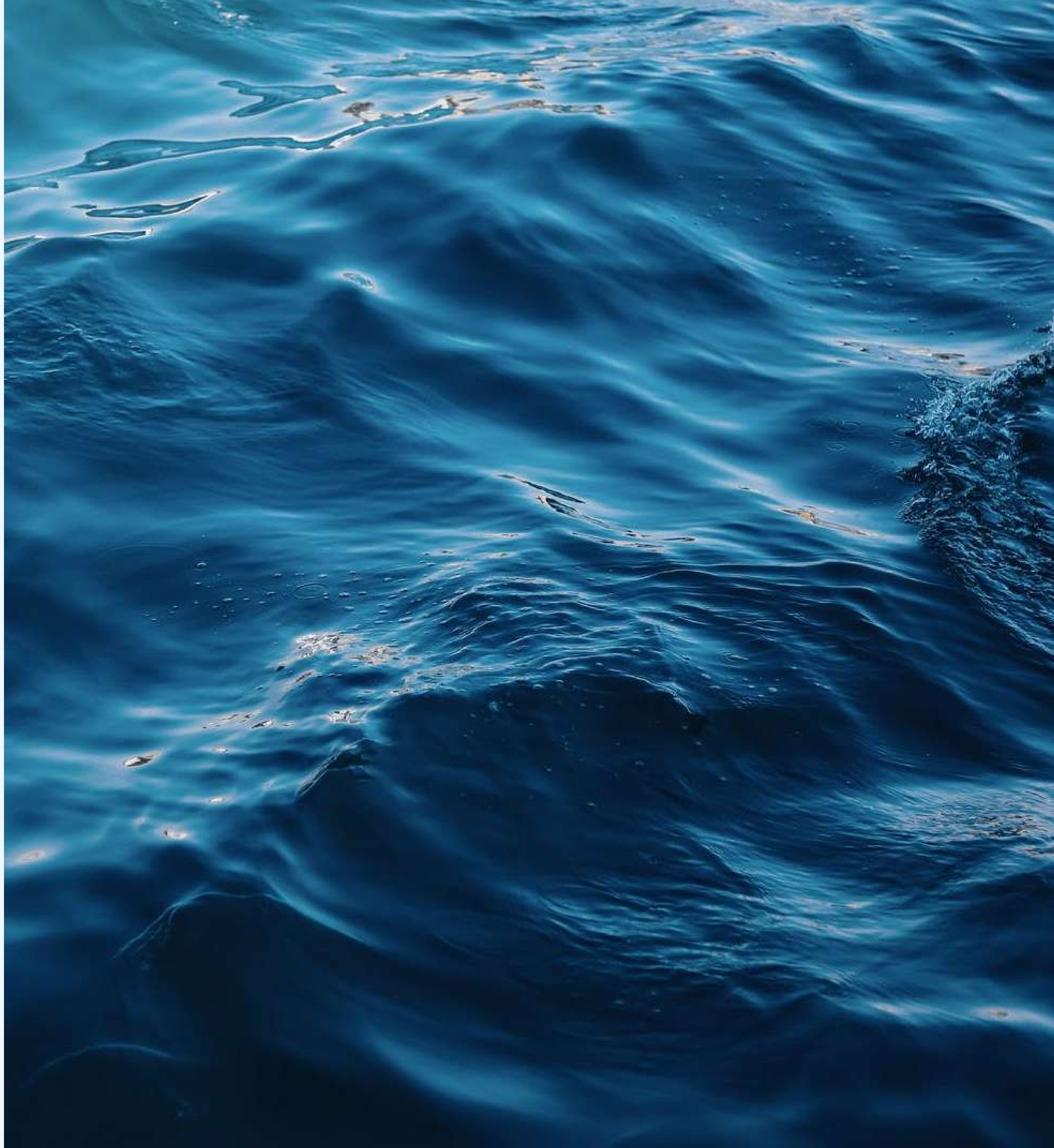
banga®
ANNO 1947

# COMPANY DESCRIPTION

April 2023 | Riga, Latvia



# IMPORTANT LEGAL INFORMATION

This document (the "Document") has been drawn up and made public solely for the purposes of listing the securities of SIA Banga Ltd, registration number 41203031343, legal address at Akas iela 74B, Roja, Latvia (the "Issuer") and admitting them to trading in multilateral trading facility First North operated by Nasdaq Riga AS. This Document is not and should not be construed as an offer to sell or solicitation of an offer to buy any securities. The Issuer has made all reasonable efforts to ensure that this Document provides an accurate overview of the Issuer's business activities, financial standing, and the Notes issue. The information contained in this Document is published for the assistance of recipients but is not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient.

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This Document should not be used for advertising, broadcast or as product endorsement purposes or exploit the information available in this Document to any third parties in any manner without the written consent of Issuer.

Investing into debt securities involves risks. While every care has been taken to ensure that this Document presents a fair and complete overview of the risks related to the Issuer, the operations of the Issuer and its subsidiaries, and to the notes mentioned in this Document (the "Notes"), the value of any investment in the Notes may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Document.

Investors are advised to carefully read the information contained in this Document, including the risk factors, before making a decision to purchase the Notes. Each potential investor should make his or her own analysis, and should consult his or her own financial, legal, business or tax advisers to fully understand the benefits and risks associated with the purchase of the Notes. The responsibility of the investment decision lies on each individual investor, and the Issuer and its shareholders accept no liability for any direct or consequential loss arising from the use of this Document or its contents.

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# RESPONSIBLE PERSONS

The Issuer and its management board are responsible for the information contained in this Company Description and Securities Note (Terms of the Notes Issue signed on 6 May 2022) in the attachment.

Hereby I, the member of the board of SIA Banga Ltd, Ingus Veckāgans, certify that, by paying sufficient attention to this purpose, the information included in the Company Description and Securities Note is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.

**Ingus Veckāgans**
*Member of the board*

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# KEY HIGHLIGHTS

Banga Ltd is modern, high quality canned seafood production company located in Latvia.

Sales to more than **30 countries**

Asset growth **302% in last 5 Y**

Produce more than **50 products**

More than **140 employees**

Revenue growth **317% in last 5 Y**

Produced more than **30 M cans in last 5 Y**

# EXECUTIVE SUMMARY

## Business overview

- Fast growing seafood production company
- Full canning cycle - fresh/frozen fish pre-treatment - insertion - packing - delivery

## Focus to robotisation and automatisation

- New equipment from worldwide leaders
- Focus to robots and automatisation
- EU certified production

## Worldwide customer base

- More than 1000 customers in pipeline
- Sales to more than 30 countries in 4 continents – geographic risk diversification
- Long term relations with core customers

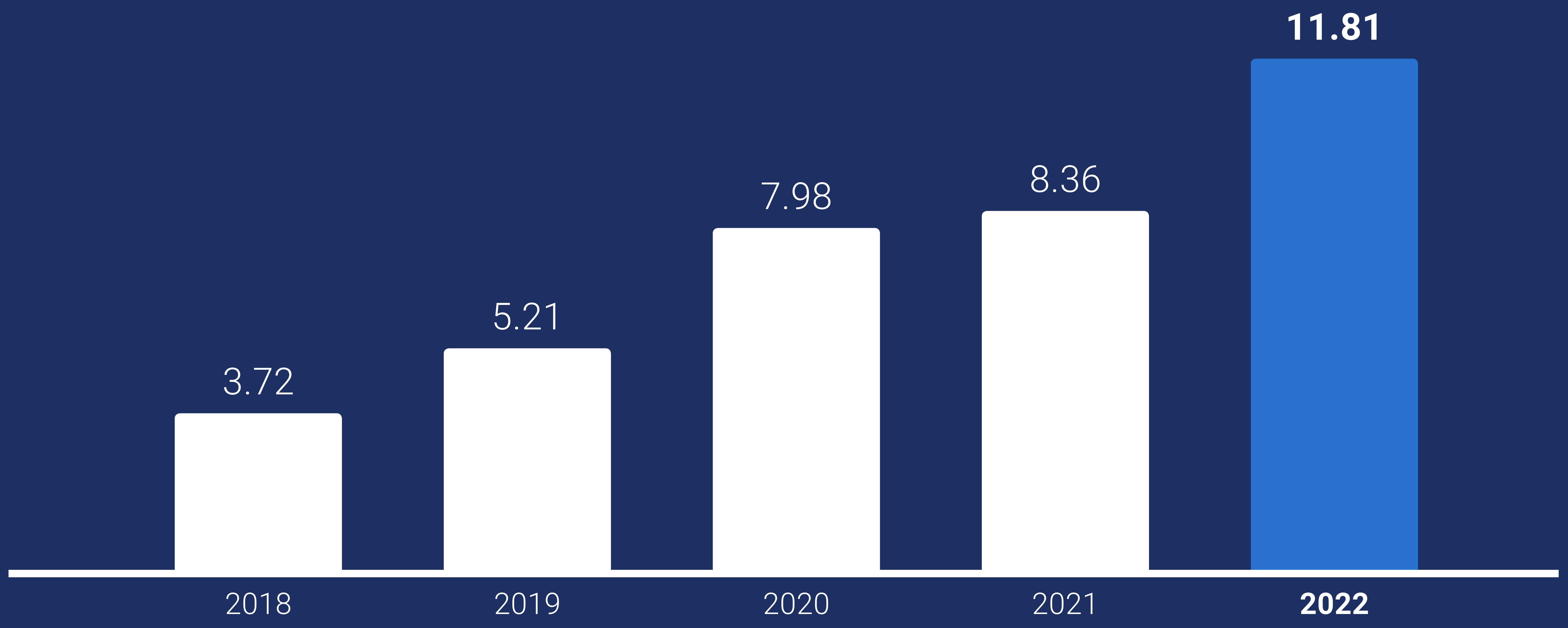
## Strong financial position

- Equity ratio more than 30%
- EBITDA margin stable over 10% every year
- EBITDA growth 5 times in last 5 years

| Key figures, EUR K | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Revenue | 5 210 | 7 970 | 8 366 | **11 807** |
| EBITDA | 635 | 924 | 884 | **920** |
| Net Profit | 354 | 600 | 501 | **598** |
| Total assets | 2 442 | 3 745 | 4 448 | **7 050** |
| Equity ratio | 28.4% | 34.6% | 40.8% | **33.2%** |

# REVENUE

Steady growth since 2018, M EUR



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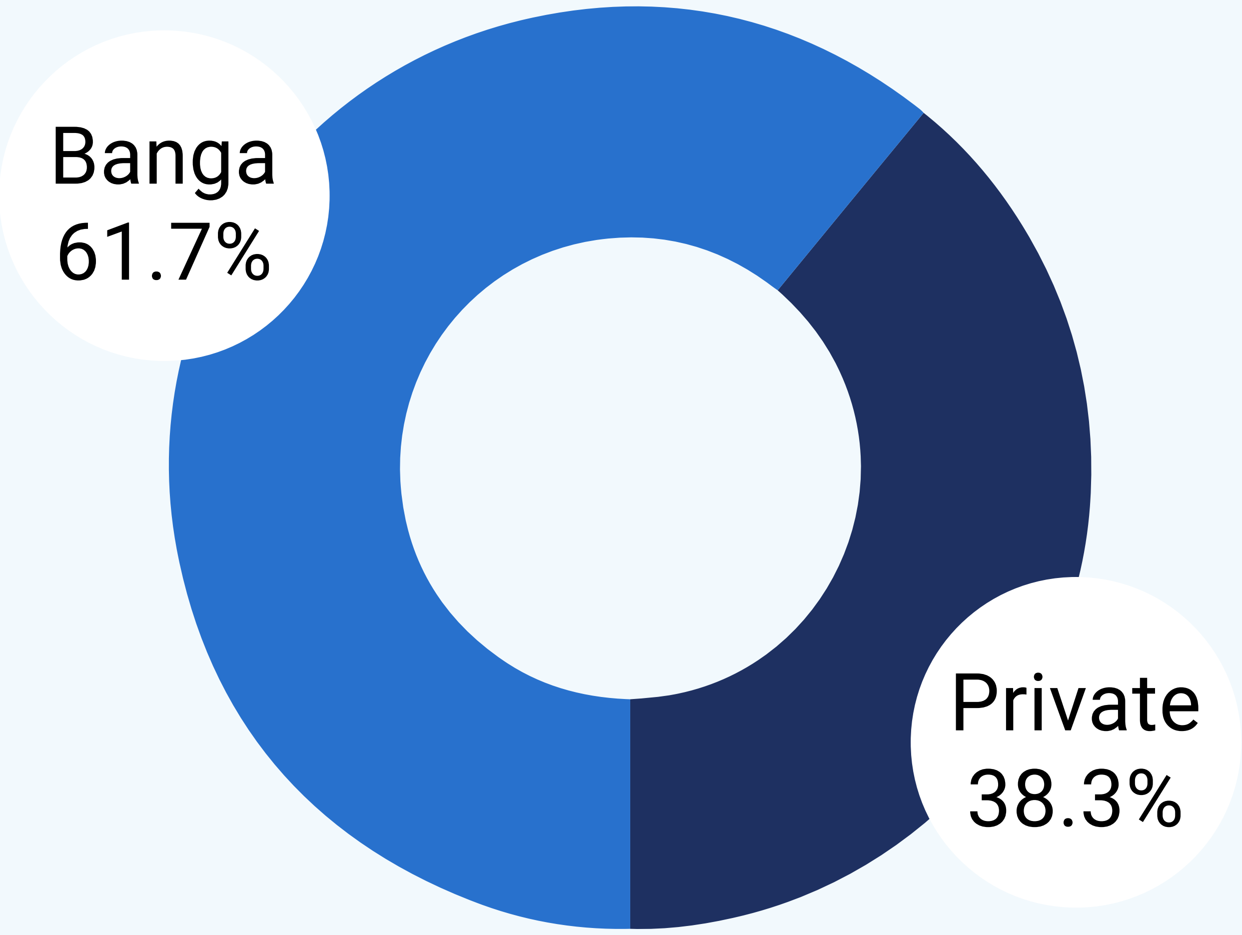
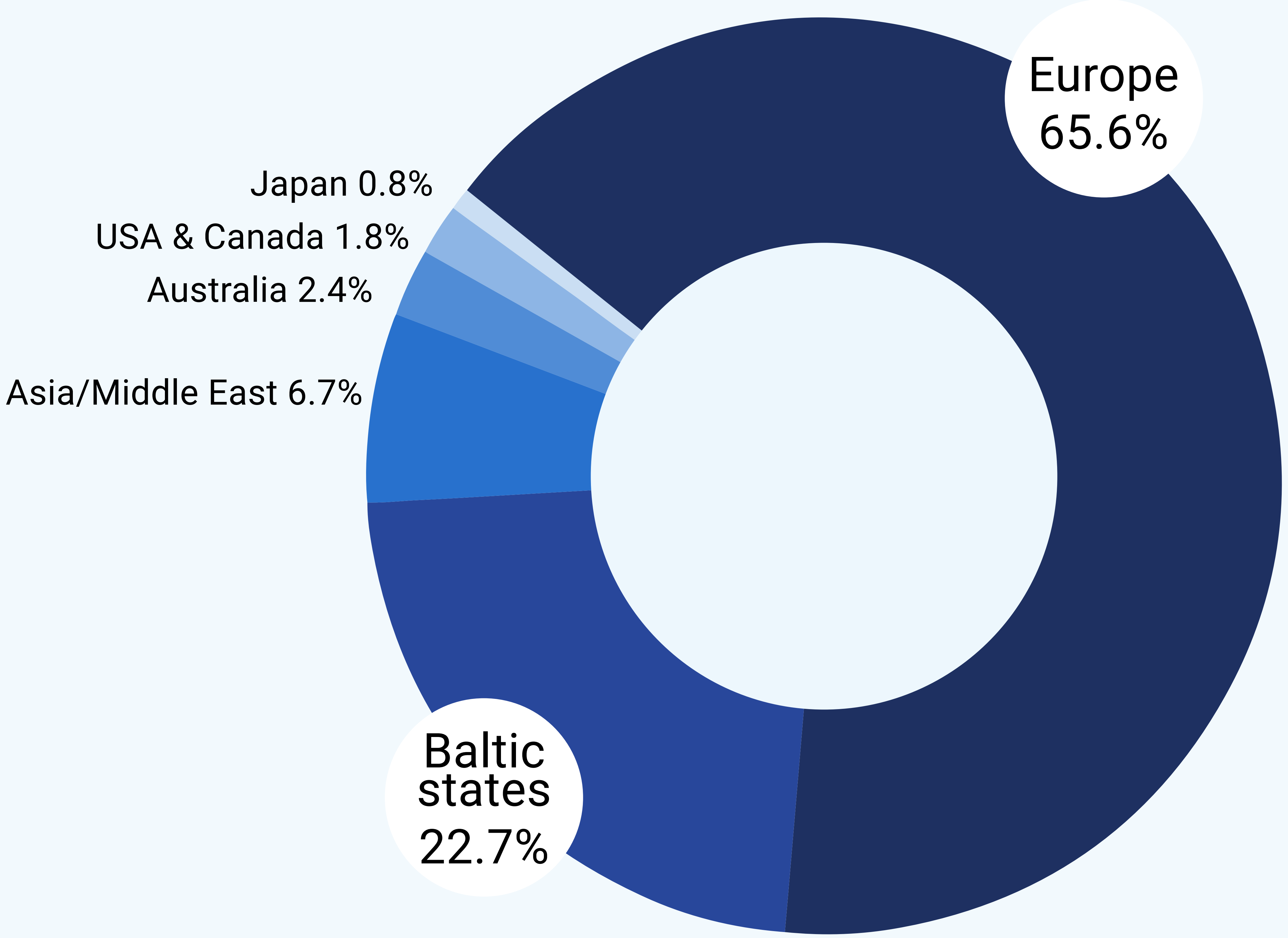
# DISTRIBUTION AND SALES NETWORK

## BRANDS, 2022



# OWNERSHIP STRUCTURE

## INGUS VECKĀGANS

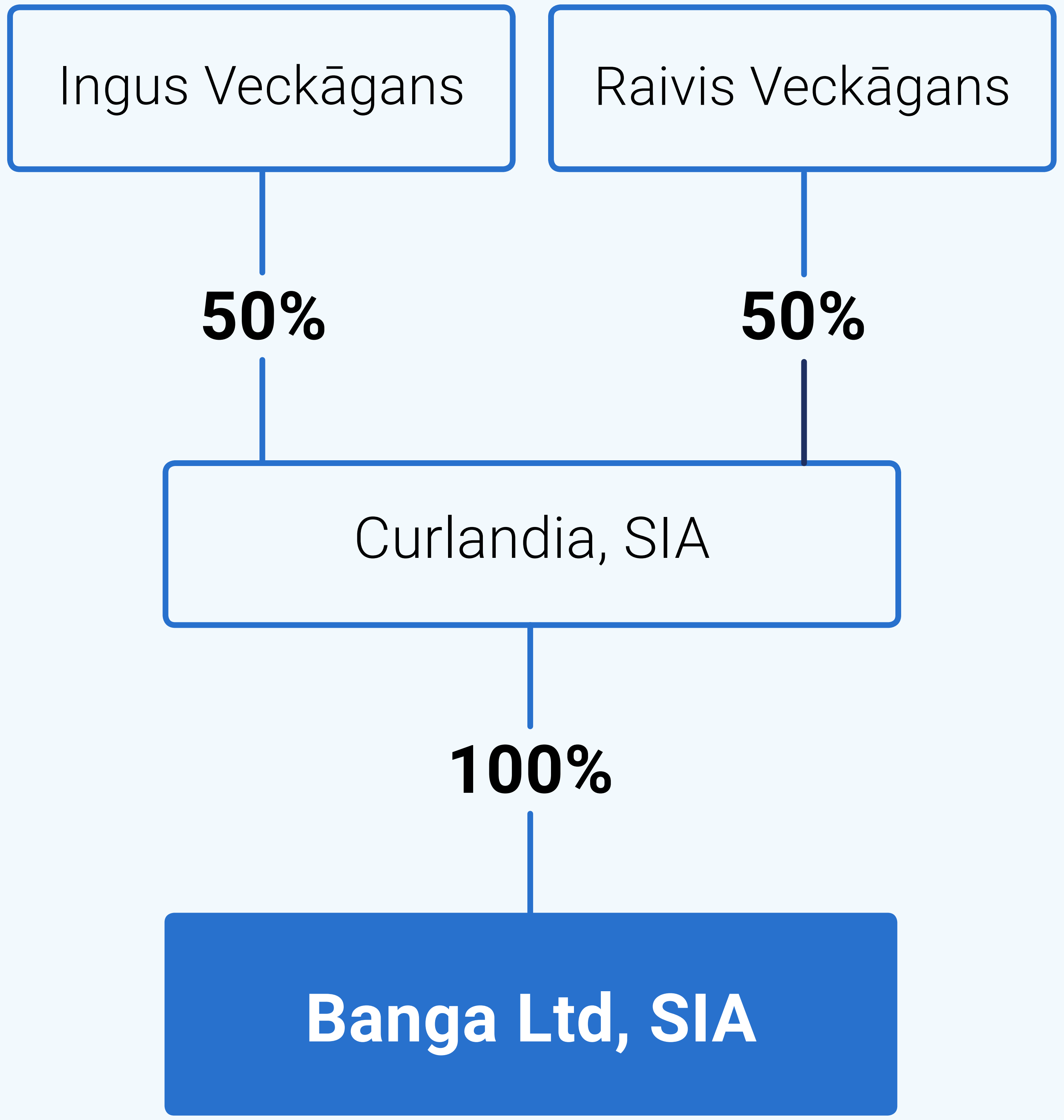
Production, investments, sales, HR

### EXPERIENCE

- Banga Ltd, CEO, Board member
  *Since 06/2011*
- DNB, Manager, Corporate Banking Department
  *10/2010-08/2011*
- DnB Nord Līzings, Relationship manager
  *06/2007-10/2010*
- SEB Banka, Relationship manager
  *06/2004-06/2007*

### EDUCATION

Holds an MSc from BA School of Business and Finace




## RAIVIS VECKĀGANS

Strategic development, Finance

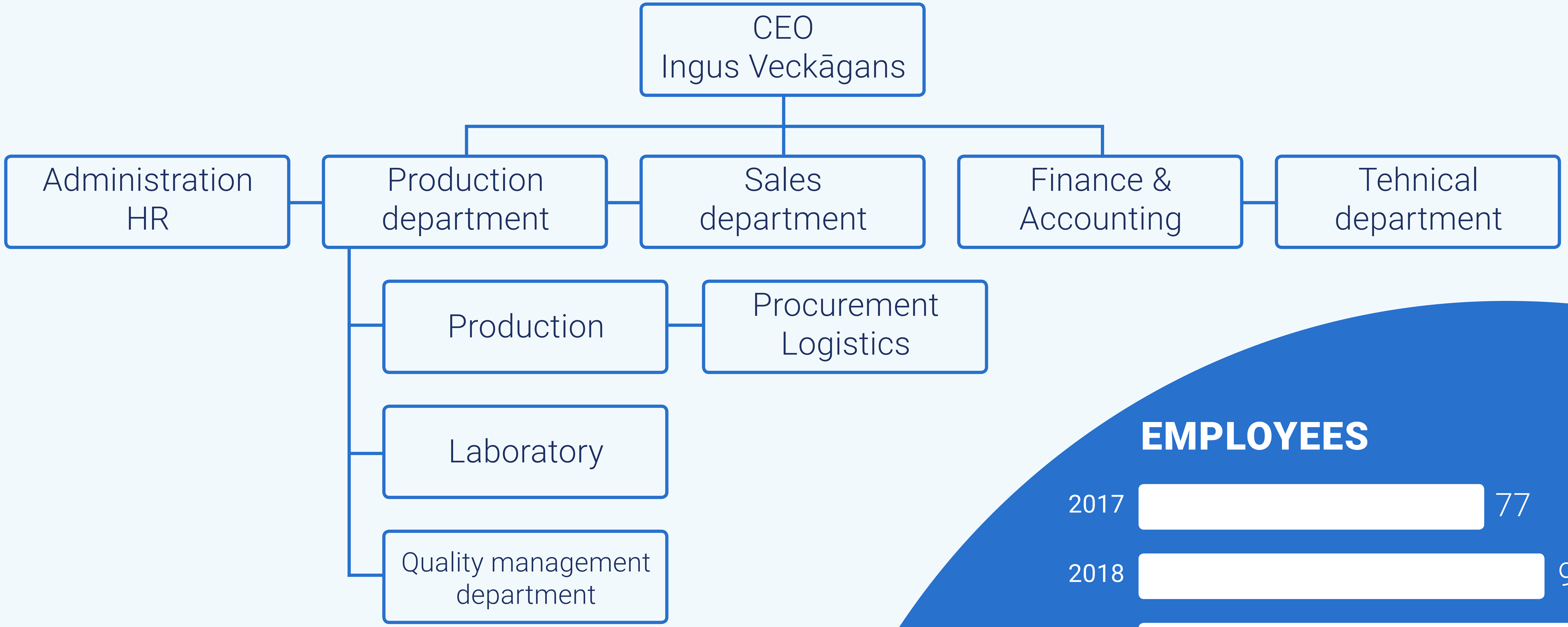
### EXPERIENCE

- Mobile Heavy Machinery, Managing Director
  *Since 01/2021*
- Ukranian Seaport Authority, Acting CEO
  *01/2017-01/2020*
- Riga Container Terminal, CEO
  *02/2011-11/2015*

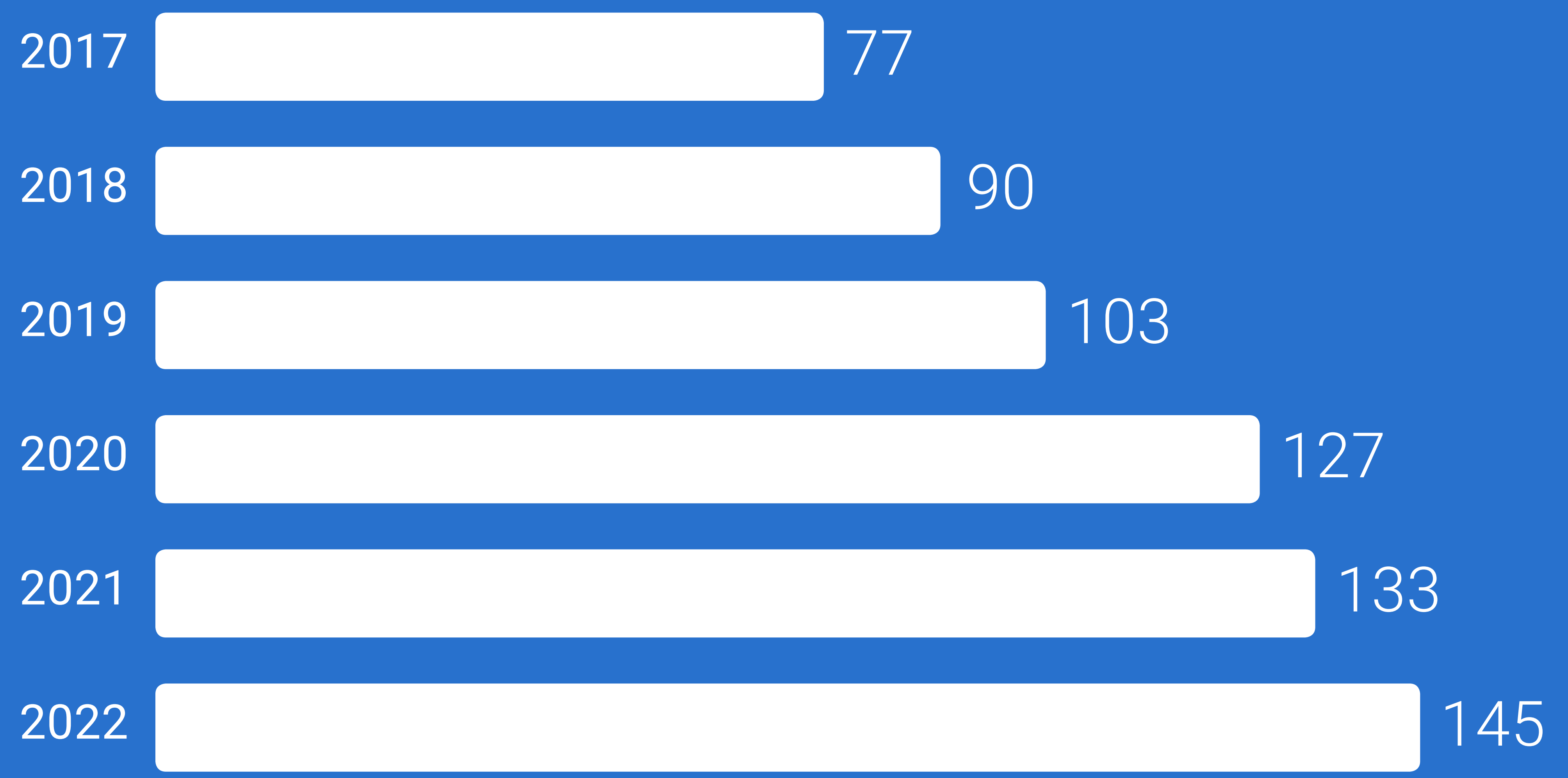
### EDUCATION

Holds an MSc from University of Latvia / Faculty of Economics

# COMPANY STRUCTURE




## EMPLOYEES



# BUSINESS STRATEGY

Banga Ltd is a canned seafood factory located in north-western part of Latvia, in the famous fishing village – Roja.

The company dates back to 1947 and nowadays combines historic tradition with modern canned seafood production.

**Fresh raw material**

**Experienced staff**

**Modern technology**

**Developed products**

**High quality standards**



# COMPETITION ADVANTAGE

Banga LTD's competitive advantage among players in the Baltic and Eastern European region:

- **Wide range** of products
- Different types of **packaging**
- A **wide selection** of brands
- Option to order with **private label**
- Production time **1-2 months**
- Flexible **minimum** volumes
- Various **marketing** activities
- **Long-term** cooperation

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# CORE PRODUCTION VALUES

- The factory is located at the shores of Gulf of Riga that ensures the highest quality of **fresh fish for our production** daily
- Our most valuable asset is **more than 140 employees** with their experience in fish packaging for many years
- Our own laboratory checks the production quality daily and ensures our factory runs according to IFS, MSC and ASC standards
- We are proud that our own solar sun panel park ensures the electricity for our factory – **we are "green" and focus on it**
- The product development is ensured by combining traditional fish canning methods and a modern processing platform equipped with **high-quality seafood production equipment from reliable manufacturers**

Sorgo® | MarrodaN Food technology | Italian Pack Packaging Machines Since 1988 | PERUZA

Taste and enjoy the seafood

# ASSET COMPONENTS IN PRODUCTION

**Ownership**
Land plot in the area of 5 ha next to the Gulf of Riga

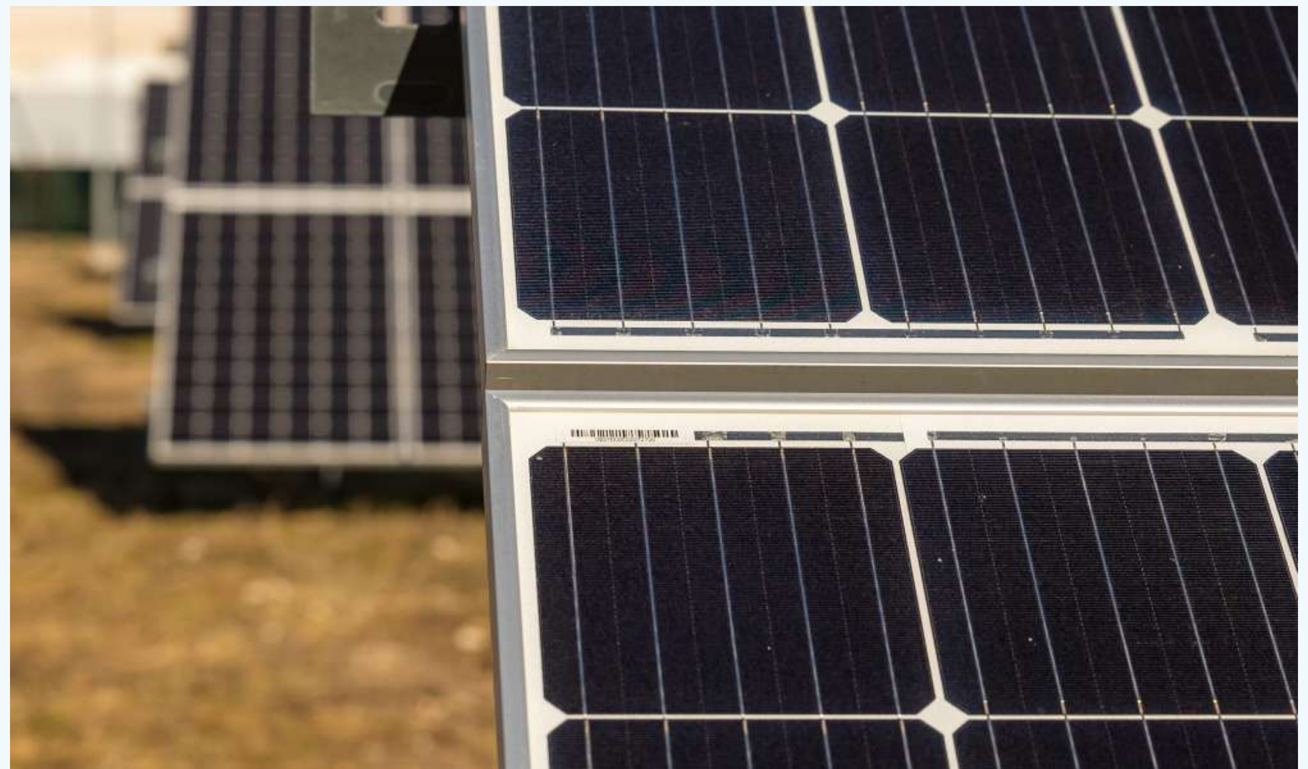
**Green energy**
Solar panel park for the needs of the factory

**Flexibility**
6 production lines

**Independence**
Own artesian water place

- 2 production buildings including cold storage and 2 warehouses for packaging materials and finished goods, admin office
- Treatment Equipment next to production plant
- Gas storage facilities
- Oil storage tanks
- Electricity substation






# PRINCIPLES OF QUALITY MANAGEMENT

- Sustainable fishing – high quality suppliers
- Product and process analyses on regular basis
- High quality ingredients
- Own labrotory to monitor, control, and analyse the production process
- Internal safe control system
- HACCAP quality standards integrated in all business processes
- We cooperate with external laboratories as BIORS, HAMILTON baltic etc.
- Organic sertification process in progress

IFS Food

**Production of fish products**

FARMED RESPONSIBLY asc CERTIFIED ASC-AQUA.ORG

**Supply chain**

CERTIFIED SUSTAINABLE SEAFOOD MSC www.msc.org

**Supply chain**

**Naturally smoked**

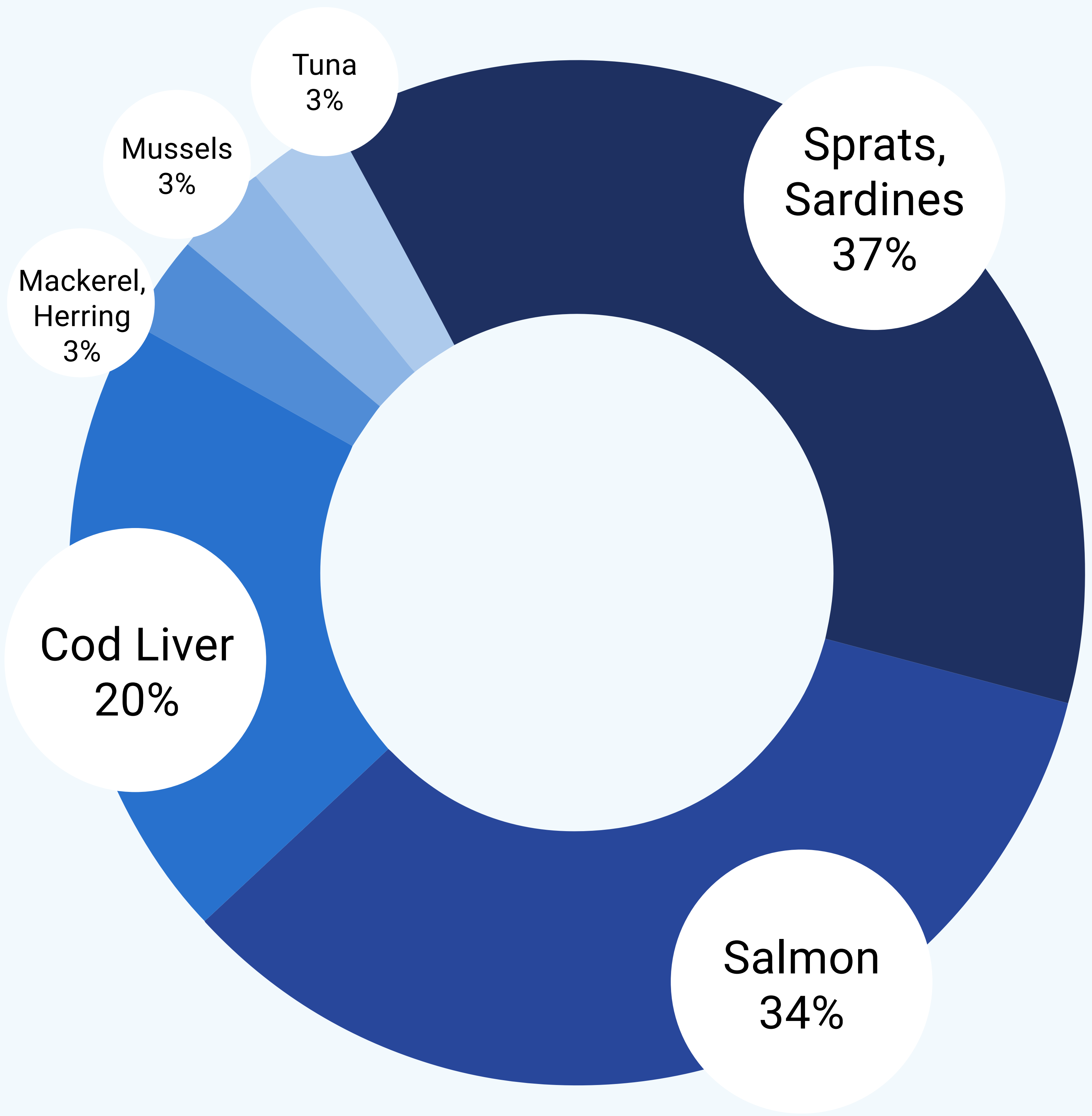
**Hand packed**

# FISH RAW MATERIALS

| Product group | Origin |
|---|---|
| Salmon | France, Norway, Scotland, Faroe Islands, Poland |
| Mackerel | Faroe Islands, Norway |
| Mussels | Chile, Netherlands (MSC) |
| Herring | Norway, Faroe Islands |
| Sprats and Brisling Sardines | Latvia |
| Tuna | Vietnam |
| Cod | Iceland, Norway |

# MAIN PRODUCT RANGE

- Salmon
- Mussels
- Tuna
- Brisling Sardines
- Sprats
- Atlantic Herring
- Mackerel
- Cod Liver






Taste and enjoy the seafood

# FUTURE PLANS

To double the company's production capacity with a strong focus on **automation, innovation and sustainability**

To develop new products in the **Atlantic fish product range** (Mackerel, Herring)

Strengthen positions in the **North American, Asian, and Middle East** markets

To become one of the **leading manufacturers of canned fish** in the Baltic region

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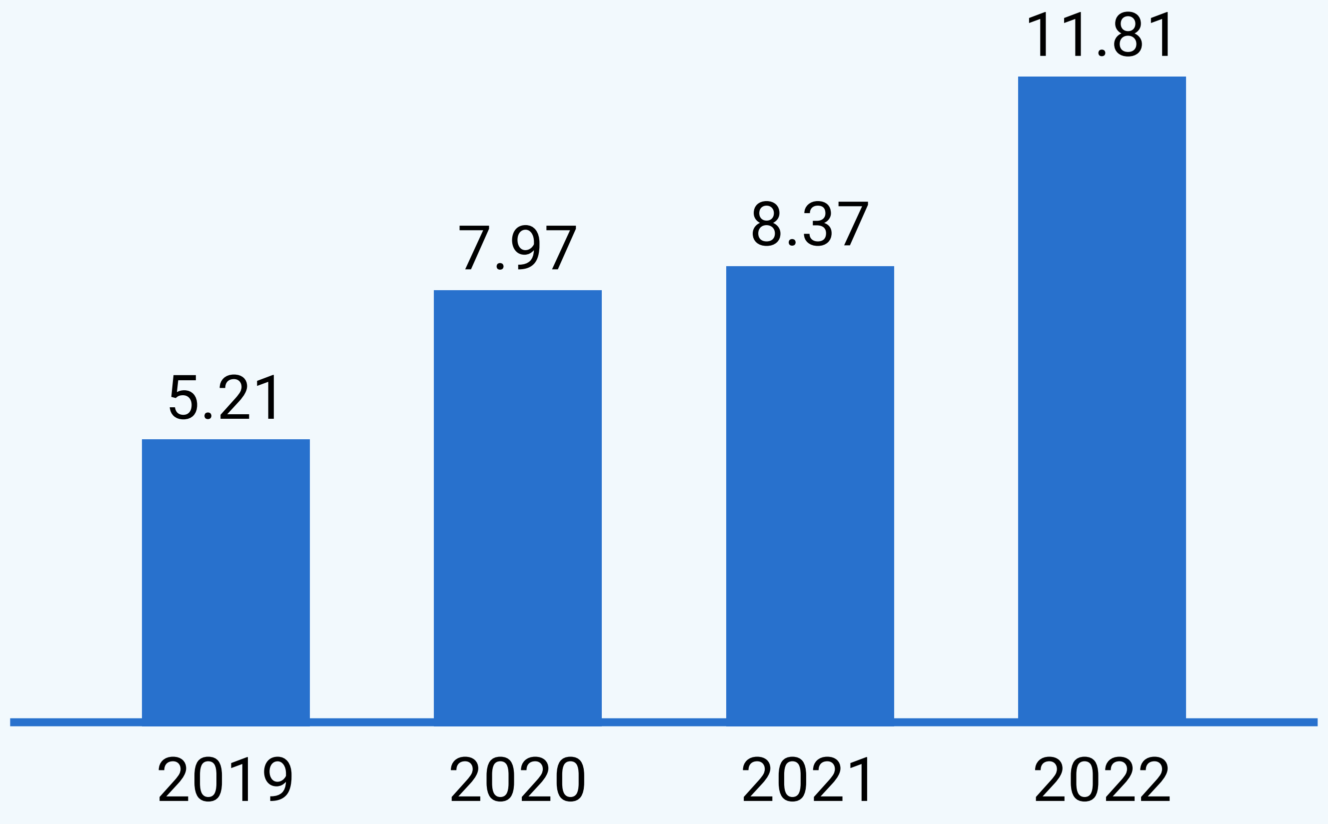
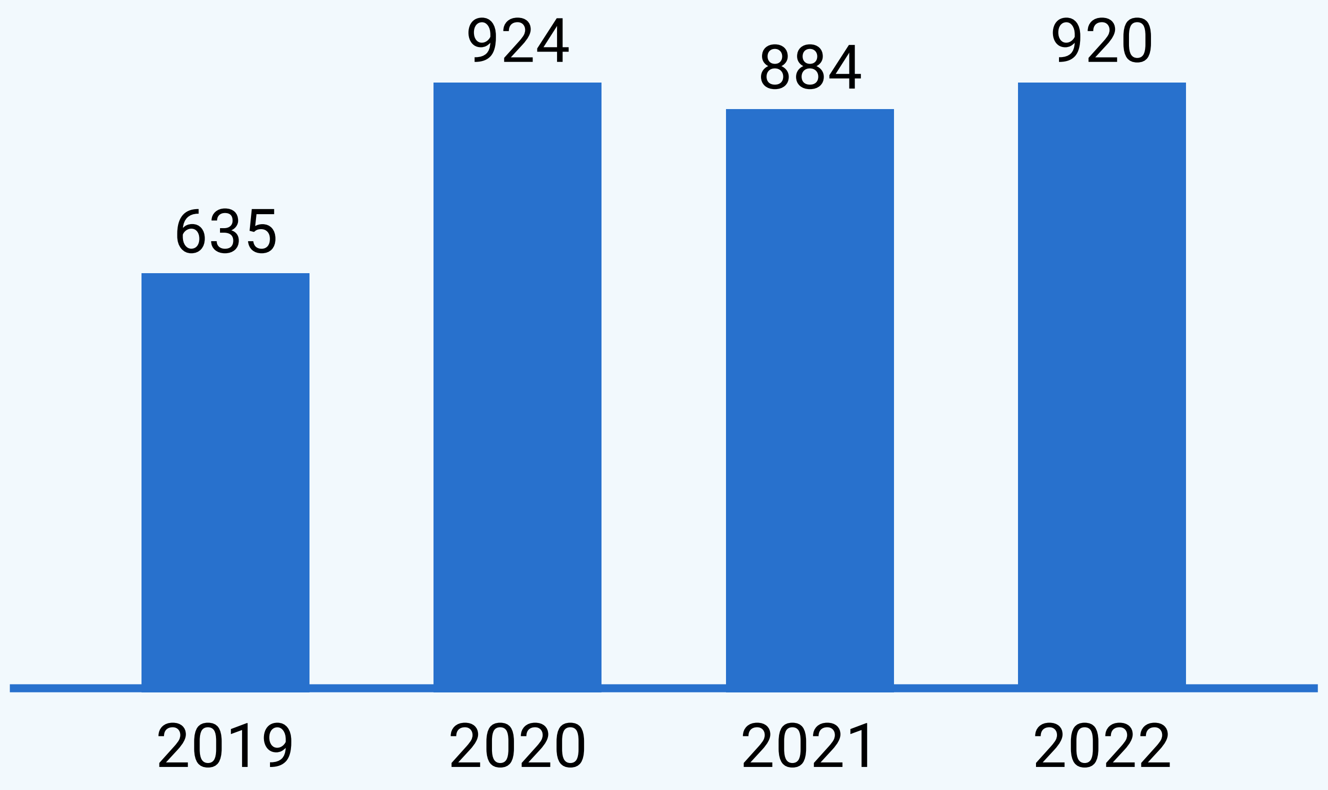
# KEY FINANCIAL HIGHLIGHTS

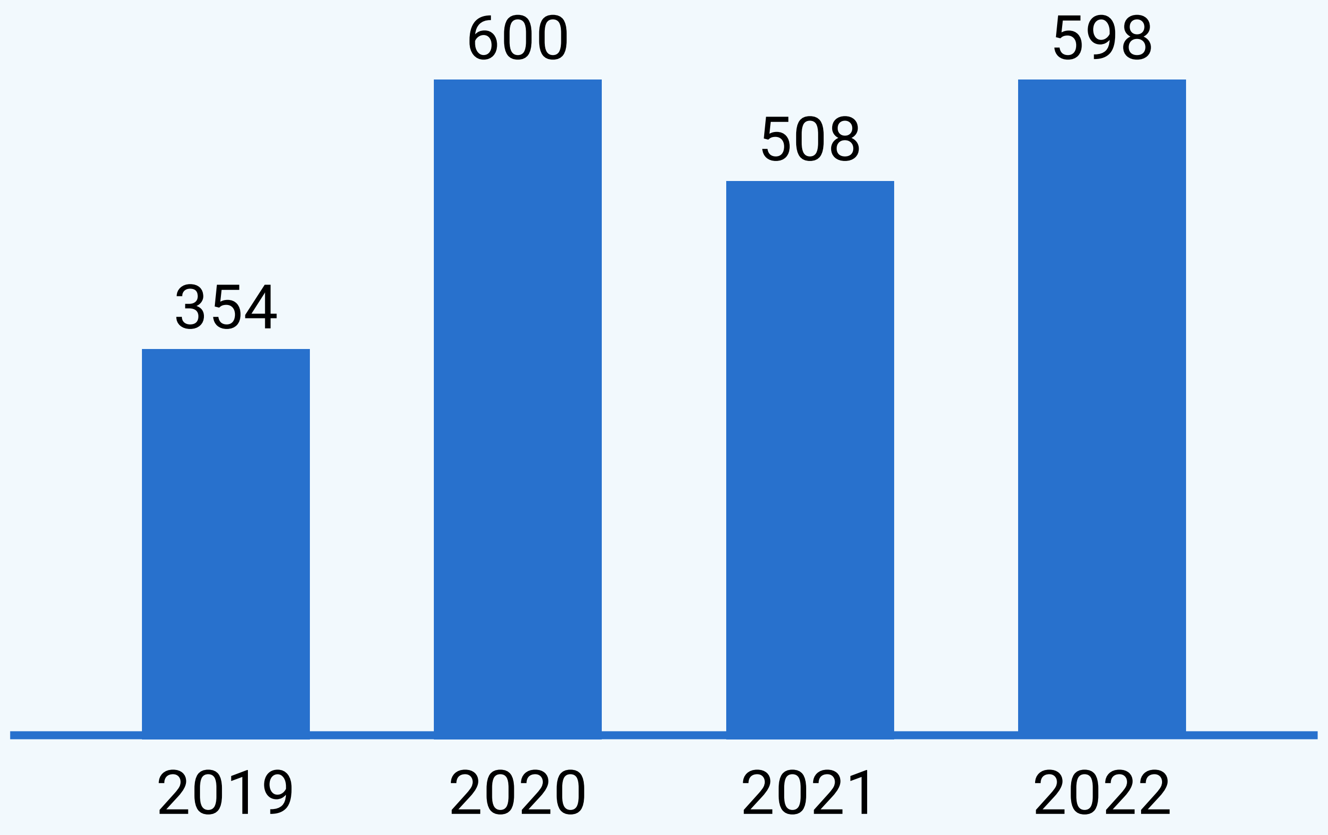
**Revenue, M EUR**



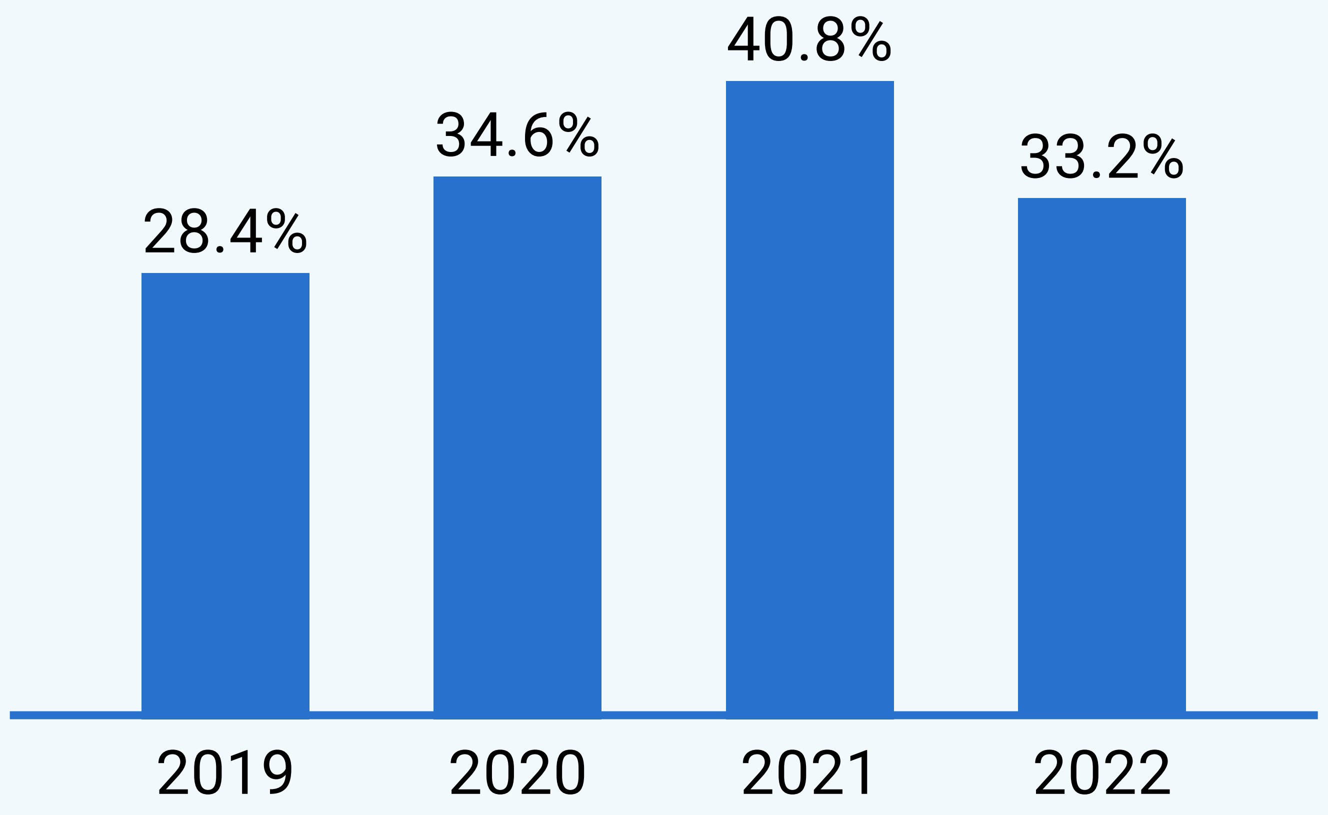

**EBITDA, K EUR**




**Net profit, K EUR**




**Equity ratio**



# INCOME STATEMENT

| Income Statement | Audited 2019 | Audited 2020 | Audited 2021 | Unaudited 2022 |
|---|---|---|---|---|
| **Revenue** | **5 210 334** | **7 970 196** | **8 870 662*** | **11 807 828** |
| Cost of sales | (4 512 145) | (6 935 139) | (8 023 656) | (10 615 357) |
| **Gross profit** | **698 189** | **1 035 057** | **847 006** | **1 192 271** |
| Selling and distribution expenses | (92 423) | (196 252) | (175 777) | (161 961) |
| Administrative expenses | (193 328) | (247 996) | (280 917) | (427 345) |
| Other operating income | 27 868 | 53 610 | 95 842 | 153,986 |
| Other operating expenses | (73 608) | (4 738) | (11 527) | (115 004) |
| Other interest and similar income | 107 021 | 60 229 | 86 033 | 123 105 |
| Interest and similar expenses | (118 129) | (102 724) | (58 720) | (156 800) |
| **Operating profit** | **355 590** | **597 186** | **501 940** | **608 252** |
| Extraordinary income | | 6 253 | | |
| Income tax expense | (1 209) | (2 968) | (675) | (9 580) |
| **Profit for the period** | **354 381** | **600 471** | **501 265** | **598,672** |

** including ERST Finance inventory financing*

- Geographically diversified sales to more than 30 countries. 100% canned seafood.
- Average gross margin over the last 3 years 10.73%
- The main cost items - fresh and frozen fish, cooking oil, cans
- Personal expenses are 20% of the cost of sales
- The reports have been prepared in accordance with Latvian Generally Accepted Accounting Principles.

# BALANCE SHEET

| Balance Sheet | *Audited* 2019 | *Audited* 2020 | *Audited* 2021 | *Unaudited* 2022 |
|---|---|---|---|---|
| **Non-current assets** | **1 248 198** | **1 497 446** | **1 847 327** | **3 183 614** |
| Inventories | 819 191 | 1 462 121 | 1 440 577 | 2 519 224 |
| Trade and other receivables | 323 448 | 761 482 | 1 132 976 | 915 373 |
| Cash and cash equivalents | 51 625 | 24 533 | 27 410 | 431 835 |
| **Total current assets** | **1 195 264** | **2 248 136** | **2 600 963** | **3 866 432** |
| **TOTAL ASSETS** | **2 442 462** | **3 745 582** | **4 448 290** | **7 050 046** |
| **Total equity** | **694 682** | **1 295 152** | **1 796 417** | **2 344 321** |
| Long Term Borrowings | 340 796 | 513 296 | 442 296 | 2 729 474 |
| Short Term Borrowings | 434 551 | 409 765 | 399 339 | 93 588 |
| Accrued income | 186 883 | 165 393 | 270 602 | 511 439 |
| Trade and other payables | 712 100 | 1 317 455 | 1 486 516 | 1 347 432 |
| Taxes payable | 73 450 | 44 521 | 53 120 | 23 792 |
| **Total liabilities** | **1 747 780** | **2 450 430** | **2 651 873** | **4 705 725** |
| **TOTAL EQUITY AND LIABILITIES** | **2 442 462** | **3 745 582** | **4 448 290** | **7 050 046** |

- The company's long-term strategy is to continuously expand production
- The plant is located on 5.5 hectares of land and consists of 3,000 m2 of production buildings and technological equipment.
- Balance value of land and buildings 0.7 m EUR, balance value of technological equipment 0.97 m EUR.
- 60% of inventories are finished products valued at cost
- Inventories and recievebles increases proportionately
- The amount of assets has doubled in last 3 years
- Continuous equity increase (more than 40% in 2021)

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# TERM-SHEET

| Issuer | SIA Banga Ltd |
|---|---|
| Issue size | EUR 2,500,000 |
| Type of notes | Senior secured bonds |
| Seniority of notes | SNDB – Senior Debt |
| ISIN | LV0000860088 |
| Issue price | 100.00% |
| Collateral | o Commercial pledge on assets of SIA Banga Ltd<br>o Mortgage on the real estate of SIA Banga Ltd |
| Annual coupon, coupon frequency | 6.00% p. a., paid quarterly |
| Maturity | 9 May 2025, bullet |
| Call option | @102% after year 1, @100% 3 months before maturity |
| Put option | In case of Change of Control @101% |
| Financial covenants | o Interest coverage ratio: min 3x<br>o Equity ratio: min 30%<br>o Net Debt / EBITDA: max 4x from the Issue Date, max 3x starting from 2024 |
| Type of placement | Private placement |
| Admission to trading | Nasdaq Riga First North Bond list |
| Use of proceeds | Repaying existing bank debt and financing of investment project |
| Arranger and Certified Adviser | Signet Bank AS |
| Collateral Agent | ZAB Vilgerts SIA |

# CERTIFIED ADVISER

## Signet Bank AS acts as the First North Certified Adviser for SIA Banga Ltd

Official name: **Signet Bank AS**
Registration number: 40003043232
Main field of activity: Banking services
Address: Antonijas iela 3, Riga, LV-1010, Latvia
Web page: https://www.signetbank.com/

**Representative**
**Kristiāna Janvare, CFA**
E-mail: Kristiana.Janvare@signetbank.com
Phone: +371 67 081 128

Signet Bank AS is advising SIA Banga Ltd with the preparation of admission documents. The agreement is valid from the day of submitting the application for admission to trading on First North to Nasdaq Riga until the actual first trading day of the Notes on First North platform.

Certified Adviser and employees of the Certified Adviser do not have any direct or indirect shareholdings in the Issuer and are not represented in Board of the Issuer.

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# RISK FACTORS

BELOW IS THE DESCRIPTION OF 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 MATERIALIZE, THIS MAY HAVE A MATERIAL ADVERSE EFFECT ON THE CASH FLOWS, RESULTS OF OPERATIONS, AND FINANCIAL CONDITION OF THE ISSUER AND THE GROUP. MOREOVER, IF ANY OF THESE RISKS MATERIALIZE, 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 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 THE TERMS OF THE 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 OR THE GROUP. 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 AND THE GROUP.

## 1. RISK FACTORS

### 1.1. Important note

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

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

### 1.2. Risks related to the economic and regulatory environment

#### 1.2.1. Macroeconomic risk

The Group's operations are well diversified with exports to more than 30 countries. Exports account for a considerable proportion of the Group's total sales and the Group's key markets are Ukraine, Latvia, USA and Japan together accounting for 53% of the Group's total sales in 2021. Ukraine accounted for 24%, Latvia 12%, USA 9%, Japan 8%, Germany 7%, Israel 5%, Lithuania 4%, Czech Republic 4%, Hungary 4% and other countries (22 in total) 23% of the Group's total sales in 2021. Lower economic growth or a downturn in the Group's export markets could have a negative effect on the Group'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 Group's products in main markets. This could have a negative impact on the Group's sales and profitability.

#### 1.2.2. Geopolitical risk

The Group 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 Group operates. The political circumstances or inadequacies of the legal systems and law enforcement mechanisms in certain countries in which the Group operates may have a material negative impact on the Group's reputation, revenue, cash flows and financial condition.

The Group exports its products to Ukraine and the share of Ukraine account for a significant proportion of the Group's total sales – sales in Ukraine accounted for 24% of total sales in 2021. Due to ongoing war with Russia, Ukrainian economy has significantly worsened. The Group can shift its sales in Ukrainian market to other markets as the demand for the Group's products in other markets is high, however there is no guarantees that it can be done successfully. Taking in account the significance of Ukrainian market the Group has implemented measures to mitigate possible risks. The Group cooperates with largest supermarket chains in Ukraine and has changed the order of payments – in contrast to situation before the war, the Group now receives payments for its products in advance. Furthermore, all payments are made in EUR currency eliminating negative impact from currency exchange rate fluctuations. Although the demand for the Group's products in Ukraine remains high, uncertainty regarding further Group's operations in the market remains high due to ongoing war with Russia.

#### 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 local and global basis imposed by authorities across the world has, and are expected to continue to cause, disruptions in the Group'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 legal basis for the government to implement measures in order to limit contagion and the consequences of Covid-19. Covid-19 situation is continuously changing, and new laws and regulations that could directly, or indirectly, affect the Group's operations may enter into force. Authorities in the Group's export markets could implement measures that affect the Group's operations, such as in relation to logistics and transportation of products, as well as other parts of the Group's value chain. The effects of the Covid-19 situation could in turn negatively affect the Group's revenue and operations going forward, where the severity of the Covid-19 situation and the exact impacts for the Group are highly uncertain. Under increasing uncertainty due to Covid-19 situation, demand for the Group's products and for canned food products in general has increased which in turn has positively impacted the Group's operations. However, it could change going forward in case of adverse developments regarding Covid-19 situation.

### 1.2.4. Regulatory risk

The Group is subject to national Latvian laws and regulations, as well as EU laws and regulations that regulate the industry in which the Group operates. Any uncertainty as to the regulatory trends or changes in policies in relation to the Group's industry may delay or prevent the achievement of the strategic plans or increase the cost of implementing such plans. The sale of the Group's products and the provision of services are subject to a high level of regulation and oversight applicable to the consumer sector.

The Group complies with all legislative requirements and other regulations as of the date of the Terms of the Notes Issue. Legislation and regulations may change however, 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 Group's operations to any of the changes described above may incur costs for the Group that are difficult to anticipate, which in turn may have a material adverse effect on the Group's business operations, financial conditions and results of operations.

### 1.2.5. Taxation risk

Changes to local tax regime or challenges to the current tax structures of the Group's business could have material adverse effect on the Group's business, financial condition, or results of operations. Additionally, certain tax positions taken by the Group 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 material risk

The Group is dependent on access to raw material in order to deliver products to its customers. The Group's raw material is sourced from third parties, and no guarantees can be made that the Group will secure sufficient volumes going forward. Dependency on third party supply of raw material also exposes the Group 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 Group secure supply of raw material.

The revenues can be impacted both by the available raw material in the region the Group is operating but also by the supply in other regions. Variations in regional fishing quotas could impact the supply of raw material available for the group. 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. Approximately 60 % of the Group's annual costs are related to purchase of raw material.

Increased prices for raw material could as a result have a negative effect on the Group's results of operations, profitability and future development.

### 1.2.7. Inventory management risk

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

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

Alternatively, the Group 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 Group must manage its product selection and inventory levels closely. If the Group misjudges, fails to identify or fails to react swiftly to changes in consumer preferences, its sales could decrease, and the Group could see a significant increase in its inventories. Conversely, if the Group underestimates consumer interest in its products, it may experience inventory shortages and lower revenue and profitability than the Group could otherwise have achieved. Therefore, it is important for the Group to optimize inventory levels accordingly.

### 1.2.8. Financial leverage risk

The financial leverage of the Group will increase as a result of the Notes issue and could increase further due to potential additional external financing in the future, which could result in negative consequences for the Group's business operations. Such consequences would include, but are not limited to, requiring the Group to dedicate a substantial portion of its cash flows for financing debt, increasing vulnerability to a downturn in the Group's business operations or general economic conditions, placing the Group 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 Group's ability to satisfy its obligations on Financial Indebtedness.

### 1.2.9. Retention of key personnel

The Group'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 Group'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.

### 1.2.10. Employee risk

As of 31 December 2021, the Group employs 133 (one hundred and thirty-three) full-time employees. The Group's employees are a significant part of the overall operations of the Group. Therefore, it is of high importance for the Group to have a professional team of employees with low employee turnover rate. To retain and motivate its personnel, the Group has a performance bonus scheme in place, health insurance, employees are transported from / to work by company transport!

Additionally, in the future the Group may be unable to attract enough skilled employees that would fit the needs and the corporate culture of the Group. 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 Group's service quality and reputation, business operations, financial conditions and results of operations.

### 1.2.11. 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 Group and management to reduce operational risks. The Group'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 Group's business operations, financial conditions and results of operations.

### 1.2.12. Competitive risks

The Group operates in a globalized highly competitive industry where a significant share of its products is exported internationally. As a consequence, the prices for the Group's products are affected by global supply and demand for canned seafood products. The Group's revenue is correlated with the supply and the prices obtained for its products. Unfavorable raw material prices could significantly affect the Group's competitiveness and profitability if prices for its products are not adjusted accordingly in the markets in which it operates. Because the driving factors behind the price development for the Group's products are primarily external, the Group has limited flexibility to manage and adjust the prices for its own products. The Group is therefore exposed to the risk of having high production volumes, and a high corresponding production cost, without securing favorable prices for its products due to an imbalance between global supply and demand.

There is generally a high demand for the Group's products, as canned seafood is considered to be attractive commodities among consumers, however, there can be no guarantee that this demand for the Group's products will continue in the future. Further, tastes and preferences from pelagic products like herring and mackerel can change towards other seafood products. The Group is dependent on introducing, marketing and selling products that suit customer demand at satisfactory price levels for both the customer and the Group. The seafood industry is a global industry with many producers ensuring a supply of a broad range of various fish and other aquatic products worldwide. By securing longstanding customer relationships, the Group can somewhat mitigate its competition risk. Nevertheless, many of the Group's competitors produce similar products as the Group and offer these to the same customer base and use the same suppliers as the Group, all of which can drive prices for products sold down while prices for raw material, labor cost and energy remain high. Increased prices for raw material in combination with lower prices for products sold, result in lower operating profit for the Group and could, in the event of a material gap, have adverse effects on the Group's results of operations and future prospects.

### 1.2.13. Production levels risk

The Group's business is reliant on a continued supply from the fishing fleet to maintain an efficient operation of its production facilities. The supply from the fishing fleet is again dependent on the yearly fishing quotas in the respective regions. Typically, the quotas will change over time due to normal fluctuations in nature. In periods with lower quotas the land-based production industry will typically compete harder to achieve the necessary raw material volume. With a tougher competition for the raw material it will maybe reduce the possibility to earn sufficient margins in the global market.

### 1.2.14. The risk of rising costs of logistics and transportation

The Group is processing over 3 000 tons of raw material yearly. Due to the high volume a significant part of the production is exported worldwide to over 30 different countries yearly. The group 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.

### 1.2.15. New technology utilization risk

The Group operates within a capital-intensive industry, where use of technology is becoming increasingly important for the Group in order to limit its operating expenses and stay competitive. Therefore, the Group has been continuously making investments in upgrading its production processes and facilities. 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 Group 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 technology going forward. If the Group is unable to implement new technology, 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 Group'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 Group to meet new and existing customer requirements may lower the demand for its products. Moreover, this also exposes the Group 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 Group'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 Group's products.

### 1.2.17. New product introduction, existing product repositioning and changes of consumer preference risk

The Group's future business and financial performance depend, 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 Group 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 Group's operating income as introduction costs, including slotting fees, may exceed revenues. If the Group 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 Group's business may not grow as anticipated, and results of operations could be adversely affected. To mitigate such risks, the Group pursues innovation programs, conducts adequate market studies and go-to market plans before launching new products.

#### 1.2.18. Counterparty credit risk

The Group 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 policy, there is no guarantee that the Group's customers, distributors, buyers or other contracted counterparties will be able to fulfil their respective contractual financial obligations to the Group and as a result, the Group 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 Group'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 Group's ability to conduct its business, and insurance coverage may be insufficient to compensate losses that may occur. Although the Group has implemented business continuity plans, acts of terrorism, war, civil unrest, violence or human error could cause disruptions to the Group's business or the economy as a whole. Any of these occurrences may have a material adverse effect on the Group'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 Group. However, after the Notes issue, the Group's only secured Financial Indebtedness will be the Notes.

In the case of the Group's insolvency, Investors have the same right to receive their investment as other creditors of the relevant group in accordance with applicable local regulatory enactments. There are no contracts or other transaction documents, which would subordinate the claims of Investors to other secured obligations of the Group.

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

#### 1.3.2. Liquidity risk

Neither the Group 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 their fair market value or at all.

#### 1.3.3. Delisting risk

After registration of the Notes the Issuer plans to request admission to trading of the Notes on the Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga within 12 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 FCMC.

#### 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 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 Issuer, 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 the Terms of Issue, the Notes may be redeemed prematurely at the initiative of the Issuer. If the early redemption right is exercised by the Issuer, 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 Group'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 Issuer will not compensate the increase in taxes to Investors, therefore Investors may receive smaller payments related to Notes.

### 1.3.7. Resolutions of Investors risk

The majority resolution of the Investors is binding on all Investors. Thus, an Investor is subject to the risk of being outvoted by a majority resolution of the other Investors. As such, certain rights of such Investor against the Issuer 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 such Potential Investor against the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer perceives them as especially important for this 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 Collateral

### 1.4.1. Risks associated with the Collateral Agent Agreement

The Investors are represented by the Collateral Agent in all matters relating to the Collateral. There is a risk the Collateral Agent, or anyone appointed by it, does not properly fulfil its obligations in terms of perfecting, maintaining, enforcing or taking other necessary actions in relation to the Collateral. 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 Collateral or for the purpose of settling, among others, the Investors rights to the Collateral.

### 1.4.2. Risks associated with the value of the Collateral

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

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

Considering the Collateral Agent does not supervise the quality of the Collateral during the duration of the Issuer's obligations and the Collateral Agent has no liability to the Investors in this regard, there is a risk the Collateral may be taken over, but the realisation of the Collateral may be insufficient to fully satisfy the Investors' claims.

### 1.4.3. The enforcement of the Collateral 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 Collateral is 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 assurance 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 Collateral.

Only the Collateral Agent is entitled to exercise the rights under the Collateral 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.

# INVESTOR RIGHTS

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.

Status of the Notes: The Notes rank pari passu with other senior secured obligations of the Company, if any. The Notes are secured with 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; mortgage over the Real Estate owned and used by the Company. 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.

Early redemption: Noteholders shall not have rights to demand early redemption of Notes (put option), except in case of occurrence of the events of default in accordance with the Clause 4.2 “Event of default”. Additionally, in case a Change of Control has occurred, each 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.

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.

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.

# RIGHTS IF ISSUER BREACHES ITS OBLIGATIONS

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:

- Non-payment (Clause 4.2.1.)
- Breach of covenants (Clause 4.2.2.)
- Cross-Default (Clause 4.2.4.)
- Insolvency (Clause 4.2.5.)

*Note: For full overview, please refer to the Terms of the Notes Issue*

# TRANSACTIONS WITH RELATED PARTIES

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. Related parties of the Group are shareholders who could control or who have significant influence over the group in accepting operating business decisions, key management personnel of the Group including close family members of any above-mentioned persons, as well as entities over which those persons have a control or significant influence, including subsidiaries.

| 31.12.2022, EUR | Intra-group entities[1] | Other related parties[2] |
|---|---|---|
| **Receivables from related parties:** | | |
| Loans issued | | |
| Trade and other receivables | 169 999.99 | |
| Borrowings and payables: | | |
| Loans received | | |
| Trade and other payables | | |

| 12M 2022, EUR | Intra-group entities[1] | Other related parties[2] |
|---|---|---|
| **Income and expenses:** | | |
| Sales to related parties | 438 122.99 | |
| Purchases from related parties | | |
| Interest income | | |
| Interest expense | | |

[1] *Intra-group entities:* ***Banga Ukraina LLC***

[2] *Other related parties are entities which are under control or joint control of the shareholders of the Group, but not part of the Group.*

# OTHER STATEMENTS

**Legal proceedings**

At the moment of preparing the Company Description and Securities Note, 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.

**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.

**Substantial changes in financial situation of the Group**

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.

**Significant and recent known trends**

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.

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