



**AS SAKRET HOLDINGS**

**UNAUDITED CONSOLIDATED INTERIM REPORT  
FOR THE 12 MONTHS ENDED 31 DECEMBER 2019**

Management Report

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**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	01.01.2019-31.12.2019

**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 December 31 <sup>th</sup> , 2019
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.

**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.

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 coordinates Sakret sales in the Baltics and Scandinavian countries, as well as is the Director of Sakret Plus.

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 12 months of 2019 reached 21.9 MEUR, an increase of 2.8% compared to the corresponding period in 2018. Sales of basic production (dry and ready-to-use building mixtures) have increased by 5% in monetary terms and by 4% in natural units.

The most significant increase in revenues for basic production is observed in the Latvian market of 8%, with stable growth of 6% and 3% in Lithuania and Estonia, respectively. In 2019, a volume increase of building mixtures in all Baltic countries is observed, which is reflected in the results of SAKRET performance.

Management's strategic goal for 2019 was to ensure volume growth while also focusing on evaluation of the production basket to ensure gross profit growth. Evaluating the results, 12 months 2019 gross profit margin reached 27.5% compared to the 12 months 2018 result of 25.4%.

Significant increase in administrative costs is related to the credit restructuring process, resulting in costs incurred for the company that are not related to its core business.

In 2019, Sakret Group underwent a successful credit refinancing process that has been completed as of November 2019.

In the 12 months of 2019 SAKRET has made investments of 113,9 TEUR related to equipment renewal; compared to the corresponding period of 2018 it is by 21,2 TEUR less.

The number of employees in the respective period is 140, which is an increase of 8 employees compared to 2018. Considering the salary trends in Baltic market, the increase in costs in 2019 compared to 2018 is 166 TEUR or 6%.

In 2019, SAKRET continued to develop new products and improve existing ones. Sakret Multimix 4in1, one product for bricklaying, plastering, floor levelling and floor tile decking, must be highlighted as a major innovation in the market. After many years of work, self-levelling material for floor - BOS has been completed and in early 2020 the new product is being offered to our customers.

## **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:

- 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

IN THOUSANDS OF EUR	2019	2018	CHANGE
REVENUE	21 870 185	21 265 701	2,8%
EBITDA*	10 155 645	1 970 535	
NET PROFIT*	8 276 721	367 355	
OPERATING CASH FLOW	1 739 945	1 333 021	30,5%
TOTAL ASSETS	15 521 421	16 687 924	(7,0%)
TOTAL CURRENT ASSETS	5 189 975	5 579 683	(7,0%)
TOTAL EQUITY	1 313 863	(7 977 858)	
CASH AND CASH EQUIVALENTS	710 165	342 277	107,5%

MARGIN ANALYSIS, %	12M 2019	12M 2018
GROSS PROFIT MARGIN	27,5%	25,4%
EBITDA MARGIN*	46,4%	9,3%
NET PROFIT MARGIN*	37,8%	1,7%

## - COVENANTS

IN THOUSANDS OF EUR	2019
<b>CALCULATED EBITDA**</b>	<b>2 345 554</b>
NET PROFIT*	8 276 721
DEBT VALUE ADJUSTMENT*	(8 493 675)
INTEREST PAYMENTS	963 969
DEPRECIATION AND AMORTIZATION	862 075
TAX PAYMENT	52 505
REFINANCING EXPENSES**	683 959
<b>NET DEBT</b>	<b>8 770 506</b>
INTEREST BEARING LIABILITIES	9 480 671
CASH AND CASH EQUIVALENTS	(710 165)
<b>CALCULATED EQUITY**</b>	<b>1 997 822</b>
EQUITY	1 313 863
REFINANCING EXPENSES**	683 959
<b>INTEREST, COUPON AND PRINCIPAL PAYMENT</b>	<b>1 851 561</b>
PRINCIPAL AMOUNT TO BE PAID***	916 667
INTEREST PAYABLE	934 894
<b>NET DEBT / EBITDA</b>	<b>3,7</b>
<b>NET DEBT / EQUITY</b>	<b>4,4</b>
<b>DSCR</b>	<b>1,3</b>

\* Includes one-off income from debt value adjustment in the amount of 8 494 TEUR.

\*\* Adjusted to one-off refinancing expenses.

\*\*\* Excludes refinanced liabilities to AS Luminor Bank.

**DECLARATION OF THE MANAGEMENT BOARD**

The Management Board of AS Sakret Holdings has reviewed and approved the Consolidated Interim Financial Report for 2019 (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.

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**Andis ZIEDONIS**

Member of the Management Board,  
responsible for report preparation

28 February 2020



# Financial Reports

## CONSOLIDATED BALANCE SHEET, EUR

	31.12.2019. EUR	31.12.2018. EUR
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Intangible assets	149 545	166 578
Development costs	314 473	279 658
<b>Total intangible assets</b>	<b>464 018</b>	<b>446 236</b>
<b>Property, plant and equipment</b>		
Land, buildings and constructions	8 012 099	8 391 711
Equipment and machinery	1 766 688	2 126 376
Other fixed assets	88 641	109 805
<b>Total property, plant, equipment</b>	<b>9 867 428</b>	<b>10 627 892</b>
<b>Non-current financial investments</b>		
Other non-current receivables	-	34 113
<b>Total non-current financial investments</b>	<b>-</b>	<b>34 113</b>
<b>Total non-current assets</b>	<b>10 331 446</b>	<b>11 108 241</b>
<b>Current assets</b>		
<b>Inventories</b>		
Raw materials, materials and consumables	1 236 816	1 380 966
Finished goods for sale	886 399	899 109
Prepayments for goods and services	16 270	7 006
<b>Total inventories</b>	<b>2 139 485</b>	<b>2 287 081</b>
<b>Receivables</b>		
Trade receivables	2 123 591	2 717 539
Other receivables	107 558	149 858
Deferred expenses	73 604	47 356
Short-term loan to shareholder	35 572	35 572
<b>Total receivables</b>	<b>2 340 325</b>	<b>2 950 325</b>
<b>Cash and cash equivalents</b>	<b>710 165</b>	<b>342 277</b>
<b>Total current assets</b>	<b>5 189 975</b>	<b>5 579 683</b>
<b>TOTAL ASSETS</b>	<b>15 521 421</b>	<b>16 687 924</b>

	31.12.2019. EUR	31.12.2018. EUR
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1 050 000	35 000
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)	259 065	(90 811)
b) profit for the year	8 239 156	349 876
<b>Equity attributable to parent Company's shareholders</b>	<b>1 081 942</b>	<b>(8 172 214)</b>
Minority shareholder's participation share	231 921	194 356
<b>Total equity</b>	<b>1 313 863</b>	<b>(7 977 858)</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans from credit institutions	2 200 000	-
Other borrowings	3 167 093	167 093
Payables to related parties		
<b>Total non-current liabilities</b>	<b>5 367 093</b>	<b>167 093</b>
<b>Current liabilities</b>		
Loans from credit institutions	3 813 578	17 641 137
Other borrowings	300 000	1 384 137
Advances from customers	39 433	38 127
Trade payables	3 579 953	4 090 091
Payables to related parties		
Taxes and mandatory state social security contributions	150 116	191 555
Other payables	174 752	130 153
Accrued liabilities	753 630	994 486
Unpaid dividends to minority shareholder	29 003	29 003
<b>Total current liabilities</b>	<b>8 840 465</b>	<b>24 498 689</b>
<b>Total liabilities</b>	<b>14 207 558</b>	<b>24 665 782</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15 521 421</b>	<b>16 687 924</b>

**Andis ZIEDONIS**

Member of the Board, responsible for report preparation

28 February 2020

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS, EUR

	2019 EUR JAN-DEC	2018 EUR JAN-DEC
Revenue	21 870 185	21 265 701
Cost of goods sold	(15 864 822)	(15 872 424)
<b>Gross profit</b>	<b>6 005 363</b>	<b>5 393 277</b>
Selling expenses	(2 899 670)	(2 799 993)
Administration expenses	(2 238 715)	(1 470 121)
Other operating income	8 502 674	48 116
Other operating expenses	(76 457)	(103 170)
Interest and similar income	1 245	1 248
Interest and similar expenses	(965 214)	(652 772)
<b>Profit before taxes</b>	<b>8 329 226</b>	<b>416 585</b>
Corporate income tax	(52 505)	(49 230)
<b>Profit for the reporting period</b>	<b>8 276 721</b>	<b>367 355</b>
Profit attributable to:		
<b>Parent Company's shareholders</b>	<b>8 239 156</b>	<b>349 876</b>
<b>Minority shareholders</b>	<b>37 565</b>	<b>17 479</b>

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**Andis ZIEDONIS**

Member of the Board, responsible for report preparation

28 February 2020

## CONSOLIDATED STATEMENT OF CASH FLOWS, EUR

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
	<b>JAN-DEC</b>	<b>JAN-DEC</b>
<b>Cash flows from operating activities</b>		
Profit before taxes	8 329 226	416 585
Adjustments for:		
Depreciation and amortization	862 075	902 426
Interest income	(1 245)	(1 248)
Interest expenses	965 214	652 772
Net profit from disposal of fixed assets	(7 271)	(16 521)
Long-term creditor adjustment	(8 493 675)	-
<b>Profit before adjustments for capital</b>	<b>1 654 324</b>	<b>1 954 014</b>
Net changes in working capital	138 126	(600 208)
<b>Cash flows from operating activities</b>	<b>1 792 450</b>	<b>1 353 806</b>
Corporate income tax paid	(52 505)	(20 785)
<b>Net cash flows from operating activities</b>	<b>1 739 945</b>	<b>1 333 021</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed and intangible assets	(113 916)	(135 148)
<b>Net cash flows (used in) investing activities</b>	<b>(113 916)</b>	<b>(135 148)</b>
<b>Cash flows from financing activities</b>		
Proceeds from sale of fixed assets	9 345	14 521
Investment in stock or share capital (equity capital)	1 015 000	0
Bonds issue	3 000 000	0
(Paid) loans, net	(4 368 021)	(486 445)
Interest paid	(914 465)	(652 190)
Payments for leased property, plant and equipment	0	(37 545)
<b>Net cash flows (used in) financing activities</b>	<b>(1 258 141)</b>	<b>(1 161 659)</b>
Net increase/(decrease) in cash and cash equivalents	367 888	36 214
Cash and cash equivalents at the beginning of the year	342 277	306 063
<b>Cash and cash equivalents at the end of the period</b>	<b>710 165</b>	<b>342 277</b>

**Andis ZIEDONIS**

Member of the Board, responsible for report preparation

28 February 2020

**AS SAKRET HOLDINGS**

Registration number: 40103251030

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR 2019**

	Share capital	Deno- mina- 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
<b>As of 31.12.2017</b>	<b>35 000</b>	<b>572</b>	<b>(8 491 750)</b>	<b>24 899</b>	<b>(90 811)</b>	<b>(8 522 090)</b>	<b>176 877</b>	<b>(8 345 213)</b>
Profit for the year	-	-	-	-	349 876	349 876	17 479	367 355
<b>As of 31.12.2018</b>	<b>35 000</b>	<b>572</b>	<b>(8 491 750)</b>	<b>24 899</b>	<b>259 065</b>	<b>(8 172 214)</b>	<b>194 356</b>	<b>(7 977 858)</b>
Increase in capital	1 015 000					1 015 000		1 015 000
Profit for the year					8 239 156	8 239 156	37 565	8 276 721
<b>As of 31.12.2019</b>	<b>1 050 000</b>	<b>572</b>	<b>(8 491 750)</b>	<b>24 899</b>	<b>8 498 221</b>	<b>1 081 942</b>	<b>231 921</b>	<b>1 313 863</b>

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for report preparation

28 February 2020