



AS SAKRET HOLDINGS

UNAUDITED CONSOLIDATED INTERIM REPORT

FOR 3 MONTHS, ENDED MARCH 31 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	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 Juris Grīnvalds Laura Mīkelsone
Council Members	Andris Vanags, Chairman of the Council Valērija Lieģe Artis Grīnbergs
Reporting period	01.01.2021-31.03.2021

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 March 31 st , 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 3 months of 2021 reached almost 3,5 MEUR, and comparing to the corresponding period in 2020 decreased by 13,7%. 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 comparison to the January and February 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 (in Latvia, Lithuania) due to the spread of COVID-19. In March 2021, the construction market revived and sales volumes increased rapidly and this positive trend was continuing in April.

The company's gross profitability reached 24,9% compared to the 3 months 2020 result of 26.0% which is very close and affected by product range. Sakret Group's losses in the 1st quarter of 2021 are -274.7 TEUR, which is better by 22,2% than in the 1st quarter of 2020.

Compared to 2020, the most significant decrease in costs is in the positions of wage costs and product delivery costs. In terms of payroll costs, this is related to the conditions of the bonus system developed in the companies of the Sakret Group for the employees of the sales department, while the delivery costs reduction is related to the decrease in sales volume.

Despite the continuing uncertainty about the future due to the circumstances of the COVID-19 pandemic, the management of the Sakret Group plans to achieve the goals defined 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 March 2021, the annual reports of SIA Sakret, SIA Sakret Plus, OU Sakret, UAB Sakret LT 2020 were approved and in April 2021 the separate companies and consolidated annual reports of AS Sakret Holdings for 2020 were approved, as well as the opinions of the audit company Ernst & Young were received for all reports.

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 (*)

	3M 2021 EUR	3M 2020 EUR	CHANGE
REVENUE	3 456 112	4 006 672	-13,7%
EBITDA	101 651	40 369	151,8%
NET PROFIT	(274 711)	(352 931)	
OPERATING CASH FLOW	5 402	(932 588)	
TOTAL ASSETS	15 713 579	16 286 760	(3,5%)
TOTAL CURRENT ASSETS	5 363 986	5 602 688	(4,3%)
TOTAL EQUITY	2 339 008	1 490 550	56,9%
CASH AND EQUIVALENTS	139 201	79 527	

MARGIN ANALYSIS, %	3M 2021	3M 2020
GROSS PROFIT MARGIN	24,9%	26,0%
EBITDA MARGIN	2,9%	1,0%
NET PROFIT MARGIN	(7,9%)	(8,8%)

(*) 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 Miķelsone

Member of the Management Board,
responsible for report preparation

12 May 2021

Financial Reports

CONSOLIDATED BALANCE SHEET, EUR

	31.03.2021. EUR	31.03.2020. EUR	31.12.2020 EUR
ASSETS			
Non-current assets			
Intangible assets			
Intangible assets	172 086	150 181	158 331
Development costs	284 256	310 566	290 216
Total intangible assets	456 342	460 747	448 547
Property, plant and equipment			
Land, buildings and constructions	7 722 726	7 962 218	7 784 292
Equipment and machinery	1 762 785	1 768 331	1 791 622
Other fixed assets	88 320	73 923	93 165
Right-of-use-assets	319 420	418 853	352 757
Total property, plant, equipment	9 893 251	10 223 325	10 021 836
Non-current financial investments			
Other non-current receivables	-	-	-
Total non-current financial investments	-	-	-
Total non-current assets	10 349 593	10 684 072	10 470 383
Current assets			
Inventories			
Raw materials, materials and consumables	1 500 371	1 392 850	1 417 815
Finished goods for sale	1 367 496	1 166 804	1 102 370
Prepayments for goods and services	7 198	18 523	7 023
Total inventories	2 875 065	2 578 177	2 527 208
Receivables			
Trade receivables	2 292 532	2 743 418	2 404 080
Other receivables	16 292	127 657	100 626
Deferred expenses	40 896	38 337	49 222
Short-term loan to shareholder	-	35 572	-
Total receivables	2 349 720	2 944 984	2 553 928
Cash and cash equivalents	139 201	79 527	150 918
Total current assets	5 363 986	5 602 688	5 232 054
TOTAL ASSETS	15 713 579	16 286 760	15 702 437

	31.03.2021.	31.03.2020.	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	(279 207)	(359 139)	757 371
Equity attributable to parent Company's shareholders	2 117 923	1 280 620	2 397 130
Minority shareholder's participation share	221 085	209 930	216 589
Total equity	2 339 008	1 490 550	2 613 719
Liabilities			
Non-current liabilities			
Loans from credit institutions	1 010 109	2 033 229	997 918
Other borrowings	3 346 758	2 990 364	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	5 159 997	5 838 527	5 059 839
Current liabilities			
Loans from credit institutions	4 277 398	4 066 564	3 984 237
Other borrowings	202 632	300 000	250 000
Lease liabilities	107 186	148 111	138 048
Advances from customers	19 988	27 200	252 801
Trade payables	2 566 404	3 308 106	2 217 288
Taxes and mandatory state social security contributions	445 952	517 725	378 282
Other payables	187 070	196 034	201 241
Accrued liabilities	378 941	364 940	577 979
Unpaid dividends to minority shareholder	29 003	29 003	29 003
Total current liabilities	8 214 574	8 957 683	8 028 879
Total liabilities	13 374 571	14 796 210	13 088 718
TOTAL EQUITY AND LIABILITIES	15 713 579	16 286 760	15 702 437



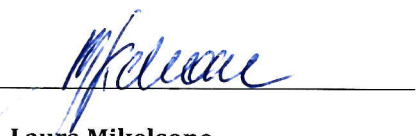
Laura Mikkelsen

Member of the Management Board,
responsible for report preparation

12 May 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS, EUR

	2021 EUR JAN-MAR	2020 EUR JAN-MAR	2020 EUR JAN-DEC
Revenue	3 456 112	4 006 672	22 197 001
Cost of goods sold	(2 594 579)	(2 965 276)	(15 555 609)
Gross profit	861 533	1 041 396	6 641 392
Selling expenses	(536 759)	(674 720)	(2 914 100)
Administration expenses	(370 088)	(463 773)	(1 862 614)
Other operating income	1 036	-	86 589
Other operating expenses	(12 712)	(18 802)	(74 840)
Operating profit	(56 990)	(115 899)	1 876 427
Finance income	-	-	1 186
Finance costs	(214 419)	(232 571)	(1 090 284)
Profit before taxes	(271 409)	(348 470)	787 329
Corporate income tax	(3 302)	(4 461)	(17 091)
Profit for the reporting period	(274 711)	(352 931)	770 238
Profit attributable to:			
Parent Company's shareholders	(279 207)	(359 139)	757 371
Minority shareholders	4 496	6 208	12 867
Basic and diluted earnings per share	(0,37)	(0,48)	1,01


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

12 May 2021

CONSOLIDATED STATEMENT OF CASH FLOWS, EUR

	2021 EUR JAN-MAR	2020 EUR JAN-MAR	2020 EUR JAN-DEC
Cash flows from operating activities			
Profit before taxes	(271 409)	(348 470)	787 329
Adjustments for:			
Depreciation and amortization	158 641	156 268	630 962
Gain on disposal of fixed assets	(564)	(124)	(5 888)
Finance income	-	-	(1 186)
Finance costs	214 419	232 571	1 090 284
Profit before adjustments for capital	101 087	40 245	2 501 501
(Increase)/decrease in trade receivables, contract assets and prepayments	204 208	(235 681)	160 184
(Increase)/decrease in inventories	(347 857)	(434 407)	(396 475)
Increase/(decrease) in trade and other payables, contract liabilities and refund liabilities	238 977	(93 548)	(1 030 277)
Cash flows from operating activities	196 415	(723 391)	1 234 933
Interest paid	(187 711)	(204 736)	(836 289)
Corporate income tax paid	(3 302)	(4 461)	(17 091)
Net cash flows from operating activities	5 402	(932 588)	381 553
Cash flows from investing activities			
Purchase of fixed and intangible assets	(27 656)	(12 944)	(185 858)
Proceeds from sale of fixed assets	800	124	10 245
Net cash flows (used in) investing activities	(26 856)	(12 820)	(175 613)
Cash flows from financing activities			
Investment in stock or share capital (equity capital)	-	-	-
Proceeds from borrowings	-	-	250 000
Repayment of borrowings	55 656	755 490	(439 521)
Payments of principal portion of lease liabilities	(45 919)	(45 800)	(180 746)
Net cash flows (used in) financing activities	9 737	709 690	(370 267)
Net increase/(decrease) in cash and cash equivalents	(11 717)	(235 718)	(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	139 201	79 527	150 918



Laura Mikelsone

Member of the Management Board, responsible for
report preparation

12 May 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 31 MARCH 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	-	-	-	-	(279 207)	(279 207)	4 496	(274 711)
Total comprehensive income	-	-	-	-	(279 207)	(279 207)	4 496	(274 711)
As at 31.03.2021	1 050 000	572	(8 491 750)	24 899	9 534 202	2 117 923	221 085	2 339 008



Laura Mīkelsone

Member of the Management Board,
responsible for report preparation

12 May 2021