



AS "SAKRET HOLDINGS" (Latvia)

Reg. No: 40103251030

LEI: 8945008AJU1UU6D18269

Terms of the Notes Issue

Type of Security:	Secured Notes
Nominal:	EUR 1,000
Nominal value of the issue:	EUR 3,790,000
Annual coupon rate:	9.00%
Maturity:	30 August 2024

Arranger:



8 August 2019

These Terms of the Note 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.

Table of Contents

Terms and abbreviations used	3
1. Summary	5
2. Risk Factors	11
3. Party responsible for the Terms of the Issue	15
4. Information on Notes	16
5. Special Conditions	21
6. Taxes	26
7. Terms of the Offering	28
8. Including of the Notes on the market and trading regulations	30
9. Additional Information	31
10. The Issuer	32
11. Business of the Issuer	33
12. Financial information	35
13. Annexes	38

Terms and abbreviations used

Agent	:	A person authorized to represent the Issuer and to perform certain tasks
Arranger	:	AS BlueOrange Bank (registration number: 40003551060, legal address: Smilšu iela 6, Riga, LV-1050, Latvia). Arranger acts as an issuer agent for the interpretation of Nasdaq CSD
Business Day	:	Business Day is the day when the Nasdaq CSD system is open and operational
Collateral (Collaterals)	:	Pledges and mortgages registered over the assets of the Collateral Providers listed in Annex 5 to the Terms of the Issues and securing performance of the Secured Obligations
Collateral Agent	:	SIA Primus Legal, a limited liability company registered under the laws of the Republic of Latvia, company registration number 40103596993, address Sporta iela 11, Riga, LV- 1013, Latvia
Collateral Agent Agreement	:	Agreement between the Issuer and the Collateral Agent, regulating the role of the Collateral Agent in respect of the Notes and otherwise under these Terms of the Issue, to be signed on 8 August 2019 in the form and with the substance substantially in accordance with Appendix 4
Collateral Agreements	:	Pledge and mortgage agreements concluded between the Collateral Providers and the Collateral Agent establishing pledge rights and mortgages over the property (assets) of the Collateral Provider
Collateral Provider	:	Any person listed in column "Owner (Pledgor)" of Annex 5 to the Terms of the Issue
Coupon	:	Interest on Notes calculated in accordance with the Section 4.2.7. "Coupon payments"
Custodian	:	Credit institution or investment brokerage company that has obtained the FCMC license or is entitled to do business and to keep securities in accordance with its country of registration laws
EUR	:	Euro (single currency of the member states of the European Monetary System)
FCMC	:	Financial and Capital Market Commission
First Settlement Date (Issue Date)	:	The date when interest on the Notes start to accrue and is 30 August 2019
Group or Sakret Group	:	Issuer and its subsidiaries
Interest calculation period	:	The period of time between the First Settlement Date and the date of the first payment or between two Coupon payment dates
ISIN	:	International Securities Identification Number, which will be allocated to Notes by Nasdaq CSD
Issuer or Sakret Holdings	:	AS "SAKRET HOLDINGS" (registration number: 40103251030, legal entity identifier: 8945008AJU1UU6D18269, legal address: "Ritvari", Stopiņu nov., Rumbula, Latvia, LV-2121)
Legal acts	:	All legal acts including FCMC, Nasdaq Riga and Nasdaq CSD regulations, which are in force in Latvia at the time of the Notes issue, as well as prior to the maturity date of the Notes
Majority Noteholders	:	The Noteholders holding over 51% (fifty-one per cent) of all outstanding Notes at the relevant time
Minimum Settlement Unit	:	The minimum amount which can be held/traded, which is equal nominal

Nasdaq CSD	:	Nasdaq CSD SE (registration number: 40003242879, legal address Valņu iela 1, Riga, LV-1050, Latvia)
Nasdaq Riga	:	AS “Nasdaq Riga” (registration number: 40003167049, legal address: Valņu iela 1, Riga, LV-1050, Latvia)
Nominal	:	Face value of a Note
Note	:	Debt security that is issued by the Issuer according to the Terms of the Issue
Noteholder	:	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 Terms of the Issue and applicable legal acts
Parallel Debt		A payment undertaking and the obligations and liabilities resulting from it of the Issuer towards the Collateral Agent set forth in Section 4.2.5. of the Terms of the Issue
Potential Noteholder	:	A private person or legal entity that has, according to the terms stated in the Terms of the Issue, expressed interest or is planning to purchase for its own account one or more Notes
Secured Obligations	:	All obligations of the Issuer in respect of the Notes, including but not limited to the obligation to redeem the Notes and pay interest thereon, and including the Parallel Debt
Settlement Unit Multiple	:	Multiple that defines that the settlement quantity or nominal must be a multiple of the defined value, which is equal nominal
Terms of the Issue	:	This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes

1. Summary

Part A. Introduction and Warnings		
Element and Request for the Provision of Information		Information
A.1	Warning to investors	<ul style="list-style-type: none"> This summary should be read as introduction to the Terms of the Issue; Any decision to invest in the securities should be based on consideration of the Terms of the Issue as a whole by the Potential Noteholder; Where a claim relating to the information contained in the Terms of the Issue is brought before a court, the plaintiff Potential Noteholder might, under the national legislation of the Member States, have to bear the costs of translating the Terms of the Issue before the legal proceedings are initiated; and Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Terms of the Issue, key information in order to aid Potential Noteholders when considering whether to invest in such securities.
Part B. Issuer and any Guarantor		
B.1	Legal name and commercial name of the Issuer	The Issuer's legal name is akciju sabiedrība "SAKRET HOLDINGS".
B.2	The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation	<p>Country of location: Republic of Latvia. Legal form: joint-stock company, legal status — legal person. Date and place of registration: in the Commercial Register of the Republic of Latvia on 30 September 2009 Registration number: 40103251030 Legal address: "Ritvari", Stopiņu nov., Rumbula, Latvia, LV-2121 The company's country of foundation is the Republic of Latvia.</p> <p>The main regulatory enactments which regulate Issuer's activities are</p> <ul style="list-style-type: none"> The Commercial Law of the Republic of Latvia; Labour Code; Construction law.
B.3	A description of, and key factors relating to, the nature of the Issuer's current operations and its principal activities	Issuer is a holding company and it controls operational companies of the Sakret Group. The main area of Sakret Group activity is production of dry mixes and ready-made liquid mixes for construction, such as masonry cement, plastering, and concrete.
B.4a	A description of the most significant recent trends affecting the Issuer and the industries in which it operates	At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any recent tendencies that have negatively affected the Issuer or the activity of the construction material production industry.
B.4b	A description of any known trends affecting the Issuer and the	At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any identified tendencies that have negatively affected the Issuer or the activity of the construction material production industry.

	industries in which it operates																																																																																																										
B.5	A description of the group and the Issuer's position within the group	At the moment of signing the Terms of the Issue, the Issuer is a holding company and holds interest in four subsidiaries.																																																																																																									
B.6	Main shareholders of the Issuer	<p>The only shareholder of AS "SAKRET HOLDINGS" is a company SIA "PĀRVALDĪBAS SISTĒMAS", with registration number 42103085387 and legal address "Ritvari", Stopiņu nov., Rumbula, Latvia, LV-2121.</p> <p>Issuer's share capital is EUR 35,000 which consists of 25,000 ordinary shares, each of them with a nominal value of EUR 1.40. SIA "PĀRVALDĪBAS SISTĒMAS" holds all 25,000 shares of the Issuer.</p> <p>SIA "PĀRVALDĪBAS SISTĒMAS" share capital is EUR 8,000 which consists of 8,000 ordinary shares, each of them with a nominal value of EUR 1.00.</p> <p>At the moment of signing the Terms of the Issue, the current structure of SIA "PĀRVALDĪBAS SISTĒMAS" shareholders is as follows:</p> <table><tr><th>Name, surname/ Legal name</th><th>Number of shares</th><th>% of the total number</th></tr><tr><td>Māris Ķelpis (120561-10558)</td><td>6,824</td><td>85.300%</td></tr><tr><td>Ilgvars Belinskis (061060-10547)</td><td>810</td><td>10.125%</td></tr><tr><td>Private individuals</td><td>366</td><td>4.575%</td></tr><tr><td>Total:</td><td>8,000</td><td>100%</td></tr></table> <p>The beneficiary of the Issuer, controlling the Issuer, is chairman of the board, Māris Ķelpis.</p> <p>At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer's control.</p>	Name, surname/ Legal name	Number of shares	% of the total number	Māris Ķelpis (120561-10558)	6,824	85.300%	Ilgvars Belinskis (061060-10547)	810	10.125%	Private individuals	366	4.575%	Total:	8,000	100%																																																																																										
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B.7	Selected historical key financial information	<p>Issuer's selected consolidated financial figures are as follows:</p> <p>Income statement (EUR):</p> <table><tr><th></th><th>2015</th><th>2016</th><th>2017</th><th>2018 (unaudited)</th></tr><tr><td>Revenue</td><td>19 146 596</td><td>17 648 223</td><td>19 298 618</td><td>21 265 701</td></tr><tr><td>Cost of goods sold</td><td>14 414 231</td><td>13 220 742</td><td>14 649 323</td><td>15 872 424</td></tr><tr><td>Gross profit</td><td>4 732 365</td><td>4 427 481</td><td>4 649 295</td><td>5 393 277</td></tr><tr><td>Cost of sales</td><td>2 582 205</td><td>2 544 522</td><td>2 764 948</td><td>2 799 993</td></tr><tr><td>Administration costs</td><td>1 030 176</td><td>982 097</td><td>1 048 794</td><td>1 470 121</td></tr><tr><td>Other operating income</td><td>49 005</td><td>139 523</td><td>21 767</td><td>48 116</td></tr><tr><td>Other operating expenses</td><td>116 438</td><td>56 821</td><td>87 570</td><td>103 170</td></tr><tr><td>Interest income</td><td>1 302</td><td>1 284</td><td>1 552</td><td>1 248</td></tr><tr><td>Interest expense</td><td>861 803</td><td>878 922</td><td>976 775</td><td>652 772</td></tr><tr><td>Profit before tax</td><td>192 050</td><td>105 926</td><td>(205 473)</td><td>416 585</td></tr><tr><td>Income tax</td><td>70 369</td><td>79 557</td><td>15 159</td><td>49 230</td></tr><tr><td>Deferred tax</td><td>2 734</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Net profit for the reporting year</td><td>118 947</td><td>26 369</td><td>(220 632)</td><td>367 355</td></tr></table> <p>Balance sheet (EUR):</p> <table><tr><th></th><th>31.12.2015</th><th>31.12.2016</th><th>31.12.2017</th><th>31.12.2018 (unaudited)</th></tr><tr><td>Non-current assets:</td><td></td><td></td><td></td><td></td></tr><tr><td>Intangible assets:</td><td></td><td></td><td></td><td></td></tr><tr><td>Intangible assets</td><td>177 688</td><td>317 129</td><td>411 872</td><td>446 236</td></tr><tr><td>TOTAL:</td><td>177 688</td><td>317 129</td><td>411 872</td><td>446 236</td></tr><tr><td>Property, plant and equipment:</td><td></td><td></td><td></td><td></td></tr><tr><td>Plant and property</td><td>9 717 694</td><td>9 229 525</td><td>8 780 792</td><td>8 391 711</td></tr></table>		2015	2016	2017	2018 (unaudited)	Revenue	19 146 596	17 648 223	19 298 618	21 265 701	Cost of goods sold	14 414 231	13 220 742	14 649 323	15 872 424	Gross profit	4 732 365	4 427 481	4 649 295	5 393 277	Cost of sales	2 582 205	2 544 522	2 764 948	2 799 993	Administration costs	1 030 176	982 097	1 048 794	1 470 121	Other operating income	49 005	139 523	21 767	48 116	Other operating expenses	116 438	56 821	87 570	103 170	Interest income	1 302	1 284	1 552	1 248	Interest expense	861 803	878 922	976 775	652 772	Profit before tax	192 050	105 926	(205 473)	416 585	Income tax	70 369	79 557	15 159	49 230	Deferred tax	2 734	-	-	-	Net profit for the reporting year	118 947	26 369	(220 632)	367 355		31.12.2015	31.12.2016	31.12.2017	31.12.2018 (unaudited)	Non-current assets:					Intangible assets:					Intangible assets	177 688	317 129	411 872	446 236	TOTAL:	177 688	317 129	411 872	446 236	Property, plant and equipment:					Plant and property	9 717 694	9 229 525	8 780 792	8 391 711
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Machinery	3 300 286	2 925 925	2 537 216	2 126 376
Other fixed assets	75 431	71 068	99 582	109 805
Prepayments for fixed assets	8 000	4 296	6 529	-
TOTAL:	13 101 411	12 230 814	11 424 119	10 627 892
<u>Non-current financial assets:</u>				
Other long-term debtors	20 880	13 926	13 918	34 113
Other financial assets	28	28	-	-
TOTAL:	20 908	13 954	13 918	34 113
TOTAL NON-CURRENT ASSETS:	13 300 007	12 561 897	11 849 909	11 108 241
Current assets:				
<u>Inventory:</u>				
Raw materials	1 406 227	1 565 903	1 367 758	1 380 966
Ready-made products	1 450 840	942 702	896 466	899 109
Prepayments for inventory	12 580	6 319	27 670	7 006
TOTAL:	2 869 647	2 514 924	2 291 894	2 287 081
<u>Accounts receivable:</u>				
Receivables from clients and suppliers	1 940 896	1 953 264	2 515 993	2 717 539
Other receivables	128 121	159 127	142 318	149 858
Next period expenses	27 388	33 776	36 392	47 356
Short-term loans to shareholders	35 572	35 572	35 572	35 572
TOTAL:	2 131 977	2 181 739	2 730 275	2 950 325
<u>Cash and cash equivalents:</u>	489 172	397 591	306 063	342 277
TOTAL CURRENT ASSETS:	5 490 796	5 094 254	5 328 232	5 579 683
TOTAL ASSETS:	18 790 803	17 656 151	17 178 141	16 687 924
Owners' Equity:				
Fixed capital	35 000	35 000	35 000	35 000
Denomination reserve	572	572	572	572
Reorganisation reserve	(8 491 750)	(8 491 750)	(8 491 750)	(8 491 750)
Currency exchange rate revaluation reserve	24 899	24 899	24 899	24 899
Retained earnings	49 012	143 870	148 327	(90 811)
Profit for the year	89 244	4 457	(239 138)	349 876
TOTAL:	(8 293 023)	(8 282 952)	(8 522 090)	(8 172 214)
Owners' Equity attributable to the members of the parent company:				
Minority shareholder participation	136 459	158 371	176 877	194 356
TOTAL:	136 459	158 371	176 877	194 356
TOTAL EQUITY:	(8 156 564)	(8 124 581)	(8 345 213)	(7 977 858)
Liabilities:				
<u>Long-term liabilities:</u>				
Debt from credit institutions	19 140 971	17 341 139	16 641 137	-
Other liabilities	167 093	167 093	167 093	167 093
Liabilities of related parties	896 532	767 932	757 532	644 132
Financial leasing	33 085	-	-	-
Deferred tax asset	5 713	-	-	-
TOTAL:	20 243 394	18 276 164	17 565 762	811 225
<u>Short-term liabilities:</u>				
Debt from credit institutions	2 547 579	2 799 999	1 700 000	17 641 137
Other liabilities	500 145	654 835	1 170 582	1 384 137
Financial leasing	53 876	37 545	37 545	-
Pre-payments from buyers	11 851	222 099	118 865	38 127
Debts to suppliers and contractors	1 550 063	1 957 165	3 005 926	2 976 635
Liabilities of related parties	804 740	624 844	421 535	469 324
Taxes and social security payments	360 554	520 983	325 638	191 555
Other creditors	136 658	98 845	139 133	130 153
Accrued liabilities	689 615	559 250	1 009 365	994 486
Unpaid dividends for minority shareholders	48 892	29 003	29 003	29 003
TOTAL:	6 703 973	7 504 568	7 957 592	23 854 557
TOTAL LIABILITIES:	26 947 367	25 780 732	25 523 354	24 665 782
TOTAL EQUITY AND LIABILITIES	18 790 803	17 656 151	17 178 141	16 687 924
The Issuer's financial auditor of the last audited annual report is SIA “Deloitte Audits Latvia” (registration number: 40003606960, legal address: Grēdu iela 4a, Riga, Latvia, LV-1019).				

		<p>Issuer plans to use funds raised from Notes Issue, together with senior financing from AS BlueOrange Bank, to refinance current liabilities from credit institutions.</p> <p>After the refinancing, due to the discount granted by current credit institution, the consolidated equity of the Sakret group will increase. Together with the shareholders contribution in amount of EUR 1,015,000, the consolidated equity will become positive, allowing Sakret Group to participate in several grant and energy-efficiency increase programs and positively affecting the financial standing of the Issuer.</p> <p>The Issuer is unaware of any other factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.</p>
B.8	Selected pro forma financial information	Issuer does not provide pro forma financial information.
B.9	Profit forecast or evaluation	The profit/loss forecast has not been carried out.
B.10	Objections in the financial information of the audit report	The audit report for financial statements for 2016 contained no objections. The audit report for financial statements for 2017 contained one objection, regarding significant uncertainty about the company's ability to continue as a going concern.
B.11	Issuer's equity	The last audited equity of the Issuer is negative EUR (8,345,213).
B.12	Forecasts regarding the Issuer	The forecasts regarding the Issuer contain no crucial negative changes after the publication of the last audited financial statements.
B.13	A description of any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency	<p>Issuer plans to use funds raised from Notes Issue, together with senior financing from AS BlueOrange Bank, to refinance current liabilities from credit institutions.</p> <p>After the refinancing, due to the discount granted by current credit institution, the consolidated equity of the Sakret group will increase. Together with the shareholders contribution in amount of EUR 1,015,000, the consolidated equity will become positive, allowing Sakret Group to participate in several grant and energy-efficiency increase programs and positively affecting the financial standing and solvency of the Issuer.</p> <p>No other events related to the Issuer, which are crucial for preventing Issuer's insolvency, have been established.</p>
B.14	Issuer's dependency	Issuer is a holding company and it controls operational companies of the Sakret Group, therefore the insolvency of Issuer is directly dependent on operational subsidiaries and their financial results.
B.15	Description of the Issuer's principal activities	Issuer is a holding company and it controls operational companies of the Sakret Group. The main area of Sakret Group activity is production of dry mixes and ready-made liquid mixes for construction, such as masonry cement, plastering, and concrete.
B.16	Control over the Issuer	The beneficiary of the Issuer, controlling the Issuer, is chairman of the board, Māris Kelpis.
B.17	Credit ratings assigned to the Issuer or its debt securities	There is no credit rating assigned neither to the Issuer nor to the Notes issue.
B.18 – B.50		Not applicable.
Part C. Securities		

C.1	Type and category of securities, ISIN	Notes issue ISIN (International Security Identification Number) will be allocated by Nasdaq CSD.
C.2	Currency of the issue of securities	Currency of the Notes issue is euro (EUR).
C.3 – C.4		Not applicable.
C.5	Restrictions for free transferability of securities	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 laws of the Republic of Latvia and the United States of America.
C.6 – C.7		Not applicable.
C.8, C.9	Rights arising from the Notes	<p>Noteholders have a right to receive Coupon and Nominal payments, exercise other rights as stipulated in the Terms of the Issue.</p> <p>The Coupon rate is 9.0% (nine per cent) per annum. Coupon payments are made once per quarter starting from 30 November 2019. The Issuer will withhold taxes according with applicable laws in the Republic of Latvia.</p> <p>The maturity date of Notes is 30 August 2024, Nominal amount is repaid as a lump sum on the maturity date.</p> <p>The Issuer can carry out full early redemption (call option), on 30 August 2021 by paying 90% for the Nominal amount, or on 30 August 2022 by paying 95% for the Nominal amount or on 30 August 2023 by paying 100% for the Nominal amount If the Issuer takes decision on the early redemption of Notes, the Issuer shall notify Noteholders at least 20 (twenty) Business Days prior to the redemption date of Notes.</p> <p>Each Noteholder has a right to demand full early redemption (put option) on 30 August 2023 at 90% for the Nominal amount. In order to exercise the put option the Noteholders have to submit an application to the Issuer or to its appointed agent not later than 40 (forty) Business Days prior the put option date.</p> <p>The Notes are secured with Collaterals established in accordance with the Collateral Agent Agreement executed between the Issuer and the Collateral Agent and the Collateral Agreements executed between the Collateral Agent and Sakret Group companies.</p> <p>Ranking of the Collaterals securing the Secured Obligations is in detail described in Annex 5 to the Terms of the Issue.</p> <p>Collateral Agent holds the Collateral for the benefit of the Noteholders and in its actions regarding the disposal of its rights as the pledgee and mortgagee follows the instructions of the Noteholders according to the procedures described in Section 5.4 of the Terms of the Issue.</p> <p>Any changes to the Collaterals established on the basis of the Terms of the Issue and the Collateral Agreements, as well as registration of other (next ranking) pledges or mortgages over the assets of the Collateral Providers is subject to receipt of prior consent from the Majority Noteholders. Any exceptions are allowed only according to the mandatory provisions of the applicable laws.</p>
C.10	Interest payment of securities based on derived financial instruments	Not applicable. There is no derivative component embedded in the terms of the Notes.

C.11	Inclusion of Notes in the regulated market	The Issuer plans to include Notes on the alternative market Nasdaq First North.
C.12	Minimum denomination of the issue	The Nominal value of one Note is EUR 1,000 (one thousand euro).
C.13 – C.22		Not applicable.
Part D. Risks		
D.1, D.2	Key information on the key risks that are specific to the Issuer or its industry	When making an investment in Notes, the Noteholder undertakes certain financial risks. The main risk factors that influence the Issuer are changes in regulatory enactments and policies, macroeconomics risk, construction industry risk, competition risk, production risk, relations with key customers, credit risk of clients, financial risk, refinancing risk, dependence on future employees, operational risk and legal proceeding and risk of other claims.
D.3	Key information on the key risks that specific to the securities	When investing funds in Notes, investors undertake the following risks related to debt securities: Collateral risk, Notes repayment risk, Notes early repayment risk, delisting risk, liquidity risk, price risk and tax risk.
D.4 – D.6		Not applicable.
Part E. Offer		
E.1 – E.2a		Not applicable.
E.2b	Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks	Funds that are raised as a result of the Notes issue will be used in refinancing of current loan liabilities of the Issuer and its subsidiaries.
E.3	A description of the terms and conditions of the offer	Not applicable.
E.4	A description of any interest that is material to the issue/offer including conflicting interests	AS BlueOrange Bank (the Arranger) is organizing the Notes issue and may have other business transactions with the Issuer.
E.5 – E.6		Not applicable.
E.7	Estimated expenses charged to the investor by the issuer or the offeror	<p>All the expenses related to the acquisition and custody of Notes are borne by an investor in compliance with the price-list of a credit institution or investment service provider, through which the investor purchases and keeps Notes. The Issuer is not obliged to compensate for expenses incurred by the investor.</p> <p>The investor may have additional tax payment obligations related to Notes depending on the investor's country of residence. The Issuer will deduct taxes from Coupon payments in compliance with the applicable legal acts of the Republic of Latvia.</p>

2. Risk Factors

2.1. Important note

The risks indicated in this section may reduce Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario.

Notes are secured with Collaterals established in accordance with the Collateral Agreements executed between the Collateral Providers and the Collateral Agent.

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

2.2. Changes in regulatory enactments and policies

The Issuer carries out its production activity in Latvia, Estonia and Lithuania and most of the risks, which affect it, are related to the general economic situation in all three Baltic countries and regulatory enactments adopted by each country.

The Issuer is headquartered in Latvia and has manufacturing plants in Latvia, Lithuania and Estonia via local subsidiaries, thus every subsidiary operates under the laws of the respective country and any significant changes in existing regulatory enactments or implementation of new regulations governing corporate taxation, employees' remuneration, natural resources taxation and others might negatively affect the business and solvency of the particular subsidiary and Sakret Group as a whole.

2.3. Macroeconomics risk

The Issuer is engaged in production of high-end quality dry and read-made liquid construction mixtures and construction chemicals in Latvia, Lithuania and Estonia.

In 2018, 39% of the Sakret Group revenue was generated by building material sales in Latvia, 29% in Lithuania and 25% in Estonia. Remaining was generated by sales of services. The economic situation in all Baltic countries are assessed as stable which is supported by both macroeconomic data, such as GDP and employment indicators. Latvia and Lithuania currently have an A credit rating assigned by Standard & Poor's with a stable outlooks. Estonia currently has an AA- credit rating assigned by Standard & Poor's with a stable outlook.

Financial results of Sakret Group depends on the stable macroeconomic situation in each of the Baltic countries.

2.4. Construction industry risk

The demand for dry and read-made liquid construction mixtures that Sakret Group produces is directly linked to the state of construction industry in Baltic countries.

Following a rapid growth over the period of 2003 – 2008, the construction industry in the Baltics went into a nose-dive, with 2010 falling back to the level of 2002. Further years brought approximately 75% of cumulative growth until the industry faced another fall in 2016.

Latvia is expected to face the most substantial growth of all three Baltic countries over the next couple of years, evening out at a GDP growth of approx. 4%. Real estate prices have been increasing in line with domestic income and the current low interest environment expand consumer capabilities in housing investments. In Estonia, construction confidence index has currently reached its post-crisis-high level, expecting further sector growth.

Despite positive outlook on construction sector in Baltic countries, the decline of activity in the industry may adversely affect the Sakret Group's business and financial condition.

2.5. Competition risk

Sakret Group direct competitors across all Baltic countries are "Knauf", "Ceresit", "Saint-Gobain", and "Baumit". All Sakret's direct competitors are international companies and have one or more factories in Latvia, Lithuania and Estonia. In contrast to its competitors, Sakret Group is working exclusively for the Baltic market and is headquartered in the Baltics.

The Issuer may have difficulties to compete with these competitors, thus to remain competitive and to protect profit margins, Issuer must offer new products that keep pace with industrial and technological developments and must respond to customer requirements on a timely basis. New technologies, changing commercial

circumstances (for example, consolidation within a relevant sector), existing competitors (including those with a longer operating history, greater resources and/or broader range of products) and new entrants to the markets in which Issuer currently operates or markets in which Sakret Group might target for expansion may adversely affect the Group’s business, financial condition, results of operations or prospects.

2.6. Production risk

Sakret Group operates 4 production plants in Riga (Latvia), Kedainai (Lithuania) and Paide (Estonia), thus any technological issues, human errors, incorrect planning or other issues directly connected with production processes might result in stoppage of production output of plants, which will negatively affect the financial results of the Sakret Group.

Group is operating its production plants since 2004 and its employees have an extensive experience in managing production processes, thus any potential production risks are monitored and controlled.

2.7. Relations with key customers

Over the past years, the Issuer has maintained a moderate concentration among its customer base. Top3 clients of the Issuer generate 39% of company’s revenue as of 2018 and Top5 clients generate 60% of company’s revenue, and this concentration has been stable over recent years. The remainder of Issuer’s clients contribute less than 10% to revenue each. Sakret Group’s clients are all the largest DIY chains in the Baltics, therefore, the concentration is directly linked with DIY market concentration. The loss of any of key customers and Issuer’s inability to find adequate alternative customers on a timely basis, or at all, on commercially acceptable terms, could have a material adverse effect on its business, financial condition and results of operations.

2.8. Credit risk of clients

Issuer’s customers have a period of time, generally 45 to 90 days after the date of invoice, depending on the type of customer, in which to effect payment. As a result, Issuer is subject to the risk that its customers will not pay or will delay the payment for the products they purchased. This credit exposure risk may increase due to liquidity or solvency issues experienced by Issuer’s customers, for example, as a result of an economic downturn or an adverse change in their business. If Issuer is unable to collect payment for amounts invoiced from its customers, it could have a material adverse effect on its business, financial condition and results of operations.

Issuer assigns credit to customers according to internal credit policy, which is developed, applying thorough internal analysis of Issuer’s customers and seeking to diversify and limit its credit risk exposure.

2.9. Financial risk

Historically, Sakret Group made expansion investments co-financed by Luminor (then DNB bank), including loans for construction of the factories in Lithuania (total investment EUR 9.50 million) and Estonia (total investment EUR 6.70 million). Because of the financial crisis of 2008-2009 and geopolitical tensions with Russia, Sakret’s core markets contracted and return on the loans was negatively affected. In 2013, a restructuring was done, forming a holding structure and renegotiating the repayment schedule, Sakret returned to positive cashflow.

After the merger of DNB and Nordea, Luminor revaluated its existing strategy and has decided to accept refinancing of Sakret Group loan at a discount – the current repayment schedule still is too long for the bank and the internal procedures do not allow to write-off part of the loan and keep Sakret as a client.

Due to the discount granted by Luminor, the consolidated equity of the Sakret Group will increase. Together with the shareholders contribution in amount of EUR 1m, the consolidated equity will become positive, allowing Sakret Group to participate in several grant and energy-efficiency increase programs and positively affecting the financial standing and solvency of the Issuer.

After the refinancing of Luminor loan, BlueOrange Bank will provide EUR 4 million long-term loan, EUR 2 million overdraft facility, EUR 1.7 million credit line and EUR 3.8 million will be raised via Notes Issue.

Despite the Issuer’s track record with credit institutions, there is a possibility that sources of financing may not be available in the amount required for the Issuer, or their conditions may be too unfavorable, which may significantly affect Issuer’s ability to ensure sufficient financing for the company’s growth.

2.10. Refinancing risk

Principal of Notes will be repaid as a lump sum at maturity date, therefore the Issuer has increased refinancing risk. The Issuer will seek to refinance Notes issue or look for other funding sources in order to decrease refinancing risk, but if Notes will not be refinanced before maturity date, as per the management estimates, the Issuer should be able to cover principal of Notes from Group's own cash flow. In case of additional capital investments would be required during the duration of Notes, which would decrease cash available for repayment of Notes at the maturity, Issuer plans to refinance part of the Notes lump sum using long-term liabilities, which will be significantly decreased by 2022, based on the repayment schedule.

2.11. Dependence on future employees

In the future, the Issuer's activities will be affected by its ability to attract, preserve, and motivate highly qualified and experienced personnel. There is competition for personnel with the relevant skills and experience in Baltic countries and it is comparatively high; however, the Issuer has successful experience in the field of personnel management, offering education, professional growth, and development possibilities, as well as different motivation programs to the employees.

As of 2018, the Issuer's total number of employees was 132 persons. The majority of workers are involved in manufacturing processes.

2.12. Operational risks

Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful inner processes, personnel management, systems, or external circumstances. As of 2018, the number of Group's employees reached 132 persons; therefore, thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, constant investments are made within the IT system, which allows the Issuer to reduce operational risks.

2.13. Legal proceeding and risk of other claims

The Issuer may be adversely affected by contractual claims, complaints and legal proceedings arising from relationships with partners, customers, competitors or regulatory authorities, as well as negative publicity such proceedings might cause. Any such legal proceedings, complaints, contractual claims or negative publicity may materially affect the operational activities, financial situation and business results of the Issuer.

2.14. Risks related to Notes

2.14.1. Collateral risk

Notes will be secured with Collaterals that will be subject to ranking described in Annex 5.

Noteholders should be aware that since the Estonian subsidiary of the Issuer is giving upstream collaterals, such collaterals could be contested under Estonian law in a certain case. As per the provisions of Estonian Commercial Code, an OÜ (osaühing)-type company shall not amongst others guarantee a loan taken by its shareholder whose share represents more than 5 per cent of its share capital. However, the Estonian law stipulates that this prohibition does not apply to guaranteeing or securing a loan taken by the parent if grant of guarantee or security/collateral does not harm the financial status of the company or the interests of its creditors.

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 commence the Collateral enforcement proceedings according to the procedures described in Section 5.4. of the Terms of the Issue.

2.14.2. Notes repayment risk

Notes will be secured with Collaterals established in accordance with the Collateral Agreements executed between the Collateral Providers and the Collateral Agent. In case of Issuer's insolvency, Noteholders have the same right to receive their investment as other creditors of the relevant group in accordance with applicable regulatory enactments.

2.14.3. Notes early repayment risk

Issuer has a call option, which means, that at certain dates during the term of Notes the Issuer may decide to execute an early repayment of Notes by paying back the principal at the certain price for the Nominal amount to

the Noteholders. Noteholders should take into account that Notes early redemption price may be lower than Notes price on the secondary market.

2.14.4. Delisting risk

After Notes registration the Issuer plans to request admission to trading of the Notes on First North, which is alternative market operated by Nasdaq Riga. There is a risk, that Nasdaq Riga would not accept Notes to be admitted for trading on First North or order to delist Notes from the First North before the maturity after the admission to trading took place, due to changes in FCMC opinion and Legal acts, including Nasdaq Riga regulations.

2.14.5. Liquidity risk

Neither the Issuer, nor any other person guarantees the minimum liquidity of Notes. Noteholders should take into account that there may be difficulties in selling Notes in the secondary market.

2.14.6. Price risk

Notes will be repaid for their Nominal Value at the maturity, yet the price in the secondary market may change significantly. Neither the Issuer, nor any other person undertakes to maintain a certain price level of Notes.

2.14.7. Tax risk

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

3. Party responsible for the Terms of the Issue

3.1. Party responsible for the Terms of the Issue

Akciju Sabiedrība "SAKRET HOLDINGS"

Registration number: 40103251030

Legal entity identifier: 8945008AJU1UU6D18269

Legal address: "Ritvari", Stopiņu nov., Rumbula, Latvia, LV-2121

3.2. Representations and Warranties of the Issuer

The Issuer shall, in accordance with these Terms of the 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 with Collateral.




The Issuer gives the following warranties to the Noteholders:

- (a) 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;
- (b) The Issuer has all the rights and sufficient authorizations to issue the Notes and fulfil obligations arising from issuing the Notes;
- (c) The Issuer has performed all the formalities required for issuing the Notes and fulfilling the obligations arising here from;
- (d) 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.

3.3. Assurance of the information provided in the Terms of the Issue

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

Hereby we, members of the board of AS "SAKRET HOLDINGS", Māris Kelpis, Juris Grīvalds, Andis Ziedonis certify that, by paying sufficient attention to this purpose, the information included in the Terms of the Issue is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.

		
Māris Kelpis Chairman of the board	Juris Grīvalds Member of the board	Andis Ziedonis Member of the board

4. Information on Notes

4.1. The use of the proceeds

The total issue size is EUR 3,790,000 (three million seven hundred ninety thousand euro).

Funds that are raised as a result of the Notes issue will be used in refinancing of current loan liabilities of the Issuer and its subsidiaries.

4.2. Information on the offered Notes

4.2.1. General Information

The Notes are bearer and any person or entity that holds the Notes in his securities account has the right to receive Coupon and the Nominal payments. It is planned to issue Notes with nominal value of EUR 1,000 (one thousand euro) for one Note and total nominal value of EUR 3,790,000 (three million seven hundred ninety thousand euro).

Notes issue ISIN (International Security Identification Number) will be allocated by Nasdaq CSD.

4.2.2. Legal acts that regulate the Notes issue

The Notes issue is arranged in compliance with the Financial Instrument Market Law and other Legal acts of the Republic of Latvia that are in force including the FCMC and the Nasdaq CSD regulations.

All disputes between Noteholders and the Issuer shall be settled in courts of the Republic of Latvia in accordance to the Legal acts in force. Terms of the Issue are drafted and signed in English and any translations of the Terms of the Issue into another language are unofficial and made exceptionally for the Potential Noteholders' convenience. In case of any disputes' settlement, interpretation of the norms of the Terms of the Issue in English holds the priority against an interpretation in any other language.

4.2.3. Form and accounting of the Notes

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

4.2.4. Currency of the Notes

Currency of the notes is EUR (euro).

4.2.5. Collateral of the Notes, Parallel Debt

As security for the Secured Obligations, the Collateral shall be established in favor of and on the name of the Collateral Agent in accordance with the Collateral Agreements. Not later than on 22 November 2019, the Collateral Agreements will be executed between the Collateral Agent and the Collateral Providers in order to establish the Collateral (Collaterals) securing the Secured Obligations in accordance with the Terms of the Issue.

The Issuer shall ensure that the respective agreements are registered and perfected to the fullest extent required by the applicable law of the place of registration of the respective Collateral not later than on 22 November 2019. Notwithstanding the above, the Collaterals indicated in Annex 5 as having the second, third or fourth ranking in any case shall be registered only after the collaterals having the first, second and/or third rank are duly registered.

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 joint or solidary creditor together with the Noteholders, sums equal to and in the currency of the total of each amount payable by the Issuer to each of the Noteholders (whether present or future and whether actual or contingent) under the Terms of the Issue as and when the amount falls due for payment under the Terms of the Issue. For the purpose of clarification, the Parallel Debt will become due and payable at the same time and to the same extent as any of the Secured Obligations become due and payable. The conditions applicable to the Parallel Debt are in further detail described in the Annex 4 to the Terms of the Issue (please refer to Section 2 of the Collateral Agent Agreement).

4.2.6. Rights and restrictions connected with the Notes issue

Any Noteholder has the right to receive Coupon and Nominal payments in accordance with the Section 4.2.7. "Coupon payments" and 4.2.8. "Procedure of Notes repayment", as well as exercise other rights fixed in the Terms of the Issue and legislation of the Republic of Latvia.

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

Notes owned by the Issuer and / or its affiliated persons (subsidiaries, shareholders, management or employees) are not eligible to participate in the voting in accordance with Section 5.5. "Procedure for applying of the waiver".

4.2.7. Coupon payments

The Coupon rate for the Notes is 9% (nine per cent) per annum and is fixed until the maturity of the Notes.

Coupon payments are made once per quarter starting from 30 November 2019. The first Coupon payment will be made on 30 November 2019 and the last Coupon payment will be made on 30 August 2024.

The Coupon record date is the 5th (fifth) Business Day prior to the Coupon payment day. At the end of the Coupon record date Noteholders list, who will be eligible for the Coupon payments, will be fixed. Coupon payment shall be made to the Noteholders, as per 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 applicable Nasdaq CSD regulations, which regulate the procedure for paying income from debt securities. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service description.

If the Coupon payment date is a holiday or a festive day, the Issuer will make the relevant Coupon payment on the first Business Day after the holiday or festive day.

Coupon payments are determined according to the following formula:

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

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

F – Nominal value of one Note;

C – annual Coupon rate (%);

CPN% - the amount of Coupon payment % per Note.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the payment of the Coupon not earlier than after 5 (five) Business Days following the payment date of the relevant Coupon.

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

4.2.8. Procedure of the Notes repayment

The Nominal of one Note is EUR 1,000 (one thousand euro) and the Issuer will repay Nominal amount as a lump sum the maturity date of the Notes, which is 30 August 2024.

The Issuer will repay the Nominal amount in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service Description. The Nominal amount will be paid on the maturity date. Noteholders eligible to receive the Nominal will be fixed at the end of the Nominal record date, which is the previous Business Day before the maturity date.

If the maturity date is a holiday or a festive day, the Issuer will make the relevant Coupon payment and Nominal amount payment on the first Business Day after the holiday or festive day.

If the Issuer has failed to make Nominal amount payment in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the repayment of the Nominal amount not earlier than after 5 (five) Business Days following the payment day of the Nominal amount.

4.2.9. Early redemption (call option)

The Issuer can carry out full early redemption (call option), on 30 August 2021 by paying 90% for the Nominal amount, or on 30 August 2022 by paying 95% for the Nominal amount or on 30 August 2023 by paying 100% for the Nominal amount. The Issuer can carry out call option only in full amount of total outstanding Notes.

If the Issuer takes decision on the early redemption of Notes, the Issuer shall notify Noteholders at least 20 (twenty) Business Days prior to the redemption date of Notes, with intermediation of Nasdaq CSD, or, if Notes are included in the Nasdaq Riga, via Nasdaq Riga information system.

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

4.2.10. Early redemption (put option)

Each Noteholder has a right to demand full early redemption (put option) on 30 August 2024 at 90% for the Nominal amount. In order to exercise the put option the Noteholders have to submit an application to the Issuer or to its appointed agent not later than 40 (forty) Business Days prior the put option date.

In case of breach of the covenant “Not to change the control of the Issuer” as per the Section 5.5. “Covenants” Noteholders have the rights to demand early redemption of Notes at the price of 101% (one hundred and one per cent) for the Nominal amount, along with the accrued Coupon within 5 (five) Business Days after the Issuer has received the notification.

Noteholders have the rights to demand early redemption of Notes (put option) in case of occurrence of the events of default in accordance with the Section 5.2. “Event of default”.

4.2.11. Accrued interest calculation

The first Coupon starts to accrue on 30 August 2019, which is the First Settlement Date of the Notes issue. The accrued Coupon is calculated presuming that there are 360 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;

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.

4.2.12. Representation of the Noteholders

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

- (a) expresses its consent to the appointment of the Collateral Agent to perform the obligations and exercise the rights in connection with the Collateral as set forth in these Terms of the Issue and authorizes the Collateral Agent to exercise the rights, powers, authorities and discretions specifically given to the Collateral Agent under the Terms of the Issue and the Collateral Agent Agreement and any Collateral Agreement;
- (b) confirms that the fact that the Collateral Agent acts under the Collateral Agent Agreement concluded with the Issuer does not constitute any conflict with the interests of the Noteholder;
- (c) agrees that the Collateral Agent has only such functions, obligations and liability as expressly set forth in these Terms of the Issue and the Collateral Agent Agreement, and that upon the performance of its obligations and exercising of its rights in connection with the Collateral, the Collateral Agent is entitled to act at its discretion, considering the interests of the Noteholders, and, unless specifically requested

by the Collateral Agent, the Noteholders have no right to give any instructions to the Collateral Agent and the Collateral Agent is under no obligation to request or follow such instructions, except for the instructions provided under Section 5.4.;

- (d) agrees that the Collateral Agent does not have any obligation, and is not be liable for not fulfilling such obligation: (i) 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 the Terms of the Issue on the account of any assets of the Issuer or any other Collateral Provider, except the enforcement of Collateral in accordance with the Terms of the Issue and relevant instructions from the Majority Noteholders as stipulated in Section 5.4; (ii) to ensure the existence, validity, enforceability or any specific feature whatsoever of the Collateral or the assets encumbered with the Collateral or to preserve the Collateral or the assets encumbered with the Collateral or their value or to assess any rights arising from or relating to the Collateral; (iii) to inform the Noteholders or the Issuer about any circumstances except to the extent such obligation to provide information is explicitly set forth in these Terms of the Issue; (iv) to provide any advice to the Noteholders in legal, accounting, tax or other matters; (v) to verify, monitor or investigate the fulfilment of the obligations of the Issuer or any Collateral Provider under these Terms or under the Collateral Agreements, the correctness of representations and warranties or the adherence to covenants by the Issuer or any Collateral Provider;
- (e) agrees to pre-pay to the Collateral Agent all expenses (as detailed in the Collateral Agent Agreement) in relation to enforcement of the Collaterals, if such are not covered by the Issuer, or to compensate any other expenses of the Collateral Agent if so agreed by the Majority Noteholders as stipulated in Section 5.4.

The Noteholders do not have any independent power to enforce the Collateral or to exercise any rights or powers arising under the Collateral Agreements. Noteholders can exercise their rights in relation to the Collateral only through the Collateral Agent pursuant to these Terms of the Issue (especially Section 5.4.).

Upon the performance of its obligations and exercising its rights, the Collateral Agent acts at its own discretion in the interests and on the account of the Noteholders collectively and generally (and not of any particular Noteholder) without having any independent interests of its own, other than deriving from these Terms of the Issue and the Collateral Agent Agreement, and without any obligation to consider any interests or rights of the Issuer or any Collateral Provider (other than arising from the applicable law or the Collateral Agreements) and without any right of the Issuer to give any instructions to the Collateral Agent.

The Collateral Agent is not a party to the legal relationship between the Issuer, the Collateral Providers and the Noteholders, and is under no circumstances liable for the performance of the obligations of the Issuer or the Collateral Providers.

Upon the performance of its obligations and exercising of its rights the Collateral Agent has the right to use the services of third parties and to appoint third party representatives (by acquiring the prior approval of the Majority Noteholders if such is required by the applicable law). Notwithstanding such use or appointment, the Collateral Agent shall not be released from its responsibilities towards the Issuer and the Noteholders under the Collateral Agent Agreement and the Collateral Agent shall be personally liable to the Issuer and the Noteholders for the respective obligations. Furthermore, no additional fees and/or expenses shall be paid to the Collateral Agent as a result of such appointment by the Collateral Agent except where the payment of expenses is set forth in the Collateral Agent Agreement. The Collateral Agent may refrain from acting in accordance with the instructions of the Majority Noteholders as stipulated in Section 5.4. 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 for services within Latvia or in other jurisdictions) and liabilities which it will or may expend or incur in complying with such instructions.

At the request of the Collateral Agent, any Noteholder shall provide the Collateral Agent with any information and/or documents required by the latter for the purposes of identification of the Noteholder and/or for the performance of other obligations arising from these Terms of the Issue, the Collateral Agreements, the Collateral Agent Agreement, or from the applicable law.

4.2.13. Decisions of the Issuer on the Notes issue

On 8 August 2019, the Issuer's shareholders passed the resolution (No. 2019-3) to approve the issue of secured debt securities (Notes) with nominal value of EUR 1,000 (one thousand euro), total nominal issue value EUR 3,790,000 (three million seven hundred ninety thousand euro), annual Coupon rate 9.00% (nine per cent) paid on a quarterly basis and approve the terms and conditions of the Notes Issue.

4.2.14. The First Settlement Date of the Notes issue

The First Settlement Date (Issue Date) of the Notes issue is 30 August 2019, on which the Coupon starts to accrue.

4.2.15. 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 laws of the Republic of Latvia and the United States of America.

5. Special Conditions

5.1. Disclosure of information

Up to the maturity of Notes, the Issuer shall publish all the information required by covenants, rules of Nasdaq Riga and regulatory enactments.

5.2. Event of default

The Issuer is in default if at least one of the following occurs:

- The Issuer has failed to make a Coupon payment in full for more than 5 (five) Business Days following the planned payment date;
- The Issuer has failed to make a Nominal value payment in full for more than 5 (five) Business Days following the planned payment date;
- The Issuer has violated the conditions of the Section 5.5. "Covenants";
- The Collateral Agent has not been able to establish the Collateral in favor of and on the name of the Collateral Agent, not later than on 22 November 2019;
- The Issuer has failed to service other liabilities in the amount of over EUR 100,000 for more than 5 (five) Business Days;
- Insolvency proceedings have been initiated against the Issuer;
- The Issuer has submitted an application for liquidation in the relevant state authorities in Latvia.

The Noteholder can submit a written notification to the Issuer regarding that the immediate repayment deadline has set in for the Notes owned by the relevant Noteholder, at any time after the event of default has occurred (and as long as the event of default exists). The Issuer has to pay the Nominal value of Notes along with the accrued Coupon and contractual penalty, in accordance with Section 5.3. "Contractual penalty", within 5 (five) Business Days after the receipt of the notification.

5.3. Contractual penalty

In the case of non-compliance or inadequate compliance with a payment obligation arising from the Notes, the Noteholder in question 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 from the date (excluding), when the deadline has set in, to the actual payment date (including) in the amount of 0.05% (zero point zero five per cent) per day from the relevant outstanding amount, but total contractual penalty may not exceed 10% (ten per cent) from the relevant outstanding amount.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the payment of the Coupon not earlier than after 5 (five) Business Days following the payment date of the relevant Coupon.

If the Issuer has failed to make Nominal amount payment in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the repayment of the Nominal amount not earlier than after 5 (five) Business Days following the payment day of the Nominal amount.

5.4. Enforcement

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 Agreements in case all of the following conditions are met:

- (a) any of the events of default indicated in Section 5.2. above have occurred; and
- (b) the Majority Noteholders have instructed the Collateral Agent in writing to enforce the Collateral;
- (c) the Majority Noteholders have agreed with the Collateral Agent on the order of payment of the fee of the Collateral Agent in relation to enforcement of the Collaterals.

At the enforcement of the Collateral, the Noteholders may transfer their Notes to the Collateral Agent for the purposes of the enforcement and in such case the Collateral Agent shall be obliged to accept the Notes and enforce the Collateral as a direct creditor under the Notes. For the avoidance of doubt, nothing in these Terms of the Issue shall oblige any Noteholder to transfer its Notes to the Collateral Agent and the Collateral Agent shall be obliged to enforce the Collateral in relation to such Notes not transferred to the Collateral Agent on the basis of Parallel Debt (without taking liability for enforceability of the Parallel Debt as such) in accordance with the provisions of these Terms of the Issue.

If pursuant to the Terms of the Issue the Majority Noteholders instruct the Collateral Agent, the Collateral Agent is obligated (subject to the other sentences in this Section) to comply with these instructions. Any such instructions from the Majority Noteholders will be binding on all Noteholders. The Collateral Agent is not liable for any consequences or damages that result from complying with the instructions, and the Majority Noteholders who have given such instructions shall fully indemnify the Collateral Agent if the Collateral Agent is held liable for this.

The Collateral Agent has the right to suspend enforcement and of its duties as Collateral Agent in general, if the fees and/or expenses of the Collateral Agent are not paid when due by the Issuer, and the Noteholders fail to pay such fees and/or expenses within 10 (ten) days of a respective request, or if the expenses of the Collateral Agent that need to be borne in order to commence or continue enforcement are not prepaid by the Issuer or the Noteholders within the same term. For the avoidance of doubt, the Noteholders shall have the right but not the obligation to pay the Collateral Agent's fees, costs or expenses instead of the Issuer, and in case the Noteholders do so, the relevant Noteholders shall be deemed to have acquired the Collateral Agent's claim against the Issuer in the relevant part.

Proceeds from the enforcement of Collateral are applied in the following order of priority (whereas no interest shall be added to the amounts received and due to be paid out by the Collateral Agent):

- (a) first, towards payment of fees and costs, which must be paid as a result of the enforcement of the Collateral pursuant to applicable laws (including, without limitation, notary fees, bailiff's fees, state duties);
- (b) second, towards payment of all fees, costs and expenses (including valuation costs and fees, costs and expenses of third parties engaged in by the Collateral Agent) of the Collateral Agent payable under the Terms of the Issue, any Collateral Agreement and the Collateral Agent Agreement;
- (c) third, towards the Secured Obligations (if necessary, proportionally to the nominal values of the Notes held by Noteholders);
- (d) fourth, if any proceeds remain, they shall be returned to the Issuer.

When a decision or an expression of will by the Majority Noteholders, such a decision or expression of will must be made at a meeting of the Noteholders, or in writing, pursuant to the order described below.

- (a) Noteholders meetings may be convened by the Issuer, by the Collateral Agent, or by the Majority Noteholders, and shall be notified at least 10 (ten) Business Days in advance by way of a notice sent in accordance with these Terms to each Noteholder and the Collateral Agent. The notice shall include the agenda of the meeting. If a meeting is convened by the Majority Noteholders or the Collateral Agent, they shall send the convocation notice to the Issuer who shall forward it to the Noteholders within 2 (two) Business Days.
- (b) Meetings shall take place in Riga, Latvia, on Business Days, during regular business hours, at such time as is indicated in the notice. Meetings shall have quorum if the Noteholders present constitute Majority Noteholders.
- (c) Majority Noteholders shall mean the Noteholders holding over 51% (fifty one per cent) of all outstanding Notes at the relevant time.
- (d) Meetings of the Noteholders shall be chaired and recorded by the person appointed by the Majority Noteholders represented at the meeting. A meeting may not adopt decisions in questions not included in the agenda of the meeting as notified to the Noteholders, except where all Noteholders are present. Meetings shall be held and minutes kept in English. A noteholder may be represented by any person (including by another Noteholder) based on a written power of attorney.
- (e) Minutes of the Noteholders meetings of the Noteholders must include: (i) the time and place of the meeting; (ii) the names and representatives of the Noteholders present, and the number of Notes held by them; (iii) the resolutions voted on and the voting results, indicating which Noteholders voted "in

- favor" and "against" the decision; (iv) signatures of all Noteholders present in the meeting. Minutes shall be promptly sent by the Issuer to all Noteholders, regardless of whether they participated in the meeting.
- (f) Costs related to meetings of the Noteholders shall be borne by the Issuer.

5.5. Covenants

From the Issue Date of Notes to the date of repayment thereof, the Issuer and its subsidiary companies (if any) shall undertake the following:

- The Issuer and its subsidiaries shall continue business operations in the production of dry mixes and ready-made liquid mixes;
- Not to change the control of the Issuer (not to sell more than 50% of shares of the Issuer or its ultimate holding company);
- Not to commence Issuer's liquidation and not to reduce the equity capital;
- Any transactions with Related Persons shall be at market prices;
- In case of investment larger than EUR 100,000 the Issuer or its subsidiaries may invest in share capital of other companies only if the participation share is at least 51% and the Issuer or its subsidiaries retains full control of a company;
- Not to sell, present, change, rent, invest, or otherwise transfer into utilization the right to use the trademarks owned or otherwise utilized by the Issuer and/or its subsidiary companies, except if trademarks are sold, presented, changed, rented, invested, or otherwise transferred into utilization to the Issuer's subsidiary company, its managing company, or any companies dependent on the managing company, other enterprises or companies which have directly or indirectly acquired participation in the equity capital of the Issuer or in which the Issuer has acquired direct or indirect participation (if any), or except if trademarks are sold, presented, changed, rented, invested, or otherwise transferred into utilization to be used outside Latvia, Estonia and Lithuania;
- Not to pay out dividends, if only audited consolidated Net Debt/Equity indicator is below 3.5 and if such dividend payout is allowed by other credit agreements;
- To maintain consolidated DSCR (profit before interest payments, tax payments, depreciation and amortization calculation against all interest, coupon and principal payments) at least 1.1*;
- To maintain both consolidated Net Debt/Equity (total interest bearing liabilities minus cash against equity) and Net Debt/EBITDA (total interest bearing liabilities minus cash against profit before interest payments, tax payments, depreciation and amortization calculation) indicators not exceeding:
 - 5.0*, as of 31.12.2019
 - 4.5, as of 31.12.2020
 - 4.0, as of 31.12.2021
 - 3.5, as of 31.12.2022

**for DSCR, Net Debt/Equity and Net Debt/EBITDA calculations as of 31.12.2019, EBITDA and Equity will be adjusted to one-off refinancing expenses*

- From the Issue Date, to prepare and publish unaudited consolidated quarterly reports as per Latvian accounting standards within 2 months after the reporting period;
- Starting from 31.05.2020, to prepare and publish unaudited consolidated quarterly reports as per International Financial Reporting Standards within 2 months after the reporting period;
- Until 30.09.2019, to prepare and publish audited consolidated annual report as per Latvian accounting standards for the year 2018;
- Until 31.05.2020, to prepare and publish audited consolidated annual report as per International Financial Reporting Standards for the year 2019 audited by Big4 (EY, Deloitte, PwC or KPMG). The respective auditor's opinion shall be unqualified;

- Starting from 01.01.2021, to prepare and publish audited consolidated annual report as per International Financial Reporting Standards within 4 months after the reporting period audited by Big4 (EY, Deloitte, PwC or KPMG). The respective auditor’s opinions shall be unqualified;
- Proof of compliance with the financial covenants to be included in every audited consolidated annual report;
- To include Notes on the alternative market within 6 months after the Issue Date.

For the needs of this section, quarterly and annual reports (together with proof of compliance with financial covenants) should be published on Issuer’s website and, after Notes are listed on First North operated by Nasdaq Riga, via Nasdaq Riga information system.

For the needs of this section, the term “Related Persons” shall mean any natural or legal person, which is (a) a shareholder or (b) a member of the board or council, or (c) a spouse of any persons referred to in (a) – (c) in relation to the Issuer.

5.6. Procedure for applying for the waiver

The Issuer has the right to ask for the consent (waiver) of Noteholders to amend the conditions included in the Terms of the Issue (apply for the waiver).

The amendment of the Terms of the Issue may include the amendment of any conditions, which is not restricted by such characteristics of Notes as currency, Coupon rate, Coupon calculation method, Coupon and Nominal payments, inclusion of Note for trade in other regulated or alternative markets, repayment deadline of Notes, and other conditions, unless they contradict regulatory enactments in force in the Republic of Latvia.

The Issuer can apply for the waiver itself or through the intermediary of an authorized person (“Agent”). To apply for the waiver, the Issuer or Issuer’s Agent shall notify Noteholders with intermediation of Nasdaq CSD, or, if Notes are included in the Nasdaq Riga, via Nasdaq Riga information system, specifying at the least the following information:

- a description of the changes applied for;
- a justification of the necessity of the changes applied for;
- the date when the list of Noteholders eligible to grant the waiver (vote) will be fixed;
- the term within which a Noteholder can support or reject the offered waiver;
- instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;
- 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) from Noteholder’s Custodian. If the Noteholder does not notify the Issuer or Issuer’s Agent about the approval to grant waiver within the term specified in the application, a Noteholder shall be deemed as not having granted the waiver;
- 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 Noteholders can submit the questionnaires in person);
- other information including a fee to Noteholders for approving the waiver needed by Noteholders for deciding upon granting the consent or refusal to grant the waiver to the Issuer.

The list of Noteholders shall be inquired from the Nasdaq CSD as of the date falling to the fifth Business Day after the waiver with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities’ custody accounts or are Noteholders, or after the announcement of the waiver has been published via Nasdaq Riga information system, if Notes are included in the regulated or alternative market.

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 with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities’ custody accounts or are Noteholders, or after the

announcement of the waiver has been published via Nasdaq Riga information system, if Notes are included in the regulated or alternative market.

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 at least 2/3 (two thirds) of the outstanding Notes issue (excluding Notes owned by the Issuer and / or its affiliated persons (subsidiaries, shareholders, management or employees) from the total outstanding amount of Notes issue) have voted for granting the waiver. The Notes owned by the Issuer and / or its affiliated persons (subsidiaries, shareholders, management or employees) are not eligible to participate in the voting.

The Issuer or Issuer's Agent shall sum up the received votes and notify Noteholders of the results of the voting within one Business Day after the deadline for submitting the questionnaires by sending relevant notification with intermediation of Nasdaq CSD to Nasdaq CSD participants, who hold the Notes in financial securities' custody accounts or are Noteholders, or by publishing relevant announcement via Nasdaq Riga information system, if Notes are included in the regulated or alternative market.

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, the Issuer shall inform 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 ten Business Days after the waiver comes into force.

6. Taxes

6.1. Notice

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

6.2. Definition of residents and non-residents

An individual is considered resident of Latvia for tax purposes if his or her permanent place of residence is Latvia; or he or she stays in Latvia for more than 183 days within any 12-month period; or he or she is a citizen of Latvia and is employed abroad by the government 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 Latvia according to the Latvian legislation. Other legal entities are considered non-residents for tax purposes.

Table 1 – Tax consequences in Latvia regarding the income derived from Notes that are issued by a legal entity registered in Latvia (not being a credit institution) effective as of 1 January 2019:

Legal status of income beneficiary	Notes that are not in the Public Circulation		Conditions
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	20%	20% ¹	20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia. ¹ - Capital gains from a sale of Notes are considered equivalent to an interest income and taxed at 20% rate in Latvia. Self-assessment and payment of a tax on capital gains [i.e. profits] in Latvia is performed by a beneficiary of capital gains – a resident individual filing the Annual Income Statement.
Company resident of Latvia	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	Interest (coupon) income and a capital gain from the Notes not being in the Public Circulation constitute a part of the beneficiary - Latvian company's overall income. The Corporate Income Tax obligation is deferred to the moment of profit distribution (dividends, interim dividends) or deemed profit distribution (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% ^{2,4}	20% ^{3,4}	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia.</p> <p>² - The reduced 10%, 7%, 5%, 2.5% or 0% tax rate on interest (coupon) income can be applicable in Latvia only, if provisions of the Double Tax Treaty concluded between Latvia and other relevant country stipulate it.</p> <p>³ - A capital gain from the Notes is considered equivalent to an interest income and taxed at 20% rate. The purchaser of the Notes, if it is registered in Latvia, performs calculation and withholding of a tax on capital gain [i.e. a profit]. If no profit is derived from a sale transaction, the 20% tax is not withheld/paid. The Double Tax Treaty provisions may stipulate a tax exemption in Latvia for a capital gain derived by a non-resident individual.</p> <p>⁴ - A non-resident individual being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>
Company non-resident	exempt ^{5,6}	exempt ⁶	<p>Interest (coupon) income and a capital gain derived by a non-resident company (except a company from one of the “black listed countries or territories”) are tax exempt in Latvia.</p> <p>⁵ - An issuer of Notes withholds 20% tax from interest (coupon) payments, if they are made to a company non-resident registered in one of the low tax or non-tax countries or territories specified by the Cabinet Regulations of Latvia (so called “the black listed countries and territories”).</p> <p>⁶ - A non-resident company being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>

Source: Legal acts of the Republic of Latvia

7. Terms of the Offering

7.1. Subscription to the Notes

7.1.1. Subscription period

The initial offering shall commence on 8 August 2019 and shall end on 8 September 2019 at 17:00.

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 67031222.

Subscription order can also be submitted to other Custodians, which in turn shall submit orders to the Arranger. Business relations between Potential Noteholders and Custodians are regulated by contracts between them and by the applicable legal acts.

The total Nominal value of subscribed Notes should be stated in the order. Potential Noteholders have the right to submit several subscription orders during the offering. Subscription orders to the Notes are irrevocable. The Arranger will register all submitted subscription orders of its clients according to legal requirements and internal procedures.

The minimal subscription size is EUR 1,000 (one thousand euro) for a qualified investor and EUR 100,000 (one hundred thousand euro) for other Potential Noteholders. The maximum subscription size is EUR 3,790,000 (three million seven hundred ninety thousand euro). Subscription size should adhere Settlement Unit Multiple.

7.1.3. Notes price

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 Nominal value, meaning that bonds can be sold with discount or premium, plus accrued interest as per Section 4.2.11 “Accrued interest calculation”.

All subscription orders that were aggregated during the subscription period with the First Settlement Date as of 30 August 2019 will be delivered without accrued interest.

7.1.4. Reduction of the Notes issue size

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

7.1.5. Allocation of the Notes to investors

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

The Arranger at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential Noteholder.

7.2. Settlement and delivery of the Notes

The First Settlement Date of Notes is 30 August 2019. All subscription orders that were aggregated during the subscription period with settlement date is 30 August 2019 will be delivered without accrued interest.

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 Business Day after subscription order is fully submitted to the Arranger.

Settlement of the Notes will be executed through the Nasdaq CSD as DVP (delivery versus payment) transactions according to the applicable Nasdaq CSD rules and Operating Manual. The Custodians execute payments for the Notes based on the results of the subscription provided by the Arranger. The Notes will be transferred to Potential 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 Noteholder.

7.3. Pre-emptive rights

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

7.4. Transaction

Funds raised through initial subscription of Notes will be transferred to bank account of Issuer in AS BlueOrange Bank. Issuer authorize BlueOrange Bank to transfer funds from Issuer's bank account to escrow account in BlueOrange Bank for the re-financing of current liabilities in line with the escrow account agreement No. DK-068109-01, signed on 23 August 2019 by AS BlueOrange Bank, Luminor Bank AS and Sakret Group. If terms of the escrow account agreement will not be fulfilled by any of the parties and terms of escrow account will not be met, meaning that the re-financing transaction will not occur, the Issuer authorizes AS BlueOrange Bank to use funds raised from Notes Issue and held in escrow account, in order to purchase issued Notes from the Noteholders at the secondary market at the issue price.

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, which is alternative market operated by Nasdaq Riga, and submit Terms of the Issue and company description with Nasdaq Riga.

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 organize the Notes Issue, to communicate with the Nasdaq CSD and Nasdaq Riga, market it to Potential Noteholders 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 holds the Collateral for the benefit of the Noteholders and is authorized to dispose the Collateral in the interests of all the Noteholders in accordance with the present Terms of the Issue and the Collateral Agent Agreement.

9.2. The external audit of the information included in the securities description

The auditors have not verified the information included in the securities description.

9.3. Statements or reports included in the securities description

The securities description 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

Country of location: Republic of Latvia.

Legal form: joint-stock company, legal status — legal person.

Date and place of registration: in the Commercial Register of the Republic of Latvia on 30 September 2009

Registration number: 40103251030

Legal address: "Ritvari", Stopiņu nov., Rumbula, Latvia, LV-2121

The company's country of foundation is the Republic of Latvia.

The Issuer carries out its activities in accordance with the legal acts of the Republic of Latvia.

The main regulatory enactments which regulate Issuer's activities are

- The Commercial Law of the Republic of Latvia;
- Labour Code;
- Construction Law.

10.2. A description of the Issuer's position within the group

Issuer is a holding company and it controls operational companies of the Sakret Holdings group. Since Issuer is a holding company, the insolvency of Issuer is directly dependent on operational subsidiaries and their financial results.

10.3. Auditor

The Issuer's financial auditor of the last audited annual report is SIA "Deloitte Audits Latvia" (registration number: 40003606960, legal address: Grēdu iela 4a, Riga, Latvia, LV-1019).

11. Business of the Issuer

11.1. Brief summary

Founded in 2003, Sakret Group is leading producer of dry mixes and ready-made liquid mixes for construction, such as masonry cement, plastering, and concrete in Baltics. Group consists of three dry-mixes factories in all three Baltic states, each with over 100,000 tonnes production capacity per year and liquid ready-made mixes factory in Latvia. Company employs more than 125 people.

Additional information about the business of Sakret Group is available in the Appendix 1.

11.2. Management of the Issuer

- **Māris Ķelpis** (Founder, Chairman of the Management Board)

Māris is the founder of Sakret Group. He has held a controlling stake in Sakret Group since the founding and still follows the operations on a daily basis.

- **Andris Vanags** (Chairman of the Supervisory Board)

Andris has spent long years working for construction material companies producing cement, concrete and other products. Prior experience include client service manager at AS Brocēni (currently Cemex) and project manager at AS Brocēnu šiferis.

Andris holds a BSc in chemical technology, MSc in silicate and high-temperature materials chemistry and technology from Riga Technical University and PhD in business management.

He acted as a Special Advisor to the former Prime Minister of Latvia, Māris Kučinskis, and is a Member of the Counsellors Convention of RTU and Member of the Council of Latvian Chamber of Commerce and Industry.

- **Juris Grīnvalds** (Chief Commercial Officer, Member of the Management Board)

From 1996 to 2003, worked in the Danish paint company SKALFLEX. Joined Sakret in early beginning of 2003 as Sales Director. Lead the construction project of the largest dry mixing plant in the Baltic states. Plant in Kėdainiai in Lithuania was opened in 2008. Currently coordinates Sakret sales in the Baltics and Scandinavian countries, as well as is the Director of Sakret Plus.

Juris graduated from the Faculty of Civil Engineering of Latvia University of Agriculture. Currently serves as Board Member of Association of Building Materials Manufacturers.

- **Andis Ziedonis** (Chief Financial Officer, Member of the Management Board)

Andis has more than 20 year experience as CFO. He joined Sakret in 2006 after 8 years in one of the largest press publishing house in the Baltics, where he started as an Economist and was promoted to Chief Economist, CFO and member of the board. He also has experience in banking sector.

Andis holds a combined BSc in Engineering and Economics from Riga Technical University.

11.3. Supervisory Board of the Issuer

The Supervisory Board of Issuer consists of three members:

- Andris Vanags, chairman
- Valērija Lieģe,
- Artis Grīnbergs

11.4. Shareholders of the Issuer

The only shareholder of AS "SAKRET HOLDINGS" is a company SIA "PĀRVALDĪBAS SISTĒMAS", with registration number: 42103085387 and legal address: "Ritvari", Stopiņu nov., Rumbula, Latvia, LV-2121.

Issuer's share capital is EUR 35,000 which consists of 25,000 ordinary shares, each of them with a nominal value of EUR 1.40. SIA "PĀRVALDĪBAS SISTĒMAS" holds all 25,000 shares of the Issuer.

SIA "PĀRVALDĪBAS SISTĒMAS" share capital is EUR 8,000 which consists of 8,000 ordinary shares, each of them with a nominal value of EUR 1.00.

At the moment of signing the Terms of the Issue, the current structure of SIA "PĀRVALDĪBAS SISTĒMAS" shareholders is as follows:

Table 2 – SIA "PĀRVALDĪBAS SISTĒMAS" shareholders structure

Name, surname/ Legal name	Number of shares	% of the total number
Māris Ķelpis (120561-10558)	6,824	85.300%
Ilgvars Belinskis (061060-10547)	810	10.125%
Private individuals	366	4.575%
Total:	8,000	100%

The beneficiary of the Issuer, controlling the Issuer, is chairman of the board, Māris Ķelpis.

At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer's control.

11.5. Legal proceedings and arbitration

At the moment of signing the Terms of the Issue, the Issuer 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.

11.6. Substantial changes in 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.

Issuer plans to use funds raised from Notes Issue, together with senior financing from AS BlueOrange Bank, to refinance current liabilities from credit institutions. After the refinancing, due to the discount granted by current credit institution, the consolidated equity of the Sakret Group will increase. Together with the shareholders contribution in amount of EUR 1m, the consolidated equity will become positive, allowing Sakret Group to participate in several grant and energy-efficiency increase programs and positively affecting the financial standing and solvency of the Issuer.

The Issuer is unaware of any other factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.

11.7. Important agreements

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

11.8. Significant recent and known trends

At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any recent tendencies that have negatively affected the Issuer or the activity of the construction material production industry.

At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any identified tendencies that have negatively affected the Issuer or the activity of the construction material production industry.

11.9. Documents available to the public

After the Notes will be included in First North operated by Nasdaq Riga, Terms of the Issue and company description will be available to the public and on Issuer's website within 6 months after the Issue Date.

12. Financial information

The last audited equity of the Issuer is negative EUR (8,345,213).

Issuer does not provide pro forma financial information.

The profit/loss forecast has not been carried out.

Information, which is disclosed in this section of the Terms of the Issue, is taken from the Issuer's audited and unaudited financial reports that are approved by the Issuer's management. The annual reports are prepared according to the Latvian accounting standards.

As per unaudited data for 2018, all loan liabilities from credit institutions are classified as short-term due to refinancing planned in September 2019 with funds raised from Notes Issue, together with senior financing from AS BlueOrange Bank.

12.1. Objections in the financial information of the audit report

The audit report for financial statements for 2016 contained no objections.

The audit report for financial statements for 2017 one objection, regarding significant uncertainty about the company's ability to continue as a going concern. Auditor notes, that Sakret Group ended 2017 year with net loss of EUR 220,632, consolidated equity was negative EUR 8,345,213 and its current liabilities exceeded its current assets by EUR 2,629,360. Thus, auditor states, that the continued operation of the Sakret Group is dependent on its ability to meet its credit obligations on time, as well as to meet all financial ratios and secure the long-term financing from the credit institutions.

Issuer plans to use funds raised from Notes Issue, together with senior financing from AS BlueOrange Bank, to refinance current liabilities from credit institutions. Due to the discount granted by current credit institution, the consolidated equity of the Sakret group will increase. Together with the shareholders contribution in amount of EUR 1m, the consolidated equity will become positive, allowing Sakret Group to participate in several grant and energy-efficiency increase programs and positively affecting the financial standing and solvency of the Issuer.

12.2. Income Statement

Table 3 – Issuer's consolidated income statements, 2015-2018, EUR

	2015	2016	2017	2018 (unaudited)
Revenue	19 146 596	17 648 223	19 298 618	21 265 701
Cost of goods sold	14 414 231	13 220 742	14 649 323	15 872 424
Gross profit	4 732 365	4 427 481	4 649 295	5 393 277
Cost of sales	2 582 205	2 544 522	2 764 948	2 799 993
Administration costs	1 030 176	982 097	1 048 794	1 470 121
Other operating income	49 005	139 523	21 767	48 116
Other operating expenses	116 438	56 821	87 570	103 170
Interest income	1 302	1 284	1 552	1 248
Interest expense	861 803	878 922	976 775	652 772
Profit before tax	192 050	105 926	(205 473)	416 585
Income tax	70 369	79 557	15 159	49 230
Deferred tax	2 734	-	-	-
Net profit for the reporting year	118 947	26 369	(220 632)	367 355

12.3. Balance sheet

Table 4 – Issuer's consolidated balance sheet at the end of period 2015-2018, EUR

	31.12.2015	31.12.2016	31.12.2017	31.12.2018 (unaudited)
Non-current assets:				

Intangible assets:

Intangible assets	177 688	317 129	411 872	446 236
TOTAL:	177 688	317 129	411 872	446 236

Property, plant and equipment:

Plant and property	9 717 694	9 229 525	8 780 792	8 391 711
Machinery	3 300 286	2 925 925	2 537 216	2 126 376
Other fixed assets	75 431	71 068	99 582	109 805
Prepayments for fixed assets	8 000	4 296	6 529	-
TOTAL:	13 101 411	12 230 814	11 424 119	10 627 892

Non-current financial assets:

Other long-term debtors	20 880	13 926	13 918	34 113
Other financial assets	28	28	-	-
TOTAL:	20 908	13 954	13 918	34 113

TOTAL NON-CURRENT ASSETS: 13 300 007 12 561 897 11 849 909 11 108 241

Current assets:
Inventory:

Raw materials	1 406 227	1 565 903	1 367 758	1 380 966
Ready-made products	1 450 840	942 702	896 466	899 109
Prepayments for inventory	12 580	6 319	27 670	7 006
TOTAL:	2 869 647	2 514 924	2 291 894	2 287 081

Accounts receivable:

Receivables from clients and suppliers	1 940 896	1 953 264	2 515 993	2 717 539
Other receivables	128 121	159 127	142 318	149 858
Next period expenses	27 388	33 776	36 392	47 356
Short-term loans to shareholders	35 572	35 572	35 572	35 572
TOTAL:	2 131 977	2 181 739	2 730 275	2 950 325

Cash and cash equivalents: 489 172 397 591 306 063 342 277

TOTAL CURRENT ASSETS: 5 490 796 5 094 254 5 328 232 5 579 683

TOTAL ASSETS: 18 790 803 17 656 151 17 178 141 16 687 924

Owners' Equity:

Fixed capital	35 000	35 000	35 000	35 000
Denomination reserve	572	572	572	572
Reorganisation reserve	(8 491 750)	(8 491 750)	(8 491 750)	(8 491 750)
Currency exchange rate revaluation reserve	24 899	24 899	24 899	24 899
Retained earnings	49 012	143 870	148 327	(90 811)
Profit for the year	89 244	4 457	(239 138)	349 876
TOTAL:	(8 293 023)	(8 282 952)	(8 522 090)	(8 172 214)

Owners' Equity attributable to the members of the parent company:

Minority shareholder participation	136 459	158 371	176 877	194 356
TOTAL:	136 459	158 371	176 877	194 356

TOTAL EQUITY: (8 156 564) (8 124 581) (8 345 213) (7 977 858)

Liabilities:
Long-term liabilities:

Debt from credit institutions	19 140 971	17 341 139	16 641 137	-
Other liabilities	167 093	167 093	167 093	167 093
Liabilities of related parties	896 532	767 932	757 532	644 132
Financial leasing	33 085	-	-	-
Deferred tax asset	5 713	-	-	-
TOTAL:	20 243 394	18 276 164	17 565 762	811 225

Short-term liabilities:

Debt from credit institutions	2 547 579	2 799 999	1 700 000	17 641 137
Other liabilities	500 145	654 835	1 170 582	1 384 137
Financial leasing	53 876	37 545	37 545	-
Pre-payments from buyers	11 851	222 099	118 865	38 127
Debts to suppliers and contractors	1 550 063	1 957 165	3 005 926	2 976 635
Liabilities of related parties	804 740	624 844	421 535	469 324
Taxes and social security payments	360 554	520 983	325 638	191 555
Other creditors	136 658	98 845	139 133	130 153
Accrued liabilities	689 615	559 250	1 009 365	994 486
Unpaid dividends for minority shareholders	48 892	29 003	29 003	29 003
TOTAL:	6 703 973	7 504 568	7 957 592	23 854 557
TOTAL LIABILITIES:	26 947 367	25 780 732	25 523 354	24 665 782
TOTAL EQUITY AND LIABILITIES	18 790 803	17 656 151	17 178 141	16 687 924

12.4. Statement of cash flows

Table 5 – Issuer's consolidated statement of cash flow for 2015-2018, EUR

	2015	2016	2017	2018 (unaudited)
<u>Cash flow from operations</u>				
Profit before tax	192 050	105 926	(205 473)	416 585
Corrections:				
<i>Depreciation and amortisation</i>	1 060 651	1 077 005	1 027 755	902 426
<i>Interest income</i>	1 302	1 284	1 552	1 248
<i>Interest expense</i>	861 803	878 922	976 775	652 772
<i>Income from disposal of assets</i>	42 539	3 795	10 925	16 521
Profit before change in working capital	2 070 663	2 056 774	1 786 580	1 954 014
<i>Net change in working capital</i>	752 641	542 770	717 837	(600 208)
Cash from operations	2 823 304	2 599 544	2 504 417	1 353 806
<i>Income tax paid</i>	20 730	40 950	71 271	20 785
Net cash from operations	2 802 574	2 558 594	2 433 146	1 333 021
<u>Cash flow from investments</u>				
Investments in tangible and intangible assets	208 403	309 092	309 013	135 148
Interest received	56	-	-	-
Net cash from investments	(208 347)	(309 092)	(309 013)	(135 148)
<u>Cash flow from financing operations</u>				
Gain from sale of assets	92 422	4 567	20 369	14 521
(Paid)/ received loans, net	(2 172 075)	(1 392 722)	(1 284 254)	(486 445)
Interest paid	866 356	903 512	951 776	652 190
Expense for buying rented assets	48 814	49 416	-	37 545
Net cash from financing operations	(2 994 823)	(2 341 083)	(2 215 661)	(1 161 659)
 Change in cash	 (400 596)	 (91 581)	 (91 528)	 36 214
Cash at the beginning of the year	889 768	489 172	397 591	306 063
Cash at the end of the year	489 172	397 591	306 063	342 277