



SIA "Banga Ltd"

Registration No. 41203031343

LEI: 9845003C02460C75C015

Terms of the Notes Issue

ISIN	LV0000860088
Type of security:	Senior Secured Notes
Nominal:	EUR 1,000.00 (one thousand Euro)
Nominal value of the issue:	EUR 2,500,000.00 (two million five hundred thousand Euro)
Annual Coupon Rate:	6.00 %
Maturity:	9 May 2025

These Terms of the Notes Issue are not a prospectus for the purposes of the Prospectus Regulation and no competent authority of any Member State has examined or approved the contents thereof. These Terms of the Notes Issue have been prepared on the basis all offers of the debt securities are issued by the Issuer according to these Terms of the Notes Issue and will be made pursuant to an exemption from the obligation to publish a prospectus under the Prospectus Regulation.

The issue of the Notes is a private placement and there is no intention of the Issuer to list the Notes on a regulated market.

The Issuer is a company incorporated and existing under the Applicable Laws of the Republic of Latvia and the Applicable Laws allow for the Issuer to record the issue with the central securities depository of Latvia – Nasdaq CSD.

The decision of the Issuer to organize the issue of the Notes has been passed in compliance with the Applicable Laws of the Republic of Latvia. The issue of the Notes, including the relationship between the Issuer and prospective investors or any third parties, and their respective rights and duties attached to the Notes such as voting rights, dividends and corporate actions, is governed by the Applicable Laws of the Republic of Latvia.

These Terms of the Notes Issue do not constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

MiFID II product governance - solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion: (i) the target market for the Notes is eligible counterparties, professional clients, and retail clients, each as defined in Directive

2014/65/EU; and (ii) all channels for distribution of the Notes to eligible counterparties, professional clients and respective retail clients are appropriate. Any person subsequently offering, selling or recommending the Notes should take into consideration the manufacturer's target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.

Before deciding to purchase the Notes, prospective investors should carefully review and consider the risk factors described herein. Should one or more of the risks materialize, this may have a material adverse effect on the cash flows, results of operations, and financial condition of the Issuer. If any of these risks materialize, the market value of the Notes and the likelihood the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Noteholders could lose all or part of their investments.

Any previous discussions or presentations provided to prospective investors were solely for information purposes and the Notes are issued in accordance with these Terms of the Notes Issue. A prospective investor should not make an investment decision relying solely upon the information provided in the prospective investor presentation or otherwise.

Arranger:



6 May 2022

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Terms and abbreviations

- Accounting Principles** : From the Issue date, the Latvian Generally Accepted Accounting Principles in accordance with the Applicable Laws.
- Starting from 1 January 2024 (Financial Year of 2023), the International Financial Reporting Standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time), unless the IFRS does not require consolidation.
- Adjusted Equity** : The aggregate book value of equity, increased by Subordinated Debt, according to the most recent Financial Report.
- ALTUM** : A company owned by the Republic of Latvia to finance the development of small and medium size businesses AS "Attīstības finanšu institūcija Altum", registered in the Company Register of the Republic of Latvia under registration No. 50103744891.
- ALTUM Debt** : The Company's debt to ALTUM arising from the loan agreement dated 29 May 2020 for the purposes of installation of the solar energy park (the outstanding amount as at 31.12.2021 equal to EUR 62,709).
- ALTUM Pledge** : The Company's pledge of the solar park and its appliances in favour of ALTUM to secure the ALTUM Debt, as registered in the Commercial Pledge Register.
- AML** : Anti-money laundering and counter terrorism and proliferation financing.
- Applicable Laws** : Any applicable law, including without limitation: (a) the regulations of the FSA, Nasdaq Riga and Nasdaq CSD; (b) corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether state, local, foreign, or EU; and (c) the laws and regulations of the Republic of Latvia and any legal acts in each other country in which the Company operates.
- Arranger** : Signet Bank AS, a Latvian bank registered in the Company Register of the Republic of Latvia under registration No. 40003076407.
- Business Day(s)** : Business Day(s) is a day when the Nasdaq CSD system is open and operational to effectuate T2S-eligible securities settlement transactions.
- Cash and Cash Equivalents** : Cash and cash equivalents according to the most recent Financial Report.
- Citadele Banka Debt** : The Company's agreement with AS Citadele Banka, a company registered in the Company Register of the Republic of Latvia under registration No. 40103303559, regarding a loan made to the Company (unsecured credit line, with an outstanding amount as at 31.12.2021 equal to EUR 19,963).
- Citadele Leasing** : The Company's agreement with Citadele Leasing SIA (former name UniCredit Leasing SIA), a company registered in the Company Register of the Republic of Latvia under registration No. 40003423085, regarding the financing of: (i) a company car (agreement dated 14.06.2021); (ii) heating equipment (agreement dated 23.10.2019); (iii) autoclave (agreement dated 23.10.2019); and (iv) warehouse equipment (agreement dated 18.02.2020).

- Change of Control** : The occurrence of an event or series of events whereby, a person (natural person or legal entity) or group of persons acting in concert (directly or indirectly) acquires the influence (whether by way of ownership of shares, contractual arrangement or otherwise) to:
- (a) cast or control the casting of more than 50% (fifty percent) of the maximum number of votes that might be cast at a general meeting of the shareholders of the Company; or
 - (b) appoint or remove or control the appointment or removal of a majority of the management board or supervisory board members or other equivalent officers of the Company.
- For the sake of clarity, a Change of Control does not take place if the change of control takes place between the Existing Shareholders (including, where any changes to the board or supervisory board members, if a supervisory board is appointed, or other equivalent officers of the Company takes place) and the Existing Shareholders maintain jointly or individually more than 50% (fifty percent) of the maximum number of votes that might be cast at a general meeting of the shareholders of the Company.
- Collaterals** : Collaterals are described in Clause 3.2.7 “Collateral of the Notes”, which serves as security for the fulfilment of the Company’s obligations to the Noteholders in accordance with these Terms of the Notes Issue.
- Collateral Agent** : A person holding the Collaterals on behalf of the Noteholders and authorized to act with the Collaterals in favour of all the Noteholders in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement, initially a Latvian company ZAB “VILGERTS” SIA, a law firm registered with the Latvian Bar association and registered with the Company Register of the Republic of Latvia under registration No. 40203309933 and with a registered address at: Skanstes iela 7 k-1, LV-1013, Rīga, the Republic of Latvia.
- Collateral Agent Agreement** : The agreement entered into between the Company and the Collateral Agent which stipulates the rights and obligations of the Collateral Agent in relation to the establishment, maintenance, and enforcement of the Collaterals, as defined in these Terms of the Notes Issue, in the interests of the Noteholders, as well as the Collateral Agent’s compensation. The Collateral Agent Agreement is enclosed as **Annex 1** to these Terms of the Notes Issue and constitutes an integral part thereof.
- Collateral Agreements** : The Commercial Pledge Agreement and the Mortgage Agreement.
- Commercial Pledge Agreement** : The commercial pledge agreement concluded or to be concluded on the provision of the Collaterals referred to in Clause 3.2.7 “Collateral of the Notes” between the Collateral Agent and the Company and governed by the Applicable Laws.
- Commercial Pledge Register** : The commercial pledge register of the Company Register of the Republic of Latvia (*Komerçķīlu reģistrs*).
- Company or Issuer** : The Issuer, *i.e.*, SIA “Banga Ltd” a Latvian company registered in the Company Register of the Republic of Latvia under registration No. 41203031343.

Coupon	: Interest on the Notes calculated in accordance with the Clause 0 “Information on Notes”.
Coupon Payment Date	: Coupon payments are to be made four times per year – on every 11 February, 11 May, 11 August, and 11 November.
Curlandia	: Curlandia SIA, a company registered in the Company Register of the Republic of Latvia under registration No. 40103629334, that is the Company’s sole (100% (one hundred percent)) shareholder and on the date of these Terms of the Notes Issue the shares are equally owned by two Latvian citizens, Mr. Raivis Veckāgans (50% (fifty percent)) and Mr. Ingus Veckāgans (50% (fifty percent)).
Custodian	: A Nasdaq CSD participant directly or a licensed credit institution or an investment brokerage company that has a financial securities’ custody account with a Nasdaq CSD participant.
EBITDA	: Net profit for the Relevant Period calculated according to the most recent Financial Reports: <ul style="list-style-type: none">(a) before deducting any amount of tax on profits, gains or income paid or payable;(b) before deducting any Net Finance Charges;(c) before taking into account any exceptional items which are not in line with the ordinary course of business;(d) not including any accrued interest on Subordinated Debt;(e) before taking into account any gains or losses on any foreign exchange gains or losses; and(f) after adding back any amount attributable to the amortisation, depreciation or depletion of assets.
Equity Ratio	: Ratio of Adjusted Equity to assets calculated according to the most recent Financial Report.
EUR	: Euro (the single currency of the Member States of the European Monetary System).
Existing Shareholders	: Mr. Raivis Veckāgans and Mr. Ingus Veckāgans.
Fair Market Value	: With respect to any asset, the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving any distress of either party, determined in good faith by the management board of the Company.
FSA	: The Latvian Financial Supervision Authority (<i>Finanšu un kapitāla tirgus komisija</i>), is an autonomous public institution of the Republic of Latvia, which carries out, but not limited to, the supervision of Latvian banks, capital markets, payment institutions and electronic money institutions (www.fktk.lv).
Financial Indebtedness	: The outstanding aggregate amount of total indebtedness according to the most recent Financial Report, including: <ul style="list-style-type: none">(a) monies borrowed and debt balances at banks or other financial institutions;

- (b) any amount raised pursuant to the issue of notes or any similar instrument, including the Notes;
 - (c) the amount of any liability in respect of any financial lease;
 - (d) any amount raised under any other transaction having the commercial effect of a borrowing and treated as a borrowing under the Accounting Principles;
 - (e) any derivative transaction based on mark-to-market value;
 - (f) any counter-indemnity obligation in respect of a guarantee or any other instrument issued by a bank or financial institution; and
 - (g) without double-counting any guarantee or other assurance against financial-loss in respect of a type referred to the above items (a) to (f).
- but, excluding any Subordinated Debt.

Financial Report	: The annual audited financial report and the quarterly interim unaudited reports prepared in accordance with the Accounting Principles.
Financial Year	: For the Company, each year starting on 1 January and ending on 31 December.
First North	: The Multilateral Trading Facility (MTF), First North, operated by Nasdaq Riga.
First Settlement Date (Issue Date)	: The date on which interest on the Notes starts to accrue: 11 May 2022.
Force Majeure Event	: Has the meaning set forth in Clause 5.4.
Group	: The Company and its subsidiaries.
Interest calculation period	: The period of time between the First Settlement Date and the date of the first payment or between two Coupon Payment Dates.
Interest Coverage Ratio (ICR)	: The ratio of EBITDA to Net Finance Charges for the Relevant Period.
Investment Programme	: Investments that are to be financed from the proceeds of these Terms of the Notes Issue, including construction of facilities for new production machinery and equipment, purchase of new production machinery and equipment, reconstruction of the wastewater treatment plant, and additional working capital.
Investor(s)	: The Noteholders.
Issuer	: The Company.
Land Register	: The real estate register of immovable property and encumbrances and related rights of the Republic of Latvia (<i>Zemesgrāmata</i>).
Majority Noteholders	: Noteholders who collectively hold in aggregate the Notes with the Nominal Value representing at least 1/2 (one half) of the aggregate Nominal Value of all outstanding Notes plus at least one additional Note.

	The Issuer, its direct or indirect shareholders and / or the Related Parties holding any such Notes are not eligible for voting.
Maturity Date	: The date when the Notes shall be repaid in full at their Nominal Value by the Company, which is 9 May 2025.
Minimum Settlement Unit	: The minimum amount which can be held and traded, which is equal to the Nominal Value.
Mortgage Agreement	: The real estate pledge agreement concluded or to be concluded on the provision of the Collaterals referred to in Clause 3.2.7 “Collaterals of the Notes” between the Collateral Agent and the Company and governed by the Applicable Laws.
Nasdaq CSD or Depository	: Nasdaq CSD SE (with registration No. 40003242879 and with a registered address at: Valņu iela 1, LV-1050, Riga, the Republic of Latvia).
Nasdaq Riga	: AS “Nasdaq Riga” (with registration No. 40003167049 and with a registered address at: Valņu iela 1, LV-1050, Riga, the Republic Latvia).
Net Debt	: The aggregate amount of the Financial Indebtedness minus the sum of cash and cash equivalents, including marketable securities, as per the most recent Financial Report.
Net Debt to EBITDA	: The ratio of Net Debt to EBITDA for the Relevant Period determined at the end of each quarter.
Net Finance Charges	: All recurring debt related charges for the Relevant Period calculated according to the most recent Financial Reports: (a) including cash interest expense on Financial Indebtedness; (b) after deducting any interest income relating to Cash and Cash Equivalents; and (c) excluding any payment-in-kind interest capitalized on loans from Related Parties and/or Subordinated Debt.
Nominal Value	: Face value of a single Note, which is EUR 1,000.00 (one thousand Euro).
Note(s)	: The debt security issued by the Company according to these Terms of the Notes Issue.
Noteholder(s) or Investor(s)	: A private person or legal entity that is an owner of one or more Notes and has a claim against the Company as stipulated by the Applicable Laws.
Parallel Debt	: The legal arrangement described in Clause 3.2.8. “Parallel Debt” of these Terms of the Notes Issue.
Permitted Business	: Any businesses, services or activities that are the same as, or reasonably related, ancillary or complementary to, any of the businesses, services or activities in which the Company is engaged on the Issue Date, and reasonable extensions, developments or expansions of such businesses, services or activities.

- Potential Investor(s)** : Private person or legal entity that has, according to the terms stated in these Terms of the Notes Issue, expressed interest or is planning to purchase for its own account one or more Notes.
- Promissory Note** : An agreement between the Company and the Collateral Agent where the Company reassures it owes any sums due under these Terms of the Notes Issue to the Collateral Agent and which may be used, if necessary, for the purposes of registration and enforcement of the Collaterals.
- Prospectus Regulation** : Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
- Real Estate** : A property (including, buildings and constructions on the real estate) exclusively owned and used by the Company and registered in the Land Register at the following address and under the following cadastral numbers:
- (a) Rūpniecības iela 2, Roja, Rojas novads, Latvia, with cadastral No. 88820080291, registered with the Roja parish Land Register folio No. 100000428376;
 - (b) Rūpniecības iela 4, Roja, Rojas novads, Latvia, with cadastral No. 88820080298, registered with the Roja parish Land Register folio No. 100000428397;
 - (c) Akas iela 74A, Roja, Rojas novads, Latvia, with cadastral No. 88820080312, registered with the Roja parish Land Register folio No. 100000428450;
 - (d) Akas iela 74, "a/s BANGA 3.noliktava", Roja, Rojas novads, Latvia, with cadastral No. 88825080014, registered with the Roja parish Land Register folio No. 679;
 - (e) Akas iela 74B, Roja, Rojas novads, Latvia, with cadastral No. 88820080796, registered with the Roja parish Land Register folio No. 755;
 - (f) Rūpniecības iela 6, Roja, Rojas novads, Latvia, with cadastral No. 88820080311, registered with the Roja parish Land Register folio No. 100000428424;and
 - (g) "Artēziskā aka", Roja, Rojas novads, Latvia, with cadastral No. 88820081071, registered with the Roja parish Land Register folio No. 100000551802.
- Related Parties** : Any person (natural person or legal entity) as defined as a "reporting entity" by the International Accounting Standards (IAS 24 - Related Party Disclosures).
- Relevant Period** : Each period of 12 (twelve) consecutive calendar months, fixed at the end of each calendar quarter.
- Sanctions** : AML, Sanctions, embargoes, restrictions and similar legislative measures adopted by OFAC, EU, UN and any governmental authority that has direct or indirect influence over affairs of the Group, Arranger or Collateral Agent.
- Settlement Unit Multiple** : Multiple that defines the settlement quantity or nominal must be a multiple of the Minimum Settlement Unit.

- Subordinated Debt** : Debt of the Company or its Subsidiaries to Related Parties that is subordinated to the Notes to the extent of EUR 2,500,000 (two million five hundred thousand Euro) (*i.e.*, the principal amount of such debt is repayable only after settlement of all of the obligations under the Notes).
- On the date of these Terms of Notes Issue, the amount of the Subordinated Debt is equal to zero.
- Subsidiary** : Any entity including an unincorporated entity such as a partnership that is controlled by the Company as defined by the International Accounting Standards (IAS 27 – Consolidated and Separate Financial Statements).
- On the date of these Terms of the Notes Issue, the Company has one subsidiary (Banga Ukraine LLC, a limited liability company registered in the Company Register of the Republic of Ukraine under registration No. 43981828).
- Swedbank** : Swedbank AS, a Latvian bank registered in the Company Register of the Republic of Latvia under registration No. 40003074764.
- Swedbank Collaterals** : The Company's asset pledges in favour of Swedbank: (i) under the commercial pledge agreements No. 20-025216-KR/1 (dated 21.08.2020) and No. 20-025305-IN/2 (dated 21.08.2020), registered commercial pledge act No. 100191487 and 100191488 and registered in the Commercial Pledge Register on 28.08.2020, and (ii) the Company's real estate mortgage to Swedbank under the mortgage agreement dated 27.09.2019 and registered in the Land Register on 07.10.2019 (mortgage under the mortgage agreement No. 19-038450-AK/1) and 27.08.2020 (mortgage under the mortgage agreement No.20-025305-IN/1).
- Swedbank Debt** : The Company's debt to Swedbank arising from the loan agreements No.20-025216-KR, No.20-025305-IN and No. 19-038450-AK and secured by Swedbank Collaterals.
- Swedbank Factoring** : The Company's agreement with Swedbank Līzings SIA, a company registered in the Company Register of the Republic of Latvia under registration No. 40003240524, regarding factoring of the Company's invoices with an agreed maximum credit limit (as at 02.05.2022) of EUR 670,000.00 (six hundred and seventy thousand Euro), subject to three (3) main conditions: (i) 80% (eighty percent) of revenues shall be directed *via* the Company's account at Swedbank; (ii) any change of control in Curlandia, or changes in proportion of the shares owned by the current shareholders, or any share transfer in Curlandia in excess of 10% (ten percent) of the shares is subject to prior approval; and (iii) full compliance with ALTUM's export guarantee terms, if any.
- Swedbank Leasing** : The Company's agreement with Swedbank Līzings SIA, a company registered in the Company Register of the Republic of Latvia under registration No. 40003240524, regarding the financing of hot oven equipment (agreement dated 25.04.2018), manufacturing assets and equipment (agreement dated 30.08.2018), autoclave (agreement dated 29.03.2018), manufacturing equipment (agreement date 06.05.2021), fish processing equipment (agreement dated 12.05.2021), product packing equipment (agreement dated 26.05.2021), warehouse equipment (agreement No. 264353 dated 29.11.2021), fish processing equipment (agreement No. 263699 dated 27.10.2021), electrical

rotator Selfra (agreement No. 263700 dated 27.10.2021) and autoclave Steriflow (agreement No. 265458 dated 24.01.2022).

Terms of the Notes Issue : This document, which entitles the Company to execute the Issue and the initial offering of the Notes.

BELOW IS A DESCRIPTION OF THE RISK FACTORS THAT ARE MATERIAL FOR THE ASSESSMENT OF THE MARKET RISK ASSOCIATED WITH THE NOTES AND RISK FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES. SHOULD ONE OR MORE OF THE RISKS DESCRIBED BELOW MATERIALISE, THIS MAY HAVE A MATERIAL ADVERSE EFFECT ON THE CASH FLOWS, RESULTS OF OPERATIONS, AND FINANCIAL CONDITION OF THE ISSUER. MOREOVER, IF ANY OF THESE RISKS MATERIALISE, THE MARKET VALUE OF THE NOTES AND THE LIKELIHOOD THAT THE ISSUER WILL BE IN A POSITION TO FULFIL ITS PAYMENT OBLIGATIONS UNDER THE NOTES MAY DECREASE, IN WHICH CASE THE PROSPECTIVE INVESTORS COULD LOSE ALL OR PART OF THEIR INVESTMENTS.

BEFORE DECIDING TO PURCHASE THE NOTES, PROSPECTIVE INVESTORS SHOULD CAREFULLY REVIEW AND CONSIDER THE FOLLOWING RISK FACTORS, IN ADDITION TO ALL OTHER INFORMATION PRESENTED IN THESE TERMS OF THE NOTES ISSUE, AND CONSULT WITH THEIR OWN PROFESSIONAL ADVISORS IF NECESSARY. MOREOVER, PROSPECTIVE INVESTORS SHOULD BEAR IN MIND THAT SEVERAL OF THE DESCRIBED RISK FACTORS CAN OCCUR SIMULTANEOUSLY AND TOGETHER WITH OTHER CIRCUMSTANCES COULD HAVE A POTENTIALLY STRONGER IMPACT ON THE ISSUER. THIS IS NOT AN EXCLUSIVE LIST OF RISK FACTORS, AND ADDITIONAL RISKS, OF WHICH THE ISSUER IS NOT PRESENTLY AWARE, COULD ALSO HAVE A MATERIAL ADVERSE EFFECT ON THE ISSUER.

* * *

1. RISK FACTORS

1.1. Important note

The risks indicated in this section, if some or all of them materialize, may reduce the Company's ability to fulfil its obligations or cause its insolvency or restructuring in the worst-case scenario.

This section 1 may not feature all the potential risks, which may affect the Company.

1.2. RISKS RELATED TO THE ECONOMIC AND REGULATORY ENVIRONMENT

1.2.1. Macroeconomic risk

The Company's operations are well diversified with exports to more than 30 (thirty) countries. Exports account for a considerable proportion of the Company's total sales and the Company's key markets are Ukraine, Latvia, USA and Japan, together accounting for 53% (fifty-three per cent) of the Company's total sales in 2021. Ukraine accounted for 24% (twenty-four percent), Latvia 12% (twelve percent), USA 9% (nine percent), Japan 8% (eight percent), Germany 7% (seven percent), Israel 5% (five percent), Lithuania 4% (four percent), Czech Republic 4% (four percent), Hungary 4% (four percent) and other countries (22 (twenty-two) in total) 23% (twenty-three percent) of the Company's total sales in 2021.

Lower economic growth or a downturn in the Company's export markets could have a negative effect on the Company's business and profitability. This could take the form of reduced demand, losses on receivables resulting from customers' inability to pay their debts, *etc.* Furthermore, changes in consumer habits and patterns of consumption could affect demand for the Company's products in main markets. This could have a negative impact on the Company's revenue and profitability.

1.2.2. Geopolitical risk

The Company sells and transports products across a wide variety of national jurisdictions and geographical areas. This entails a risk of business interruptions that may result from political circumstances, trade disputes or inadequacies in the legal systems and law enforcement mechanisms in certain countries in which the Company operates. The political circumstances or inadequacies of the legal systems and law enforcement mechanisms in certain countries in which the Company operates may have a material negative impact on the Company's reputation, revenue, cash flows and financial condition.

In particular, the Company exports its products to Ukraine, whose economy has been severely hit by Russia's invasion, and Subsidiary Banga Ukraine LLC (revenue in 2021 accounted for EUR 163,000.00 (one hundred and sixty-three thousand Euro)) there that directly service customers who do not have a central warehouse facility and are purchasing smaller production lots. The share of Ukraine accounted for 24% (twenty-four percent) of the Company's total revenue in 2021 and the Company continues to see high demand from Ukraine, even after the start of the war. While the Company believes it can shift its sales in the Ukrainian market to other markets as the demand for the Company's products exceeds its production capacity, there is no guarantee that it can be done successfully. The Company has implemented measures to mitigate possible risks. For instance, the Company cooperates with the largest supermarket chains in Ukraine and has changed the order of payments – in contrast to the situation before the war, the Company now receives payments for its products in advance. The overall majority of payments with customers for products are based on 100% (one hundred percent) prepayment. Furthermore, sales contracts and payments are made only in the EUR currency eliminating any potential negative impact from currency exchange rate fluctuations (this refers to any market where the Company operates). Although the demand for the Company's products in Ukraine remains high, uncertainty regarding furthering the Company's operations in the market remains high due to the ongoing war and the currently high demand might be unsustainable in the future.

1.2.3. The ongoing global pandemic risk

The global economy has experienced a period of uncertainty since the outbreak of Covid-19, in March 2020. The global outbreak of Covid-19, and the extraordinary health measures and restrictions on both a local and global basis imposed by authorities across the world has, and are expected to continue to cause, disruptions in the Company's value chain. As a result of the Covid-19 situation, national authorities have adopted several laws and regulations with immediate effect and which provide a legal basis for the government to implement measures in order to limit contagion and the consequences of Covid-19. The pandemic situation is continuously changing, and new laws and regulations that could directly, or indirectly, affect the Company's operations may enter into force. Authorities in the Company's export markets could implement measures that affect the Company's operations, such as in relation to logistics and transportation of products, as well as other parts of the Company's value chain. Additionally, the spread of Covid-19 among the Company's workforce can cause production disruptions, thus, negatively affecting the Company's revenue base. Thus, the effects of the Covid-19 (or a new pandemic) situation could in turn negatively affect the Company's revenue and operations going forward, where the severity of the situation in the future and the exact impacts for the Company are highly uncertain.

Under increasing uncertainty, demand for products with long shelf lives, such as canned food products, tends to increase and the Company has also observed this effect throughout the past 2 (two) years of the Covid-19 pandemic. However, the future evolution of the virus is hard to predict, and potential new spikes of the pandemic could cause negative impact on the operations and financial situation of the Company.

1.2.4. Regulatory risk

The Company is subject to Latvian laws and regulations, as well as laws and regulations that regulate the industry in which the Company operates. The fish and fish processing industry is affected by high level of regulations, such as sanitary and environmental regulations, both on an EU and national level. Any uncertainty as to the regulatory trends or changes in policies in relation to the Company's industry may delay or prevent the achievement of the strategic plans or increase the cost of implementing such plans.

The Company complies with all legislative requirements and other regulations as of the date of these Terms of the Notes Issue. Legislation and regulations may change however, for example, through the introduction of more stringent environmental regulations or new quotas or limitations on fishing operations that could influence the availability and cost of raw materials, and the management cannot guarantee, in such cases, it would be able to comply immediately, without material measures to be in line with the requirements of any revised legislation or other regulations. Adapting the Company's operations to any of the changes described above may incur costs for the Company that are difficult to anticipate, which in turn may have a material adverse effect on the Company's business operations, financial conditions and results of operations.

1.2.5. Taxation risk

Changes to the local tax regime or challenges to the current tax structures of the Company's business could have a material adverse effect on the Company's business, financial condition, or results of operations. Additionally, certain tax positions taken by the Company require the judgement of management and, thus, could turn to be inefficient or challenged by tax authorities due to possible erroneous interpretation of tax legislation.

1.2.6. Supply of raw materials risk

Raw materials (fish and seafood) constitute the largest share of the Company's cost base (45% (forty-five percent) in 2021). The Company is dependent on access to raw materials in order to deliver products

to its customers. The Company's raw materials are sourced from third parties, and no guarantees can be made that the Company will secure sufficient volumes going forward.

Dependency on third-party supply of raw materials also exposes the Company to further competition from its peers, and especially from industry players owning coastal vessels or aquaculture production facilities that to a greater extent than the Company secure supply of raw materials.

The Company's results of operations can be impacted both by the available raw materials in the region the Company is operating, but also by the supply in other regions. Variations in regional fishing quotas could impact the supply of raw materials available for the Company. Further, the supply from other regions both in relation to the same species/products and similar substitutes could have an impact on prices. In a very broad sense also the supply and prices for alternative sources of proteins could therefore impact the demand and prices for fish.

Reduced availability and / or increased prices for raw materials could as a result have a negative effect on the Company's results of operations, profitability and future development.

1.2.7. Raw materials cost inflation risk

In 2021, the Company's key cost items were raw materials (fish, seafood), cans and lids, and spices and different types of cooking oils. The war in Ukraine and resulting sanctions on Russian and Belarussian suppliers have triggered production chain disruptions in many industries globally that could potentially negatively affect the availability of certain materials, such as *e.g.*, cans or sunflower oil, and have intensified general inflationary pressures. While the Company transfers the rising costs to its customers by increasing the prices of its production, such price increases may not be sufficient to fully cover the negative impact from rising costs or may come with a delay, which could potentially leave a negative impact on the Company's margins and financial performance.

1.2.8. The risk of rising costs of logistics and transportation

The Company is processing over 3,000 tons of raw materials yearly. Due to the high volume a significant part of the production is exported worldwide to over 30 (thirty) different countries. The Company is therefore a user of cold storages and shipping containers and in total the costs related to logistics and transportation is an important cost factor. As an effect, changes in the markets for logistics and transportation could have a material effect on the results of the group.

1.2.9. Inventory management risk

The Company maintains a certain level of inventory in order to ensure the optimal flow of the inventory and the ability to satisfy customer demands. The Company's total inventory level was EUR 1.5 million (one-point-five million Euro) as of 31 December 2021, constituting around 33% (thirty-three percent) of the Company's total assets.

Insufficient levels of inventory can leave a significantly negative impact on the Company's revenue. However, in the event of high levels of unsold products, the Company could be required to sell some of its products at lower prices, which could negatively affect the Company's operating profits and have a materially adverse impact on its business operations and financial conditions.

Alternatively, the Company may underestimate the demand of one product compared to another and acquire stock inadequately as a result. To be responsive to shifting customer demands, the Company must manage its product selection and inventory levels closely. If the Company misjudges, fails to identify or fails to react swiftly to changes in consumer preferences, its sales could decrease, and the Company could see a significant increase in its inventories. Conversely, if the Company underestimates consumer interest in its products, it may experience inventory shortages and lower revenue and profitability than the Company could otherwise have achieved. Therefore, it is important for the Company to optimize inventory levels accordingly.

1.2.10. Financial leverage risk

The financial leverage of the Company will increase as a result of the Notes issue and could increase further, for example, due to potential additional external financing in the future, which could result in negative consequences for the Company. Such consequences would include, but are not limited to, requiring the Company to dedicate a substantial portion of its cash flows for financing debt, increasing vulnerability to a downturn in the Company's business operations or general economic conditions, placing the Company at a competitive disadvantage relative to its competitors with lower leverage, limiting flexibility in reacting to competition or changes in the business or industry. Any of these or other consequences or events could have a material adverse effect on the Company's ability to satisfy its obligations under the Notes.

1.2.11. Retention of key personnel

The Company's business and prospects depend to a significant extent on the continued services of its key personnel in its various business areas. Financial difficulties or lack of industry sustainability could negatively impact the Company's ability to retain key employees. The loss of any of the members of its senior management or other key personnel or the inability to attract a sufficient number of qualified employees could adversely affect its business and results of operations.

1.2.12. Employee risk

As of 31 December 2021, the Company employs 133 (one hundred and thirty-three) full-time employees and is a significant regional employer. The Company's employees are a significant part of the overall operations of the Company. Therefore, it is of high importance for the Company to have a professional team of employees with low employee turnover rate. As the Company is located in the village "Roja", 122km (one hundred and twenty-two kilometers) from the capital of Latvia, Riga, the pool of potential employees is somewhat constrained by the limited overall population in the area. The Company attracts employees from surrounding towns and villages, and attraction of a significant number of new employees in case of rapid development might pose a challenge. To retain and motivate its personnel, the Company has a performance bonus scheme in place, health insurance, and provides organized transportation from / to work.

Additionally, in the future the Company may be unable to attract enough skilled employees that would fit the needs and the corporate culture of the Company. Training of new employees also takes time and resources. Any difficulties in attracting new and/or to retain existing employees could have a material adverse effect on the Company's service quality and reputation, business operations, financial conditions and results of operations.

1.2.13. Operational risks

Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful internal processes, personnel management, systems, or external circumstances. Thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, which allows the Company and management to reduce operational risks. The Company's internal controls, procedures, compliance systems and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks which could have a material adverse effect on the Company's business operations, financial conditions and results of operations.

1.2.14. Competitive risks

The Company operates in a highly competitive industry. As the Company exports a significant share of its products internationally, it faces a large number of local and international competitors, both direct competitors producing similar products, as well as indirect competitors who produce products that can be considered as substitutes. Thus, the success of the Company is dependent on its ability to implement

a successful marketing strategy and deliver maximum customer satisfaction through the right product range and quality of the products.

While global demand for canned seafood has been growing over the past several years, creating strong demand backdrop for the Company's products, there can be no guarantee that this demand for the Company's products will continue in the future.

Further, tastes and preferences from pelagic products like herring and mackerel can change towards other seafood products (or other alternatives); however, this risk can be to some extent mitigated by the Company's flexibility to offer a wide product range and swiftly change its product offering. The Company is dependent on introducing, marketing and selling products that suit customer demand at satisfactory price levels for both the customer and the Company. Should the Company fail to correctly assess the changes in consumer preferences and behaviour, the demand for the Company's products might decrease, leaving a negative effect on its revenue.

By securing longstanding customer relationships, the Company can somewhat mitigate its competition risk. Nevertheless, many of the Company's competitors produce similar products as the Company and offer these to the same customer base and use the same suppliers as the Company, all of which can drive prices for products sold down while prices for raw materials, labor cost and energy remain high. Increased prices for raw materials in combination with lower prices for products sold, result in lower operating profit for the Company and could, in the event of a material gap, have adverse effects on the Company's results of operations and future prospects.

1.2.15. New technology utilization risk

The Company operates within a capital-intensive industry, where the use of technology is becoming increasingly important for the Company in order to limit its operating expenses and stay competitive. Therefore, the Company has been continuously making investments in upgrading its production processes and facilities, navigating towards increased automatisations, to remain competitive.

However, there can be no guarantee that all new production facilities will perform as expected and deliver the expected contribution, and the Company will be able to keep up with technological changes within the industry, nor that it will have sufficient financial resources to invest in new and relevant technologies going forward. If the Company is unable to implement new technologies, its operations, as well as competitiveness, could be adversely affected.

1.2.16. The risk of product liability claims

As a supplier of products made directly for human consumption it is critical that the Company's products are perceived as safe and healthy in all relevant markets. The food industry in general has experienced increased customer awareness with respect to food safety and product quality, information and traceability. A failure by the Company to meet new and existing customer requirements may lower the demand for its products. Moreover, this also exposes the Company to the risk of product liability claims from its customers, as well as end-consumers. Should any contamination or other food safety issues related to the Company's products occur, such would not only have financial consequences due to product recalls and liability claims, but also reputational consequences as it could result in consumers being deterred from consuming the Company's products.

1.2.17. New products, existing product repositioning and changes of consumer preferences

The Company's future business and financial performance depends, in part, on its ability to successfully introduce new products and improved products, reposition existing products, and anticipate and offer products that appeal to the changing tastes, dietary habits and trends and product packaging preferences of consumers in the market categories in which the Company competes. There is no certainty that opportunities for product innovation will exist or that new products will be successfully introduced or existing products successfully repositioned. Significant development and marketing costs are usually incurred in connection with the introduction of new products or repositioning of existing

products. Successfully launching and selling new products puts pressure on its sales and marketing resources, and sufficient funds might not be invested behind a new product introduction to make it successful. If customers and consumers do not accept a new product, then the introduction of a new product can reduce the Company's operating income as introduction costs, including slotting fees, may exceed revenues. If the Company is not able to anticipate, identify or develop and market products that respond to changes in consumer preferences or if new product introductions or repositioned products fail to gain consumer acceptance, the Company's business may not grow as anticipated, and results of operations could be adversely affected. To mitigate such risks, the Company pursues innovation programs, conducts adequate market studies and go-to market plans before launching new products.

1.2.18. Counterparty credit risk

The Company sells its products through major distributors and buyers in various geographical regions.

Management has a credit risk policy which includes, among others, the requirement of certain securities to ensure prompt observance and performance of the obligations of its distributors and other buyers from time to time. In spite of such a policy, there is no guarantee the Company's customers, distributors, buyers or other contracted counterparties will be able to fulfil their respective contractual financial obligations to the Company and as a result, the Company may experience a decrease in cash flow and an inability to offset costs associated with manufacturing and distributing its products.

1.2.19. Risk of natural disasters and other business disruption

The Company's operations are vulnerable to damage or interruption from various natural disasters and business disruptions, such as fire, flood, power losses, telecommunication failures, terrorist attacks, acts of war, human error, and other events.

A significant natural disaster could have a material adverse impact on the Company's ability to conduct its business, and insurance coverage may be insufficient to compensate losses that may occur. Although the Company has implemented business continuity plans, acts of terrorism, war, civil unrest, violence or human error could cause disruptions to the Company's business or the economy as a whole. Any of these occurrences may have a material adverse effect on the Company's business operations, financial conditions, results of operations and cash flows.

1.3. RISKS RELATED TO NOTES

1.3.1. Notes repayment risk

The Notes will rank pari-passu with other senior secured Financial Indebtedness of the Company. After the Notes issue and repayment of the Swedbank Debt, ALTUM Debt and Citadele Banka Debt, the Company's secured Financial Indebtedness will be the Notes and Swedbank Leasing and Citadele Leasing arrangements and these leasing liabilities will continue.

In the case of the Company's insolvency, Investors have the same right to receive their investment as other creditors of the relevant group in accordance with the Applicable Law. Save for the Swedbank Debt, there are no contracts or other transaction documents which would subordinate the claims of Investors to other secured obligations of the Company.

The Company may not have the ability to repay or refinance these obligations. If the maturity date occurs at a time when other arrangements prohibit the Company from repaying the Notes, it could try to obtain waivers of such prohibitions from the lenders and holders under those arrangements, or the Company could attempt to refinance the borrowings that contain the restrictions. If the Company fails to obtain the waivers or refinance these borrowings, it would be unable to repay the Notes.

1.3.2. Liquidity risk

Neither the Company nor any other person guarantees the minimum liquidity of the Notes. Thus, the Investors should consider the fact that they may not be able to sell or may face difficulties in selling their Notes on the secondary market at a fair market value or at all.

1.3.3. Delisting risk

After registration of the Notes, the Company plans to request admission to trading of the Notes on the Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga within 12 (twelve) months from the Issue Date. There is a risk that Nasdaq Riga will not accept the Notes to be admitted to trading on First North or order that the Notes are delisted from First North before maturity after admission to trading has taken place due to changes in legal acts, including Nasdaq Riga regulations, or recommendations by the FSA.

1.3.4. Price risk

The development of market prices of the Notes depends on various factors, such as changes of interest rates, central bank policies, overall economic development, or demand for the Notes.

The Notes shall bear a fixed interest rate. Thus, Investors who seek to sell the Notes before their final maturity are exposed to interest rate risk: if the market interest rate increases, the price of fixed rate Notes typically declines.

Neither the Company, nor any other person undertakes to maintain a certain price level of the Notes. The Investors are thus exposed to the risk of unfavorable price development of their Notes if they sell the Notes prior to final maturity. If an Investor decides to hold the Notes until maturity, the Notes will be redeemed at their Nominal Value.

1.3.5. Early redemption risk

According to these Terms of the Notes Issue, the Notes may be redeemed prematurely at the initiative of the Company. If the early redemption right is exercised by the Company, the rate of return from the investment into the Notes may be lower than initially expected, as the Investor might not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on such Notes being redeemed. The Company's redemption right may also adversely impact the Investor's ability to sell such Notes.

1.3.6. Tax risk

Tax rates and tax payment procedure applicable at the moment of purchase of Notes to the tax residents, non-residents of Latvia, and residents of other countries may change. The Company will not compensate the increase in taxes to Investors, therefore Investors may receive smaller net payments related to the Notes.

1.3.7. Resolutions of Investors risk

The decision by the Majority Noteholders is binding on all Investors. Thus, an Investor is subject to the risk of being outvoted by a majority of the other Investors. As such, certain rights of an Investor against the Company may be amended or reduced, or even cancelled, without its consent.

1.3.8. Resolutions of Investors risk

The majority resolution of the Investors is binding on all Investors. Thus, a Potential Investor is subject to the risk of being outvoted by a majority resolution of the other Potential Investors. As such, certain rights of a Potential Investor against the Company may be amended or reduced, or even cancelled, without its consent.

1.3.9. Risk that some Investors might have more preferential terms than others

While the Company will try to maintain the proportional reduction principle to the extent possible in final allocation of the Notes, in case the total number of Notes subscribed for is higher than the number of Notes available, the Company has a right to refuse all or part of the subscribed Notes to any Potential Investor due to perceived risks that might not be directly measurable and subjective, thus, the proportionality principle might not be observed.

Additionally, the Company has the right to sell the Notes at a price lower than their Nominal Value to selected Investors and / or enter into agreements that may add additional rights to selected Investors if the Company perceives them as especially important for the Notes issue due to the size of their investment or added experience. This may result in a situation where some Investors might gain preferential terms for investment into the Notes than the rest of the Investors.

1.4. RISKS RELATED TO COLLATERALS

1.4.1. Risks associated with the Collateral Agent Agreement

The Investors are represented by the Collateral Agent in all matters relating to the Collaterals. In theory there is a risk the Collateral Agent, or anyone appointed by it, or replacing it, does not properly fulfil its obligations in terms of perfecting, maintaining, enforcing or taking other necessary actions in relation to the Collaterals. Subject to the terms of the Collateral Agent Agreement, the Collateral Agent is entitled to enter into agreements with a third-party or take any other actions necessary for the purpose of maintaining, releasing or enforcing the Collaterals or for the purpose of settling, among others, the Investors rights to the Collaterals.

1.4.2. Risks associated with the value of the Collaterals

The value of the Collaterals is not fixed and is subject to changes in several factors, primarily the demand and supply conditions for the Company's products, which at times can be unpredictable and are out of the Company's control. Thus, the value of the Collaterals might decline if unfavourable market conditions would result in a decline in prices of the Company's products. Additionally, if a sudden necessity to sell the Collaterals (or any part of them) were to arise, the Company might be forced to sell the Collaterals at a discount to its market value and derive less value than expected from it.

Moreover, the Collaterals structure could change over time due to changes in the Company's inventory and overall asset structure. Additionally, the Collaterals are subject to damage defects, and the risk of theft or legal disputes. Any of these risks related to the Collaterals can negatively affect the value of the Collaterals and the Company's ability to meet its obligations under the Notes.

Considering the Collateral Agent does not supervise the quality of the Collaterals and did not carry out a legal due diligence of the Collaterals and its parts during the duration of the Company's obligations and the Collateral Agent has no liability to the Investors in this regard, there is a risk the Collaterals may be taken over, but the realisation of the Collaterals may be insufficient to fully satisfy the Investors' claims.

1.4.3. The enforcement of the Collaterals will be subject to the procedures and limitations set out in the Collateral Agent Agreement and these Terms of the Notes Issue

Even when the Collaterals are enforceable, the enforcement is subject to the procedures and limitations agreed in the Collateral Agent Agreement and these Terms of the Notes Issue. There can be no assurances as to the ability of the Investors to instruct the Collateral Agent to initiate any enforcement procedures. Furthermore, any enforcement of security may be delayed due to the provisions of the Collateral Agent Agreement and these Terms of the Notes Issue.

1.4.4. The rights of the Investors depend on the Collateral Agent's actions and financial standing

By subscribing for, or accepting the assignment of, any Note, each of the Investors will accept the appointment of the Collateral Agent as the agent and representative of the Investors, to represent and act for such secured creditors, *i.e.*, Investors, in relation to the Collaterals.

Only the Collateral Agent is entitled to exercise the rights under the Collaterals and enforce the same. Any failure by an agent to perform its duties and obligations properly, or at all, may adversely affect the enforcement of the rights of the Investors due to, for example, inability to enforce the security and/or receive any or all amounts payable from the security in a timely and effective manner.

Under the Collateral Agent Agreement, the Majority Noteholders may pass a decision to replace the Collateral Agent at any time. At any time, the Collateral Agent may resign from its role as the Collateral Agent with 1 (one) month notice. Furthermore, the Collateral Agent's professional liability is insured with an Estonian insurance company If P&C Insurance AS with the insured amount up to EUR 2,000,000.00 (two million Euro).

1.4.5. The rights of the Investors depend on the Collateral Agent's actions

By subscribing for, or accepting the assignment of, any Note, each of the Investors will accept the appointment of the Collateral Agent as the agent and representative of the Investors, to represent and act for such secured creditors, *i.e.*, Investors, in relation to the Collaterals.

Only the Collateral Agent is entitled to exercise the rights under the Collaterals and enforce the same. Any failure by an agent to perform its duties and obligations properly, or at all, may adversely affect the enforcement of the rights of the Investors due to, for example, inability to enforce the security and/or receive any or all amounts payable from the security in a timely and effective manner due to decision of the state courts of the Republic of Latvia.

1.4.6. Risk associated with registering the Collateral

The Company, on the date of these Terms of the Notes Issue, has outstanding debt to Swedbank, which is planned to be repaid with proceeds of the issue of the Notes. The Swedbank Debt is secured with the pledge over the same category of security as envisaged for the Notes according to these Terms of the Notes Issue. Considering it is out of the Company's control to delete the mentioned pledge after repayment of the debt, there might be a risk Swedbank or the Commercial Pledge Register or the Land Register at their sole discretion delay or suspend deletion of the pledges even after Swedbank Debt is fully paid.

The real estate that will serve as a mortgage in favour of the Collateral Agent and the Noteholders is registered in the Land Register. Information about the buildings and constructions on the real estate is not fully updated, *i.e.*, there might be buildings and constructions located on the real estate that are not registered in the Land Register, or there might be buildings and constructions on the real estate that do not exist anymore, but are registered with the Land Register. The following main buildings are registered with the Land Register and do exist and are used by the Company on the date of these Terms of Notes Issue:

Name of the building	Total square meters	Cadastral number	Address
Fish processing plant	1,782.70	88825080014	Akas iela 74B, Roja
Fish processing plant	551.50	88820080796009	Akas iela 74B, Roja
Security building	135.20	88820080796004	Akas iela 74B, Roja
Warehouse	462.10	88820080796003	Akas iela 74B, Roja
Warehouse	355.00	88820080796008	Akas iela 74B, Roja

Although the Company acknowledges the lack of updated data in the Land Register and the Company undertakes to remedy any inconsistencies in the Land Register and other public registers related to the

ownership and lawfulness of the buildings and constructions in the Republic of Latvia, however it may take up to 12 (twelve) months of efforts and trigger administrative costs.

Due to the existing Swedbank Collaterals and ALTUM Pledge, *firstly*, the amount of proceeds from the Notes equal to the Swedbank Debt and ALTUM Debt will be released to them prior to the completed registration of the Collaterals in the Land Register and the Commercial Pledge Register in the name of the Collateral Agent. *Secondly*, after repayment of debt by the Company to Swedbank and ALTUM, the Collaterals will be released from any pledges to Swedbank and ALTUM. *Thirdly*, after the completed registration of the pledges on the Collaterals, the remaining amount of the proceeds from the Notes will be made available to the Company for the Investment Programme implementation, including repayment of the Citadele Banka Debt.

1.4.7. Risk associated with the enforcement of the Collaterals

There is a possibility the entire Collaterals may be set aside, in which case the entire security may be not available. If a court voids the Collaterals or any part of it, or holds it unenforceable for any other reason, the Noteholder may cease to have any claim in respect of the relevant Collaterals and would become an ordinary unsecured creditor of the Company.

* * *

2. PARTY RESPONSIBLE FOR THE TERMS OF THE NOTES ISSUE

2.1. THE ISSUER

SIA "Banga Ltd"

Registration No. 41203031343, LEI code: 9845003C02460C75C015

Registered office on the date of the Notes issue: Akas iela 74B, Roja, Rojas pag., Talsu nov., LV-3264, the Republic of Latvia.

2.2. REPRESENTATIONS AND WARRANTIES OF THE ISSUER

2.2.1. The Issuer shall, in accordance with these Terms of the Notes Issue, issue Notes and perform the obligations arising from the Notes to the Noteholders. The Issuer shall be liable to the Noteholders for due and complete fulfilment of its obligations deriving from the Notes.

2.2.2. The Issuer represents and warrants to the Noteholders:

- (a) The Issuer is a duly registered private limited company operating in compliance with the laws of the Republic of Latvia;
- (b) All the Issuer's obligations assumed under this issue of the Notes are valid and legally binding to the Issuer and performance of these obligations is not contrary to the Issuer's Articles of Association, laws or any agreement concluded by the Issuer;
- (c) The Issuer has all the rights and sufficient authorisations to issue the Notes, to provide the Collaterals, to register the Collaterals in the Land Register and the Commercial Pledge Register and fulfil other obligations arising from issuing the Notes;
- (d) The Issuer has performed all the formalities required for issuing the Notes and fulfilling the obligations arising here from including consent of Swedbank to repay the Swedbank Debt and consent of ALTUM to repay the ALTUM Debt and delete and cancel the Swedbank Collaterals and ALTUM Pledge;
- (e) All information that is provided by the Issuer to the Noteholders under these Terms of the Notes Issue is true, accurate and complete and not misleading in any respect;
- (f) The Issuer owns all buildings and constructions on the Real Estate and no person has made any claims (and no person will make any claims in the future) regarding: (i) ownership of any part of the Real Estate; or (ii) ownership of any building or construction located on the Real Estate (whether the buildings and constructions are registered or not registered in the Land Register or other public registers); or (iii) any other rights (use, lease, prohibitions (*aizlieguma atzīmes*), right of first refusal, or similar rights or restrictions) in connection with the Real Estate or any buildings or constructions on the Real Estate other than statutory rights of the municipality and utility service providers;
- (g) Any investments into buildings or constructions or in the Real Estate under the Investment Programme will be made into buildings and constructions properly and duly registered with the Land Register and these buildings and constructions will be part of the Real Estate that serves as Collaterals under the Mortgage Agreement;
- (h) The Issuer and its Subsidiary is solvent, able to pay its debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer or its Subsidiary;
- (i) There are no legal or arbitration proceedings pending or initiated against the Issuer or its Subsidiary, which may have, or have had significant effect on the Issuer's financial position or profitability;
- (j) There are no criminal or misdemeanour proceedings pending or initiated against the Issuer or its Subsidiary;

- (k) Directly or, to the Company's knowledge, indirectly, use the proceeds from the Notes, and shall procure that none of it or their directors, officers, employees or agents directly or, to the Company's knowledge, indirectly, use the proceeds from the Notes: (i) to fund, finance or facilitate any activities or business of or with any person that is, or is owned or controlled by persons that are, or in any country, region or territory, that, at the time of such funding, financing or facilitating is, or whose government is, the target of Sanctions; or (ii) in any other manner that would result in a violation of Sanctions by any person (including, any person participating in the subscription of Notes, whether as lender, underwriter, advisor, investor, or otherwise).

2.2.3. The Issuer's representations and warranties in Clause 2.2 are valid on the date of the Notes issue and will remain valid until fulfilment of all obligations arising from the Notes.

2.3. Assurance of the information provided in the Terms of the Notes Issue

The Issuer and its members of the board are responsible for the information contained in these Terms of the Notes Issue. Hereby I, undersigned member of the board of SIA "Banga Ltd" certify that the Issuer and its management board have taken all reasonable care to ensure the information contained in these Terms of the Notes Issue is, to the best of the Issuer's knowledge, true, accurate and complete and not misleading in any respect.

On behalf of SIA "Banga Ltd"

/e-signed/

Ingus Veckāgans

Member of the Board

* * *

3. INFORMATION ON NOTES

3.1. THE USE OF THE PROCEEDS

The total issue size is EUR 2,500,000.00 (two million five hundred thousand Euro).

Funds that will be raised as a result of the Notes issue will be used to repay the Swedbank Debt, ALTUM Debt and Citadele Banka Debt, to delete and cancel the Swedbank Collaterals and ALTUM Pledge and to finance the Investment Programme with the aim to increase the Company's production capacity and introduce new products using new automated technological equipment.

3.2. INFORMATION ON THE OFFERED NOTES

3.2.1. General information

The Notes are the bearer and any individual or entity that holds the Notes in his securities account has the right to receive Coupon and the Nominal Value payments. It is planned to issue the Notes with a Nominal Value of EUR 1,000.00 (one thousand Euro) for one Note and total Nominal Value of EUR 2,500,000.00 (two million five hundred thousand Euro).

The ISIN (International Security Identification Number) of the Notes allocated by Nasdaq CSD is LV0000860088.

3.2.2. Applicable Law that regulates the Notes issue

The Notes issue is a private placement arranged in compliance with the Financial Instrument Market Law (*Finanšu instrumentu tirgus likums*) and other Applicable Laws of the Republic of Latvia that are in force, including the FSA, the Nasdaq CSD and the Nasdaq Riga regulations. The minimum subscription size for the Notes is EUR 100,000.00 (one hundred thousand Euro) with minimum step of EUR 1,000.00 (one thousand Euro).

All disputes between any one or more Noteholders and the Issuer shall be settled in the state courts of the Republic of Latvia in accordance with the Applicable Laws. These Terms of the Notes Issue are drafted and signed in English and any translations of these Terms of the Notes Issue into another language are unofficial and made exceptionally for the Potential Investors' convenience. In case of any disputes' settlement, interpretation of the norms of these Terms of the Notes Issue in English holds the priority against an interpretation in any other language.

3.2.3. Form and accounting of the Notes

The Notes are issued in dematerialised form and will be recorded in the Latvian SSS (securities settlement system governed by the Applicable Laws), which will provide the maintaining function for the Notes. The Noteholders may hold Notes through Nasdaq CSD participants participating in the Latvian SSS.

3.2.4. Currency of the Notes

Currency of the Notes is EUR (Euro).

3.2.5. Status of the Notes

The Notes rank *pari passu* with other senior secured obligations of the Company, if any. In case of the insolvency of the Company, the Noteholders will be entitled to recover their investment on the same terms as other senior secured creditors in the respective claims' group according to the relevant Applicable Laws. Save for mandatory provisions of the Applicable Laws, there are no contracts or other transaction documents that would subordinate the claims of the Noteholders to other secured or unsecured liabilities of the Company.

3.2.6. Guarantors of the Notes

There are no guarantors or guarantees provided regarding the Company's debt liabilities arising from the Notes.

3.2.7. Collaterals of the Notes

The Notes are secured with:

- (a) a commercial pledge over all assets of the Company as an aggregation of property at the moment of pledging, as well as its future components, as in more detail set out in the Commercial Pledge Agreement; and
- (b) a mortgage over the Real Estate owned and used by the Company as in more detail set out in the Mortgage Agreement.

The Collaterals shall be established in accordance with the terms and conditions of the relevant Collateral Agreements to be concluded between the Collateral Agent as pledgee and the Company as pledgor.

The Collaterals shall be established and registered in the Commercial Pledge Register and the Land Register within 90 (ninety) days after the Issue Date. The Collaterals will be registered as the first priority pledges.

The Collaterals shall be established in proportion (pro-rata) in case of commercial pledge or Mortgage enforcement – giving the Noteholders rights to their respective share of the entire commercial pledge.

The ranking of the Notes as the liabilities of the Company is *pari passu* (equivalent with no priority) with the other liabilities of the Company secured in accordance with the Collateral Agreements.

The Collateral Agent holds the Collaterals for the benefit of the Noteholders and is authorised to act with the Collateral in favour of all the Noteholders in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement and its amendments (enclosed as **Annex 1**). The Noteholders have no rights to act with the Collaterals directly, yet at the same time there are no restrictions set for Noteholders' right to use any right that the law or these Terms of the Notes Issue provide and create and/or authorise an organisation/person that represents and acts on behalf of all Noteholders or part thereof. In case of the insolvency of the Company, every Noteholder has the right to represent their own interests in creditors' meetings. The Noteholders will have equal rights for satisfaction of their claims with other creditors ranking in the same claims' group.

The Company shall be responsible for all the costs related to the registration of the Collaterals and changes to the Collaterals as specified herein.

Noteholders are entitled to get acquainted with the Collateral Agreements upon prior written request to the Company.

3.2.8. Parallel Debt

Notwithstanding any other provision of these Terms of the Notes Issue, for the purpose of ensuring and preserving the enforceability of the Collaterals, the Company irrevocably and unconditionally undertakes to pay to the Collateral Agent, as a creditor in its own right and not as representative of the Noteholders and as a solidary/joint creditor together with the Noteholders for the purposes of the Applicable Laws, sums equal to and in the currency of each amount payable by the Company to each of the Noteholders (whether present or future and whether actual or contingent) in accordance with these Terms of the Notes Issue as and in case the amount falls due for payment under these Terms of the Notes Issue.

The Collateral Agent shall be entitled to act as a solidary/joint creditor (jointly with the Noteholders) of each and every Note (whether present or future and whether actual or contingent) of the Issuer to the Noteholders or any of them and, accordingly, the Collateral Agent shall have its own independent right to demand performance by the Company of any of those obligations.

For the avoidance of doubt, the aggregate amount due by the Company under the Parallel Debt will be decreased to the extent the Issuer has paid any amounts to the Noteholders under these Terms of the Notes Issue.

For the avoidance of doubt, to the extent the Company has paid any amounts to the Collateral Agent under the Parallel Debt the aggregate amount due by the Issuer to the Noteholders under these Terms of the Notes Issue will be decreased accordingly, unless those payments are fees of the Collateral Agent listed under Annex 2.1. to the Collateral Agent Agreement.

To the extent the Collateral Agent receives any amount in payment of the Parallel Debt following its respective specific written claim made to the Company, the Collateral Agent shall transfer such an amount to the Noteholders in accordance with Clause 3.2.12.2. of these Terms of the Notes Issue and other sections (if any).

For the avoidance of doubt, the Parallel Debt shall become due and payable at the same time and to the same extent as the obligations of the Company to the Noteholders under these Terms of the Notes Issue have become due and payable.

3.2.9. Noteholders and the Collateral Agent

By submitting a subscription order or acquiring the Notes on the secondary market, each Noteholder:

- (a) appoints the Collateral Agent to act as its agent and to perform the obligations and exercise the rights in connection with the Collaterals as set forth in these Terms of the Notes Issue, the Collateral Agreements and the Collateral Agent Agreement and authorises the Collateral Agent to exercise the rights, powers, authorities and discretions specifically given to the Collateral Agent under or in connection with these Terms of the Notes Issue, the Collateral Agreements, and the Collateral Agent Agreement;
- (b) acknowledges the Company has concluded the Collateral Agent Agreement with the Collateral Agent;
- (c) confirms the fact that the Collateral Agent's acts under the Collateral Agent Agreement or other agreements in connection with the Notes concluded with the Company does not constitute any conflict of interests with respect to the Noteholder;
- (d) confirms the fact that the Collaterals secure, *inter alia*, the Company's obligations towards the Collateral Agent do not constitute any conflict of interests with the Noteholder (for the avoidance of doubt, the Collateral Agent has the right to withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent in accordance with these Terms of the Notes Issue). Each Noteholder acknowledges the fact that the Collaterals secure, *inter alia*, the Company's obligations towards the Collateral Agent shall not prevent the Collateral Agent from fulfilling its obligations and acting in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement;
- (e) agrees upon the performance of its obligations and exercising of its rights in connection with the Collaterals, the Collateral Agent shall be entitled to act at its own discretion, considering the interests of the Noteholders collectively and generally (and not of any particular Noteholder), unless specifically instructed otherwise by the Majority Noteholders in accordance with these Terms of the Notes Issue and without prejudice to Clause 3.2.11.9 of these Terms of the Notes Issue;
- (f) agrees the Collateral Agent shall have the right to advise the Company and to provide any services to the Company in any matters and in any fields of activity which do not directly relate to the performance of obligations of the Collateral Agent set forth in these Terms of the Notes Issue, and the Noteholder does not consider this to cause any potential or actual conflict of interests.

3.2.10. The Scope of Obligations of the Collateral Agent

- 3.2.10.1. The functions and obligations of the Collateral Agent are limited to those expressly specified in the Collateral Agent Agreement and these Terms of the Notes Issue and, notwithstanding any other provisions of these Terms of the Notes Issue, such functions are limited to the exercise of those rights which belong to the Collateral Agent in its capacity as the holder of the Collaterals (pledgee). The Collateral Agent is required to perform its obligations in relation to the Collaterals only if the Company establishes the Collaterals in the interests of the Noteholders and under the name of the Collateral Agent (as the holder of the Collaterals (pledgee)) in accordance with these Terms of the Notes Issue to secure the Notes.
- 3.2.10.2. The Collateral Agent does not have any obligation:
- (a) to take any action (including, without limitation, to commence legal proceedings, compulsory enforcement proceedings, bankruptcy proceedings or any other proceedings) with the purpose to satisfy any claims arising under these Terms of the Notes Issue in connection with any assets of the Company, except for enforcing the Collaterals in accordance with these Terms of the Notes Issue and the Collateral Agreements upon the Collaterals becoming enforceable and receiving the relevant instructions from the Majority Noteholders;
 - (b) to ensure the existence, enforceability or validity of the Collaterals or to preserve the Collaterals or its value or to assess any rights arising from or relating to the Collateral (except for the validity of the Collaterals after its establishment to the extent within the control or sphere of influence of the Collateral Agent and to the extent within the scope of its obligations under these Terms of the Notes Issue);
 - (c) to inform the Noteholders or the Company about any circumstances relating to the Collaterals except to the extent such obligation to provide information is explicitly set forth in these Terms of the Notes Issue; and
 - (d) to provide any advice to the Noteholders or the Company in legal, accounting, tax or other matters for free.
- 3.2.10.3. The Noteholders shall not have any independent power to enforce the Collaterals or to exercise any rights or powers arising under the Collateral Agreement. Noteholders may exercise their rights in relation to the Collaterals only through the Collateral Agent pursuant to these Terms of the Notes Issue.
- 3.2.10.4. Upon the performance of its obligations and exercising its rights, the Collateral Agent shall act at its own discretion in the interests and on the account of the Noteholders collectively, and generally (and not any particular Noteholder) without having any independent interests of its own (for the avoidance of doubt, the Collateral Agent has the right to withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent) and without any obligation to consider any interests of the Company and without any right of the Company to give any instructions to the Collateral Agent. In particular, in accordance with these Terms of the Notes Issue the Collateral Agent shall be entitled to decide at its sole discretion as to what would be in the best interests of the Noteholders upon failure to obtain instructions from the Majority Noteholders. However, the Collateral Agent shall not start the enforcement of the Collaterals without instructions provided by the Majority Noteholders as described in these Terms of the Notes Issue.
- 3.2.10.5. The Collateral Agent is not a party to the legal relationship between the Company and the Noteholders and is under no circumstances liable for the performance of the obligations of the Company or impossibility to enforce the Collaterals in accordance with these Terms of the Notes Issue and the Collateral Agreements or any restrictions or delays thereof.
- 3.2.10.6. Upon the performance of its obligations and exercising of its rights hereunder the Collateral Agent shall have the right at its own cost to use the services of third parties and to appoint third-party representatives (including, during the performance of its tasks and acts as stipulated in these Terms of the Notes Issue and the Collateral Agreement). In case of use of the services of third parties and/or

appointment of third-party representatives, the Collateral Agent shall evaluate and appoint only reputable third parties having professional expertise for the fulfilment of the tasks and acts as stipulated in these Terms of the Notes Issue. In case of use of the services of third parties and/or appointment of third-party representatives, the Collateral Agent shall also ensure: (i) no conflict of interest exists in respect to the Issuer and the Majority Noteholders; (ii) the fees, costs and expenses of such third-party services are at a reasonable market price; (iii) the fees, costs and expenses for using the services of third parties and/or appointment of third-party representatives would not exceed costs, fees and expenses of the Collateral Agent if the latter would perform its obligations under these Terms of the Notes Issue, the Collateral Agreements and the Collateral Agent Agreement on its own; and (iv) it remains a duty and obligation of the Collateral Agent to perform its obligations under these Terms of the Notes Issue and the Collateral Agent Agreement and not of the appointed third-party. In case the use of services of third parties or appointment of third-party representatives is required for the fulfilment of obligations arising from these Terms of the Notes Issue, including the Collateral Agreement, Clause 0 of these Terms of the Notes Issue is applicable. The Collateral Agent shall not be responsible for any losses and damage caused by the acts and omissions by third parties.

- 3.2.10.7. At the request of the Collateral Agent, the Noteholder shall provide the Collateral Agent with any information required for the purposes of identification of the Noteholder and/or for the performance of other obligations arising from Applicable Laws and regulations.
- 3.2.10.8. At the request of the Collateral Agent, the Company shall provide the Collateral Agent with an updated list of Noteholders specifying the outstanding Nominal Value of the Notes each of them is holding and their latest known email addresses if such information is available.
- 3.2.10.9. The Collateral Agent is not liable for any circumstances relating to or affecting the validity of the Collaterals that are outside the control or sphere of influence of the Collateral Agent.
- 3.2.10.10. The Collateral Agent shall have the right to receive fees from the Company and to be compensated by the Company for those costs relating to the performance of its obligations under these Terms of the Issue and the Collateral Agreements in accordance with the Collateral Agent Agreement and shall have the right to withhold the performance of its duties and obligations in case of any delay of payment of the relevant fees and costs. As regards the costs, the Company shall also compensate to the Collateral Agent all payments made by the Collateral Agent to third parties for the purposes of establishment, amendment, termination and enforcement of the Collaterals in accordance with these Terms of the Notes Issue and the Collateral Agreements (including, without limitation, state fees and taxes, other fees and payments established by Applicable Laws, costs and expenses incurred by the Collateral Agent), as well as all damages incurred by the Collateral Agent in relation to the same.
- 3.2.10.11. Notices and documents to the Collateral Agent shall be valid only if made and forwarded in writing either by post or e-mail by using the contact details set forth in these Terms of the Notes Issue. All notices of the Noteholder to the Collateral Agent shall be sent in writing (letter and email) to the Collateral Agent and copied to the Company and the Arranger. If the Collateral Agent has doubts that a notice from a Noteholder has not been sent to the Company, then the Collateral Agent shall immediately forward such notice to the Company.
- 3.2.10.12. The Collateral Agent has the right to terminate the Collateral Agent Agreement in case: (a) the Collaterals described in Clause 3.2.7 of these Terms of the Notes Issue has not been established within the relevant term stipulated in Clause 3.2.11 of these Terms of the Notes Issue; and/or (b) the Collateral Agent withdraws from performance of the tasks set out in these Terms of the Notes Issue on the grounds set out in Clause 3.2.11.12 or 3.2.11.14. of these Terms of the Notes Issue. Fees and payments already paid to the Collateral Agent shall not be refunded in the event of termination of the Collateral Agent Agreement.
- 3.2.10.13. The Issuer has the right to terminate the Collateral Agent Agreement in case the Issuer decides not to proceed with the Notes issue and/or if the Collateral Agent allows gross negligence/malicious intent in

exercising their rights. A new collateral agent must be designated by the Issuer who must take over the obligations of the Collateral Agent.

3.2.11 Establishment, Release and Enforcement of the Collaterals

- 3.2.11.1 For the purpose of constituting security for the due and timely payment, discharge and performance of the Notes, the Collaterals shall be established in the interests of Noteholders and under the name of the Collateral Agent (as the holder of the Collateral (pledgee)) under the Collateral Agreements which, in legal terms, serves as security for the Notes of the Company towards the Collateral Agent. The Company shall conclude the relevant Collateral Agreements or amend the existing Collateral Agreements to secure the Notes with the Collateral Agent and ensure the respective Collaterals are registered in the Pledge Register and the Land Register within 90 (ninety) calendar days from the Issue Date. If a Promissory Note (or similar document of a technical nature) is required to register the respective Collaterals, the Company and the Collateral Agent shall conclude such a Promissory Note in the form suitable to the Commercial Pledge Register or the Land Register. For the avoidance of doubt, a Promissory Note does not constitute an independent or separate claim and the Collateral Agent may demand payment of any sum under a Promissory Note only in the amount and to the extent such an equivalent sum has become due and payable to Noteholders under these Terms of the Notes Issue. For the avoidance of doubt, a Promissory Note is required only if the Collaterals have not been registered in the Register within 90 (ninety) calendar days from the Issue Date due to refusal of the Pledge Register or the Land Register to register the Collaterals.
- 3.2.11.2 The Company shall provide written confirmation on the registration of the Collaterals in the Commercial Pledge Register and the Land Register to the Collateral Agent within 3 (three) Business Days after registration has taken place.
- 3.2.11.3 By subscribing to the Notes, each Noteholder acknowledges and confirms the Company may, within its ordinary course of business sell its assets.
- 3.2.11.4 The Collateral Agent shall take all actions that the Collateral Agent as the holder of the Collaterals may reasonably take with the purpose to enforce the Collaterals according to the procedure provided for in the Collateral Agreement in case:
- (a) the Notes are not performed in accordance with these Terms of the Notes Issue which the Collateral Agent has been duly informed of in accordance with Clause 3.2.11.6 of these Terms of the Notes Issue; and
 - (b) The Majority Noteholders have instructed the Collateral Agent in writing to enforce the Collaterals (for the avoidance of doubt, the Majority Noteholders have such a right only if the Notes are not performed in accordance with these Terms of the Notes Issue, and the Majority Noteholders have to specify in their instructions to enforce the Collaterals which obligation(s) has been breached pursuant to these Terms of the Notes Issue).
- 3.2.11.5 If the Majority Noteholders in accordance with Clause 3.2.11.3(b) of these Terms of the Notes Issue have instructed the Collateral Agent to enforce the Collaterals, the Collateral Agent shall immediately inform (letter or email) all Noteholders.
- 3.2.11.6 The Majority Noteholders have the right to instruct the Collateral Agent to take specific actions to enforce the Collaterals according to the procedure provided for in the Collateral Agreement in case the conditions set out in Clause 3.2.11.3. of the Notes Issue have been fulfilled. The Collateral Agent has a right (but not an obligation) to refuse to follow such instructions until the Majority Noteholders have confirmed such instructions.
- 3.2.11.7 The Collateral Agent may assume that no violation of the Notes has occurred unless the Collateral Agent has received a written notice (letter or email) to the contrary from the Company or the Majority Noteholders. For the avoidance of doubt, the Majority Noteholders shall have such a right only if the Notes is not performed in accordance with the respective terms and conditions set out in these Terms of the Notes Issue.

- 3.2.11.8 The Collateral Agent shall be entitled (but is not under any circumstances obliged) to request instructions, or clarification of any direction, from the Noteholders as to whether, and in what manner, the Collateral Agent should exercise or refrain from exercising any rights, powers and discretions with regard to the enforcement of the Collaterals. Upon such request, the Noteholders shall give their instructions or clarifications to the Collateral Agent within the time period specified in the Collateral Agent's request for instructions or clarifications, such a time period is to be at least 2 (two) Business Days. The Collateral Agent may refrain from acting unless and until Majority Noteholders have provided the Collateral Agent with requested instructions or clarifications.
- 3.2.11.9 If, under Clause 3.2.11.3(b) and 3.2.11.6. of these Terms of the Notes Issue or following the request of the Collateral Agent submitted under Clause 3.2.11.7. of these Terms of the Notes Issue, the Majority Noteholders have duly instructed the Collateral Agent, the Collateral Agent is obligated to comply with these instructions. Any such instructions from the Majority Noteholders will be binding on all Noteholders of the Issue. The Collateral Agent shall not be liable for any consequences or damages that result from complying with the instructions.
- 3.2.11.10 Notwithstanding Clause 3.2.11.8. of these Terms of the Notes Issue, the Collateral Agent may refrain from doing anything which in its opinion will or may be contrary to the Terms of the Notes Issue, the Collateral Agreements, the Collateral Agent Agreement or Applicable Laws and regulations or otherwise render it liable to any person and may do anything which is in its opinion necessary to comply with such legislation. The Collateral Agent may refrain from acting in accordance with the instructions of the Majority Noteholders until it has received such indemnification or security as it may require for all costs, claims, losses, expenses (including, but not limited to, legal fees) and liabilities which it will or may expend or incur in complying with such instructions.
- 3.2.11.11 Without prejudice to Clauses 3.2.11.7., 3.2.11.8., 3.2.11.9. of these Terms of the Notes Issue, the Collateral Agent may (but is not obligated to) act (or refrain from acting) as it in its own discretion reasonably believes is in the best interests of the Noteholders. The Collateral Agent shall not be liable to the Noteholders for acting (or refraining from acting) as described in these Terms of the Notes Issue or in accordance with the instructions of the Noteholders and/or Applicable Laws.
- 3.2.11.12 The Collateral Agent shall not be liable to Noteholders or the Company for the outcome of the enforcement of the Collaterals, provided the Collateral Agent has acted in accordance with these Terms of the Notes Issue and the Collateral Agreements.
- 3.2.11.13 The Collateral Agent shall have the right to unilaterally terminate the performance of its duties described in these Terms of the Notes Issue in accordance with the Collateral Agreements and the Collateral Agent Agreement (including, without limitation, terminate the enforcement of the Collaterals) in case:
- (a) in the reasonable opinion of the Collateral Agent: (a) (further) enforcement of the Collaterals on reasonable terms is not possible or feasible due to the commencement of insolvency or reorganisation proceedings of the Company or enforcement of the Collaterals on reasonable terms may not possible for any other reason; or (b) the estimated proceeds of the enforcement of the Collaterals will not be sufficient to cover the claims under Clause 3.2.12.1; and/or
 - (b) in the opinion of the Collateral Agent, the Collaterals (or the substantial part thereof) ceases to exist for any reason.
- 3.2.11.14 In order to exercise its right of termination under Clause 3.2.11.12. of these Terms of the Notes Issue, the Collateral Agent shall submit a respective written notice (letter or email) stating the basis of exercising the right of termination to the Company and all of the Noteholders. The duties and obligations of the retiring Collateral Agent shall be deemed to have terminated from the moment when the respective written notice is submitted to the Company and all of the Noteholders. For the avoidance of doubt, under the Applicable Laws the relevant Collateral Agreements and/or the establishment and discharge of the Collaterals, the Collateral Agent may perform certain actions to release (discharge) the Collaterals as a result of the termination under Clause 3.2.11.12.

- 3.2.11.15 The Collateral Agent shall have the right to resign due to reasons other than those stated in Clause 3.2.11.12. of these Terms of the Notes Issue by submitting a respective written notice (letter or email) to the Company and all of the Noteholders. The duties and obligations of the Collateral Agent shall be deemed to have terminated upon the appointment of a successor Collateral Agent and acceptance by such appointment of the successor Collateral Agent and the execution of all necessary documentation to effectively substitute the retiring Collateral Agent.
- 3.2.11.16 No later than 3 (three) months after the receipt of the relevant notice under Clause 3.2.12.14. or Clause 3.2.11.14. of these Terms of the Notes Issue by the Company a successor Collateral Agent must be designated by the Company and the Majority Noteholders, who must take over the obligations of the retiring Collateral Agent. If a successor Collateral Agent has not been appointed within the term set out in this Clause, the duties and obligations of the retiring Collateral Agent shall be deemed to have terminated. For the sake of clarity, the retiring Collateral Agent shall be stated as pledgee in the Commercial Pledge Register and the Land Register until the successor Collateral Agent has been appointed and registered as pledgee of the Collaterals in the Commercial Pledge Register and the Land Register.
- 3.2.11.17 The Collateral Agent shall evaluate that no conflict of interest exists with regard to the Company and/or the Noteholders and, the existence of conflict of interest shall not prevent the Collateral Agent from fulfilling its obligations to the extent and scope as described in these Terms of the Notes Issue and as provided in the in the Collateral Agreements and in the Collateral Agent Agreement.

3.2.12 Application of the Proceeds from Enforcement of the Collateral

- 3.2.12.1 The proceeds from the enforcement of the Collaterals shall be applied in the following order of priority:
- (a) as the first priority: to the satisfaction and payment of all fees, costs and expenses and damages (including, without limitation, state duties, notary fees, valuation costs and fees, costs and expenses of third parties engaged in by the Collateral Agent pursuant to conditions set out, *inter alia*, in Clauses 0 and 0) related to performance of its duties by, or otherwise payable to, the Collateral Agent under these Terms of the Notes Issue, the Collateral Agent Agreement and the Collateral Agreements securing the Company's obligations relating to the Issue, including, but not limited to, the establishment, amendment, termination and enforcement of the Collaterals incurred by the Collateral Agent or any of the third parties engaged by the Collateral Agent;
 - (b) as the second priority (after full satisfaction, payment and deduction of all claims and amounts set forth in Clause 3.2.12.1(a) of these Terms of the Notes Issue): in payment of the claims of the Noteholders arising under these Terms of the Notes Issue, including, but not limited to, the claims arising from the Notes.
- 3.2.12.2 The Collateral Agent shall withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent specified in Clause 3.2.12.1(a) of these Terms of the Notes Issue and transfer the remaining proceeds to the Noteholders for satisfying the claims under Clause 3.2.12.1(a) of these Terms of the Notes Issue. The Collateral Agent shall return the proceeds from the enforcement of the Collateral remaining after satisfying all claims set forth in Clause 3.2.12.1 of these Terms of the Notes Issue to the Company.
- 3.2.12.3 In case the proceeds remaining after covering the fees, costs, expenses, damages and claims under Clause 3.2.12.1(a) of these Terms of the Notes Issue do not cover the claims of the Noteholders under Clause 3.2.12.1(a) of these Terms of the Notes Issue in full, these claims of the Noteholders shall be satisfied pro rata.
- 3.2.12.4 The Collateral Agent is not obliged to pay to the Noteholders or any other persons any interest on the proceeds from the enforcement of the Collaterals (whether deposited or not).
- 3.2.12.5 In case the Collateral Agent is required, under Applicable Laws, to withhold or pay any taxes in connection with payments to be made by the Collateral Agent hereunder, the amount to be paid by the

Collateral Agent shall be reduced by the amount of respective taxes and only the net amount shall be paid by the Collateral Agent.

By submitting a subscription order or acquiring the Notes on the secondary market each private individual or legal entity, as well as their authorized representatives upon the request of the Collateral Agent, are obliged to disclose to the Collateral Agent all information and documents on these private individuals or the legal entities, as well as their authorized representatives and the Collateral Agent is entitled to receive this information and documents for the purposes of performance of duties of the Collateral Agent. This information and documents also include those documents and information that are necessary to the Collateral Agent in order to fulfil the Collateral Agents obligations regarding AML and Sanctions regulation requirements (*e.g.*, information and documents on the beneficial owner).

3.2.13 Rights and restrictions connected with the Notes Issue

Any Noteholder has the right to receive Coupon and Nominal Value payments in accordance with the Clause 3.2.14 "Coupon payments" and 3.2.15 "Procedure of the Notes repayment", as well as exercise other rights fixed in these Terms of the Notes Issue and Applicable Laws of the Republic of Latvia.

The Company has the right to purchase the Notes on the secondary market directly from the Noteholders. The Notes that are purchased by the Company are held in the Company's financial instruments' custody account and the Company has the right to sell the purchased Notes to Potential Investors and other Noteholders. The Company cannot cancel the purchased Notes held in the Company's financial instruments' custody account, therefore decreasing the size of the Notes issue.

The Notes owned by the Company and/or its Related Parties are not eligible to participate in the voting in accordance with these Terms of the Notes Issue.

3.2.14 Coupon payments

Coupon rate

The Coupon rate for the Notes is 6.00% (six percent) per annum and is fixed until the Maturity Date.

Coupon payment procedure

Coupon payments are made on each Coupon Payment Date. Coupon payments are made 4 (four) times per year – on every 11 February, 11 May, 11 August, and 11 November. The first Coupon payment will be made on 11 August 2022 and the last Coupon payment will be made on Maturity Date, which is 9 May 2025.

The Coupon record date is the 5th (fifth) Business Day prior to the Coupon Payment Date. At the end of the Coupon record date the list of the Noteholders, who will be eligible for the Coupon payments, will be fixed. The Coupon payment shall be made to the Noteholders, in accordance with the relevant Noteholders' list, on each Coupon Payment Date for the preceding Coupon period.

The Company pays the Coupon through the intermediary of Nasdaq CSD and in accordance with the applicable Nasdaq CSD regulations, which regulate the procedure for paying income from debt securities. The Nasdaq CSD regulations applicable on the day of preparation of these Terms of the Notes Issue are Nasdaq CSD Rulebook and Corporate Action Service description.

If the Coupon Payment Date of the Notes is not a Business Day, the Company will pay the Coupon payment on the first Business Day after the Coupon Payment Date of Notes.

If the Company has failed to make Coupon payments in accordance with the deadlines specified in these Terms of the Notes Issue, the Noteholders shall have the right to submit claims regarding the payment of the Coupon but not earlier than after 10 (ten) Business Days following the payment date of the relevant Coupon.

Coupon calculation

Quarterly Coupon payments, including the last Coupon payment that shall be paid on Maturity Date, are determined according to the following formula:

$$\text{CPN} = F * C / 4 \text{ or } \text{CPN}\% = C/4, \text{ where}$$

CPN – the amount of the Coupon payment in EUR per Note;

F – Nominal Value of one Note;

C – annual Coupon rate (%).

The authority performing the calculation is not required to calculate the Coupon payment, since the annual rate of the Coupon for the relevant period is fixed in advance.

3.2.15 Procedure of the Notes repayment

The Nominal Value of one Note is EUR 1,000.00 (one thousand Euro) and the Company will repay the Nominal Value of Notes at Maturity Date, which is 9 May 2025.

The Company will pay the Nominal Value in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. The Nasdaq CSD regulations applicable on the day of preparation of these Terms of the Notes Issue are Nasdaq CSD Rulebook and Corporate Action Service Description. The Nominal Value will be paid on the Maturity Date. The list of the Noteholders eligible to receive the Nominal Value will be fixed at the end of the previous Business Day before Maturity Date.

If the Maturity Date of the Notes is not a Business Day, the Issuer will pay the Nominal Value of the Notes on the next Business Day after the Maturity Date.

If the Company fails to make the Nominal Value payment in accordance with the deadlines specified in these Terms of the Notes Issue, the Noteholders shall have the right to submit claims regarding the repayment of the Nominal Value not earlier than after 10 (ten) Business Days following the Maturity Date.

3.2.16 Early redemption at the option of the Issuer (call option)

The Company shall be entitled to full early redemption (call option) starting:

- (a) from 11 May 2023 (including), until 11 February 2025 (including) by paying 102% (one hundred and two percent) of the Nominal Value amount plus accrued and unpaid interest;
- (b) from 12 February 2025 (including), until Maturity Date by paying 100% (one hundred percent) of the Nominal Value amount plus accrued and unpaid interest;

The Company can carry out call option only in full amount of total outstanding Notes.

If the Company takes a decision on early redemption of the Notes, the Company shall notify the Noteholders at least 20 (twenty) Business Days prior to the redemption date of the Notes with intermediation of the Nasdaq Riga information system.

If the Company redeems the Notes, the Company will pay the redemption payment in accordance with the Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. The Nasdaq CSD regulations applicable on the day of preparation of these Terms of the Notes Issue are the Nasdaq CSD Rulebook and Corporate Action Service Description. The list of the Noteholders eligible to receive the redemption payment will be fixed at the end of the previous Business Day before the redemption payment date.

3.2.17 Early redemption at the option of the Noteholders (put option)

In case a Change of Control has occurred, the Company has the obligation to inform, including disclosure with sufficient details on its webpage, Noteholders (either *via* assistance of the Arranger (if Notes are not listed) or *via* Nasdaq Riga information system (if Notes are listed)) no later than the date that is 20 (twenty) Business Days after the Change of Control has occurred, stating:

- (a) the Change of Control has occurred or may occur and that such a Noteholder has the right to require the Company to purchase all of such Noteholder's Notes at a price equal to 101% (one hundred and one percent) of the Nominal value plus accrued and unpaid interest;
- (b) stating the repurchase date, which shall be not earlier than 10 (ten) Business Days and not later than 20 (twenty) Business Days from the date such notice is delivered (*via* e-mail or post (if Notes are not listed)) or the Nasdaq Riga information system (if Notes are listed)) to Noteholders and the record date;
- (c) stating any Note accepted for payment pursuant to a Change of Control will cease to accrue interest after a Change of Control payment date unless the Change of Control payments is not paid, and any Notes or part thereof not tendered will continue to accrue interest;
- (d) describing the circumstances and relevant facts regarding the transaction or transactions that constitute a Change of Control;
- (e) describing the procedures determined by the Company that the Noteholder must follow to have its Notes repurchased; and
- (f) if such notice is sent prior to the occurrence of a Change of Control, stating the offer is conditional on the occurrence of a Change of Control.

To exercise the Change of Control put option, the Noteholder must submit to the Company a duly signed and completed notice of exercise in the form provided by the Company within the Change of Control put period provided by the Company in the said notice. The form shall be submitted to the Company by the Noteholder directly (physically signed form delivered by post or courier or electronically signed delivered by email) or indirectly *via* the Noteholder's Custodian. If no response from the Noteholder has been received within the designated time period, it is concluded that the Noteholder will not execute its put option. No option so exercised may be withdrawn without the prior consent of the Company.

3.2.18 Early redemption (event of default)

The Noteholders have the rights to demand early redemption of the Notes in case of occurrence of the events of default in accordance with Clause 4.3 "Event of Default".

3.2.19 Accrued interest calculation

The first Coupon starts to accrue on 11 May 2022, which is the First Settlement Date of the Notes issue.

The accrued Coupon is calculated presuming there are 360 (three hundred and sixty) days in one year (day count convention – "European 30/360"). Accrued interest between Coupon Payment Dates shall be calculated as follows:

$$AI = F * C / 360 * D, \text{ where}$$

AI – accrued interest of one Note;

F – Nominal Value of one Note at the beginning of the relevant Coupon calculation period, *i.e.*, the initial Nominal Value at the time of the issue of a Note, as may be reduced by the redemption or repurchase amounts paid during the previous periods in accordance with the Terms of the Notes Issue;

C – annual Coupon rate (%);

D – the amount of days from the beginning of the Coupon accrual period according to European 30/360 day count method.

3.2.20 Representation of the Noteholders

The Collateral Agent holds the Collaterals on behalf of the new and the existing Noteholders and is authorized to act with the Collaterals in favour of all the Noteholders in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement.

The Noteholders have no rights to act with the Collaterals directly, yet at the same time there are no restrictions set for Noteholders' right to create and/or authorize an organization/person that represents the legal interests of all Noteholders or part thereof.

In case of the insolvency of the Company, every Noteholder has the right to represent their own interests in creditors' meetings. The Noteholders will have equal rights for satisfaction of their claims with other creditors in the same claims' group.

3.2.21 Decisions of the Company on the Notes issue

On 28 April 2022, the Company's shareholders passed the decision to issue secured debt securities in the amount of up to EUR 2,500,000.00 (two million five hundred thousand Euro) and to authorize the management board to sign all the documents related to the execution of the shareholders' decision to issue the Notes.

On 28 April 2022, the Company's management board passed the decision to issue secured debt securities (Notes) in the amount of up to EUR 2,500,000.00 (two million five hundred thousand Euro).

3.2.22 First Settlement Date of the Notes Issue

The First Settlement Date (Issue Date) of the Notes issue is 11 May 2022, on which the Coupon starts to accrue.

3.2.23 Restrictions on free circulation of the Notes

The Notes are freely transferable securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the Applicable Laws.

Any Noteholder wishing to transfer or offer the Notes must ensure any offering related to such a transfer or offer would not be qualified as public offering in the essence of the Applicable Laws. According to these Terms of the Notes Issue, it is the obligation and liability of the Noteholder to ensure that any offering of the Notes does not fall under the definition of public offering under the Applicable Laws.

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4 SPECIAL CONDITIONS

4.1 DISCLOSURE OF INFORMATION

Up until the Maturity Date, the Company shall publish all the information required by covenants, rules of Nasdaq Riga and regulatory enactments.

- (a) For as long as the Notes are not admitted to trading on First North, all notices and reports to the Noteholders shall be published on the Company's website (www.banga-seafood.com).
- (b) As of the date when the Notes are admitted to trading on First North, all notices and reports to Noteholders shall be published on the Nasdaq Riga website, as well as on the website of the Company (www.banga-seafood.com). Any notice or report published in such a manner shall be deemed to have been received on the same Business Day when it is published.

4.2 Event of Default

If the Company receives a written notification from the Noteholders representing at least 10% (ten percent) of the outstanding Notes issue, stating that the Notes owned by the relevant Noteholder(s) have become due and payable, at any time after the event of default has occurred (and as long as the event of default exists), the Company shall pay the Nominal value of Notes along with the accrued Coupon and default interest in accordance with Clause 4.3 "Default interest" within 10 (ten) Business Days after the receipt of the notification.

If an event of default has occurred and the Company is unable to redeem or purchase the Notes in accordance with this Clause, the Company is obliged to send the Noteholders and the Collateral Agent a written notification within 20 (twenty) Business Days after the event of default has occurred.

Each of the events or circumstances set out in below shall constitute an event of default:

4.2.1. Non-payment

The Company has failed to pay out any amount payable by it under these Terms of the Notes Issue when such an amount is due for payment, unless its failure to pay is caused by administrative or technical error in the payment systems or the Nasdaq CSD and payment is made within 10 (ten) Business Days following the original due date. The Noteholder shall have the right to submit claims regarding failure to pay amount due not earlier than 10 (ten) Business Days after the date of the relevant payment.

4.2.2. Breach of covenants

The Company has violated the conditions of the Clause 5 "Covenants" and has failed to remedy such violation as according to the Clause 4.2.3 "Covenant cure".

4.2.3. Covenant cure

- (a) The Company and shareholders of the Company may cure or prevent a breach of the financial covenants in Clauses 5.1.1. – 5.1.3. (and any Event of Default arising as a result therefrom) if, prior to or within 90 (ninety) calendar days of the earlier of: (i) the date on which the relevant Financial Report is to be published pursuant to these Terms of the Notes Issue; and (ii) the date that such a Financial Report was in fact published pursuant to these Terms of the Notes Issue for any Relevant Period in which such failure to comply was (or would have been) first evidenced, the Company received the cash proceeds of new shareholder injections from the shareholders of the Company (the "Equity cure"), in an amount at least sufficient to ensure the financial covenants set forth under Clauses 5.1. would be complied with if tested again as at the last date of the same Relevant Period on the basis any Equity Cure to be provided shall be included for the Relevant Period as if provided immediately prior to the last day of such Relevant Period.
- (b) Any new equity and/or Subordinated Debt provided in respect of any Relevant Period shall be deemed to have been provided immediately prior to the last date of such period and shall be

included (without double counting) in all relevant covenant calculations until the date it was deemed provided falls outside any subsequent Relevant Period.

- (c) If after the equity adjustment the requirement of the relevant financial covenant is met, then the requirement thereof shall be deemed to have been satisfied as at the relevant original date of determination of any default, Event of Default, occasioned thereby shall be deemed to have been remedied for the purposes of these Terms of the Notes Issue.

4.2.4. Cross-Default

In relation to the Group:

- (a) any Financial Indebtedness is neither paid when due nor within any applicable grace period;
- (b) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity, as a result of an event of default (however described);
- (c) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor, as a result of an event of default (however described);
- (d) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity, as a result of an event of default (however described); or
- (e) any security securing Financial Indebtedness over any asset is enforced by secured creditor.

Provided, however, the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (e) above exceeds a total of EUR 100,000.00 (one hundred thousand Euro) (or the equivalent thereof in any other currency); provided it does not apply to any Financial Indebtedness owed to Related Parties, or Subordinated Debt and other than (a) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within ninety (90) calendar days of commencement or, if earlier.

4.2.5. Insolvency

If the Company or its Subsidiary:

- (a) is declared insolvent or bankrupt by a court of competent jurisdictions or admits inability to pay its debts in case of lawful claims save for claims by Related Parties;
- (b) an application to initiate insolvency or legal protection proceedings or similar proceedings of the Company or any other proceedings for the settlement of the debt of the Company is submitted to the court by the Company or by any Related Parties.

Other than: (a) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within ninety (90) calendar days of commencement or, if earlier, the date on which it is advertised; and (b), in relation to the Company, solvent liquidations) in relation to: (a) the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary agreement, scheme of arrangement or otherwise) of the Company; (b) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of the Company or any of its assets; or (c) any analogous procedure or step is taken in any jurisdiction in respect of the Company.

4.3. Default interest

In the case of non-compliance or inadequate compliance with a payment obligation arising from the Notes, the respective Noteholder shall be entitled to require and the Company shall be obliged to pay default interest upon the request of any Noteholder to all the Noteholders that shall accrue from the due date for payment (excluding), to the actual payment date (including) in the amount of 0.1% (zero point one per cent) per each day of the relevant outstanding amount.

If the Company fails to make Coupon payments in accordance with the deadlines specified in these Terms of the Notes Issue, the Noteholders have the right to submit claims regarding the payment of the

Coupon not earlier than after 10 (ten) Business Days following the due date for payment of the relevant Coupon.

If the Company fails to make the Nominal Value payment in accordance with the deadline specified in these Terms of the Notes Issue, the Noteholders have the right to submit claims regarding the repayment of the Nominal Value not earlier than after 10 (ten) Business Day following the due date for payment of the Nominal Value.

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5. COVENANTS

5.1. FINANCIAL COVENANTS

From the Issue Date of the Notes to the date of repayment thereof, the Company shall comply with the following financial covenants:

- 5.1.1. To maintain Interest Coverage Ratio of at least 3x (three times), calculated for the Relevant Period at the end of each quarter.
- 5.1.2. To maintain Equity Ratio at least 30% (thirty percent) calculated for the Relevant Period at the end of each quarter.
- 5.1.3. To maintain Net debt to EBITDA Ratio from the Issue Date less than 4x (four times), starting from 31 December 2023 (for the full Financial Year of 2023) – less than 3x (three times), calculated for the Relevant Period at the end of each quarter:
- 5.1.4. Financial covenants stated in Clauses 1 to 5.1.3. shall be tested at the end of each quarter and proof of compliance with these covenants shall be included in every Financial Report of the Company.
- 5.1.5. The Company may in its sole discretion choose to calculate the financial covenants under Clauses 1 to 5.1.3 in accordance with the Accounting Principles.
- 5.1.6. Until the lowest credit rating of Ukraine Government bonds assigned by a global credit rating agency (Moody's, Fitch Rating or S&P Global) is below B (or B2), the Group shall ensure that the Accounts Receivables from trading partners registered in Ukraine, excluding factoring Accounts Receivables and Accounts Receivables guaranteed or insured by ALTUM or another party do not exceed EUR 400,000.00 (four hundred thousand euro) calculated at the end of each quarter.
- 5.1.7. The Group shall not pay dividends or make other distribution of profits to its shareholders and/or Related Parties in form of a loan, investment or any other distribution, except permitted distribution: up to 50% (fifty percent) of the audited net profit starting from Financial Year of 2023 (for the avoidance of doubt, no dividends or other distribution of profits shall be made for the Financial Year of 2022).

Starting from 1 January 2024 (for Financial Year of 2023 and onwards) the financial covenants contained in this Clause 5.1 shall be calculated and fulfilled by the Group on consolidated basis.

5.2. GENERAL COVENANTS

From the Issue Date of the Notes to the date of repayment thereof, the Company shall undertake the following:

- 5.2.1. Not to engage in an event that causes a Change of Control in the Company unless the redemption procedure under these Terms of Notes Issue are effectuated properly (Clause 3.2.17).
- 5.2.2. To include Notes on First North operated by Nasdaq Riga within 12 (twelve) months after the Issue Date.
- 5.2.3. All existing and future liabilities towards Related Parties must be subordinated to the Notes issued.
- 5.2.4. Not to commence any new type of economic activity outside the scope of Permitted Business except if revenue from such activity does not exceed 5% (five percent) of the total revenue.

- 5.2.5. Not to obtain participation in other companies by investing funds or assets, except if over 51% (fifty-one percent) participation in this company shall be acquired and the Company retains control of the company.
- 5.2.6. Not to sell, present, change, rent, license, invest, or otherwise transfer into utilization the right to use the trademarks of the Company.
- 5.2.7. Not to initiate or allow initiation of the Issuer's liquidation or similar proceedings and not to reduce the share capital of the Company.
- 5.2.8. Any transactions with Related Parties should be at a Fair Market Value.
- 5.2.9. To publish condensed unaudited quarterly reports with management commentary as per the Accounting Principles by the end of the second month following the end of each respective quarter.
- 5.2.10. To prepare and publish audited annual report as per Accounting Principles within 6 (six) months for the Financial Year of 2022 and within 4 (four) months for each consecutive financial year.
- 5.2.11. The Company shall engage a reputable international auditor for the Financial Year of 2022 (and onwards) from the list of auditors provided by the Arranger.
- 5.2.12. The Company shall ensure that the Collaterals are insured at all times in accordance with the Collaterals Agreements. Upon request by the Collateral Agent the Company shall provide documents evidencing the insurance cover within 10 (ten) Business Days of the respective request.

5.3. **PROCEDURE FOR APPLYING FOR NOTEHOLDERS' CONSENT**

The Company has the right to request a consent (waiver) of Noteholders to amend the conditions included in these Terms of the Notes Issue (apply for the waiver). However, the Company shall have a right to amend the technical procedures relating to the Notes in respect of payments or other similar matters without the consent of the Noteholders, if such amendments are not prejudicial to the interests of the Noteholders. The Collateral Agent may ask for instructions from the Noteholders in respect to the Collaterals in the same manner as the Company may apply for the consent (waiver) of the Noteholders hereunder.

The amendment of these Terms of the Notes Issue may include the amendment of any conditions, which is not restricted by such characteristics of the Notes as currency, Coupon rate, Coupon calculation method, Coupon and Nominal Value payments, inclusion of Notes to regulated or alternative markets, the Maturity Date and other conditions, unless they contradict the Applicable Laws of the Republic of Latvia.

The Company can apply for the waiver itself or through the intermediary of an authorised person (the "**Agent**"). To request a waiver, the Company or Agent shall notify the Noteholders by posting the information on the Company's webpage if Notes are not listed, or, if Notes are included in First North, *via* the Nasdaq Riga information system, specifying at the least the following information:

- (a) a description of the requested amendment;
- (b) a justification of the necessity of such amendment;
- (c) the date when the list of the Noteholders eligible to grant the waiver (vote) will be fixed;
- (d) the term within which a Noteholder can support or reject the offered waiver;
- (e) instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;
- (f) notification that a Noteholder willing to grant the waiver offered by the Company shall notify the Company and the Agent within the term specified in the application, which is certified by a postal

seal, signature on receipt or notification (letter or email) by Noteholder's Custodian. If the Noteholder does not notify the Issuer or Issuer's Agent about the approval to grant the waiver within the term specified in the application, a Noteholder shall be deemed as not having granted the waiver;

- (g) contact details of the Company and the Agent to be used for notifications (telephone number for inquiries, email or address for sending filled in and signed questionnaires, list of representative offices and/ or branches of the Issuer and/or Issuer's Agent where the Noteholders can submit the questionnaires in person);
- (h) other information, including a fee to the Noteholders for approving the waiver (if any).

The list of Noteholders shall be inquired from the Nasdaq CSD as of the date falling to the 5th (fifth) Business Day after the waiver was sent to the Noteholders directly and/or after the relevant announcement of the waiver has been published *via* the Nasdaq Riga information system, if the Notes are included in First North.

The term allowed to the Noteholders for deciding upon refusal to grant the waiver to the Company may not be shorter than 14 (fourteen) calendar days after the waiver was sent to the Noteholders directly and/or after the relevant announcement of the waiver has been published *via* the Nasdaq Riga information system, if Notes are included in First North.

The Noteholders shall submit signed questionnaires with their decision to the Company or the Agent by a deadline set in the application of the waiver. The waiver is deemed to be granted, if the Noteholders owning more at least 50% (fifty percent) of the outstanding Notes issue (excluding Notes owned by the Company, direct and/or indirect shareholders and Related Parties from the total outstanding amount of Notes) have voted for granting the waiver. The Notes owned by the Company and Related Parties are not eligible to participate in the voting.

The Company or the Agent shall count the received votes and notify the Noteholders of the results of the voting within 1 (one) Business Day after the deadline for submitting the questionnaires by sending relevant notification to the Noteholders directly and/or by publishing relevant announcement *via* the Nasdaq Riga information system, if the Notes are included in the First North.

If the accepted changes refer to specifications of the Notes and/or Coupon calculation method, as well as the procedure of Coupon payments and/ or repayment of the Nominal Value, the Company shall inform the Nasdaq CSD on the mentioned changes according to the regulation determined in the Nasdaq CSD rules.

If the Company offers Noteholders a fee for approving the waiver and the waiver is granted, the Company transfers the fee amount to the account stated by a Noteholder in the questionnaire not later than 30 (thirty) calendar days after the waiver comes into force.

5.4. **FORCE MAJEURE AND LIMITATION OF LIABILITY**

The Company shall be entitled to postpone the fulfilment of its obligations under these Terms of the Notes Issue in case the performance is not possible due to continuous existence of any of the following circumstances (a "**Force Majeure Event**"):

- (a) action of any authorities, war or threat of war, armed hostility or a serious threat of it, including but not limited to enemy attacks, blockades, military embargoes, actions by a foreign enemy, general military mobilisation, military actions, declared and undeclared war, actions by a public enemy, commotions, acts of terrorism, diversions, piracy, disorders, invasion, revolution, coup, insurrection, mass unrest, introduction of curfews, quarantine established by the Cabinet of Ministers of the Republic of Latvia, expropriation, enforced withdrawal, takeover of enterprises, requisition;

- (b) disturbances in postal, telephone, or electronic communications which are due to circumstances beyond the reasonable control of the Company and that materially affect the operations of the Company;
- (c) any interruption of or delay in any functions of measures of the Company as a result of fire, frost or other similar disaster;
- (d) any industrial action, such as strike, lockout, boycott or blockade affecting materially the activities of the Issuer; or
- (e) any other similar force majeure hindrance.

In case of occurrence of a Force Majeure Event, the Company's fulfilment of the obligations may be postponed for the period of the existence of such respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided that the Issuer shall put all best efforts to limit the effect of the Force Majeure Event and to resume the fulfilment of its obligations as soon as possible.

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6. TAXES

6.1. NOTICE

This summary is of general nature and should not be considered a legal or tax advice. This clause does not contain full and complete information on all the taxes that relate to investment in the Notes. Tax rates and conditions for paying taxes may change during the life of the Notes. Prospective investors should consult with their own tax advisors with respect to their particular circumstances and the effects of the Latvian or foreign tax laws to which they may be subject to.

6.2. Definition of residents and non-residents

An individual is considered resident of Latvia for tax purposes if his or her permanent place of residence is the Republic of Latvia, or he or she stays in the Republic of Latvia for more than 183 (one hundred and eighty-three) days within any 12 (twelve) month period; or he or she is a citizen of the Republic of Latvia and is employed abroad by the government of the Republic of Latvia. If an individual does not meet any of the above-mentioned criteria, he or she is considered a non-resident for tax purposes.

Any legal entity is considered resident of Latvia for tax purposes if it is or should be established and registered in the Republic of Latvia according to the Latvian legislation. Other legal entities are considered non-residents for tax purposes.

To receive any reduction for the tax rate applicable on interest (coupon) income according to the provisions of the Double Tax Treaty concluded between the Republic of Latvia and any other relevant country, the Noteholder should supply its tax residency certificate originals to the Issuer. The applicable reductions will be applied from the moment of receiving the certificate and for the period stipulated in the certificate. For the purposes of exchanging documents, the Noteholder should contact the Issuer *via* the information provided on the Issuer's website and/or Nasdaq Riga website.

Table 1 – Tax consequences in the Republic of Latvia regarding the income derived from Notes that are issued by a legal entity registered in the Republic of Latvia (not being a credit institution) effective as of date of the Terms of the Notes Issue:

Legal status of income beneficiary	Notes that are not in the Public Circulation		Conditions
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	20%	20% ¹	20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia. ¹ - Capital gains from a sale of Notes are considered equivalent to an interest income and taxed at 20% rate in Latvia.

<p>Company resident of Latvia</p>	<p>deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)</p>	<p>deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)</p>	<p>Interest (coupon) income and a capital gain from the Notes not being in the Public Circulation constitute a part of the beneficiary - Latvian company's overall income.</p> <p>The Corporate Income Tax obligation is deferred to the moment of profit distribution (dividends, interim dividends) or deemed profit distribution (deemed dividends, non-business expenditure, bad debts provisions/write-off, loans to the related persons, transfer pricing adjustments, liquidation quota) of the beneficiary - Latvian company. The tax is assessed and paid based on the Corporate Income Tax Return filed for a taxation period (a month or year).</p>
<p>Individual non-resident</p>	<p>20%^{2,4}</p>	<p>20%^{3,4}</p>	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia.</p> <p>² - The reduced 10%, 7%, 5%, 2.5% or 0% tax rate on interest (coupon) income can be applicable in Latvia only, if provisions of the Double Tax Treaty concluded between Latvia and other relevant country stipulate it.</p> <p>³ - A capital gain from the Notes is considered equivalent to an interest income and taxed at 20% rate. The purchaser of the Notes, if it is registered in Latvia, performs calculation and withholding of a tax on capital gain [<i>i.e.</i>, a profit]. If no profit is derived from a sale transaction, the 20% tax is not withheld/paid. The Double Tax Treaty provisions may stipulate a tax exemption in Latvia for a capital gain derived by a non-resident individual.</p> <p>⁴ - A non-resident individual being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>

<p>Company non-resident</p>	<p>exempt^{5,6}</p>	<p>exempt⁶</p>	<p>Interest (coupon) income and a capital gain derived by a non-resident company (except a company from one of the “blacklisted countries or territories”) are tax exempt in Latvia. ⁵ - An issuer of Notes withholds 20% tax from interest (coupon) payments, if they are made to a company non-resident registered in one of the low tax or non-tax countries or territories specified by the Cabinet Regulations of Latvia (so called “the blacklisted countries and territories”). ⁶ - A non-resident company being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>
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Source: Applicable Laws of the Republic of Latvia

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7. TERMS OF THE PRIVATE OFFERING

7.1. SUBSCRIPTION TO THE NOTES

7.1.1. Subscription period

The offering commenced on 27 April 2022 at 10am Riga time and shall end on the Maturity Date or when all Notes are sold, whichever is earlier.

7.1.2. Subscription terms

The subscription orders to the Notes can be submitted to the Arranger every Business Day during normal working hours. More detailed information on the submission of the subscription orders is available by phone (+371 67 081 069).

The subscription orders can also be submitted to other Custodians, which in turn shall submit orders to the Arranger. The form of such subscription orders is regulated by contracts between Noteholders and Custodians and by the Applicable Laws.

The minimal initial subscription size (the “**Minimum Investment Amount**”) is EUR 100,000.00 (one hundred thousand Euro). The subscription size should be equal to a multiple of the Settlement Unit Multiple.

Total Nominal Value of the Notes to be purchased and provided in each subscription order shall be for at least Minimum Investment Amount. Potential Investors have the right to submit several orders during the offering.

All subscription orders to the Notes shall be considered as binding and irrevocable commitment to acquire the allotted Notes.

By submitting the subscription order the Potential Investor confirms that it: (a) has read and understands these Terms of the Notes Issue; and (b) agrees and commits to adhere to these Terms of the Notes Issue.

Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/ 2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.

The First Settlement Date of the Notes is 11 May 2022.

All the expenses related to the acquisition and custody of the Notes shall be borne by a Potential Investor in compliance with the pricelist of a credit institution or investment service provider, through which the investor purchases and keeps Notes. The Company is not obliged to compensate any such expenses incurred by the Potential Investor.

7.1.3. Notes price

The Notes purchase price can be equal to 100% (one hundred percent) of the Nominal Value or purchase price could be lower or higher than the Nominal Value, meaning that the Notes can be sold with a discount or premium, plus accrued interest.

All subscription orders that have been submitted after the First Settlement Date shall be executed with accrued interest, unless the subscription orders are submitted during the 5 (five) Business Days before the end of each respective quarter – from the Coupon record date and until the Coupon Payment Date, in which case the subscription orders shall be executed without accrued interest.

7.1.4. Allocation of the Notes to Noteholders

The Notes are allocated to the Noteholders in the amount not larger than the amount specified in the subscription order and not less than the minimum size as described in the Clause 7.1.2 “Subscription terms”.

In case the total number of Notes subscribed for during the subscription period is less than the number of Notes available, the Notes will be allotted based on the subscription orders placed.

In case the total number of Notes subscribed for is higher than the number of Notes available the proportionate reduction principle shall be applied to the extent possible at the discretion of the Company and the Arranger. The Notes allocated to the Noteholders shall not be less than the Minimum Investment Amount.

The Company or Arranger at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential Investor due to AML and Sanctions regulations compliance risk or other risks.

7.1.5. Reduction of the Notes issue size

At any time, the Company may decide to discontinue placement of the Notes. The total issue size is equal to the actual issue size of the Notes before such decision.

7.2. Settlement and delivery of the Notes

The settlement date for the Notes can be any Business Day which is not earlier than the second Business Day and not later than the 20th (twentieth) Business Day after subscription order is dully submitted to the Arranger.

Settlement of the Notes will be executed through the Depository in accordance with the DVP (delivery versus payment) principle pursuant to the applicable rules of the Depository. Any Notes remaining on the Issuer’s account after the end of the subscription period shall be deleted.

The Custodians execute payments for the Notes based on the results of the subscription provided by the Arranger. The Notes will be transferred to the Noteholders’ financial instrument accounts on the settlement date.

Settlement for the Notes can be executed according to other procedure, which is agreed to by the Arranger and Potential Investor.

7.3. Pre-emptive rights

None of Potential Investors has the rights of pre-emption in respect to acquisition of the Notes in the initial placement.

7.4. Including of the Notes on the market and trading regulations

The Company plans to request the admission to trading of the Notes on First North within 12 (twelve) months after the Issue Date and submit these Terms of the Notes Issue, as well as the Company description with Nasdaq Riga. The Company does not undertake to register the Notes prospectus with the FSA or list the Notes on any regulated market.

The Company has not signed any agreement with any person for Notes liquidity maintenance on the secondary market.

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8. ADDITIONAL INFORMATION

8.1. ADVISORS INVOLVED IN THE ISSUE

The Company has concluded an agreement with the Arranger to organise the Notes issue, to communicate with the Nasdaq CSD, market it to investors and conduct settlement during the subscription period. The Arranger may provide other services to the Company in the future and receive remuneration for it. The Arranger may invest its own funds in the Notes.

The Company has signed the Collateral Agent Agreement with the Collateral Agent, which holds the Collaterals on behalf of the new and the existing Noteholders and is authorized to act with the Collaterals in favour of all the Noteholders in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement. The Collateral Agent may provide other services to the Company in the future and receive remuneration for it.

8.2. EXTERNAL AUDIT OF THE INFORMATION INCLUDED IN THESE TERMS OF THE NOTES ISSUE

The auditors have not verified the information included in these Terms of the Notes Issue.

8.3. STATEMENTS OR REPORTS INCLUDED IN THESE TERMS OF THE NOTES ISSUE

These Terms of the Notes Issue does not contain any expert statements or reports.

8.4. CREDIT RATINGS

There is no credit rating assigned to the Issuer or to the Notes issue.

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9. THE ISSUER

9.1. GENERAL INFORMATION ON THE ISSUER

The Issuer is SIA “Banga Ltd”.

The legal form: a private limited liability company (*sabiedrība ar ierobežotu atbildību*), legal status – legal person.

The country of location: the Republic of Latvia.

The Issuer carries out its activities in accordance with the Applicable Laws.

The Issuer is one of the leading Latvian canned seafood producers. The Issuer is owned by one shareholder SIA “Curlandia” and it has two ultimate beneficial owners: Mr. Raivis Veckāgans and Mr. Ingus Veckāgans.

9.2. AUDITOR

The Company’s financial auditor (*zvērinātu revidentu komercsabiedrība*) of the Company’s annual report for the year 2021 was SIA “Konsultāciju birojs Lauda”, with registration number 40003481204 and registered address at Užavas 8, Ventspils, Latvia.

The financial auditor for year Financial Year 2022 will be SIA “Grant Thornton Baltic”, with registration number 50003619401 and a legal address at Blaumaņa 22, Riga, Latvia.

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10. BUSINESS OF THE COMPANY

10.1. Overview

While its operations date back to 1947, the Company was established in 2007 in the fishing village of “Roja”, geographically located in the north-western part of Latvia, where its manufacturing operations are located. The Company’s principal activities are canned seafood production and includes a full canning cycle, starting from pre-treatment of fresh / frozen fish to insertion, packaging, and delivery.

The Company has a diversified revenue base, both geographically and by product, as it sells its products to more than 30 (thirty) countries in Europe, North and South America, and Asia. In 2021, the Company’s largest markets were Ukraine, Latvia, USA, Japan and Germany. The Company has established long-term relations with its customers, and is actively working to attract new customers, mostly through participation in industry expo (trade fair) events. The Company works both directly with end-users and through distributors, depending on the market, and its customers include retail supermarket chains in Europe, the Baltics, Japan and Ukraine, such as Aldi, Rimi, Maxima, ATB Market, Kaufland and many others.

The Company’s location by the Gulf of Riga ensures high quality of fresh fish supplies, and more than 1/3 (one-third) of the Company’s raw materials used for production, such as herring, are sourced locally. The Management believes that using fish from local fisherman helps to ensure the high quality and reliable deliveries of the fish needed for the production of the Company’s products. The rest of the raw materials used by the Company is purchased from global leading suppliers, mainly from Norway, Spain and Netherlands.

The Company aims to increase production capacity and boost sales volumes of canned seafood products.

The Company’s own laboratory with daily monitoring of product quality. The Company holds the IFS (International Featured Standards), MSC (Marine Stewardship Council), and ASC (Aquaculture Stewardship Council) certifications and thus meets the requirements of international customers in terms of food and supply chain quality and safety. Following the growing demand for organic products, the Company has started some organic product certification process. The first products to the Danish market are already in production.

10.2. Strategy of the Company

The Company’s strategy is to continue its profitable growth *via* 3 (three) main cornerstones: (a) expansion; (b) distinct and wide assortment; and (c) economies of scale.

The Company intends to significantly expand its operations. The expansion is driven by the increase in the Company’s output capacity which is aimed to be increased two-fold after successful realization of the Investment Programme. Planned investments include the introduction of new packaging (cans) into production and expanding the existing range of packaging.

The Company’s strategy is to establish long-term partnerships to provide wide and diverse assortment both under its own brand and private label. The Company plans to increase sales in Europe, as well as in more distant markets, such as the US and Japan.

The Company’s goal is to achieve economies of scale *via* the expansion of production capacity. As sales increase, the managerial and administrative costs increase at a significantly smaller rate, thus, the fixed costs decrease per one unit sold or as a percentage of sales. Automated production lines will be introduced, which will reduce the share of labor costs in production and increase the competitiveness of products.

10.3. Key Strengths of the Company

Wide assortment and flexibility: The Company offers a wide assortment with more than 50 (fifty) developed products both under its own brand and private label. The assortment is carefully chosen by professional and experienced specialists and its production quality is checked daily in the Company's laboratory. The Company is able to swiftly adjust its product mix, depending on changes in customer demand.

Diversification: During 2021, the Company sold its products to more than 30 (thirty) countries across 4 (four) continents. The Company has an increasingly diversified geographic presence and proven ability to enter new geographical markets.

Nature of its products: The Company's business by its very nature is non-cyclical. Furthermore, during turbulent times, such as Covid-19 and the war in Ukraine, demand for the Company's products generally increase as consumers prefer food products with longer shelf life.

Experienced employees: The Company's employees are a significant part of the overall operations of the Company. The Company employs more than 130 (one hundred and thirty) full-time employees of whom the majority has long-time experience in the industry.

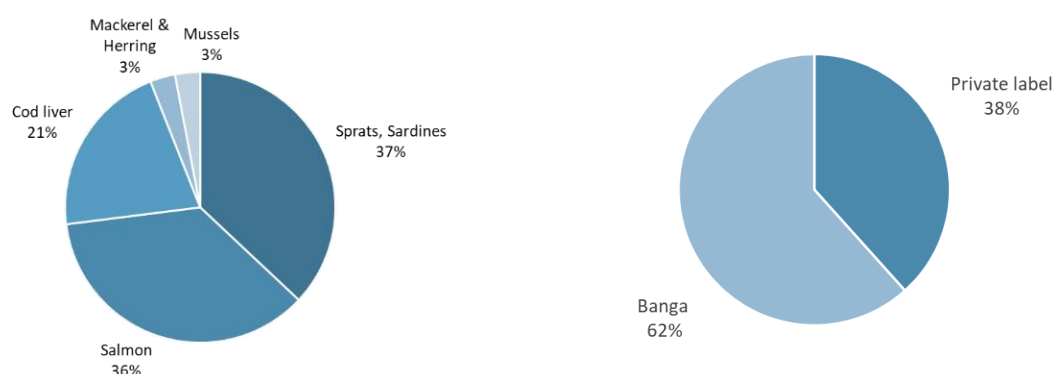
10.4. The Company's Products

The Company produces more than 50 (fifty) products, with the main products being made from sprats and sardines (37% (thirty seven percent) of sales in year 2021) and salmon (36% (thirty six percent) of sales in year 2021). The most popular products are smoked sprats in oil, smoked Atlantic herring fillet in oil, mackerel in oil and smoked mussels in oil with chili.

In addition, the Company's product portfolio includes:

- Lightly smoked sardines in oil;
- Brisling sardines in oil;
- Mackerel in oil;
- Atlantic salmon fillet pieces in oil with lemon;
- Smoked Atlantic salmon fillet pieces in oil;
- Atlantic salmon fillet pieces in oil;
- Cod liver; and
- Cod liver and roe pate.

The Company's product mix in 2021



10.5. The Company's Brands

The Company operates under its own brand and private label. The majority of sales (62% (sixty two percent) for the year 2021) are carried out under the Company's brand "Banga" and the rest (38% (thirty eight percent) for the year 2021) are carried out under private label. It produces private label products for such customers as Rimi Latvia, Kaufland Vācija, ALDI Austrālija, SOK Somija.



10.6. Geographical Markets

The Company sells its product across 4 (four) continents and has a relatively diversified customer base geographically. All sales contracts are denominated in EUR thus, the company does not face a direct risk from foreign exchange rate fluctuations. The Company's primary focus is on higher value-added premium products, which in turn would increase the profitability of the Company. The geographical markets where the Company's sales activities are carried out are as follows:



The Company is actively involved in developing new products for expanding into new export markets. The Management believes the Company's business has the possibility to grow both in existing and new geographic markets.

The demand for seafood products has been growing globally for the past ten years by 4% (four percent) per year, along with demand for the Company's products. For the past 2 (two) years, it has been operating at close to full capacity, and the demand for its products has exceeded the Company's production capacity, therefore, the Company believes that in case of necessity it can swiftly substitute sales from one market to others.

Overall, the Company has seen increased demand for its products since Russia started the war in Ukraine, particularly from Ukraine, its neighbouring countries, and the Baltic region. In Ukraine, which was the Company's largest market in 2021 with 24% (twenty four percent) of sales, the Company has seen continued strong payment discipline from its customers (primarily the large retail chains in the country) also after the start of the war, thus, it has decided to continue selling to this market. However, to limit risks, it has switched to selling to this market predominantly on a pre-payment basis.

The Company focuses on maintaining a well geographically diversified revenue portfolio, to avoid excessive dependence on a single market.

10.7. **Financing structure of the Company**

The Company's goal is to achieve a balanced financing structure to provide the Company with flexibility and support its growth plans. The Company currently uses the following financing sources: shareholder's equity, loans, credit line, financial leasing, and factoring. Furthermore, the Company actively uses different grant programmes, administered by the Investment and Development Agency of Latvia (LIAA) and other government institutions.

10.8. **Overview of the Company's funding structure**

Funding type	Funding amount, EUR as of 31.12.2021	Explanation
Equity	547 565	Paid-in capital
Undistributed profit	1 194 585	Undistributed Company profits
Reserves	54 267	
Total equity	1 796 417	
Swedbank Debt	393 993	Secured debt to be repaid from the proceeds of the Notes issue
Financial leasing liabilities (Swedbank Leasing and Citadele Leasing)	336 239	Secured with leased equipment. Will stay after the Notes issue.
Other loans (ALTUM Debt and Citadele Banka Debt)	82 691	ALTUM Debt and Citadele Banka Debt to be repaid from the proceeds of the Notes issue.
Total Financial Indebtedness	812 923	
TOTAL FUNDING	2 609 340	

After the issue of the Notes, the Company will fully repay the Swedbank Debt (loan and credit-line), ALTUM Debt, and Citadele Banka Debt. The remaining funds will be used to fund the Company's Investment Programme to execute its growth plans.

The Company intends to continue using financial leasing and factoring services also after the Notes issue. As of the Issue Date, the Company has financial leasing and factoring agreements with Swedbank Līzings SIA with a total maximum Swedbank Factoring limit for the Company set at EUR 670,000 (six hundred and seventy thousand Euro) and with the potential factoring limit to increase in ordinary course of business.

10.9. Company structure

As of 31 December 2021, the Company has the following Subsidiary:

Name	Registration number	Address	Ownership
Banga Ukraine LLC	43981828	Ukraine Kyiv, Khotkevycha str., House 12, apartment 177	100%

10.10. Key financial indicators of the Subsidiary for the Financial Year 2021

Banga Ukraine LLC	EUR, thousand
Financial position	
Inventory	54.9
Trade receivables	94.3
Total assets	198.2
Total equity	32.3
Accounts payable	149.9
Statement of Profit and Loss	
Revenue	171.2
Net profit	0.4

10.11. Management of the Company

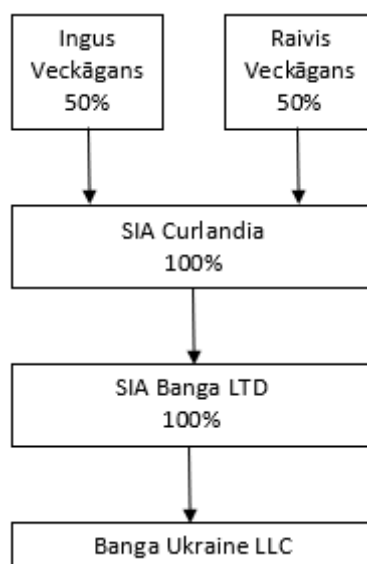
The Company's shareholders are directly involved in the management of the Company. The management board of the Company is responsible for the day-to-day management of the Company's operations. The management board members of the Company are as follows:

Name	Term until	Position
Ingus Veckāgans	Undefined period or until revoked	Executive Board Chairperson of the Board

Ingus Veckāgans has been the Company's CEO since 2011. Prior to that, Ingus has almost a decade of experience in Banking, working for leading Baltic banks. Ingus holds an MSc from BA School of Business and Finance.

10.12. Company's shareholder structure

The ownership structure as the Issuer is as follows:



10.13. Legal proceedings and arbitration

At the time of signing these Terms of the Notes Issue, the Company is not involved in any government interventions, lawsuits or arbitration processes, which may significantly affect or have significantly affected the financial situation or profitability of the Company.

10.14. Substantial changes in the financial situation of the Company

As of the publication of the last financial statement, the financial situation or performance of the Company has not worsened. The Company is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Company in future.

10.15. Important agreements

The Company has no knowledge of any other important agreements or internal decisions that could have been concluded within the Company or between the Company and any related company and that could affect the Issuer's capability to fulfil its liabilities due to the Noteholders regarding the securities to be issued.

10.16. Significant recent and known trends

During 2020 and 2021, many economic sectors were affected by the global pandemic.

In late February 2022, Russia started a war with Ukraine. Due to Russia's aggression, sanctions targeting its politicians, oligarchs and multiple economic sectors were implemented which in turn has increased the price of several raw materials that the Company uses. Apart from an increase in raw material prices the Company has seen notable increases in demand for its products as consumers prefer food products with a longer shelf life.

At the time of signing these Terms of the Notes Issue, the Company has no information at its disposal regarding any known trends that have negatively affected the Company or the activity, apart from the aforementioned impact.

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11. SELECTED FINANCIAL INFORMATION OF THE COMPANY

11.1. General

- 11.1.1. The shareholder's equity of the Company as of 31 December 2021 is EUR 1.8 million (one point eight million Euro).
- 11.1.2. The profit/loss forecast has not been carried out.
- 11.1.3. The Company's financial reports will be available on its website (www.banga-seafood.com) after the Issue Date and *via* the Nasdaq Riga website after listing on First North.
- 11.1.4. The tables below present key selected financial information for the Company and have been derived from the Company's audited standalone financial data as at and for the Financial Year ended 31 December 2021, 31 December 2020 and 31 December 2019.
- 11.1.5. The Company's financial statements have been prepared in accordance with Latvian Generally Accepted Accounting Principles (GAAP). Starting from 1 January 2024 (Financial Year of 2023) the Company will prepare its annual and quarterly financial statements in accordance with IFRS.

11.2. The Company's standalone financial data

11.2.1. Statement of income (in thousands of EUR)

	Audited 12M Period ended 31 Dec 2019	Audited 12M Period ended 31 Dec 2020	Audited 12M Period ended 31 Dec 2021
Revenue	5 210	7 975	8 871
Cost of goods sold	-4 512	-6 840	-8 024
Gross profit	698	1 136	847
Selling expenses	-92	-180	-176
Administrative expenses	-193	-208	-281
Other operating income	135	84	182
Other operating expense	-74	-124	-12
Profit before tax	474	707	561
Interest expense	-118	-104	-59
Corporate income tax	-1	-3	-1
Profit for the period	354	600	501

11.2.2. Statement of financial position (in thousands of EUR)

	Audited 12M Period ended 31 Dec 2019	Audited 12M Period ended 31 Dec 2020	Audited 12M Period ended 31 Dec 2021
Property, plant and equipment	1 244	1 520	1 793
Intangible assets	4	26	23
Financial investment	0	0	31
Total non-current assets	1 248	1 546	1 847
Inventory	819	1 407	1 441
Debtors	323	823	1 133

Cash and cash equivalents	52	25	27
Total current assets	1 194	2 255	2 601
TOTAL ASSETS	2 442	3 801	4 448
Share capital	548	548	548
Reserves	54	54	54
Retained earnings	-84	93	693
Current year's profit	177	600	502
TOTAL EQUITY	695	1 295	1 797
Loans and borrowings	341	513	442
Deferred income	130	103	199
Accrued liabilities	18	0	0
Total long-term liabilities	489	616	642
Loans and borrowings	435	410	399
Trade and other payables	571	1 011	1 270
Advance payments from customers	1	123	10
Deferred income	57	62	71
Accrued liabilities	78	104	133
Other liabilities	118	180	126
Total short-term liabilities	1 259	1 889	2 010
Total liabilities	1 748	2 506	2 652
Total equity and liabilities	2 442	3 801	4 449

11.3. Key financial ratios

	Audited 12M Period ended 31 Dec 2019	Audited 12M Period ended 31 Dec 2020	Audited 12M Period ended 31 Dec 2021
EBITDA	636	924	846
EBITDA Margin	12%	12%	10%
Equity ratio	28%	34%	40%
Interest coverage ratio	8.0	10.2	18.7
Net Debt / EBITDA	1.1	1.0	1.0

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