reporting period, including:	229	215
Members of the Board in the Parent Company	4	4
Members of the Council in the Parent Company	5	5

	1.01.2024 -30.06.2024 EUR (unaudited)	1.01.2023 -30.06.2023 EUR (unaudited)
(24) Information on the remuneration of council and board members		
Board members remuneration for the work at the Board	151 544	332 870
Council members remuneration for the work at the Council	3 301	4 680
Total	154 846	337 550

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

On 17 March 2015 the Parent Company of the Group entered into a lease agreement with MC PROPERTIES SIA, registration number 40103872324, for the lease of production and office premises in Mārupe, Zeltiņu iela 131. The Parent Company of the Group has concluded an agreement on lease of office premises with Kalvi SIA at 20A Baložu Street, the term of the agreement is 2026. The Group has concluded lease agreements for retail space in five shopping centres in Riga: Galerija Rīga, Galerija Centrs, Spice, Alfa, as well as a long-term lease agreement for warehouse and office space at Kauguru iela 6, Riga, which is also the registered office of the subsidiary Cosmetics NORD SIA. The term of the existing lease agreements is until 2024-2029 with a possibility of extension.

(b) Guarantees issued

On 17 March 2015, a Mortgage Agreement was signed between SWEDBANK A/S and MC PROPERTIES SIA, the lessor of production and office premises of the Group's Parent Company, where the subject of pledge - real estate at 131 Zeltiņu Street, Mārupe, was pledged in favour of SWEDBANK A/S, and the Group's Parent Company is the guarantor of the loan obtained by MC Properties SIA; the amount of the guarantee, according to the terms of the agreement, is in the amount of outstanding liabilities. As at 30 June 2024, MC PROPERTIES SIA's outstanding loan to SWEDBANK A/S amounts to EUR 710 700 (31 December 2023: EUR 770 758).

(26) Received ERAF financing

In 2024, 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

Subsequent to the end of the reporting period on 1 July 2024, MADARA Cosmetics AS has entered into a transaction with SLFNMD Ltd for the sale of 100% of the shares in Cosmetics Nord Ltd. The transaction resulted in a gain of EUR 1.19 million.

There have been no other events between the last day of the reporting period and the date of signing of these financial statements that have resulted in adjustments or that should be reflected in these financial statements.





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