

MÁDARA
organic skincare

**1 YEAR AS A NASDAQ LISTED
COMPANY**

NOVEMBER / 2018

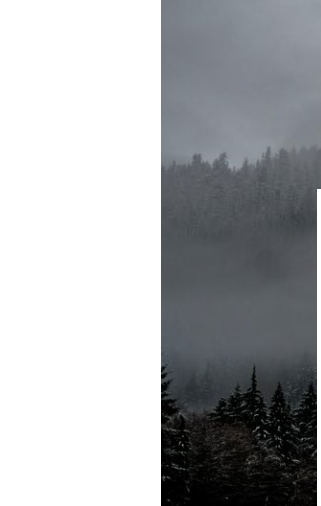
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1. OVERVIEW
2. IMPORTANT EVENTS
3. TRENDS
4. DIVIDEND POLICY
5. RETURNS ON INVESTMENT



PRESENTING:
Uldis Iltners, Management Board

OVERVIEW

The leading and fast growing organic cosmetics and skincare producer in the Baltics with firmly-established position in Finland and expanding further.
 One of the strongest brands in natural cosmetics in Europe.
 Company offers a shareholder benefit programme.
 Nasdaq Riga First North listed.

KEY STRENGTHS

Unique self-made formulas.
 ECOCERT certified.
 Own design and PR agency in-house.
 Operates modern and state of the art factory near Riga International Airport.
 In business since 2006 and well-established BRAND.

STRATEGY

Growth focus yet eye on steady profit margins
 Convert existing and new customers into direct stakeholders (loyalty).
 Increased international visibility and reputational enhancement via equity market listing.
 Expand via own e-commerce webstores.
 Offers contract manufacturing to others.

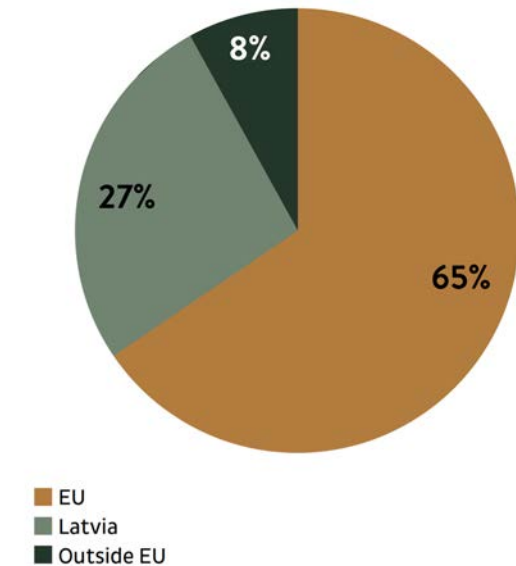
INVESTMENT OPPORTUNITY

Company has a platform and knowledge for growth. Experienced and skilled management.
 Macro: EC expects Baltics to have above average EU growth rates.

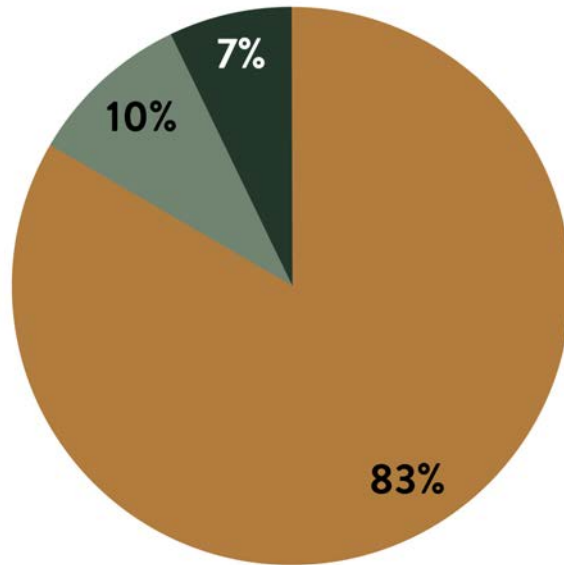
2018 H1 continues the established growth trend:

- ▶ Sales growth 30% y-o-y
- ▶ EBITDA growth 18.6% y-o-y
- ▶ Net profit growth 39.8% y-o-y

Sales distribution in LV, the EU and outside of the EU (2018 H1)

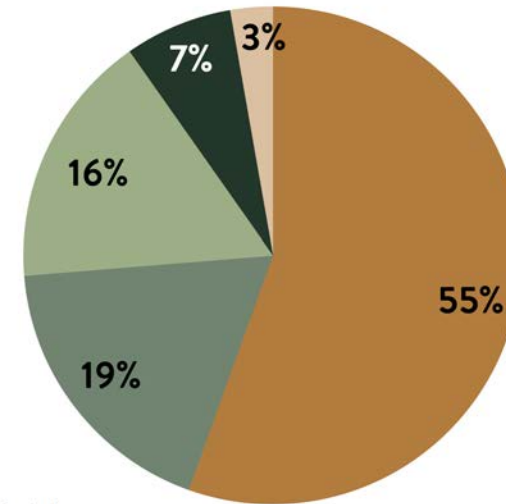


Sales distribution of MADARA products in 2018 H1



- Contract manufacturing
- MADARA
- MOSSA

Sales distribution by product categories: facial, body and anti-age cosmetics, hair care products, children cosmetics etc. (2018 H1)



- Facial
- Anti-age
- Body
- Hair
- Mother & Baby

VOLUME REBOUNDED LIFTING MASK restores firmness and V-shaped contours COSMOS ORGANIC

MADARA skincare

FINANCIAL OVERVIEW

The main financial indicators are as follows:

Key Ratios and Indicators (EUR)	2018 H1	2017 H1
Revenue	4 660 388	3 585 078
Cost of goods sold	-1 637 581	-1 360 952
Gross profit	3 022 807	2 224 126
Depreciation of property, plant and equipment	-184 460	-161 943
Leasehold improvements write-off expense	-35 703	-39 263
Operating profit	981 464	824 200
Interest income	26 183	-
Interest expense	-11 615	-12 990
Profit before taxes	996 032	811 210
Net profit for the reporting period	995 991	712 594

Q3 SALES RESULTS

Q3 SALES RESULTS

Q3 **2298 TEUR** **+26%**

9 month **6958 TEUR** **+29%**

Q3 SALES DYNAMICS PER CHANNEL

LV **+33%**

EU **+29%**

Outside EU **-26%**

8% H1 2018 turnover

The management's revenue guidance for 2018 remains 10 MEUR.

KEY EVENTS SINCE IPO
10.11.2017

Vote
NEW
CONST
CONV

NASDAQ WELCOMES
MADARA COSMETICS
TO NASDAQ BALTIC
FIRST NORTH





 Nasdaq



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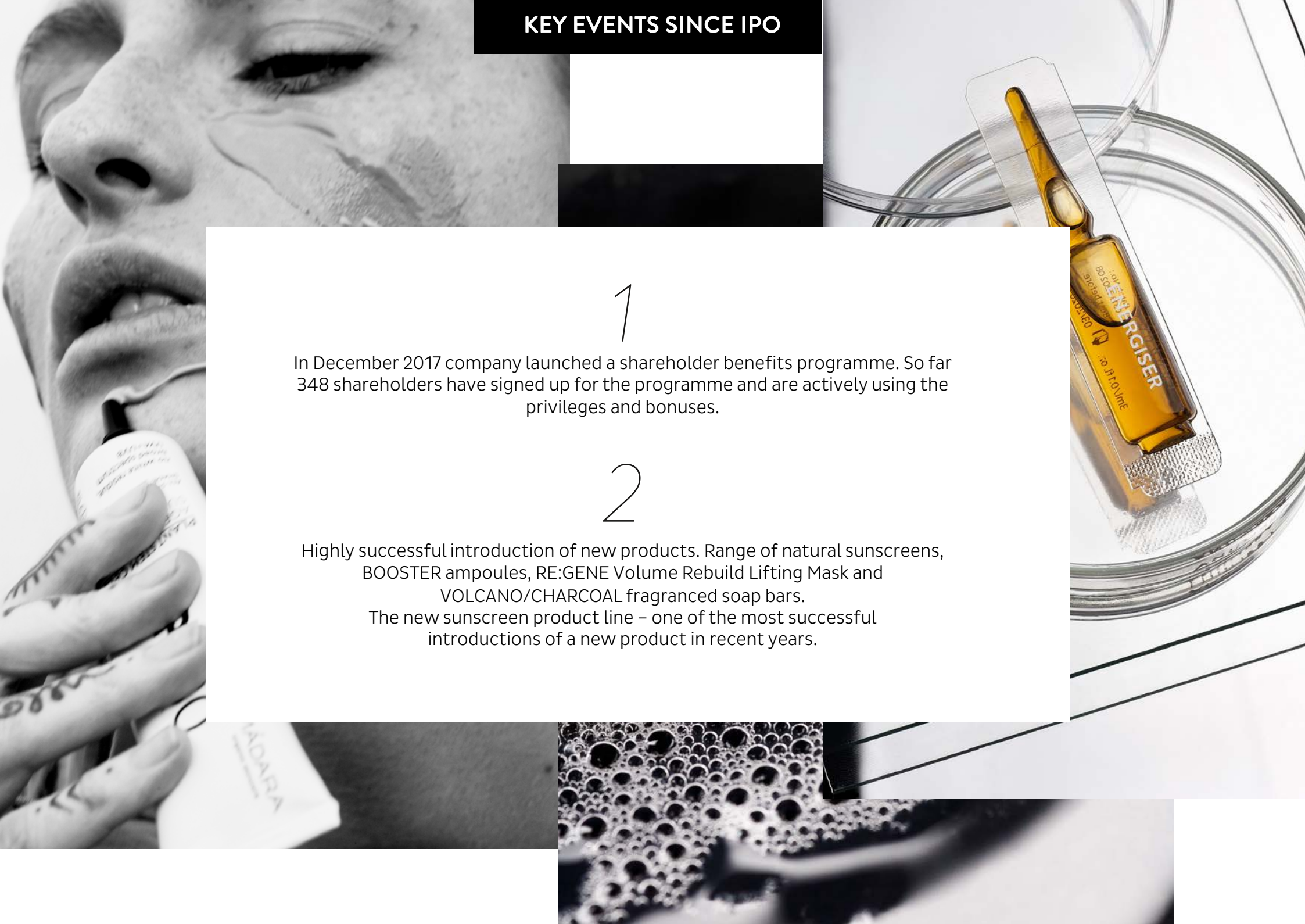
KEY EVENTS SINCE IPO

1

In December 2017 company launched a shareholder benefits programme. So far 348 shareholders have signed up for the programme and are actively using the privileges and bonuses.

2

Highly successful introduction of new products. Range of natural sunscreens, BOOSTER ampoules, RE:GENE Volume Rebuild Lifting Mask and VOLCANO/CHARCOAL fragranced soap bars.
The new sunscreen product line – one of the most successful introductions of a new product in recent years.



KEY EVENTS SINCE IPO

3

Upgrade of e-commerce system and implementation of IT projects. The current e-commerce system has undergone several significant improvements and has acquired additional tools that promote the system's operating effectiveness. Among the most notable IT projects we highlight the implementation of business intelligence system. Investments in upgrading the e-commerce system and implementing IT projects amounted to 216 000 EUR.

4

The company also continues to enhance its manufacturing processes.

Two new filling machines were ordered:

- automated cosmetic filling and capping line (EUR 207 295);
- high-performing tube filling machine for cosmetic products (EUR 277 400).

Both machines will be supplied and installed by the end of the year.

5

New sales points:

John Bell & Croyden and Selfridges

Cosmetic Departments in the United Kingdom

Hehku stores in Finland / Apotek Boots in Norway

Parafarmaci markets in Albania / Unipatika chain in Hungary

20 Healthy Planet stores in Canada

ESG REPORT

The company has published its ESG report on 2017 activities,
<http://www.geet.me/uBMxb0>

KEY INDICATOR	2016	2017
CO2 emissions:	67.44 t	110.38 t
Energy intensity per 1 product manufactured:	2817 KJ	1777 kJ
Renewable energy intensity (% of electricity coming from renewable sources):	40%	60%
CEO pay ratio:	1.86:1	1.68:1
Board diversity:	Men: 12.5% Women: 87.5%	Men: 12.5% Women: 87.5%
Gender diversity (% of female full-time employees)	76.92%	72.22%
Temporary Worker Ratio:	Full-time: 80% Part-time: 20%	Full-time: 86.75% Part-time: 13.25%
Employee Turnover Ratio:	8.85%	2.33%
Injury rate	0	0
Helping the community (Sponsored free of charge legal or psychological consultation sessions for victims of human trafficking, domestic violence, mostly women and children)	555	365

- Replacement of synthetic components.
- Demand for more organic food has also fueled demand for organic cosmetics.
- Fighting against green-washing in cosmetics industry.
- Clean beauty - support for non-toxic products.
- Environmentally-friendly products and packaging.
- Gender-neutral cosmetics.
- Rapid growth of beauty e-commerce (from market share of 1.5% in 2017 to 7-10% in 2020).
- Private labels.
- Labels with «free-from», «natural» and «organic».
- Traceability of ingredients.

ORGANIC IN NUMBERS:

The global organic personal care market is expected to reach USD 25.1 billion by 2025. Global market in 2017 was USD 14.8bn: leading markets Europe (Germany) and the USA. Currently it is around 3% compared to the size of the conventional cosmetics market size. Organic skin care products are expected to grow with a CAGR of 11.1% during 2018-2026 due to increasing consumer awareness about organic skincare products and growing e-commerce and disposable income.

Organic and natural hair care, skincare and beauty products are expected to drive market growth during the coming 5-10 years.

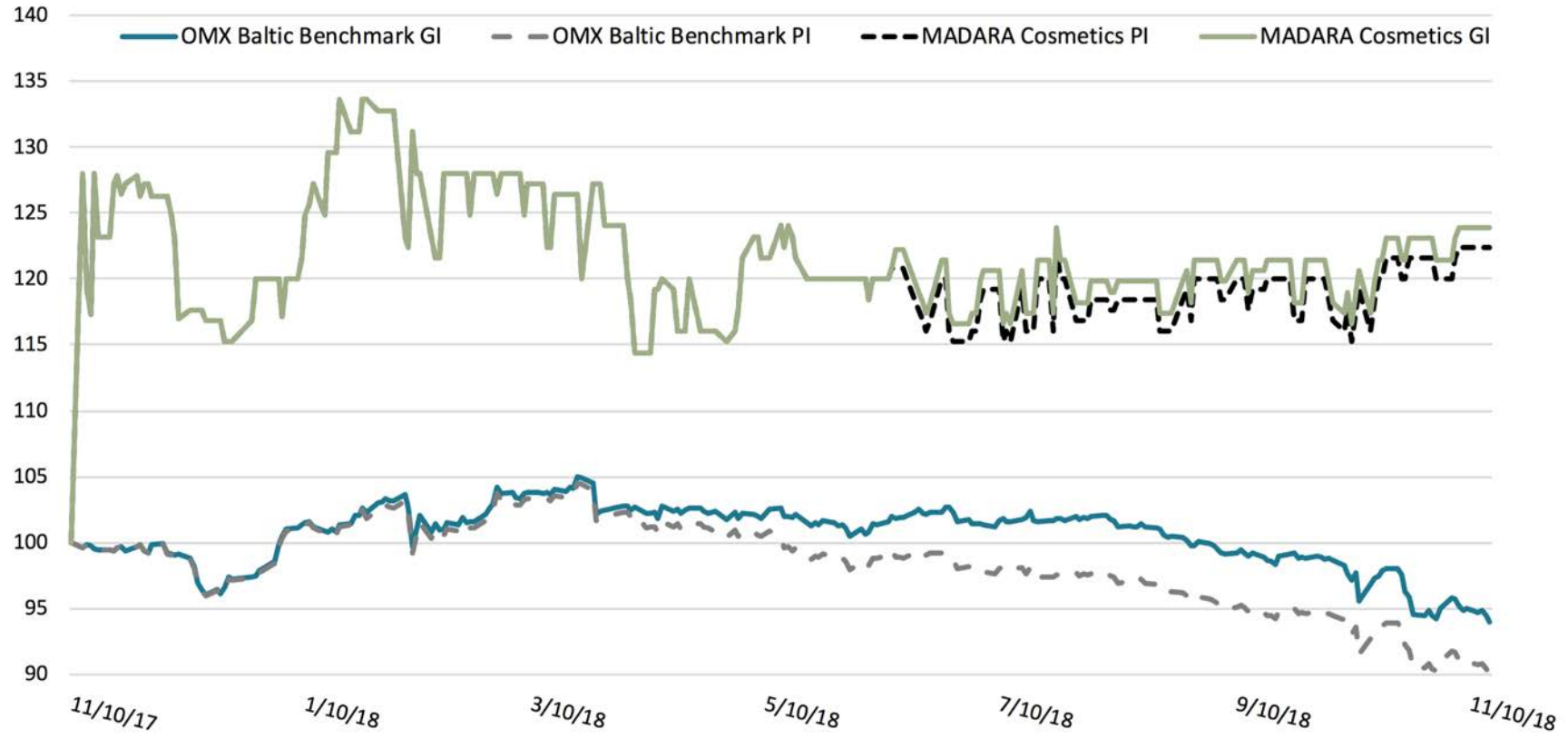
DIVIDEND POLICY

The Management expects to be able to regularly distribute up to 25% of the Company's profit to its shareholders.

In 2018 dividends were paid in amount of 0,09 EUR per share - in total 25% of the profit 2017 was distributed to shareholders.

RETURN ON INVESTMENT

Development of MADARA Cosmetics price indices vs Baltic OMX, %



Total return – **24%** (period 10.11.2017-15.11.2018, including dividends)

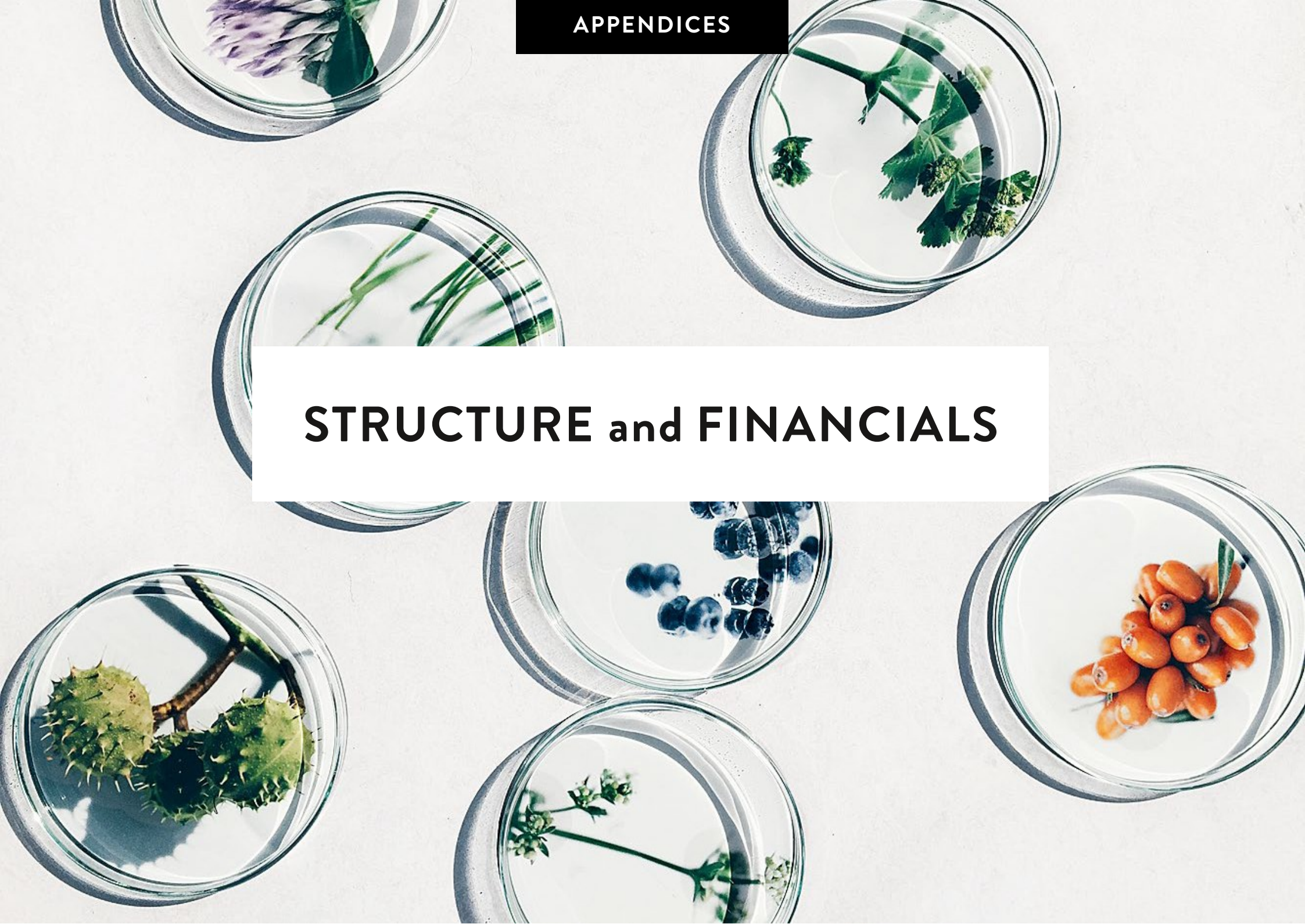
A woman with long blonde hair, wearing a black sleeveless dress, is sitting on the ground against the trunk of a large, textured tree. She is looking to the left. The background is a soft-focus landscape with green grass and a hazy sky. The overall mood is serene and natural.

MÁDARA
organic skincare

THANK YOU!

APPENDICES

STRUCTURE and FINANCIALS



STRUCTURE (I)

MANAGEMENT



LOTTE TISENKOPFA – ILTNERE

Chairman of management board.
Responsible for new formulas/
development.
Co-operation with scientists.
A spokesperson for the Co.



ULDIS ILTNERIS

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



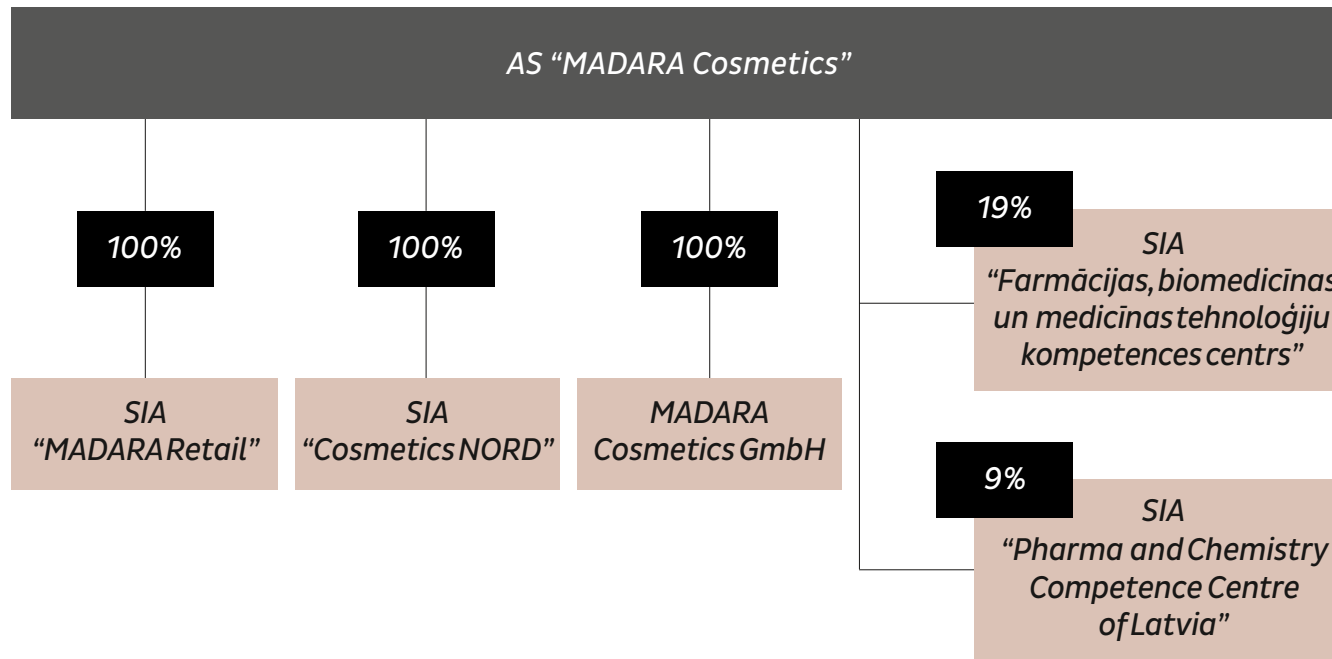
PAULA TISENKOPFA

Member of management board.
Responsible for export and sales.

OWNERSHIP



STRUCTURE (II)



100% SUBSIDIARIES:

- ▶ *MADARA Retail, SIA: runs Latvian retail stores*
- ▶ *Cosmetics NORD, SIA: offers contract manufacturing in MADARA Cosmetics, AS facilities*
- ▶ *MADARA Cosmetics, GmbH: Sales and distribution unit for Germany*

MINORITY SHAREHOLDING COMPANIES:

- ▶ *Farmācijas, biomedicīnas un medicīnas tehnoloģiju Kompetences centrs, SIA: Competence centre established jointly with industry experts*
- ▶ *Pharma and Chemistry Competence Centre of Latvia, SIA: Competence centre established jointly with industry experts*

FINANCIAL OVERVIEW

Key Ratios and Indicators	2018 H1	2017 H1
EBITDA (TEUR)	1 218	1 027
Profitability and sustainability ratios		
1. Gross Margin (%)	65	62
2. Operating Margin (%)	21	23
3. Net Margin (%)	21	20
4. ROE (%)	26%	44%
5. ROA (%)	21%	34%
Liquidity ratios		
6. Current ratio (x)	6.30	3.79
7. Quick ratio (x)	4.49	2.15
8. Working capital (TEUR)	6 210	2 511
Leverage ratios		
9. Financial debt to equity	11%	18%
10. Debt to equity	20%	45%
11. Net financial debt (TEUR)	-2 807	-373
12. Net gearing	-35%	-10%

* 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*2/Shareholder's equity (average)*100
4. Net profit*2/Total assets (average)*100
5. Net profit/Total assets*100
6. Current assets/Current liabilities
7. (Current assets-Inventories)/Current liabilities
8. Current assets-Current liabilities
9. Loans from financial institutions/Total equity*100
10. Total debt/Total equity*100
11. Total financial debt-Cash
12. (Total financial debt-Cash)/Total equity*100

CONSOLIDATED INCOME STATEMENT

	Note	2018 I-VI (unaudited)	2017 I-VI
Net turnover	2	4 660 388	3 585 078
Cost of goods sold	3	-1 637 581	-1 360 952
Gross profit		3 022 807	2 224 126
Selling expenses	4	-1 618 060	-1 035 199
Administration expenses	5	-486 483	-421 133
Other operating income	6	87 634	71 794
Other operating expenses	7	-24 434	-15 388
Interest and similar income	8	26 183	-
Interest and similar expenses	9	-11 615	-12 990
Profit before corporate income tax		996 032	811 210
Corporate income tax for the reporting period	10	-41	-98 616
Profit for the reporting period		995 991	712 594

The accompanying notes on pages 11 to 27 are an integral part of these consolidated financial statements.

Please refer to the full set of financials / financial report which can be found here: <https://cns.omxgroup.com/cdsPublic>

CONSOLIDATED BALANCE SHEET

Assets	Note	30/06/2018 (EUR) (unaudited)	31/12/2017 (EUR)
Non-current assets			
Intangible assets			
Concessions, licences, patents, trade marks and similar rights		173 132	133 361
Concessions, licences, patents, trade marks and similar rights		66 081	7 899
Total intangible assets	11	239 213	141 260
Property, plant and equipment			
Land		133 237	133 237
Leasehold improvements		482 927	476 443
Plant and equipment		664 968	751 348
Other fixed assets		284 914	268 060
Construction in progress		78 298	14 874
Prepayments for property, plant and equipment		193 878	14 065
Total property, plant and equipment	12	1 838 222	1 658 027
Non-current financial investments			
Other non-current receivables and other receivables	13	70 600	40 000
Other securities and investments	14	826	826
Total non-current financial investments		71 426	40 826

CONSOLIDATED BALANCE SHEET

Assets	Note	30/06/2018 (EUR) (unaudited)	31/12/2017 (EUR)
Total non-current assets		2 148 861	1 840 113
Current assets			
Inventories			
Raw materials	15	1 047 088	859 164
Finished goods and goods for sale	16	872 665	674 319
Prepayments for inventories		203 831	96 392
Total inventories		2 123 584	1 629 875
Receivables			
Trade receivables	17	973 701	923 709
Other receivables	18	101 554	85 823
Accrued revenue		-	18 293
Deferred expenses		7 225	34 210
Total receivables		1 082 480	1 062 035
Total current financial investments		500 000	500 000
Cash		3 675 882	4 086 345
Total current assets		7 381 946	7 278 255
Total assets		9 530 807	9 118 368

FINANCIAL OVERVIEW

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Note	30/06/2018 (EUR) (unaudited)	31/12/2017 (EUR)
Equity			
Share capital	21	374 524	374 524
Share premium		4 023 454	4 023 454
Retained earnings:			
a) prior year retained earnings		2 517 550	1 608 525
b) profit for the period		995 991	1 246 097
Total equity		7 911 519	7 252 600
Liabilities			
Non-current liabilities			
Bank borrowings	22	176 811	244 383
Other liabilities	23	169 686	182 042
Deferred revenue		100 750	145 213
Total non-current liabilities		447 247	571 638
Current liabilities			
Bank borrowings	22	135 145	135 145
Advances from customers		41 502	77 164
Trade payables		436 888	542 648
Taxes and social insurance contributions	24	94 385	122 086
Other payables	25	183 619	161 253
Deferred revenue		88 926	88 926
Accrued liabilities		191 576	166 908
Total current liabilities		1 172 041	1 294 130
Total liabilities		1 619 288	1 865 768
Total equity and liabilities		9 530 807	9 118 368

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	2018 I-VI EUR (unaudited)	2017 I-VI EUR
Cash flow of operating activities			
Profit before taxes		996 032	811 210
Corrections:			
Depreciation of fixed assets	12	220 164	201 206
Amortisation of intangible assets	11	16 345	1 973
Revenue from the recognition of ERAF funds		-86 077	-44 463
Interest and similar income	8	-26 183	-
Interest and similar expenses	9	11 615	12 990
Profit before adjustments for current assets and current liabilities		1 131 896	982 916
Corrections:			
Increase / decrease in receivables		-74 182	212 596
Increase in inventories		-386 270	-157 521
Decrease in payables and other payables		-124 454	-104 537
Gross cash flow of operating activities		546 990	933 454
Interest payments		-11 615	-12 990
Income tax payments		-53 702	-53 370
Net cash flow of operating activities		481 673	867 094

CONSOLIDATED CASH FLOW STATEMENT

(Indirect method)

	Note	2018 I-VI EUR (unaudited)	2017 I-VI EUR
Investment activities cash flow			
Acquisition of fixed assets and intangible assets		-494 606	-354 425
Bank guarantee deposit		-30 600	-
Received interest		26 183	-
Investment activities cash flow		-499 023	-354 425
Financing activities cash flow			
Proceeds from ERAF funds		41 614	8
Repaid financial lease liabilities		-30 083	-19 530
Dividends paid		-337 072	-
Repaid loan	22	-67 572	-67 573
Financing activities cash flow		-393 113	-87 095
Decrease / increase in cash and cash equivalents		-410 463	425 574
Cash and cash equivalents at the beginning of the reporting year		4 086 345	579 638
Cash and cash equivalents at the end of the financial year		3 675 882	1 005 212

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (EUR)	Share premium (EUR)	Retained earn- ings (EUR)	Total equity (EUR)
Balance as of 31 December 2016	106 652	761 236	2 021 845	2 889 733
Distribution of dividends	-	-	-200 000	-200 000
Increase in share capital	213 320	-	-213 320	-
Issue of shares	54 552	3 262 218	-	3 316 770
Profit for the reporting period	-	-	1 246 097	1 246 097
Balance as of 31 December 2017	374 524	4 023 454	2 854 622	7 252 600
Distribution of dividends	-	-	-337 072	-337 072
Profit for the reporting period	-	-	995 991	995 991
Balance as of 30 June 2018 (unaudited)	374 524	4 023 454	3 513 541	7 911 519