



SIA "Arsenal Industrial"
Registration No. 40103815302
LEI: 2594007EQ80JJUKXHS31

Terms of the Notes Issue

ISIN	LV0000860153
Type of security:	Senior Secured Notes
Nominal:	EUR 1,000.00 (one thousand euro)
Nominal value of the issue:	EUR 4,500,000.00 (four million five hundred thousand euro)
Annual Coupon Rate:	12.00%, paid monthly
Maturity:	31 May 2026

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

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

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

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

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

MiFID II product governance - solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion: (i) the target market for the Notes is eligible counterparties, professional clients, and retail clients, each as defined in Directive 2014/65/EU; and (ii) all channels for distribution of the Notes to eligible counterparties, professional clients and respective retail clients are appropriate. Any person subsequently offering, selling or recommending the Notes should take into consideration the manufacturer's target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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

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

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

Arranger:



28 November 2023

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Terms and abbreviations used

Accounting Principles	:	Latvian Accounting Standards (Latvian GAAP) as set forth in the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia.
Adjusted Equity	:	The aggregate book value of the Group's total equity on a 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 FSA, Nasdaq Riga and Nasdaq CSD; (b) corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether state, local, foreign, or EU; and (c) the laws and regulations of the Republic of Latvia and any legal acts in each other country in which the Company operates.
Arranger	:	Signet Bank AS, with registration No. 40003043232 and with a legal address at: Antonijas iela 3, LV-1010, Riga, the Republic of Latvia.
Auditor	:	Any international and reputable auditor licensed to practice in the Republic of Latvia (PricewaterhouseCoopers SIA, Ernst & Young Baltic SIA, KPMG Baltics SIA, Deloitte Audits Latvia SIA, BDO Assurance SIA, Nexia Audit Service SIA, Baker Tilly Baltics AS, Grant Thornton Baltic Audit SIA, Sabiedrība ar ierobežotu atbildību "POTAPOVIČA UN ANDERSONE"). Currently the Issuer is audited by Sabiedrība ar ierobežotu atbildību "POTAPOVIČA UN ANDERSONE" (licence No. 99).
Business Day(s)	:	Business Day is a day when the Nasdaq CSD system is open and operational to effectuate T2S-eligible securities settlement transactions.
Capitalization Ratio	:	Ratio of Adjusted Equity to consolidated assets of the Group calculated according to the most recent Financial Report.
Cash and Cash Equivalent	:	Cash and cash equivalents of the Group 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 35% (thirty-five per cent) of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer (including Subsidiaries) or (b) appoint or remove or control the appointment or removal of a majority of the management board or supervisory board members or other equivalent officers of the Issuer ((including Subsidiaries).

- Collateral(s)** : Collateral is described in Clause 3.2.7 "Collateral of the Notes", which serves as security for the fulfilment of the Issuer's obligations to the Noteholders in accordance with the Terms of the Notes Issue.
- Collateral Agent** : A person holding the Collateral on behalf of the Noteholders and authorized to act with the Collaterals in favour of all the Noteholders in accordance with the Terms of the Notes Issue and the Collateral Agent Agreement, initially the Latvian company ZAB VILGERTS SIA, a law firm registered with the Latvian Bar association and registered with the Company Register of the Republic of Latvia under registration No. 40203309933 and with a registered address at: Skanstes iela 7, k-1 LV-1013, Rīga, the Republic of Latvia.
- Collateral Agent Agreement** : The agreement entered into between the Issuer and the Collateral Agent which stipulates the rights and obligations of the Collateral Agent in relation to the establishment, maintenance, and enforcement of the Collateral, as defined in these Terms of the Notes Issue, in the interests of the Noteholders, as well as the Collateral Agent's compensation. A copy of the Collateral Agent Agreement is available for inspection upon request to the Issuer.
- Collateral Agreement** : The commercial pledge agreements concluded or to be concluded on the provision of the Collateral referred to in Clause 3.2.7 "Collateral of the Notes" between the Collateral Agent and the relevant Collateral Provider and governed by Applicable Laws of the country of the Collateral Provider. Copies of the Collateral Agreements are available for inspection upon request from the Issuer.
- Collateral Coverage Ratio** : The ratio of the Value of the Notes Collateral to Net Notes Debt calculated according to the most recent Financial Report.
- Collateral Provider(s)** : Initially the following two subsidiaries of the Issuer:
- (1) Arsenal Industrial OÜ, with registration No. 14041623 and with a legal address at: Harju maakond, Tallinn, Lasnamäe linnaosa, Suur-Sõjamäe tn 25a/1, 11415, the Republic of Estonia;
 - (2) Arsenal Industrial UAB, with registration No. 304784353 and with a legal address at: Perkūnkiemio g. 13-9112114 Vilnius, the Republic of Lithuania.
- Commercial Pledge Register(s)** : In respect of commercial pledge granted by SIA "Arsenal Industrial" - the commercial pledge register of the Company Register of the Republic of Latvia (*Komerckīļu reģistrs*), in respect of commercial pledge granted by Arsenal Industrial OÜ – the Commercial Pledge Register of the Republic of Estonia (*Kommertspandiregister*), and in respect of commercial pledge granted by Arsenal Industrial UAB – the Register of Contracts and Legal Restrictions of the Republic of Lithuania (*Sutarčių ir teisių suvaržymų registras*).
- Company or Issuer** : SIA "Arsenal Industrial", with registration No. 40103815302 and a registered address at: Stabu iela 61 - 11, Rīga, LV-1011, the Republic of Latvia.
- Coupon** : Interest on Notes calculated in accordance with the Clause 3 "Information on Notes".

Coupon Payment Date	:	Coupon payments are made every month – on every 31 January, 28 February (except for 2024 when the payment is made on 29 February 2024), 31 March, 30 April, 31 May, 30 June, 31 July, 31 August, 30 September, 31 October, 30 November and 31 December.
Coupon Period	:	Any period between two Coupon Payment Dates, with the first Coupon Period starting on the Issue Date and ending on 31 December 2023.
Custodian	:	A Nasdaq CSD participant directly or licensed credit institution or investment brokerage company that has a financial securities' custody account with Nasdaq CSD participant.
EBITDA	:	Consolidated net profit of the Group for the Relevant Period calculated according to the most recent Financial Reports: <ul style="list-style-type: none">(a) before deducting any amount of tax on profits, gains or income paid or payable by any Group company;(b) before deducting any Net Finance Charges;(c) before taking into account any exceptional items which are not in line with the ordinary course of business (for the avoidance of doubt sale of rental equipment in the ordinary course of business should not be considered as exceptional items);(d) not including any accrued interest owing to any Group company;(e) before taking into account any gains or losses on any foreign exchange gains or losses; and(f) after adding back any amount attributable to the amortisation, depreciation or depletion of assets.
EUR	:	The single currency of the Member States of the European Monetary System: "euro".
Existing Collaterals	:	<ul style="list-style-type: none">(1) Commercial pledge (No. 100195887) registered with the Commercial Pledge Register on 2 December 2021 (with maximum amount of EUR 7,950,000.00) for the benefit of Noble Fund Mezzanine Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, registration No. RFI 1030 over all assets (and its future components) of the Issuer, and(2) Commercial pledge (No. 100195888) registered with the Commercial Pledge register on 2 December 2023 (with a maximum amount of EUR 7,950,000.00) for the benefit of Noble Fund Mezzanine Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, registration No. RFI 1030, over all shares of the Issuer.
Existing Secured Notes		Means the 52 A series registered EUR bonds due 2023 with the total nominal value of EUR 5,200,000 issued under the Terms of Issue of 19 September 2018, amended as of 20 September 2021 and as of 19 March 2022, registered in Poland.
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 Group.

- FSA** : The Latvian Financial Supervision Authority (*Latvijas Banka*), is an autonomous public institution of the Republic of Latvia, which carries out, but not limited to, the supervision of Latvian banks, capital markets, payment institutions and electronic money institutions (www.bank.lv).
- Financial Indebtedness** : Any interest bearing financial indebtedness of the Group including:
- (a) monies borrowed and debt balances at banks or other financial institutions;
 - (b) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
 - (c) the amount of any liability in respect of any lease or hire purchase contract (*nomaksas pirkums*) which would, in accordance with Accounting Principles, be treated as a balance sheet liability;
 - (d) 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 the Accounting Principles.
 - (e) any derivative transaction based on mark-to-market value;
 - (f) 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
 - (g) without double-counting any guarantee or other assurance against financial-loss in respect of a type referred to the above items (a) to (f).
- Financial Report** : The annual audited consolidated financial statements of the Group and the quarterly interim unaudited consolidated reports of the Group prepared in accordance with the Accounting Principles.
- 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: 30 November 2023.
- Force Majeure Event** : Has the meaning set forth in Clause 5.4.
- Group** : The group of the legal entities comprising of the Issuer and its direct or indirect Subsidiaries:
- (1) Arsenal Industrial OÜ, with registration No. 14041623 and with a legal address at: Harju maakond, Tallinn, Lasnamäe linnaosa, Suur-Sõjamäe tn 25a/1, 11415, the Republic of Estonia;
 - (2) Arsenal Industrial UAB, with registration No. 304784353 and with a legal address at: Perkūnkiemio g. 13-9112114 Vilnius, the Republic of Lithuania;

- (3) Arsenal Industrial sp. z o.o., with registration No. 0000634144 and with a legal address at: Marszałkowska 111, 00-190 Warszawa, Poland.

Guarantees	:	Guarantees (<i>galvojums</i>) made by the Guarantors in agreed form for the fulfilment of Issuer's obligations under the Notes in favour of the Noteholders as creditors and enforceable by the Collateral Agent as authorised representative of the Noteholders. Copies of the Guarantee are available for inspection upon request to the Issuer.
Guarantors	:	An entity providing the guarantee of fulfilment of Issuer's obligations under the Notes. The Notes shall be guaranteed by the companies indicated in Clause 3.2.6.
Interest calculation period	:	The period of time between the First Settlement Date and the date of the first payment or between two Coupon Payment Dates.
Interest Coverage Ratio (ICR)	:	The ratio of EBITDA to Net Finance Charges for the Relevant Period.
Issuer or Company	:	SIA "Arsenal Industrial", with registration No. 40103815302 and a registered address at: Stabu iela 61 - 11, Rīga, LV-1011, the Republic of Latvia and its current website address is: https://www.arsenalnoma.lv/ .
Majority Noteholders	:	<p>Noteholders who collectively (excluding the Issuer, its direct and/or indirect shareholders and the Related Parties holding any Notes) hold in aggregate the Notes with the Nominal representing at least 1/2 (one half) of the aggregate Nominal of all outstanding Notes plus at least one additional Note (excluding any Notes held by the Issuer and the Related Parties (if such Notes exist)).</p> <p>For the avoidance of doubt, Notes held by the Issuer or the Related Parties shall not give them rights provided to the Majority Noteholders in accordance with these Terms of the Notes Issue.</p>
Maturity Date	:	The date when the Notes shall be repaid in full at their Nominal Value by the Issuer, which is 31 May 2026.
Minimum Settlement Unit	:	The minimum amount which can be held and traded, which is equal to the Nominal Value.
Nasdaq CSD or Depository	:	Nasdaq CSD SE (with registration No. 40003242879 and with a legal address at: Valņu iela 1, LV-1050, Riga, the Republic of Latvia).
Nasdaq Riga	:	Nasdaq Riga AS (with registration No. 40003167049 and with a legal address at: Valņu iela 1, LV-1050, Riga, the Republic Latvia) and its current website address is: www.nasdaqbaltic.com .
Net Debt Leverage	:	Net Debt, according to the most recent Financial Report, divided by Consolidated EBITDA over the Relevant Period.
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 cash interest expense on Financial Indebtedness (after deducting any interest income relating to Cash and Cash equivalents); and
- (b) including cash interest expense on Subordinated Debt but excluding any payment-in-kind interest capitalised on Subordinated Debt.
- (c) after deducting any interest income on Cash and Cash equivalents.

Net Notes Debt	:	The Issuer's outstanding Secured Financial Indebtedness less Cash and Cash equivalents according to the most recent Financial Report.
Nominal Value	:	Face value of a single Note, which is EUR 1,000.00 (one thousand euro).
Note	:	The debt security issued by the Issuer according to the Terms of the Notes Issue.
Noteholder	:	A private person or legal entity that is an owner of one or more Notes and has a claim against the Issuer as stipulated by the Applicable Laws.
Parallel Debt	:	The legal arrangement described in Clause 3.2.8 of these Terms of the Notes Issue.
Permitted Business	:	Any businesses, services or activities that are the same as, or reasonably related, ancillary or complementary to, any of the businesses, services or activities in which the Group is engaged on the Issue Date, and reasonable extensions, developments or expansions of such businesses, services or activities.
Permitted Security	:	Any security: <ul style="list-style-type: none">a) which is registered, separately to the Collaterals and Existing Collaterals (i.e. real estate, vehicles) and is not being shared with the Noteholders;b) Existing Collaterals (for a maximum period of 60 days from the Issue Date);c) commercial pledge on motor vehicle involved in road traffic or its trailer, tractor or its trailer acquired after the date of these Terms of Issue specifically determined in the public registers;d) any Collateral participation resulting from the sale and leaseback of assets owned by the Issuer;e) arising by operation according to the existing law or in the ordinary course of business (including, hedging transactions, collateral or retention of title arrangements in connection with but, for the avoidance of doubt, excluding guarantees or security in respect of any monies borrowed or raised);d) any Security arising under any retention of title or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Issuer or the Subsidiaries in the ordinary course of trading and on the supplier's standard or usual terms and

not arising as a result of any default or omission by the Issuer or Subsidiaries;

- e) which arises when the Issuer acquires another company with already existing encumbrances.

- Potential Investor** : Private person or legal entity that has, according to the terms stated in the Terms of the Notes Issue, expressed interest or is planning to purchase for its own account one or more Notes.
- Promissory Note** : An agreement between the Issuer and the Collateral Agent where the Issuer reassures it owes any sums due under these Terms of the Notes Issue to the Collateral Agent and which may be used, if necessary, for the purposes of registration and enforcement of the Collateral.
- 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** : Any person (natural person or legal entity) in relation to the Issuer or the Group defined as a "reporting entity" by the International Accounting Standards (IAS 24 - Related Party Disclosures).
- Relevant Period** : Each period of 12 (twelve) consecutive calendar months, fixed at the end of each calendar month.
- Sanctions** : AML, Sanctions, embargoes, restrictions and similar legislative measures adopted by OFAC, EU, UN and any governmental authority that has direct or indirect influence over affairs of the Group, Arranger or Collateral Agent.
- Secured Financial Indebtedness** : Means the aggregate principal amount of all outstanding Financial Indebtedness of the Group (including these Notes) that is secured by Collaterals (including Existing Collaterals) in form of a pledge on assets of the Group and which ranks *pari passu* with the Notes.
- Settlement Unit Multiple** : Multiple that defines the settlement quantity or nominal must be a multiple of the Minimum Settlement Unit.
- Subordinated Debt** : Unsecured debt of the Group with maturity after the Maturity Date that is subordinated to other more senior debts or notes (including these Notes) with respect to claims on assets or earnings. The principal amount of such debt is payable only after all settlement of all obligations under the Notes.
- On 30 September 2023, the Issuer's Subordinated Debt from its shareholder Komandītsabiedrība "FlyCap Investment Fund I AIF", registration No. 40103697951 amounted to EUR 689,353.65.
- Subsidiaries** : Any entity including an unincorporated entity such as a partnership that is controlled by the Company as defined by the International Accounting Standards (IAS 27 – Consolidated and Separate Financial Statements).
- As of the Date of Terms the Notes Issue the Issuer has three subsidiaries:

- (1) Arsenal Industrial OÜ, with registration No. 14041623 and with a legal address at: Harju maakond, Tallinn, Lasnamäe linnaosa, Suur-Sõjamäe tn 25a/1, 11415, the Republic of Estonia;
- (2) Arsenal Industrial UAB, with registration No. 304784353 and with a legal address at: Perkūnkiemio g. 13-9112114 Vilnius, the Republic of Lithuania;
- (3) Arsenal Industrial sp. z o.o., with registration No. 0000634144 and with a legal address at: Marszałkowska 111, 00-190 Warszawa, Poland.

- Terms of the Notes Issue** : This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes including issue of Notes in several tranches and each tranche is subject to the Terms of Notes Issue including security granted by the Collaterals.
- Value of the Notes Collateral** : The balance sheet value of the Group's total assets less (i) cash and cash equivalents and (ii) balance sheet value of the Group's fixed assets pledged in favour of other creditors, and (iii) the assets of any future Group Subsidiary that are not pledged in favour of Noteholders, derived from the most recent Financial Report.
- Website** : Issuer's website: www.arsenalnoma.lv.

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BELOW IS A DESCRIPTION OF THE RISK FACTORS THAT ARE MATERIAL FOR THE ASSESSMENT OF THE MARKET RISK ASSOCIATED WITH THE NOTES AND RISK FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES. SHOULD ONE OR MORE OF THE RISKS DESCRIBED BELOW MATERIALISE, THIS MAY HAVE A MATERIAL ADVERSE EFFECT ON THE CASH FLOWS, RESULTS OF OPERATIONS, AND FINANCIAL CONDITION OF THE ISSUER 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.

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

1. RISK FACTORS

1.1. Important note

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

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

1.2. Risks related to the economic and regulatory environment

1.2.1. Macroeconomic risk

The Group's results of operations and financial performance are subject to changes in the general economic conditions of the markets in which it provides services. Currently, the Group operates in all three Baltic countries, therefore, it puts the Group in a position of high geographic concentration, being exposed to markets with similar characteristics. The demand for the Group's services is positively correlated with the economic growth in the market where it operates. A downturn in general economic situation may result in lower demand for the Group's services or delayed purchasing decisions from the Group's customers.

The Baltic market is not immune to regional and global macroeconomic fluctuations – it is closely linked with the economies of the EU and the Euro monetary union, and an economic slowdown in the EU may negatively affect the Baltic economies, causing an adverse effect on the Issuer's business operations.

The global economy and most industries have seen strong headwinds since the beginning of 2020, driven by the outbreak of the global pandemic (Covid-19) and the war in Ukraine that has left a particularly severe negative impact on the Baltics.

	Latvia			Estonia			Lithuania		
	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
Real GDP (% yoy)	2.0	1.0	2.3	-0.5	-1.6	2.5	1.9	-0.2	2.3
CPI (% yoy)	17.2	9.0	2.5	19.4	9.8	4.3	18.9	9.4	1.9
Unemployment (%)	6.9	6.5	6.6	5.6	6.5	6.7	5.9	7.3	7.0

Source: Bloomberg consensus

Overall, uncertainty remains elevated and future economic growth rates could turn out to be lower and/or inflation could become higher, resulting in lower demand for the Group's services and/or higher cost base, and thus lower business and financial performance of the Group.

1.2.2. **Geopolitical risk**

In February 2022, Russia started invasion of Ukraine. This has led to significant volatility in the global credit markets and on the global economy. Furthermore, war in Ukraine has resulted in sanctions on Russian and Belarussian suppliers and have triggered production chain disruptions in many industries globally that could potentially negatively affect the availability and cost of certain materials and have intensified general inflationary pressures. The Group may not be able to transfer the rising costs to its customers by increasing the prices of its services, and such price increases may not be sufficient to fully cover the negative impact from rising costs or may come with a delay that could potentially leave a negative impact on the Group's margins and financial performance.

The Group faces risks related to operating within a direct proximity to Russia. The military actions performed by Russia in the nearby region have caused relative instability and concerns for the safety of the Baltic countries, where the Group operates. Both the Russian and Belarussian proximity to the Baltic countries poses a potential risk to the stability within the countries and to the operations of the Group. The Russian and Belarussian closeness could lead to a significant negative impact on the Group, should any of the risks of a military conflict materialize.

Although, as of the date of the Terms of the Notes Issue, the war has had no direct material impact on the Group's operations and financial performance, introduction of new sanctions packages, general deterioration of the economic situation or investor sentiment towards the Baltics and other aspects related to geopolitical events may affect the Group's business results.

1.2.3. **The global pandemic risk**

A significant interruption to the Group's business due to external events (such as a public health threat/pandemic, war or natural hazard) could restrict access to the Group's products, negatively affect operations or pose a threat to the safety of employees; any of which could have a negative impact on the Group's commercial and financial performance.

The global economy has experienced a period of uncertainty since the outbreak of Covid-19, in March 2020. The global outbreak of Covid-19, and the extraordinary health measures and restrictions on both a local and global basis imposed by authorities across the world has, and could continue to cause, disruptions in the Group's business operations. During the pandemic the Group faced challenges associated with human resources planning, and its financial performance was negatively affected, mainly due to lower economic activity, and lower demand for specific types of services. Although overall effect on the Group's own operations has been limited a new wave of pandemic could pose new challenges to the Group's business operations and financial performance.

As a result of the Covid-19 situation, national authorities adopted several laws and regulations with immediate effect, and which provided a legal basis for the government to implement measures in order to limit contagion and the consequences of Covid-19. Number of epidemiological safety measures and restrictions, primarily limiting gatherings, travel, most public venues, and educational institutions were introduced with declared state of emergency during 2020 and 2021 while the last restrictions were lifted during the first months of 2022. Although currently Covid-19 related restrictions in the Group's markets of operations are lifted, the pandemic situation is continuously changing, and new laws and regulations that could directly, or indirectly, affect the Group's operations may enter into force.

Additionally, the spread of Covid-19 among the Group's workforce can cause operation disruptions, thus, negatively affecting the Group's revenue base. Thus, the effects of the Covid-19 (or a new pandemic) situation could in turn negatively affect the Group's revenue and operations going forward, where the severity of the situation in the future and the exact impacts for the Group are highly uncertain.

1.2.4. **Regulatory risk**

The Group is subject to national Latvian, Estonian and Lithuanian laws, as well as EU laws and regulations that regulate the industry generally, consumer rights protection, personal data processing, prevention of money laundering and terrorism and proliferation financing or govern the industry in which the Group operates. Any uncertainty as to the regulatory trends or changes in policies in relation to the Group's industry may delay or prevent the achievement of the strategic plans or increase the cost of implementing such plans. The sale of the Group's products and the provision of services are subject to a high level of regulation and oversight applicable to the consumer sector.

The Group complies with all legislative requirements and other regulations as at the date of the Terms of Notes Issue. Legislation and other regulations may change however, and the Management cannot guarantee, in such cases, it would be able to comply immediately, without material measures, with the requirements of revised legislation or other regulations. Adapting the Group's operations to any of the changes described above may incur costs for the Group that are difficult to anticipate, which in turn may have a material adverse effect on the Group's business, results of operations, and financial condition.

1.2.5. **Changes in customs regulations**

With respect to the import of goods from jurisdictions that are not members of the European Union, the Group must comply with the respective national and European foreign trade and customs regulations and, inter alia, pay statutory custom duties when the products enter the territory of the EU. The goods are imported mostly from EU countries (Belgium, Sweden, Denmark, Germany etc.) and rarely, if the required goods are not in EU warehouses, from China.

The change in Applicable Laws and interpretation of regulations by various state agencies in the respective countries may cause delay, penalties and in the worst-case scenario the arrest of cargo. The event of changes in customs regulations may have an adverse effect on the Group's business and financial condition.

1.2.6. **Taxation risk**

The Group currently operates in three jurisdictions (the Republic of Latvia, the Republic of Estonia and the Republic of Lithuania) with different sets of tax regimes. Changes to local tax regimes, particularly in payroll taxes, or challenges to the current tax structures of the Group's business could have a 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 out to be inefficient or challenged by tax authorities due to the possible erroneous interpretation of tax legislation.

1.2.7. **Privacy and data protection breach risk**

The Group's business is subject to a variety of laws and regulations that regulate user privacy issues, data protection, advertising, marketing, disclosures, distribution, electronic contracts and other communications, consumer protection and online payment services. Severity of consequences in case of non-compliance with the said privacy laws may differ from jurisdiction-to-jurisdiction.

The introduction of new products or the expansion of the Group's activities in certain jurisdictions may subject the Group to additional obligations under privacy-related laws and regulations.

Existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, the expansion into new markets, result in negative publicity, increase the Group's operating costs, require significant management time and attention, and subject the Group to inquiries or investigations, claims or other remedies, including demands which may require the Group to modify or cease existing business practices and/or pay fines, penalties or other damages. This may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and cash flows.

Although the Group has adopted and continues to adopt appropriate technical and organisational measures (for example, adopting internal documents (policies, procedures, risk assessments, etc.) regulating privacy matters, conducting trainings of employees, appointing personal data protection officers, etc., to ensure compliance with applicable privacy laws and regulations, the Group cannot guarantee its employees will comply at all times with such laws and regulations. If the Group's employees

fail to comply with such laws and regulations in the future, the Group may become subject to fines or other penalties which may have an adverse impact on its reputation, business, financial condition, results of operations, prospects and cash flows.

1.3. Risks related to the Group's business and industry

1.3.1. Construction equipment rental market risk

The market for rental services of industrial and construction equipment is constantly evolving in both the Group's existing and prospective future geographic market areas. There are some variations among the Group's markets of operation. The growth of the construction market has a substantial impact on the demand for the Group's services because it is strongly tied to the development of the rental market. Economic cycles can cause changes in demand from the public and private sector. The construction sector also includes other subsectors, including infrastructure construction, renovation construction, non-residential and residential construction, and road construction, which are subject to cyclical changes. However, different subsectors have different growth patterns and do not exhibit similar trends at the same time.

In the past few years, the construction market was severely affected by the Covid-19 pandemic and the construction activity significantly slowed down both during the pandemic and shortly after it. While there was a recovery in the construction sector after the pandemic, it had once again seen headwinds due to geopolitical shock from Russia's war in Ukraine and a notable rise in construction and financing costs, all of which had negative effect on the construction sector. The rising interest rates and borrowing costs continue to squeeze real estate developer margins, therefore, negatively affecting new development project potential and consequently the need for construction equipment.

A slight mitigation for this risk is the fact that Arsenal has a well-diversified client base with almost 4,000 active customers last year – mostly small and medium B2B construction companies and the largest client made up 2% of the total revenue. The Group works with approximately 20,000 rental contracts per year. Therefore, the Group does not have large reliance on a single client and it decreases the risk of losing significant business volume due to a loss of a specific client.

Currently, based on the Group's management assessment, the rental machinery market size in the Baltics is approximately EUR 300m. Latvian construction equipment rental market is estimated to be at around EUR 80m, Estonian market at EUR 90m and Lithuanian market at EUR 130m.

According to the Group's management estimates, the Latvian construction market is expected to continue growing at a moderate pace during the following years. The Estonian and Lithuanian construction market is already at a larger scale than Latvian market, therefore, the Group aims to continue its development and grow its market share in both of these countries.

Negative developments in the construction and rental markets as well as a lack of market growth could have a significant negative impact on the Group's operations, financial standing, operating results, and future prospects, which would then have an impact on the Group's capacity to fulfil its obligations under the Notes and the market price of the Notes.

2023 due to rising interest rate The Group sees slowdown in overall activity as some of projects are postponed and delayed. Customer although active remain cautious in their outlook for 2024. However, Arsenal plans to mitigate this by focusing on utilisation of own fleet (rather than re-rent) thus ensuring sufficient results even in a market decrease.

1.3.2. Risk that the Group may not be able to quickly respond to changes in market conditions

The Group's operating strategy is to own, lease and sell its rental fleet while concentrating on maximizing fleet utilization. The fleet's wear and prospective development require large capital investments, robust cash flow, and readily accessible external financing. Due to the restricted options to quickly adapt its rental fleet, the capital-intensive asset base of the Group may limit the Group's capacity to respond to unanticipated adverse changes in market circumstances and to shifts in consumer demand trends.

Therefore, unfavourable changes in the demand for equipment, as well as unfavourable financing terms or a lack of financing, could have a materially adverse impact on the Group's business, financial condition, operating results, and future prospects, and as a result, on the Group's capacity to fulfil its obligations under the Notes and on the market price of the Notes.

1.3.3. **Competition risk**

There is a lot of competition in the rental solutions market in the Baltics. Prices, product and service choices, product quality, customer service, depot locations, advertising, brand value, and credit accessibility are just a few examples of the many variables that influence success in highly competitive markets. The Group's future ability to compete successfully against its current or potential rivals, including suppliers and equipment makers, cannot be assured.

A positive consideration regarding the competition risk, based on the management's view, is that The Group serves as a point where the customer can discover excellent deals on high-quality used equipment. Any of the used equipment available for purchase originates from the Group's rental fleet. Items are not removed from service and sold due to functionality issues or imminent failure. Each item is in exceptional condition. This approach is expected to assist the Group in diversifying its income streams should competition intensify.

Currently, according to the Group's management estimates, the Group has approximately 75% market share in the construction equipment rental industry in the Republic of Latvia. The Group's market shares in the Republic of Lithuania is 2% and in the Republic of Estonia approximately 3% are approximately 2% in each market. There is no guarantee that the Group will be able to successfully increase its market share in any of the Baltic countries.

Based on the Group's management evaluation, the biggest competitors of the Group generate the following amount of annual revenue: Cramo EUR 58m, Ramirent EUR 57m, Storent 45m, Bokstelis EUR 20m, Rentway EUR 12m, and Gotas EUR 7.4m.

The competitor's activities, such as the introduction of new service concepts, price innovations, improvements to promotional and marketing initiatives, and business strategies, may result in lower sales or profitability for the Group or higher costs. This could then have a materially negative impact on the Group's operations and future prospects, as well as the Group's ability to meet its obligations under the Notes.

1.3.4. **Seasonality risk**

The Group's business is heavily reliant on the construction markets' activity, which is susceptible to seasonal changes. The Group's activities are impacted by seasonal changes in business volumes due to the demand for rental equipment, which is influenced by weather conditions. Typically, the construction activity picks up pace during the second half of the year and Autumn provides the Group a significant business volume. The Winter is usually the least active part of the year, starting from end of December till the beginning of March, when there are certain difficulties to continue construction due to snow, frozen ground, etc.

The Group's operations, financial position, operating results, and future prospects, as well as the Group's ability to fulfil its obligations under the Notes and the market price of the Notes, may all be materially harmed by exceptional seasonal fluctuations.

1.3.5. **Equipment sourcing risk**

The Group sources its rental equipment from international vendors for purchase and lease. Equipment is purchased from a variety of providers and thus the Group's performance depends on finding dependable vendors and timely equipment delivery. Therefore, the Group is exposed to risks associated with buying and leasing, particularly from foreign entities.

These risks include, among other things, financial and political instability in the Group's operating countries, global crises, as well as acts of war or terrorist attacks directed at the operating countries and the countries from which the equipment was originally sourced, an increase in freight costs, delays in and interruptions

of transports, industrial actions, and strikes. Additionally, the risks include unfavourable currency rate volatility, legislation that affects import trade of the operating countries, potential financial, political, or employment-related instability in the operating countries or the origin countries of the equipment, changes to local administration or administrative practices, trade and tax legislation, and local business practices.

The Group's operations, financial situation, operating results, and future prospects, as well as the Group's capacity to fulfil its obligations under the Notes and the market price of the Notes, could all be materially adversely impacted by any of the aforementioned factors alone or in combination.

1.3.6. Fleet management risk

The Group must keep a sufficient fleet of equipment in order to function effectively. The Group has to guard against building up an excessive fleet for its rental activities. Variations in the rental product demand and, as a result, the fleet size are influenced by the seasons. The Group buys and sells rental equipment in order to maximize the fleet's use in response to demand.

Due to active sales, the Group generates up to 20% additional income from customers who re-rent machinery. It presents an opportunity to convert this income with a small margin and substitute the most sought-after machines with the Group's own machinery. If the market experiences a downturn, the Group will initially discontinue renting out re-rented machines with a 20% margin but continue renting its own machinery, where more than 90% of the income contributes to the EBITDA level.

A consistently effective evaluation of the time usage of the current fleet and the demand for new fleet is crucial for the Group's fleet optimization in order to determine the necessity for additional investments.

Additionally, the Group sells brand new equipment, which is separated from the Group's rental equipment. The Group must effectively manage its new equipment inventory, depending on the demand from the customers and the need for new equipment in the market. Failure to efficiently sell the equipment due to both oversupply or undersupply of the Group's inventory could negatively affect the results of the Group's operations.

Although the Group continuously manages and strives to optimize the fleet's utilization rates, potential disruptions in equipment deliveries and/or failure to manage the fleet volume may have a materially negative impact on the Group's business, financial position, results of operations, and future prospects and, as a result, on the Group's ability to meet its obligations under the Notes and the market price of the Notes.

1.3.7. Business strategy risk

The competitive environment, technical advancements, socioeconomic considerations, and other variables all play a role in how successfully the Group's business strategy is implemented. Many of these variables are, at least in part, beyond the Group's control. Additionally, even if the Group is successful in putting its business plan into practice, this may not necessarily improve its operational outcomes. The Group may also choose to adjust its business plan in response to ongoing changes in its external environment. Future expansion and profitability of the Group could be hampered if its plan cannot be implemented in a way that generates a reasonable return on investment.

The business, financial condition, operating performance, and future prospects of the Group could all be significantly harmed by this. As a result, the Group could not be able to fulfil its obligations under the Notes, which would also negatively affect the Notes' market price.

1.3.8. Risk of unsatisfactory product and services quality

The Group's goods and services are developed to live up to consumer standards and expectations for quality. The goods and services provided by the Group are also made to adhere to all applicable legal and regulatory requirements as well as the standards set out by various regulatory and testing authorities. However, there can be no guarantee that the Group's goods and services will always satisfy all of the aforementioned standards and/or expectations. Should any of these risks materialise, it would have an adverse effect on the Group's results of operations and the Group's ability to satisfy its obligations under the Notes.

1.3.9. Rental agreement management risk

The Group's business operations are made up of a sizable number of contracts for the rental, sale, and related services of equipment. Therefore, it is important to devote significant attention to how various agreements are managed. All contracts and agreements are assessed in line with established procedures about their contents, risks, and terms and conditions. The Group's operations, financial situation, operating results, and future prospects could all suffer if these risks materialize. This could have a negative impact on the Group's ability to fulfil its obligations under the Notes, as well as the Notes' market price.

1.3.10. Risk of suboptimal working capital and capital expenditure planning

Working capital management and thorough capital expenditure planning and optimization are essential as operations expand and demand for the Group's goods and services rises. Tied-up capital may drastically reduce the Group's level of profitability as well as its liquidity position in the event of unanticipated level of demand swings. The Group's operations, financial position, operating results, and future prospects, as well as the Company's ability to satisfy its obligations under the Notes, may all suffer significantly from unsuccessful capital expenditure and working capital management.

1.3.11. Technological development risk

In conducting its business, the Group depends on sophisticated information and other technologies, including, among others, systems for communications, procurement and contract administration. In particular, in certain activities or in connection with specific projects, the Group may rely on customized software or other technologies for which it could be difficult or impossible to identify an alternative supplier. As operations grow in size and scope, the Group will need to continuously improve, upgrade and integrate its businesses, systems and infrastructure. Its future success will depend on its ability to adapt its services and infrastructure to rapidly evolving consumer trends and technological demands. The Group's historical success in developing its technological platforms provides no guarantee that it will continue to be successful.

If the Group is unable to continue to develop the technologies it needs to compete for and execute projects, it may lose market share and revenue to existing competitors or new market entrants better able to implement the necessary technologies.

1.3.12. Insurance coverage risk

The Group maintains insurance policies regarding certain risks, including coverage against damage to personnel, property and the environment as well as traffic and transport damage, liability damage and consequential loss that cover all of the Subsidiaries. Although the Group believes that it carries adequate insurance with respect to its operations and that said insurance coverage corresponds to the general industry practice, the Group may incur losses beyond the limits or outside the coverage of its insurance policies, including for loss of property or environmental remediation.

There can be no assurance that the Group's insurance policies will adequately cover all or any of such costs, if such incidents were to occur. Potential insufficiencies in the Group's insurance coverage could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

1.3.13. Financial leverage risk

The Group's financial leverage in the recent years has been relatively high, which has been slightly decreasing due to improving results of operations. While the Group expects its financial leverage to continue decreasing, there can be no guarantee that this will materialize, which could result in negative consequences for the Group.

The Group's business model heavily relies on the size and quality of the rental equipment fleet and the expansion of the Group's operations can be achieved mainly through investments in additional fleet. Such a business model requires consistent capital expenditures, which consequently require additional financing, therefore, making it potentially difficult to reduce the overall leverage level.

Such consequences would include, but are not limited to, requiring the Group to dedicate a substantial portion of its cash flows for financing debt, increasing vulnerability to a downturn in the Group's business operations or general economic conditions, placing the Group at a competitive disadvantage relative to its competitors with lower leverage, limiting flexibility in reacting to competition or changes in the business or industry.

Any of these or other consequences or events could have a material adverse effect on the Group's ability to satisfy its obligations under the Notes.

1.3.14. Risk of incurring additional Financial Indebtedness

While the Group is prohibited from assuming additional financial obligations under the same Collateral as the Notes, the Group is not prohibited from incurring other financial obligations such as supplier credit and leasing or restricted from granting Permitted Security on any existing or future indebtedness.

If the Group incurs significant additional debt or grants additional security, the Group's ability to service its Financial Indebtedness, including the Notes, might deteriorate, the amount recoverable by the Noteholders in case of insolvency of the Issuer might decrease, and the position and priority of Noteholders in such case might worsen.

1.3.15. Corporate governance and policy-related risk

Corporate governance plays an important role in maintaining corporate integrity and managing the risk of corporate fraud, combating management misconduct and corruption. The Group has established management and supervisory board. Unduly performed corporate governance or any of breach of the Group's policies, relevant laws or regulations (including but not limited to anti-corruption, money laundering, global competition, human rights, data protection and economic sanctions) could result in significant penalties, financial loss and reputational damage to the Group.

1.3.16. Key personnel risk

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

1.3.17. Employee attraction and retention risk

As of 30 September 2023, the Group employed more than 70 employees. The Group's employees are a significant part of the overall operations of the Group. Therefore, it is of high importance for the Group to have a professional team of employees with low employee turnover rate. To retain and motivate its personnel, the Group has a performance bonus scheme in place and provides health insurance.

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

1.3.18. Operational risk

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

1.3.19. Counterparty credit risk

Group is engaged in numerous sales transactions with its clients and suppliers, and Group is subject to the risk that one or more of these counterparties becomes insolvent and therefore becomes unable to discharge their obligations to Group. Such risk may be exacerbated by events or circumstances that are inherently difficult to anticipate or control. If one of 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 Group's financial condition and results of operation.

The Group applies prepayment terms or offers leasing services from its partners for the sale of goods, so therefore there are no credit risks in this business line. Rental services are invoiced on prepayment terms or with 1 to 60 days post payments, but in average 28 days. The post payment invoices are paid in average of 33 days. The Group has introduced a credit policy and each client's credit risk is evaluated when signing the contract and monitored on daily basis. Each client has its individual payment terms and credit limits. In all countries the Group has a debt controller, who evaluates clients credit risks, monitor their payments discipline, sends reminders of overdue invoices, make calls to remind and make an arrangements of payment plan. If it is impossible to deal with non-paying client about payment plan, the debt is too big or risk of not receiving money is too high, the rented equipment is taken away from the client to secure the Group from increase of bad debt.

Nevertheless, should one of the Group's counterparties fail to meet its obligations or be unable to fulfil its contractual commitments, it could potentially negatively impact the financial status and operational outcomes of the Group.

1.3.20. Litigation risk

The Group may be involved on an ongoing basis in litigation arising in the ordinary course of business or otherwise. Litigation might involve consumers, employees or injured persons, or claims related to commercial, labour, employment, antitrust, or environmental matters. Even if the Group is prevailing in such cases, the process of litigation might be costly for the Group both financially, as well as in terms of time devoted by the Group's personnel, and expose the Group to adverse publicity, leaving an adverse impact on the Group's reputation and its ability to compete on the market.

1.3.21. IT Systems risk

The Group depends on IT systems for conducting several aspects of its operations, including processing customer transactions, managing purchases, its inventory, monitoring the performance of the Group's assets, managing the Group's internal financial operations and administrating the e-commerce platform.

Accordingly, any failures and disruptions in the Group's key information systems may cause revenue to decrease and operating expenses to increase, which could result in material adverse effects on the Group's business, financial condition and results of operations.

1.3.22. Risk of natural disasters and other business disruption

The Group's operations are vulnerable to damage or interruption from various natural disasters and business disruptions, such as fire, flood, power losses, telecommunication failures, terrorist attacks, acts of war, human error, and other events. A significant natural disaster could have a material adverse impact on the Group's ability to conduct its business, and insurance coverage may be insufficient to compensate losses that may occur. Although the Group has implemented business continuity plans, acts of terrorism, war, civil unrest, violence or human error could cause disruptions to the Group's business or the economy as a whole. Any of these occurrences may have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

1.4. Risks related to Notes

1.4.1. Notes repayment risk

The Notes rank *pari passu* with other secured obligations of the Issuer. The Notes are secured with Collaterals and Guarantee. After the Notes Issue, the Notes will be the only senior secured obligation of

the Issuer, which is secured with Collaterals and Guarantee, while the supplier leasing will have equal ranking to the Notes, secured with its own collateral. In case of the insolvency 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, taking into account, that if the Collaterals would be enforced, the Noteholders would receive payment of their claims in respect to Notes only to the extent that the enforcement proceeds of the sale of the Collaterals are sufficient to pay the costs of enforcement of the Collaterals. 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 Issuer become insolvent, legal protection proceedings or out-of-court legal protection proceedings of the Issuer are initiated during the term of the Notes, Noteholder may forfeit interest payable on, and the principal amount of, the Notes in whole or in part. Noteholder is always solely responsible for the economic consequences of its investment decisions.

1.4.2. Liquidity risk

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

1.4.3. Delisting risk

After registration of the Notes the Issuer plans to request admission to trading of the Notes on the Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga within 6 (six) 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.

1.4.4. Price risk

The development of market prices of the Notes depends on various factors, such as changes of interest rates, central bank policies, overall economic development or demand for the Notes. Neither the Issuer, nor any other person undertakes to maintain a certain price level of the Notes. The Noteholders are thus exposed to the risk of unfavourable price development of their Notes if they sell the Notes prior to final maturity. If an Noteholder decides to hold the Notes until maturity, the Notes will be redeemed at their Nominal Value.

1.4.5. Early redemption risk

According to these Terms of the Notes Issue, the Notes may be redeemed prematurely at the initiative of the Issuer. If the early redemption right is exercised by the Issuer, the rate of return from the investment into the Notes may be lower than initially expected, as the Noteholder 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 Issuer's redemption right may also adversely impact the Noteholder's ability to sell such Notes.

1.4.6. Tax risk

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

1.4.7. Resolutions of Noteholders risk

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

1.4.8. Risk that some Noteholders might have more preferential terms than others

While the Issuer will try to maintain the proportional reduction principle to the extent possible in final allocation of the Notes, in case the total number of Notes subscribed for is higher than the number of Notes available, the Issuer has a right to refuse all or part of the subscribed Notes to any Potential Noteholder at its sole discretion, thus, the proportionality principle might not be observed.

Additionally, the Issuer has the right to sell the Notes at a price lower than their Nominal Value to selected Noteholders and/or enter into agreements that may add additional rights to selected Noteholders if the Issuer 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.

1.5. Risks related to Collateral and Guarantees

1.5.1. Scope of Collaterals is subject to long-term leasing contracts

It is customary in the normal course of business for the Issuer to arrange supplies under long-term lease contracts (e.g., 36-60 months) without acquiring ownership of the rented construction machinery, equipment, or tools at the beginning of lease, but having such an option at the end of lease period at fair price. Such machinery, equipment, or tools will not be part of the Collateral due to the retention of title clauses by the suppliers, such as Aktiaselts Baltem Rīgas filiāle (contracts from 2019-2022), SIA Stokker (contracts from 2019-2023), Manitou BF (contract from 2021), and Manitou Global Services (contract from 2019).

1.5.2. Risks associated with the Collateral Agent Agreement

The Noteholders are represented by the Collateral Agent in all matters relating to the Collaterals. There is a risk that the Collateral Agent, or anyone appointed by it, or replacing it, does not properly fulfil its obligations in terms of enforcing or taking other necessary actions in relation to the Collaterals. Subject to the terms of the Collateral Agent Agreement, the Collateral Agent is entitled to enter into agreements for the use of services of a third-party and appoint third-party representatives in the course of performance of its tasks and acts as stipulated in these Terms of the Notes Issue or take any other actions necessary for the purpose of enforcing the Collaterals or for the purpose of settling, among others, the Noteholders' rights to the Collaterals.

1.5.3. Collateral Risk

If the Issuer fails to make the Coupon and / or Nominal payments in a timely manner, the Collateral Agent, acting in the interest of the Noteholders, will initiate the takeover and realization of the Collateral. There is a risk that there may be no legal and practical possibility to take over or sell the Collateral in full or in part and no buyer may be interested in buying the Collateral. Considering that the Collateral Agent does not supervise the quality of the Collateral during the duration of Issuer's obligations and the Collateral Agent has no liability to the Noteholders in this regard, there is a risk that the Collateral may be taken over but the proceeds from the sale of the Collateral may be insufficient to satisfy the Noteholders' claims.

1.5.4. Risks associated with Parallel Debt

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes will not be granted directly to the Noteholders but will be created and perfected in favour of the Collateral Agent. Thus, the Noteholders will not have any independent power to enforce, or have recourse to, any of the Collateral Agreements or to exercise any rights or powers arising under the Collateral Agreements. Only the Collateral Agent will be entitled to enforce the Collaterals. As a result of these restrictions, the Noteholders will have limited remedies and recourse against the Issuer in the Event of Default. In particular, none of the Noteholders will have a direct benefit under the Collaterals, and none of the Noteholders will have the status of a secured creditor in the insolvency or legal protection (in Latvian: tiesiskās aizsardzības process) proceedings of the Issuer. From a purely legal perspective, the Noteholders will qualify as unsecured creditors of the Issuer and the Noteholders' claims under the Notes vis-à-vis the Issuer directly will be unsecured obligations of the Issuer.

Due to Latvian law legal requirements, the Collateral Agent cannot take and perfect the security for Issuer's obligations under the Notes. The Parallel Debt creates contractual security for the Noteholders' claims under the Notes because the Collateral Agent has an obligation to apply the enforcement proceeds received in enforcement of the Collaterals securing the Parallel Debt in and towards satisfaction of the Noteholders' claims.

Parallel Debt is a contractual instrument designed to allow the Collateral Agent to take, perfect, maintain, administer and enforce the Collaterals in its own name and right but for the benefit of the Noteholders. The concept of the Parallel Debt is not explicitly recognized under the Latvian law and its legality, validity and enforceability has not been tested in the Latvian courts. If the Parallel Debt arrangements are declared to be illegal, invalid or unenforceable by Latvian court, that will result in the Collaterals not being valid and enforceable or not being duly perfected in accordance with the applicable legal requirements. As a consequence, the Noteholder's claims under the Notes would rank *pari passu* with the other secured obligations of the Issuer and the Noteholders will not have a preferential right to the enforcement proceeds of the Collaterals.

1.5.5. Risks associated with the value of the Collateral

Collateral structure could change over time due to changes in the Group's inventory and overall asset structure. Additionally, the Collateral is subject to damage defects, and the risk of theft. The equipment can get damaged which could affect the resale value, if such a necessity were to arise. Any of these risks related to the Collateral can negatively affect the value of the Collateral and the Group's ability to meet its obligations under the Notes.

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

1.5.6. Collateral and Guarantee enforceability risk

The Collateral and the Guarantees provide the Collateral Agent, acting for the benefit of the Noteholders, with a claim against the relevant Collateral Provider and the Guarantor. However, the Collateral and the Guarantees will be limited to the maximum amount that can be guaranteed by the relevant Collateral Provider without rendering the relevant Collateral and Guarantee voidable or otherwise ineffective under Applicable Laws, and enforcement of each Collateral and Guarantee would be subject to certain generally available defences.

Enforcement of any of the Collateral against any Collateral Provider, or enforcement of any of the Guarantees against the Guarantors will be subject to certain defences available to Collateral Providers or Guarantors in the relevant jurisdiction. Although laws differ among jurisdictions, laws and defences generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally. If one or more of these laws and defences are applicable, a Collateral Provider may have no liability or decreased liability under its Collateral and Guarantee depending on the amounts of its other obligations and Applicable Laws.

There is a possibility the entire Guarantee or Collateral may be set aside, in which case the entire liability may be extinguished. If a court decided a Guarantee or Collateral was a preference, fraudulent transfer or conveyance and voids such Guarantee or Collateral, or holds it unenforceable for any other reason, the Noteholder may cease to have any claim in respect of the relevant Guarantor or Collateral Provider and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor or Collateral Provider under the relevant Guarantee or Collateral which has not been declared void or held unenforceable.

The Notes will be guaranteed by the Guarantors, which are organised or incorporated under the laws of three jurisdictions. In the event of a bankruptcy, insolvency or similar event of a Guarantor, bankruptcy,

insolvency or similar proceedings could be initiated against that Guarantor in any of the relevant jurisdictions. The rights of Noteholders under the Guarantees will thus be subject to the laws of a number of jurisdictions, and it may be difficult to enforce such rights in several bankruptcy, insolvency and other similar proceedings.

Moreover, such multi-jurisdictional proceedings are typically complex and costly for the creditors. In addition, the bankruptcy, insolvency, administration and other laws of the jurisdiction of organisation of the Issuer or the Guarantors may be materially different from, or in conflict with, one another, including in relation to the creditor's rights, the priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over laws of which jurisdiction(s) should apply and could adversely affect the ability to realise any recovery under the Notes and the Guarantees.

1.5.7. The enforcement of the Guarantee and the Collaterals may deviate from the statutory provisions

Although the relevant Collateral is enforceable under the Applicable Laws, but the enforcement is subject to the procedures and limitations agreed in the Collateral Agent Agreement and these Terms of the Notes Issue. In particular, in order for the Collateral Agent to satisfy the Noteholders' claims, the enforcement procedure will be structured in the order as set out in These Terms of the Notes Issue. There can be no assurances as to the ability of the Noteholders to instruct the Collateral Agent to initiate any enforcement procedures. Furthermore, any enforcement of the relevant Collateral may be delayed due to the provisions of the Collateral Agent Agreement and these Terms of the Notes Issue.

1.5.8. Risks associated with Collateral Agent's actions and financial standing

By subscribing for, or accepting the assignment of, any Note, each of the Noteholders will accept the appointment of the Collateral Agent as the agent and representative of the Noteholders, to represent and act for the Noteholders in relation to the Collaterals. Only the Collateral Agent is entitled to exercise the rights under the Collaterals and enforce the same. Any failure by the Collateral Agent to perform its duties and obligations properly, or at all, may adversely affect the enforcement of the rights of the Noteholders due to, for example, inability to enforce the Collaterals and/or receive any or all amounts payable from the Collaterals in a timely and effective manner.

1.5.9. Under the Collateral Agent Agreement, the Majority Noteholders may pass a decision to replace the Collateral Agent at any time. At any time, the Collateral Agent may resign from its role as the Collateral Agent with 1 (one) month notice. Furthermore, the Collateral Agent's liability to the Noteholders is limited in accordance with Clause 2.3. of the Collateral Agent Agreement. As of the date of the Terms of the Notes Issue the Collateral Agent's professional liability is insured with an insurance company If P & C Insurance AS Latvijas filiāle (registration number: 40103201449).

* * *

2. PARTY RESPONSIBLE FOR THE TERMS OF THE NOTES ISSUE

2.1. Party responsible for the Terms of the Issue

SIA "Arsenal Industrial"

Registration No. 40103815302

LEI code: 2594007EQ80JJUKXHS31

Registered office: Stabu iela 61 – 11, Rīga, LV-1011, the Republic of Latvia

2.2. Representations and Warranties of the Issuer

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

The Issuer represents and warrants the following warranties to the Noteholders and the Collateral Agent:

- (a) The Issuer, Guarantors or Collateral Providers are a duly registered private limited liability companies operating in compliance with the Applicable Laws;
- (b) All the Issuer's obligations assumed under this issue of the Notes are valid and legally binding to the Issuer and performance of these obligations is not contrary to the Issuer's Articles of Association, laws or any agreement concluded by the Issuer;
- (c) The Issuer has all the rights and sufficient authorisations to issue the Notes, to provide the Collaterals, to register the Collaterals in the Commercial Pledge Register(s) and fulfil obligations arising from issuing the Notes;
- (d) The Issuer has performed all the formalities required for issuing the Notes and fulfilling the obligations arising here from;
- (e) All information that is provided by the Issuer to the Noteholders is true, accurate, complete and correct as at the date of presenting the respective information and is not misleading in any respect;
- (f) The Issuer and Guarantors or Collateral Providers are solvent, able to pay its debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer or its Subsidiaries (save for Subsidiary in Poland that is planned to be liquidated), Guarantors or Collateral Providers;
- (g) There are no legal or arbitration proceedings pending or initiated against the Issuer, Guarantors or Collateral Providers, which may have, or have had significant effect on the Issuer's financial position or profitability;
- (h) Directly or, to the Issuer's knowledge, indirectly, use the proceeds from the Notes, and shall procure that none of it or their directors, officers, employees or agents directly or, to the Issuer's knowledge, indirectly, use the proceeds from the Notes: (i) to fund, finance or facilitate any activities or business of or with any person that is, or is owned or controlled by persons that are, or in any country, region or territory, that, at the time of such funding, financing or facilitating is, or whose government is, the target of Sanctions; or (ii) in any other manner that would result in a violation of Sanctions by any person (including, any person participating in the subscription of Notes, whether as lender, underwriter, advisor, investor, or otherwise);
- (i) There are no criminal or misdemeanour proceedings pending or initiated against the Issuer, Guarantors or Collateral Providers;
- (j) The Issuer has fully complied with the Terms of Issue, dated 19 September 2018, amended as of 20 September 2021, 19 March 2022 and 28 July 2023 in accordance which the Issuer has issued 52 A series registered EUR bonds due 2023 with the total nominal value of EUR 5,200,00 of which Noble

Fund Mezzanine Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (registration No. RFI 1030) is a bondholder. Information re Terms of Issue to be added.

- (k) Guarantors and Collateral Providers have all the rights and sufficient authorisations to issue the Guarantees and provide Collaterals

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

The Issuer and its members of the board are responsible for the information contained in Terms of the Notes Issue.

Hereby I, undersigned member of the board of SIA "Arsenal Industrial" Gints Vanags certify the Issuer has taken all reasonable care to ensure the information contained in these Terms of the Notes Issue is, to the best of the Issuer's knowledge, true, complete and not misleading in any material respect.

SIA "Arsenal Industrial"

/e-signature/

Gints Vanags
Member of the Board

* * *

3. INFORMATION ON NOTES

3.1. The use of the proceeds

The initial issue size is EUR 4,500,000.00 (four million five hundred thousand euro). Funds that will be raised by the Notes issue will be used to refinance the Group's Existing Notes.

The Issuer may create, and issue further Notes in the amount of up to EUR 500,000 (five hundred thousand euro) to finance the purchase of new rental equipment, if all the conditions under Clause 5.2. (General Covenants) are observed.

3.2. Information on the offered Notes

3.2.1. General information

The Notes are bearer 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 Notes with a Nominal Value of EUR 1,000.00 (one thousand euro) for one Note and total nominal value of EUR 4,500,000.00 (four million five hundred thousand euro).

The ISIN (International Security Identification Number) of the Notes allocated by Nasdaq CSD is LV0000860153.

3.2.2. Applicable Laws that regulate the Notes issue

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

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

3.2.3. Form and accounting of the Notes

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

3.2.4. Currency of the Notes

Currency of the Notes is EUR (euro).

3.2.5. Status of the Notes

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

3.2.6. Guarantors of the Notes

The Guarantors guarantee the fulfilment of Issuer's obligations under the Notes.

The Notes shall be guaranteed by two of the Subsidiaries by issue of the Guarantees:

- (a) Arsenal Industrial OÜ, 14041623 and with a legal address at: Harju maakond, Tallinn, Lasnamäe linnaosa, Suur-Sõjamäe tn 25a/1, 11415, the Republic of Estonia;
- (b) Arsenal Industrial UAB, with registration No. 304784353 and with a legal address at: Perkūnkiemio g. 13-9112114 Vilnius, the Republic of Lithuania.

Guarantees will be issued to Collateral Agent as authorised representative of the Noteholders and for the benefit of the Noteholders as creditors in the agreed form. The Guarantors shall issue the Guarantees and deliver them to the Collateral Agent within 30 calendar days from the date of Terms of the Notes Issue.

3.2.7. Collateral of the Notes

The Notes, including any forthcoming notes issued, should there be any, will be secured with a commercial pledge over all assets of the Collateral Providers, except Permitted Security, as an aggregation of property at the moment of pledging, as well as its future components and it will be shared with other Noteholders on *pari passu* basis.

The Collateral shall be established in accordance with the terms and conditions of the relevant Collateral Agreement to be concluded between the Collateral Agent as pledgee and the relevant Collateral Provider as pledgor. The Collateral shall be established (registered) in the Commercial Pledge Registers within 60 (sixty) days after the Issue Date. The Collaterals shall be established in proportion (pro-rata) in case of commercial pledge enforcement – giving the Noteholders equal rights to their respective share of the entire commercial pledge.

Ranking of the Notes as the liabilities of the Issuer shall be *pari passu* (equivalent with no priority) with the other liabilities of the Issuer, except Permitted Security, secured in accordance with the collateral agreements.

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

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

The Issuer will provide:

- (a) Commercial pledge on assets in the amount of EUR 5,670,000 (in case new Notes are issued in accordance with Clause 3.1. of the Terms of the Notes Issue, the amount of the value of the pledge shall be increased to EUR 6,300,000);
- (b) Pledge on 51% of the shares issued by the Issuer; and
- (c) Guarantee in the amount of EUR 4,500,000 (EUR 5,000,000 in case new Notes are issued in accordance with Clause 3.1. of the Terms of the Notes Issue).

Arsenal Industrial OÜ will provide:

- (a) Pledge on its assets in the amount of EUR 800,000 (in case the value of the assets increases and the ratio of the value of pledge decreases to 1.5x, the amount of the value of pledge shall be increased); and
- (b) Guarantee in the amount of EUR 4,500,000 (EUR 5,000,000 in case new Notes are issued in accordance with Clause 3.1. of the Terms of the Notes Issue).

Arsenal Industrial UAB will provide:

- (a) Pledge on its assets in the amount of EUR 5,150,000; and
- (b) Guarantee in the amount of EUR 4,500,000 (EUR 5,000,000 in case new Notes are issued in accordance with Clause 3.1. of the Terms of the Notes Issue).

3.2.8. Parallel Debt

- 3.2.8.1. Notwithstanding any other provision of the Terms of the Notes Issue, for the purpose of ensuring and preserving the enforceability of the Collateral, the Issuer irrevocably and unconditionally undertakes to pay to the Collateral Agent, as creditor in its own right and not as representative of the Noteholders and as a solidary creditor together with the Noteholders for the purposes of Latvian Applicable Laws, sums equal to and in the currency of each amount payable by the Issuer to each of the Noteholders (whether present or future and whether actual or contingent) in accordance with these Terms of the Notes Issue as and in case the amount falls due for payment under these Terms of the Notes Issue.
- 3.2.8.2. The Collateral Agent shall be entitled to act as a joint creditor (jointly with the) of each and every Note (whether present or future and whether actual or contingent) of the Issuer to the Noteholders or any of them and, accordingly, the Collateral Agent shall have its own independent right to demand performance by the Issuer of any of those obligations.
- 3.2.8.3. For the avoidance of doubt, the aggregate amount due by the Issuer under the Parallel Debt will be decreased to the extent the Issuer has paid any amounts to the Noteholders under these Terms of the Notes Issue.
- 3.2.8.4. For the avoidance of doubt, to the extent the Issuer has paid any amounts to the Collateral Agent under the Parallel Debt the aggregate amount due by the Issuer to the Noteholders under these Terms of the Notes Issue will be decreased accordingly.
- 3.2.8.5. To the extent the Collateral Agent receives any amount in payment of the Parallel Debt following its respective specific written claim made to the Issuer, the Collateral Agent shall transfer such amount to the Noteholders in accordance with Clause 3.2.11.2. of these Terms of the Notes Issue and other sections (if any).
- 3.2.8.6. For the avoidance of doubt, the Parallel Debt shall become due and payable at the same time and to the same extent as the obligations of the Issuer to the Noteholders under these Terms of the Notes Issue have become due and payable.

3.2.9. Rights and Obligations of the Collateral Agent

- 3.2.9.1. By submitting a subscription order or acquiring the Notes on the secondary market, each Noteholder:
 - (a) appoints the Collateral Agent to act as its agent and to perform the obligations and exercise the rights in connection with the Collateral as set forth in these Terms of the Notes Issue, the Collateral Agreement and the Collateral Agent Agreement and authorises the Collateral Agent to exercise the rights, powers, authorities and discretions specifically given to the Collateral Agent under or in connection with these Terms of the Notes Issue, the Collateral Agreement, and the Collateral Agent Agreement;
 - (b) acknowledges the Issuer has concluded the Collateral Agent Agreement with the Collateral Agent;
 - (c) confirms the fact that the Collateral Agent acts under the Collateral Agent Agreement concluded with the Issuer or acting in the interests of the noteholders under the Existing Secured Notes does not constitute any conflict of interests with respect to the Noteholders;

- (d) confirms the fact that the Collateral secures, *inter alia*, the Issuer's obligations towards the Collateral Agent does not constitute any conflict of interests with the Noteholder (for the avoidance of doubt, the Collateral Agent has the right to withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent in accordance with Clause 3.2.9.10 and other clauses of these Terms of the Notes Issue). Each Noteholder acknowledges the fact that the Collateral secures, *inter alia*, the Issuer's obligations towards the Collateral Agent shall not prevent the Collateral Agent from fulfilling its obligations and acting in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement;
- (e) agrees upon the performance of its obligations and exercising of its rights in connection with the Collateral, the Collateral Agent shall be entitled to act at its own discretion, considering the interests of the Noteholders collectively and generally (and not of any particular Noteholder), unless specifically instructed otherwise by the Majority Noteholders in accordance with Clause 3.2.10.4(b), 3.2.10.6, 3.2.10.7 of these Terms of the Notes Issue and without prejudice to Clause 3.2.10.10 of these Terms of the Notes Issue;
- (f) agrees the Collateral Agent shall have the right to advise the Issuer and to provide any services to the Issuer in any matters and in any fields of activity which do not directly relate to the performance of obligations of the Collateral Agent set forth in these Terms of the Notes Issue, and the Noteholder does not consider this to cause any potential or actual conflict of interests;
- (g) each private individual or legal entity as well as their authorized representatives upon the request of the Collateral Agent, are obliged to disclose to the Collateral Agent all information and documents on these private individuals or the legal entities and as well as their authorized representatives and the Collateral Agent is entitled to receive this information and documents for the purposes of performance of duties of the Collateral Agent. This information and documents also include those documents and information that are necessary to the Collateral Agent in order to fulfil the Collateral Agents obligations regarding AML and Sanctions regulation requirements (e.g. information and documents on the beneficial owner);
- (h) a private individual or legal entity, as well as their authorized representatives, agrees that the Collateral Agent shall have the right and authority to request directly from the Depository any information and documents regarding these private individuals, legal entities, and their authorized representatives for the purposes of performing the duties of the Collateral Agent in accordance with these Terms of the Notes Issue and Collateral Agent Agreement.

3.2.9.2. The functions and obligations of the Collateral Agent are limited to those expressly specified in the Collateral Agent Agreement and these Terms of the Notes Issue and, notwithstanding any other provisions of these Terms of the Notes Issue, such functions are limited to the exercise of those rights which belong to the Collateral Agent in its capacity as the holder of the Collateral (pledgee). The Collateral Agent is required to perform its obligations in relation to the Collateral only if the Collateral Provider establishes the Collateral in the interests of the Noteholders and under the name of the Collateral Agent (as the holder of the Collateral (pledgee)) in accordance with these Terms of the Notes Issue to secure the Notes. The Collateral Agent does not have any obligation:

- (a) to take any action (including, without limitation, to commence legal proceedings, compulsory enforcement proceedings, bankruptcy proceedings or any other proceedings) with the purpose to satisfy any claims arising under these Terms of the Notes Issue in connection with any assets of the Issuer, except for enforcing the Collateral in accordance

- with these Terms of the Issue and the Collateral Agreements upon the Collateral becoming enforceable and receiving the relevant instructions from the Majority Noteholders;
- (b) to ensure the existence, enforceability or validity of the Collateral or to preserve the Collateral or its value or to assess any rights arising from or relating to the Collateral (except for the validity of the Collateral after its establishment to the extent within the control or sphere of influence of the Collateral Agent and to the extent within the scope of its obligations under these Terms of the Notes Issue);
 - (c) to inform the Noteholders or the Issuer about any circumstances relating to the Collateral except to the extent such obligation to provide information is explicitly set forth in the Terms of the Notes Issue; and
 - (d) to provide any advice to the Noteholders in legal, accounting, tax or other matters for free.
- 3.2.9.3. The Noteholders shall not have any independent power to enforce the Collateral or to exercise any rights or powers arising under the Collateral Agreement. Noteholders may exercise their rights in relation to the Collateral only through the Collateral Agent pursuant to these Terms of the Notes Issue.
- 3.2.9.4. Upon the performance of its obligations and exercising its rights, the Collateral Agent shall act at its own discretion in the interests and on the account of the Noteholders collectively, and generally (and not any particular Noteholder) without having any independent interests of its own (for the avoidance of doubt, the Collateral Agent has the right to withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent in accordance with Clause 3.2.9.10 of these Terms of the Notes Issue) and without any obligation to consider any interests of the Issuer and without any right of the Issuer to give any instructions to the Collateral Agent. In particular, in accordance with these Terms of the Notes Issue the Collateral Agent shall be entitled to decide at its sole discretion as to what would be in the best interests of the Noteholders upon failure to obtain instructions from the Majority Noteholders. However, the Collateral Agent shall not start the enforcement of the Collateral without instructions provided by the Majority Noteholders described in Clause 3.2.10.4(b) of these Terms of the Notes Issue.
- 3.2.9.5. The Collateral Agent is not a party to the legal relationship between the Issuer and the Noteholders and is under no circumstances liable for the performance of the obligations of the Issuer or impossibility to enforce the Collateral in accordance with these Terms of the Notes Issue and the Collateral Agreements or any restrictions or delays thereof.
- 3.2.9.6. Upon the performance of its obligations and exercising of its rights hereunder the Collateral Agent shall have the right at its own cost to use the services of third parties and to appoint third-party representatives (including, during the performance of its tasks and acts as stipulated in the Terms of the Notes Issue and the Collateral Agreement). In case of use of the services of third parties and/or appointment of third-party representatives, the Collateral Agent shall evaluate and appoint only reputable third parties having professional expertise for the fulfilment of the tasks and acts as stipulated in the Terms of the Notes Issue. In case of use of the services of third parties and/or appointment of third-party representatives, the Collateral Agent shall also ensure: (i) no conflict of interest exists in respect to the Issuer and the Majority Noteholders; (ii) the fees, costs and expenses of such third party services are at a reasonable market price; (iii) the fees, costs and expenses for using the services of third parties and/or appointment of third-party representatives would not exceed costs, fees and expenses of the Collateral Agent if the latter would perform its obligations under the Terms of the Notes Issue, the Collateral Agreements and the Collateral Agent Agreement on its own; and (iv) it remains duty and obligation of the Collateral Agent to perform its obligations under the Terms and the Collateral Agent Agreement and not of the appointed third-party. In case the use of services of

third parties or appointment of third-party representatives is required for the fulfilment of obligations arising from these Terms of the Notes Issue, including the Collateral Agreement, Clause 3.2.9.10 of the Terms of the Notes Issue is applicable. The Collateral Agent shall not be responsible for the losses and damage caused by the acts and omissions by third parties.

- 3.2.9.7. At the request of the Collateral Agent, the Noteholder shall provide the Collateral Agent with any information required for the purposes of identification of the Noteholder and/or for the performance of other obligations arising from Applicable Laws and regulations.
- 3.2.9.8. On the Issue Date and at the request of the Collateral Agent, the Issuer shall provide the Collateral Agent with an updated list of Noteholders specifying the outstanding Nominal Value of the Notes each of them is holding and their latest known email addresses if such information is available. Furthermore, the Issuer agrees to and authorizes the Collateral Agent to directly request from the Depository any information and documents concerning the Noteholders, private individuals, legal entities, and their authorized representatives for the purpose of fulfilling the duties of the Collateral Agent in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement.
- 3.2.9.9. The Collateral Agent is not liable for any circumstances relating to or affecting the validity of the Collateral that are outside the control or sphere of influence of the Collateral Agent.
- 3.2.9.10. The Collateral Agent shall have the right to receive fees from the Issuer and to be compensated by the Issuer for the costs relating to the performance of its obligations under the Terms of the Issue and the Collateral Agreements in accordance with the Collateral Agent Agreement and shall have the right to withhold the performance of its duties and obligations in case of delay of payment of the relevant fees and costs. As regards the costs, the Issuer shall compensate to the Collateral Agent also all payments made by the Collateral Agent to third parties for the purposes of establishment, amendment, termination and enforcement of the Collateral in accordance with the Terms and the Collateral Agreement (including, without limitation, state fees and taxes, other fees and payments established by laws and regulations, costs and expenses incurred by the Collateral Agent), as well as all damages incurred by the Collateral Agent in relation to the same.
- 3.2.9.11. Notices and documents to the Collateral Agent shall be valid only if made and forwarded in writing either by post or e-mail by using the contact details set forth in the Terms of the Notes Issue. All notices of the Noteholder to the Collateral Agent shall be sent in writing (letter and email) to the Collateral Agent and copied to the Issuer and the Arranger. If the Collateral Agent has doubts that a notice from a Noteholder has not been sent to the Issuer, then the Collateral Agent shall immediately forward such notice to the Issuer.
- 3.2.9.12. The Collateral Agent has the right to terminate the Collateral Agent Agreement in case: (a) the Collateral described in Clause 3.2.7 of these Terms of the Notes Issue has not been established within the relevant term stipulated in Clause 3.2.10.1 of these Terms of the Notes Issue; and/or (b) the Collateral Agent withdraws from performance of the tasks set out in these Terms of the Notes Issue on the grounds set out in Clause 3.2.10.13 or 3.2.10.15. of these Terms of the Notes Issue. Fees and payments already paid to the Collateral Agent shall not be refunded in the event of termination of this Collateral Agent Agreement.
- 3.2.9.13. The Issuer has the right to terminate the Collateral Agent Agreement in case the Issuer decides not to proceed with the Notes issue and/or if the Collateral Agent allows gross negligence/malicious intent in exercising their rights. A new collateral agent must be designated by the Issuer who must take over the obligations of the Collateral Agent.

3.2.10. Establishment, Release and Enforcement of the Collateral

- 3.2.10.1. For the purpose of constituting security for the due and timely payment, discharge and performance of the Notes, the Collateral shall be established in the interests of Noteholders and under the name of the Collateral Agent (as the holder of the Collateral (pledgee)) under the

Collateral Agreement which, in legal terms, serves as security for the Notes of the Issuer towards the Collateral Agent. The Issuer shall ensure the Collateral Providers will conclude the relevant Collateral Agreements or amend the existing Collateral Agreements to secure the Notes with the Collateral Agent and ensure the respective Collateral is registered in the Commercial Pledge Registers within 60 (sixty) calendar days from the Issue Date. If a Promissory Note (or similar document of a technical nature) is required to register the respective Collateral, the Issuer and the Collateral Agent shall conclude such Promissory Note in the form suitable to the Commercial Pledge Registers. For the avoidance of doubt, a Promissory Note does not constitute an independent or separate claim and the Collateral Agent may demand payment of any sum under a Promissory Note only in the amount and to the extent such equivalent sum has become due and payable to Noteholders under these Terms of the Notes Issue. For the avoidance of doubt, a Promissory Note is required only if the respective Collateral has not been registered in the Commercial Pledge Registers within 90 (ninety) calendar days from the Issue Date due to refusal of the Commercial Pledge Registers to register the Collateral in favour of the Collateral Agent.

- 3.2.10.2. The Issuer shall provide written confirmation on the registration of the Collateral in the Commercial Pledge Registers to the Collateral Agent within 3 (three) Business Days after registration has taken place.
- 3.2.10.3. By subscribing to the Notes, each Noteholder acknowledges and confirms the Issuer and Subsidiaries may, within their ordinary course of business sell their assets.
- 3.2.10.4. The Collateral Agent shall take all actions that the Collateral Agent as the holder of the Collateral may reasonably take with the purpose to enforce the Collateral according to the procedure provided for in the Collateral Agreement in case:
 - (a) the Notes are not performed in accordance with the Terms of the Notes Issue which the Collateral Agent has been duly informed of in accordance with Clause 3.2.10.7 of the Terms of the Notes Issue; and
 - (b) The Majority Noteholders have instructed the Collateral Agent in writing to enforce the Collateral (for the avoidance of doubt, the Majority Noteholders have such right only if the Notes are not performed in accordance with the Terms of the Notes Issue, and the Majority Noteholders have to specify in their instructions to enforce the Collateral which obligation(s) has been breached pursuant to the Terms of the Notes Issue).
- 3.2.10.5. If the Majority Noteholders in accordance with Clause 3.2.10.4(b) of the Terms of the Notes Issue have instructed the Collateral Agent to enforce the Collateral, the Collateral Agent shall immediately inform (by publishing on Issuer's Website and in Nasdaq's information system after listing) all Noteholders.
- 3.2.10.6. The Majority Noteholders have the right to instruct the Collateral Agent to take specific actions to enforce the Collateral according to the procedure provided for in the Collateral Agreement in case the conditions set out in Clause 3.2.10.4. of the Notes Issue have been fulfilled. The Collateral Agent has a right (but not an obligation) to refuse to follow such instructions until the Majority Noteholders have confirmed such instructions.
- 3.2.10.7. The Collateral Agent may assume that no violation of the Notes has occurred unless the Collateral Agent has received a written notice (letter or email) to the contrary from the Issuer or the Majority Noteholders. For the avoidance of doubt, the Majority Noteholders shall have such right only if the Notes is not performed in accordance with the respective terms and conditions set out in these Terms of the Notes Issue.
- 3.2.10.8. The Collateral Agent shall be entitled (but is not under any circumstances obliged) to request instructions, or clarification of any direction, from the Noteholders as to whether, and in what manner, the Collateral Agent should exercise or refrain from exercising any rights, powers and

discretions with regard to the enforcement of the Collateral. Upon such request, the Noteholders shall give their instructions or clarifications to the Collateral Agent within the time period specified in the Collateral Agent's request for instructions or clarifications, such a time period is to be at least 2 (two) Business Days. The Collateral Agent may refrain from acting unless and until Majority Noteholders have provided the Collateral Agent with requested instructions or clarifications.

- 3.2.10.9. If, under Clause 3.2.10.4(b) and 3.2.10.7. of the Terms of the Notes Issue or following the request of the Collateral Agent submitted under Clause 3.2.10.8. of the Terms of the Notes Issue, the Majority Noteholders have duly instructed the Collateral Agent, the Collateral Agent is obligated to comply with these instructions. Any such instructions from the Majority Noteholders will be binding on all Noteholders of the Issue. The Collateral Agent shall not be liable for any consequences or damages that result from complying with the instructions.
- 3.2.10.10. Notwithstanding Clause 3.2.10.9. of these Terms of the Notes Issue, the Collateral Agent may refrain from doing anything which in its opinion will or may be contrary to the Terms of the Notes Issue, the Collateral Agreement, the Collateral Agent Agreement or applicable laws and regulations or otherwise render it liable to any person and may do anything which is in its opinion necessary to comply with such legislation. The Collateral Agent may refrain from acting in accordance with the instructions of the Majority Noteholders until it has received such indemnification or security as it may require for all costs, claims, losses, expenses (including but not limited to legal fees) and liabilities which it will or may expend or incur in complying with such instructions.
- 3.2.10.11. Without prejudice to Clauses 3.2.10.8., 3.2.10.9., 3.2.10.10. of these Terms of the Notes Issue, the Collateral Agent may (but is not obligated to) act (or refrain from acting) as it in its own discretion reasonably believes is in the best interests of the Noteholders. The Collateral Agent shall not be liable to Noteholders for acting (or refraining from acting) as described in these Terms of the Notes Issue or in accordance with the instructions of the Noteholders and/or Applicable Laws.
- 3.2.10.12. The Collateral Agent shall not be liable to Noteholders for the outcome of the enforcement of the Collateral, provided the Collateral Agent has acted in accordance with the Terms of the Notes Issue and the Collateral Agreement.
- 3.2.10.13. The Collateral Agent shall have the right to unilaterally terminate the performance of its duties described in these Terms of the Notes Issue in accordance with the Collateral Agreements and the Collateral Agent Agreement (including, without limitation, terminate the enforcement of the Collateral) in case:
 - (a) in the reasonable opinion of the Collateral Agent: (a) (further) enforcement of the Collateral on reasonable terms is not possible or feasible due to the commencement of insolvency or reorganisation proceedings of the Issuer or the relevant Collateral Provider or enforcement of the Collateral on reasonable terms may not possible for any other reason; or (b) the estimated proceeds of the enforcement of the Collateral will not be sufficient to cover the claims under Clause 3.2.11.1(a)(a) and/or
 - (b) in the opinion of the Collateral Agent, the Collateral (or the substantial part thereof) ceases to exist for any reason.
- 3.2.10.14. In order to exercise its right of termination under Clause 3.2.10.13. of these Terms of the Notes Issue, the Collateral Agent shall submit a respective written notice (letter or email) stating the basis of exercising the right of termination to the Issuer and all of the Noteholders. The duties and obligations of the retiring Collateral Agent shall be deemed to have terminated from the moment when the respective written notice is submitted to the Issuer and all of the Noteholders. For the avoidance of doubt, under the Applicable Laws the relevant Collateral Agreement and/or the establishment and discharge of the Collateral, the Collateral Agent may

perform certain actions to release (discharge) the Collateral as a result of the termination under Clause 3.2.10.13.

- 3.2.10.15. The Collateral Agent shall have the right to resign due to justifiable reasons other than stated in Clause 3.2.10.13. of these Terms of the Notes Issue by submitting a respective written notice (letter or email) to the Issuer. The duties and obligations of the Collateral Agent shall be deemed to have terminated upon the appointment of a successor Collateral Agent and acceptance by such appointment of the successor Collateral Agent and the execution of all necessary documentation to effectively substitute the retiring Collateral Agent. The Issuer shall immediately inform the Noteholders of receipt of the notice by publishing a relevant notice on the Webpage and on Nasdaq Riga information system (if the Notes are admitted to trading on First North).
- 3.2.10.16. No later than three months after the receipt of the relevant notice under Clause 3.2.10.13 or Clause 3.2.10.15. of these Terms of the Notes Issue by the Issuer a successor Collateral Agent must be designated by the Issuer and the Majority Noteholders, who must take over the obligations of the retiring Collateral Agent.
- 3.2.10.17. If a successor Collateral Agent has not been appointed within the term set out in Clause 3.2.10.16. of these Terms of the Notes Issue, the duties and obligations of the retiring Collateral Agent shall be deemed to have terminated. For sake of clarity, the retiring Collateral Agent shall be stated as pledgee in the Commercial Pledge Registers until the successor Collateral Agent has been appointed and registered as pledgee of the Collateral in the Register.
- 3.2.10.18. The Collateral Agent shall evaluate that no conflict of interest exists with regard to the Issuer and/or the Noteholders and, the existence of conflict of interest shall not prevent the Collateral Agent from fulfilling its obligations to the extent and scope as described in these Terms of the Notes Issue and as provided in the in the Collateral Agreements and in the Collateral Agent Agreement.

3.2.11. Application of the Proceeds from Enforcement of the Collateral

- 3.2.11.1. The proceeds from the enforcement of the Collateral shall be applied in the following order of priority:
 - (a) as the first priority: to the satisfaction and payment of all fees, costs and expenses and damages (including, without limitation, state duties, notary fees, valuation costs and fees, costs and expenses of third parties engaged in by the Collateral Agent pursuant to conditions set out, *inter alia*, in Clauses 3.2.9.6 and 3.2.9.10) related to performance of its duties by, or otherwise payable to, the Collateral Agent under the Terms of the Notes Issue, the Collateral Agent Agreement and the Collateral Agreement securing the Issuer's obligations relating to the Issue, including but not limited to the establishment, amendment, termination and enforcement of the Collateral incurred by the Collateral Agent or any of the third parties engaged by the Collateral Agent, provided that the fees, costs and expenses have occurred on a reasonable market price and pursuant to conditions specified in Clause 3.2.9.6 and/or Clause 3.2.9.10;
 - (b) as the second priority (after full satisfaction, payment and deduction of all claims and amounts set forth in Clause 3.2.11.1(a) of the Terms of the Notes Issue): in payment of the claims of the Noteholders arising under the Terms of the Notes Issue, including but not limited to the claims arising from the Notes.
- 3.2.11.2. The Collateral Agent shall withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent specified in Clause 3.2.11.1(a) of the Terms of the Notes Issue and transfer the remaining proceeds to the Noteholders for satisfying the claims under Clause 3.2.11.1(b) of the Terms of the Notes Issue. The Collateral Agent shall return the proceeds from the enforcement of the Collateral remaining after satisfying all claims set forth in Clause 3.2.11.1 of the Terms of the Notes Issue to the relevant Collateral Provider.

- 3.2.11.3. In case the proceeds remaining after covering the fees, costs, expenses, damages and claims under Clause 3.2.11.1(a) of the Terms of the Notes Issue do not cover the claims of the Noteholders under Clause 3.2.11.1(b) of the Terms of the Notes Issue in full, these claims of the Noteholders shall be satisfied pro rata.
- 3.2.11.4. The Collateral Agent is not obliged to pay to the Noteholders or any other persons any interest on the proceeds from the enforcement of the Collateral (whether deposited or not).
- 3.2.11.5. In case the Collateral Agent is required, under applicable laws, to withhold or pay any taxes in connection with payments to be made by the Collateral Agent hereunder, the amount to be paid by the Collateral Agent shall be reduced by the amount of respective taxes and only the net amount shall be paid by the Collateral Agent.

3.2.12. Rights and restrictions connected with the Notes Issue

Any Noteholder has the right to receive Coupon and Nominal Value payments in accordance with the Clause 3.2.13 "Coupon payments" and Clause 3.2.15 "Procedure of the Notes repayment", as well as exercise other rights fixed in the Terms of the Notes Issue and Applicable Laws of the Republic of Latvia.

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 are held in 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' custody account, therefore decreasing the size of the Notes issue.

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

3.2.13. Coupon payments

Coupon rate

The Coupon rate for the Notes is 12.00% (twelve percent) per annum, paid monthly.

Coupon payment procedure

Coupon payments are made on each Coupon Payment Date. Coupon payments are made twelve times per year – on every 31 January, 28 February (except for 2024 when the payment is made on 29 February 2024), 31 March, 30 April, 31 May, 30 June, 31 July, 31 August, 30 September, 31 October, 30 November and 31 December. The first Coupon payment will be made on 2 January 2024 (the first Business Day after 31 December 2023, as 31 December 2023 is not a Business Day) and the last Coupon payment will be made on 31 May 2026.

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

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

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

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

Coupon calculation

Monthly Coupon payments are determined according to the following formula:

$CPN = F * C / 12$ or $CPN\% = C/12$, where

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

F – Nominal Value of one Note;

C – annual Coupon rate (%).

Accrued interest calculation

The first Coupon starts to accrue on 30 November 2023, which is the First Settlement Date of the Notes issue.

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

$AI = F * C / 360 * D$, where

AI – accrued interest of one Note;

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

C – annual Coupon rate (%);

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

3.2.14. Procedure of the Notes repayment

The Nominal Value of one Note is EUR 1,000.00 (one thousand euro) and the Issuer will repay the Nominal Value of Notes at Maturity Date, which is 31 May 2026.

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

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

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

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

The Issuer shall be entitled to full early redemption (call option) on every Coupon Payment Date starting:

- (a) From 30 November 2024 (inclusive) until 28 February 2026 (inclusive) by paying 102% (one hundred and two per cent) of the Nominal amount plus accrued and unpaid Coupon;
- (b) from 1 March 2026 (inclusive) until the day before Maturity Date by paying 100% (one hundred point five per cent) of the Nominal amount plus accrued and unpaid Coupon.

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

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 the notice on the Webpage and on Nasdaq Riga information system, in case the Notes are admitted to trading on First North.

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

3.2.16. Early redemption at the option of the Noteholders (put option)

In case a Change of Control has occurred or is anticipated to occur, the Issuer has the obligation (in cases of anticipated Change of Control – a right) to inform the Noteholders by publishing a relevant notice with sufficient details on the Webpage and, if the Notes are admitted to trading on First North, on Nasdaq Riga webpage no later than the date that is 20 (twenty) Business Days after the Change of Control has occurred and at any time before the anticipated occurrence of a Change of Control, stating:

- (a) the Change of Control has occurred or may occur and that such a Noteholder has the right to require the Issuer to purchase all of such Noteholder's Notes at a price equal to 101% (one hundred and one per cent) of the Nominal value plus accrued and unpaid Coupon;
- (b) the repurchase date, which shall be not earlier than 10 (ten) Business Days and not later than 20 (twenty) Business Days from the date such notice is delivered 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) the record date;
- (d) that any Note redeemed pursuant to a Change of Control will cease to accrue interest after a Change of Control payment date unless the Change of Control payments is not paid, and any Notes or part thereof not redeemed will continue to accrue interest;
- (e) describing the circumstances and relevant facts regarding the transaction or transactions that constitute a Change of Control;
- (f) describing the procedures determined by the Issuer that the Noteholder must follow to have its Notes repurchased.

To exercise the Change of Control put option, the Noteholder must submit to the Issuer a duly signed and completed notice of exercise in the form provided by the Issuer within the Change of Control put period provided by the Issuer in the said notice. If no response from the Noteholder has been received within the designated time period, it is concluded that the Noteholder will not execute its put option. No option so exercised may be withdrawn without the prior consent of the Issuer. If the Noteholders will exercise the put option under this Clause 3.2.17, the Issuer shall pay 101% (one hundred and one per cent) of the Nominal amount plus accrued and unpaid Coupon.

If 75% (seventy-five per cent) or more in Nominal Amount of the Notes then outstanding have been redeemed pursuant to this Clause, 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 this Clause 3.2.17. 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.

3.2.17. Early redemption (event of default)

The Noteholders have the rights to demand early redemption of Notes in case of occurrence of the events of default in accordance with Clause 4.2 "Event of default".

3.2.18. Representation of the Noteholders

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

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

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

3.2.19. Decisions of the Issuer on the Notes issue

On 28 November 2023 the Issuer's shareholders passed the decision to issue secured debt securities in the amount of up to EUR 5,000,000 (five million euro) and to authorize the management board to sign all the documents related to the execution of the shareholders' decision to issue the Notes.

On 28 November 2023 the Issuer's supervisory board passed the decision to issue secured debt securities in the amount of up to EUR 5,000,000 (five million euro) with a coupon rate of 12% paid monthly and maturity of up to 2,5 (two and a half) years.

On 28 November 2023 the Issuer's management board passed the decision to issue secured debt securities (Notes) in the amount of up to EUR 5,000,000 (five million euro) with a coupon rate of 12% paid monthly and maturity of up to 2,5 (two and a half) years.

3.2.20. First Settlement Date of the Notes Issue

The First Settlement Date (Issue Date) of the Notes issue is 30 November 2023 on which the Coupon starts to accrue.

3.2.21. Restrictions on free circulation of the Notes

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

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

* * *

4. SPECIAL CONDITIONS

4.1. Disclosure of information

Up until the Maturity Date, the Issuer and the Group shall publish all the information required by covenants, rules of Nasdaq Riga (if the Notes are listed on First North) and Applicable Law. For so long as the Notes are not admitted to trading on First North, all notices and reports to the Noteholders shall be published on the Website. As of the date when the Notes are admitted to trading on First North, all notices and reports to Noteholders shall be published on the Nasdaq Riga website, as well as on the Website. Any notice or report published in such manner shall be deemed to have been received on the same Business Day when it is published.

4.2. Event of Default

Noteholders representing at least 10% (ten) per cent of the outstanding Notes issue may by written notice to the Issuer declare the occurrence of Event of Default, at any time after the event of default has occurred (and as long as the event of default exists).

If the Issuer confirms that the Event of Default has occurred, the Issuer shall pay all Noteholders the Nominal value of Notes along with the accrued Coupon and contractual penalty in accordance with Clause 4.3 "Contractual penalty" within 10 (ten) Business Days after the receipt of the notification. If the Issuer is unable to pay, the Noteholders, representing at least 10% (ten percent) of the principal amount of the outstanding Notes may act in accordance with Clause 3.2.10.4.

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 Website, after listing, on Nasdaq Riga website.

Each of the events or circumstances set out and included in below Clauses 4.2.1. - 4.2.5. shall constitute an Event of Default.

4.2.1. Non-payment

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

4.2.2. Breach of covenants

The Issuer or the Group has violated the conditions of the Clause 5.1. "Financial Covenants" and has failed to remedy such violation as according to the Clause 4.2.3 "Covenant cure", or the Issuer does not perform or comply with any one or more of its other obligations set out in Clause 5.2. "General covenants", and the Issuer fails to remedy such a breach within 30 (thirty) calendar days from the date of the breach, unless such a default is incapable of being remedied.

4.2.3. Covenant cure

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

- (b) Any new equity and/or Subordinated Debt provided in respect of any Relevant Period shall be deemed to have been provided immediately prior to the last date of such period and shall be included (without double counting) in all relevant covenant calculations until the date it was deemed provided falls outside any subsequent Relevant Period.
- (c) If after the equity adjustment the requirement of the relevant financial covenant is met, then the requirement thereof shall be deemed to have been satisfied as at the relevant original date of determination of any default, Event of Default, occasioned thereby shall be deemed to have been remedied for the purposes of the Terms of the Notes Issue.
- (d) Additionally, the Issuer and the shareholders of the Group may cure or prevent breach of financial covenant set forth under Clause 5.1.3 by way of providing additional Collateral.

4.2.4. Cross default

If for Issuer or any of the Guarantors:

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

Provided, however, the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (e) above exceeds a total of EUR 200,000.00 (two hundred thousand euro) (or the equivalent thereof in any other currency); provided it does not apply to any Financial Indebtedness owed to a Subsidiary of the Group or Related Parties, or Subordinated Debt and other than (a) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within ninety (90) calendar days of commencement or, if earlier.

4.2.5. Insolvency

If the Issuer or any of the Guarantors:

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

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

4.3. Contractual penalty

In the case of non-compliance or inadequate compliance with a payment obligation arising from the Notes, the respective Noteholder shall be entitled to require and the Issuer shall be obliged to pay contractual penalty upon the request of any Noteholder to all the Noteholders that shall accrue from the due date for

payment (excluding), to the actual payment date (including) in the amount of 0.1% (zero point one per cent) per day of the relevant outstanding amount.

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

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

* * *

5. COVENANTS

5.1. Financial covenants

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

- 5.1.1. To maintain consolidated Interest Coverage Ratio of: (i) at least 1.75x (one point seventy five times) from the fourth quarter of 2023 until the fourth quarter of 2024; (ii) at least 2x (two times) from the first quarter of 2025 until Maturity Date, calculated for the Relevant Period at the end of each quarter.
- 5.1.2. To maintain consolidated Capitalization Ratio minimum of: (i) 15% (fifteen per cent) from the fourth quarter of 2023 until the fourth quarter of 2024; (ii) 20% (twenty percent) from the first quarter of 2025 until Maturity Date, calculated for the Relevant Period at the end of each quarter.
- 5.1.3. To maintain Net Debt Leverage Ratio maximum of: (i) 4x (four times) from the fourth quarter of 2023 until the fourth quarter of 2024; (ii) 3.5x (three point five times) from the first quarter of 2025 until the second quarter of 2025; (iii) 3x (three times) from the third quarter of 2025 until Maturity Date, calculated for the Relevant Period at the end of each quarter.
- 5.1.4. To maintain Collateral Coverage Ratio of at least 1.25x (one point twenty five times), calculated for the Relevant Period at the end of each quarter.
- 5.1.5. Financial covenants stated in Clauses 5.1.1 to 5.1.4 shall be tested at the end of each quarter and proof of compliance with these covenants shall be included in every Financial Report of the Group.
- 5.1.6. The Issuer may in its sole discretion choose to calculate the financial covenants under Clauses 5.1.1 to 5.1.4. in accordance with the Accounting Principles.

5.2. General covenants

From the Issue Date of the Notes to the date of repayment thereof, the Issuer and the Group shall undertake the following:

- 5.2.1. The Issuer shall not pay dividends or make other distribution of profits to its shareholders and/or entities directly or indirectly owned by them in form of a loan, investment or any other distribution.
- 5.2.2. To include Notes on First North operated by Nasdaq Riga within 6 (six) months after the Issue Date;
- 5.2.3. All existing and future liabilities (loans, notes, etc.) towards Related Parties must be junior and subordinated to the Notes;
- 5.2.4. The Issuer and its Subsidiaries shall not create or permit to subsist mortgage, pledge or any other security interest (each a "Security") other than a Permitted Security, upon the whole or any part of its present or future business, undertaking, assets or revenues to secure any Financial Indebtedness without at the same time or prior thereto securing the Notes equally and rateably with.
- 5.2.5. Not to make substantial changes to the general nature of the business of the Issuer and Guarantors from that carried on at the Issue Date (including, but not limited to the start of any business not being ancillary or incidental to the original business).
- 5.2.6. The Issuer's shareholders, Related Parties, or management team members shall not start any new business being ancillary, incidental to or competing with the Issuer's business or make investments in any existing such businesses.
- 5.2.7. Not to obtain participation in other companies by investing funds or providing loans to third parties, except if over 51% (fifty-one per cent) participation in this company shall be acquired and the Issuer or its Subsidiaries retains control of a company;

- 5.2.8. Not to sell, present, change, rent, license, invest, or otherwise transfer into utilization the right to use the trademarks of the Issuer and/or its Subsidiaries;
- 5.2.9. Not to initiate or allow initiation of the Issuer's liquidation or similar proceedings and not to reduce share capital of the Issuer;
- 5.2.10. Any transactions with Related Parties shall be at Fair Market Value;
- 5.2.11. From the Issue Date, to prepare and publish consolidated condensed unaudited quarterly reports of the Group with management commentary as per the Accounting Principles within two months following the end of each respective quarter;
- 5.2.12. To prepare and publish audited consolidated annual reports for the Group prepared as per Accounting Principles within 4 (four) months after the end of consecutive financial year. The annual consolidated reports shall be audited by the Auditor;
- 5.2.13. Proof of compliance with the Financial Covenants to be included in every quarterly report;
- 5.2.14. To publish financial reports non-financial reports, notices and any other reports to Noteholders as required under the Terms of the Notes Issue and Applicable Laws on the Website, and Nasdaq Riga's website (if the Notes are listed on First North);
- 5.2.15. To perform revaluation of the Issuer's fixed assets by an independent appraiser at least once a year and include the results of such revaluation in the Issuer's annual consolidated report.
- 5.2.16. Not to create and issue any further Notes that can be consolidated and become fungible with the existing Notes. However, the Issuer has a right to create and issue any further Notes (in one or more issuances) that can be consolidated and become fungible with the existing Notes on a condition that the total nominal value of the Notes does not exceed EUR 5,000,000 (five million euro), provided that:
 - 5.2.16.1. The funds raised as a result of issue of such further Notes are used only to finance the acquisition of new equipment, and
 - 5.2.16.2. The respective equipment shall be pledged in favour of the Noteholders; and
 - 5.2.16.3. The total nominal value of such further Notes does not exceed EUR 500,000 (five hundred thousand euro); and
 - 5.2.16.4. The Issuer's Net Debt Leverage Ratio does not exceed 3.0x and all Issuer's Covenants as according to the Clause 5 are observed both prior to and after the creation and issuance of any additional Notes

5.3. **Procedure for applying for Noteholders' consent**

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

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

The Issuer can apply for the waiver itself or through the intermediary of an authorised person (the "Agent"). To request a waiver, the Issuer or Agent shall notify the Noteholders by publishing the relevant announcement on the Website, if Notes are not listed, or, if Notes are included in First North, *via* the Nasdaq Riga website, specifying at the least the following information:

- (a) a description of the requested amendment;
- (b) a justification of the necessity of such amendment;
- (c) the date when the list of the Noteholders eligible to grant the waiver (vote) will be fixed;
- (d) the term within which a Noteholder can support or reject the offered waiver;
- (e) instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;
- (f) notification that a Noteholder willing to grant the waiver offered by the Issuer shall notify the Issuer and Issuer's Agent within the term specified in the application, which is certified by a postal seal, signature on receipt or notification (letter or email) Noteholder's Custodian. If the Noteholder does not notify the Issuer or Issuer's Agent about the approval to grant the waiver within the term specified in the application, a Noteholder shall be deemed as not having granted the waiver;
- (g) contact details of the Issuer and/ or the Issuer's Agent to be used for notifications (telephone number for inquiries, email or address for sending filled in and signed questionnaires, list of representative offices and/ or branches of the Issuer and/ or Issuer's Agent where the Noteholders can submit the questionnaires in person);
- (h) other information, including a fee to the Noteholders for approving the waiver (if any).

The list of Noteholders shall be inquired from the Nasdaq CSD as of the date falling to the 5th (fifth) Business Day after the waiver was published in a manner set-out in the paragraphs above.

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

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

The Issuer or Agent shall count the received votes and notify the Noteholders of the results of the voting within 1 (one) Business Day after the deadline for submitting the questionnaires by publishing a relevant announcement on the Website if Notes are not listed, or, if the Notes are included in the First North, via the Nasdaq Riga website.

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

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

5.4. **Force majeure and limitation of liability**

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

- (a) action of any authorities, war or threat of war, armed hostility or a serious threat of it, including but not limited to enemy attacks, blockades, military embargoes, actions by a foreign enemy, general military mobilisation, military actions, declared and undeclared war, actions by a public enemy,

commotions, acts of terrorism, diversions, piracy, disorders, invasion, revolution, coup, insurrection, mass unrest, introduction of curfews, quarantine established by the Governments in jurisdictions of the Guarantors, 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 and the Group;
- (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.

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.

* * *

6. Taxes

6.1. 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 Bonds. Tax rates and conditions for paying taxes may change during the life of the Bonds. 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.

6.2. 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 legal acts. 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 Bondholder, 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 Bondholder should contact the Issuer via the information provided on the Website and/or Nasdaq Riga website.

Table 1 – Tax consequences in the Republic of Latvia regarding the income derived from Notes that are issued by a legal entity registered in the Republic of Latvia (not being a credit institution) effective as of 1 January 2023:

Legal status of income beneficiary	Bonds that are not in the public circulation (not admitted to trading on a regulated market for the purposes of MiFID II)		Conditions
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	20% ¹	20% ¹	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of the Bonds, if it is registered in Latvia.</p> <p>¹Exclusively for individual residents (natural person taxpayers), The Law on Income Tax of the Republic of Latvia allows for postponement of the taxation of income derived from securities by using an investment account regime. Provided that the investment account regime is used at the moment of receiving the respective financial income, the moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e., the amount withdrawn from the account exceeds the amount which had been previously paid into the account).</p> <p>Income from disposal of Bonds is considered equivalent to an interest income and taxed at 20% rate in Latvia.</p>
Company resident of Latvia	deferred: 20/80 of the beneficiary's net profit distributed (equals to	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	<p>Interest (coupon) income and a capital gain from the Bonds constitute a part of the beneficiary's - Latvian company's overall income.</p> <p>The Corporate Income Tax obligation is deferred to the moment of</p>

SIA "Arsenal Industrial" Terms of the Notes Issue

	20% of the gross profit)		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	20% / 5% ²	20%	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Bonds, if it is registered in Latvia. Nonetheless, income from publicly traded financial instruments (interest (coupon) income) is subject to tax exemption.</p> <p>A non-resident individual being a beneficiary of interest (coupon) income or an income from disposal of Bonds 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. Provisions of applicable double tax treaty may also provide for a more favourable tax application principle.</p> <p>²5% tax from interest (coupon) income can be withheld and transferred to the State budget by an Issuer of Bonds who is the resident of Latvia, if all of the following three criteria are met: (i) the interest (coupon) payment is made with the intermediation of a financial institution, including the Depository, and the Notes issue has been arranged by a financial institution that is regulated by a public regulatory authority (such as the FSA); (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 respective financial instrument is not publicly traded.</p>
Company non-resident	Not taxable in Latvia ^{3,4}	Not taxable in Latvia ^{3,4}	<p>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.</p> <p>³Payments (including interest payments) to non-resident located, registered or incorporated in a no-tax or low-tax country or territory as defined in the Regulations of the Cabinet of Ministers No. 819 "Regulations on No-Tax or Low-Tax Countries and Territories", adopted on 17 December 2020; effective as of 1 January are subject to withholding tax of 20% if the payer is a Latvian legal entity.</p> <p>⁴A non-resident company being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>

Source: Applicable Laws of the Republic of Latvia

* * *

7. Terms of the Private Offering

7.1. Subscription to the Notes

7.1.1. Subscription period

The offering commenced on 16 November 2023 and shall end on Maturity Date or when all Notes are sold, whichever is earlier.

7.1.2. Subscription terms

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

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

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

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

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

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

The First Settlement Date of Notes is 30 November 2023.

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

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.

7.1.3. Notes price

The Notes purchase price 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 discount or premium, plus accrued interest.

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

7.1.4. Allocation of the Notes to Noteholders

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

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

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

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 and Sanctions regulations compliance risk or other risks.

7.1.5. Reduction of the Notes issue size

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

7.2. Settlement and delivery of the Notes

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

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

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

Settlement for the Notes can be executed according to other procedure, which is agreed to by the Arranger and Potential Investor, but in any case through the Depository in accordance with the DVP principle pursuant to the applicable rules of the Depository.

7.3. Pre-emptive rights

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

* * *

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

The Issuer plans to request the admission to trading of the Notes on First North within 6 (six) months after the Issue Date and submit Terms of the Notes Issue and the Company description with Nasdaq Riga. The Issuer does not undertake to register the Notes prospectus with the FSA or list the Notes on any regulated market.

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

* * *

9. Additional information

9.1. Advisors involved in the Issue

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

The Issuer has signed the Collateral Agent Agreement with Collateral Agent, which will hold the Collaterals and the Guarantees on behalf of the Noteholders and noteholders under the Existing Secured Notes. The Collateral Agent is authorized to act with the Collaterals in favour of all the Noteholders in accordance with these Terms of the Notes Issue and the Collateral Agent Agreement. The Collateral Agent may provide other services to the Issuer in the future and receive remuneration for it.

In the interests of the Noteholders, the Issuer and the Noteholders, each separately, authorize and express consent to the Collateral Agent in relation to exercise of the rights and obligations specifically given to it under the Terms of the Notes Issue, the Collateral Agent Agreement and the Collateral Agreements as well as under the Applicable Laws. The Noteholders authorize and permit the Collateral Agent to request and receive information Terms of the Notes Issue from Nasdaq CSD on the Noteholders, including their name, personal identification information or registration number, and contact information, for the purposes of the exercise of the rights and obligations entrusted to the Collateral Agent. The Noteholders consent to the processing of their personal data to the extent it is necessary for the exercise of the rights and obligations entrusted to the Collateral Agent.

9.2. External audit of the information included in Terms of the Notes Issue

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

9.3. Statements or reports included in the Terms of the Notes Issue

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

9.4. Credit ratings

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

* * *

10. The Issuer

10.1. General information on the Issuer and the Group

The issuer is SIA "Arsenal Industrial".

The Issuer's registration No. is 40103815302 and legal entity identifier is 2594007EQ80JJUKXHS31.

The legal address of the Issuer is at: Stabu iela 61 - 11, Rīga, LV-1011, the Republic of Latvia.

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

The country of location: the Republic of Latvia.

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

10.2. Description of the Issuer's position within the Group

The Group is the construction equipment and tools rental and sales experts with more than 10 years of experience. The Issuer acts as the Group's parent company.

The Issuer has three wholly owned subsidiaries – Arsenal Industrial OÜ, Arsenal Industrial UAB and Arsenal Industrial sp. z o.o.. The Issuer's ability to meet its obligations under the Notes according to the Terms of Notes Issue to some extent depends on financing and cash flows transferred to the Group from the Group Subsidiaries.

10.3. Auditor

The financial auditor of the Group for the year 2022 was Sabiedrība ar ierobežotu atbildību "POTAPOVIČA UN ANDERSONE" (with registration No. 40003612562 and a legal address at Ūdens iela 12 - 45, Rīga, LV-1007, the Republic of Latvia, license No. 99).

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11. Business of the Group

11.1. Overview

The Group ("Arsenal") is a top 6 Baltic construction equipment rental and sales company. Founded in 2014, the Group currently has 78 employees. The Group offers a diverse range of construction equipment for renting and purchasing, including lifts, road construction equipment, tools, compaction and concrete machinery, all falling under the 10-ton category. Arsenal's transportation fleet is capable of delivering equipment of all sizes, from compact machines to sizable excavators. Arsenal's key equipment brands include Sunward, JCB, Komatsu, Gehl, Manitou, Bosch, Husqvarna, Geda, Swepac, Baumax, Karcher and more.

Arsenal's unique model includes the sale of new machinery, parts, second-hand machines, installation services, groundworks equipment with skilled operators, and maintenance services. The Group places significant emphasis on leveraging e-channels to discover, communicate with, support, and retain its customers through the use of best IT solutions in the industry. Additionally, offering the option for customers to remotely sign rental contracts.

11.2. Strategy of the Group

To keep the business growing and to increase the profitability, Arsenal plans to continuously invest in new equipment, enter new cities, and facilitate services to increase customer satisfaction. Further expansion in LT and EE markets will strengthen the growth and reduce vulnerability from market changes in separate countries or segments. Continuing work on digitalization, IT development and process improvement will improve cooperation with clients and their satisfaction.

Some of the key strategy considerations for the Group are:

Geography & size - The goal is to expand market diversification, with a particular focus on establishing depots in Baltic cities with populations exceeding 0.4M.

Different pricing strategies - Day rental price, weekly price, monthly price, hourly prices, stair and weekend pricing etc.

Marketing strategy - Arsenal uses targeted marketing campaigns on social media, utilizes Google AdWords, SEO practices, and actively participates in major industry exhibitions to enhance company visibility.

High-quality products - Arsenal exclusively rents out the highest-quality tools, as many customers base their rental decisions on the tools they'll be using.

Outstanding customer service - The Group understands that in order to remain competitive, it must provide top-notch customer service to support its rentals.

11.3. Key Strengths of the Group

Speed - Key focus is on speed in all activities and services. Arsenal's competitive edge lies in delivering exceptional service, rapid responsiveness, flexibility, and innovative solutions.

Active direct phone sales and visits to customers - At present, the Group has a team of 15 active salespeople in the represented markets.

Diversified customer base - The customer base is well diversified, comprising of almost 3,500 active customers. The largest customer accounted for up to 3% of the total revenue in 2022.

Diversified revenue - Revenue consists of: rental services (54%), sale of goods (35%), other services (11%). Arsenal maintains Pan-Baltic operations with balanced performance across all three markets and product groups.

Re-rent broker - In the re-rent segment, Arsenal partners with other companies to meet customer demand, allowing for flexibility in fleet size while maintaining high asset utilization and profitability.

High quality used machines - The Group provides excellent offers on used machines in top condition, sourced directly from the rental fleet. This provides the Group with flexibility to manage the fleet utilization levels and overall balance sheet.

Service quality - Arsenal provides customers with a range of services, including 24/7 support, equipment replacement, operator services, financing options, short-term rentals, seasonal rentals, equipment testing, re-rental, and buy-back contracts.

E-channels - The Group prioritizes e-channels for customer acquisition, communication, service, and retention, utilizing industry-leading IT solutions, including digital contracts, ordering, payments, and asset tracking.

Digital solutions with customers – The Group’s digital platform eliminates the need for in-person contract signings. Currently, the share of digitally signed rental contracts has reached almost 30%, with a target of above 50% in 2024.





After-sale support - Arsenal offers maintenance and repair services for the equipment it has sold. Satisfied customers return to make additional purchases and frequently recommend Arsenal to others.

Digitalization of processes –

- Use of modern Rental management Solutions - MCS-rm rental software, that gives full control of Arsenal’s hire business, improves performance and helps business to grow.
- Development of customer portal for equipment rental.
- Simplified rental process for both the customer and the Group with less paperwork.
- MCS-rm rental software integrations with the Group’s accounting system and customer portal.

The Group’s website is easy to navigate, allowing every customer to seamlessly access their current rentals, review pending bills, make machine orders, and engage with Arsenal through e-signatures and Smart-ID.

11.4. **Key suppliers of the Group**

	<p>Swepac AB is the main supplier of compaction and concreting equipment (including forward vibratory plates, tampers, reversible vibratory plates, trowels and other tools).</p>
	<p>Hilti is the leading tool producer (including electric drills, heavy angle drills, laser levels, power saws, fasteners and other tools).</p>
	<p>JUMBO is the largest supplier of scaffolds (including aluminium scaffolds, steel scaffolds, step ladders and etc).</p>
	<p>Husqvarna is the key supplier of cutting tools (including trimmers, hedge trimmers, leaf blowers, chainsaws and other tools).</p>

	<p>Manitou is the World's leading producer of material handling equipment, offering the best solutions for the main segments such as agriculture, construction and specific industries.</p>
	<p>Sunward Europe Heavy Industry serves as the primary supplier of mini excavators and loaders.</p>
	<p>DINOLIFT is the main supplier of telescopic lifts.</p>

11.5. The Group's geographical markets

The Group is present in three geographical markets: Latvia, Estonia and Lithuania.

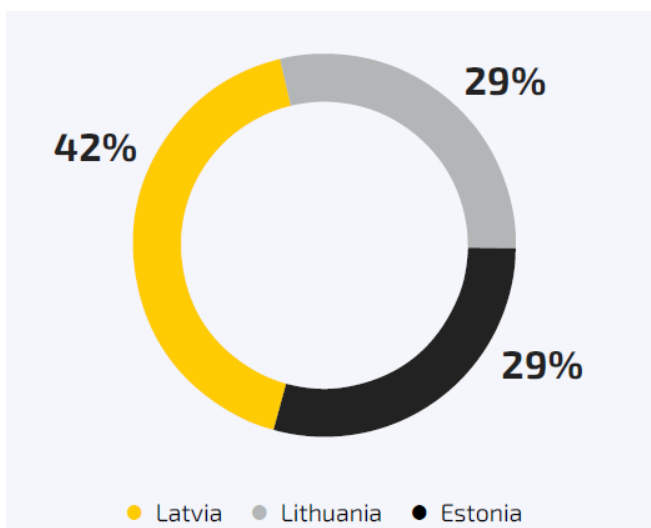
The Group operates the following rental locations:

- Latvia, 1 depo - Kārļa Ulmaņa gatve 3, Rīga
- Estonia, 1 depo - Suur-Sõjamäe 25a, Tallinn

Lithuania, 1 depo - Parodų gatvė 2, Vilnius



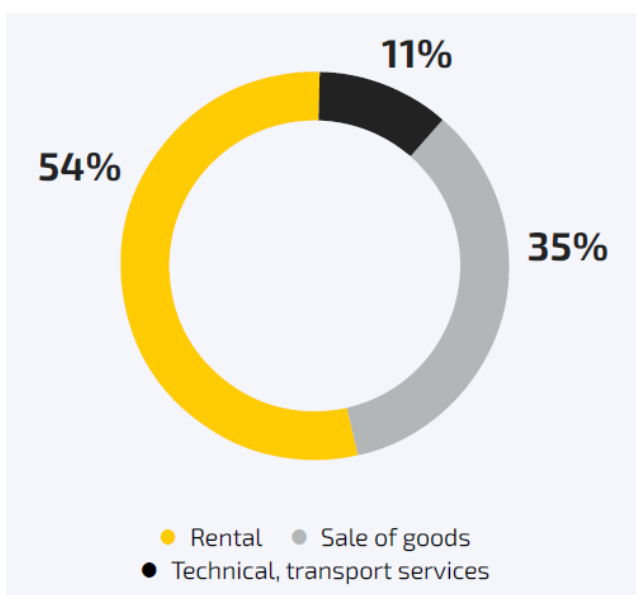
Arsenal, with pan-Baltic operations, maintains balanced performance across all 3 markets and product groups. The revenue breakdown in 2022 is displayed in the chart below:



From 2016 to 2020, the Company had a subsidiary in Gdansk, Poland. However, due to low business results, operations have been discontinued since December 31, 2020. All equipment has been transferred to the Baltics.

11.6. The Group's revenue split by category

Arsenal maintains Pan-Baltic operations with balanced performance across all three markets and product groups. The revenue breakdown by product groups in 2023 is displayed in the chart below:

















Rental revenue category consists of income generated by renting out the Group's own construction equipment, as well, as re-renting equipment from the Group's partners, in order to meet high customer demand.

Sale of goods category includes sales of brand-new construction equipment, which has not been previously used or rented out.

Technical and transport services category includes revenue from transporting the machinery to the clients and providing technical services.

11.7. The Group's asset overview

The Group's asset overview as of 30 September 2023 is as follows:

Asset group	Earth treatment and tractor units	Lifting machines	Telescopic and warehouse loaders	Compaction	Heaters and dehumidifiers	Aluminium towers and ladders	Other equipment
Revenue share	29%	17%	8%	6%	6%	12%	22%
Avg. acquisition value (€)	34 860	17 528	54 425	2 857	411	145	1 016
Acquisition value share	36%	27%	11%	5%	3%	2%	16%
# of units	98	156	22	159	783	31	1 478
Avg. age	3.5	5.7	4.1	4.9	5.7	4.4	4.8
Key brands							
Selected equipment							

11.8. Financing structure of the Group

The Group aims for a balanced financing structure to provide flexibility for its growth plans. Currently, it relies on shareholder equity, Subordinated Debt, and Existing Secured Notes, and supplier credit (leasing) as sources of financing. This diverse approach ensures a strong financial foundation, supporting the Group's commitment to steady growth and strategic adaptability.

The Group's funding structure as of 30 September 2023 is the following (in thousand EUR):

Funding type	Funding amount	Explanation
Adjusted Equity	597	Including Subordinated Debt
Existing Secured Notes ^(a)	5,200	Debt under the Existing Secured Notes
Long-term leasing ^(b)	2,009	Leasing from the Group's suppliers
Short-term leasing ^(b)	137	Leasing from the Group's suppliers

Total Financial Indebtedness	7,346	
TOTAL FUNDING	7,943	

- (a) The Existing Secured Notes are secured with Existing Collaterals, which include a commercial pledge over all assets of the Issuer and all shares of the Issuer. The Existing Secured Notes will be refinanced with the proceeds from the Notes Issue.
- (b) The long-term and short-term leasing is secured with a separately registered security, which is separate from the Notes Collateral and is described under Permitted Security.

Noble Fund Mezzanine Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, registration No. RFI 1030, has agreed to reduce the total principal amount payable by the Issuer in order to redeem all the Existing Secured Notes by 15% (i.e. reduction of EUR 780'000). Terms for re-payment has been extended to 29 December 2023.

As a result of the Notes Issue, by 29 December 2023 the total principal amount of Issuer's loan to its shareholder Komandītsabiedrība "FlyCap Investment Fund I AIF", registration No. 40103697951, shall also be reduced by 15% (i.e. reduction of EUR 101,109.38 in form of write-off by the shareholder) and the remaining part of the loan will be subordinated to the Notes.

11.9. Group structure

11.9.1. Legal and operational structure

As of the issue date, the Group includes three legal entities:

- SIA "Arsenal Industrial" (registered on 8 August 2014): Group's holding company
- Arsenal Industrial OÜ (registered on 2 May 2016): Management of operations in the Republic of Estonia
- Arsenal Industrial UAB (registered on 7 March 2018): Management of operations in the Republic of Lithuania
- Arsenal Industrial sp. z o.o. (registered on 31 August 2016): Management of operations in the Republic of Poland. Operations discontinued since 31 December 2020.

11.9.2. Management of the Issuer

The Management Board of SIA "Arsenal Industrial" is responsible for the day-to-day management of the Group's operations. Further, according to the Commercial Law (*Komerclikums, pieņemts 13.04.2000.*), it is the obligation of the Management Board to draft the annual reports and submit the reports to the Supervisory Board for review and to the General Meeting for approval. The Management Board is accountable to the Supervisory Board and must adhere to its lawful instructions.

Name	Position	Starting from	Term until
Gints Vanags	Member of the Board	26 January 2015	Undefined period or until revoked

Gints Vanags

Gints Vanags is the Group's CEO, and since establishing Arsenal in 2014, Gints Vanags (CEO) has played an integral role in Arsenal's operations. Before his current role, he acquired experience in various positions, including Rental Manager at Ramirent/Loxam, Director of the Rental and Sales Department at Konekesko, and Managing Director at Storent. Gints holds an MBA degree from Stockholm School of Economics in Riga.

Gints Vanags has no principal activities outside the Group.

11.9.3. Supervisory Board of the Issuer

In accordance with the Commercial Law (*Komerclikums, pieņemts 13.04.2000.*), the Supervisory Board of the Issuer is responsible for the strategic planning of the business activities of the Issuer and supervising the activities of the Management Board. The Supervisory Board is accountable to the Shareholders of the Issuer (acting through the general meeting of shareholders of the Issuer). The Issuer is supervised by a supervisory board consisting of 3 (three) supervisory board members, which has the right to supervise the Management Board. As of the date of this Terms of the Notes Issue, the Supervisory Board of the Issuer consists of:

Name	Position	Starting from	Term until
Ģirts Milgrāvis	Chairman of the Supervisory Board	23 October 2014	Undefined period or until revoked
Kaspars Zuicens	Deputy Chairman of the Supervisory Board	23 October 2014	Undefined period or until revoked
Jānis Liepiņš	Member of the Supervisory Board	23 October 2014	Undefined period or until revoked

Ģirts Milgrāvis

FlyCap Partner since 2013. Before joining FlyCap, Ģirts Milgrāvis worked in corporate finance, gaining comprehensive experience in the full investment cycle. He has actively participated in over 10 investment transactions totalling EUR 40 million, engaging in various phases of the investment cycle. Ģirts holds an MBA degree in Finance from Riga Business School and currently serves as the Chairman of the Supervisory Board at Arsenal Industrial.

Kaspars Zuicens

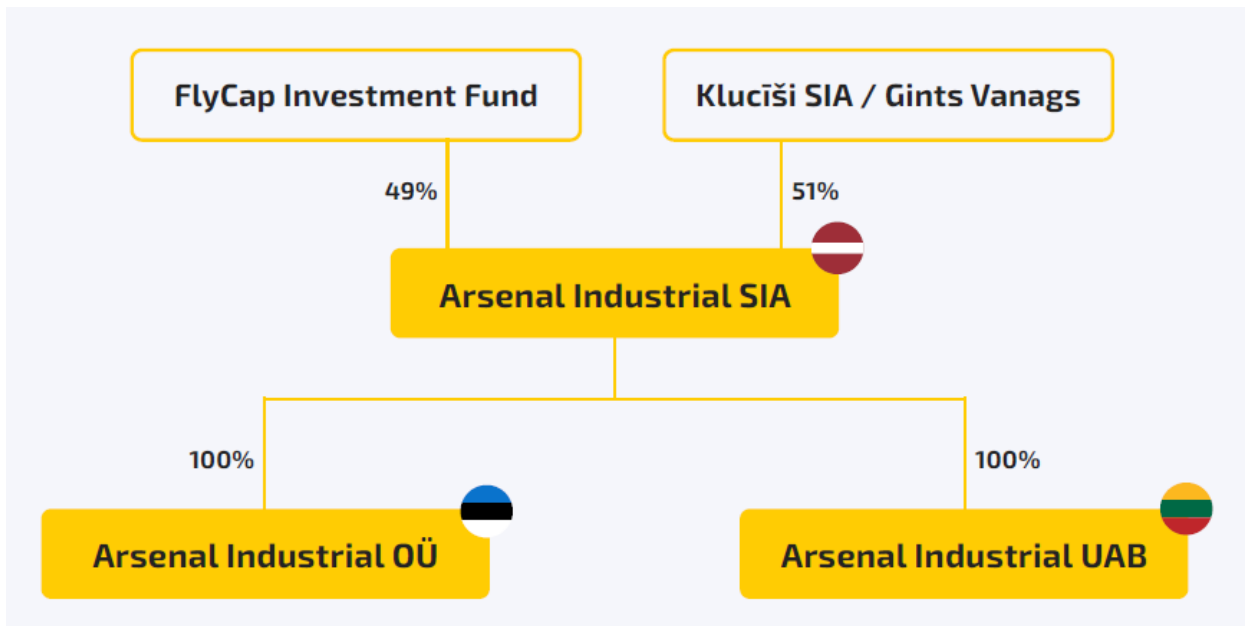
Kaspars Zuicens is a Co-Founder and CEO at Max Moto SIA since August 2003. Kaspars Zuicens has a master's degree in business administration from RISEBA University in Latvia.

Jānis Liepiņš

FlyCap Partner since 2013. Before joining FlyCap, Jānis Liepiņš served as an Asset Manager, overseeing investments for affluent private individuals across seven projects. Additionally, he held a managerial role for eight years (1999-2008) in a prominent corporate banking institution. Jānis earned an Executive MBA degree from the Stockholm School of Economics. Currently, he is a member of the supervisory council at Arsenal Industrial.

11.9.4. Issuer's shareholder and Group structure

The following chart illustrates the Group's legal and ownership structure:



11.10. **Market overview and competition**

Over the coming years the Group expects to further increase its revenue base thanks to continued investments in new equipment, by boosting its market share in all three Baltic countries.

According to the Group’s management estimates, the Baltic rental machinery market size is around EUR 300 million¹:

- Lithuania EUR 130 million
- Estonia EUR 90 million
- Latvia EUR 80 million

Arsenal’s total market share in the Baltics is 3%, while on an individual country level it is as follows:

- Latvia 7%
- Estonia 3%
- Lithuania 2%

According to Arsenal’s management assessment, the largest Group’s competitors in the construction equipment rental industry are:



¹Source: CrediWeb, Rekvizitai Verslo Žinios, E-Krediidiinfo

11.11. **Legal proceedings and arbitration**

At the moment of signing the Terms of Notes Issue, the Issuer or its Subsidiaries, Guarantors and Collateral Providers are not involved in any government interventions, lawsuits or arbitration processes, which may significantly affect or have significantly affected the financial situation or profitability of the Issuer.

11.12. **Substantial changes in the financial situation of the Issuer**

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

11.13. **Important agreements**

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

11.14. **Significant recent and known trends**

The Group and the construction market were affected by the increase in the price of raw materials and salaries due to the war in Ukraine started by Russia on February 24, 2022, the sanctions imposed on Russia, and the following inflation resulted in decreasing volume of construction activity. It is expected that these factors will continue to negatively affect the development of the construction industry in the last quarter of 2023 and the first quarter of 2024 as well. The Group will continue to invest in new equipment and tools, increase the customer portfolio and market share, while continuously evaluating the situation in the Baltics and the world and the demand for the Group's services. With the gradual reduction of high inflation and the beginning of the activities of the new EU fund planning period, it is expected that the construction industry will return to positive growth rates in 2024, which should leave a positive impact on the demand for the Group's services.

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12. Selected Financial Information of the Group

The shareholder's equity of the Group as of 30 September 2023 is EUR -92 664 (negative ninety-two thousand six hundred sixty-four euro), while the Adjusted Equity of the Group is EUR 596 690 (five hundred ninety-six thousand six hundred ninety euro).

The profit/loss forecast has not been carried out.

The Group's financial reports will be available on the Website after the Issue Date and via the Nasdaq Riga website after listing on First North.

The tables below present key selected financial information for the Group and have been derived from the Group's: (i) audited consolidated Financial Report as at the end of and for the financial year ended 31 December 2022; (ii) audited consolidated Financial Report as at the end of and for the financial year ended 31 December 2021; (iii) unaudited consolidated interim Financial Report as at and for the nine-month period ended 30 September 2023.

The Group's financial statements have been prepared in accordance with Latvian Accounting Standards, as set forth in Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia and have been audited by SIA "POTAPOVIČA UN ANDERSONE".

12.1.1. Consolidated statement of income data (in thousands of EUR)

EUR	Audited 12M Period ended 31 Dec 2021	Audited 12M Period ended 31 Dec 2022	Unaudited 9M Period ended 30 Sep 2022	Unaudited 9M Period ended 30 Sep 2023
Net turnover	8 618 925	9 155 117	6 964 118	7 783 220
Cost of sales	(6 159 654)	(6 602 548)	(5 042 329)	(5 911 635)
Gross profit	2 459 271	2 552 569	1 921 790	1 871 585
Distribution costs	(1 174 890)	(1 092 341)	(793 113)	(911 789)
Administrative expense	(863 844)	(753 491)	(601 879)	(633 035)
Other operating income	240 452	449 891	353 710	250 185
Other operating expense	(22 272)	(42 523)	(32 975)	(18 026)
Other interest and similar income	1 480	995	666	352
Interest and similar expense	(750 983)	(816 379)	(604 462)	(662 110)
Profit or loss before the Corporate income tax	(110 786)	298 721	243 737	(102 839)
Corporate income tax for the reporting year	-	(4 118)	-	-
Net profit or loss for the reporting year	(110 786)	294 603	243 737	(102 839)

12.1.2. Selected consolidated statement of financial position data (in EUR)

EUR	Audited 12M Period ended 31 Dec 2021	Audited 12M Period ended 31 Dec 2022	Unaudited 9M Period ended 30 Sep 2022	Unaudited 9M Period ended 30 Sep 2023
Intangible assets	-	86 378	-	118 830
Property, plant and equipment	5 790 932	7 479 609	7 337 603	6 782 414
Total non-current assets	5 790 932	7 565 987	7 337 603	6 901 244
Inventories	778 254	808 652	741 168	1 011 832
Receivables	1 152 000	1 092 311	1 445 952	1 502 933
Cash	424 187	291 150	488 713	319 821
Total current assets	2 354 441	2 192 133	2 675 832	2 834 586

Total Assets	8 145 373	9 758 100	10 013 435	9 735 830
EUR	Audited 12M Period ended 31 Dec 2021	Audited 12M Period ended 31 Dec 2022	Unaudited 9M Period ended 30 Sep 2022	Unaudited 9M Period ended 30 Sep 2023
Share capital	49 020	49 020	49 020	49 020
Share premium	980 980	980 980	980 980	980 980
Revaluation reserves for long term investments	709 585	787 616	526 988	631 825
Foreign currency revaluation reserve	20 543	20 568	8 931	22 419
Accumulated profit	(1 857 886)	(1 968 672)	(1 968 672)	(1 674 069)
Profit for the reporting year	(110 786)	294 603	242 954	(102 839)
Total Equity	(208 544)	164 115	(159 798)	(92 664)
Bond-secured loans	5 200 000		5 200 000	-
Other liabilities	893 225	1 995 660	2 471 427	2 008 998
Payables to related companies	644 957		644 957	-
Total Non-current liabilities	6 738 182	1 995 660	8 316 384	2 008 998
Bond-secured loans	330 333	5 200 000	303 916	5 200 000
Other loans	275 401	551 242	142 192	136 662
Prepayments received from customers	64 880	61 549	60 728	55 634
Trade payables	445 360	649 072	740 503	1 178 496
Payables to related companies	-	657 856	-	689 354
Taxes payable	188 257	163 634	300 998	252 666
Other liabilities	119 330	115 747	152 808	138 886
Deferred income	36 574	16 602	14 455	6 650
Accrued liabilities	155 600	182 623	141 249	161 150
Total Current liabilities	1 615 735	7 598 325	1 856 850	7 819 497
Total liabilities	8 353 917	9 593 985	10 173 234	9 828 494
Total Equity and liabilities	8 145 373	9 758 100	10 013 435	9 735 830

12.2. Key financial ratios calculated based on the Group's consolidated data

The definitions for the following key financial ratios are as described in the notes to this table. The Group believes that such key financial ratios are a useful way of understanding trends in the performance of the business of the Group over time.

	12M 2021	12M 2022	12M 2023F	9M 2022	9M 2023
EBITDA	1 450 511	1 926 170	1 708 674	1 448 838	1 209 828
EBITDA margin	17%	21%	16%	21%	16%
Capitalization ratio	5%	8%	16%	5%	6%
Interest Coverage Ratio (LTM)	2.0x	2.4x	2.0x	2.2x	2.0x
Net Debt/ EBITDA (LTM)	4.3x	3.9x	3.6x	4.3x	4.1x

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