



SIA Arsenal Industrial

Unaudited consolidated quarterly results
Q2 2024

August 30, 2024



INFORMATION ABOUT THE GROUP

Name of the Parent Company	Arsenal Industrial SIA
Legal status	Limited liability company
Registration number, place and date of registration	40103815302, Riga, August 8, 2014
Activity code (NACE)	NACE2 77.32 Renting and leasing of construction and civil engineering machinery and equipment NACE2 46.14 Agents involved in the sale of machinery, industrial equipment, ships and aircraft
Legal address	Stabu street 61-11, Riga, Latvia, LV-1011
Shareholders	SIA "Klucīši" (51%) FlyCap Investment Fund I AIF, limited partnership (49%)
Board Members	Gints Vanags, Member of the Board
Council Members	Ģirts Milgrāvis, Chairman of the Council Eva Miķelsone, Deputy Chairman of the Council Jānis Liepiņš, Council Member
Subsidiaries	ARSENAL INDUSTRIAL OU Suur-Sõjamäe 25a, Tallinn, 11415, Estonia Reg.No. 14041623 (100%, 02.05.2016.) ARSENAL INDUSTRIAL Sp.z o.o. ul. Marszałkowska, nr 111, lok., miejsc. Warszawa, kod 00-102, Poland Reg.No. 634144 (100%, 31.08.2016.) ARSENAL INDUSTRIAL UAB Perkūnkiemio g. 13-91, Vilnius, LT-12114, Lithuania Reg.No. 304784353 (100%, 07.03.2018.)



BUSINESS & OPERATIONS OVERVIEW

Management report



Gints Vanags
CEO since 2014

The main activity of the Group, the Parent Company of which is SIA Arsenal Industrial (hereinafter- the Parent Company, together with daughter companies – “the Group”), is rent and sale of construction equipment and hand tools with complementary activities of transportation and technical services.

Currently, the Group works in all three Baltic countries. The Group's goal is to provide products and services in high quality and to be an effective company that listens to the wishes of customers and implements them. To be a stable cooperation partner providing high quality customer service, establishing partnerships with entrepreneurs and continuing to invest in the Group's infrastructure.

In the reporting period from 1 January 2024 to 30 June 2024, the Group's net turnover was EUR 5 337 547. Compared to the corresponding period in 2023, it has increased by 5%. The largest impact was from an increase in the sales of goods by 29% and fleet rent by 12% in Latvia which was facilitated by high demand for the Group's products and good cooperation conditions with suppliers.

Similarly to previous years, the first two quarters of 2024 were completed with losses EUR 564 496. The beginning of the year (Winter) is a low season in the rental business and it is common to have low profit or losses in this period. However, the losses caused in the Winter were not recovered as quickly as planned.

As with most construction services companies, first half of the year earnings were negatively impacted by low activity in the construction market, rising sales force costs and higher interest payments. This reporting period ended with a net loss and a notably lower EBITDA than in the respective period last year.

As a result of the abovementioned factors, the Group has not fulfilled two financial covenants at the end of June 2024. The Net Debt Leverage Ratio reached 4.3x (exceeding covenant threshold of 4x) and the Interest Coverage Ratio reached 1.57x (below covenant threshold of 1.75x).

At the end of reporting period management of the company expects a better second half of the year. Already from the 2nd quarter the Group has been implementing cost reduction plan, which includes reducing the number of rental points, centralisation of operations, and workforce optimisation. Due to the low rental prices and the low market activity in the Estonian market, the company will concentrate more on equipment rental in its home market in Latvia and Lithuania. It takes several quarters of the implemented cost-reduction measures to reach full effect on the Group's financial results.

Arsenal will initiate voting for bondholders with an offer to adjust the threshold of breached covenants - Interest Coverage Ratio and Net Debt Leverage Ratio. Together with the request of Noteholders' consent regarding the amendments of covenants, Arsenal plans to come forward with a proposition on how the financial situation of the Group will be improved as result of the cost-reduction plan and the appropriate shift in focus of the business.



FINANCIAL HIGHLIGHTS

Income Statement

€'000	6m 2024	6m 2023	12m 2023 Audited
Net turnover	5,338	5,069	11,152
Cost of goods sold (COGS)	4,381	3,975	8,371
Gross profit	956	1,094	2,781
Sales costs	701	613	1,289
Administration costs	493	418	903
Other operating income	114	51	204
Other operating expenses	17	10	51
EBIT	-141	104	742
Other interest and similar income	3	-	884
Interest and similar expenses	427	419	949
Tax	-	-	3
Profit (loss)	-564	-315	674
EBITDA	280	539	1,615

FINANCIAL HIGHLIGHTS

Balance Sheet

€'000	30.06.2024	30.06.2023	2023 Audited
ASSETS	10,681	9,876	10,023
LONG-TERM INVESTMENTS	7,587	7,337	7,097
Intangible assets	104	125	117
Fixed assets	7,369	7,212	6,866
Non-current financial assets	114	-	114
CURRENT ASSETS	3,094	2,539	2,926
Inventories	1,133	1,081	1,216
Receivables	1,515	1,184	1,404
Cash	446	274	306
LIABILITIES	10,681	9,876	10,023
Adjusted EQUITY*	1,769	425	1,365
CREDITORS	8,912	9,451	8,658
Long-term creditors	6,076	2,149	5,667
Bond issue	4,500	0	4,500
Long-term leasing	1,576	2,149	1,167
Short-term creditors	267	5,491	988
Bond issue	0	5,200	988
Short-term leasing	267	291	-
Other short-term creditors	2,569	1,811	2,003

*Including Subordinated Debt 629 thousand EUR on 30.06.2024 and 674 thousand EUR on 30.06.2023.

FINANCIAL HIGHLIGHTS

Statement of Changes in Equity

€'000	Share capital	Share premium	Revaluation reserves	Foreign currency revaluation reserve	Retained loss	Profit for the reporting year	Total
BALANCE AT 01.01.2023	49	981	788	20	-1,969	295	164
Revaluation of property, plant and equipment	-	-	-73	-	-	-	-73
Profit carried forward	-	-	-	-	295	-295	0
Profit for year 2023	-	-	-	-	-	674	674
Foreign currency revaluation	-	-	-	-2	-	-	-2
BALANCE AT 31.12.2023	49	981	715	18	-1,674	674	763
Revaluation of property, plant and equipment, net	-	-	941	-	-	-	941
Profit carried forward	-	-	-	-	674	-674	0
Loss for year 2024	-	-	-	-	-	-564	-564
Foreign currency revaluation	-	-	-	-	-	-	0
BALANCE AT 31.06.2024	49	981	1,656	18	-1,000	-564	1,140

FINANCIAL HIGHLIGHTS

Cash Flow statement

€'000	6m 2024	6m 2023	12m 2023
Cash flows to/ from operating activities			
Profit or loss before corporate income tax	-564	-315	681
Adjustments for:			
Depreciation and impairment of property, plant and equipment	349	367	732
Amortization and impairment of intangible assets	13	9	22
Gain or loss from fluctuations of currency exchange rates	-	-	-2
Gain or loss from disposal of property, plant and equipment	-71	-28	-134
Other interest and similar income	-3	-	-888
Interest and similar expense	427	419	949
Profit or loss before adjustments for the effect of changes in current assets and current liabilities	151	452	1,360
• (increase) or decrease in receivables	-115	-91	-373
• (increase) or decrease in inventories	87	-272	-408
• increase or (decrease) in trade and other payables	512	626	759
Cash generated from operations	635	715	1,338
Corporate income tax paid	-	-	-4
Net cash flows to/ from operating activities	635	715	1,334

FINANCIAL HIGHLIGHTS

Cash Flow statement

€'000	6m 2024	6m 2023	12m 2023
Cash flows to/ from investing activities			
Purchase of property, plant and equipment and intangible assets	-27	-73	-209
Proceeds from sale of property, plant and equipment and intangible assets	214	72	291
Loans issued	-	-	-
Loans repaid	-	-	-
Interest received	3	-	1
Net cash flows to/ from investing activities	190	-1	83
Cash flows to/ from financing activities			
Expenditure on interest payments	-359	-406	-818
Expenditure on fixed assets acquired under finance leases	-328	-325	-584
Loans received	-	-	4,500
Loans repaid	-	-	-4,500
Net cash flows to/ from financing activities	-687	-731	-1,402
Net foreign exchange difference	-	-	-
Net cash flow for the quarter	138	-17	15
Cash and cash equivalents at the beginning of the year	308	291	291
Cash and cash equivalents at the end of the quarter	446	274	306

FINANCIAL HIGHLIGHTS

Financial covenants calculation

	6m 2024	3m 2024	12m 2023
Interest Coverage Ratio	1.57*	1.78	1.80
Capitalization Ratio	17%	20%	23%**
Net Debt Leverage Ratio	4.3*	4.0	3.9
Collateral Coverage Ratio	1.68	1.73	1.54

*The minimum required Interest Coverage Ratio is 1.75x and the maximum allowed Net Debt Leverage Ratio is 4x. The Group has not fulfilled two financial covenants at the end of June 2024. The Net Debt Leverage Ratio reached 4.3x (exceeding covenant threshold of 4x) and the Interest Coverage Ratio reached 1.57x (below covenant threshold of 1.75x).

The Group intends to request a Noteholders' consent regarding the amendments of covenant thresholds.

**The minimum required Capitalization Ratio for the fourth quarter of 2023 was 15%. Reported Capitalization ratio as of 31 December 2023 was 14%; however, the Capitalization Ratio was cured by increasing the Group's equity in accordance with the Clause 4.2.3. of the Terms of the Issue.

ARSENAL

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