



AS SAKRET HOLDINGS

UNAUDITED CONSOLIDATED INTERIM REPORT

FOR 9 MONTHS, ENDED SEPTEMBER 30, 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 region, Rumbula, "Ritvari", LV-2121
Postal address	Stopiņu region, 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 (till 30.07.2020) Juris Grīnvalds Laura Miķelsone (from 11.08.2020)
Council Members	Andris Vanags, Chairman of the Council Valērija Lieģe Artis Grīnbergs
Reporting period	01.01.2020-30.09.2020

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 September 30 th , 2020
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.

Andis Ziedonis – Member of the Management Board (from 17.01.2019 till 30.07.2020)

Andis Ziedonis has been the Member of the Management Board of SAKRET HOLDINGS since 2013, previously having served as the Member of 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 financial director, having held this position before joining SIA SAKRET, and having successfully steered the company's financial performance for a number of years. After leaving the position of the Board Member, Andis Ziedonis will be responsible for Sakret Holdings strategic development management.

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 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 consolidated net turnover for 9 months of 2020 reached almost 17,6 MEUR and is approximately the same as at the corresponding period in 2019. Sales of basic production (dry and ready-to-use building mixtures) in monetary terms is the same as the corresponding period in 2019 and decrease by 2% in natural units.

Started by the second part of March 2020 the unpredictable situation with COVID-19 affected business environment in all Baltic states. Despite the situation regarding the coronavirus COVID-19, considering the actual situation for 9 months of 2020, holding management expects the total annual turnover in tonnes of 2020 to decrease by 2% against 2019.

Winter of 2019/2020 was a favourable time for construction business, as the temperature was higher than average, so the construction of new facilities was started atypically early. As a result, in the Q1 of 2020, the increase in tons compared of 2019 Q1 was 16%. In the Q2 and Q3 of 2020, the negative factor of economic activity was COVID-19, as a result of which decrease in sales volume was accordingly 6% and 7%, compared with 2019 Q2 and Q3. SAKRET finished the 9 months of 2020 with a small decrease in sales volume by 2%, comparing to the 9 months of 2019. At the same time, net turnover of 9 months 2020 decreased only by 1% in comparison with the same period of 2019.

The company's gross profitability reached 30%, compared to the 9 months 2019 result of 28%. The main factor of increase in profitability is changes in amortization and depreciation.

In 2020, by the decision of SAKRET, a review of the useful lives of property, plant and equipment was performed, during which the depreciation rates of these assets were assessed and adjusted, and the valuation results are reflected in the property, plant and equipment accounting. This is one of main factors in decrease of depreciation and amortization costs. In the cost of sales of the relevant item changes – 295,0 TEUR compared to 9 months 2019, in selling expenses – 23,2 TEUR and in administration expenses - 14,5 TEUR.

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 margin. For stimulation, the sales staff motivation system was formed at the beginning of the year.

Because of the global situation in 2020 with COVID-19, one of the challenges for SAKRET was lack of working capital. The creditors intensified their monitoring of compliance with payment terms. Some of the main raw materials' suppliers started negotiations about prepayments. Cash flow problems were also caused by the confusion of debtors in crisis situation, which resulted in irregular payments. At the same time, compliance with COVID-19 safety requirements made the production process more difficult and expensive.

To ensure working capital needs for sales volumes during the season in March 2020 SIA Sakret has received additional financing. Negotiations with AS BlueOrange Bank on attracting financing were started in December 2019. In July 2020, SIA Sakret received financing for working capital in the amount of 250 TEUR from AS "Attīstības finanšu institūcija Altum" for solving the problems that had occurred with COVID-19.

Based on the Lithuanian government order No. 207 and order no. 222, UAB “Sakret LT” is included in the list of companies, whose activities are restricted by the quarantine measures imposed in Lithuania. Such companies qualify for state support in the field of tax payment, namely, until 31 December 2020, tax payment is made within the limits of their possibilities, an exemption from late payment is determined, as well as the tax recovery process is not initiated.

Within the scope of the above-mentioned state aid instrument, UAB “Sakret LT” has partly deferred tax payments.

On April 7, 2020, the Seimas of the Republic of Lithuania has supported the amendments to the Labour Law, providing for the possibility for companies to receive state compensation for the payment of wages, to reduce the negative impact of Covid-19. UAB “Sakret LT” has applied for the payment of such compensation, which is further paid in a six-month period (UAB “Sakret LT” in the period from 1 July 2020).

In 2019, Sakret Group underwent a successful credit refinancing process that has been completed as of November 2019. At the end of the reporting period, Sakret's balance sheet includes credit liabilities both to Luminor Bank AS and financing from BlueOrange Bank AS, and funds raised from the bond issue. Expenses, which incurred during the refinancing process are recognized gradually in accordance with IFRS.

In the 9 months of 2020 SAKRET has made investments of 244,7 TEUR, which is 39% more than investments of the corresponding period of 2019.

The number of employees in the respective period is 138, 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 9 months of 2020 compared to the corresponding period in 2019 is 86,5 TEUR or 4%.

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

In July 2020, AS Sakret Holdings Consolidated annual report for the year ended 31 December 2019, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union, was approved. Consequently, the consolidated financial statements are prepared according with the principles above.

In September 2020 the preparation of 2021 budget was started. The main focus is on the stable development and long-term growth of Sakret Group companies.

Taking into account the uncertainty of the situation regarding the further course and duration of second wave 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 of it, 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 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 (*)**

	9M 2020 EUR	9M 2019 EUR	CHANGE
REVENUE	17 570 407	17 641 503	(0.4%)
EBITDA	2 293 529	2 023 283	
NET PROFIT*	1 037 164	642 921	61,3%
OPERATING CASH FLOW	(241 225)	253 216	
TOTAL ASSETS	17 806 150	27 223 484	(34.6%)
TOTAL CURRENT ASSETS	7 259 063	16 450 020	(55.9%)
TOTAL EQUITY	2 880 645	(6 516 952)	
CASH AND EQUIVALENTS	223 093	9 944 171	

MARGIN ANALYSIS, %	9M 2020	9M 2019
GROSS PROFIT MARGIN	30.0%	28.0%
EBITDA MARGIN	13.1%	11.5%
NET PROFIT MARGIN	5.9%	3.6%

(*) 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 Q3 of 2020 (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 Miķelsone

Member of the Management Board,
responsible for report preparation

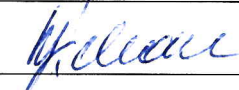
10 November 2020

Financial Reports

CONSOLIDATED BALANCE SHEET, EUR

	30.09.2020.	30.09.2019.	31.12.2019
	EUR	EUR	EUR
ASSETS			
Non-current assets			
Intangible assets			
Intangible assets	160 583	148 570	149 544
Development costs	303 460	273 654	314 482
Total intangible assets	464 043	422 224	464 026
Property, plant and equipment			
Land, buildings and constructions	7 834 781	8 106 729	8 012 099
Equipment and machinery	1 762 665	1 847 936	1 787 346
Other fixed assets	87 592	96 826	103 975
Right-of-use-assets	398 006	299 749	412 096
Total property, plant, equipment	10 083 044	10 351 240	10 315 516
Non-current financial investments			
Other non-current receivables	-	-	-
Total non-current financial investments	-	-	-
Total non-current assets	10 547 087	10 773 464	10 779 542
Current assets			
Inventories			
Raw materials, materials and consumables	1 470 848	1 440 790	1 236 815
Finished goods for sale	1 078 340	824 720	890 680
Prepayments for goods and services	25 829	49 847	16 275
Total inventories	2 575 017	2 315 357	2 143 770
Receivables			
Trade receivables	4 325 294	4 101 600	2 372 748
Other receivables	24 976	780	94 360
Deferred expenses	75 111	52 540	206 623
Short-term loan to shareholder	35 572	35 572	35 572
Total receivables	4 460 953	4 190 492	2 709 303
Cash and cash equivalents	223 093	9 944 171	315 245
Total current assets	7 259 063	16 450 020	5 168 318
TOTAL ASSETS	17 806 150	27 223 484	15 947 860

	30.09.2020.	30.09.2019.	31.12.2019
	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)	9 056 038	62 050	62 050
b) profit for the year	1 003 652	610 271	8 993 988
Equity attributable to parent Company's shareholders	2 643 411	(6 743 958)	1 639 759
Minority shareholder's participation share	237 234	227 006	203 722
Total equity	2 880 645	(6 516 952)	1 843 481
Liabilities			
Non-current liabilities			
Loans from credit institutions	2 009 253	-	2 009 253
Other borrowings	3 317 156	3 167 093	2 949 648
Lease liabilities	240 292	137 391	240 292
Total non-current liabilities	5 566 701	3 304 484	5 199 193
Current liabilities			
Loans from credit institutions	3 552 033	23 338 707	3 421 566
Other borrowings	200 000	1 298 059	300 000
Lease liabilities	132 729	130 162	144 901
Advances from customers	21 428	73 985	322 073
Trade payables	3 794 328	4 248 506	3 580 931
Taxes and mandatory state social security contributions	739 661	215 883	214 684
Other payables	162 840	173 576	171 871
Accrued liabilities	726 782	928 071	720 158
Unpaid dividends to minority shareholder	29 003	29 003	29 003
Total current liabilities	9 358 804	30 435 952	8 905 186
Total liabilities	14 925 505	33 740 436	14 104 379
TOTAL EQUITY AND LIABILITIES	17 806 150	27 223 484	15 947 860


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

10 November 2020

CONSOLIDATED STATEMENT OF PROFIT AND LOSS, EUR

	2020 EUR JAN-SEP	2019 EUR JAN-SEP	2019 EUR JAN-DEC
Revenue	17 570 407	17 641 503	21 867 685
Cost of goods sold	(12 294 264)	(12 693 869)	(15 829 305)
Gross profit	5 276 143	4 947 634	6 038 380
Selling expenses	(2 156 022)	(2 204 155)	(2 903 410)
Administration expenses	(1 268 308)	(1 479 658)	(1 635 435)
Other operating income	40 518	8 981	11 499
Other operating expenses	(60 762)	(44 083)	(24 367)
Finance income	0	0	8 494 920
Finance costs	(792 436)	(576 039)	(925 728)
Profit before taxes	1 039 133	652 680	9 055 859
Corporate income tax	(1 969)	(9 759)	(52 505)
Profit for the reporting period	1 037 164	642 921	9 003 354
Profit attributable to:			
Parent Company's shareholders	1 003 652	610 271	8 993 988
Minority shareholders	33 512	32 650	9 366
 Basic and diluted earnings per share	 1,34	 24,41	 11,99



Laura Mīkelsone

Member of the Management Board, responsible
for report preparation

10 November 2020

CONSOLIDATED STATEMENT OF CASH FLOWS, EUR

	2020 EUR JAN-SEP	2019 EUR JAN-SEP	2019 EUR JAN-DEC
Cash flows from operating activities			
Profit before taxes	1 039 133	652 680	9 055 859
Adjustments for:			
Depreciation and amortization	461 960	794 564	1 016 824
Gain on disposal of fixed assets	(1 142)	(10 658)	(10 898)
Finance income	-	0	(8 494 920)
Finance costs	792 436	576 039	925 728
Profit before adjustments for capital	2 292 387	2 012 625	2 492 593
(Increase)/decrease in trade receivables, contract assets and prepayments	(1 751 650)	(1 334 794)	148 471
(Increase)/decrease in inventories	(431 247)	(28 276)	141 737
(Increase)/decrease in trade and other payables, contract liabilities and refund liabilities	290 859	279 653	(184 423)
Cash flows from operating activities	400 349	929 208	2 598 378
Interest paid	(639 605)	(666 233)	(914 465)
Corporate income tax paid	(1 969)	(9 759)	(19 218)
Net cash flows from operating activities	(241 225)	253 216	1 664 695
Cash flows from investing activities			
Purchase of fixed and intangible assets	(244 709)	(175 906)	(400 614)
Proceeds from sale of fixed assets	7 979	8 658	13 093
Net cash flows (used in) investing activities	(236 730)	(167 248)	(387 521)
Cash flows from financing activities			
Investment in stock or share capital (equity capital)	-	1 015 000	1 015 000
Proceeds from borrowings	1 297 975	8 957 158	7 958 226
Repayment of borrowings	(900 000)	(466 677)	(10 097 462)
Payments of principal portion of lease liabilities	(12 172)	10 445	(179 970)
Net cash flows (used in) financing activities	385 803	9 515 926	(1 304 206)
Net increase/(decrease) in cash and cash equivalents	(92 152)	9 601 894	(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	223 093	9 944 171	315 245



Laura Mīkelsone

Member of the Management Board, responsible
for report preparation

10 November 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 30 SEPTEMBER 2020

	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 31.12.2018	35 000	572	(8 491 750)	24 899	62 050	(8 369 229)	194 356	(8 174 873)
Increase in capital	1 015 000	-	-	-	-	1 015 000	-	1 015 000
Profit for the year	-	-	-	-	8 993 988	8 993 988	9 366	9 003 354
Total comprehensive income	1 015 000	-	-	-	8 993 988	10 008 988	9 366	10 018 354
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	-	-	-	-	1 003 652	1 003 652	33 512	1 037 164
Total comprehensive income	-	-	-	-	1 003 652	1 003 652	33 512	1 037 164
As at 30.09.2020	1 050 000	572	(8 491 750)	24 899	10 059 690	2 643 411	237 234	2 880 645


Laura Mīkelsone

Member of the Management Board,
responsible for report preparation

10 November 2020