



**AS SAKRET HOLDINGS**

**UNAUDITED CONSOLIDATED INTERIM REPORT**

**FOR 12 MONTHS, ENDED DECEMBER 31 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	01.01.2020-31.12.2020

## 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 December 31 <sup>st</sup> , 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 was 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 2020 is 22,2 MEUR and above the results of 2019 for 1,5% or 329,3 TEUR. The sales volume (dry and ready-to-use building mixtures) of Sakret group companies in natural units, in 2020 has been fulfilled by 98% compared to the budgeted amount and by 100% compared to 2019.

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 second wave of coronavirus COVID-19, the results of Q4 isare better that than it was expected by management before. The stable level of industrial demand for construction materials and services ensured positive results of the SAKRET. Also, extensive state support helps to keep the population income and corporate liquidity in during the period of the Covid-19 pandemic. Further, the effective implementation of government investment projects would allow the economy as well SAKRET to grow strongly in the next years. The membership of the euro area and the monetary policy, supported by the ECB, ensure that funding is available on very favourable terms and conditions.

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. In the Q4 was reached positive results were reached – increase in tons 7%, comparing to Q4 results of 2019. The good results of the last quarter had positive influence on total finance results for 2020.

The company's gross profitability reached 30%, compared to the 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 the main factors in decrease of depreciation and amortization costs. In the cost of sales of the relevant item changes – 336,2 TEUR compared to 2019, in selling expenses – 26,1 TEUR and in administration expenses – 20,2 TEUR.

The management's goal for 2020 was 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, SIA Sakret has received additional financing in March 2020. 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. The total available funding is 1 MEUR.

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. In December 2020, a schedule of deferred tax payments was prepared and agreed with the SRS, which provides schedule of gradually repayment of taxes from May 2021 till December 2022.

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 received such compensation for a six-month period from 1 July 2020.

In the 12 months of 2020 SAKRET has made total investments of 307,8 TEUR, focusing on manufacturing and IT priorities

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 2020, compared to 2019, is 267,7 TEUR or 9%.

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. The development of the product PAF – mineral binder for polystyrene bulk material, was complete in 2020. Material is successfully sold in Latvia and Lithuania.

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 November 2020, the 2021 budget of SAKRET was approved. The main focus is on the purposeful and stable long-term growth of Sakret Holding companies. Revenue planning took into account market trends and forecasts of expected changes in construction financing.

In 2021, it is planned to make investments, the main priority of which is the renovation of production equipment and the development of the company's management and process digitization.

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 (\*)

	12M 2020 EUR	12M 2019 EUR	CHANGE
REVENUE	22 197 001	21 867 685	1,5%
EBITDA	2 433 229	2 503 491	(2,8%)
NET PROFIT	692 802	9 003 354	
OPERATING CASH FLOW	505 728	1 664 695	
TOTAL ASSETS	15 603 759	15 947 860	(2,2%)
TOTAL CURRENT ASSETS	5 136 652	5 168 318	(0,6%)
TOTAL EQUITY	2 536 283	1 843 481	
CASH AND EQUIVALENTS	150 918	315 245	

MARGIN ANALYSIS, %	12M 2020	12M 2019
GROSS PROFIT MARGIN	29,6%	27,6%
EBITDA MARGIN	11,0%	11,4%
NET PROFIT MARGIN	3,1%	41,2%

(\*) 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 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 Mīkelsone**

Member of the Management Board,  
responsible for report preparation

10 February 2021

## Financial Reports

### CONSOLIDATED BALANCE SHEET, EUR

	31.12.2020. EUR	31.12.2019. EUR
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Intangible assets	199 270	149 544
Development costs	290 217	314 482
<b>Total intangible assets</b>	<b>489 487</b>	<b>464 026</b>
<b>Property, plant and equipment</b>		
Land, buildings and constructions	7 773 410	8 012 099
Equipment and machinery	1 759 390	1 787 346
Other fixed assets	92 063	103 975
Right-of-use-assets	352 757	412 096
<b>Total property, plant, equipment</b>	<b>9 977 620</b>	<b>10 315 516</b>
<b>Non-current financial investments</b>		
Other non-current receivables	-	-
<b>Total non-current financial investments</b>	<b>-</b>	<b>-</b>
<b>Total non-current assets</b>	<b>10 467 107</b>	<b>10 779 542</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials, materials and consumables	1 417 815	1 236 815
Finished goods for sale	1 097 410	890 680
Prepayments for goods and services	7 019	16 275
<b>Total inventories</b>	<b>2 522 244</b>	<b>2 143 770</b>
<b>Receivables</b>		
Trade receivables	2 378 640	2 372 748
Other receivables	35 627	94 360
Deferred expenses	49 223	206 623
Short-term loan to shareholder	-	35 572
<b>Total receivables</b>	<b>2 463 490</b>	<b>2 709 303</b>
<b>Cash and cash equivalents</b>	<b>150 918</b>	<b>315 245</b>
<b>Total current assets</b>	<b>5 136 652</b>	<b>5 168 318</b>
<b>TOTAL ASSETS</b>	<b>15 603 759</b>	<b>15 947 860</b>

	31.12.2020.	31.12.2019.
	EUR	EUR
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1 050 000	1 050 000
Denomination reserve	572	572
Reorganization reserve	(8 491 750)	(8 491 750)
Foreign exchange rate fluctuations reserve	24 899	24 899
Retained earnings:		
a) retained earnings /(accumulated deficit)	9 056 038	62 050
b) profit for the year	679 935	8 993 988
<b>Equity attributable to parent Company's shareholders</b>	<b>2 319 694</b>	<b>1 639 759</b>
Minority shareholder's participation share	216 589	203 722
<b>Total equity</b>	<b>2 536 283</b>	<b>1 843 481</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	997 918	2 009 253
Other borrowings	3 358 791	2 949 648
Lease liabilities	195 402	240 292
<b>Total non-current liabilities</b>	<b>4 552 111</b>	<b>5 199 193</b>
<b>Current liabilities</b>		
Loans from credit institutions	3 984 236	3 421 566
Other borrowings	150 000	300 000
Lease liabilities	138 048	144 901
Advances from customers	252 797	322 073
Trade payables	2 686 929	3 580 931
Taxes and mandatory state social security contributions	516 368	214 684
Other payables	201 213	171 871
Accrued liabilities	556 771	720 158
Unpaid dividends to minority shareholder	29 003	29 003
<b>Total current liabilities</b>	<b>8 515 365</b>	<b>8 905 186</b>
<b>Total liabilities</b>	<b>13 067 476</b>	<b>14 104 379</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15 603 759</b>	<b>15 947 860</b>



**Laura Mīkelsone**

Member of the Management Board,  
responsible for report preparation

10 February 2021



## CONSOLIDATED STATEMENT OF PROFIT AND LOSS, EUR

	2020 EUR JAN-DEC	2019 EUR JAN-DEC
Revenue	22 197 001	21 867 685
Cost of goods sold	(15 628 812)	(15 829 305)
<b>Gross profit</b>	<b>6 568 189</b>	<b>6 038 380</b>
Selling expenses	(2 914 100)	(2 903 410)
Administration expenses	(1 862 614)	(1 635 435)
Other operating income	82 356	11 499
Other operating expenses	(74 840)	(24 367)
Finance income	1 186	8 494 920
Finance costs	(1 090 284)	(925 728)
<b>Profit before taxes</b>	<b>709 893</b>	<b>9 055 859</b>
Corporate income tax	(17 091)	(52 505)
<b>Profit for the reporting period</b>	<b>692 802</b>	<b>9 003 354</b>
<b>Profit attributable to:</b>		
Parent Company's shareholders	679 935	8 993 988
Minority shareholders	12 867	9 366
<b>Basic and diluted earnings per share</b>	<b>0,91</b>	<b>11,99</b>



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

**10 February 2021**

## CONSOLIDATED STATEMENT OF CASH FLOWS, EUR

	2020 EUR JAN-DEC	2019 EUR JAN-DEC
<b>Cash flows from operating activities</b>		
Profit before taxes	709 893	9 055 859
Adjustments for:		
Depreciation and amortization	634 238	1 016 824
Gain on disposal of fixed assets	(1 142)	(10 898)
Finance income	1 186	(8 494 920)
Finance costs	1 090 284	925 728
<b>Profit before adjustments for capital</b>	<b>2 434 459</b>	<b>2 492 593</b>
(Increase)/decrease in trade receivables, contract assets and prepayments	245 813	148 471
(Increase)/decrease in inventories	(391 511)	141 737
Increase/(decrease) in trade and other payables, contract liabilities and refund liabilities	(929 653)	(184 423)
<b>Cash flows from operating activities</b>	<b>1 359 108</b>	<b>2 598 378</b>
Interest paid	(836 289)	(914 465)
Corporate income tax paid	(17 091)	(19 218)
<b>Net cash flows from operating activities</b>	<b>505 728</b>	<b>1 664 695</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed and intangible assets	(307 766)	(400 614)
Proceeds from sale of fixed assets	7 979	13 093
<b>Net cash flows (used in) investing activities</b>	<b>(299 787)</b>	<b>(387 521)</b>
<b>Cash flows from financing activities</b>		
Investment in stock or share capital (equity capital)	-	1 015 000
Proceeds from borrowings	960 478	7 958 226
Repayment of borrowings	(1 150 000)	(10 097 462)
Payments of principal portion of lease liabilities	(180 746)	(179 970)
<b>Net cash flows (used in) financing activities</b>	<b>(370 268)</b>	<b>(1 304 206)</b>
Net increase/(decrease) in cash and cash equivalents	(164 327)	(27 032)
Cash and cash equivalents at the beginning of the year	315 245	342 277
<b>Cash and cash equivalents at the end of the period</b>	<b>150 918</b>	<b>315 245</b>


  
**Laura Mīkelsone**

Member of the Management Board, responsible  
for report preparation

10 February 2021

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 31 DECEMBER 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
<b>Total comprehensive income</b>	<b>1 015 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 993 988</b>	<b>10 008 988</b>	<b>9 366</b>	<b>10 018 354</b>
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	-	-	-	-	679 935	679 935	12 867	692 802
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>679 935</b>	<b>679 935</b>	<b>12 867</b>	<b>692 802</b>
As at 31.12.2020	1 050 000	572	(8 491 750)	24 899	9 735 973	2 319 694	216 589	2 536 283



**Laura Mikelšone**  
Member of the Management Board,  
responsible for report preparation

10 February 2021