



**AS SAKRET HOLDINGS**  
**UNAUDITED CONSOLIDATED INTERIM REPORT**  
**FOR THE 6 MONTHS, ENDED JUNE 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	01.01.2020-30.06.2020

## 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 production 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 June 30 <sup>th</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 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. 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 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 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 the AS "Preses nams" on 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 the 6 months of 2020 reached almost 10,5 MEUR and increased for 1.5% compared to the corresponding period in 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 coronavirus COVID-19, the SAKRET operates in frame of the previously approved plan for 2020.

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. As a result, in the Q1 of 2020, the increase in tons compared of 2019 Q1 was 16%. In the Q2 of 2020, the negative factor of economic activity was COVID-19, as a result of which a decrease in sales volume was 6%, compared with 2019 Q2. SAKRET finished the 6 months of 2020 with an increase in sales volume by 1% comparing to the 6 months of 2019.

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 a 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 solve this situation, in July 2020, SIA Sakret has received financing for working capital in the amount of 250 TEUR from AS "Attīstības finanšu institūcijas Altum". The total available finance resources are 1 MEUR, which will be use if the situation with COVID-19 will get worth. UAB "Sakret LT" deferred payments of taxes until the end of emergency situation in Lithuania according to Lithuania legislation.

The company's gross profitability reached 29% compared to the 6 months 2019 result of 26.3%. The main factor in the increase in profitability is changes in amortization and depreciation.

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.

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 2019, Sakret Group underwent a successful credit refinancing process that has been completed as of November 2019. Expenses, which was incurred during the refinancing process are recognized gradually in accordance with IFRS.

In 2020 by the decision of the SAKRET, a review of the useful lives of property, plant and equipment was performed, during which the deprecation 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– 196,2 TEUR compared to 6 months 2019, in selling expenses – 14,9 TEUR and in administration expenses 11,7 TEUR.

In the 6 months of 2020 SAKRET has made investments of 126.9 TEUR, which is close to 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 6 months of 2020 compared to the corresponding period in 2019 is 99,8 TEUR or 6,8%.

In 2020, SAKRET continued to develop new products and improve existing ones. The development of the product BOS - self-levelling material for floor, completed at the end of 2019, now 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 the 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.

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 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 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.

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- **KEY GROUP FINANCIALS (\*)**

	<b>6M 2020 EUR</b>	<b>6M 2019 EUR</b>	<b>CHANGE</b>
REVENUE	10 549 772	10 396 292	1.5%
EBITDA	1 104 952	1 120 588	
NET PROFIT*	273 559	207 300	32.0%
OPERATING CASH FLOW	(722 563)	498 351	
TOTAL ASSETS	18 238 030	17 942 640	1.6%
TOTAL CURRENT ASSETS	7 665 064	6 939 615	10.5%
TOTAL EQUITY	2 117 040	(7 967 573)	
CASH AND EQUIVALENTS	359 806	519 491	(30.7%)

<b>MARGIN ANALYSIS, %</b>	<b>6M 2020</b>	<b>6M 2019</b>
GROSS PROFIT MARGIN	29.0%	26.3%
EBITDA MARGIN	10.5%	10.8%
NET PROFIT MARGIN	2.6%	2.0%

(\*) 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 Q2 of 2020 (hereinafter “the Interim Report”). The information is prepared in accordance with International Financial Reporting Standards as adopted in the European Union.

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.



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

25 August 2020

# Financial Reports

## CONSOLIDATED BALANCE SHEET, EUR

	30.06.2020. EUR	30.06.2019. EUR	31.12.2019 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Intangible assets	152 138	156 870	149 544
Development costs	307 013	273 654	314 482
<b>Total intangible assets</b>	<b>459 151</b>	<b>430 524</b>	<b>464 026</b>
<b>Property, plant and equipment</b>			
Land, buildings and constructions	7 896 152	8 200 595	8 012 099
Equipment and machinery	1 765 994	1 940 930	1 787 346
Other fixed assets	64 084	110 219	103 975
Right-of-use-assets	387 585	320 757	412 096
<b>Total property, plant, equipment</b>	<b>10 113 815</b>	<b>10 572 501</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>-</b>
<b>Total non-current assets</b>	<b>10 572 966</b>	<b>11 003 025</b>	<b>10 779 542</b>
<b>Current assets</b>			
<b>Inventories</b>			
Raw materials, materials and consumables	1 477 811	1 644 163	1 236 815
Finished goods for sale	1 258 091	1 142 925	890 680
Prepayments for goods and services	20 018	7 501	16 275
<b>Total inventories</b>	<b>2 755 920</b>	<b>2 794 589</b>	<b>2 143 770</b>
<b>Receivables</b>			
Trade receivables	4 400 687	3 537 308	2 372 748
Other receivables	16 725	28 417	94 360
Deferred expenses	96 354	24 238	206 623
Short-term loan to shareholder	35 572	35 572	35 572
<b>Total receivables</b>	<b>4 549 338</b>	<b>3 625 535</b>	<b>2 709 303</b>
<b>Cash and cash equivalents</b>	<b>359 806</b>	<b>519 491</b>	<b>315 245</b>
<b>Total current assets</b>	<b>7 665 064</b>	<b>6 939 615</b>	<b>5 168 318</b>
<b>TOTAL ASSETS</b>	<b>18 238 030</b>	<b>17 942 640</b>	<b>15 947 860</b>

	30.06.2020.	30.06.2019.	31.12.2019
	EUR	EUR	EUR
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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)	9 056 038	62 050	62 050
b) profit for the year	253 958	186 819	8 993 988
<b>Equity attributable to parent Company's shareholders</b>	<b>1 893 717</b>	<b>(8 182 410)</b>	<b>1 639 759</b>
Minority shareholder's participation share	223 323	214 837	203 722
<b>Total equity</b>	<b>2 117 040</b>	<b>(7 967 573)</b>	<b>1 843 481</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans from credit institutions	2 009 253	-	2 009 253
Other borrowings	3 019 409	167 093	2 949 648
Lease liabilities	240 292	137 391	240 292
<b>Total non-current liabilities</b>	<b>5 268 954</b>	<b>304 484</b>	<b>5 199 193</b>
<b>Current liabilities</b>			
Loans from credit institutions	4 361 834	17 762 148	3 421 566
Other borrowings	200 000	1 213 851	300 000
Lease liabilities	128 856	150 341	144 901
Advances from customers	37 695	105 786	322 073
Trade payables	4 408 985	5 392 844	3 580 931
Taxes and mandatory state social security contributions	872 634	133 803	214 684
Other payables	187 739	170 794	171 871
Accrued liabilities	625 290	647 159	720 158
Unpaid dividends to minority shareholder	29 003	29 003	29 003
<b>Total current liabilities</b>	<b>10 852 036</b>	<b>25 605 729</b>	<b>8 905 186</b>
<b>Total liabilities</b>	<b>16 120 990</b>	<b>25 910 213</b>	<b>14 104 379</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18 238 030</b>	<b>17 942 640</b>	<b>15 947 860</b>


  
**Laura Mikelšone**

Member of the Management Board, responsible  
for report preparation

25 August 2020

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS, EUR

	2020 EUR JAN-JUN	2019 EUR JAN-JUN	2019 EUR JAN-DEC
Revenue	10 549 772	10 396 292	21 867 685
Cost of goods sold	(7 487 037)	(7 658 309)	(15 829 305)
<b>Gross profit</b>	<b>3 062 735</b>	<b>2 737 983</b>	<b>6 038 380</b>
Selling expenses	(1 368 513)	(1 352 653)	(2 903 410)
Administration expenses	(865 175)	(774 193)	(1 635 435)
Other operating income	2 055	1 733	11 499
Other operating expenses	(37 327)	(26 393)	(24 367)
Finance income	0	0	8 494 920
Finance costs	(519 366)	(378 082)	(925 728)
<b>Profit before taxes</b>	<b>274 409</b>	<b>208 395</b>	<b>9 055 859</b>
Corporate income tax	(850)	(1 095)	(52 505)
<b>Profit for the reporting period</b>	<b>273 559</b>	<b>207 300</b>	<b>9 003 354</b>
<b>Profit attributable to:</b>			
Parent Company's shareholders	253 958	186 819	8 993 988
Minority shareholders	19 601	20 481	9 366
Basic and diluted earnings per share	0,34	7,47	11,99



**Laura Mīkelsone**

Member of the Management Board, responsible  
for report preparation

25 August 2020



## CONSOLIDATED STATEMENT OF CASH FLOWS, EUR

	2020 EUR JAN-JUN	2019 EUR JAN-JUN	2019 EUR JAN-DEC
<b>Cash flows from operating activities</b>			
Profit before taxes	274 409	208 395	9 055 859
Adjustments for:			
Depreciation and amortization	311 177	534 111	1 016 824
Gain on disposal of fixed assets	(1 000)	(5 149)	(10 898)
Finance income	-	0	(8 494 920)
Finance costs	519 366	378 082	925 728
<b>Profit before adjustments for capital</b>	<b>1 103 952</b>	<b>1 115 439</b>	<b>2 492 593</b>
(Increase)/decrease in trade receivables, contract assets and prepayments	(1 833 980)	(774 103)	148 471
(Increase)/decrease in inventories	(612 150)	(507 508)	141 737
(Increase)/decrease in trade and other payables, contract liabilities and refund liabilities	1 036 254	1 025 972	(184 423)
<b>Cash flows from operating activities</b>	<b>(305 924)</b>	<b>859 800</b>	<b>2 598 378</b>
Interest paid	(418 268)	(365 503)	(914 465)
Corporate income tax paid	(850)	(1 095)	(19 218)
<b>Net cash flows from operating activities</b>	<b>(725 042)</b>	<b>493 202</b>	<b>1 664 695</b>
<b>Cash flows from investing activities</b>			
Purchase of fixed and intangible assets	(126 860)	(141 117)	(400 614)
Proceeds from sale of fixed assets	2 479	5 149	13 093
<b>Net cash flows (used in) investing activities</b>	<b>(124 381)</b>	<b>(135 968)</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	1 210 029	-	7 958 226
Repayment of borrowings	(300 000)	(170 286)	(10 097 462)
Payments of principal portion of lease liabilities	(16 045)	(9 734)	(179 970)
<b>Net cash flows (used in) financing activities</b>	<b>893 984</b>	<b>(180 020)</b>	<b>(1 304 206)</b>
Net increase/(decrease) in cash and cash equivalents	44 561	177 214	(27 032)
Cash and cash equivalents at the beginning of the year	315 245	342 277	342 277
<b>Cash and cash equivalents at the end of the period</b>	<b>359 806</b>	<b>519 491</b>	<b>315 245</b>



**Laura Mīkelsone**

Member of the Management Board, responsible  
for report preparation

25 August 2020

**AS SAKRET HOLDINGS**

Registration number: 40103251030

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE 30 JUNE 2020**

	Share capital	Denomina- tion reserve	Reorganiza- tion reserve	Foreign exchange rate fluctuations 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	-	-	-	-	253 958	253 958	19 601	273 559
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>253 958</b>	<b>253 958</b>	<b>19 601</b>	<b>273 559</b>
As at 30.06.2020	1 050 000	572	(8 491 750)	24 899	9 309 996	1 893 717	223 323	2 117 040


**Laura Miķelsone**

Member of the Management Board,  
responsible for report preparation

25 August 2020