



AS SAKRET HOLDINGS
UNAUDITED CONSOLIDATED INTERIM REPORT
FOR THE 3 MONTHS ENDED 31 MARCH 2020

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 | Stopiņu nov., Rumbula, "Ritvari", LV-2121 |
| Postal address | Stopiņu nov., 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 Ķelpis, chairman of the board Andis Ziedonis Juris Grīnvalds |
| Council Members | Andris Vanags, chairman of the council Valērija Lieģe Artis Grīnbergs |
| Reporting period | 01.01.2020-31.03.2020 |

GROUP'S ACTIVITIES

SAKRET Holdings AS operates in the Baltics construction industry and is mainly engaged in the 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 a majority of sales in Latvia over the other Baltic States.

SAKRET produce is realized through two major channels:

- 1) Retailers;
- 2) Construction project developers.

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 March 31 th , 2020 |
|-----------------|-----------|---------------------|--|
| SIA Sakret | Latvia | Retail & Production | 100% |
| UAB Sakret Lt | Lithuania | Retail & Production | 100% |
| OU 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.

OU SAKRET

The main business activity of SAKRET OU 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 the founding and still follows the operations on a daily basis.

Andis Ziedonis – member of the management board (appointed 17.01.2019)

Andis Ziedonis has been a member of the management board of SAKRET HOLDINGS since 2013, previously having served as a member in the council of SAKRET HOLDINGS. He is the chief financial officer of SAKRET, having worked for the company for more than 13 years. A. Ziedonis has significant experience as a financial director, having held this position before joining SIA SAKRET, and having successfully steered the company's financial performance for a number of years.

He holds a combined BSc in Engineering and Economics from Riga Technical University.

Juris Grīnvalds – member of the management board (appointed 17.01.2019)

Juris Grīnvalds has been a 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, worked in the Danish paint company SKALFLEX.

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

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

Currently serves as Board Member of Association of Building Materials Manufacturers.

HIGHLIGHTS OF THE REPORTING PERIOD

Sakret's consolidated net turnover for the 3 months of 2020 reached almost 4,0 MEUR, and increases of 16,1% compared to the corresponding period in 2019.

The winter of 2019/2020 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.

The company's gross profitability reached 23,1% compared to the 3 months 2019 result of 21.3%. Sales of basic production (dry and ready-mixed building mixtures) have increased by 16% in natural units. However, it should be noted that due to the warm winter, the share of products, the sale of which is typical in the summer season with a lower sales price.

The management's goal for 2020 is to increase sales revenue by rising the share in sales volumes of products with higher prices and higher gross profitability. For stimulation the sales staff motivation system was formed, as a result of which in 3 months of 2020 there is an increase in personal costs compared to the 3 months of 2019.

The increase in administration costs is related to the additional financing, received in March 2020, for working capital to ensure sales volumes during the season. Negotiations with AS BlueOrange Bank on attracting financing were started in December 2019.

In the 3 months of 2020 SAKRET has made investments of 6,8 TEUR, which is similar to investments of the corresponding period of 2019.

The number of employees in the respective period is 135, which is at same level compared to 2019. Considering the salary trends in Baltic market and new premium system for sales representatives, the increase in costs in 3 months of 2020 compared to the corresponding period in 2019 is 127 TEUR or 18%.

In 2020, SAKRET continued to develop new products and improve existing ones. The product BOS self-levelling material for floors, completed at the end of 2019, is successfully sold in stores in Latvia. In 2020, its recipes were adjusted to Estonian and Lithuanian factories.

Taking into account the uncertainty of the situation regarding the further course and duration of the coronavirus (Covid-19), as well as the future preventive decisions taken by the responsible authorities of all Baltic States to limit the spread, it is not possible to provide a long-term financial forecast.

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 a downturn in the 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

| | 3M 2020 EUR | 3M 2019 EUR | CHANGE |
|-------------------------|----------------|----------------|---------|
| REVENUE | 3 972 759 | 3 421 581 | 16,1% |
| EBITDA | (6 100) | (41 298) | |
| NET PROFIT* | (391 779) | (411 011) | 4,7% |
| OPERATING CASH FLOW | (669 064) | 154 279 | |
| TOTAL ASSETS | 15 694 124 | 15 944 684 | (1,6%) |
| TOTAL CURRENT ASSETS | 5 564 744 | 5 078 837 | 9,6% |
| TOTAL EQUITY | 912 890 | (8 388 869) | |
| CASH AND EQUIVALENTS | 79 637 | 194 525 | (59,1%) |

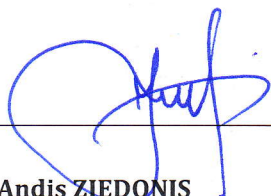
| MARGIN ANALYSIS, % | 3M 2020 | 3M 2019 |
|---------------------|---------|---------|
| GROSS PROFIT MARGIN | 23,1% | 21,3% |
| EBITDA MARGIN | (0,2%) | (1,2%) |
| NET PROFIT MARGIN | (9,9%) | (12,0%) |

DECLARATION OF THE MANAGEMENT BOARD

The Management Board of AS Sakret Holdings has reviewed and approved the Consolidated Interim Financial Report for Q1 of 2020 (hereinafter "the Interim Report"). The information is prepared in accordance with Latvian statutory requirements.

Member 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.



Andis ZIEDONIS
Member of the Management Board,
responsible for report preparation

14 May 2020

Financial Reports

CONSOLIDATED BALANCE SHEET, EUR

| | 31.03.2020. EUR | 31.03.2019. EUR | 31.12.2019 EUR |
|--|--------------------|--------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Intangible assets | 149 950 | 161 948 | 149 546 |
| Development costs | 310 566 | 276 655 | 314 482 |
| Total intangible assets | 460 516 | 438 603 | 464 028 |
| Property, plant and equipment | | | |
| Land, buildings and constructions | 7 917 469 | 8 295 959 | 8 012 099 |
| Equipment and machinery | 1 676 244 | 2 027 728 | 1 766 688 |
| Other fixed assets | 75 151 | 103 557 | 88 641 |
| Total property, plant, equipment | 9 668 864 | 10 427 244 | 9 867 428 |
| Non-current financial investments | | | |
| Other non-current receivables | - | - | - |
| Total non-current financial investments | | | |
| Total non-current assets | 10 129 380 | 10 865 847 | 10 331 456 |
| Current assets | | | |
| Inventories | | | |
| Raw materials, materials and consumables | 1 391 765 | 1 422 852 | 1 236 816 |
| Finished goods for sale | 1 163 604 | 914 677 | 886 399 |
| Prepayments for goods and services | 18 523 | 8 889 | 16 270 |
| Total inventories | 2 573 892 | 2 346 418 | 2 139 485 |
| Receivables | | | |
| Trade receivables | 2 772 617 | 2 382 028 | 2 401 947 |
| Other receivables | 64 689 | 83 139 | 161 253 |
| Deferred expenses | 38 337 | 37 155 | 73 086 |
| Short-term loan to shareholder | 35 572 | 35 572 | 35 572 |
| Total receivables | 2 911 215 | 2 537 894 | 2 671 858 |
| Cash and cash equivalents | 79 637 | 194 525 | 315 245 |
| Total current assets | 5 564 744 | 5 078 837 | 5 126 588 |
| TOTAL ASSETS | 15 694 124 | 15 944 684 | 15 458 044 |

| | 31.03.2020. | 31.03.2019. | 31.12.2019 |
|---|-------------------|--------------------|-------------------|
| | EUR | EUR | EUR |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 1 050 000 | 35 000 | 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) | 8 517 226 | 259 065 | 259 065 |
| b) profit for the year | (397 623) | (413 189) | 8 258 161 |
| Equity attributable to parent Company's shareholders | 703 324 | (8 585 403) | 1 100 947 |
| Minority shareholder's participation share | 209 566 | 196 534 | 203 722 |
| Total equity | 912 890 | (8 388 869) | 1 304 669 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Loans from credit institutions | 2 200 000 | - | 2 200 000 |
| Other borrowings | 3 167 093 | 167 093 | 3 167 093 |
| Total non-current liabilities | 5 367 093 | 167 093 | 5 367 093 |
| Current liabilities | | | |
| Loans from credit institutions | 4 066 564 | 17 641 137 | 3 421 566 |
| Other borrowings | 300 000 | 1 235 795 | 300 000 |
| Advances from customers | 27 200 | 53 268 | 322 073 |
| Trade payables | 3 885 733 | 4 402 197 | 3 583 132 |
| Taxes and mandatory state social security contributions | 513 757 | 188 685 | 236 520 |
| Other payables | 196 135 | 169 667 | 173 830 |
| Accrued liabilities | 395 749 | 446 708 | 720 158 |
| Unpaid dividends to minority shareholder | 29 003 | 29 003 | 29 003 |
| Total current liabilities | 9 414 141 | 24 166 460 | 8 786 282 |
| Total liabilities | 14 781 234 | 24 333 553 | 14 153 375 |
| TOTAL EQUITY AND LIABILITIES | 15 694 124 | 15 944 684 | 15 458 044 |

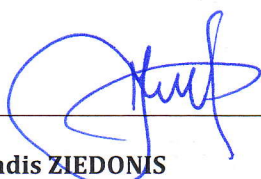

Andis ZIEDONIS

Member of the Board, responsible for report preparation

14 May 2020

CONSOLIDATED STATEMENT OF PROFIT AND LOSS, EUR

| | 2020 EUR JAN-MAR | 2019 EUR JAN-MAR | 2019 EUR JAN-DEC |
|--|------------------------|------------------------|------------------------|
| Revenue | 3 972 759 | 3 421 581 | 21 867 685 |
| Cost of goods sold | (3 056 893) | (2 691 934) | (15 809 414) |
| Gross profit | 915 866 | 729 647 | 6 058 271 |
| Selling expenses | (678 648) | (593 101) | (2 897 139) |
| Administration expenses | (433 972) | (381 432) | (2 300 962) |
| Other operating income | | 1 043 | 8 505 174 |
| Other operating expenses | (18 912) | (15 934) | (80 969) |
| Interest and similar income | | | 1 245 |
| Interest and similar expenses | (175 126) | (150 434) | (965 588) |
| Profit before taxes | (390 792) | (410 211) | 8 320 032 |
| Corporate income tax | (987) | (800) | (52 505) |
| Profit for the reporting period | (391 779) | (411 011) | 8 267 527 |
| Profit attributable to: | | | |
| Parent Company's shareholders | (397 623) | (413 189) | 8 258 161 |
| Minority shareholders | 5 844 | 2 178 | 9 366 |




Andis ZIEDONIS

Member of the Board, responsible for report preparation

14 May 2020

CONSOLIDATED STATEMENT OF CASH FLOWS, EUR

| | 2020 EUR JAN-MAR | 2019 EUR JAN-MAR | 2019 EUR JAN-DEC |
|---|------------------------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Profit before taxes | (390 792) | (410 211) | 8 320 032 |
| Adjustments for: | | | |
| Depreciation and amortization | 209 566 | 218 479 | 862 075 |
| Interest income | - | - | (1 245) |
| Interest expenses | 175 126 | 150 434 | 965 588 |
| Net profit from disposal of fixed assets | - | (3 083) | (8 824) |
| Long-term creditor adjustment | - | - | (8 493 675) |
| Profit before adjustments for capital | (6 100) | (44 381) | 1 643 951 |
| Net changes in working capital | (661 977) | 199 460 | 143 506 |
| Cash flows from operating activities | (668 077) | 155 079 | 1 787 457 |
| Corporate income tax paid | (987) | (800) | (52 505) |
| Net cash flows from operating activities | (669 064) | 154 279 | 1 734 952 |
| Cash flows from investing activities | | | |
| Purchase of fixed and intangible assets | (6 807) | (6 821) | (115 578) |
| Net cash flows (used in) investing activities | (6 807) | (6 721) | (115 578) |
| Cash flows from financing activities | | | |
| Proceeds from sale of fixed assets | - | 2 066 | 13 093 |
| Investment in stock or share capital (equity capital) | - | - | 1 015 000 |
| Bonds issue | - | - | 3 000 000 |
| (Paid) loans, net | 644 999 | (148 342) | (4 760 034) |
| Interest paid | (204 736) | (148 934) | (914 465) |
| Payments for leased property, plant and equipment | - | - | - |
| Net cash flows (used in) financing activities | 440 263 | (295 210) | (1 646 406) |
| Net increase/(decrease) in cash and cash equivalents | (235 608) | (147 752) | (27 032) |
| Cash and cash equivalents at the beginning of the year | 315 245 | 342 277 | 342 277 |
| Cash and cash equivalents at the end of the period | 79 637 | 194 525 | 315 245 |



Andis ZIEDONIS

Member of the Board, responsible for report preparation

14 May 2020

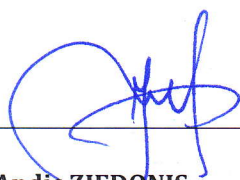
AS SAKRET HOLDINGS

Registration number: 40103251030

Address: "Ritvari", Rumbula, Stopinu region, Latvia, LV-2121

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 31 MARCH 2020

| | Share capital | Denomina- tion reserve | Reorganiza- tion reserve | Foreign exchange rate fluctuation s 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 of 31.12.2018 | 35 000 | 572 | (8 491 750) | 24 899 | 259 065 | (8 172 214) | 194 356 | (7 977 858) |
| Increase in capital | 1 015 000 | | | | | 1 015 000 | | 1 015 000 |
| Profit for the year | - | - | - | - | 8 258 161 | 8 258 161 | 9 366 | 8 267 527 |
| As of 31.12.2019 | 1 050 000 | 572 | (8 491 750) | 24 899 | 8 517 226 | 1 100 947 | 203 722 | 1 304 669 |
| Profit for the year | | | | | (397 623) | (397 623) | 5 844 | (391 779) |
| As of 31.03.2020 | 1 050 000 | 572 | (8 491 750) | 24 899 | 8 119 603 | 703 324 | 209 566 | 912 890 |


Andis ZIEDONIS

Member of the Board, responsible
for report preparation

14 May 2020