ELKO Grupa bond issue

Bonds of one of the largest IT distributors in Northern-Europe

About ELKO Grupa

- Founded in 1993, AS ELKO Grupa (Group) is one of the largest IT product and solutions distributors in Northern Europe, as well as one of the largest companies in Latvia by revenue. The Group employs more than 1 200 employees across 13 countries.
- The Group was founded by 4 Latvian entrepreneurs who still maintain the controlling stake (51%) of the Group.
- The Group offers more than 40 000 IT and consumer electronics products from over 400 leading IT manufacturers such as Apple, Samsung, Lenovo, Asus and others.
- ELKO Grupa has more than 12 000 clients in 40+ countries with household retailers and online stores being among the largest contributors (Euronics, RD Electronics, Emag). Other clients include sub-distributors (Maktubas, Komputronik), mobile operators (Telia, Tet, LMT), system integrators (Novian) and OEMs & VARs (Capital).
- The Group's headquarters in Latvia oversee corporate strategy, vendor relations, finance, legal and other functions, while local offices in 13 countries with dedicated management teams handle regional procurement, marketing and sales.

Business Overview

- ELKO Grupa connects large manufacturers and regional resellers, providing access to new markets and offering local partners a wide range of IT and consumer electronics products. The Group focuses on medium-sized clients that value its flexibility and close relationships, distinguishing ELKO from other distributors.
- Over the years, the Group has strategically expanded its product portfolio, reducing its reliance on traditional computer components and consumer electronics. At the same time, it has shifted toward mobile communications and other rapidly growing segments, including DIY, power tools, renewable energy, and drones.
- The Group's 2024 revenue split is as follows: 47% CEE, 18% Nordics, 17% Baltics and 18% Ukraine. Given the market conditions, operations in Ukraine are conducted under a franchise model, mitigating most of the country risk.
- The Group aims to be a Top 3 distributor for each major brand within each region while actively seeking vendor diversification (largest vendor as of 2024, Apple, contributed 20% from revenue). In addition, ELKO takes the active role of a brand developer in key markets, solidifying vendor relationships.
- Client diversification is a core consideration of the Group: the Top 10 clients account for 22% of revenue. The Group enforces strict credit controls at each sales office - automatic shipment holds, zero tolerance for overdue payments and designated credit controllers - supplemented by trade credit insurance, cash deposits and bank guarantees.
- The Group has a proven track record of successful strategic acquisitions, most recently the 79% acquisition of Renewed AB (Sweden) in March 2025, underscoring its focus on continued geographical expansion.

Financial highlights

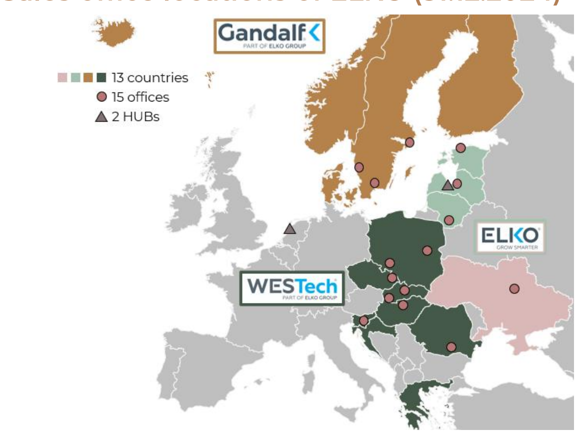
- Revenue of the Group grew by 12.3% during the first 9 months of 2025, reaching USD 867.7m, reflecting the recovery of notebook segment and solid cloud computing component performance.
- The Group saw a 9.7% increase in net profit during the first 9 months of 2025, reaching USD 4.4m, reflecting the favorable shift towards higher margin products in the portfolio.
- The Group's operational currency is USD. FX risks are mitigated by hedging the open positions daily via natural hedging instruments and the remaining open positions are closed via forwards.
- Inventory and receivables constitute the majority of the Group's assets. Inventory is highly seasonal, increasing before the Q3/Q4 holiday season - typically the strongest sales period - and declining by year-end as stock is sold off, as reflected by USD 174.5m of inventory as of September 30 2024 versus USD 129.0m as of December 31 2024.
- Despite the high-leverage nature of the industry, the Group has maintained a robust financial position, with the Adjusted Equity ratio of 30.2% as of September 30 2025, respectively. The increase in leverage in Q3 is explained by the seasonality, due to which credit lines are used more intensively to finance inventory.

Financial highlights

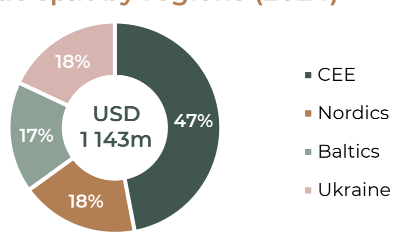
USD million	FY 2023 (audited)	FY 2024 (audited)	9M 2024 (unaudited)	9M 2025 (unaudited)
Revenue	1147.4	1142.8	772.5	867.7
EBIT	26.0	26.0	11.4	11.8
EBIT Margin	2.3%	2.3%	1.5%	1.4%
Net profit	13.0	14.1	4.0	4.4
Total Assets	363.9	360.0	387.2	477.4
Inventory	128.2	129.0	174.5	229.9
Trade receivables	168.4	169.9	156.5	188.6
Cash	26.1	26.3	11.8	12.2
Total Equity	138.2	129.8	130.6	131.6
Net Debt	52.0	69.5	85.8	119.7
Adj. Equity ratio[1]	41.5%	38.4%	36.0%	30.2%
Interest Coverage Ratio	2.4x	2.8x	2.1x	2.5x
Net Debt / EBIT	2.0x	2.7x	4.0x	4.5x

[1] Ratio of Equity (incl. subordinated shareholders' loans) to Total Assets (excl. IFRS 16 influence)

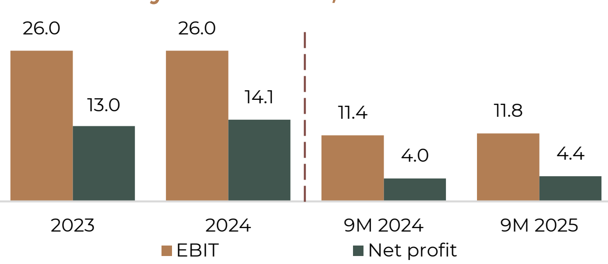
Sales office locations of ELKO (31.12.2024)



Revenue split by regions (2024)



Profitability breakdown, USD million



Source: ELKO Grupa financial reports and presentations

ELKO Grupa bond issue

Term Sheet

Issuer	AS ELKO Grupa (Latvia)
Security type	Unsecured bonds
Offer type	Private placement **with EUR 100 000 minimum subscription**
Issue size	**EUR 20m** (option to increase **to EUR 30m**)
Coupon rate, frequency	**7.25%, semi-annual**
Term / Maturity	**4 years**
Principal repayment	Maturity date, bullet
Exchange offer	▪ Offer to **LV0000870079** bondholders for exchanging their existing bonds (1:1 exchange ratio) ▪ **0.75%** exchange premium ▪ Only investors holding min. EUR 100 000 of **LV0000870079** shall qualify for the exchange
Call Option	▪ @103% after 1Y; ▪ @102% after 2Y; ▪ @101% after 3Y; ▪ @100% 6 months before maturity
Put Option	Change of Control @101%
Nominal value	EUR 1 000
Covenants[1]	▪ Adjusted Equity Ratio ≥ 16% ▪ Interest Coverage Ratio ≥ 1.5x
Use of proceeds	▪ Refinancing of existing bonds ▪ General corporate purposes
Listing	Listing on Nasdaq Riga First North Market within 3 months after the Issue Date
Arranger	Signet Bank AS

[1]Full list of covenants and undertakings can be found in the Offering Memorandum

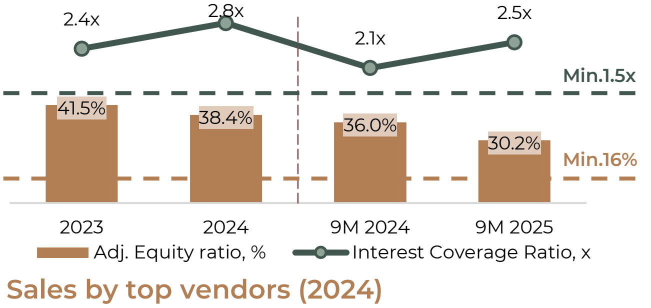
Key investment highlights

1. **Regional leader with a global scope,** ranking as one of the largest Latvian companies by turnover and distributing IT products across more than 40 countries
2. **Diversified and stable revenue base,** offering 40 000+ IT products to 12 000+ clients
3. **Leading vendor relationships in most markets,** having forged long-term partnerships with global brands such as Apple, Samsung and Asus
4. **Robust financial position,** with an adjusted equity ratio of 30.2% as of the 30 September 2025
5. **An experienced capital markets participant,** with 3 issued bonds since 2007

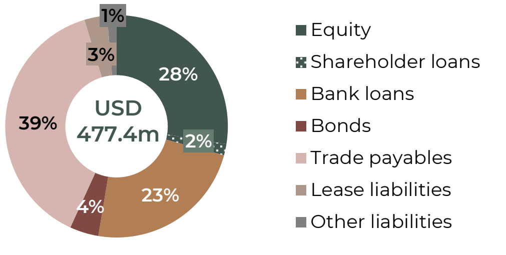
Funding profile and the bond issue

- Majority of the Group's interest bearing liabilities is short-term working capital financing funded in local currencies, secured by working capital – creditors include a syndicate (OP Bank and Luminor), Danske Bank, Unicredit, Citadele, ČSOB and Transilvania Bank. The Group also employs trade payable and invoice financing using factoring programs with Citadele and Peridot Financing.
- The Group maintains long-standing relationships with its lenders and a 27-year record of perfect creditworthiness, with no defaults or payment delays.
- The Group has around USD 200m tied up in working capital, remaining at a stable level through the years.
- Given its reliance on working capital financing, the Group maintains substantial funding capacity, with credit limits totaling USD 230 million as of 30.09.2025.
- As a result of decades of profitable operations, the Group has fortified its balance sheet, reflected by a robust adjusted equity ratio of 30.2% as of the 30.09.2025.
- The Group launches its new bond issue of up to EUR 20-30m to refinance the existing EUR 20m bonds maturing on February 2026 and to support further business development. This marks the fourth bond issue of the Group to date.
- Addition of long-term bond financing with fixed interest rate to its financing mix enables the Group to further diversify its funding structure away from short-term working capital financing.

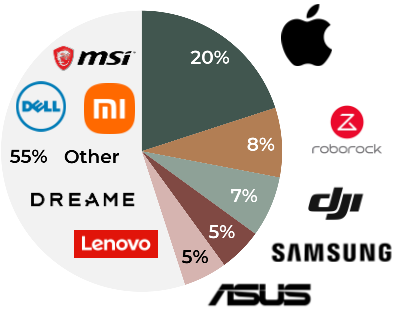
Financial covenant development



Funding profile (30 September 2025)



Sales by top vendors (2024)



Top clients of the Group

RD Electronics, tet, lmt, SKYTECH, euronics, pigu.lt, KLICK, 1A.LV, Capital, Arvutitark, KILOBAITAS, ONOFF, varle LT

Source: Financial reports and information provided by the management

Disclaimer

This presentation (the Presentation) has been prepared by Signet Bank AS solely for use in connection with the contemplated offering of AS ELKO Grupa's (the Issuer) bonds (the Notes) and may not be reproduced or redistributed in whole or in part to any third party.

This Presentation is for information purposes only. The Notes have their own particular terms and conditions that should be considered before making an investment decision. A prospective investor should not make an investment decision relying solely upon this Presentation. By attending a meeting where this Presentation is presented or by reading the Presentation you agree to be bound by the following terms, conditions, and limitations.

No liability

The information in this Presentation is based on the data provided by the Issuer. and has not been independently verified and can be subject to updating, completion, revision, and further amendment. The Signet Bank AS undertakes no obligation to update this Presentation or to correct any inaccuracies that may become apparent. The facts, information, opinions and estimates contained in this Presentation have been obtained from sources believed to be reliable and in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, and reliability.

This Presentation contains forward-looking statements that are based on current expectations and assumptions of the Issuer and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by context, words such as "aims", "expects", "anticipates", "intends", "plans", "believes", "estimates", "assumes", "seeks", and similar expressions are intended to identify such forward-looking statements. Opinions and any other contents in this Presentation are provided for personal use and for tentative reference only.

No advice

This Presentation shall not be treated as legal, financial or tax advice of any kind. The investors shall conduct their own investigation as to the potential legal risks and tax consequences related to the issue and investment into the Notes. Nothing in this Presentation shall be construed as giving of investment advice by the Signet Bank AS or any other person.

Each potential investor must determine the suitability of the investment in light of its own circumstances. In particular, you should have: (i) sufficient knowledge and experience, access to and knowledge of appropriate analytical tools to meaningfully evaluate and fully understand this investment opportunity alongside with its advantages and risks, as well as the impact of this investment on your overall investment portfolio; (ii) sufficient financial resources and liquidity to bear all of the risks associated with this investment. If you are in any doubt as to whether to invest in the Notes, you should consult a qualified independent adviser.

General restrictions and distribution

This Presentation does not constitute an offer to sell or a solicitation of an offer to purchase any securities in any jurisdiction in which such offer or solicitation is not authorized or any person to whom it is unlawful to make such offer or solicitation. Each violation of such restrictions may constitute violation of applicable securities laws of such countries. Investors are required to inform themselves of any such restrictions and return this Presentation to the Issuer should such restrictions exist. By accepting this Presentation, the recipient represents and warrants that it is a person to whom this presentation may be delivered or distributed without a violation of the laws of any relevant jurisdiction. This Presentation is not to be disclosed to any other person or used for any other purpose and any other person who receives this Presentation should not rely or act upon it.

Conflict of interest

Signet Bank AS may receive a fee from the Issuer.

By presenting this material, Signet Bank AS has a conflict of interest situation. Information about the Markets in Financial Instruments Directive (MiFID) is available on the website: https://www.signetbank.com/mifid/.

The Issuer or its affiliates may, subject to applicable laws, purchase the Notes. It should be noted that under specific circumstances their interests may conflict with those of other noteholders.

Risk factors

When making an investment in bonds, investors undertake certain financial risks. The main risk factors that influence the Issuer are macroeconomic risk, global pandemic risk, geopolitical risk related to Russian invasion of Ukraine, Changes in customs regulations could adversely affect the Group's operations and financial results, The tax regime of countries in which the Group operate may change, dependency on key suppliers, risk related to the management of inventory, risk of supply and logistics chain disruptions, risks related to the warehousing and reliance on logistics partners, risk related to the competition within the industry and the risk of new market entrants, risk related to the use of financial leverage, risk of exchange rate fluctuations and new market currency exposure, risk related to extending credit to the Group's customers, risk of increase in labour and employment costs, the loss of one or more key personnel members of the Group could have an adverse effect on its business, failure to attract and retain qualified personnel may affect the profitability of the Group's operations, the international expansion of the Group's business may expose it to unique business risks and challenges, the Group is exposed to operational risks, the Group is exposed to IT system and process risk, risk of natural disasters and other business disruptions, risk of information technology system failures, network disruptions and breaches in data security.

When investing funds in bonds, investors undertake the following risks related to debt securities: repayment risk, risk relating to the unsecured nature of the Notes, the Group may incur significant additional debt or grant additional security, liquidity risk, offering cancellation and delisting risk, price risk, early redemption risk, tax risk, decisions of Majority Noteholders may affect individual rights of the Noteholders, some Noteholders may have more preferential terms than others, and the Issuer is dependent on and may be adversely affected by its Subsidiaries.

The risks indicated in this section may reduce the Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. This section may not feature all the potential risks, which may affect the Issuer.