

LIMITED LIABILITY COMPANY
„ARSENAL INDUSTRIAL”
(UNIFIED REGISTRATION NUMBER 40103815302)

CONSOLIDATED ANNUAL REPORT FOR 2025
PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS
AND CONSOLIDATED ANNUAL REPORTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Rīga, 2026



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General information about the Group's parent company

Name of the Parent Company	Arsenal Industrial
Legal status	Limited liability company
Registration number, place and date of registration	40103815302, Riga, 8 August 2014
Activity code (NACE)	NACE Rev. 2.1 77.32 Renting and leasing of construction machinery and equipment NACE Rev. 2.1 43.99 Other specialised construction activities NACE Rev. 2.1 46.61 Wholesale of agricultural machinery, equipment and supplies NACE Rev. 2.1 46.63 Wholesale of mining, construction and civil engineering machinery
Legal address	Stabu street 61-11, Riga, Latvia, LV-1011
Shareholders	SIA "Klucīši" (51%) reg. No. 40103206643, legal address: Stabu street 61 – 11, Riga, LV-1011 FlyCap Investment Fund I AIF, limited partnership (49%), reg. No. 40103697951, legal address: Matrožu street 15A, Riga, LV-1048
Board Members	Gints Vanags, Member of the Board
Council Members	Ģirts Milgrāvis, Chairman of the Council Eva Miķelsone, Deputy Chairman of the Council Jānis Liepiņš, Council Member
Subsidiaries	ARSENAL INDUSTRIAL OU Suur-Sõjamäe 25a, Tallinn, 11415, Estonia Reg.No. 14041623 (100%, 02.05.2016.) ARSENAL INDUSTRIAL Sp.z o.o. ul. Marszałkowska, nr 111, lok., miejsc. Warszawa, kod 00-102, Poland Reg.No. 634144 (100%, 31.08.2016.) ARSENAL INDUSTRIAL UAB Perkūnkiemio g. 13-91, Vilnius, LT-12114, Lithuania Reg.No. 304784353 (100%, 07.03.2018.)
Responsible for accounting	Anželika Dārziņa, Chief accountant
Financial year	1 January – 31 December 2025
Auditors	Anna Temerova -Allena Latvian Certified Auditor Certificate No. 154 SIA „Potapoviča un Andersone” Ūdens iela 12 - 45, Riga, Latvia, LV-1007 License No.99

Consolidated management report

Group Operations

The principal activity of the Group, whose parent company is SIA “Arsenal Industrial” (hereinafter – the “Company”, together with its subsidiaries – the “Group”), is the rental of construction machinery and tools, as well as sale.

The Group’s objective is to provide high-quality products and services and to operate as an efficient group that listens to customer needs and offers appropriate solutions. The Group aims to continuously improve its operations to meet both current and future requirements, to be a reliable cooperation partner by ensuring high-quality customer service, establishing partnerships with local businesses, and continuing to invest in the Group’s infrastructure.

The Group’s strategic goal is to achieve a leading position in the construction machinery rental and sales sector in the largest cities of Latvia and the Baltic region. Currently, no active operations are carried out in Poland.

Group Performance During the Reporting Year

The Group’s total net turnover in 2025 amounted to EUR 11 216 502, representing an increase of 3.9% compared to 2024. The growth was primarily driven by a 9.6% increase in revenue from equipment rental and sub-rental, as well as an 11.9% increase in revenue from transport and service-related activities.

The Group closed the reporting year with a loss of EUR 59 053. Compared to 2024, the loss has decreased by EUR 340 834. This result is mainly attributable to investments made in business development and improvements in operational efficiency. At the same time, despite the negative financial result, the Group has achieved stable turnover growth and improved operational efficiency, creating a foundation for restoring profitability in the future.

As of 31 December 2025, the Group’s equity remained positive at EUR 1 405 thousand, representing an increase of 42.6% compared to 2024. The increase in equity was significantly influenced by the recognition of a long-term revaluation reserve following the revaluation of fixed assets during the reporting period, capital contributions made by shareholders, and the related share premium amounting to EUR 204 thousand.

In order to reduce costs and improve operational efficiency, the Group closed its rental point on Deglava Street (Riga) and its warehouse in Jelgava in December 2025.

Future Prospects and Development

The Group’s main objective is to provide high-quality service and ensure customers have access to the equipment and tools they require. The Group plans its development in line with market trends and continuously seeks innovative solutions to improve and expand its operations.

The Group’s management has prepared the budget for 2026, forecasting a positive cash flow from core operations. Based on these projections, the Group will have sufficient financial resources to sustain its operations and support growth in 2026. The Group will refinance its existing liabilities by attracting additional funding in the capital market, thereby maintaining a stable financial structure and ensuring business continuity.

The Group’s management believes it will be able to secure sufficient funds for continued operations, taking into account the following factors:

- It is assumed that the refinancing plan for the Group’s liabilities arising from bonds and bank borrowings will be successfully implemented;
- Current business trends indicate that the liquidity of the Group companies will improve compared to the previous year;
- The Group continues to develop its business model by purposefully strengthening the rental and sales segments, resulting in an increase in the volume of rental equipment and, consequently, rental income. These changes contribute to improved operational efficiency and a more stable revenue structure for the Group;
- Strong and supportive cooperation with long-term suppliers.

Taking the above into consideration, the Group’s management believes that the 2025 financial statements have been prepared on a going concern basis. See also the information in Note 2 to the financial statements “Going Concern.”

Consolidated management report (cont'd)

The Group will continue to invest in new equipment and tools, expanding its customer base and market share, while continuously assessing the situation in Latvia and globally, as well as the demand for the Group's services. As inflation gradually decreases and activities under the new EU funding planning period commence, it is expected that the construction sector will return to positive growth rates and demand for the Group's services will increase.

Exposure to Risks

The Group's most significant financial instruments are a registered bond issuance and a loan from a shareholder. The primary purpose of these financial instruments is to provide financing for the Group's operating activities, particularly for the acquisition of construction equipment for rental, ensuring customers receive modern and high-quality equipment, tools, and related rental and sales services. The Group is also exposed to several other financial instruments, such as trade receivables, other debtors, payables to suppliers and contractors, and other creditors, which arise directly from its operations. The Group regularly monitors financial risks with the aim of minimizing their adverse impact on its financial position.

Market Risk

Market risk arises when assets include instruments that are subject to market price fluctuations (fixed assets: construction equipment for rental). To mitigate market risk, the Group continuously monitors market conditions, follows industry trends and competitor activities (price fluctuations, changes in supply and demand), and regularly reviews its pricing.

Credit Risk

The Group is exposed to credit risk in relation to its trade receivables and cash and cash equivalents. The Group manages its credit risk by continuously evaluating customers' payment history and setting individual payment terms for each customer. In addition, the Group continuously monitors outstanding receivables to reduce the risk of bad debts.

Liquidity and Cash Flow Risk

The Group is exposed to liquidity and cash flow risk. It ensures careful and prudent cash flow planning to meet its current liabilities and monitors compliance with financial covenants set out in financing agreements, forecasting in a timely manner the fulfillment of these criteria and/or the need for corrective actions. See also the section "Going Concern of the Group" in the Summary of Significant Accounting Policies, as well as the information provided in Notes 21, 22, 23, and 24 to the financial statements.

Interest Rate Risk

The Group is exposed to interest rate risk. To minimize this risk, the Group's management has issued bonds with a fixed interest rate. Based on the currently concluded agreement with an investment fund, management considers the risk of interest rate changes to be insignificant. However, as the existing financing is obtained from non-bank lenders, interest rate stability is ensured through a relatively high fixed interest rate.

Currency Risk

Based on the current structure of the Group's financial assets and liabilities denominated in foreign currencies, currency risk is not significant.

Events After the Reporting Period

The Group has announced a tender for raising capital and organizing a new bond issuance. Applications for the tender must be submitted by the end of April 2026. The Group's management is confident that the tender will result in selecting an appropriate organizer for a new bond issuance, who will attract a sufficient number of bondholders to refinance the previous bond issue within the specified term.

The Group's management is also confident regarding the refinancing of its bank loan.

In April 2026, the repayment term of a loan granted by a minority shareholder was extended until January 4, 2027.

Except for the above, no events have occurred between the balance sheet date and the date of signing the annual report that would affect the Group's financial position as of December 31, 2025, or require disclosure in the notes to the financial statements.

Consolidated statement of profit or loss

	Notes	2025 EUR	2024 EUR
Net turnover	3	11 216 502	10 798 807
• including from construction services rendered		241 123	233 845
Cost of sales	4	(8 486 794)	(8 417 056)
Gross profit		2 729 708	2 381 751
Distribution costs	5	(1 340 358)	(1 292 521)
Administrative expense	6	(822 513)	(860 855)
Other operating income	7	248 445	294 370
Other operating expense	8	(51 089)	(52 301)
Other interest and similar income:	9	7 384	5 864
• other companies		7 384	5 864
Interest and similar expense:	10	(819 263)	(876 195)
• other parties		(819 263)	(876 195)
Loss before the Corporate income tax		(47 686)	(399 887)
Corporate income tax for the reporting year		(11 367)	-
Net loss for the reporting year		(59 053)	(399 887)

Notes on pages 11 to 23 are integral part of these financial statements.

Gints Vanags
Member of the Board

Anželika Dārziņa
Chief accountant

THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURES AND CONTAINS A TIME STAMP.

Consolidated balance sheet

		Notes	31.12.2025 EUR	31.12.2024 EUR
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
	Concessions, patents, licenses, trademarks and similar rights		58 294	85 199
	Intangible assets under development		15 435	5 074
	TOTAL	12	73 729	90 273
Property, plant and equipment				
	Other fixed assets and equipment		8 996 497	6 857 250
	Leasehold improvements		72 275	78 298
	Construction in progress		67 914	78 346
	TOTAL	13	9 136 686	7 013 894
Long term financial investment				
	Prepaid expenses	17	-	33 496
	TOTAL		-	33 496
	TOTAL NON-CURRENT ASSETS		9 210 415	7 137 663
CURRENT ASSETS				
Inventories				
	Raw materials and consumables		378 213	392 027
	Finished goods and goods for sale		943 241	2 004 949
	Prepayments for inventories		80 091	35 112
	TOTAL	14	1 401 545	2 432 088
Receivables				
	Trade receivables	15	1 553 415	1 314 472
	Other receivables	16	39 127	18 225
	Prepaid expenses	17	59 404	140 513
	Accrued income		14 788	5 240
	TOTAL		1 666 734	1 478 450
Cash				
		18	395 396	275 523
	TOTAL CURRENT ASSETS		3 463 675	4 186 061
	TOTAL ASSETS		12 674 090	11 323 724

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Consolidated balance sheet

EQUITY AND LIABILITIES

	Notes	31.12.2025. EUR	31.12.2024. EUR
EQUITY			
Share capital	19	56 864	49 020
Share premium	19	1 176 980	980 980
Revaluation reserves for long term investments	13	1 611 375	1 336 235
Reserves:			
• foreign currency revaluation reserve		18 538	18 425
Accumulated loss		(1 399 688)	(999 801)
Loss for the reporting year		(59 053)	(399 887)
	TOTAL EQUITY	1 405 016	984 972
LIABILITIES			
Non-current liabilities			
Bond-secured loans	20	4 500 000	4 500 000
Other liabilities	23	1 025 015	625 863
Payables to related companies	22	746 803	711 892
	TOTAL	6 271 818	5 837 755
Current liabilities			
Loans from credit institutions	21	970 154	-
Other loans	23	729 293	1 226 647
Prepayments received from customers		45 957	15 182
Trade payables		2 372 634	2 471 346
Payables to related companies	22	148 734	126 182
Taxes payable	24	437 359	425 999
Other liabilities	25	112 408	94 524
Deferred income		27 720	800
Accrued liabilities	26	152 997	140 317
	TOTAL	4 997 256	4 500 997
	TOTAL LIABILITIES	11 269 074	10 338 752
TOTAL EQUITY AND LIABILITIES		12 674 090	11 323 724

Notes on pages 11 to 23 are integral part of these financial statements.

Gints Vanags
Member of the Board

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Chief accountant

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Consolidated statement of cash flows

(prepared using the indirect method)

	2025 EUR	2024 EUR
Cash flows to/ from operating activities		
<i>Profit/ (loss) before adjustments for the effect of changes in current assets :</i>	(47 686)	(399 887)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	726 548	691 733
Amortization and impairment of intangible assets	26 905	26 905
Gain or loss from fluctuations of currency exchange rates	113	121
Gain or loss from disposal of property, plant and equipment	(157 680)	(153 323)
Other interest and similar income	(7 384)	(5 864)
Interest and similar expense	819 263	876 195
<i>Profit/ (loss) before adjustments for the effect of changes in current assets and current liabilities</i>	1 360 079	1 035 880
• (increase) or decrease in receivables	(180 702)	5 402
• (increase) or decrease in inventories	1 030 542	(1 215 810)
• increase or (decrease) in trade and other payables	(385 724)	1 134 665
<i>Cash generated from operations</i>	1 824 195	960 137
Net cash flows to/ from operating activities	1 824 195	960 137
Cash flows to/ from investing activities		
Purchase of property, plant and equipment and intangible assets	(795 534)	(200 560)
Proceeds from sale of property, plant and equipment and intangible assets	489 545	350 152
Interest received	7 384	5 864
Net cash flows to/ from investing activities	(298 605)	155 456
Cash flows to/ from financing activities		
Income from equity investments ieguldījumiem	203 844	-
Expenditure on interest payments	(802 721)	(739 658)
Expenditure on fixed assets acquired under finance leases	(806 840)	(1 205 996)
Expenditure on loan repayments	-	799 322
Net cash flows to/ from financing activities	(1 405 717)	(1 146 332)
Net cash flow for the year	119 873	(30 739)
Cash and cash equivalents at the beginning of the year	275 523	306 262
Cash and cash equivalents at the end of the year	395 396	275 523

Notes on pages 11 to 23 are integral part of these financial statements.

Consolidated statement of changes in equity

	Share capital	Share premium	Revaluation reserves	Foreign currency revaluation reserve	Retained loss	Profit for the reporting year	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
01.01.2024	49 020	980 980	715 020	18 305	(1 674 069)	674 268	763 524
Revaluation of property, plant and equipment, net	-	-	621 215	-	-	-	621 215
Loss carried forward	-	-	-	-	674 268	(674 268)	-
Loss for year 2024	-	-	-	-	-	(399 887)	(399 887)
Foreign currency revaluation	-	-	-	120	-	-	120
31.12.2024	49 020	980 980	1 336 235	18 425	(999 801)	(399 887)	984 972
Increase in share capital	7 844	196 000	-	-	-	-	203 844
Revaluation of property, plant and equipment, net	-	-	275 140	-	-	-	275 140
Loss carried forward	-	-	-	-	(399 887)	399 887	-
Loss for year 2025	-	-	-	-	-	(59 053)	(59 053)
Foreign currency revaluation	-	-	-	113	-	-	113
31.12.2025	56 864	1 176 980	1 611 375	18 538	(1 399 688)	(59 053)	1 405 016

Notes on pages 11 to 23 are integral part of these financial statements.

Notes to the consolidated financial statements

1. General information about the Group

Information provided in page 3 of consolidated annual report.

2. Summary of significant accounting policies

Basis of preparation of consolidated annual report

The annual report has been prepared in accordance with the “Law on Accounting” and the “Law on Annual Reports and Consolidated Annual Reports” of the Republic of Latvia and the Cabinet of Ministers Regulations No. 775 “Regulations for the Application of the Law on Annual Reports and Consolidated Annual Reports”. The profit and loss statement has been prepared in accordance with the scheme specified in Annex 3 (classified by function of expenses) of the “Law on Annual Reports and Consolidated Annual Reports”. Pursuant to Article 5 of the “Law on Annual Reports and Consolidated Annual Reports”, the Group is classified as a medium-sized group. The consolidated financial statements have been prepared in accordance with the requirements of Article 9 of the “Law on Annual Reports and Consolidated Annual Reports”. All financial data are presented in EUR.

Compared to the previous reporting year, the accounting and valuation methods used by the Group for certain asset categories have not been changed, which is disclosed in the notes to the annual report. In case where reclassifications of comparative indicators have been made that do not affect the results of previous periods and the amount of equity, explanations are provided either in the accounting policy section of the relevant item or in the relevant section of the notes to the financial statements.

Going concern of the Group

The Group’s total net turnover in 2025 amounted to EUR 11,216,502, representing an increase of 3.9% compared to 2024. The growth was primarily driven by a 9.6% increase in revenue from equipment and machinery rental and sub-rental, as well as an 11.9% increase in revenue from transport and service activities.

The Group closed the reporting year with a loss of EUR 59,053. As at 31 December 2025, the Group’s current liabilities exceeded its current assets by EUR 1,533,581. This excess has been calculated assuming the successful implementation of the refinancing plan, which provides for the refinancing of bonds and the attraction of additional bank financing; accordingly, bond liabilities amounting to EUR 4.5 million are presented as non-current liabilities in the annual report. As of the date of signing the annual report, the Group has announced a tender for raising capital and organizing a new bond issuance. Applications for the tender are to be submitted by the end of April 2026. The Group’s management is confident that the tender will result in the selection of a suitable organizer for the new bond issuance, who will attract a sufficient number of bondholders to refinance the previous bond issue within the specified term.

The Group’s management has prepared the budget and cash flow forecast for 2026, projecting positive operating cash flow. Based on these projections and the aforementioned refinancing plan, the Group will have sufficient financial resources to ensure its continued operations and support growth in 2026. The Group’s management believes that it will be able to secure sufficient funds for the continuation of its operations, taking into account the following factors:

- it is assumed that the refinancing plan for the Group’s liabilities arising from bonds and bank borrowings will be successfully implemented;
- current business trends within the Group (SIA Arsenal Industrial, UAB Arsenal Industrial, OU Arsenal Industrial) indicate that both the Group and its subsidiaries will experience improved liquidity compared to the previous year;
- the operating strategy of Arsenal Industrial OU is being revised, providing for a gradual discontinuation of rental services and a focus on the sale of goods. These changes will increase the volume of rental equipment and, accordingly, rental income within Arsenal Industrial SIA and Arsenal Industrial UAB;
- the Group will evaluate the future operations or potential liquidation of its subsidiary Arsenal Industrial SP. z o.o., whose operating results in 2025 are insignificant. As all material receivables from the subsidiary have been fully provided for, no additional losses are expected in the event of liquidation;
- continued strong and supportive cooperation with long-term suppliers.

Taking the above into consideration, the Group’s management believes that the Group’s 2025 financial statements have been properly prepared on a going concern basis.

Principles of consolidation

The consolidated financial statements have been prepared using the purchase method. Consolidation involves the Group’s parent company and the Group’s subsidiaries in which the Group’s parent company has, directly or indirectly, more than half of the voting rights or otherwise has the power to govern the financial and operating policies. In cases where the Group owns more than half of the share capital of another company but has no control over that company, the company is not included in the consolidation. The Group’s subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control is discontinued. In case the date of the share purchase agreement or the decision of the participants / shareholders to make additional investments differs significantly from the date of change or registration of ownership of shares / shares recorded in the Register of Enterprises, the date of acquisition is considered to be the date of the agreement, unless otherwise specified in the contract. All transactions between Group companies, settlements and unrealized gains on transactions between Group companies are eliminated; unrealized losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies for the Group’s subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2. Summary of significant accounting policies (cont'd)

Use of estimates

When preparing the consolidated financial statement, the management has to rely on certain estimates and assumptions, which affect the balances of balance sheet and profit or loss statement items reflected in individual statements, as well as the amount of possible liabilities. Future events may affect the assumptions on which the relevant estimates are made. Any impact of changes in estimates is reflected in the financial statements at the time they are determined.

Foreign currency translation

The functional currency of the Group and the currency used in the consolidated financial statements is the monetary unit of the Republic of Latvia, the euro (EUR). All transactions in foreign currencies are revalued in EUR according to the euro reference rate published by the European Central Bank on the day of the relevant transaction. Monetary assets and liabilities denominated in foreign currency are converted into EUR at the euro reference rate published by the European Central Bank on the last day of the reporting year. Exchange rate differences arising from settlements in currencies or when reflecting asset and liability items using exchange rates that differ from the exchange rates initially used for accounting transactions are recognized in the consolidated statement of profit or loss at net value.

Intangible assets

Intangible non-current assets are recorded at their initial value and amortized over their estimated useful life using a straight-line method. If any events or changes in circumstances indicate that the book value of intangible assets may be irrecoverable, the value of the relevant intangible assets is reviewed for impairment. Impairment losses are recognized when the carrying amount of intangible assets exceeds their recoverable amount.

Item	Rate	Years
Intangible assets	20.00%	5

Property, plant and equipment

Initially, the Group records fixed assets at purchase value. At the end of each reporting year, equipment, hangars and vehicles are revalued at market value, the increase in value being recognized in the revaluation reserve in the balance sheet. A decrease in value is recognized if it does not exceed the previously recognized increase in value, which is included in the revaluation reserve. Impairment is recognized in the statement of profit and loss only if it is considered a significant indicator in the context of the financial statements.

The depreciable amount of property, plant and equipment is determined by deducting its liquidation value from its purchase value or revalued amount. The liquidation value is the estimated value that the Group would obtain from selling the asset at the end of its useful life, less expected disposal costs. If the liquidation value of the fixed asset is insignificant, it is not considered in calculating the depreciable value. The categories of fixed assets to which scrap values are applied are regularly reviewed and supplemented.

The Group makes accounting estimates of the useful lives of property, plant and equipment and their liquidation values (if any) and selects the depreciation method. These estimates shall be reviewed regularly and, if necessary, revised.

Property, plant and equipment are accounted at its initial or revalued value, subtracted by accumulated depreciation and impairment losses. Depreciation is calculated based on a straight-line method over the estimated useful lives of the following assets:

Item	Rate	Years	Liquidation value
Rental equipment and machinery	10%-33.33%	3-10	15 – 33%
Computers and data storage equipment	35.00%	3	NA
Transport vehicles	20.00%	5	30%*
Other fixtures and fittings, tools and equipment	20.00%	5	NA or 30%*

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. The depreciation value calculated from the revaluation reserve for the revalued part of fixed assets is included in the statement of profit or loss of each reporting year as a value reducing the total depreciation.

If any events or changes in circumstances indicate that the carrying value of fixed assets may be irrecoverable, the value of the relevant fixed assets is reviewed to determine their impairment. If any such indication exists and where the book value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount. The recoverable amount of property, plant and equipment is the higher of an asset's net selling price and its value in use. Impairment losses are recognized in the statement of profit or loss as production costs of the products sold.

The costs of creating fixed assets and unfinished construction objects are accounted for at initial value. The initial value includes construction costs and other direct costs. Depreciation is not calculated for work-in-progress until the relevant assets are completed and placed in service.

2. Summary of significant accounting policies (cont'd)

The recognition of the accounting value of fixed assets is stopped if it is disposed of or if no economic benefits are expected from the further use of the asset in the future. Any gain or loss resulting from the derecognition of an asset (calculated as the difference between the net proceeds from disposal and the asset's balance sheet value and the written off part of revaluation reserve) is recognized in the statement of profit or loss in the period when the asset is derecognized.

Costs associated with leasehold improvements are capitalized and recorded as property, plant and equipment. Depreciation of these assets is calculated over the lease term using the straight-line method.

Inventories

Inventories are stated at the lower of cost or net realizable value. The costs incurred in bringing the inventory to its current location and condition are accounted for as follows:

- raw materials are listed according to their purchase costs according to "first in - first out" (FIFO);
- finished goods and work-in-progress are accounted for at their direct material and labor costs, plus a share of manufacturing overhead based on the normal capacity of production facilities but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling costs. The net realizable value is reflected as the cost, from which the created provisions are deducted.

Inventory includes inventory for own use and rental. Inventory in the balance sheet is accounted for at acquisition cost, from which depreciation is deducted. Inventory is depreciated over the useful life of the asset using the straight-line method:

Item	Rate	Years
Inventories for own use	100.00%	1
Rental inventory	33.33%	3

Depreciation is calculated starting with the following month after the inventory is put into operation or engaged in commercial activity.

Inventory is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the inventory.

Trade and other receivables

Trade and other receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts are written off when their recovery is considered impossible.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

Loans and borrowings

Loans and borrowings are initially reflected in their initial value, which is determined by adding to the fair value of the loan or borrowing amount the costs associated with issuing the loan or deducting the costs associated with receiving the loan.

After initial recognition, loans and borrowings are recorded at their amortized cost using the effective interest method. The amortized value is calculated considering the cost of issuing the loan or borrowing, as well as any discounts or premiums associated with the loan or borrowing.

Gains or losses resulting from amortization are reflected in the income statement as interest income and expense.

Financial liabilities are excluded when they are extinguished or when contractual obligations are fulfilled or cancelled, or when they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are recognized as liabilities only when the probability that the funds will be issued becomes sufficiently reasonable. Contingent assets are not recognized in this financial statement, but are reflected only when the probability that the economic benefits related to the transaction will reach the Group is sufficiently justified.

2. Summary of significant accounting policies (cont'd)

Financial lease

Financial lease transactions, within the framework of which all risks and rewards resulting from the ownership of the leased object are transferred to the Group, are recognized in the balance sheet as fixed assets for an amount that, at the beginning of the lease, corresponds to the fair value of the leased property, or, if it is less, for the present value of the minimum lease payment. Finance lease payments are split between finance charges and amortization of the liability to provide a constant interest rate on the balance of the liability each period. Finance costs are included in the profit or loss statement as interest costs.

If there is sufficient reason to believe that at the end of the lease period the relevant leased object will become the lessee's property, the estimated time of use is assumed to be the time of useful use of this asset. In all other cases, depreciation of capitalized leased assets is calculated using the straight-line method over the shorter of the estimated useful lives of the assets or the lease period.

If the purpose of the operating lease is to acquire the asset in the end of operating lease term and if payments for operating lease is more than 85% from asset market value at the time when agreement is concluded, the operating lease is accounted as financial lease. Operating lease payments are apportioned between the lease payments and the financing components, recognizing the expected financing costs for future accounting purposes. At the end of the reporting period, liabilities for the recognized asset are presented at net value, less financing costs attributable to future periods.

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term. The commitments undertaken by the Group with respect to operating lease agreements are recorded as off-balance sheet liabilities.

Assets held for operating leases are presented in the balance sheet of the lessor according to the nature of the asset. Depreciable leased assets are subject to the same depreciation policy as other similar fixed assets.

The lessor shall recognize operating lease income as income in the profit or loss statement over the lease term.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rendering of services

The Group basically provides construction machinery and equipment rental services. Revenue is recognized in the period when the services are rendered.

Revenue from construction machinery and equipment rental services and corresponding expenses are recognized by reference to the stage of completion at the balance sheet date.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent that the recognized costs are recoverable.

Dividends

Revenue is recognized when the shareholder's right to receive payment is established.

Bond-secured loans

Bond-secured loans are recognized as financial liabilities. Bond-secured loans are recognized at their initial value. After the initial recognition, these borrowings are measured at amortized value using the straight-line method during the whole duration of the agreement. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process on a straight-line method. Amortized value is calculated as the difference between the fair value and nominal value of the bonds over the life of the agreement.

Financial liabilities are excluded when they are extinguished or when contractual obligations are fulfilled or cancelled, or when they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

2. Summary of significant accounting policies (cont'd)

Events after the balance sheet date

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. If the events after the end of the reporting year are not adjusting, they are reflected in the notes to the financial statements only if they are significant.

Related parties

Related parties include members of the Group, members of the Management Board, their close family members and companies in which they have control or significant influence. The term "related parties" is as defined in Commission Regulation (EC) No. 1126/2008 of 3 November 2008, adopting certain international accounting standards in accordance with the European Parliament and the Council regulation (EC) No. 1606/2002, in attachment IAS 24 "Related Party Disclosures" used definition.

Corporate income tax

Corporate income tax for the reporting year is calculated according to the legislation of the Republic of Latvia, the Republic of Estonia, the Republic of Poland, and the Republic of Lithuania.

Latvia

For the year 2025 and the previous reporting year, the corporate income tax has been calculated in accordance with the Corporate Income Tax Law, which is effective from January 1, 2018.

Legal entities have not been required to pay income tax on earned profits starting from January 1, 2018, in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid on distributed profits and deemed profit distributions. Both distributed profits and deemed profit distributions are subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

No provision is recognized for income tax payable on a dividend distribution before dividends are declared.

Lithuania

Corporate income tax for the reporting year is calculated applying a 15% rate on taxable income generated during the taxation period.

Estonia

In Estonia, the net profit is not subject to corporate income tax, however, it is levied on all dividends paid by the company at the income tax rate of 20%.

Poland

Corporate income tax for the reporting year is calculated applying a 20% rate on taxable income generated during the taxation period.

3. Net turnover

By business activities	2025	2024
Renting and re-renting of equipment	5 370 280	4 902 343
Sale of goods	4 600 754	4 783 641
Maintenance services	398 240	340 573
Revenue from construction services	241 123	233 845
Transportation and delivery services	606 105	538 405
TOTAL:	11 216 502	10 798 807

4. Cost of sales

	2025	2024
Cost of goods and materials	3 613 398	3 906 408
Rent expense	1 574 953	1 433 096
Depreciation	1 175 915	1 133 926
Reduction of the revaluation reserve for the part of the revalued fixed assets depreciation	(422 462)	(415 222)
Staff costs	883 555	907 869
Repairs and maintenance costs	698 451	558 710
Rental space maintenance costs	393 167	350 160
Decrease in inventories	101 534	113 495
Transportation and assembly costs	468 283	428 614
TOTAL:	8 486 794	8 417 056

5. Distribution costs

	2025	2024
Staff costs	1 028 351	1 002 630
Provisions for doubtful receivables	137 445	110 336
Transportation expenses	95 474	90 509
Advertising and marketing	51 208	57 714
Other distribution costs	27 880	31 332
TOTAL:	1 340 358	1 292 521

6. Administrative expense

	2025	2024
Staff costs	459 618	473 480
Transportation expenses	85 722	112 653
Software maintenance	154 809	149 626
Consulting	22 141	26 916
Communications	8 704	10 386
Bank fees	30 944	17 259
Office expense	5 734	5 858
Business trips	7 118	8 910
Other administrative expense	47 723	55 767
TOTAL:	822 513	860 855

7. Other operating income

	2025	2024
Gain on disposal of property, plant and equipment, net (see Note 27)	165 366	170 817
Gain on compensation for property, plant and equipment	29 754	33 012
Proceeds from reduction of accrued liabilities	160	712
Insurance compensation	49 800	14 248
Other operating income	3 365	75 581
TOTAL:	248 445	294 370

8. Other operating expense

	2025	2024
Loss from liquidation of property, plant and equipment, net	7 685	15 400
Penalties paid	15 008	7 985
Loss from currency rate fluctuations, net	709	2 245
Other operating expense	27 687	26 671
TOTAL:	51 089	52 301

9. Other interest and similar income

	2025	2024
Interest income	7 384	5 864
TOTAL:	7 384	5 864

10. Interest and similar expense

	2025	2024
Financing costs	80 390	80 390
Interest expenses on borrowings and finance lease liabilities	738 873	795 805
TOTAL:	819 263	876 195

11. Staff costs and number of employees

	2025	2024
Wages and salaries	2 030 623	2 047 502
Statutory social insurance contributions	340 697	349 476
TOTAL:	2 371 320	2 396 978
Average number of employees during the reporting year	64	71

12. Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Intangible assets under development	Intangible assets total
Initial value			
31.12.2024.	150 325	5 074	155 399
Acquired	-	10 361	10 361
31.12.2025.	150 325	15 435	165 760
Amortization			
31.12.2024.	65 126	-	65 126
Calculated	26 905	-	26 905
31.12.2025.	92 031	-	92 031
Residual balance sheet value 31.12.2024.	85 199	5 074	90 273
Residual balance sheet value 31.12.2025.	58 294	15 435	73 729

13. Property, plant and equipment

	Other fixed assets and inventory	Leasehold improvements	Creation of Fixed Assets	Total
Initial/revaluated value				
31.12.2024	11 852 386	146 246	78 346	12 076 978
Additions	2 640 557	-	265 508	2 906 065
Revaluated	860 588	-	-	860 588
Written off	(776 019)	(15 799)	-	(791 818)
Reclassified	259 125	16 815	(275 940)	-
Excluded reserve	(280 595)	-	-	(280 595)
31.12.2025.	14 556 042	147 262	67 914	14 771 218
Depreciation 31.12.2024.	4 995 136	67 948	-	5 063 084
Calculated	703 710	22 838	-	726 548
Calculated for reserve	422 462	-	-	422 462
For written off	(444 154)	(15 799)	-	(459 953)
For written off reserve	(117 609)	-	-	(117 609)
31.12.2025.	5 559 545	74 987	-	5 634 532
Residual balance sheet value				
31.12.2024.	6 857 250	78 298	78 346	7 013 894
31.12.2025.	8 996 497	72 275	67 914	9 136 686

The revaluation of property, plant and equipment was performed by an independent expert, SIA “JUREAL”. For the year 2025, the valuation was prepared as at 31 December 2025, based on the fair values of property, plant and equipment stated in the valuation report. A consistent valuation method was applied in both the 2024 and 2025 valuations – the replacement cost method.

If the revaluation had not been performed, the carrying amount of the other categories of property, plant and equipment and inventory as at 31 December 2025 would have been EUR 7,499,436 (31 December 2024: EUR 5,521,015).

As at 31 December 2025, fixed assets with a total carrying amount of EUR 3,248,708 were leased out and were in the possession of the Group's customers.

According to the expert valuation, a revaluation decrease of EUR 197 thousand would be attributable to certain items of rental equipment. No adjustment has been made, as it is not considered material in the context of the financial statements.

Pledges and other encumbrances on ownership rights

All property, plant and equipment of the Group are pledged. See Note 21 and 23.

As at the end of the reporting year, the Group's balance sheet includes fixed assets with a carrying amount of EUR 5,471,124 (31.12.2024: EUR 3,086,625), ownership of which will transfer only upon expiry of the lease term, following the buyout of the asset in accordance with the terms of the agreement.

Changes in revaluation reserves in reporting year

Revaluation reserve 31.12.2024	1 336 235
Depreciation write-off of revalued property, plant and equipment	(422 462)
Write-off of the remaining revaluation surplus of sold revalued property, plant and equipment	(159 747)
Write-off of the remaining revaluation surplus of derecognised revalued property, plant and equipment	(3 239)
Increase in accordance with revaluation made in 2025	860 588
Revaluation reserve 31.12.2025	1 611 375

14. Inventories

	31.12.2025.	31.12.2024.
Materials, inventory, spare parts	378 213	392 027
Goods for sale	943 241	2 004 949
Prepayments for inventories	80 091	35 112
KOPĀ:	1 401 545	2 432 088

All the Group's inventories are pledged as an aggregate property as at the time of pledging, including any future parts thereof. See note 20.

15. Trade receivables

	31.12.2025.	31.12.2024.
Trade receivables	2 041 585	1 726 514
Provisions for doubtful receivables	(488 170)	(412 042)
KOPĀ:	1 553 415	1 314 472

Trade receivables are non-interest bearing.

16. Other receivables

	31.12.2025.	31.12.2024.
Tax overpaid	4 148	7 550
Advances to employees	-	48
Deposits paid	34 979	10 627
KOPĀ:	39 127	18 225

17. Prepaid expenses

Long term:	31.12.2025.	31.12.2024.
Prepaid expenses related to fundraising	-	33 496
TOTAL long term prepaid expense:	-	33 496
Short term:	31.12.2025.	31.12.2024.
Prepaid expenses related to fundraising	33 496	83 772
Insurance	17 717	45 070
Other prepaid expense	8 191	11 671
TOTAL short term prepaid expense:	59 404	140 513
TOTAL prepaid expense:	59 404	174 009

18. Cash

	31.12.2025.	31.12.2024.
Cash at bank	392 255	270 117
Cash on hand	3 141	5 406
TOTAL:	395 396	275 523

19. Share capital

During 2025, an increase in the Group's parent company share capital was carried out.

In accordance with the share capital increase terms dated 2 December 2025, 4,000 new shares were issued with a nominal value of EUR 1 per share and an issue price of EUR 50 per share. As a result, a share premium of EUR 196,000 was additionally paid. All shares issued under the 2 December 2025 share capital increase were acquired by the shareholder AS "Klucīši". The new share issue and the related share premium were paid in cash.

In accordance with the share capital increase terms dated 17 December 2025, 3,844 shares were issued with a nominal value of EUR 1 per share and an issue price of EUR 1 per share. All shares issued under the 17 December 2025 share capital increase were acquired by the shareholder FlyCap Investment Fund I AIF. The new share issue was executed by converting a loan granted by FlyCap Investment Fund I AIF to the Group in the amount of EUR 3,844.

As a result of the executed share issues, the ownership proportions of the shareholders in the Group's parent company share capital have not changed.

Accordingly, as at 31 December 2025, the Group's share capital amounts to EUR 56,864, comprising 56,864 shares. The nominal value of each share is EUR 1, and all shares have been fully paid.

In connection with the borrowing secured by bonds, a commercial pledge covers all shares of the Group parent company held by the pledgor as at the date of entering into the commercial pledge agreement, as well as any other shares of the Group that the pledgor may acquire in the future. The commercial pledge also covers all present and future changes in the value and amount of the Group's share capital (whether increases and/or decreases), all improvements thereof, and all proprietary and non-proprietary rights attached to such shares, including, without limitation, all income and distributions paid or payable in respect thereof (including, without limitation, dividends, liquidation proceeds, payments resulting from share capital reduction (in cash or in kind, by set-off, distribution, or otherwise)), voting rights, and rights to subscribe for any shares of the Group that may be acquired by the pledgor in the future. The pledgee has the right to sell the pledged property without auction. Re-pledging of the pledged asset is prohibited.

In 2025, the share premium recognized from the share capital increases carried out in 2014 and 2015 was increased by contributions in the amount of EUR 196,000. Accordingly, as at 31 December 2025, the total share premium amounts to EUR 1,176,980. The commercial pledge does not apply to the share premium.

20. Bond-secured loans

Long term:		Maturity	31.12.2025.	31.12.2024.
Loan from Signet Bank AS	EUR	31.05.2026.	4 500 000	4 500 000
Long term bond-secured loan in total:			4 500 000	4 500 000

The nominal value of the bonds is EUR 4.5 million (4,500 bonds with a nominal value of EUR 1,000 each). The fixed annual interest rate is 12%. Interest payments are made on a monthly basis. Costs related to refinancing in the amount of EUR 194 thousand have been included in prepaid expenses and are amortized on a straight-line basis over the bond maturity period (see Note 18).

As at the end of 2025, there were 83 bondholders (both legal entities and individuals). In 2025, interest payments totaling EUR 540,000 were made. See Note 29(c) for information on compliance with bond covenants.

The bonds are secured by commercial pledges. The pledgors are the Group and the Group's majority shareholder. The pledgee is ZAB VILGERTS SIA, acting as the representative of the bondholders. The maximum secured claim amount is EUR 5,670,000. The pledged assets comprise all assets of the pledgor as a whole at the time of pledging, as well as any future additions to such asset pool. The pledgee has the right to sell the pledged assets without auction. Re-pledging of the pledged assets is prohibited.

The loan maturity date is 31 May 2026 (i.e., within less than 12 months). As at the date of signing these financial statements, the Group has announced a tender for raising capital and organizing a new bond issuance. Applications for the tender are to be submitted by the end of April 2026. The Group's management is confident that the tender will result in the selection of a suitable arranger for the new bond issuance, who will attract a sufficient number of bondholders to refinance the existing bond issue within the specified term.

Based on the expectation that refinancing will be successfully completed within the required timeframe, as at 31 December 2025 the Group presents the bond liabilities as non-current liabilities in the statement of financial position.

21. Loans from credit institutions

short-term:		31.12.2025.	31.12.2024.
Lease from Reģionālā investīciju banka AS	EUR	970 154	-
TOTAL loans from credit institutions:		970 154	-

The contractual repayment date is 23 May 2026. The payment schedule has been prepared on the assumption that the total lease term is five (5) years, and the agreements provide for the possibility to agree, once or multiple times, on a later lease end date. See Note 13 for information on the timing of the transfer of ownership rights.

22. Payables to related companies

long-term:		Maturity	31.12.2025.	31.12.2024.
Loan from FlyCap Investment Fund I AIF	EUR	04.01.2027.	714 996	657 633
Loan from Tehnikas brigāde SIA	EUR	31.05.2028.	31 807	54 259
TOTAL long-term loan to related parties:			746 803	711 892
short-term:			31.12.2025.	31.12.2024.
Loan from Tehnikas brigāde SIA	EUR		22 452	22 452
Payables to suppliers – Tehnikas brigāde SIA	EUR		126 282	103 730
TOTAL short-term loan to related parties:			148 734	126 182
TOTAL payables to related companies:			895 537	838 074

The loan from FlyCap Investment Fund bears a fixed interest rate, depending on the achievement of specific financial indicators. Interest payments are made together with the repayment of the principal amount. The loan granted by FlyCap Investment Fund is partially backed by ERDF and State budget funds, which impose certain regulatory restrictions on the borrower regarding the possibility of receiving other forms of state aid in the future.

In April 2026, the repayment term of the FlyCap Investment Fund loan was extended until 4 January 2027.

No interest is applied to the loan granted by SIA Tehnikas brigade.

23. Other loans

Long term:		Maturity	31.12.2025.	31.12.2024.
Loans from suppliers (lease)	EUR	by 2030	665 960	204 422
Future interest payments	EUR		(46 497)	(17 747)
Leasing loan - BigBank AS Latvijas filiāle *	EUR	by 2030	398 268	414 284
Leasing loan - Citadele Leasing SIA	EUR	by 2027	7 284	24 904
TOTAL long term other loans:			1 025 015	625 863
Short term:				
Loans from suppliers (lease)	EUR		427 113	1 000 481
Future interest payments	EUR		(49 507)	(37 436)
Leasing loan - BigBank AS Latvijas filiāle	EUR		334 067	246 115
Leasing loan - Citadele Leasing SIA	EUR		17 620	17 487
TOTAL short term other loans:			729 293	1 226 647
TOTAL other loans:			1 754 308	1 852 510

The terms of the leasing agreements do not exceed a period of five years. See Note 13 for information on the timing of the transfer of ownership rights.

24. Taxes payable

	31.12.2025.	31.12.2024.
Value added tax	263 723	261 922
Statutory social insurance contributions	103 255	96 062
Personal income tax	60 810	65 403
Company car tax	759	1 782
Corporate income tax	7 905	-
Natural resource tax	889	795
Risk duty	18	35
TOTAL:	437 359	425 999

As at the end of the reporting year, the Group has been granted four extensions for tax payment deadlines, with a total amount of EUR 269,529, with the final repayment due date being October 2026.

25. Other liabilities

	31.12.2025.	31.12.2024.
Wages and salaries	103 740	84 420
Security deposits	6 789	7 509
Payables to employees	1 155	1 976
Other liabilities	724	619
TOTAL:	112 408	94 524

26. Accrued liabilities

	31.12.2025.	31.12.2024.
Vacation pay reserve	139 093	123 884
Other accrued liabilities	13 904	16 433
TOTAL:	152 997	140 317

27. Information on profit or loss from disposal of long-term investment objects

	Balance sheet value	Proceeds from disposal	Excluded revaluation reserve	Gain or loss on disposal of an item
Rental equipment	(459 843)	429 836	143 543	113 536
Vehicles	(22 833)	23 521	16 204	16 892
Inventory	(10 844)	45 782	-	34 938
TOTAL:	(493 520)	499 139	159 747	165 366

28. Financial and contingent liabilities

(a) Operating lease commitments

The Group, as a lessee, has entered into several lease agreements for property (premises, vehicles, and equipment). Total annual lease expenses in 2025 amounted to EUR 217,963 (2024: EUR 200,130).

(b) Pledges

The Group's assets are pledged as security for the financing received. Please refer to Notes 13, 14, 21, and 23.

(c) Compliance with financial covenants related to bond financing

The bond issuance agreement sets specific financial covenant requirements. These financial ratios are calculated using the Group's consolidated financial data. If the net debt/EBITDA ratio exceeds 5, bondholders are entitled to receive an additional fee of 1%.

As at 31 December 2025, the Group has not complied with the bond loan covenant relating to the net debt/EBITDA ratio. The covenant stipulates that this ratio must not exceed 3.5; however, based on the consolidated financial statements as at 31 December 2025, the ratio is 4.26. Additional penalty charges (a penalty fee of 1% of the nominal value of the bonds) are triggered only if the ratio exceeds 5; therefore, no provision for penalties is required.

29. Events after the reporting date

The Group has announced a tender for raising capital and organizing a new bond issuance. Applications for the tender are to be submitted by the end of April 2026. The Group's management is confident that the tender will result in the selection of a suitable arranger for the new bond issuance, who will attract a sufficient number of bondholders to refinance the previous bond issue within the specified term.

In April 2026, the repayment term of a loan granted by a minority shareholder was extended until 4 January 2027.

Except for the above, no events have occurred between the balance sheet date and the date of signing the annual report that would affect the Group's financial position as at 31 December 2025 or require disclosure in the notes to the financial statements

Gints Vanags
Board Member

Anželika Dārziņa
Chief Accountant

The electronic signature of the Management Board member applies to the consolidated annual report as a single document from pages 1 to 23.

The signature of the person responsible for accounting applies to page 3 and pages 6 to 23 of the financial statements.

THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURES AND CONTAINS A TIME STAMP.

Independent Auditor's Report
(Translation from Latvian)Ūdens iela 12-45, Rīga, LV-1007, Latvija
T. +371 67607902, www.p-a.lv**To the shareholders of SIA ARSENAL INDUSTRIAL***Our Qualified Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of SIA ARSENAL INDUSTRIAL ("the Company") and its subsidiaries ("the Group") set out on pages 6 to 23 of the accompanying consolidated annual report, which comprise:

- the consolidated balance sheet as at 31 December 2025,
- the consolidated profit and loss statement for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of SIA ARSENAL INDUSTRIAL and its subsidiaries as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Qualified Opinion

1. As disclosed in Note 20 to the accompanying financial statements, as at 31 December 2025 the Group has outstanding bond liabilities amounting to EUR 4 500 000, which are presented in the balance sheet as long-term liabilities. In accordance with the terms of the existing agreements, the maturity date of these liabilities is 31 May 2026. As at the date of signing these financial statements, the Group is in the process of implementing a bond refinancing plan. The Group has announced a tender for raising capital and organising a new bond issue. Applications for the tender are to be submitted by the end of April 2026. The Group's management is confident that, as a result of the tender, an appropriate intermediary for the new bond issue will be identified, who will attract sufficient number of investors to enable the refinancing of the existing bond issue within the required timeframe. However, as at the date of the auditor's report, no refinancing agreement has been concluded and there is no information available regarding the terms and timing of the new bond issue. Accordingly, the above-mentioned liabilities of EUR 4 500 000 should have been presented as short-term liabilities in the balance sheet as at 31 December 2025.
2. In accordance with the Group's accounting policy, equipment available for lease, mobile warehouse constructions and vehicles are measured at fair value using the replacement cost method. During 2025, the Group performed revaluations of property, plant and equipment twice, recognising the respective changes in value through increases or decreases in the revaluation reserve. However, in cases where the revalued amount of an asset is lower than its net balance sheet value at the date of revaluation and the decrease in value should be recognised in profit or loss account for the reporting period, such impairment is not recognised. Had the Group consistently applied the accounting policy adopted, the net book value of property, plant and equipment as at 31 December 2025 would have been reduced by EUR 197,526, with a corresponding increase in the loss for the year and a decrease in equity as at 31 December 2025 by the same amount.

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter on material uncertainty on going concern

In 2025 the Group incurred a loss and as at 31 December 2025, its current liabilities exceed its current assets. Furthermore, as described in the Basis for Qualified Opinion section of our report, there are indications of impairment of certain assets, as well as uncertainty regarding the refinancing of significant liabilities (refer to Note 20 to the financial statements). Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies", section "Going Concern", describes management's considerations regarding the going concern assumption. The Group's ability to continue as a going concern is primarily dependent on the successful implementation of the refinancing plan, as well as the achievement of the planned sales and profitability indicators in order to ensure an adequate revenue base to cover fixed costs and to operate profitably, and to generate sufficient cash flows to meet current obligations. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern if the established targets are not achieved.

We do not express a qualification in respect of this matter.

Reporting on Other Information

The Group's management is responsible for the other information. The other information is the Management Report, as set out on pages 4 - 5 of the accompanying consolidated Annual Report.

Our opinion on the consolidated financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except as described in the *Basis for Qualified Opinion* section of our report.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of
SIA Potapoviča un Andersone,
Ūdens street 12-45, Riga, LV-1007
Certified Auditors Company licence No. 99

Anna Temerova-Allena
Responsible Certified Auditor
Certificate No. 154
Member of the Board

ELECTRONIC SIGNATURE OF THE AUDITOR RELATES TO THE AUDITOR'S REPORT ENCLOSED WITH THE ANNUAL REPORT ON PAGES 24 TO 26.

THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP.