

APPLICATION FOR RECEIPT OF NOTEHOLDERS' CONSENT OF AMENDMENTS TO SIA Arsenal
Industrial TERMS OF THE NOTES ISSUE (ISIN: LV0000860153)

Riga, 9 October 2024

1. Invitation to the Noteholders

On 9 October 2024 the shareholder's meeting of SIA Arsenal Industrial registration number: 40103815302 (hereinafter – **Issuer**), approved amendments to the Terms of the Notes Issue dated 28 November 2023 (hereinafter – **Terms of the Issue**) for the notes with the ISIN: LV0000860153 (hereinafter – **Notes**) as set out in Schedule 1 hereto.

In order for the amendments to the Terms of the Issue become effective, the Issuer in accordance with Section 5.3. of the Terms of the Issue is obligated to receive a consent (waiver) from the Noteholders who altogether own more than 50% (fifty per cent) of the outstanding Notes issued.

The Issuer hereby asks Noteholders to grant their irrevocable and unconditional consent for amendments to the Terms of the Issue as set out in Schedule 1 hereto.

Unless it is defined otherwise in this application, the capitalized terms and expressions used in this application shall have the same meaning as assigned to them in the Terms of the Issue and amendments to the Terms of the Issue as set out in Schedule 1 hereto.

2. Description of the amendments

The Issuer wishes to make the following amendments to the Terms of the Issue:

- a) removing section 5.1.1. Interest Coverage Ratio;
- b) amending section 5.1.2. Capitalization Ratio;
- c) amending section 5.1.3. Net Debt Leverage Ratio
- d) adding section 3.2.22. Additional fee payable to Noteholders

Full amendments to the Terms of the Issue are set out in Schedule 1 hereto.

3. Justification of the amendments

Q2 2024 ended with a significantly lower EBITDA compared to last year, driven by reduced activity in the construction market, resulting in lower rental prices and turnover. Rising sales force costs also impacted EBITDA, with personnel expenses increasing by 15% over the first six months as the Group focused on retaining its top employees while reducing staff numbers from 78 in Q4 2023 to 61 in Q3 2024.

Winter, being the low season for equipment rentals, typically results in low profits. However, recovery from the Winter losses was slower than anticipated. Additionally, the Group's Baltic clients saw several projects in Europe conclude, further impacting the financial performance. In response to the construction slowdown, particularly in Estonia, and declining rental prices, the Group has decided to exit the Estonian construction equipment rental market and concentrate on Latvia and Lithuania,

where better pricing, improved equipment utilization, and a lower cost base offer more favorable market conditions.

Arsenal Industrial saw its turnover in the Latvian market grow from €2.5M in the first half of 2023 to €2.8M in 2024. Management expects the machinery rental market to expand in the coming years despite the current slowdown in the construction market. Major projects in Latvia are continuing, with new developments planned for 2025, where Arsenal's fleet will play a key role.

Since Q2 2024, the Group has been executing a cost-reduction plan, which includes reducing the number of rental locations, centralizing operations, and optimizing its workforce. This strategy aims to increase revenue using existing resources, gradually boost turnover, and solidify the Group's market position. However, the full benefits of these measures are expected to be realized over several quarters, with notable EBITDA growth projected for 2025, driven by reduced administrative, rental, and sales costs.

In the light of the above considerations, the Issuer invites the Noteholders to support the proposed amendments to the Terms of the Issue by adjusting the covenant levels. This would enable the Group to capitalize on evolving market conditions, strategically shift its business focus, and seize new market opportunities. The proposed amendments would align the Group's covenants with industry standards, ensuring competitiveness in the equipment rental market.

4. Amendment fee

If the proposed amendments to the Terms of the Issue are approved by the Noteholders' vote, **the Issuer agrees to pay an amendment fee of 1% (one per-cent)** of the principal amount of the Notes held by each Noteholder who, as per the list prepared by Nasdaq CSD, voted "FOR" the amendments. The payment will be made within 30 calendar days following the Issuer's notice of the amendments' entry into force. For tax purposes, the amendment fee will be treated as interest and paid net of applicable withholding taxes.

The fee will be transferred to the Noteholder's bank account.

5. Noteholders who are entitled to vote

Under Section 5.3. of the Terms of the Issue only those Noteholders included in the Noteholders' list received by the Issuer from the Nasdaq CSD on a particular date are entitled to vote on amendments to the Terms of the Issue provided on this application.

In accordance with Section 5.3. of the Terms of the Issue the Noteholders, who are the Noteholders on the 5th (fifth) Business Day after the announcement of the waiver has been sent to the Noteholders directly, shall be included in the list of Noteholders entitled to vote on amendments to the Terms of the Issue provided in this application.

6. Voting procedure

In order to vote on amendments to the Terms of the Issue provided in this application, the Noteholders shall duly complete, sign and submit to the Issuer the Noteholders' voting forms.

A voting form is attached in Schedule 2 hereto.

The Noteholder shall complete the Noteholder's voting form in printed or electronic form, by specifying the required information in respect of the Noteholder. If the Noteholder agrees to the proposed amendments to the Terms of the Issue, then the Noteholder shall select the voting option "FOR" and underline or encircle it. If the Noteholder does not agree to the proposed amendments to the Terms of the Issue, the Noteholder shall select the voting option "AGAINST" and underline or encircle it. If neither the voting option "FOR", nor the voting option "AGAINST" is selected or both voting options are selected in the Noteholder's voting form, it shall be considered that the Noteholder has voted against the proposed amendments to the Terms of the Issue.

If the Noteholder is a private individual, the Noteholder's voting form shall be signed either by the Noteholder in person (including if signed with electronic signature) or by his/her authorized representative. If the Noteholder is a legal entity, the Noteholder's voting form shall be signed by the official or officials of the Noteholder, who is or are duly authorized and whose representation rights are registered in the relevant commercial register, or another person, whom the Noteholder has duly authorized. If the Notes are held through a Custodian, such Custodian may vote on behalf of the Noteholder, based on financial instrument's account agreement and Noteholder's consent.

The Noteholders may vote on amendments to the Terms of the Issue provided in the Schedule 1, by sending the duly completed and signed Noteholder's voting form to the Issuer by the post or courier to the following address of the Issuer: Kārļa Ulmaņa gatve 3A, Rīga, LV-1004, the Republic of Latvia or by delivering them in person to the Issuer at the aforementioned address at business day during the business hours of the Issuer from 9:00 till 17:00 o'clock (Riga time) or by sending electronically signed Noteholder's voting form to the Issuer via e-mail to the e-mail address: linda.veidemane@arsenalrent.com or by sending the duly completed and signed Noteholder's voting form to the Noteholder's Custodian.

7. Term for submission of voting forms

The Noteholders must submit their duly completed and signed Noteholder's voting forms to the Issuer in accordance with the procedure prescribed in Section 6 of this application **by 23 October 2024** (inclusive) by 17:00 o'clock (Riga time).

The Noteholder's voting forms dated or received after 23 October 2024 shall not be taken into account, irrespective of the time of actual receipt thereof by the Issuer.

If Issuer collects the majority of the votes required for the approval of Noteholders' consent before the abovementioned deadline of 23 October 2024, the Issuer shall announce the results of the consent before the deadline, but it cannot be earlier than the 5th (fifth) Business Day after the announcement of the waiver has been sent to the Noteholders directly.

8. Non-submission of voting forms

It shall be considered that any Noteholder, who has not submitted his/her Noteholder's voting form within the term specified in Section 7 of this application, has voted against the proposed amendments to the Terms of the Issue.

9. Contact information of the Issuer

Questions and other information with respect to this application, including, but not limited to the essence of the proposed amendments to the Terms of the Issue or approval of amendments/voting procedures shall be addressed to the following contact person of the Issuer:

Gints Vanags

CEO, Member of the Board

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On behalf of the Issuer

Gints Vanags

Member of the Management Board