Akciju sabiedrība "ELKO GRUPA"
Registration No. 40003129564
LEI: 549300TNFQRZUIMUKG02

OFFERING MEMORANDUM

ISIN:	LV0000108637
Type of security:	Unsecured Notes
Nominal:	EUR 1,000.00 (one thousand euro)
Nominal value of the issue:	Up to EUR 30,000,000.00 (thirty million euro)
Annual Coupon Rate:	7.25%
Maturity:	20 December 2029

*This Offering Memorandum (the "**Offering Memorandum**") is not a prospectus for the purposes of the 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 (the "**Prospectus Regulation**") and no competent authority of any Member State has examined or approved the contents thereof. This Offering Memorandum has been prepared on the basis that all offers of the debt securities are issued by the Issuer according to this Offering Memorandum and will be made pursuant to an exemption from the obligation to publish a prospectus under the Prospectus Regulation.*

*The issue of the debt securities by the Issuer according to this Offering Memorandum (the "**Notes**") is a private placement and there is no intention of the Issuer to list the Notes on a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU, as amended ("**MiFID II**").*

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

The decision of the Issuer to organize the issue of the Notes has been passed in compliance with the laws of the Republic of Latvia. The issue of the Notes, including the relationship between the Issuer and the prospective investors or any third parties, and their respective rights and duties attached to the Notes are governed by the laws of the Republic of Latvia.

This Offering Memorandum does 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 that (i) the target market for the Notes is eligible counterparties, professional clients, and retail clients, each as defined in MiFID II; 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.

In accordance with Article 5f of Council Regulation (EU) No. 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (as amended), it is prohibited to sell the Notes to any Russian national or natural person residing in Russia any legal person, entity or body established in Russia. This prohibition shall not apply to nationals of a Member State of the European Union, of a country member of the

European Economic Area or of Switzerland, or to natural persons having a temporary or permanent residence permit in a Member State of the European Union, in a country member of the European Economic Area or in Switzerland.

In accordance with Article 1y of Council Regulation (EC) No 765/2006 of 18 May 2006 concerning restrictive measures against President Lukashenko and certain officials of Belarus (as amended), it is prohibited to sell the Notes to any Belarusian national or natural person residing in Belarus or any legal person, entity or body established in Belarus. This prohibition shall not apply to nationals of a Member State of the European Union or to natural persons having a temporary or permanent residence permit in a Member State of the European Union.

Before deciding to purchase the Notes, prospective investors must make their own assessment as to the suitability of investing in the Notes. In particular, each prospective investor should:

- *(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in the Notes;*
- *(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;*
- *(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;*
- *(iv) understand thoroughly the Terms and Conditions of the Notes and be familiar with the behaviour of any relevant financial markets; and*
- *(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.*

In addition, 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 this Offering Memorandum. A prospective investor should not make an investment decision relying solely upon the information provided in the prospective investor in any presentation or otherwise.

Arranger:

SIGNET BANK

5 December 2025

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RISK FACTORS

Words and expressions defined in the Terms and Conditions of the Notes below or elsewhere in the Offering Memorandum have the same meanings in this section.

BELOW IS THE 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, AS WELL AS THE MARKET PRICE AND VALUE OF 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 AND THE GROUP. 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.

THE RISK FACTORS DESCRIBED HEREIN ARE THE RISKS WHICH THE ISSUER HAS DEEMED MATERIAL; HOWEVER, THEY ARE NOT THE ONLY FACTORS AFFECTING THE ISSUER'S ACTIVITIES. THEREFORE, THE ISSUER DOES NOT CLAIM THAT THE STATEMENTS BELOW REGARDING THE RISKS OF ACQUIRING AND/OR HOLDING ANY NOTES ARE EXHAUSTIVE. ALSO, OTHER FACTORS AND UNCERTAINTIES THAN THOSE MENTIONED HEREIN, WHICH ARE CURRENTLY UNKNOWN OR DEEMED IMMATERIAL, COULD NEGATIVELY AFFECT THE GROUP'S CASH FLOWS, RESULTS OF OPERATIONS AND, THEREBY, THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES, AS WELL AS THE MARKET PRICE AND VALUE OF THE NOTES. 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.

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 OFFERING MEMORANDUM, AND CONSULT WITH THEIR OWN PROFESSIONAL ADVISORS IF NECESSARY.

RISKS RELATED TO THE ECONOMIC AND REGULATORY ENVIRONMENT

Macroeconomic risk

The Group's financial performance is closely tied to general economic conditions across the regions where it operates, with a diversified footprint covering the Baltics, Central and Eastern Europe (CEE), and the Nordic countries. Demand for IT products and consumer electronics is strongly correlated with overall business investment, consumer confidence, and disposable income, all of which remain subject to fluctuations driven by inflationary pressures, interest rate policies, and global trade dynamics.

Although the IT distribution sector has benefited in recent years from structural drivers such as digital transformation, cloud adoption, and remote work, macroeconomic volatility continues to affect purchasing cycles and investment decisions. Prolonged periods of elevated inflation and high interest rates in Europe have pressured consumer spending and may delay upgrades in hardware and electronics. Similarly, restrictive monetary policies in response to macroeconomic uncertainty can lead to tighter credit markets, as banks become more risk-averse and impose stricter lending standards. This may limit clients' access to financing, constraining their ability to fund purchases and increasing the Group's exposure to credit risk if customers experience difficulties meeting payment obligations.

Geopolitical instability, including the war in Ukraine, ongoing energy market volatility, and uncertainty in global trade, further weigh on regional economies. Any recessionary developments in the Group's core markets - particularly in Central Europe and the Nordics - could materially reduce demand for IT products and solutions. A deterioration in economic conditions may also impact vendor and customer behavior, leading to slower sales cycles, reduced inventory turnover, or margin pressure.

As of 2024, the CEE region (Romania, Poland, Slovakia, the Czech Republic, Hungary, Greece, Slovenia and Croatia) accounted for the largest share (47%) of the Group's revenue, followed by the Nordics (18%), Ukraine (18%) and the Baltics (17%). This diversification mitigates single-market exposure; however, it also increases the Group's sensitivity to broad-based macroeconomic shocks across Europe. While geographic and product diversification provide resilience, the Group remains exposed to cyclical downturns and uncertainties regarding future economic prospects, which could have a material adverse effect on its revenue, cash flows, and profitability.

Global pandemic risk

The outbreak of the COVID-19 pandemic in 2020 caused widespread economic and supply chain disruptions across the Group's markets, leading to heightened demand volatility, logistical bottlenecks and increased operational complexity. While the immediate impact of COVID-19 on the Group's performance was limited compared to other sectors, the pandemic demonstrated the vulnerability of global distribution networks to sudden and prolonged shocks. Restrictions on movement, factory shutdowns in Asia, and interruptions in international transport created shortages of key IT and consumer electronics products, highlighting the Group's exposure to external supply chain risks.

As of September 2025, COVID-19 is no longer considered a global emergency and its direct impact on the Group's operations has subsided. However, the risk of new pandemics or widespread public health crises remains, and similar events could again disrupt global production and logistics, reduce customer demand or impair the Group's ability to operate efficiently. In particular, the Group could face challenges in workforce planning, inventory management and vendor coordination in the event of renewed restrictions or health-related disruptions.

Although the Group has strengthened its resilience since 2020 through more diversified sourcing, enhanced digital sales tools and contingency planning, pandemics remain unpredictable. Any large-scale health emergency in the future may adversely affect the Group's operations, supply chain efficiency and financial performance.

Geopolitical risk related to Russian invasion of Ukraine

In February 2022, Russia launched a full-scale invasion of Ukraine, which has caused significant volatility in regional economies and global supply chains, heightened inflationary pressures and triggered extensive sanctions against Russia and Belarus. These developments have led to disruptions in production, logistics and financial markets that continue to affect businesses across Eastern and Central Europe. The Group may not always be able to offset rising costs through price adjustments, and such increases may not fully cover the negative impact on margins, or may only do so with a delay, which could adversely affect financial performance.

Although the Group's headquarters are located in Latvia, a NATO and EU member state, its geographic proximity to Russia, Belarus and Ukraine exposes it to elevated geopolitical risk. The ongoing conflict has raised concerns about the stability and security of the Baltic region and other markets where the Group operates. In addition, shifts in investor sentiment, sanctions compliance costs, or broader regional economic downturns could negatively affect the Group's results.

To mitigate these risks, on 20 February 2023 the Group divested its 100% stake in ELKO Ukraine LLC, converting the entity into a franchise. The decision was taken in response to heightened financial and security concerns expressed by stakeholders, including banks, insurers and vendors, and was aimed at safeguarding the Group's credit profile and credibility in its other markets. While ELKO Ukraine continues to operate under a franchise agreement and maintains the ELKO brand in serving the Ukrainian market, the Group no longer bears direct financial or operational exposure to Ukraine. Nevertheless, the war and any further escalation of geopolitical tensions in the region could materially and adversely affect the Group's business operations, supply chains and financial performance.

Changes in customs regulations could adversely affect the Group's operations and financial results

A substantial share of IT and consumer electronics distributed by the Group is manufactured in Asia, particularly in the People's Republic of China, and shipped to the Group's central warehouses in the Netherlands and Latvia or directly to local warehouses across its markets. The Group must ensure timely transportation, customs clearance, and payment of VAT and import duties, where applicable, in order to distribute products within the EU and to non-EU markets.

The regulatory environment for cross-border trade remains complex and subject to frequent changes. Shifts in EU trade policy, new tariff regimes, or product safety standards may increase costs and administrative burdens for the Group. In particular, compliance with the EU's environmental and product-related frameworks - such as the Waste Electrical and Electronic Equipment (WEEE) Directive, the Restriction of Hazardous Substances (RoHS), and eco-design and energy-efficiency regulations - requires continuous monitoring and investment. Divergent customs procedures, changing interpretations of local laws, or stricter enforcement practices can cause delays, additional penalties or, in extreme cases, seizure of goods.

While the Group cooperates with experienced logistics partners and maintains robust internal compliance systems to mitigate these risks, it cannot fully eliminate the potential for regulatory changes or customs-related disruptions. Any material delay or additional cost associated with customs clearance could adversely affect the Group's supply chain efficiency, customer relationships and financial performance.

The tax regime of countries in which the Group operate may change

The Group operates in various countries with diverse sets of tax regimes. Changes to local tax regimes or challenges to the current tax structures of the Group's business could have material adverse effect on its 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.

RISKS RELATED TO THE GROUP'S BUSINESS AND THE INDUSTRY

Dependency on key suppliers

The Group depends on a number of key vendors to purchase products in the required quantities and to fulfil customer orders on a timely basis. As of the end of 2024, the Group cooperated with more than 400 leading IT and consumer electronics manufacturers, many of which have long-standing relationships with the Group, in some cases spanning decades. For multiple brands, the Group is the only sizeable distributor in specific markets. This positioning strengthens the Group's relevance to vendors and customers alike, but also heightens its reliance on the continuity of such vendor relationships.

Despite a broad and diversified vendor base, a substantial part of revenue remains concentrated among the key vendors. In 2024, the Group's top five vendors - Apple (20%), Roborock (8%), DJI (7%), Samsung (5%) and Asus (5%) - accounted for approximately 45% of consolidated revenue, while the top ten vendors together represented 62%. The Group actively seeks vendor diversification and manages its portfolio to keep dependency on any single vendor below 20-25% of revenues. Nonetheless, the importance of certain vendors, particularly Apple, remains significant, and adverse developments in these relationships could have a material effect on the Group's performance.

Contracts with vendors are typically structured as annual agreements, consistent with standard industry practice, and are subject to renewal on a yearly basis. Such agreements often cover specific product groups or geographies, rather than the entirety of a vendor's global offering, which partially mitigates concentration risk. However, there can be no assurance that contracts will be renewed, or renewed on existing terms. Vendors retain the discretion to terminate distribution rights, adjust commercial conditions, reduce or eliminate rebate and incentive programs, change stock protection or stock rotation policies, or alter pricing strategies. Decisions regarding distribution arrangements are often taken at local, regional or product-line levels, which limits the likelihood of a complete loss of a global vendor relationship, but does not eliminate the risk of adverse changes in specific markets or segments.

Should the Group experience any prolonged shortages, delivery delays, or changes in vendor terms, it may be unable to procure adequate supply to fulfil customer orders on a timely basis or may face higher input costs. In such cases, the Group's margins could come under pressure, and its financial condition and cash flows could be adversely affected. Although the Group has an excellent track record of maintaining strong vendor relationships and, where necessary, securing adequate replacements, the loss of one or more key vendors, or the inability to source replacement products on commercially acceptable terms, could have a material adverse impact on the Group's business, financial condition and results of operations.

Risk related to the management of inventory

The Group maintains significant inventories in order to ensure that delivery times to customers remain competitive and to provide flexibility across its extensive distribution network in Eastern and Northern Europe. As of the end of 2024, the Group's inventory portfolio comprised more than 40,000 SKUs across IT and consumer electronics, with a total value of USD 129 million. Inventory is valued at historical cost using the Weighted Average Cost (WAC) method. The composition of the Group's inventory is broadly aligned with its sales structure: IT Products represented 42% of total inventory, Consumer Electronics 29%, Mobile Communications 16%, Solutions 5% and Other products 8%. This diversified product mix reduces concentration risk but also exposes the Group to the inherent risks of holding high-value and fast-moving goods in volatile markets.

The distribution of IT and consumer electronics products is characterized by rapid technological change and frequent product launches. As such, the Group is subject to the risk of inventory obsolescence and price erosion, particularly in product categories with shorter lifecycles such as smartphones, tablets and certain components. In order to manage seasonal demand fluctuations - such as increased sales in the fourth quarter driven by holiday seasons - the Group must accumulate higher stock levels at certain points in the year, which heightens exposure to valuation risk. While the Group works closely with vendors to anticipate market developments, there is no assurance that its demand forecasts will always be accurate.

Many of the Group's vendors offer limited protection from declines in inventory value, such as price protection, stock rotation, promotional rebates or sales incentives. For example, in the event of a vendor price reduction, the Group may be eligible for credits on qualifying stock, or it may return a certain percentage of products to specific vendors. However, these protections are often not formally documented, are subject to time limits or vendor discretion, and do not apply uniformly across all products or vendors. Consequently, they may not fully mitigate the risk of inventory write-downs, particularly during periods of oversupply or economic downturn when prices may fall sharply. Should vendors reduce or discontinue such protections, the Group's gross margins could decline materially.

The Group's inventory management strategy is balanced and disciplined, with vendor-supported stock programs, continuous monitoring of warehouse conditions, and robust procurement processes. Nevertheless, if the Group fails to successfully manage its inventory risks - whether due to misalignment with customer demand, vendor policy changes, economic downturns or technological obsolescence - its business, financial condition and results of operations could be materially and adversely affected.

Risk of supply and logistics chain disruptions

The Group's operations depend on the continuous and efficient functioning of complex global supply and logistics chains. A substantial share of the Group's products is manufactured in Asia and transported to Europe by sea, air and land, with final distribution to customers across more than a dozen countries. Any disruption in these supply chains - whether caused by transportation bottlenecks, strikes, port closures, container shortages, delays at customs, natural disasters, pandemics, armed conflicts or other unforeseen events - could materially impair the Group's ability to source products and fulfil customer orders.

The IT and consumer electronics industry is particularly exposed to sudden imbalances between supply and demand. Periods of global semiconductor shortages, shipping cost spikes, or delays in component manufacturing have historically reduced product availability and increased procurement costs. Although the Group maintains a broad vendor base and diversified sourcing channels, its ability to manage supply shortages is limited when disruptions occur simultaneously across multiple geographies. In such cases, the Group may face higher input costs, delayed deliveries, or inability to meet customer demand, all of which could reduce revenues and margins.

In addition, increased transportation and logistics expenses may not be fully recoverable through customer price adjustments, particularly in highly competitive product segments. Prolonged supply chain disruptions could also result in excess or imbalanced inventories, necessitating write-downs or discounts to clear stock. While the Group actively monitors supply chain conditions, utilizes regional transit warehouses to improve flexibility, and cooperates with experienced logistics providers, it cannot fully eliminate the risk of disruption.

Should the Group fail to secure alternative supply sources, absorb higher costs, or effectively mitigate significant logistics interruptions, its business, financial condition and results of operations could be materially and adversely affected.

Risk related to the warehousing and reliance on logistics partners

The Group relies almost entirely on third-party warehouse and logistics providers for the storage and delivery of its products. While contractual arrangements with such partners are generally signed for periods of up to five years, and the Group is typically the anchor lessee in its facilities - reducing the risk of unexpected negative changes in rent and supporting renewal prospects - there can be no assurance that these contracts will be renewed on current terms, or renewed at all. A termination of one or more of these agreements could require the relocation of large volumes of goods to alternative sites, which may cause disruption to operations and temporarily impair the Group's ability to service customers.

Although most of the Group's products do not have specialized storage requirements, dependence on external partners exposes it to risks beyond its direct control. Any failure, insolvency, or operational breakdown of a warehouse provider could result in product loss, delays or increased costs. Similarly, disruptions in transportation - whether due to strikes, capacity shortages, vendor errors, or failures by the Group's logistics partners - could prevent timely delivery of goods to customers. The Group outsources inbound transportation and cooperates with major international logistics companies; however, reliance on third parties means that risks such as delays, rising freight costs, or inadequate service levels cannot be eliminated.

While all storage and transit risks are fully insured and the Group regularly audits and upgrades its warehouse security procedures, a material disruption at any of its logistics hubs or regional warehouses, or the inability of a key logistics partner to perform its obligations, could have a negative impact on the Group's business operations, reputation and financial results.

Risk related to the competition within the industry and the risk of new market entrants

The markets in which the Group operates are highly competitive and subject to rapid technological change, frequent product launches, evolving industry standards and continuously shifting customer preferences. The Group competes with a broad range of national, regional and international distributors of IT products and consumer electronics, many of which may have longer operating histories, greater financial resources, broader vendor portfolios or stronger bargaining power with suppliers. Competition is generally based on product range and availability, pricing, quality of service and support, logistics capabilities, speed of delivery and the ability to extend credit to customers. Larger rivals often focus on enterprise solutions, cloud infrastructure and "Everything-as-a-Service" ecosystems, supported by substantial capital resources, while the Group positions itself as a flexible partner to medium-sized clients. Although this positioning has enabled the Group to build strong relationships and market share, it also exposes the Group to pressure from competitors that can leverage scale, pricing power or vendor influence to challenge its role.

Competitive pressure is also driven by structural changes in the industry, including consolidation among large distributors, increased competition from online marketplaces, and the trend of some vendors expanding their direct-to-customer channels, bypassing traditional distribution partners. This disintermediation risk is particularly relevant for globally recognized brands with strong consumer reach, where vendors may seek to reduce reliance on intermediaries.

In addition, the industry has experienced sustained margin pressure, as intense competition and changes in product mix have led to stagnating or declining gross margins across the sector. The Group may be required to reduce prices to remain competitive, which could materially compress its gross and net margins. While the Group has historically mitigated these pressures by diversifying its vendor base, expanding into new product categories, and enhancing value-added services, there can be no assurance that such measures will fully offset the risks of increasing competition. Any significant erosion of the Group's market position could adversely affect its business, financial condition and results of operations.

Risk related to the use of financial leverage

The Group's business model depends on its ability to finance the purchase and distribution of large volumes of IT products and consumer electronics. This requires significant use of external financing, primarily through short-term credit lines with commercial banks, with the Group maintaining long-standing relationships with leading banks in Latvia, Lithuania, Poland, Romania and other countries. As of 31 December 2024, the Group's borrowings, excluding lease liabilities and shareholder loans, amounted to approximately USD 96 million and USD 128 million as of the end of June 2025. These borrowings are typically secured by inventory and accounts receivables, with maturities of up to one year, and require annual renegotiation with banking partners. The geographic diversification of lenders reduces reliance on a single market, but also exposes the Group to differences in regulatory environments and changes in local credit conditions.

There can be no assurance that existing credit lines will always be renewed or that new financing will be available on comparable terms. Any tightening of credit conditions, deterioration in banks' risk appetite for the distribution sector, changes in collateral requirements or a decline in the Group's credit profile could materially restrict access to funding.

In addition, a significant portion of the Group's borrowings is subject to variable interest rates, making the Group subject to the interest rate risk.

Although the Group actively manages its capital structure and working capital and has historically maintained strong relationships with its banking partners, reliance on external financing remains inherent to its business model. Any inability to access or refinance credit lines on commercially acceptable terms could have a material adverse effect on the Group's business, financial condition and results of operations.

Risk of exchange rate fluctuations and new market currency exposure

The Group operates across multiple jurisdictions and is therefore exposed to foreign exchange rate fluctuations. While its operational and reporting currency is the U.S. dollar (USD), a significant portion of revenues and expenses are denominated in other currencies, including the euro (EUR), Romanian leu (RON) and Swedish krona (SEK). At the end of 2024, the Group's borrowings (excluding lease liabilities and shareholder loans) were denominated as follows: 51% in USD, 33% in EUR, 16% in RON and 1% in SEK. Movements in these exchange rates relative to the USD may materially affect the Group's financial results, cash flows and balance sheet.

To mitigate foreign exchange risk, the Group has implemented a systematized hedging strategy. Currency exposures are closely monitored and hedging is performed on a rolling basis: daily for EUR and PLN, three times per week for RON, and weekly for SEK. The Group employs a layered approach, first offsetting exposures through natural hedging (matching loans, factoring, accounts payable, inventory and accounts receivable) and then covering remaining open positions with forward contracts. The Group's main counterparty for forward transactions is OP Corporate Bank.

The Group's policy is to close open positions as close to 100% as possible. The residual unhedged position typically does not exceed USD 500,000 equivalent, which management considers immaterial relative to the size of operations. Nevertheless, extreme market volatility, unexpected disruptions in the forward market or a counterparty default could limit the effectiveness of these measures. In such circumstances, adverse currency movements could negatively impact the Group's margins and reported results.

While the Group's disciplined hedging strategy has historically proven effective, it cannot fully eliminate foreign exchange risk. Sharp currency fluctuations, particularly in USD, EUR or RON, could have a material adverse effect on the Group's financial condition and operating performance.

Risk related to extending credit to the Group's customers

Group is engaged in numerous sales transactions with its clients and suppliers and extends credit to its customers, with payment terms typically ranging from 7 to 90 days. As a result, it is exposed to the risk that customers may delay or default on payments, particularly during periods of economic stress or liquidity shortages. If one of the Group's counterparties were to default on its obligations or otherwise be unable to discharge its contractual obligations, this could have an adverse effect on the Group's financial condition and results of operation.

Credit risk is managed through a centrally developed policy applied across all sales offices, adapted to local market specifics. Each office has a dedicated credit controller, supervised by the headquarters' credit control unit, which ensures consistent application of risk standards. The Group employs strict monitoring tools, including shipment blocking for overdue accounts, automated alerts on changes in customer payment behavior, and use of collateral such as cash deposits, bank guarantees and trade credit insurance. Due to market circumstances, trade credit insurance is not used in Ukraine, where customers are instead subject to rigorous individual evaluation and close monitoring.

Despite robust internal controls, the risk of non-payment cannot be eliminated, and a significant default or series of defaults could have a material adverse effect on the Group's financial condition and results of operations.

The Group's trade and other receivables were USD 169.9 million at the end of 2024 and USD 173.2 million at the end of June 2025.

Risk of increase in labour and employment costs

Labour and employment costs represent a significant portion of the Group's operating expenses and are subject to upward pressure from inflation, rising minimum wages, changes in social and pension contribution requirements, and increasing competition for skilled personnel. The Group may not be able to fully offset higher labour costs through productivity improvements, digitalization, or operating efficiencies. Given the competitive and low-margin nature of the IT distribution industry, sustained increases in employment costs could materially raise operating expenses, and if not recoverable through improved efficiency or higher revenues, could adversely affect the Group's business, financial condition and results of operations.

The loss of one or more key personnel members of the Group could have an adverse effect on its business

The Group 's success depends on the expertise and leadership of its senior management at headquarters, who are responsible for overall strategy and coordination, as well as on key personnel across its local operations. Each country of operation has its own management team responsible for vendor relations, customer development and operational execution, making continuity of leadership at both the Group and local level critical. The loss of one or more members of senior management, the headquarters team or key local managers, or the inability to attract and retain qualified personnel with the necessary experience, could disrupt operations, weaken vendor and customer relationships, and adversely affect the Group's business, financial condition and results of operations.

Failure to attract and retain qualified personnel may affect the profitability of the Group's operations

The Group's future performance depends on its ability to attract, retain and motivate highly qualified and experienced personnel across all of its markets. Competition for skilled employees in IT distribution, logistics and related fields is high in Latvia, where the headquarters is located, and in other countries of operation. Although the Group offers training, career development and incentive programs, there can be no assurance that these measures will be sufficient to retain key employees or attract new talent. Any inability to secure or motivate qualified personnel could impair operational efficiency, increase labour costs and adversely affect the Group's profitability.

The international expansion of the Group's business may expose it to unique business risks and challenges

The Group has grown and may continue to grow by expanding into new geographic markets. As the Group's operations increasingly expand across international markets, and it may be vulnerable to the unique business risks and challenges experienced by businesses in such markets. This may include challenges arising from the specific economic and political conditions in such markets, unique commercial situations that affect commercial road transportation businesses, unexpected costs or lack of familiarity with the commercial dynamics of a local market. Operating in international markets also requires significant management attention and further international expansion of the Group's operations may lead to operational difficulties in central oversight of the regional operations.

The Group is exposed to operational risks

Operational risk refers to the possibility of losses arising from inadequate or failed internal processes, human error, system failures, or external events. The Group seeks to mitigate such risks through thorough personnel selection, clear allocation of responsibilities, documented job descriptions, and coordinated division of duties. Significant investments are made in IT systems and internal controls to support operational efficiency and resilience.

Nevertheless, there can be no assurance that these measures will always be sufficient. The Group's compliance procedures, risk management framework and internal controls may prove inadequate to prevent or detect breaches of law, fraud, errors or failures in the future. External factors such as sudden market disruptions, vendor failures or unforeseen logistics interruptions may also contribute to operational risk. Any such events could result in financial losses, reputational damage or disruptions to the Group's business operations, and may have a material adverse effect on its financial condition and results of operations.

The Group is exposed to IT system and process risk

The Group relies on key information systems to manage its operations, including enterprise resource planning, warehouse management and locally adapted accounting and sales platforms. Any failure, malfunction or significant disruption of these systems could impede the Group's ability to process customer orders, manage logistics, maintain inventory control or deliver products on time. Such events could undermine customer confidence in the reliability of the Group's services and place it at a competitive disadvantage.

Although the Group continuously invests in IT infrastructure, system upgrades and security, no system is immune to disruption or failure. Power outages, software defects, human error, or inadequate integration of new applications could materially affect operations. Any significant IT system downtime could increase operating costs, reduce revenues and have a material adverse effect on the Group's business, financial condition and results of operations.

Risk of natural disasters and other business disruptions

The Group's operations are vulnerable to damage or interruption from tornadoes, earthquakes, fires, floods, power losses, telecommunication failures, terrorist attacks, acts of war, human errors and similar events. A significant natural disaster, such as a tornado, earthquake, fire or flood, could have a material adverse impact on the Group's ability to conduct business, and its insurance coverage may be insufficient to compensate for 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, financial condition, results of operations and cash flows may be adversely affected.

Risk of information technology system failures, network disruptions and breaches in data security

The Group relies on information technology networks and systems to securely process, transmit and store electronic information and to communicate internally and with customers, partners and vendors. The Group may be subject to information technology system failures, network disruptions and breaches in data security. Information technology system failures could disrupt its operations by causing transaction errors, processing inefficiencies, delays or cancellations of customer orders, inability to carry out service activities remotely, loss of customers, other business disruptions, or the loss of or damage to intellectual property through security breaches. The Group's information systems could also be penetrated by outside parties who intend to extract information, corrupt information, disrupt business processes, or misappropriate its customer information. Such breaches and cyberattacks could lead to shutdowns or disruptions of the Group's systems and potential unauthorized disclosure of sensitive or confidential information, including personal data of, among others, the Group's employees, customers, contractors, vendors and other business partners.

In the event of such actions, the Group, its customers and other third parties could be exposed to potential liability, litigation, and regulatory or other government action, as well as to the loss of existing or potential customers, damage to brand and reputation, and other financial loss. In addition, the cost and operational consequences of responding to breaches and implementing remediation measures could be significant. As the Group's business and the cybersecurity landscape evolve, it may find it necessary to make significant further investments to protect data and infrastructure. However, there can be no assurance that such investments will prevent future cyberattacks or other threats from occurring which may result in material adverse effect on the Group's business, financial condition and results of operations or on its ability to service or otherwise make payments on the Notes and other indebtedness.

Any of these developments could have a material adverse effect on the Group's business, financial condition and results of operations or on its ability to service or otherwise make payments on the Notes and other Financial Indebtedness.

The Issuer is dependent on and may be adversely affected by its Subsidiaries

A significant part of the Group's assets and revenues are related to the Issuer's Subsidiaries. Accordingly, the Issuer is dependent upon receipt of sufficient income and cash flow related to the operation of and the ownership in the Subsidiaries to enable it to make payments under the Notes. Consequently, the Issuer is dependent on the Subsidiaries' availability of cash, and their legal stability to make dividends which may from time-to-time be limited by corporate restrictions and law. Should the Issuer not receive sufficient income from its Subsidiaries, the Noteholders' ability to receive payment under the Terms and Conditions may be adversely affected. Additionally, under legal doctrines attributing liability for its subsidiaries to the parent Group in rare cases the Issuer may lose its right to rely on its limited liability towards the liability of its Subsidiaries.

RISKS RELATED TO THE NOTES

The Issuer may be unable to repay or repurchase the Notes at maturity

The Notes rank *pari passu* with other unsecured obligations of the Issuer. In case of the Insolvency Proceedings affecting the Issuer, the Noteholders will be entitled to recover their investment on the same terms as other creditors in the respective claims' group according to the 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 Issuer.

Should the Group become subject to the Insolvency Proceedings during the term of the Notes, a Noteholder may forfeit interest payable on, and the principal amount of, the Notes in whole or in part. Investor is always solely responsible for the economic consequences of its investment decisions.

The Notes are unsecured debt instruments

The Notes are unsecured debt instruments and the Noteholders would be unsecured creditors in the event of the Insolvency Proceedings affecting the Group.

At the date of this Offering Memorandum, the Group has outstanding debt obligations to several secured creditors, including a syndicated loan arrangement with OP Corporate Bank plc and Luminor Bank, AS Citadele Banka, Transilvania Bank, Unicredit, and other. Such obligations are secured by property, plant and equipment, intangible assets, trade receivables and inventory.

In the event of the Insolvency Proceedings affecting the Group, the Group's assets will be used for settling the claims of the Noteholders and other unsecured creditors only after the claims of the secured creditors and other preferential creditors are satisfied.

Furthermore, the Terms and Conditions provide that all existing and future loans received from the Group's shareholders and Related Parties must be subordinated to the Notes. On or around the Issue Date the Existing Shareholders will sign an acknowledgement of subordination of existing and future loans granted to the Group to the Notes. Based on a freedom of contract principle, a party may agree to subordinate certain claims owed to it by a debtor to the claims of another creditor of the debtor, which is respectively considered as senior creditor, and contractual subordination arrangements are fairly common in financing transactions in Latvia; however, subordination is not expressly regulated under Latvian law, including in the context of the Insolvency Proceedings, and thus, there is a risk that it may potentially not be honoured or recognized by an insolvency administrator or a bailiff appointed in respect of the debtor or its assets.

There is no established trading market for the Notes. If an actual trading market does not develop for the Notes, the Investor may not be able to resell them quickly, for the price that the Investor paid or at all

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 a fair market value or at all.

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 registration of the Notes the Group plans to request admission to trading of the Notes on the Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga within 3 (three) 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 Bank of Latvia.

The price of the Notes may be volatile and the market price of the Notes may drop below the initial price a Potential Investor paid for the Notes

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

The Notes shall bear a fixed interest rate. Thus, Potential 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 Group, nor any other person undertakes to maintain a certain price level of the Notes. The Potential Investors are thus exposed to the risk of unfavourable price development of their Notes if they sell the Notes prior to final maturity. If a Potential Investor decides to hold the Notes until maturity, the Notes will be redeemed at their Nominal Value.

The Group may choose to repurchase or redeem the Notes when prevailing interest rates are relatively low, including in open market purchases

According to the Terms and Conditions, the Notes may be redeemed prematurely at the initiative of the Group. If the early redemption right is exercised by the Group, the rate of return from the investment into the Notes may be lower than initially expected, as the Potential 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 Potential Investor’s ability to sell such Notes.

Changes in tax rates may impact net payments related to the Notes

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

Decisions of Majority Noteholders may affect individual rights of the Noteholders

The decisions of the Majority Noteholders are binding on all Noteholders. Thus, aa 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 Group may be amended or reduced, or even cancelled, without its consent.

Some Noteholders may have more preferential terms than others

While the Group will try to maintain the proportional reduction principle to the extent possible in final allocation of the Notes, in case the total number of the Notes subscribed for is higher than the number of the Notes available, the Group 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 Group has the right to sell the Notes at a price lower than their Nominal Value to selected Noteholders and/or enter into agreements that may add additional rights to selected Noteholders if the Group 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 Noteholders might gain preferential terms for investment into the Notes than the rest of the Noteholders.

REPRESENTATIONS AND WARRANTIES, RESPONSIBILITY STATEMENT

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

Words and expressions defined in the Terms and Conditions of the Notes below or elsewhere in the Offering Memorandum have the same meanings in this section.

The Issuer shall, in accordance with the Terms and Conditions, issue the 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 under the Notes.

The Issuer represents and warrants to the Noteholders that:

(a) the Issuer is duly incorporated and validly existing as a legal entity in its jurisdiction of incorporation, and operating under the laws of jurisdiction of its incorporation;

(b) all the Issuer’s obligations assumed under the Notes are valid and legally binding to the Issuer and performance of these obligations is not contrary to Applicable Law, the Issuer’s constitutional documents or any agreement concluded by the Issuer;

(c) the Issuer has all the rights and sufficient authorisations to issue the Notes and fulfil obligations arising from the Notes;

(d) the Issuer has performed all the formalities required for issuing the Notes and fulfil other obligations under the Notes;

(e) to the best of the Issuer’s knowledge, all information that is provided by the Issuer to the Noteholders in the Offering Memorandum is true, accurate and complete and not misleading in any respect;

(f) the Issuer is solvent, able to pay its debts as they fall due, there are no liquidation, Insolvency Proceedings or similar proceedings pending or initiated against the Issuer;

(g) there are no material legal or arbitration proceedings pending or initiated against the Issuer, which may have a material adverse effect on the Issuer’s financial position or profitability;

(h) there are no criminal proceedings pending or initiated against the Issuer; and

(i) the Issuer shall not, and shall procure that none of its directors, officers, employees or agents, 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 the Notes, whether as lender, underwriter, advisor, investor, or otherwise).

The Issuer’s representations and warranties provided above are valid on the Issue Date and will remain valid until fulfilment of all obligations arising from the Notes.

RESPONSIBILITY STATEMENT

The Issuer, represented by the members of its Management Board, accepts responsibility for the information contained in the Offering Memorandum and declares that the Issuer and its Management Board have taken all reasonable care to ensure that the information contained in the Offering Memorandum is, to the best of the Issuer's knowledge, true, accurate and complete and not misleading in any respect.

On behalf of Akciju sabiedrība "ELKO GRUPA"

____________________	____________________	____________________	____________________
Egons Mednis	Svens Dinsdorfs	Vadims Rabša	Mārtiņš Ozoliņš
Chairman of the board	Member of the board	Member of the board	Member of the board

This document is signed electronically with secure electronic signature containing a time stamp.

TERMS AND CONDITIONS OF THE NOTES

1. DEFINITONS

In these Terms and Conditions the following expressions have the following meanings:

Acquisition: Any transaction or series of related transactions pursuant to which the Group has acquired a participation in the equity capital of, or a control in, a person if that person pursuant to the IFRS has to be consolidated into the Group, or any acquisition or transfer of an operating division or business unit of any other person to the Group which under the Applicable Law constitutes a transfer of enterprise or an independent part thereof (in the meaning of the Commercial Law of the Republic of Latvia (*Komerclikums*)) or an equivalent legal concept under the relevant Applicable Law.

Adjusted Equity: The aggregate book value of the Group's total equity (including minority interest, if applicable) on consolidated basis, increased by Subordinated Debt, according to the most recent Financial Report.

AML: Anti-money laundering and counter terrorism and proliferation financing.

Applicable Laws: Any applicable law, including without limitation: (a) the regulations of the Bank of Latvia, 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 Issuer operates.

Arranger: Signet Bank AS, a Latvian credit institution registered in the Register Enterprises of the Republic of Latvia under registration No. 40003043232.

Auditor: Any auditor from the following list that is licensed to practice in the Republic of Latvia:

(a) Pricewaterhouse Coopers group entity;

(b) Ernst & Young group entity;

(c) KPMG group entity;

(d) Deloitte group entity.

Business Day(s): Business Day(s) is a day when 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.

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 Issuer; or

(b) appoint or remove or control the appointment or removal of a majority of the management board or supervisory council members or other equivalent officers of the Issuer.

Company or Issuer:	Akciju sabiedrība "ELKO GRUPA", a company registered with the Register of Enterprises of the Republic of Latvia under registration No. 40003129564 and with a registered address at: Toma iela 4, Riga, Latvia, LV-1003.
Consolidated EBIT:	Net profit of the Group for the Relevant Period calculated according to the most recent Financial Reports: (a) increased by any amount of tax on profits, gains or income paid or payable; (b) increased by any interest expense, fees for financing agreements and lease expenses; (c) before taking into account any exceptional items which are not in line with the ordinary course of business and any non-cash items (such as e.g., asset revaluation or write-down); (d) before taking into account any gains or losses on any foreign exchange gains or losses; (e) reduced by any interest and similar financial income.
Coupon:	Interest on the Notes calculated in accordance with the Clause 11. (*Coupon*).
Coupon Payment Date:	Coupon payments shall be made 2 (two) times per each 12 (twelve) months following from the Issue Date – on each 20 June and 20 December.
Custodian:	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.
De-listing Event:	Occurrence of an event whereby at any time following the listing of the Notes, trading in the Notes on First North is suspended for a period of 15 (fifteen) consecutive Business Days (when First North is at the same time open for trading).
Equity Cure:	Has the meaning set forth in Clause 15. (*Events of Default*).
Equity Ratio:	Ratio of Adjusted Equity to total assets (total assets decreased by IFRS 16 influence), calculated according to the most recent Financial Report.
EUR:	Euro (the single currency of the Member States of the European Monetary System).
Event of Default:	Any event or circumstance set out in Clause 15.3. of the Terms and Conditions.
Exchange Offer:	The Issuer's offer to exchange the existing notes with the ISIN LV0000870079 for the Notes, as described under Clause 1.3.
Exchange Offer Settlement Date	The settlement date for the Notes exchanged during the Exchange Offer acceptance period, which is 23 December 2025.
Existing Notes:	Means the existing notes with ISIN LV0000870079 and maturity on 12 February 2026.
Existing Noteholders:	Noteholders of the Existing Notes.
Existing Shareholders:	ASHINGTON BUSINESS INC. LIMITED, registration No. 05708275, registered

address: 85 Great Portland Street, London, England, W1W 7LT;

SOLSBURY INVENTIONS LIMITED, registration No. 05554599, registered address: 85 Great Portland Street, London, England, W1W 7LT;

Sabiedrība ar ierobežotu atbildību "WHITEBARN", registration No. 40103528395, registered address: Rīga, Peitavas iela 5 - 31;

Sabiedrība ar ierobežotu atbildību "EUROTRAIL", registration No. 40103528501, registered address: Rīga, Mazā Juglas iela 37A;

Sabiedrība ar ierobežotu atbildību "KRM Serviss", registration No. 40003848472, registered address: Rīga, Kuldīgas iela 36B;

Sabiedrība ar ierobežotu atbildību "SOLO INVESTĪCIJAS IT", registration No. 40103252746, registered address: Rīga, Pildas iela 30A - 18;

Management team.

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 Issuer.

Financial Indebtedness: The outstanding aggregate amount of any financial indebtedness of the Group according to the most recent Financial Report, including:

(a) monies borrowed and debt balances at banks or other financial institutions;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including the Notes;

(d) the amount of any liability in respect of any financial lease or hire purchase contract which would, in accordance with the IFRS, be capitalised as an asset and booked as a corresponding liability in the balance sheet;

(e) monies borrowed from any shareholder of the Issuer;

(f) any amount raised under any other transaction (including any forward purchase or sale agreement) having the commercial effect of a borrowing and treated as a borrowing under IFRS, except for trade payables incurred in line with the ordinary course of business of the Group and except for premise lease as per IFRS 16 Leases standard;

(g) any derivative transaction based on mark-to-market value;

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(i) without double-counting any guarantee or other assurance against financial-loss in respect of a type referred to the above items (a) to (g);

but excluding any Subordinated Debt.

Financial Report: The annual consolidated audited financial report of the Group and the quarterly consolidated unaudited report (as applicable) of the Group prepared in accordance with IFRS.

Financial Year: For the Issuer, 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: 23 December 2025.
Force Majeure Event:	Has the meaning set forth in Clause 17. (*Force Majeure*).
Group:	The Issuer and its Subsidiaries.
IFRS:	International Financial Reporting Standards as endorsed in the EU based on Regulation (EC) No 1606/2002 to the extent applicable to the relevant financial statements.
Insolvency Proceedings:	Insolvency (*maksātnespēja*), legal protection process (*tiesiskās aizsardzības process*) and out-of-court legal protection process (*ārpustiesas tiesiskās aizsardzības process*) pursuant to the Insolvency Law of the Republic of Latvia (*Maksātnespējas likums*), or any similar proceedings seeking a judgment of insolvency or bankruptcy or compromise or distressed reorganization or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights in any jurisdiction.
Interest Coverage Ratio	Interest Coverage Ratio (ICR) is calculated as: (a) Consolidated EBIT divided by Net Finance Charges over the Relevant Period; or (b) if the Group has performed an Acquisition in the Relevant Period, the Pro-Forma EBIT divided by Pro-Forma Net Finance Charges over the Relevant Period.
Investor(s):	The Noteholders.
Issuer's webpage:	Issuer's webpage at domain https://www.elkogroup.com/
Listing Failure:	A situation where the Notes are not admitted to trading and listing on First North within 3 (three) months after the Issue Date.
Majority Noteholders:	Noteholders (other than the Issuer, its direct or indirect shareholders and the Related Parties) who collectively hold in aggregate the Notes with the Nominal Value representing at least ½ (one half) of the aggregate Nominal Value of all outstanding Notes (other than the Notes held by the Issuer, its direct or indirect shareholders and the Related Parties) plus at least one additional Note. The Issuer, its direct or indirect shareholders and the Related Parties holding any such Notes are not eligible for voting.
Material Subsidiary	Any current and future direct or indirect Subsidiary of the Issuer, which constitutes more than 10% of the total consolidated annual revenue of the Issuer.
Maturity Date:	The date when the Notes shall be repaid in full at their Nominal Value by the Issuer, which is 20 December 2029.
Minimum Settlement Unit:	The minimum amount which can be held and traded, which is equal to the Nominal Value.

Nasdaq CSD:	Nasdaq CSD SE, registration No. 40003242879, registered address at: Vaļņu iela 1, LV-1050, Riga, the Republic of Latvia.
Nasdaq Riga:	AS “Nasdaq Riga”, registration No. 40003167049, registered address at: Vaļņu iela 1, LV-1050, Riga, the Republic Latvia.
Net Debt:	The aggregate amount of the Financial Indebtedness of the Group minus the sum of Cash and Cash Equivalents of the Group, including marketable securities, as per most recent Financial Report.
Net Finance Charges	All recurring debt related charges of the Group for the Relevant Period calculated according to the most recent Financial Reports: (a) including interest expense on the Financial Indebtedness and on Subordinated Debt; (b) including interest expense on guarantees issued by a bank or insurance company; (c) after deducting any interest income relating to Cash and Cash Equivalents; and excluding any payment-in-kind interest capitalized on 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 Issuer according to these Terms and Conditions.
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 Issuer as provided in the Terms and Conditions.
Noteholders’ Meeting:	A meeting among the Noteholders held in accordance with Clause 20. (*Noteholders’ Meeting and Decisions*) of the Terms and Conditions.
Potential Investor(s):	A private person or legal entity that has, according to the terms stated in the Terms and Conditions, expressed interest or is planning to purchase for its own account one or more Notes.
Procedure in Writing:	A written or electronic procedure for decision making by the Noteholders in accordance with Clause 20. (Noteholders’ Meeting and Decisions) of the Terms and Conditions.
Pro-Forma EBIT:	The sum of Consolidated EBIT (Earnings before interest payments and taxes) over the Relevant Period plus, to the extent not already reflected in Consolidated EBIT, EBIT over the Relevant Period of any other person or operating division or business unit of any other person acquired in an Acquisition during such period.
Pro-forma Net Finance Charges:	The sum of the Consolidated Net Finance Charges over the Relevant Period plus, to the extent not already reflected in the Consolidated Net Finance Charges, Net Finance Charges over the Relevant Period of any other person or operating division or business unit of any other person acquired in an Acquisition during such period.
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.

Related Parties:
(a) a shareholder of the Issuer who has a direct decisive influence in the Issuer, Subsidiaries and the Material Subsidiaries;

(b) a member of the management board or supervisory council of the Issuer, Subsidiaries and the Material Subsidiaries;

(c) a member of the management board or supervisory council of the shareholder who has a direct decisive influence in the Issuer, Subsidiaries and the Material Subsidiaries;

(d) a person who is a relative of the person referred to in point (a) or (b) above up to the second degree of kinship, the spouse or brother-in-law or sister-in-law up to the first degree of affinity, or a person with whom he or she has a shared household;

(e) a legal person in which the person referred to in point (a), (b) or (d) above has a decisive influence.

Relevant Period:
Each period of 12 (twelve) consecutive calendar months, fixed at the end of each calendar quarter.

Sanctions:
Economic or financial sanctions, trade embargoes and similar measures imposed, administered or enforced from time to time by the Republic of Latvia, European Union, United Nations, the Office of Foreign Assets Control of the US Department of the Treasury (OFAC) and any competent authority.

Security:
Has the meaning set forth in Clause 14. (*Undertakings*).

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 Issuer from its direct or indirect shareholders and Related Parties that is subordinated to the Notes (i.e., the principal amount of such debt is payable only after settlement of all of the obligations under the Notes).

Subsidiary:
An entity:

(a) whose affairs and policies the Issuer controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the Issuer.

The full list of Subsidiaries of the Issuer as of the date of the Offering Memorandum is available in “BUSINESS DESCRIPTION” subsection “Subsidiaries of the Issuer”.

Terms and Conditions:
The Terms and Conditions of the Notes, which form inseparable part of the Offering Memorandum.

2. USE OF THE PROCEEDS

2.1. The total issue size is up to EUR 30,000,000.00 (thirty million euro). The Notes can be issued in one or several tranches. The Notes of each tranche will all be subject to identical terms, except that the issue dates and the issue prices thereof may be different in respect of different tranches.

2.2. Funds that will be raised as a result of the Notes issue after deduction of the Arranger's placement fee and other fees and expenses related to the Issuance of the Notes will be used for refinancing the Existing Notes and general corporate purposes, including financing working capital needs.

3. GENERAL INFORMATION

3.1. The Notes are bearer securities and any individual or entity that holds the Notes in his/her 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 up to EUR 30,000,000.00 (thirty million euro).

3.2. ISIN (International Security Identification Number) of the Notes allocated by Nasdaq CSD is LV0000108637.

3.3. Minimum subscription amount for the Notes is EUR 100,000.00 (one hundred thousand euro) with minimum step of EUR 1,000.00 (one thousand euro).

3.4. The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes, irrespective of whether such further notes are consolidated with already issued Notes or not.

4. APPLICABLE LAW AND DISPUTE RESOLUTION

4.1. The Notes issue is a private placement arranged in compliance with the Financial Instrument Market Law of the Republic of Latvia (*Finanšu instrumentu tirgus likums*) and other Applicable Laws that are in force, including regulations of the Bank of Latvia, Nasdaq CSD and Nasdaq Riga.

4.2. The Notes are governed by the laws of the Republic of Latvia.

4.3. All disputes between any one or more Noteholders and the Issuer shall be settled in courts of the Republic of Latvia in accordance with the laws of the Republic of Latvia. The Terms and Conditions are prepared in English and any translations of the Terms and Conditions into another language are unofficial and made exceptionally for the Potential Investors' convenience. In case of any disputes' settlement, interpretation of the provisions of the Terms and Conditions in English shall have a priority against an interpretation in any other language.

5. 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 the Notes through Nasdaq CSD participants participating in the Latvian SSS.

6. CURRENCY OF THE NOTES

Currency of the Notes is EUR (euro).

7. STATUS OF THE NOTES

The Notes rank *pari passu* with other unsecured obligations of the Issuer. In case of the Insolvency Proceedings of the Issuer, the Noteholders will be entitled to recover their investment on the same terms as other creditors in the respective claims' group according to the 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 Issuer.

8. RIGHTS AND RESTRICTIONS CONNECTED WITH ISSUE OF THE NOTES

8.1. Each Noteholder has the right to receive Coupon and Nominal Value payments in accordance with the Clause 11. (*Coupon*) and Clause 12. (*Repayment of the Notes*), as well as exercise other rights provided in the Terms and Conditions and Applicable Laws.

8.2. The Issuer has the right to purchase the Notes on the secondary market directly from the Noteholders. The Notes that are purchased by the Issuer shall be held in the Issuer's financial instruments' custody account and the Issuer has the right to sell the purchased Notes to Potential Investors and other

Noteholders. The Issuer cannot cancel the purchased Notes held in the Issuer's financial instruments' account, therefore decreasing the size of the Notes issue, until no less than 2 (two) weeks remain until the Maturity Date. After this period, the Issuer may proceed with the cancellation of the Notes.

8.3. The Notes held by the Issuer, its direct or indirect shareholders and the Related Parties are not eligible to participate in the voting in accordance with the Terms and Conditions.

9. RESTRICTIONS ON FREE CIRCULATION OF THE NOTES

9.1. The Notes are freely transferable debt 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.

9.2. Any Noteholder wishing to transfer or offer the Notes must ensure that any offering related to such transfer or offer would not be qualified as public offering in the essence of the Applicable Laws. According to the Terms and Conditions, 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.

10. FIRST SETTLEMENT DATE OF THE NOTES

The Issue Date (First Settlement Date) of the first tranche of the Notes issue is 23 December 2025, on which the Coupon starts to accrue.

11. COUPON

11.1. Coupon rate

The Coupon rate for the Notes is 7.25% (seven point twenty-five percent) per annum and is fixed until the Maturity Date.

11.2. Coupon payment procedure

11.2.1. Coupon payments are made on each Coupon Payment Date. Coupon payments are made 2 (two) times per year – each 20 June and 20 December. The first Coupon payment will be made on 20 June 2026 and the last Coupon payment will be made on Maturity Date, which is 20 December 2029.

11.2.2. 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 are 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.

11.2.3. The Issuer shall pay the Coupon through the intermediary of Nasdaq CSD and in accordance with the applicable regulations of Nasdaq CSD, which regulate the procedure for paying income from debt securities. The regulations of Nasdaq CSD applicable on the date of the Terms and Conditions are Nasdaq CSD Rulebook and Corporate Action Service Description.

11.2.4. If the Coupon Payment Date is not a Business Day, the Issuer will pay the Coupon payment on the first Business Day after the Coupon Payment Date. The postponement of the payment date shall not have an impact on the amount payable.

11.2.5. If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms and Conditions, 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.

11.3. Coupon calculation

11.3.1. Semi-annual Coupon payments shall be calculated according to the following formula:

$CPN = F * C * n / 360$, where

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

F – Nominal Value of one Note;

C – annual Coupon rate (% with six digits after the decimal separator);

n – number of days since the Issue Date or the last Coupon Payment Date (as applicable) calculated on a 30-day basis.

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

CPN1 = F * C / 360 * D, where

CPN1 – the amount of the Coupon payment in EUR per 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 Clause 12.3 (*Early redemption at the option of the Noteholders upon Change of Control*) and Clause 12.4 (*Early redemption at the option of the Noteholders upon De-listing Event or Listing Failure*) of the Terms and Conditions;

C – annual Coupon rate (% with six digits after the decimal separator);

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

12. REPAYMENT OF THE NOTES

12.1. Repayment at maturity

12.1.1. The Nominal Value of one Note is EUR 1,000.00 (one thousand euro), and the Issuer will repay the Nominal Value of the Notes at the Maturity Date, which is 20 December 2029.

12.1.2. The Issuer shall pay the Nominal Value through the intermediary of Nasdaq CSD and in accordance with applicable regulations of Nasdaq CSD. The regulations of Nasdaq CSD applicable on the date of the Terms and Conditions are the 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 the Maturity Date.

12.1.3. If the Maturity Date is not a Business Day, the Issuer will pay the Nominal Value of the Notes on the next Business Day after the Maturity Date. In case of the postponement of the payment date, the Issuer shall compensate the accrued interest for dates between Maturity Date and actual payment date of the Nominal Value.

12.1.4. If the Issuer fails to make the Nominal Value payment in accordance with the deadlines specified in the Terms and Conditions, 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.

12.2. Early redemption at the option of the Issuer (call option)

12.2.1. The Issuer may redeem the Notes, in whole but not in part:

(a) from 20 December 2026 (inclusive) until 19 December 2027 (inclusive) by paying 103% (one hundred and three percent) of the Nominal Value amount plus accrued and unpaid Coupon;

(b) from 20 December 2027 (inclusive) until 19 December 2028 (inclusive) by paying 102% (one hundred and two percent) of the Nominal Value amount plus accrued and unpaid Coupon;

(c) from 20 December 2028 (inclusive) until 19 June 2029 (inclusive) by paying 101% (one hundred and one percent) of the Nominal Value amount plus accrued and unpaid Coupon;

(d) from 20 June 2029 (inclusive) until the day before the Maturity Date by paying 100% (one hundred percent) of the Nominal Value amount plus accrued and unpaid Coupon.

12.2.2. If the payment date under the call option is a holiday or a festive day, the Issuer will make the relevant Coupon payment and Nominal amount payment on the first Business Day after the holiday or festive day. If the payment date under the call option is a holiday or a festive day, the Issuer will compensate the accrued interest for days between payment date which is a holiday or a festive day (including) and actual payment date (excluding).

12.2.3. If the Issuer takes a decision on early redemption of the Notes, the Issuer shall notify the Noteholders at least 20 (twenty) Business Days prior to the redemption date of the Notes by publishing notice on the Issuer's website https://www.elkogroup.com/ and on Nasdaq Riga information system (after the Notes are admitted to trading on First North) as well as the Issuer shall duly inform Nasdaq CSD.

12.2.4. If the Issuer redeems the Notes, the Issuer will pay the redemption payment through the intermediary of Nasdaq CSD in accordance with applicable regulations of Nasdaq CSD. The regulations of Nasdaq CSD applicable on the date of the Terms and Conditions are the Nasdaq CSD Rulebook and Corporate Action Service Description. The list of the Noteholders eligible to receive the redemption payment plus accrued and unpaid Coupon will be fixed at the end of the previous Business Day before the redemption payment date.

12.3. Early redemption at the option of the Noteholders upon Change of Control

12.3.1. In case a Change of Control has occurred or is anticipated to occur, the Issuer has the obligation (in case of anticipated Change of Control – a right) to notify the Noteholders by publishing a relevant notice with sufficient details on its webpage https://www.elkogroup.com/ and on Nasdaq Riga information system (after the Notes are admitted to trading on First North) no later than 20 (twenty) Business Days after a Change of Control has occurred and at any time before the anticipated occurrence of a Change of Control:

(a) stating that a Change of Control has occurred or is anticipated to occur, and that each Noteholder within a period of 10 (ten) Business Days has the right to require the Issuer to redeem 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 Coupon;

(b) stating the redemption 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 to Noteholders; however, if the notice is delivered prior to the occurrence of a Change of Control, the Issuer may state that the redemption of the Notes is conditional upon the occurrence of a Change of Control, in which case the Notes will be redeemed not later than 20 (twenty) Business Days following the occurrence of a Change of Control;

(c) stating the record date;

(d) stating that any Note redeemed will cease to accrue interest after redemption and any Notes not redeemed will continue to accrue interest;

(e) describing the circumstances and relevant facts regarding the transaction or transactions that constitute a Change of Control; and

(f) describing the procedures determined by the Issuer that the Noteholder must follow to have its Notes redeemed.

12.3.2. To exercise a Change of Control put option, the Noteholder must within a period of 10 (ten) Business Days after the date of publication of the Issuer's notice submit to the Issuer a duly signed and completed notice of exercise put option in the form provided by the Issuer. The completed form shall be submitted to the Issuer by the Noteholder directly (physically signed form delivered by post or courier or electronically signed delivered by e-mail) or indirectly via the Noteholder's Custodian. If no response from the Noteholder has been received within the designated time period, it shall be considered that the Noteholder will not execute its put option. No option so exercised may be withdrawn without a prior consent of the Issuer.

12.3.3. If 75 (seventy-five) per-cent or more in Nominal Amount of the Notes then outstanding have been redeemed pursuant to this Clause 12.3 (*Early redemption at the option of the Noteholders upon Change of Control*), the Issuer may, on not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders given within 30 (thirty) days after the redemption of the Notes pursuant to Clauses 12.3.1. and 12.3.2, redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at 101% (one hundred and one percent) of the Nominal Value plus accrued and unpaid Coupon.

12.4. Early redemption at the option of the Noteholders upon De-listing Event or Listing Failure

12.4.1. In case a De-listing Event or Listing Failure has occurred, the Issuer has the obligation to notify the Noteholders by publishing a relevant notice with sufficient details on its webpage https://www.elkogroup.com/ no later than 20 (twenty) Business Days after a De-listing Event or Listing Failure has occurred:

(a) De-listing Event or Listing Failure has occurred, and that each Noteholder within a period of 10 (ten) Business Days has the right to require the Issuer to redeem 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 Coupon;

(b) stating the redemption 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 to the Noteholders;

(c) stating the record date;

(d) stating that any Note redeemed will cease to accrue interest after redemption and any Notes not redeemed will continue to accrue interest;

(e) describing the circumstances and relevant facts regarding occurrence of a De-listing Event or Listing Failure; and

(f) describing the procedures determined by the Issuer that the Noteholder must follow to have its Notes redeemed.

12.4.2. To exercise the De-listing Event or Listing Failure put option, the Noteholder must within a period of 10 (ten) Business Days after the date of publication of the Issuer's notice submit to the Issuer a duly signed and completed notice of exercise put option in the form provided by the Issuer. The completed form shall be submitted to the Issuer by the Noteholder directly (physically signed form delivered by post or courier or electronically signed delivered by e-mail) or indirectly via the Noteholder's Custodian. If no response from the Noteholder has been received within the designated time period, it shall be considered that the Noteholder will not execute its put option. No option so exercised may be withdrawn without a prior consent of the Issuer.

12.4.3. If 75 (seventy-five) per cent or more in Nominal Amount of the Notes then outstanding have been redeemed pursuant to this Clause 12.4. (*Early redemption at the option of the Noteholders upon De-listing Event or Listing Failure*), the Issuer may, on not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders given within 30 (thirty) days after the redemption of the Notes pursuant to Clauses 12.4.1. and 12.4.2., redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at 101% (one hundred and one percent) of the Nominal Value plus accrued and unpaid Coupon.

13. FINANCIAL COVENANTS

The Issuer undertakes to comply with the following financial covenants from the Issue Date and for as long as any Notes are outstanding:

(a) to maintain Interest Coverage Ratio of at least 1.5x (one point five times); calculated for the Relevant Period at the end of each quarter;

(b) to maintain Equity Ratio of at least 16% (sixteen per cent); calculated at the end of each quarter;

14. UNDERTAKINGS

The Issuer undertakes to comply with the following undertakings from the Issue Date and for as long as any Notes are outstanding:

(a) to ensure that the funds that are raised as a result of the Notes issue are used only in accordance with Clause 2 (Use of the proceeds);

(b) not make substantial change to the general nature of the business of the Issuer and the

Subsidiaries from that carried on at the Issue Date (including, but not limited to, the commencement of any new business not being ancillary or incidental to the original business);

(c) not to initiate or allow initiation of the Issuer's liquidation or similar proceedings and not to reduce the share capital of the Issuer. For the avoidance of doubt, this clause shall not apply to an initial public offering (IPO) of the shares of the Issuer, whereby by way of a primary offering (newly issued shares), secondary offering (sale of existing shares by shareholders), or combination thereof, resulting in listing and admission to trading of Issuer's shares on a recognized stock exchange.;

(d) any transactions with the Related Parties should be at a Fair Market Value;

(e) all existing and future loans received from the Issuer's shareholders and Related Parties must be subordinated to the Notes. On or around the Issue Date the Existing Shareholders will sign an acknowledgement of subordination of existing and future loans granted to the Issuer to the Notes. Noteholders are entitled to get acquainted with the acknowledgement upon written request to the Issuer;

(f) not to sell, present, change, rent, license, invest, or otherwise transfer into utilization the right to use the trademarks of the Issuer and the Subsidiaries;

(g) In case of investment larger than EUR 500,000 (five hundred thousand euro) in any company outside the Group, the Issuer or its Subsidiaries should acquire control over such other company within six months from the date of the investment;

(h) To not sell, dissolve, liquidate any Material Subsidiary;

(i) to include the Notes on First North operated by Nasdaq Riga within 3 (three) months after the Issue Date;

(j) to publish consolidated unaudited quarterly reports for the Group with management comments, prepared according to IFRS, by the end of the second month following the end of each respective quarter. The reports should also include information if the Issuer is compliant with the financial covenants set out in Clause 13 (Financial Covenants) of the Terms and Conditions;

(k) to publish consolidated annual reports for the Group prepared according to the IFRS, together with corporate governance reports prepared according to the Latvian Corporate Governance Code, within 4 (four) months for each consecutive Financial Year. The annual reports should be audited by an Auditor; and

(l) to publish consolidated sustainability reports for the Group prepared considering requirements of the Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD) within 6 (six) months for each consecutive Financial Year.

15. EVENTS OF DEFAULT

15.1. If an Event of Default occurs and is continuing, the Noteholders representing at least 10% (ten percent) of the principal amount of the outstanding Notes may by written notice to the Issuer declare the Notes and accrued Coupon to be prematurely due and payable (declare the occurrence of Event of Default). If the Issuer confirms that an Event of Default in accordance with this Clause has occurred or does not provide any information within 20 (twenty) Business Days, then the Issuer shall pay all Noteholders the Nominal Value of the Notes along with the accrued Coupon and default interest in accordance with Clause 16. (*Default Interest*) within 20 (twenty) Business Days from occurrence of any of the aforementioned events, i.e., confirmation or non-response.

15.2. The Issuer shall publish information regarding Noteholders representing at least 10% (ten percent) of the principal amount of the outstanding Notes declaring the occurrence of Event of Default and confirmation or denial of occurrence of Event of Default on the Issuer's webpage https://www.elkogroup.com/ and on Nasdaq Riga information system (after the Notes are admitted to trading on First North)

15.3. Each of the events or circumstances set out below shall constitute an Event of Default:

(a) Non-payment: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of Coupon in respect of the Notes on the due date for payment thereof, unless the payment is made within 10 (ten) Business Days following the original due date. The Noteholders shall have the right to submit claims regarding failure to make payment not earlier than 10 (ten) Business Days after the due date of the relevant payment;

(b) Breach of Financial Covenants: the Issuer does not comply with any financial covenant set out in Clause 13. (*Financial Covenants*), unless 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 Terms and Conditions; and (ii) the date that such a Financial Report was in fact published pursuant to the Terms and Conditions for any Relevant Period in which such failure to comply was (or would have been) first evidenced (**"Breach Period"**), the Issuer has received cash proceeds of new injections from the shareholders of the Issuer in a form of equity and/or Subordinated Debt (the "**Equity Cure**"), in an amount at least sufficient to ensure the financial covenants set out in Clause 13. (*Financial Covenants*) would be complied with if tested again as at the last date of the Breach Period.

Any Equity Cure provided to the Issuer in respect of such Breach Period shall be deemed to have been provided during the Breach Period and shall be included (without double counting) in all relevant calculations of the financial covenants set out in Clause 13. (*Financial Covenants*) until the date it was deemed provided falls outside any subsequent Relevant Period.

If after the Equity Cure the relevant financial covenant set out in Clause 13. (*Financial Covenants*) is met, then an Event of Default shall not be constituted.

(c) Breach of Undertakings*:* the Issuer does not comply with any undertakings set out in Clause 14. (*Undertakings*), unless the non-compliance (i) is capable of being remedied and (ii) is remedied within 20 (twenty) Business Days after the Issuer becoming aware of the non-compliance;

(d) Cross-Default:

(i) any Financial Indebtedness of the Issuer or any Subsidiary is neither paid when due nor within any applicable grace period;

(ii) any Financial Indebtedness of the Issuer or any Subsidiary 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);

(iii) any commitment for any Financial Indebtedness of the Issuer or any Subsidiary is cancelled or suspended by a creditor, as a result of an event of default (however described); or

(iv) any security securing Financial Indebtedness of the Issuer or any Subsidiary over any asset is enforced by a secured creditor;

provided, however, the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above exceeds in total USD 10,000,000 (ten million US dollars) (or the equivalent thereof in any other currency), provided that there is no dispute on the obligation to pay, and that the above does not apply to any Financial Indebtedness owed to the Related Parties or Subordinated Debt.

(e) Insolvency:

(i) the Issuer is subject to any Insolvency Proceedings or similar proceedings in any of competent jurisdictions or admits inability to pay its debts in case of lawful claims, save for the claims of the Related Parties, other than the Insolvency Proceedings which are being disputed in good faith and are discharged, stayed or dismissed within 90 (ninety) calendar days of commencement;

(ii) the Issuer enters into any arrangement with majority of its creditors by value in relation to restructuring of its debts or any meeting is convened to consider a proposal for such arrangement; or

(iii) an application to initiate any Insolvency Proceedings or similar proceedings in relation to the

Issuer or any other proceedings for the settlement of the debt of the Issuer is submitted to the court by the Issuer.

(f) **Failure to notify of a Change of Control:** the Issuer does not comply with any notification obligations set out in Clause 12.3. (*Early redemption at the option of the Noteholders upon Change of Control*).

(g) **Failure to notify of a De-Listing Event or Listing Failure:** the Issuer does not comply with any notification obligations set out in Clause 12.4. *(Early redemption at the option of the Noteholders upon De-listing Event or Listing Failure*).

16. DEFAULT INTEREST

If the Issuer fails to pay to the Noteholders any amount payable by it under the Terms and Conditions, then the Issuer shall pay to the Noteholders default interest (*nokavējuma procenti*) accruing on the overdue amount from the due date up to the date of actual payment at a rate which is 0.05% (zero point zero five per cent) per day of the principal outstanding sum.

17. FORCE MAJEURE

17.1. The Issuer shall be entitled to postpone the fulfilment of its obligations under the Terms and Conditions by publishing a relevant notice on its webpage https://www.elkogroup.com/ and on Nasdaq Riga information system (after the Notes are admitted to trading on First North 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, 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 Issuer and that materially affect the operations of the Issuer;

(c) any interruption of or delay in any functions of measures of the Issuer 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.

17.2. In case of occurrence of a Force Majeure Event, the Issuer'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.

18. DISCLOSURE OF INFORMATION

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

18.2. Unless it is provided otherwise in the Terms and Conditions, 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 Issuer's website https://www.elkogroup.com/.

18.3. Unless it is provided otherwise in the Terms and Conditions, 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 Issuer's website https://www.elkogroup.com/.

18.4. Any notice or report published in a manner prescribed in Clauses 18.1. and 18.2. of the Terms and Conditions shall be deemed to have been received on the same Business Day when it is published.

19. REPRESENTATION OF THE NOTEHOLDERS

19.1. Within the framework of the issue, it is not planned, yet not prohibited to create an organization of authorized persons, which would represent Noteholders. In case of the insolvency of the Issuer each 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.

20. NOTEHOLDERS' MEETINGS AND DECISIONS

20.1. General Provisions

20.1.1. The decisions of the Noteholders (including decisions on amendments to the Terms and Conditions, on amendments shall be passed at the Noteholders' Meeting or in Procedure in Writing at the choice of the Issuer. However, the Issuer shall have a right to amend the technical procedures relating to the Notes (including any manifest errors or other inconsistencies) without the decision of the Noteholders, if such amendments are not prejudicial to the interests of the Noteholders.

20.1.2. The Issuer shall have a right to convene the Noteholders' Meeting or instigate the Procedure in Writing at any time, and Issuer shall do so following a written request from the Noteholders who, on the day of the request, collectively hold in aggregate the Notes with the Nominal Value representing at least 1/10 (one-tenth) of the aggregate Nominal Value of all outstanding Notes (other than the Notes held by the Issuer, its direct or indirect shareholders and the Related Parties). As a general rule, the Noteholders' Meeting or in Procedure in Writing is convened by a decision of the Issuer.

20.1.3. The Issuer may refrain from convening the Noteholders' Meeting or instigating the Procedure in Writing if (i) the suggested decision does not fall under the competence of the Noteholders, or (ii) the suggested decision is not in accordance with the Applicable Laws.

20.1.4. In case convening of the Noteholders' Meeting or instigation of the Procedure in Writing is requested to the Issuer by the Noteholders, the Issuer shall be obliged to convene the Noteholders' Meeting or instigate the Procedure in Writing within 1 (one) month after receipt of the respective Noteholders' written request.

20.1.5. All expenses in relation to the convening and holding the Noteholders' Meeting or a Procedure in Writing shall be covered by the Issuer.

20.1.6. Only those who were appearing in Nasdaq CSD as the Noteholders by the end of the 5th (fifth) Business Day prior to convening the Noteholders' Meeting and only those who were appearing in Nasdaq CSD as the Noteholders by the end of the 5th (fifth) Business Day after publishing an announcement on instigation of the Procedure in Writing or proxies authorised by such Noteholders, may exercise their voting rights at the Noteholders' Meeting or in the Procedure in Writing. The voting rights of the Noteholders will be determined on the basis of the principal amount of the Notes held.

20.1.7. Without amending or varying these Terms and Conditions, the Issuer may prescribe such further regulations regarding the convening and holding of the Noteholders' Meeting or the Procedure in Writing as the Issuer may deem appropriate. Such regulations may include e.g. a possibility for Noteholders to vote without attending the meeting in person, holding the Noteholders' Meeting in the form of a video conference etc.

20.2. Noteholders' Decisions

20.2.1. A Noteholders' Meeting or a Procedure in Writing may make decisions that are binding on the Noteholders on a matter relating to the Terms and Conditions. Consent of the Majority Noteholders is required to adopt any decision.

20.2.2. Notes held by the Issuer, its direct or indirect shareholders and the Related Parties will not carry the right to vote at the Noteholders' Meetings and will not be taken into account in determining how many Notes are outstanding for the purposes of the present Clauses of these Terms and Conditions.

20.2.3. The Noteholders' Meeting and the Procedure in Writing can authorise a named person to take any necessary actions to enforce the decisions of the Noteholders' Meeting or the Procedure in Writing.

20.2.4. A matter decided at the Noteholders' Meeting or the Procedure in Writing is binding on all Noteholders, irrespective of whether they were present at the Noteholders' Meeting or participated in the Procedure in Writing. Decisions made at the Noteholders' Meeting or in the Procedure in Writing are deemed to have been received by the Noteholders at the time (i) they have been entered in the issue account maintained by Nasdaq CSD, or (ii) notified to the Noteholders by a notice published in English on the Issuer's website https://www.elkogroup.com/ and the Nasdaq Riga information system (after the Notes are admitted to trading on First North) (any such notice shall be deemed to have been received by the Noteholders when sent or published in the manner specified in this Clause), provided that a failure to do so shall not invalidate any decision made or voting result achieved. In addition, the Noteholders are obliged to notify subsequent transferees of the Notes of the decisions taken at the Noteholders' Meeting or the Procedure in Writing.

20.2.5. Information about decisions taken at the Noteholders' Meeting or the Procedure in Writing shall be provided to the Noteholders in English on the Issuer's website https://www.elkogroup.com/ and the Nasdaq Riga information system (after the Notes are admitted to trading on First North) (any such notice shall be deemed to have been received by the Noteholders when sent or published in the manner specified in this Clause).

20.3. Meetings of the Noteholders

20.3.1. If a decision of the Noteholders is intended to be passed at the Noteholders' Meeting, then a respective notice of the Noteholders' Meeting shall be provided to the Noteholders in English on the Issuer's website https://www.elkogroup.com/ and the Nasdaq Riga information system (after the Notes are admitted to trading on First North) (any such notice shall be deemed to have been received by the Noteholders when sent or published in the manner specified in this Clause) no later than 10 (ten) Business Days prior to the meeting. Furthermore, the notice shall specify the time, place and agenda of the meeting, as well as any action required on the part of the Noteholders that will attend the meeting. No matters other than those referred to in the notice may be resolved at the Noteholders' Meeting.

20.3.2. The Noteholders' Meeting shall be held in Riga, Latvia, and its chairperson shall be appointed by the Noteholders' Meeting.

20.3.3. The Noteholders' Meeting shall be organised by the chairperson appointed the Noteholders' Meeting.

20.3.4. The Noteholders' Meeting shall be held in English.

20.3.5. Representatives of the Issuer and persons authorised to act for the Issuer may attend and speak at the Noteholders' Meeting.

20.3.6. Minutes of the Noteholders' Meeting shall be kept, recording the day and time of the meeting, attendees, their votes represented, matters discussed, results of voting, and resolutions which were adopted. The minutes shall be signed by the keeper of the minutes, which shall be appointed by the Noteholders' Meeting. The minutes shall be attested by the chairman of the Noteholders' Meeting, if the chairperson is not the keeper of the minutes, as well as by one of the persons appointed by the Noteholders' Meeting to attest the minutes. The minutes from the relevant Noteholders' Meeting shall at the request of a Noteholder be sent to it by the Issuer.

20.4. Procedure in Writing

20.4.1. If a decision of the Noteholders is intended to be passed by the Procedure in Writing, then a respective communication of the Procedure in Writing shall be provided to the Noteholders in English on the Issuer's website https://www.elkogroup.com/ and the Nasdaq Riga information system (after the Notes are admitted to trading on First North) (any such notice shall be deemed to have been received by the Noteholders when sent or published in the manner specified in this Clause). Communication to the Noteholders shall include:

(a) each request for a decision by the Noteholders;

(b) a description of the reasons for each request;

(c) a specification of the Business Day on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights;

(d) information on where to receive a form for replying to the request (such form to include an option to vote “yes” or “no” for each request), as well as a form of a power of attorney;

(e) instructions how to execute and submit a form for replying to the request;

(f) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least 10 (ten) Business Days from the communication pursuant this Clause) and a manner of a reply.

20.4.2. When the requisite consents have been received in a Procedure in Writing, the relevant decision shall be deemed to be adopted even if the time period for replies in the Procedure in Writing has not yet expired.

20.4.3. The Issuer shall inform the Noteholders on the results of the Procedure in Writing and the status of the relevant decision.

TAXES

NOTICE

This summary is of general nature and should not be considered a legal or tax advice. This summary 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. Potential 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.

DEFINITION OF RESIDENTS AND NON-RESIDENTS

An individual is considered resident of Latvia for tax purposes if his or her declared 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. This also include permanent establishments of foreign entities in Latvia. Other legal entities are considered non-residents for tax purposes.

Latvia has entered into number of tax conventions on elimination of the double taxation, which may provide more favourable taxation regime. Therefore, if there is a valid tax convention with the country of a non- resident Noteholder, it should be also examined. The procedures for application of tax conventions are provided in the Republic of Latvia Cabinet of Ministers' Regulations No. 178 "Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion" of 30 April 2001. For the purposes of exchanging documents, the Noteholder should contact the Company *via* the information provided on the Company's website and/or Nasdaq Riga website.

TAXATION

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 and Conditions of the Notes are as follows:

Legal status of income beneficiary	Notes that are not in the public circulation (not admitted to trading on a regulated market for the purposes of MiFID II)		Condition
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	25.5%	25.5%[1]	25.5% tax from the interest (coupon) income is withheld and transferred to the State budget by the Issuer. [1] – Income from disposal of the Notes is considered equivalent to an interest income and taxed in the same way at 25.5% rate in Latvia. Should the total taxable income as defined under the Law "On Personal Income Tax" of an individual resident of Latvia exceed EUR 200,000 in a year, additional tax rate of 3% will

			be applicable to the portion of income exceeding EUR 200,000. Special rules apply if the transactions with the Notes are made through an investment account within the meaning of the Law "On Personal Income Tax". In such case taxation of income is deferred until the moment when the amount withdrawn from the investment
Company resident of Latvia	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	Interest (coupon) income and a capital gain from the Notes constitute a part of the beneficiary's - Latvian company's overall income. The Corporate Income Tax obligation is deferred to the moment of profit distribution (dividends, interim dividends) or deemed profit distribution (e.g., 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).
Individual non-resident	5%/20%/25.5%[2,4]	5%/20%/25.5%[2,3,4]	5% tax from interest (coupon) income and a capital gain from the Notes can be withheld and transferred to the State budget by the Issuer of the Notes, if all of the following three criteria are met: (i) the payment is made with the intermediation of an investment service provider, including Nasdaq CSD, and the issue of the Notes is organized by an investment service provider supervised by competent authority supervising financial markets and participants thereof (such as the Bank of Latvia); (ii) the recipient of such income is a resident of the European Union or the European Economic Area and is not engaged in economic activity; (iii) the Notes are not publicly traded. Otherwise 25.5% tax from the interest (coupon) income or an income from disposal of the Notes is withheld and transferred to the State budget by the Issuer. [2] - In general, interest payments and other payments (except principal loan) to non-resident located, registered or incorporated in a no-tax or low-tax country or territory as defined according to the Regulations of the Cabinet of Ministers No. 333 "List of Low-Tax or No-Tax Countries and Territories", adopted on 27 June 2023, effective as of 1 July 2023, are subject to

			withholding tax of 20% if the payer is a Latvian legal entity. 3 - Income from disposal of the Notes is considered equivalent to an interest income and taxed at 25.5% rate. 4 - A non-resident individual being a beneficiary of interest (coupon) income or an income from disposal of the Notes 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.
Company non-resident	Not taxable in Latvia[5,6]	Not taxable in Latvia[5,6]	Interest (coupon) income and a capital gain derived by a non-resident company (except a company from no-tax or low-tax countries or territories) are not taxable in Latvia. 5 - In general, interest payments and other payments (except principal loan) to non-resident located, registered or incorporated in a no-tax or low-tax country or territory as defined according to the Regulations of the Cabinet of Ministers No. 333 “List of Low-Tax or No-Tax Countries and Territories”, adopted on 27 June 2023, effective as of 1 July 2023, are subject to withholding tax of 20% if the payer is a Latvian legal entity. 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.

Source: Applicable Laws of the Republic of Latvia

TERMS OF THE PRIVATE OFFERING

Words and expressions defined in the Terms and Conditions of the Notes below or elsewhere in the Offering Memorandum have the same meanings in this section.

1.1. Method of issue

The Notes will be issued in two tranches and Exchange Offer. The Notes of each tranche will all be subject to identical terms, except that the issue dates and the issue prices thereof may be different in respect of different tranches.

1.2. Subscription for the Notes

The subscription period ("Subscription Period") for the Notes is divided in two stages:

I. Initial offering ("New Subscription"), which is divided in two tranches:

a. "First Tranche" – Offering of the Notes with the total nominal value of up to EUR 20,000,000 (twenty million Euro) with the Subscription Period that commences on 8 December 2025 at 10:00 Riga time and ends on 19 December 2025 at 17:00 Riga time. In case the total number of the Notes subscribed for during the Subscription Period of the First Tranche is larger than the number of Notes available, the Issuer has the right but no obligation to increase the First Tranche size to up to EUR 30,000,000 (thirty million Euro).

b. "Second Tranche" – Offering of the remaining Notes with the total nominal value of up to EUR 10,000,000 (ten million Euro), provided that the issue size of the First Tranche was less than EUR 30,000,000 (thirty million Euro). The Subscription Period of the Second Tranche and planned settlement date shall be announced by the Issuer by publishing a relevant notice with sufficient details on its webpage https://www.elkogroup.com/ and on Nasdaq Riga information system (after the Notes are admitted to trading on First North) as well as the Issuer shall duly inform Nasdaq CSD 2 (two) business days before the planned settlement date. Subscription for the Second Tranche can end on the Maturity Date, or when all Notes are sold, whichever is earlier.

II. The Exchange Offer acceptance period shall commence on 8 December 2025 at 10:00 Riga time and end on 19 December 2025 at 16:00 Riga time. During this period the existing notes with the ISIN LV0000870079 and maturity on 12 February 2026 ("Existing Notes") can be exchanged for the Notes with a settlement date on Exchange Offer Settlement Date, which is 23 December 2025.

1.3. Exchange Offer

1.3.1. By filing a respective corporate event notification to the Nasdaq CSD, within the respective stage of the placement period, the Issuer will offer to all investors holding the Existing Notes (Existing Noteholders) to exchange the Existing Notes with the Notes.

1.3.2. The exchange ratio ("Exchange Ratio") is one-to-one and any number of the Existing Notes can be used for the exchange to the extent the Notes are unsold.

1.3.3. Existing Noteholders can exchange their Existing Notes for the Notes by submitting within the respective stage of the placement period an offer for exchange to their Custodian in writing using the offer form provided by the Custodian banks stating the number of Existing Notes to be exchanged. The Custodian shall in turn inform the Nasdaq CSD on the total number of Existing Notes to be exchanged with the Notes and Existing Noteholders who requested the exchange.

1.3.4. Each Existing Noteholder willing to participate in the offer shall authorise and instruct the Custodian to immediately block the total number of the Existing Notes to be exchanged with the Notes on the Existing Noteholders' securities account until the settlement for the transaction is completed or until the Existing Notes are released.

1.3.5. The number of the Existing Notes on the Existing Noteholders' securities account to be blocked shall be equal to the total number of the Existing Notes to be exchanged with the Notes. An Existing Noteholder may submit a subscription order only when there is a sufficient number of the Existing Notes on the securities account. If the number of the Existing Notes, which are blocked is insufficient, the order shall be deemed valid only in respect to the amount of a sufficient number of the Existing Notes that are on the Existing Noteholders' securities account.

1.3.6. The Exchange Offer is not addressed and cannot be accepted by any Russian or Belarusian national, any natural person residing in Russia or Belarus, or any legal person, entity, or body established in Russia or Belarus. This restriction 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.

1.3.7. Every Existing Noteholder that accepts the Exchange Offer is entitled to a fee of 0.75% (zero point seventy-five percent) as compensation for participation in the Exchange Offer. The fee is payable within 10 (ten) Business Days after the Exchange Offer Settlement Date and the record date for the fee is the Exchange Offer Settlement Date. For tax purposes the fee is treated as interest payment.

1.3.8. Every Existing Noteholder that accepts the Exchange Offer is entitled to a fee of 2.1833% (two point one thousand eight hundred and thirty-three per cent) as compensation for the accrued interest on the Existing Notes subject to exchange for the period from last coupon payment date of the Existing Notes until the Issue Date. Considering the Exchange Ratio, the amount of accrued interest payable to Existing Noteholder participating in the Exchange Offer shall be EUR 21.83 (twenty-one euro eighty-three cents) per one Note. The fee is payable within 10 (ten) Business Days after the Issue Date and the record date for the fee is the Issue Date. For tax purposes the fee is treated as interest payment.

1.3.9. Only those Existing Noteholders who hold the Existing Notes in Nominal of at least EUR 100,000 (one hundred thousand euro) are eligible to participate in the Exchange Offer arrangement.

1.4. New subscription

1.4.1. The orders to acquire the Notes ("**Subscription Orders**") can be submitted to the Arranger every Business Day during normal working hours until the end of the Subscription Period. More detailed information on the submission of the Subscription Orders is available by phone (+371 67 081 069).

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

1.4.3. 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.

1.4.4. 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.

1.4.5. All Subscription Orders to the Notes shall be considered as binding and irrevocable commitment to acquire the allotted Notes.

1.4.6. By submitting the Subscription Order the Potential Investor confirms that it/he/she: (a) has read the Offering Memorandum and understands the Terms and Conditions ; (b) agrees and commits to adhere to the Terms and Conditions; and (c) authorizes and instructs the Custodian, the Arranger, the Issuer, distributors or other parties involved in the Subscription Order submission and/or settlement process, forward and exchange its/his/her personal data and information provided in the Subscription Order.

1.4.7. In accordance with Article 5f of Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (as amended), it is prohibited to sell the Notes to any Russian national or natural person residing in Russia or any legal person, entity or body established in Russia. This prohibition shall not apply to nationals of a Member State of the European Union, of a country member of the European Economic Area or of Switzerland, or to natural persons having a temporary or permanent residence permit in a Member State of the European Union, in a country member of the European Economic Area or in Switzerland.

1.4.8. In accordance with Article 1y of Council Regulation (EC) No 765/2006 of 18 May 2006 concerning restrictive measures against President Lukashenko and certain officials of Belarus (as amended), it is prohibited to sell the Notes to any Belarusian national or natural person residing in Belarus or any legal person, entity or body established in Belarus. This prohibition shall not apply to nationals of a Member State of the European Union or to natural persons having a temporary or permanent residence permit in a Member State of the European Union.

1.4.9. The First Settlement Date of the first tranche of the Notes is 23 December 2025.

1.4.10. 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 Issuer is not obliged to compensate any such expenses incurred by the Potential Investor.

1.5. Price of the Notes

1.5.1. The purchase price of the Notes can be equal to 100% (one hundred per cent) 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.

1.5.2. All subscription orders that have been submitted after the First Settlement Date shall be executed with accrued interest, unless the subscription orders are submitted within 5 (five) Business Days before the end of each respective 6 (six) month period – from the Coupon record date and until the Coupon Payment Date, in which case the subscription orders shall be executed without accrued interest.

1.6. Allocation of the Notes to Noteholders

1.6.1. The Issuer shall establish the exact number of Notes to be allocated to the Existing Noteholders who have participated in the Exchange Offer and to investors who submitted their subscription orders during the New Subscription period.

1.6.2. 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 Investment Amount.

1.6.3. In case the total number of the Notes exchanged and subscribed for during the Exchange Offer period and Subscription Period is less than the number of the Notes available, the Notes will be allotted based on the exchange instructions and Subscription Orders placed.

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

1.6.5. Allocation principles and priority for the Exchange Offer and the First Tranche with the total nominal value of up to EUR 20,000,000 (twenty million Euro) (subject to increase in size of the First Tranche):

1) Existing Noteholders who have elected to participate in the Exchange Offer shall be allotted the Notes fully, observing the Exchange Ratio;

2) Other investors who have submitted their subscription orders during the Subscription Period. The following principles will be observed during the allocation process: (i) the allocation shall be aimed to create a solid, reliable and diversified investors base for the Issuer; (ii) the Issuer may apply different allocation principles to a different group of investors; (iii) the Issuer may set a minimum and a maximum number of Notes allocated to one investor, but not less than EUR 100,000.00 (Minimum Investment Amount).

1.6.6. Allocation principles for the Second Tranche with the total nominal value of up to EUR 10,000,000 (ten million Euro) shall be in line with 2) of Clause 1.6.5.

1.6.7. The Issuer 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, Sanctions regulations compliance risk or other risks.

1.7. Discontinuation of the placement and reduction of the Notes issue size

1.7.1. The Issuer may decide to discontinue placement of the Notes at any time until the end of the Subscription Period.

1.7.2. The Issuer may decide on reduction of the Notes issue size.

1.7.3. Any Notes that are not issued shall be deleted.

1.8. Settlement of New Subscription

1.8.1. The First Settlement Date of the Notes is the Issue Date. All subscription orders that are aggregated during the subscription period with settlement date on the Issue Date will be delivered without accrued interest.

1.8.2. The settlement date after the First Settlement Date for the Notes can be any Business Day which is not earlier than the 2nd (second) Business Day and not later than 20th (twentieth) Business Day after Subscription Order is dully submitted to the Arranger.

1.8.3. Settlement of the Notes will be executed through Nasdaq CSD in accordance with the DVP (delivery versus payment) principle pursuant to the applicable rules of Nasdaq CSD.

1.8.4. The Custodians shall 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.

1.8.5. Settlement for the Notes can be executed according to other procedure, which is agreed to by the Arranger and a Potential Investor, but in any case, through Nasdaq CSD in accordance with the DVP (*delivery versus payment*) principle pursuant to the applicable rules of Nasdaq CSD.

1.9. Settlement of Exchange Offer

1.9.1. For all the Existing Notes to be exchanged with the Notes, the Nasdaq CSD will instruct a relevant Custodian to transfer the total number of the Notes to its clients, which in turn will transfer specific number of the Notes to each of the Existing Noteholders. On the Exchange Offer Settlement Date, the Nasdaq CSD will delete a number of the Existing Notes that were exchanged for the Notes from each of its members accounts. On the Exchange Offer Settlement Date the Nasdaq CSD shall record on the Arranger's account all the Notes that were not exchanged for during the Exchange Offer period.

1.10. Pre-emptive rights

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

1.11. Listing

1.11.1. The Issuer plans to request the admission to trading of the Notes on First North within 3 (three) months after the Issue Date and submit the Offering Memorandum to Nasdaq Riga. The Issuer does not undertake to register the Notes prospectus with the Bank of Latvia or list the Notes on any regulated market.

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

GENERAL INFORMATION

Words and expressions defined in the Terms and Conditions of the Notes below or elsewhere in the Offering Memorandum have the same meanings in this section.

GENERAL INFORMATION ON THE ISSUER

The Issuer is Akciju sabiedrība "ELKO GRUPA", a joint stock company (AS) registered in the Register of Enterprises of the Republic of Latvia under registration No. 40003129564.

Legal entity identifier: 549300TNFQRZUIMUKG02

Legal address: 4 Toma iela, Riga, Latvia, LV-1003.

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

The Issuer is a parent company of the Group which is a market leader in IT & consumer electronics distribution.

The Issuer is owned by Stanislav Matveev (23.74%), Alexander Yamnitskiy (23.66%), Kaspars Viškints (13.16%*), Andris Putāns (13.16%), Egons Mednis (12.87%), Ēriks Strods (12.24%), and the Management team (1.17%).

*Kaspars Viškints owns 85% of EUROTRAIL SIA, which owns 13.16% of the Issuer.

DECISIONS OF THE COMPANY ON THE NOTES ISSUE

On 3 December 2025, the Company's shareholders passed the decision to issue the Notes and to authorize the management board to approve and sign all the documents (including the Offering Memorandum) related to the issuance of the Notes.

On 3 December 2025, the Company's Supervisory Council passed the decision to issue the Notes and to authorize the management board to approve and sign all the documents (including the Offering Memorandum) related to the issuance of the Notes.

On 3 December 2025, the Company's Management Board passed the decision to issue the Notes and to approve and sign all the documents (including the Offering Memorandum) related to the issuance of the Notes.

AUDITOR

The Group's consolidated annual reports for 2024 and 2023 have been audited by SIA Ernst & Young Baltic, registration number: 40003593454, legal address: Riga, LV-1010, Muitas iela 1A.

ADVISORS INVOLVED IN THE ISSUE

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

EXTERNAL AUDIT OF THE INFORMATION INCLUDED IN THE OFFERING MEMORANDUM

The information included in the Offering Memorandum have not been verified by auditors.

STATEMENTS OR REPORTS INCLUDED IN THE OFFERING MEMORAMNDUM

The Offering Memorandum does not contain any expert statements or reports.

CREDIT RATINGS

No credit rating has been assigned to the Issuer or to the Notes.

BUSINESS DESCRIPTION

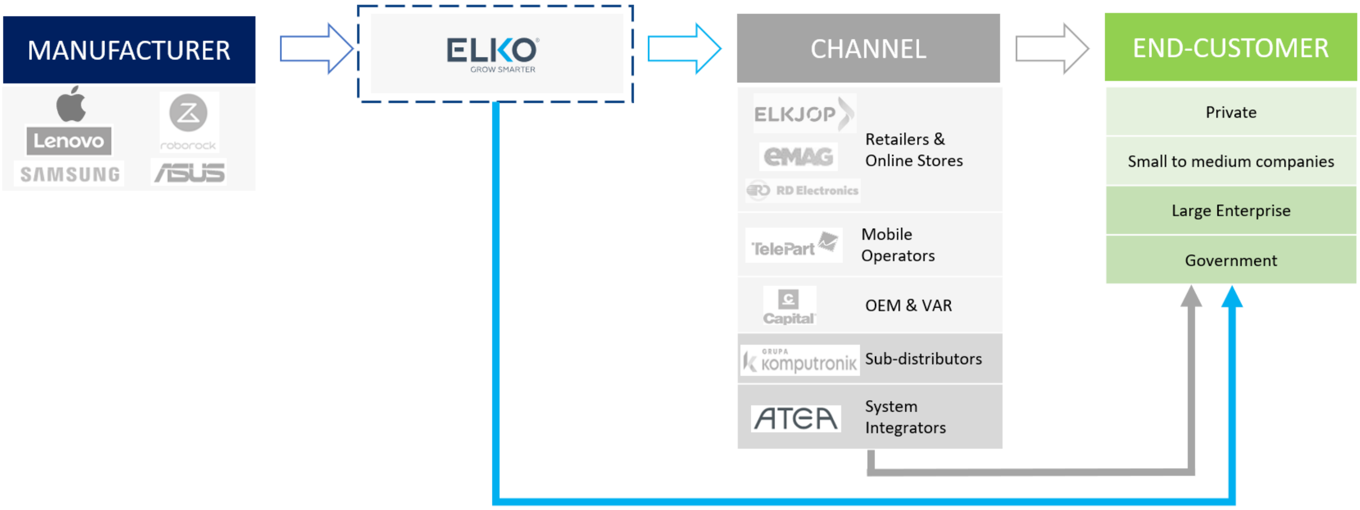
Words and expressions defined in the Terms and Conditions of the Notes below or elsewhere in the Offering Memorandum have the same meanings in this section.

GROUP OVERVIEW

ELKO Grupa is one of the leading IT products and consumer electronics distributors operating in CEE countries, Nordic region and Baltic countries. The Group was established in Latvia in 1993 and its principal activity is the wholesale distribution of desktop solutions, smartphones, IT components, and home and office electronics, as well as provision of software solutions, security systems and data centre infrastructure achieved through the wide network of its subsidiaries and cooperation partners. The Group distributes a broad range of more than 40 000 IT and consumer electronics products from 400+ leading international vendors, including brands such as Apple, Samsung, Asus and Lenovo. Based in Riga, Latvia, ELKO Grupa currently sells its products to more than 40 countries through sales offices in 13 countries, servicing more than 12 000 diverse customers, including large retailers and online stores, sub-distributors, mobile operators, system integrators and OEM & VAR customers. The Group employs more than 1 200 people. Consolidated revenue in 2024 reached USD 1 143 million, in the first 6 months of 2025 revenue reached USD 558 million.

ELKO Grupa reaches end consumers via resellers and direct sales channels. The Group bridges the gap between large manufacturers and regional resellers, both enabling the manufacturers to gain access to new markets and providing expert insight and exposing regional resellers to a wide range of products through a single partner.

The Business model of the Group



OPERATING ENVIRONMENT

The Group operates in the IT and CE (Consumer Electronics) industry that ranks as one of the largest industries in the world. According to Mordor Intelligence, The European ICT (Information and Communication Technology) market, which includes hardware, software, services and telecom, is forecasted to expand from the current market size of USD 1.18 trillion to USD 1.56 trillion by 2030, which corresponds to a CAGR (compound annual growth rate) of around 5.3%.

ELKO Grupa operates in 40+ countries across Europe, mainly the Central and Eastern Europe, Nordics and the Baltic region. ELKO Grupa’s revenue depends on political, macroeconomic and legal environment in the EU and non-EU regions. Countries that are part of the European Union exhibit more homogeneous development where economic cycles tend to be highly correlated. ELKO Grupa distinguishes four main regions – the CEE, the Nordic region, the Baltic region, and Ukraine.

Central and Eastern Europe region

The Central and Eastern Europe (CEE) region remains the Group’s largest revenue contributor, accounting for 47% of total revenue in 2024. The Group operates in Romania, Poland, Slovakia, the Czech Republic, Hungary, Greece, Slovenia and Croatia - markets that have demonstrated solid recovery driven by domestic demand, rising investment, and continued EU fund inflows.

Poland's GDP grew by 2.9% in 2024, rebounding from near-stagnation in 2023, supported by household consumption and public spending. Inflation across the region has eased from the highs of 2022-2023; in Poland it declined to 3.7% in 2024, while in Romania and Hungary it remains elevated but trending downward as energy and food prices stabilize. EU programmes such as NextGenerationEU and cohesion funds continue to bolster public investment, infrastructure, and digitalization, supporting modernization across ELKO's key markets.

Economic prospects remain positive, with Poland's growth projected above 3% in 2025 and other CEE economies benefiting from improved real incomes and expanding demand for premium IT products, enterprise infrastructure, and related services. ELKO Grupa is a top-three distributor for its key vendors across the region and holds a strong position as Apple's premium reseller and B2B solutions provider in Slovakia and the Czech Republic, supported by a profitable mobile and gaming retail operation in both markets.

Nordic region

The Nordic region accounted for 18% of the Group's total revenue in 2024, a share that has remained stable within the 15-22% range over the past four years. It represents the Group's most recent geographic expansion, following the 2017 entry into Sweden through an acquisition. Sweden serves as the Group's main Nordic hub, complemented by additional presence in Norway, Finland and Denmark.

Comprising some of Europe's most advanced and high-income economies, the Nordics are characterized by institutional stability, strong infrastructure and high digitalization. Robust purchasing power drives consistent demand for premium IT products, fast technology refresh cycles and advanced enterprise solutions. The region has maintained steady growth despite global economic headwinds, supported by sound fiscal policy and sustained investment in green transition, digital infrastructure and public services.

The Nordics also serve as a leading hub for data center development, particularly in Sweden, Finland and Norway, where renewable energy and favorable regulation create competitive advantages. Demand for branded consumer electronics and computing equipment remains solid, with shorter replacement cycles and high adoption rates across both private and public sectors.

Baltic region

The Baltic region accounted for around 18% of the Group's total revenue in recent years, with a 17% contribution in 2024. Given the long-standing presence in the region, ELKO Grupa maintains one of its widest and most balanced product portfolios in the Baltics and has firmly established itself as a top-three distributor across all three markets.

Latvia, Estonia and Lithuania were the first markets of ELKO Grupa, and the Group continues to operate offices in each country. Although relatively small - home to around six million people - the Baltic economies have shown consistent growth following the post-2008 recovery. As of 2024, all three countries have fully regained pre-pandemic GDP levels and continue on a stable growth trajectory. Rising disposable incomes, steady inflows of foreign investment and Eurozone membership have supported the region's fast-paced IT sector development. The Baltics remain among Europe's most favorable environments for IT companies and fintech start-ups, where ELKO Grupa benefits from stable operations and strong market positioning.

Ukraine

Ukraine has long been a core, yet volatile market for the Group. Since the outbreak of full-scale invasion by Russia in February 2022, the country's economy has been under severe strain: real GDP fell by approximately 28.8% in 2022, before rebounding by 5.5% in 2023. In 2024 the recovery continued, albeit more moderately, with GDP growth of 2.9%. Despite this bounce, the economy remains below the pre-war levels. Inflation has reaccelerated amid war pressures, rising from about 5.1% at end-2023 to 12% in December 2024.

Despite the current market and political conditions, the Group is currently conducting business with clients in Ukraine via the existing franchising agreement which mitigates most of the country risk for the Group. PC and CE business are among the key growth engines in the region, with the Group solidifying its market position as a top 3 distributor for each of its key vendors in Ukraine. In 2024, the region contributed to around 18% of the Group's total revenues.

COMPETITION AND THE STRATEGY OF THE ISSUER

ELKO Grupa faces strong competition in all of its markets – the CIS region, the CEE region, Baltics and Nordic region.

The Group mainly competes with multinationals and large regional players – ALSO, Ingram, ASBIS, MTI, Exertis, TD Baltics. Some of the competitors are smaller than ELKO Grupa in terms of revenue but others are international players listed on stock exchanges and have access to cheaper funding than the Issuer. The Group strives to be top 3 distributor in each of its markets and top 3 with each of its vendors. ELKO Grupa's broad cross-border presence has allowed the Group to mitigate its exposure to competition in any particular market.

Competition in the market for the distribution of IT products is generally based on vendor and product selection and availability, price, ability to tailor solutions to specific customer needs, service, support and training, willingness to provide credit, ability to provide logistics services on behalf of the vendor and speed of delivery. Each IT and consumer electronics distributor tries to differentiate itself by offering wider products range, financing options, delivery speed including availability of certain products in own warehouses.

The larger (in terms of revenue) rivals of the Group generally focus on enterprise IT solutions, developing could infrastructure and XaaS (Everything-as-a-Service) ecosystems given their size and access to capital. The Group strategically positions itself at the forefront of medium-sized clients that value the flexibility of the Group's service and close-knit relationships, which has enabled the Group to carve out a significant market share. In recent years, the Group has pivoted to the high-growth, Chinese brand driven CE segment, which further diversifies the Group's product mix and reduces reliance on the wholesale of IT products. In addition, the Group takes an active role as a brand developer in key markets, which solidifies vendor relationships and enhances the Group's reputation as a trustworthy and high value-add partner.

The main barriers to entry in the distribution industry are vendor relations, which may include geography limitations, availability of own capital as well as vendor and bank financing availability, accounts receivable insurance terms and prices. The know-how of certain processes is developed internally and is hard to replicate.

BUSINESS SEGMENTS OVERVIEW

ELKO Grupa is a distributor of IT and CE hardware and software, as well as a provider of IT solutions. The Group has to manage relations with vendors, which are usually well-known global manufacturers, with logistics partners that have to ensure timely deliveries and clients that are located in various countries and vary in terms of purchasing volumes, product mix, payment options etc.

The wide range of products and services offered by the Group can be divided in five main categories:

1) **IT Products:** a well-diversified portfolio of components, personal computing goods, software and other;
2) **Mobile Communications:** includes primarily smartphones and accessories for smartphones;
3) **Consumer Electronics:** a fast-rising segment that includes domestic appliances, home & office electronics, TVs and more;
4) **Solutions:** consisting of services related to security systems, data centre infrastructure, industrial automation and others;
5) **Other**, constantly new segments, including power tools Do-it-Yourself (DIY) goods, renewable energy solutions, drones and others.

Over the years, the Group has strategically expanded its product portfolio, reducing reliance on traditional sales of computer components and mobile communications. Actively pursuing new product opportunities, the Group has broadened its offering in line with industry trends, enhancing both regional presence and operational diversification. This ongoing shift in product mix positions the Group to capture growth in high-potential segments, supporting long-term value creation and reinforcing its resilience across evolving market conditions.

Breakdown of revenue by product segments

Segment	Revenue share, %			
	2021	2022	2023	2024
IT Products	45%	41%	39%	34%
Mobile Communications	21%	20%	22%	26%
Consumer Electronics	28%	29%	26%	24%
Solutions	5%	5%	7%	7%

Other	1%	5%	6%	9%

CLIENTS

The Group has a wide and diversified client base, which includes more than 12 000 clients as of the end of 2024. Sales approach and principles varies from product groups and customer segmentations. Throughout the years the top 30 largest clients have contributed to around 40% of the Group's total revenue – in 2024, this proportion stood at 38%

Revenue concentration by client groups

Client group	Revenue share, %			
	2021	2022	2023	2024
Top 10	22%	20%	20%	22%
Top 11-20	10%	10%	9%	9%
Top 21-30	7%	7%	7%	7%
Total top 30	**39%**	**37%**	**36%**	**38%**
Other clients	61%	63%	64%	62%

Customers in all countries are segmented in 5 groups: retailers and online stores, sub-distributors and resellers, mobile operators, system integrators, and OEMs and VARs. Depending on the customer group, the provided distribution service mix varies in terms of logistics, finance, product stocking, technical pre-sales or after-sales, account handling, marketing support and etc.

More about the Group's client groups:

- Retailers and online stores:
    - Largest client group contributing 47% to the Group's total revenue in 2024;
    - Supermarkets, hypermarkets, large retail electronic chains etc.;
    - Significant demand for notebooks and consumer electronics;
    - Client examples: Euronics, RD Electronics, EMAG;
    - Demand special terms and very long payment periods.
- Sub-distributors and resellers:
    - Second largest client group, constituting 22% of the Group's total revenue in 2024;
    - No direct contact with vendors;
    - Tend to supply niche markets (either geographic or product);
    - Occasionally act as sub-distributors;
    - Client examples: Maktubas, Sandman Group, Komputronik,
    - Resellers tend to work as product brokers, taking an opportunistic approach to buying.
- Mobile operators:
    - Contributed 22% to the Group's total revenue in 2024;
    - Significant demand for mobile phones, smartphones and tablets;
    - Client examples: Telia, LMT, tet, TelePart;
    - Demand special terms and very long payment periods.
- System Integrators:
    - In 2024, this client group contributed to 5% of the Group's total revenue;
    - Sell self-assembled PCs for special IT projects;
    - Can generate significant volume on large projects;
    - Large system integration projects require competitive pricing and guaranteed lead time;
    - Client examples: Novian, CTB, Inida;
    - The Group adds significant value with product knowledge, expertise and wide product portfolio, helping SI's to build complete solutions.
- Original Equipment Manufacturers (OEMs) and Value-Added Resellers (VARs)
    - Contributed 4% to the Group's total revenue in 2024;
    - PC assemblers who buy components from multiple sources and construct own-brand PCs;
    - Require regular supply and 'just-in-time' shipments;

- Client examples: Comino, Capital AS;
- Tender requests requiring competitive pricing and guaranteed shipments provide additional volume.

The Group has no plans to alter any of its sales channels. In the future, changes could occur due to Group's Solutions portfolio expansion.

Distribution of IT hardware and consumer electronics exhibits some seasonality due to active holiday shopping and public tenders each year during the fourth quarter (October – December), which also means high levels of accounts receivable and extensive use of credit lines during the same period. At the same time the second quarter (April – June) has the smallest revenue and in turn allows for lower levels of working capital.

Efficient inventory management enables timely deliveries with the lowest amount of tied up capital.

Client risk management

ELKO Grupa internally evaluates each client and possibilities to sell on credit. In most cases, invoices are paid within 7 to 90 days. Credit risks are regulated by credit policy. For every sales office, there is individual credit policy in place and while all policies share the same framework, each policy takes into account local nuances.

Headquarters' (HQ) credit control is responsible for implementing and maintaining credit policies at every sales office, controlling credit policy obedience and maintaining overall credit risk at a low level. Each sales office has a dedicated credit controller that is responsible for credit control implementation and maintenance at office level. Local credit control is supervised by the HQ credit control team.

Furthermore, ELKO Grupa uses other tools to mitigate credit risk starting from blocking all shipments to any customer with delay, continuing with sophisticated alert system that signals any changes in customers' payment and buying habits, and ending with different kinds of collaterals for limits. Cash deposits, bank guarantees, and trade credit insurance are used.

Due to market circumstances, the Group does not use trade credit insurance in Ukraine. Nevertheless, Ukrainian customers undergo rigorous evaluation prior the limit approval and close monitoring in further cooperation.

Quality of trade receivables

Despite the rigorous internal customer evaluation algorithms and processes implemented at the sales office level, the geopolitical tensions that exacerbated in 2022 have impacted the group's receivables. The increase in the allowance for impairment from 2021 to 2022 is due to an individual provision for debtor of USD 21 946 thousand, which is related to sales at the end of 2021, where complications with debt collection have arisen due to changes in the geopolitical situation. Therefore, the management decided to create provisions for the part of the debt, which at the year-end of 2022 amounted to USD 21 769 thousand.

In the fiscal year 2023, the Group received a substantial payment totaling USD 7 096 thousand from the debtor. In the year 2024, Group received a payment of USD 8 096 thousand, bringing down the total unpaid gross amount at the year-end 2024 to USD 28 343.

Despite positive development, the provision recognized in 2022 for this debt has not been reversed. The significance of this outstanding amount still warrants careful consideration and prudent management.

	Trade receivables, USD thousands			
	31.12.2021	31.12.2022	31.12.2023	31.12.2024
Trade receivables	**307 071**	**191 365**	**172 623**	**156 176**
Allowance for impairment	(3 643)	(24 111)	(22 756)	(22 446)
As % of total receivables	1.19%	12.6%	13.18%	14.37%
Trade receivables – net	**303 428**	**167 254**	**149 867**	**133 730**

VENDORS

The Group actively manages product portfolio through diligent selection of vendors and vendor diversification. The main criteria include:

- product quality,
- pricing strategy,
- marketing strategy,
- logistic setup,
- finance services,
- partner enablement services,
- after-sales.

The Group has established general rules of vendor portfolio development considering: product groups, product segmentation and characteristics, vendor maturity in terms of R&D investment, local persistence and engagement in channels, vendor recognition within a particular market, vendor's market share and the cross vendor strategic alignment. The Group revises vendors and the product mix to develop its product range in line with industry trends.

As of the end of 2024, the Group works with more than 400 leading IT product manufacturers. The Group has forged strong and long-lasting relationships with all of its main vendors (for some the relationships span decades) and for multiple brands ELKO Grupa is the only sizeable distributor in specific regions, providing de facto exclusive distribution rights. Currently, the largest vendors are Apple (20%), Roborock (8%) and DJI (7%). It is important to note that the vendor mix is highly dynamic, driven by changes in consumer demand and preferences. The Group actively seeks vendor diversification to reduce single-vendor dependency below 20-25% of total revenue.

Breakdown of revenue by vendors

Segment	Revenue share, %			
	2021	2022	2023	2024
Apple	19%	19%	20%	20%
Roborock	12%	12%	10%	8%
DJI	1%	3%	5%	7%
Samsung	3%	3%	4%	5%
Asus	5%	5%	6%	5%
Lenovo	4%	5%	5%	4%
Xiaomi	2%	0%	1%	4%
Dell	3%	3%	3%	3%
Dreame	1%	1%	1%	3%
MSI	3%	2%	3%	3%
Other	39%	41%	40%	38%

Each vendor has its own sales and promotions program. Programs differ in terms of their intended goals, with programs such as: Sales out programs, sales in programs, price protection programs, special price programs, different type of marketing programs, with different details and maturity. Majority of the sales programs include calculating back-end rebates, which is a crucial term in the industry.

INVENTORY

The Group maintains a broad and diversified inventory to ensure swift and reliable delivery across its extensive distribution network in Eastern and Northern Europe. As of the end of 2024, the portfolio comprised more than 40 000 SKUs, reflecting the Group's wide range of IT and consumer electronics products. The total inventory value amounted to USD 129 million, with valuation conducted at historical cost under the Weighted Average Cost (WAC) method.

The composition of inventory by product category closely mirrors the Group's sales distribution, which ensures operational alignment and reduces concentration risk. Inventory levels are actively supported by the Group's vendor base, as IT and consumer electronics manufacturers typically encourage healthy distributor stock positions through promotional campaigns, sales incentives, stock rotation programs and protection measures. The Group's inventory management strategy is balanced and disciplined, providing the necessary scale and flexibility to meet customer demand while posing no material risk to creditors or overall financial stability.

As of the end of 2024, 42% of inventory comprised of IT Products, 29% of Consumer Electronics products, 16% of Mobile Communications products, 5% of products in the Solutions segment and 8% of products in the Others segment.

LOGISTICS

The Group currently has sales offices in 13 countries and sales in 40+ countries. A large part of consumer electronics products is manufactured in the People's Republic of China. ELKO Grupa receives the goods in its logistics hubs (located in the Netherlands and Latvia) or directly to its warehouses in countries of operation. The Group relies almost entirely on arrangements with third-party warehouses where the Group is the anchor lessee.

Typically, large product deliveries are delivered by vendors to one of the above-mentioned hubs, where the delivery is further split and transferred either directly to customers or to one of the smaller warehouses at the regional offices as every region has its own warehouse. Smaller deliveries could be directly delivered to regional warehouses.

The Riga warehouse serves the Baltic region. The Company's decision to lease/outsource rather than buy property has been a consistent strategic choice to minimize capital expenditure and provide a flexible platform that can support rapid growth.

Procurements are partly organized on Group level via transit warehouses, while the majority are locally purchased. The Group primarily works with owned equipment and internal employees in its warehouses, picking the merchandise manually with scanners. Storage risks are fully insured. Regular warehouse security audits are performed, and warehouse security set-up and internal security procedures are constantly improved.

Inbound transportation is fully outsourced or even managed by vendors. Only well-known and tested partners conduct deliveries (for example, DHL, HRX, DSV, TNT, Schenker, KuehneNagel, Hellmann, Ace Logistics and others). For every shipment, 2-3 scenarios are evaluated to make the best decisions based on price and delivery time aspects. Main transportation modes used – Road, Marine, Air. In limited instances, vendors will provide transportation and delivery directly to the customer at no cost to the Group, in which case ELKO enjoys such cost savings. Transportation risks, including transit, are fully insured.

ELKO Group constantly focuses on reducing logistics cycle times, which is a critical component of its competitive advantage as well as a key factor for success in working capital management.

IT SYSTEMS

ELKO Grupa relies extensively on advanced IT systems to support its daily operations. The two core platforms are the Oracle JD Edwards Enterprise One (ERP) system and the eCom B2B e-commerce platform. All core systems are hosted in a private cloud managed by the Group's headquarters, with each sales office connecting remotely to access services including ERP, e-commerce, CRM, intranet, document management, file storage and email.

The Group's IT infrastructure is supported by a Tier-3 data center and a secondary backup site containing full server replicas and data copies, supplemented by offline tape backups with three months of historical data. In case of main site failure, operations can continue seamlessly from the backup environment.

eCommerce – the process by which customers place their orders with a distributor directly online, has moved to the forefront of trends in the IT distribution industry. ELKO Grupa was among the market leaders in the markets in which it operates in developing its B2B eCommerce site, eCom. As a result of eCom, the Group improved logistics performance, reduced costs, increased quality of service, enhanced customer experience and loyalty and distinguished itself from its competitors.

The JD Edwards ERP platform performs accounting, order management, and online inventory control functions. It enables real-time monitoring of inventory and sales across all subsidiaries and provides vendors with transparent access to sales and stock data, strengthening vendor relationships and supporting more favorable commercial terms. JD Edwards also manages cash flow, product flow, and communication across the organization, tracking all inventory from vendor shipment to customer delivery. Most purchasing, sales, finance and logistics processes are automated within the system.

An in-house team of JD Edwards developers manages ongoing system enhancements and project rollouts in coordination with the Group's governance body and project management office. All systems are remotely accessible, enabling uninterrupted operations across the Group's offices. The infrastructure team holds Microsoft Gold Partner status.

System security is maintained through continuous monitoring, internal process audits, and quarterly external penetration and vulnerability tests performed by independent specialists covering exposed systems such as websites, eCom, and APIs.

In 2025, ELKO Grupa began implementing artificial intelligence in pricing, the first core business process selected for

AI integration. An external provider has been contracted to lead the rollout. Expected outcomes include faster and more tailored pricing offers, improved customer experience, semi-automation to reduce employee workload, increased transparency in pricing, and enhanced revenue and margin capture.

GROUP STRUCTURE

The Group consists of the Issuer, which is a holding company (AS ELKO Grupa) and 20 operational subsidiaries.

Subsidiaries of the Issuer

Name	Registration Number	Address	Ownership
ELKO Lietuva UAB	110604815	Algirdo g. 32A, LT-50153 Kaunas	100%
ELKOTEX d.o.o.	SI 80941427	Magistrova ulica 1 1000, Ljubljana, OSREDNJESLOVENSKA Slovenia	49%
ELKO Eesti OU	10674202	Harju maakond, Tallinn, Kesklinna linnaosa, Pärnu mnt 141, 11314	100%
ELKO Polska Sp. z.o.o.	736573	Wrocławska 7, 55-040 Bielany, Wrocławskie, Polska	100%
ELKOTech Romania SRL	J1999002438403	Strada Copilului 18, București, 012178, România	100%
WESTech spol s.r.o.	35796111	831 04 Bratislava, Stará Vajnorská 17	51%
WESTech CZ s.r.o.	02396718	Keltičkova 1231/31, Slezská Ostrava, 710 00 Ostrava	50.49%
WESTech solutions s.r.o.	02976439	Startovní 276/1, Hrabůvka, 700 30 Ostrava	12.75%
ELKO Trading Switzerland AG	CHE-110.348.184	c/o Domanda Verwaltungs GmbH, Grabenstrasse 25, 6340 Baar	100%
Gandalf Distribution AB	556536-9476	Mårtenstorget 7, SE-223 51 Lund	100%
Arašid spol. s.r.o.	36 054 241	Lazovná 69, Banská Bystrica 974 01	51%
Logicworks s.r.o.	28391730	Argentinská 1621/36, Holešovice (Praha 7), 170 00 Praha	45.9%
WESTech HU Kft.	01 09 978684	1139 Budapest, Váci út 91. 4. emelet	51%
SWISS spol. s.r.o.	35770252	Pestovateľská 13 821 04 Bratislava - mestská časť Ružinov	26%
SWISS CZ s.r.o.	07102097	Pavlovická 272/18, Bělidla, 779 00 Olomouc	26%
ELKO Trading Kazakhstan LLP	220440001532	Republic of Kazakhstan, Almaty city, Almaly district, Tole bi street, house 69, office 9, postal code 050000	100%
ELKO Nordics Shared Services AB	5593602799	Mårtenstorget 7, 223 51 Lund	100%
EDN Webshop AB	5594837683	Mårtenstorget 7, 223 51 Lund	100%
Renewed AB	5592027436	Gårdsfogdevägen 18 a, 168 66 Bromma	79%
Internet Patro CZ s.r.o	08213976	třída Tomáše Bati 269, Prštné, 760 01 Zlín	5.1%

MANAGEMENT OF THE GROUP

Management Board

The Management Board of the Group serves as the executive body responsible for overseeing and directing the

Group's business operations. This includes managing day-to-day activities, representing the organization, and ensuring the diligent fulfilment of its obligations.

As of the date of the Offering Memorandum, the Management Board of the Issuer consists of:

Name	Position
Egons Mednis	Chairman of the Board, President, Co-founder
Svens Dinsdorfs	Member of the Board, Chief Executive Officer
Vadims Rabša	Member of the Board, Chief Financial Officer
Mārtiņš Ozoliņš	Member of the Board, Chief Commercial Officer

Egons Mednis is the Chairman of the Board, President and Co-founder of the Group and has been serving as Chairman of the Board and President of the Group since 2000. He previously held senior management positions at ELKO Riga SIA, including Director (1998–2000) and Sales Director (1993–1998). Mr. Mednis holds a diploma in Automatics and Computer Technology from Riga's Polytechnic Institute (1992).

Svens Dinsdorfs is the Chief Executive Officer and a Member of the Board of the Group, positions he has held since 2015. He previously served as Finance Director and Member of the Board of the Group from 2006 to 2015. Mr. Dinsdorfs holds an MSc from the Stockholm School of Economics (2003) and a BSc from the Stockholm School of Economics in Riga (1998).

Vadims Rabša is serving as the Chief Financial Officer and a Member of the Board of the Group since 2017. Prior to joining the Group, he served as Chief Financial Officer and Member of the Board at VP Holding LLC (2016–2017) and as Chief Financial Officer and Member of the Board at JSC Grindex (2007–2016). Mr. Rabša holds a BSc from the Stockholm School of Economics in Riga (2000).

Mārtiņš Ozoliņš is the Chief Commercial Officer and a Member of the Board of the Group, positions he has held since 2017. He previously served as Deputy Distribution Director (2016–2017), Regional Director (2015), and Head of Treasury (2010–2015) of the Group. Mr. Ozoliņš holds an MBA from Riga Technical University (2007) and a BSc from the Stockholm School of Economics in Riga (2002).

Supervisory Council

The Supervisory Council of the Group consists of:

Name	Position
Andris Putāns	Chairman of the Council, Co-founder
Ēriks Strods	Council Member, Co-founder
Edgars Kvālis	Deputy Chairman of the Council
Annija Reskāja	Council Member

ISSUER'S SHAREHOLDER STRUCTURE

At the moment of signing the Offering Memorandum, the ownership structure of the Group is as follows:

Legal name	Beneficiary	Ownership share
ASHINGTON BUSINESS INC. LIMITED	Stanislav Matveev (Malta)	23.74%
SOLSBURY INVENTIONS LIMITED	Alexander Yamnitskiy (Israel)	23.66%
EUROTRAIL SIA	Kaspars Viškints (Latvia)	13.16%
WHITEBARN SIA	Andris Putāns (Latvia)	13.16%
KRM Serviss SIA	Egons Mednis (Latvia)	12.87%
Solo Investīcijas IT SIA	Jānis Strods (Latvia)	12.24%

Management team	Various employees	1.17%
	Total:	**100%**

FINANCING STRATEGY OF THE GROUP

The Group's goal is to achieve a balanced financing structure to provide the Group with flexibility and support its growth plans.

OVERVIEW OF THE GROUP'S FUNDING STRUCTURE

The Group employs a variety of financing sources, including bank loans, shareholder equity, Subordinated Debt from the Existing Shareholders, financial leasing, operating leasing, and factoring. The Group's funding is supported through mechanisms such as loans and credit lines from leading Baltic and European financial institutions, commercial pledges on shares and assets, and contributions from the Existing Shareholders. Additionally, the Group maintains financial commitments under leases for various premises – office space, warehouse and stores - to support its operational requirements.

To ensure financial flexibility and support its strategic objectives, the Group plans to use the proceeds from the Notes issue for refinancing Existing Notes.

Funding structure of the Group

Funding type	31.12.2024 audited	30.09.2025 unaudited	Comment
Issued capital & share premium	17 247	17 247	Share capital and premium.
Translation reserve	-16 763	-16 578	Exchange rate differences, primarily because retained earnings are measured on transaction date exchange rate instead of closing rate.
Retained earnings	112 336	107 589	Previous period loss and current period profit.
Non-controlling interests in equity	16 960	23 336	Minority shareholders, including management.
Total Equity	**129 780**	**131 594**	
Subordinated Debt	2 507	7 798	All existing and future loans received from the Issuer's shareholders and Related Parties will be subordinated to the Notes and are currently subordinated to the Existing Notes of the Issuer.
Adjusted Equity	**132 287**	**139 392**	
Bank borrowings	75 092	108 422	The Issuer's secured debt, mostly in the form of credit lines, to a syndicate of OP Corporate Bank plc and Luminor Bank, AS Citadele Banka, Transilvania Bank, Unicredit, Luminor Bank, and other banks is secured by property, plant and equipment, intangible assets, trade receivables and inventory.
Existing Notes	20 778	23 446	Existing Notes maturing on 12.02.2026.
Lease liabilities (IFRS 16)	15 595	15 595	Leases for various premises – office space, warehouse and stores under IFRS 16.

Total Financial Indebtedness	111 465	147 463	
TOTAL FUNDING	243 752	286 855	

LEGAL PROCEEDINGS AND ARBITRATIONS

At the date of the Offering Memorandum, the Group is not involved in any lawsuits or arbitration proceedings, which may significantly affect or have significantly affected the financial situation or profitability of the Group.

SUBSTANTIAL CHANGES IN THE FINANCIAL SITUATION OF THE GROUP AND SUBSTANTIAL AGREEMENTS

Since the date of the Group's unaudited consolidated financial report for the period ended 30.06.2025, the financial situation or performance of the Group has not significantly worsened. The Group is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Group in future.

MATERIAL CONTRACTS

The Issuer has issued the Existing Notes (ISIN: LV0000870079 with maturity on 12.02.2026) in the amount of EUR 20,000,000, as well as entered into intra-group financing agreements with each of its Subsidiaries. Apart from the Existing Notes and the intra-group financing agreements with the Subsidiaries, the Issuer is not aware of any other important agreements or internal decisions that could have been concluded or made within the Group or between the Group and any related company and that could affect the Company's ability to fulfil its obligations to the Noteholders under the Notes.

SIGNIFICANT RECENT AND KNOWN TRENDS

At the date of the Offering Memorandum, the Issuer has no information at its disposal regarding any known trends that have negatively affected the Group or the activity, apart from the aforementioned impact.

SELECTED FINANCIAL INFORMATION OF THE GROUP

Words and expressions defined in the Terms and Conditions of the Notes below or elsewhere in the Offering Memorandum have the same meanings in this section.

GENERAL

The Group's financial reports will be available on the Nasdaq Riga website following to the admission of the Notes to trading on First North, as well as on the Issuer's website https://www.elkogroup.com/.

The tables below present key selected financial information for the Group and have been derived from the Group's audited consolidated financial statements as at and for the financial year ended 31.12.2023 and 31.12.2024, and the Group's unaudited consolidated interim financial statements as at and for the period ended 30.09.2024, and the Group's unaudited consolidated interim financial statements as at and for the period ended 30.09.2025.

The Group's financial reports for the years 2023 and 2024 have been prepared in accordance with International Reporting Standards (IFRS) and audited by Ernst & Young Baltic SIA.

CONSOLIDATED STATEMENT OF INCOME

USD'000	31.12.2023 audited	31.12.2024 audited	9M 2024 unaudited	9M 2025 unaudited
Revenue	1 147 426	1 142 795	772 511	867 652
Cost of sales	-1 064 113	-1 054 082	-714 799	-799 017
Gross profit	**83 313**	**88 713**	**57 712**	**68 635**
Gross profit margin, %	*7.3%*	*7.8%*	*7.5%*	*7.9%*
Selling and distribution costs	-7 175	-6 763	-5 054	-6 017
Administrative expenses	-55 325	-58 855	-42 852	-48 211
Other operating income	6 589	4 632	2 143	2 009
Other operating expenses	-1 389	-1 711	- 569	-4 659
Operating profit	**26 013**	**26 016**	**11 380**	**11 757**
Operating profit margin, %	*2.3%*	*2.3%*	*1.5%*	*1.4%*
Finance income	939	1 062	814	543
Finance expenses	-10 783	-9 293	-6 390	-7 494
Finance income/ (expenses) - net	**-9 844**	**-8 231**	**-5 576**	**-6 951**
Profit before tax	**16 169**	**17 785**	**5 804**	**4 806**
Profit before tax margin, %	*1.4%*	*1.6%*	*0.8%*	*0.6%*
Income tax expense	-3 209	-3 662	-1 827	-445
Profit for the period	**12 960**	**14 123**	**3 977**	**4 361**
Net profit margin, %	*1.1%*	*1.2%*	*0.5%*	*0.5%*

CONSOLIDATED BALANCE SHEET

USD'000	31.12.2023 audited	31.12.2024 audited	30.09.2024 unaudited	30.09.2025 unaudited
Goodwill	2 117	1 947	2 118	4 024
Intangible assets	1 847	1 285	1 532	1 053
Property, plant and equipment	6 886	6 460	7 730	8 419
Right-of-use assets	21 344	15 642	21 448	17 050
Investments in associates	3 683	3 862	4 072	4 766
Non-current loans	670	536	563	41
Non-current assets	**36 547**	**29 732**	**37 463**	**35 353**
Inventories	128 235	128 982	174 454	229 918
Current income tax receivable	1 359	364	2 763	2 727
Short term loans	98	1 314	1 021	5 074
Other current financial investments	3 146	3 156	3 188	3 547
Trade and other receivables and prepayments	168 411	169 864	156 491	188 556
Derivative financial instruments	0	221	0	38
Cash and cash equivalents	26 073	26 332	11 825	12 199
Current assets	**327 322**	**330 233**	**349 742**	**442 059**
Total Assets	**363 869**	**359 965**	**387 205**	**477 412**
Issued capital	11 251	11 251	11 251	11 251
Share premium	5 996	5 996	5 996	5 996
Translation reserve	-10 301	-16 763	-9 272	-16 578
Retained earnings	110 621	112 336	104 127	107 589
Non-controlling interests in equity	20 678	16 960	18 504	23 336
Total equity	**138 245**	**129 780**	**130 606**	**131 594**
Interest-bearing loans and borrowings	22 154	20 790	22 332	2
Interest-bearing loans from related parties	3 771	2 507	2 507	7 798
Lease liabilities	16 775	11 487	16 775	11 487
Non-current liabilities	**42 700**	**34 784**	**41 614**	**19 287**
Trade and other payables	115 797	110 841	129 238	183 965
Interest-bearing loans and borrowings	55 899	75 080	75 258	131 868
Interest-bearing loans from related parties	1 029	0	0	0
Lease liabilities	4 923	4 108	4 923	4 108
Income tax payable	1 135	982	1 500	1 385
Provisions	4 005	4 390	3 985	5 205
Derivative financial instruments	136	0	81	0
Current liabilities	**182 924**	**195 401**	**214 985**	**326 531**
Total liabilities	**225 624**	**230 185**	**256 599**	**345 818**
Total equity and liabilities	**363 869**	**359 965**	**387 205**	**477 412**

CONSOLIDATED CASH FLOW STATEMENT

USD'000	31.12.2023 audited	31.12.2024 audited	9M 2024 unaudited	9M 2025 unaudited
Profit before tax from continuing operations	16 169	17 785	5 804	4 806
Non-cash adjustments to reconcile profit before tax to net cash flows	12 069	10 906	7 465	9 406
Working capital adjustments	15 737	-10 223	-19 786	-44 135
Interest received	939	1 062	814	543
Interest paid	-10 783	-9 293	-6 390	-7 494
Income tax paid	-3 238	-4 151	-3 272	-3 578
Increase in other current financial investments	15	10	42	391
Net CF from operating activities	30 908	6 096	-15 322	-40 061
Proceeds/ (loss) from sale of property, plant and equipment	75	-307	-215	-182
Purchases of property, plant and equipment and intangible assets	-3 901	-1 882	-2 846	-3 668
Net cash outflow on disposal of subsidiary	-26	0	0	0
Acquisition of a subsidiary, net of cash acquired	-252	-38	-5	-4 860
Net CF from investing activities	-4 104	-2 227	-3 066	-8 710
Proceeds from/repayment of bank overdrafts, net	-19 495	9 977	11 431	38 132
Payment of principal portion of lease liabilities	-4 604	-5 272	0	0
Dividends paid to equity holders of the parent	-690	-4 579	-4 579	-2 984
Dividends paid to the Minority shareholders	-772	-3 736	-2 712	-509
Net CF from financing activities	-25 561	-3 610	4 140	34 639

Cash at the start of the year	24 830	26 073	26 073	26 332
Net increase in cash	1 243	259	-14 248	-14 133
Cash at the end of the year	26 073	26 332	11 825	12 119