



AS SAKRET HOLDINGS

UNAUDITED CONSOLIDATED INTERIM REPORT

FOR 6 MONTHS, ENDED JUNE 30 2021

Management Report

INFORMATION ABOUT THE COMPANY

Name of the company	AS Sakret Holdings
Legal status of the company	Joint Stock Company
Registration number Place and date of registration	40103251030 Riga, September 30th, 2009
Registered office	Ropaži municipality, Stopiņi parish, Rumbula, "Ritvari", LV-2121
Postal address	Ropaži municipality, Stopiņi parish, Rumbula, "Ritvari", LV-2121
NACE code, type of core activity	2364 Sales and manufacturing of dry, ready to use building mixtures, building chemicals and paints
Board Members	Māris Kelpis, Chairman of the Board Juris Grīnvalds Laura Miķelsone
Council Members	Andris Vanags, Chairman of the Council Valērija Lieģe Artis Grīnbergs
Reporting period	01.01.2021-30.06.2021

GROUP'S ACTIVITIES

SAKRET Holdings AS operates in Baltics construction industry and is mainly engaged in production and wholesale of various building mixtures, such as thermal insulation component systems, masonry and repair mortars, concrete, decorative plastering and other building mixtures used in residential and non-residential building construction and repair. The core market of SAKRET is the three Baltic countries with only a minor part of the volume exported to Finland. Sales are spread across the Baltic States with majority of sales in Latvia over the other Baltic States.

The major channel for SAKRET production realizing is retailers.

In addition, SAKRET provides various services to its clients, such as consultation services regarding the use and application of its products in building processes. Furthermore, SAKRET provides equipment rental services, however these services represent only a minor part of total revenues.

GROUP STRUCTURE

Company name	Location	Segment	SAKRET Holdings Interest as of June 30 th , 2021
SIA Sakret	Latvia	Retail & Production	100%
UAB Sakret LT	Lithuania	Retail & Production	100%
OÜ Sakret	Estonia	Retail & Production	100%
SIA Sakret Plus	Latvia	Retail & Production	90%

DESCRIPTION OF SUBSIDIARIES**SIA SAKRET**

The main business activity of SAKRET SIA is the manufacturing and sale of construction materials and mixtures in Latvia.

SIA SAKRET PLUS

The main business activity of SAKRET PLUS SIA is the manufacturing and sale of liquid construction materials and mixtures to other SAKRET Operating Entities.

OÜ SAKRET

The main business activity of SAKRET OÜ is the manufacturing and sale of construction materials and mixtures in Estonia.

UAB SAKRET LT

The main business activity of SAKRET LT UAB is the manufacturing and sale of construction materials and mixtures in Lithuania.

MANAGEMENT BOARD**Māris Ķelpis – Chairman of the Management Board (appointed 17.01.2019)**

Māris Ķelpis is the Chairman of the Management Board and one of the cofounders of SAKRET.

He has held a controlling stake in SAKRET since its foundation and still follows the operations on a daily basis.

Juris Grīnvalds – Member of the Management Board (appointed 17.01.2019.)

Juris Grīnvalds has been the Member of the Management Board since 2013. He has been with the company since 2003, and has occupied the position of Sales Director since 2003.

From 1996 to 2003, he had worked in the Danish paint company SKALFLEX.

He has led the construction project of the largest dry mixing plant in the Baltic states. Plant in Kėdainiai, Lithuania was opened in 2008. Currently he coordinates Sakret sales in Baltics and Scandinavian countries.

Juris graduated from the Faculty of Civil Engineering of Latvia University of Agriculture.

Currently he serves as the Board Member of Building Materials Manufacturers' Association.

Laura Miķelsone – Member of the Management Board (appointed 11.08.2020)

Laura Miķelsone has been the member of the Management Board since 11.08.2020. She has been with the Company since 2007, in position of Chief Economist. Laura Miķelsone is appointed on position of AS Sakret Holdings Chief Financial Officer from 31.07.2020.

From 2001 to 2007, worked in AS "Preses nams" in position of chief economist.

Laura graduated from BA School of Business and Finance (BASBF). Also, she has improved her professional knowledge at PwC's Academy.

HIGHLIGHTS OF THE REPORTING PERIOD

Sakret Group's consolidated net turnover for the 6 months of 2021 reached 11,1 MEUR, and comparing to the corresponding period in 2020 increased by 5,3%.

The first months of 2020 was a favourable time for the construction business, as the temperature was higher on average, so the construction of new facilities was started atypically early. In the few first of 2021, the demand for construction products was negatively affected by several factors – changing unfavourable weather conditions, as well as trade restrictions and even retail outlets closing due to the spread of COVID-19. Starting from March 2021, due to the improvement of weather conditions, as well as the beginning of the vaccination process and release of COVID-19 restrictions, the construction industry became more active and sales volumes increased rapidly and this positive trend is continuing at the present.

The company's gross profitability reached 29,3% compared to the 6 months 2020 result of 29,0% which is very close and affected by product range. Sakret Group's profit in the 1st half of year 2021 is 690,2 TEUR, which is better by 150% than in the 1st half of 2020 when profit was 275,9 TEUR.

The cost structure in 2021 is unchanged and correlated with previous year amounts. Compared to 2020, the most significant increase in costs is in the positions of wage costs. It should be noted that the half-year 2021 financial result was also positively affected by the received state support by the Government of the Republic of Latvia in the amount of 100.0 TEUR – a grant to compensate the decrease in current assets.

Starting from the spring months of 2021, the trend of increasing raw material prices was actual, which is continuing. Autumn is expected to be an active period on construction sites, because a lot of constructions works were delayed due to the atypically hot summer, as most construction materials are intended for installation at air temperatures up to +25 C.

Despite the continuing uncertainty about the third wave of COVID-19 in the autumn, the management of the Sakret Group plans to achieve the goals set in the 2021 budget.

The actions of the Baltic governments in 2020 and 2021, which were and are aimed at supporting industrial and construction companies, help the operation of the construction sector and further investments. Should be noted, especially in Lithuania and Estonia, the large construction projects continuation, as well as their launch in the spring of 2021. The housing market also became more active during the pandemic time, especially in Lithuania. Starting from 2021, EU countries will have access to funding from the specially created Recovery Fund, which provides for investment and support in each of the Baltic economies.

To purpose for optimal use of short-term financing of Sakret Group companies, in January 2021 amendments to the agreement between AS BlueOrange Bank and UAB Sakret LT were signed, so increasing the overdraft limit by EUR 450,000. The terms of the amendment to the agreement provided that the increase would be available when the obligations arising from the credit line agreement between AS BlueOrange Bank and OU Sakret were fully fulfilled. Therefore, starting

from January 2021, the financing available to UAB Sakret LT in accordance with the overdraft agreement is 1,450,000 EUR.

Taking into account that the spread of COVID-19 is still not limited, JSC Development Financial Institution Altum and SIA Sakret signed additional amendments in February 2021 extending the initial loan issuance term, as well as postponing the repayment start date until September 5, 2021.

In May 2021, SIA Sakret received state support by the Government of the Republic of Latvia in the amount of 100.0 TEUR – a grant to compensate the decrease in current assets.

The financial statements of AS Sakret Holdings are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Consequently, the consolidated financial statements are prepared in accordance with the above principles.

RISKS & MANAGEMENT

In the ordinary course of business, the Group is exposed to a variety of risks that could affect its financial position. These risks include:

- Unpredictable economic situation due to COVID-19;
- Macroeconomic risks that could cause downturn in entire construction market;
- Liquidity risk;
- Accidents and disasters;
- Credit risk;
- Other risks beyond our knowledge.

SAKRET Holdings is engaged in managing those risks that are in the scope of control of the Company.

The Company's management attempts to mitigate financial risks on an ongoing basis to minimize their potentially adverse effects on the financial performance of SAKRET.

The Company pursues a prudent liquidity risk management policy, according to which adequate credit resources are ensured to settle liabilities when they fall due. The Company's management handles liquidity and cash flow risk by maintaining adequate cash reserves and securing sufficient financing by means of loans, credit lines, finance leases, etc., and by monitoring forecasted and actual cash flows.

- **KEY GROUP FINANCIALS (*)**

	6M 2021 EUR	6M 2020 EUR	CHANGE
REVENUE	11 112 602	10 550 748	5,3%
EBITDA	1 489 546	1 108 958	34,3%
NET PROFIT	690 210	275 859	151,1%
OPERATING CASH FLOW	68 549	(811 861)	
TOTAL ASSETS	18 475 021	18 231 393	1,3%
TOTAL CURRENT ASSETS	8 211 691	7 639 926	7,5%
TOTAL EQUITY	3 303 929	2 119 340	55,9%
CASH AND EQUIVALENTS	269 094	359 806	

MARGIN ANALYSIS, %	6M 2021	6M 2020
GROSS PROFIT MARGIN	29,3%	29,0%
EBITDA MARGIN	13,4%	10,5%
NET PROFIT MARGIN	6,2%	2,6%


(*) In compliance with IFRS

DECLARATION OF THE MANAGEMENT BOARD

The Management Board of AS Sakret Holdings has reviewed and approved the Consolidated Interim Financial Report for Year 2021 (hereinafter “the Interim Report”). The information is prepared in accordance with International Financial Reporting Standards as adopted in the European Union.

Members of the Management Board confirm that according to their best knowledge the Interim Report gives a true and fair view of the financial position of the company, its financial performance and its cash flows.

Furthermore, Members of the Management Board confirm that, in their opinion, the Interim Report provides a fair review of any significant developments in the company's activities that occurred during the reporting period and their impact, and describes any significant risks and uncertainties that may affect the company during future reporting periods.



Laura Mīkelsone
Member of the Management Board,
responsible for report preparation

10 August 2021

Financial Reports

CONSOLIDATED BALANCE SHEET, EUR

	30.06.2021.	30.06.2020.	31.12.2020
	EUR	EUR	EUR
ASSETS			
Non-current assets			
Intangible assets			
Intangible assets	167 966	150 097	158 331
Development costs	278 862	307 013	290 216
Total intangible assets	446 828	457 110	448 547
Property, plant and equipment			
Land, buildings and constructions	7 714 982	7 907 423	7 784 292
Equipment and machinery	1 718 673	1 775 384	1 791 622
Other fixed assets	92 181	78 857	93 165
Right-of-use-assets	290 666	372 693	352 757
Total property, plant, equipment	9 816 502	10 134 357	10 021 836
Non-current financial investments			
Other non-current receivables	-	-	-
Total non-current financial investments	-	-	-
Total non-current assets	10 263 330	10 591 467	10 470 383
Current assets			
Inventories			
Raw materials, materials and consumables	1 832 101	1 480 106	1 417 815
Finished goods for sale	1 358 477	1 260 106	1 102 370
Prepayments for goods and services	5 550	18 867	7 023
Total inventories	3 196 128	2 759 079	2 527 208
Receivables			
Trade receivables	4 707 910	4 371 446	2 404 080
Other receivables	37	17 669	100 626
Deferred expenses	38 522	96 354	49 222
Short-term loan to shareholder	-	35 572	-
Total receivables	4 746 469	4 521 041	2 553 928
Cash and cash equivalents	269 094	359 806	150 918
Total current assets	8 211 691	7 639 926	5 232 054
TOTAL ASSETS	18 475 021	18 231 393	15 702 437

	30.06.2021.	30.06.2020.	31.12.2020
	EUR	EUR	EUR
EQUITY AND LIABILITIES			
Equity			
Share capital	1 050 000	1 050 000	1 050 000
Denomination reserve	572	572	572
Reorganization reserve	(8 491 750)	(8 491 750)	(8 491 750)
Foreign exchange rate fluctuations reserve	24 899	24 899	24 899
Retained earnings:			
a) retained earnings /(accumulated deficit)	9 813 409	9 056 038	9 056 038
b) profit for the year	670 515	256 256	757 371
Equity attributable to parent Company's shareholders	3 067 645	1 896 015	2 397 130
Minority shareholder's participation share	236 284	223 325	216 589
Total equity	3 303 929	2 119 340	2 613 719
Liabilities			
Non-current liabilities			
Loans from credit institutions	1 028 864	2 054 090	997 918
Other borrowings	3 390 543	3 027 267	3 258 791
Lease liabilities	195 402	240 292	195 402
Trade payables	469 642	574 642	469 642
Taxes payables	138 086	-	138 086
Total non-current liabilities	5 222 537	5 896 291	5 059 839
Current liabilities			
Loans from credit institutions	4 284 134	4 318 298	3 984 237
Other borrowings	202 632	200 000	250 000
Lease liabilities	82 880	107 208	138 048
Advances from customers	22 017	37 695	252 801
Trade payables	3 953 976	3 828 306	2 217 288
Taxes and mandatory state social security contributions	524 112	879 712	378 282
Other payables	206 866	190 245	201 241
Accrued liabilities	642 935	625 295	577 979
Unpaid dividends to minority shareholder	29 003	29 003	29 003
Total current liabilities	9 948 555	10 215 762	8 028 879
Total liabilities	15 171 092	16 112 053	13 088 718
TOTAL EQUITY AND LIABILITIES	18 475 021	18 231 393	15 702 437


Laura Mīkelsone

Member of the Management Board,
responsible for report preparation

10 August 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR

	2021 EUR JAN-JUN	2020 EUR JAN-JUN	2020 EUR JAN-DEC
Revenue	11 112 602	10 550 748	22 197 001
Cost of goods sold	(7 852 932)	(7 491 871)	(15 555 609)
Gross profit	3 259 670	3 058 877	6 641 392
Selling expenses	(1 424 114)	(1 359 510)	(2 914 100)
Administration expenses	(742 989)	(868 210)	(1 862 614)
Other operating income	104 926	2 463	86 589
Other operating expenses	(23 307)	(37 327)	(74 840)
Operating profit	1 174 186	796 293	1 876 427
Finance income	-	-	1 186
Finance costs	(476 190)	(512 562)	(1 090 284)
Profit before taxes	697 996	283 731	787 329
Corporate income tax	(7 786)	(7 872)	(17 091)
Profit for the reporting period	690 210	275 859	770 238
Profit attributable to:			
Parent Company's shareholders	670 515	256 256	757 371
Minority shareholders	19 695	19 603	12 867
Basic and diluted earnings per share	0,89	0,34	1,01



Laura Mīkelsone

Member of the Management
Board, responsible for report
preparation

10 August 2021

CONSOLIDATED STATEMENT OF CASH FLOWS, EUR

	2021 EUR JAN-JUN	2020 EUR JAN-JUN	2020 EUR JAN-DEC
Cash flows from operating activities			
Profit before taxes	697 996	283 731	787 329
Adjustments for:			
Depreciation and amortization	315 360	312 665	630 962
Gain on disposal of fixed assets	(1 735)	(1 603)	(5 888)
Finance income	-	-	(1 186)
Finance costs	476 190	512 562	1 090 284
Government Grants	(100 000)	-	-
Profit before adjustments for capital	1 387 811	1 107 355	2 501 501
(Increase)/decrease in trade receivables, contract assets and prepayments	(2 192 041)	(1 811 738)	160 184
(Increase)/decrease in inventories	(668 920)	(615 309)	(396 475)
Increase/(decrease) in trade and other payables, contract liabilities and refund liabilities	1 940 483	933 971	(1 030 277)
Cash flows from operating activities	467 333	(385 721)	1 234 933
Interest paid	(390 998)	(418 268)	(836 289)
Corporate income tax paid	(7 786)	(7 872)	(17 091)
Net cash flows from operating activities	68 549	(811 861)	381 553
Cash flows from investing activities			
Purchase of fixed and intangible assets	(81 389)	(65 369)	(185 858)
Proceeds from sale of fixed assets	1 800	2 603	10 245
Net cash flows (used in) investing activities	(79 589)	(62 766)	(175 613)
Cash flows from financing activities			
Investment in stock or share capital (equity capital)	-	-	-
Proceeds from borrowings	-	-	250 000
Repayment of borrowings	117 808	1 010 940	(439 521)
Government Grants	100 000	-	-
Payments of principal portion of lease liabilities	(88 592)	(91 752)	(180 746)
Net cash flows (used in) financing activities	129 216	919 188	(370 267)
Net increase/(decrease) in cash and cash equivalents	118 176	44 561	(164 327)
Cash and cash equivalents at the beginning of the year	150 918	315 245	315 245
Cash and cash equivalents at the end of the period	269 094	359 806	150 918



Laura Mīkelsone

Member of the Management Board, responsible for
report preparation

10 August 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 30 JUNE 2021

	Share capital	Denom- ination reserve	Reorganiza- tion reserve	Foreign exchange rate fluctuatio ns reserve	(Accumulated losses)/ retained earnings	Total equity attributable to parent Company's shareholders	Minority shareholders' participation share	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 31.12.2019	1 050 000	572	(8 491 750)	24 899	9 056 038	1 639 759	203 722	1 843 481
Profit for the year	-	-	-	-	757 371	757 371	12 867	770 238
Total comprehensive income	-	-	-	-	757 371	757 371	12 867	770 238
As at 31.12.2020	1 050 000	572	(8 491 750)	24 899	9 813 409	2 397 130	216 589	2 613 719
Profit for the year	-	-	-	-	670 515	670 515	19 695	690 210
Total comprehensive income	-	-	-	-	670 515	670 515	19 695	690 210
As at 30.06.2021	1 050 000	572	(8 491 750)	24 899	10 483 924	3 067 645	236 284	3 303 929


Laura Mīkelsone

Member of the Management Board,
responsible for report preparation

10 August 2021