

Investment / Financing Proposal

To relocate a Salt Fish Production Business from Norway to Latvia

Company Name:

"LaNoDe" SIA

Owners:

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Address:

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Company details:

Registration No. 40103217350

Form of Business:

Salt fish production and sales

Date/Place Business Established:

1927, Norway
June 6, 2005, Latvia

Areas of expertise:

Salt fish production

Objectives:

Establish a salt fish production facility
in Latvia

Estimated Annual Sales

€ 8.8 million

Loan Requirement:

€ 1.46 million

Use of funds

Capital Expenses: €1,831,100
Working Capital: €613,000

Investor Equity IRR before tax:

Base case: 28%

A comprehensive description and financials
is available on request.

REQUIREMENT: A loan of **€1.46 million** is sought for the relocation of a salt fish production business from Norway to Latvia by assisting with the financing of the construction of a new facility and its working capital. The construction project is estimated to be **€2.4 million**.

THE OPPORTUNITY: Current conditions have significantly increased fish processing costs in Norway resulting in the requirement to seek lower cost alternatives. Latvia, with its well established fishing industry, favourable tax policy and generally lower costs offers a more economic production environment for the transfer of Norwegian expertise to Latvia.

THE COMPANY: Olga Godø AS of Norway has been in the salt fish production business since 1927 with an established market for sales. Its current owner, Ståle Godø, and his son, Øyvind Godø, intend to continue the family business in Latvia through SIA LaNoDe, a company registered and located in Latvia since 2005, but continue cooperation with Olga Godø AS in Norway. The main product processed is cod. Baltijas Jūras Veltes owned by Andrey Poroshin, joins LaNoDe as a strategic partner. Andrey has been involved in the cod fishing business since 1999 and can assure a source of supply for LaNoDe.

INCOME: Base income is derived from processing frozen fish from existing sources of supply in Norway, and selling it to established markets in the EU (mainly Portugal and Greece). However, there are numerous other sources of income to be considered in future projects.

LANODE'S COMPETITIVE ADVANTAGES:

- 90 years experience in the production and marketing of salted dried fish, as the owner-owned company is one of the oldest industries in Norway,
- established sources of supply for raw materials,
- established markets for product sales,
- competitive personnel costs in Latvia and labour availability,
- availability of EU funding,
- delivery time; faster delivery to European markets, easier logistics.

FUNDING (in €1,000) – total requirement = € 1,354.1:

• Capital Funding Requirement for plant	€ 1,831.1
• Sources of Funding	
◦ Baltijas jūras veltes	€ 500.0
◦ Ståle Godø / Olga Godø AS	€ 30.0
◦ Loan requirement for capital project	€ 1,301.1
• EMFF fund payment on plant commissioning	€ 461.0
• Working Capital Funding Requirement	
◦ Working Capital	€ 719.9
◦ Baltijas jūras veltes contribution to working capital	€ 100.0
▪ Working Capital Loan	€ 619.9
• Total Funding Requirement - Loans	
◦ Loan allocated to capital project	€ 840.1
◦ Working Capital Loan	€ 619.9
▪ Total Loans required	€ 1,460.0

- Discounted payback period, years – **4**
- Loan payback period: **52 months**
- Internal rate of return (IRR) – **28%**

LONGER TERM POTENTIAL:

- Contract production/packing (for others)
- Production of convenient products (COPRO)
- Processing of other species (eg. salmon, sardines)
- Production of other products (salads)
- Fish farming

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1 FORWARD

Norway is the second largest exporter of seafood in the world, with the fishing industry being one of the main export sectors besides oil and gas. Norway is particularly noted for its Cod and Pollock. Atlantic cod is highly regarded as a food product in many countries and is sold as fresh fillets, or salted or dried fish. Norwegian fish are present in over 140 world markets.



Olga Godø AS is a family owned fish processing business established in 1927 in Norway, benefiting from and becoming part of the county's fishing tradition, establishing clients in numerous countries and becoming known for supplying quality processed fish products. Processing involves taking headed and gutted fish frozen in 25 kg blocks from boats from northern Norway delivered by truck to Latvia, defrosting the fish in our plant, passing it through a splitting machine, salting it in 1000 liter containers and allowing it to mature for 7-14 days. The fish is then sorted by size and quality. The salty fish is dried on drier wagons for several days, then packed in 25 kg boxes and shipped to customers.

Established access to markets is a key factor for continued operations. The management of Olga Godø has extensive experience in all aspects of the business from raw material procurement, to production through to product sales. This experience has been handed from generation to generation, with Ståle Godø, the current owner and manager preparing his son, Øyvind Godø, to take over the business.

The success of the oil and gas industry in Norway had its impact on other businesses, mainly by raising the cost of living, production and particularly, the cost of labour. One solution was to seek labour elsewhere. Ståle Godø had visited Latvia as a tourist, and recognized that some of its population had experience in the fishing industry. A Latvian company was established in June 6, 2005 with the aim of providing Olga Godø AS, as well as other Norwegian fish processing companies with personnel services. This company was registered as SIA LaNoDe (the name is an abbreviation of Latvian Norwegian Development).

Fish processing at Olga Godø AS was stopped in 2011 due to the high cost of production, but also due to changes in the Norwegian fish processing industry.

In early 2015 a Feasibility Study ([Attachment #1](#)) to study the possibility of establishing salt fish production in Latvia was undertaken by Sindre Rotevatn of the Norwegian Maritime Competence Center MRB and concluded that the business could and should be set up in Latvia using fish processing technologies used in Norway, and producing products for the traditional Norwegian export markets.

In 2015, LaNoDe leased production space in Roja and installed some of the production equipment transferred from the Norway plant. Everything beside the drier machinery and drier wagons are still at the Norwegian plant, is in Roja. This limits output. The Food and Veterinary Service granted a temporary registration number of LaNoDe's fishing processing company, and exports started to Portugal.

A prefeasibility study was prepared in December, 2016 by Jānis Ozoliņš of the Corporate Management Experts Bureau <http://www.cmebureau.com/en/> for an application to the European Maritime and Fisheries Fund EMFF "Processing of fishery and aquaculture products" which resulted in the approval of a €460,000 grant to build a new facility in Latvia. Approvals were received in July, 2017, at which time work started on the project itself.

The goal of the project is to create a competitive and viable, salted and salted dried crayfish factory in Latvia using Norwegian recipes for export to Southern European markets. Various sites were investigated, with a greenfield site in the territory of the Port of Mersrags being chosen as the preferable site.

In November, 2017, an agreement was reached to include "Baltijas Juras Veltes" SIA, a company dealing directly with fishing and in a position to provide fish stocks for processing for 49% of LaNoDe's shares with an investment equivalent to €630,000. (see section 3 – Owners and section 10.4 – Owner Input).

2 DESCRIPTION

2.1 Briefly about Latvia

Latvia regained its independence from the Soviet Union in 1991 and began the difficult process of converting from a planned to a free market economy. In the mid 90's, Latvia was experiencing the challenges of economic transition, including multiple banking crises, economic boycotts by Russia, unfamiliarity with western (particularly European) practices and politically-related development issues.

Latvia is a western state that must abide by EU regulations, having joined the European Union and NATO in 2004. This provides a more stable and predictable foundation.

In 2009, there was a significant economic downturn because of the world economic crisis. In 2010, the government of Latvia initiated austerity programs as demanded by the International Monetary Fund (IMF). These measures have resulted in the stabilization of the Latvian economy and have led to growth since late 2011 – despite debt problems in the Eurozone. Latvia joined the € in January 2014 and Latvia's credit rating continues to be upgraded along with comments about its positive outlook. As at 18th November 2015, Standard & Poor's credit rating for Latvia stands at A-. Moody's rating for Latvia sovereign debt is A3. Fitch's credit rating for Latvia is A-.

Since independence, Latvia has also benefited from its history with established traditions in banking, manufacturing, education and development that provide the foundations for future growth and development. The country is also a major trading and transit route for products to Belarus and Russia.

Latvia has also had a well established and respected fishing industry. However, this industry has depended largely on the Russian market. Since independence in 1991, the industry has been hit by political and financial instability, and embargos. Since LaNoDe's markets are in western or southern Europe, Latvia will benefit from LaNoDe's market potential.

Latvia has favourable company tax rates of 15%. See more at: http://www.tax-news.com/news/OECD_Recommends_Tax_Reforms_For_Latvia_68970.html There are no restrictions on the repatriation of profits or the transfer of funds from the country. There are also favourable provisions for new inward investments in Latvia.

See <http://www.liaa.gov.lv/en> for more details.

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2.2 THE OWNERS

2.2.1 Olga Godø AS



Olga Godø AS is a Norwegian fish processing company founded by Ståle Godø's grandfather in 1927. The company was located in Godøy near Ålesund, where the family was engaged in farming and fishing. Ålesund is considered to be Norway's salted dry cod cape. Initially, the North Atlantic caviar was used in the spawning season in northern Norway from January to April. The fish were salted and later in the spring, when the drying conditions were good, the salted fish were dried on the shores of the sea. The products were exported through the export agent in Ålesund, similar to other companies in the business.

Over time, due to the development of the industry structure, many manufacturers, including Olga Godø AS, began to process frozen fish and export themselves. Olga Godø AS set up its export channels to Greece and other Southern European countries.

Olga Godø AS has been a family-owned company from the start. Ståle Godø began to manage the company in 1980, continuing its tradition and taking over the already existing skilled staff. In the later period, the use of foreign labour was started, including that from Latvia, when the company LaNoDe was founded.

Olga Godø AS, when developing the salted fish industry, was in a situation where it was too big to be small and too small to be a big company. Several companies of size similar to Olga Godø AS ceased their operations. However, Olga Godø AS managed to sell its production building and thus it was possible to continue business elsewhere.



2.2.2 LaNoDe

Ståle Godø became acquainted with Latvia as a tourist. He noted differences in labour costs between Norway and Latvia, and recognized the need to reduce labour costs in fish processing at Olga Godø AS. SIA LaNoDe, was registered in Latvia on June 6, 2005 to provide personnel services to Norway.

The previously mentioned Feasibility Study (Attachment #1) pointed to the benefits of a Latvian operation and, according to the calculations of the MRB and company owners, the cost of producing salted dried fish in Latvia would be 10% - 15% lower as compared to Norway.



LaNoDe has the advantage of being a Norwegian-owned company with a wide network of contacts in the private and public sector in both Norway and Latvia. The Baltics are Norway's close neighbours, and Norway has provided the Baltic countries with significant financial capacity to stimulate growth and development. It is therefore natural that Norwegian business interests use Latvia in a targeted manner.

LaNoDe will be working closely with Olga Godø AS and its fish suppliers who have supplied fish to this Norwegian fish processing company.

At present, the company's facilities are located in rented and limited space in Roja, which allows only salted fish to be produced. This allows continued exports to European markets. Salted Atlantic cod is produced from frozen cod brought from Norway in refrigerator trucks. Product is packed on pallets and sent to customers in Portugal.



A recent study was undertaken to in order to identify the optimal location for the new plant considering such aspects as availability of labour, favourable local conditions, potential strategic partners and possibilities for expansion. The preferred location is within the territory of the Port of Mersrags on the sea shore where a 1.0 hectare plot of land has been leased,

The facility in Mersrags will provide the necessary space for the new plant, allowing for the installation of additional equipment such as a drying tunnel and defrosting line which will allow for added production diversity and capacity. There will be capability to produce dry sardines, Atlantic salmon and the processing of other fish species.

Sub-production line (contract packing), where a customer delivers fish at a site for processing and picks up the transport after processing finished, is also being considered as an added revenue stream

Ståle recognizes that Latvia is also well suited for developing land-based farming of Atlantic salmon and sees this as a future development opportunity. Fish farming business which is already starting to gain popularity in Latvia. The Mersrags location allows for this.



2.2.3 Time-line:

- 1920's - In the 1920s, fish farmers in Norway stopped producing their own fish and handed over their stocks to professional buyers. Petter R. Godø moved to Godøya in 1927 and bought a used seabed on Hessa. Production was started in new premises next to Sjøbua.
- 06.06.2005 LaNoDe established.
- Up to 2011: The company has been in the family all the time, and has been important in the local fishing industry on Godøya outside Ålesund.
- After 2011: The company stopped its production in Norway in 2011. Major business activities involved renting out housing, renting equipment and sourcing Latvian personnel to Norway.
- 01.2015 Production started in Roja
- 02.2015 Feasibility Study to study the possibility of establishing salt fish production in Latvia.
- 2016 LaNoDe participated in an exhibition in Turin, Italy.
- 07.2017 Application approved for EU funding for new production facility.

2.3 Baltijas Juras Veltes

“Baltijas Juras Veltes” SIA has agreed to partner with the Godø family by investing into LaNoDe and being an active participant in the development of LaNoDe.

Baltijas Juras Veltes was established in Latvia on 01.12.2011 with Registration Number 42103058105, and legal address at Jelgavas iela 15A - 26, Aizpute, Aizputes novads, Latvia, represented by Andrey Poroshin.

The Memorandum of Understanding, which is contingent on acquiring additional financing, provides for the following:

1. Contributions

- Promoter Contribution
 - Olga Godø AS / SIA LaNoDe contribution is valued at **€530,000**. Most of this includes equipment transferred from Norway from the Olga Godø AS plant.
 - **€460,000** grant funds received when the plant is commissioned
 - 90 years experience in the production and marketing of salted dried fish, as the owner-owned company is one of the oldest industries in Norway,
 - established sources of supply for raw materials,
 - established markets for product sales
 - **€30,000** cash injection/financing,
- Investor Contribution
 - **€500,000** cash injection/financing,
 - financing **€100,000 of raw fish stock supplies**,
 - experience in the industry,
 - participation / assistance in providing raw materials (fish stocks) for the plant.
 - participation in the development of the business

2. Share Distribution

- During the construction phase, share distribution would be
 - Baltijas jūras veltes: 51%
 - Ståle Godø: 49%
- When the plant has been commissioned, Ståle Godø will have the option to purchase two percent shares for **€10,000** which will change share distribution to
 - Ståle Godø: 51%
 - Baltijas jūras veltes: 49%

Baltijas Juras Veltes has been the service representative and commercial agent of Oceanprom LLC and Azurite in Latvia since 2013 selling cod and haddock and supplying vessel (Azurite) with fuel, bait, groceries, and salary payments to crew members. The main markets have been in Denmark, Norway and China.

Oceanprom LLC activities related to industrial fishing began in 1999. It was established as Atlas-Neva OOO (a registered company in Russia) and purchased the vessel NEVA (ex. Mary M). The St. Petersburg government allocated quotas for cod and haddock in the Barents sea. The vessel has caught and delivered fresh fish to the processing salted dried fish Norwegian company AS Vanna, Tromso and to factory company TMT OOO, Murmansk, Russia.

During early operations, over 3000 tonnes of fresh cod were caught by the vessel up to 2005. In 2002, after the implementation of the government auctions and the consolidation of fishing companies catch quotas of fish prior to 2007, Atlas-Neva OOO had increased quotas for cod and haddock, which averaged 1000 tons of cod and 200 tonnes of haddock per year.

Also, the Atlas - Neva was assigned to the quotas for the catch of halibut in the NAFO area (Canada) and redfish in the fishing zone of Greenland. Because Neva could not handle the increased catch volumes, had limited range and could not service the fishing areas, the trawler Planeta (ex. Blue Planet) was purchased in 2002 and then the trawler Strelna was added in 2006 to fish cod, haddock, redfish, Greenland halibut in the

North East Atlantic.

List of vessels

Vessel	time period	main species	volume of catch, tonnes
m/v Neva	2000-2002	cod, haddock	3000
m/v Planeta	2002-2006	gr. halibut, cod, haddock	2000
m/v Sterna	2007-2010	cod, haddock, redfish	4000
m/v Azurite	2011—	cod, haddock, redfish, gr. halibut, catfish	15000

Since 2008, the quota has been increased considerably and began to be on average 1,100 tonnes for cod and 250 tonnes for haddock in the year.

In 2011, it was decided to concentrate only on fishing cod and haddock in the Barents sea. As a result of reorganization the company Oceanprom LLC was formed, which is the successor of Atlas-Neva OOO. Simultaneously, the vessel Azurite-longliner was purchased from Norwegian company Ervikhavfiske AS, Stadtlandet.



Azurite

Azurite is engaged in the fishing of cod, haddock. By-catches allowed include redfish, halibut and catfish. The final product is a beheaded and gutted frozen fish.

Fish from Azurite is sold by direct contracts in Europe, China, and North America.

Catch of Fishing vessel AZURITE, tonnes

	2013	2014	2015	2016	2017
cod	1184,440	1157,286	1035,749	1069,385	871,392
haddock	262,507	220,231	284,910	339,008	282,255
Greenland halibut	123,052	153,404	110,639	65,340	40,415
redfish	37,599	44,169	27,271	18,774	23,010
catfish	524,393	662,210	644,966	570,038	554,185
tusk	28,891	43,574	37,235	43,933	44,375
total	2134004	2239314	2105550	2064561	1773274
selling euro	3,087,300	3,780,800	3,925,533	3,334,829	2,857,143

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3 THE INDUSTRY

3.1 The product

Cod is a high-quality, tasty whitefish which contains many B vitamins, calcium, iodine, phosphorus and selenium, is low in energy and contains all the essential amino acids. It is both abundant and popular with Norway's share of world exports of salted dried cod at the 50% level. Salted fish are exported mainly to Europe, but salted dried fish are exported globally. In Norway, salted dried fish are termed "klippfisk", which originates from the Norwegian word klippe (cliff).



Norway has long traditions for the production of dried salted fish. The first production was made in Nordmør in 1691. Over the course of the 18th century, its production spread across the entire western coast of Norway. This period was characterized by abundant cod lovers, the use of a natural drying process on the rocks, driven by dry, cold climates and continuously windy weather from January to May.

Nowadays, the production of salted dried fish is a significant part of the Norwegian fishery processing industry from the country's west to the Finnmark region in the north. In fish-rich fjords, production methods have evolved over time and nowadays the fish are dried in modern factories rather than on rocks. Importantly, the fact that Norwegian fish have been exported for centuries, are well-known and trusted in many countries.

The storage period for salted dried fish is about one year under the proper conditions. Commercially manufactured salted dried fish are stable in storage and can be stored under optimum conditions for up to two years. In smaller markets, it is not always possible to keep fish in cold and dry conditions. However, salted dried fish can be stored at 30°C with a relative humidity of 80% for at least 17 days and at least 21 days at 60% relative humidity.

3.2 Changes in the Industry

The challenges in the production environment in Norway forced some companies stop production or find other countries for production.

The nature of fishing has also been changing.

An increasing proportion of the catch in Norway's economic zone is frozen at sea. Thus, a significant proportion of frozen fish are delivered and processed in China. To bring frozen fish from their landing sites in northern Norway to processing plants in the west of Norway costs just as much as their transportation to Latvia. It is actually more advantageous to transport fish for processing to Latvia than to bring the Latvian labour force to Norway. Logistics aspects are also much easier when processing Norwegian frozen fish in Latvia and not in China. It is possible to deliver frozen fish to Latvia within 1-2 days by road transport and deliver finished product within 2-3 days to the main markets in the south of Europe.

Secondly, changes are taking place in the industry - large drying capacity has been created in northern Norway, thus, salted fish production companies in the south of Norway have less fresh fish available. The most important raw material of Olga Godø AS was salted fish made from fresh fish, which was dried and packaged for export.

Thirdly, despite the small increase in population and the impact of low oil prices on the country's largely oil and gas-dependent economy, wage levels are high. A wide range of social services and welfare is provided, and the

proportion of older people should also be noted. This high standard of service requires a large number of well-paid jobs, which reduces the amount of workforce available to other sectors of the economy and increases labour costs. In addition, work on the processing of fishery products is relatively less prestigious and heavier, and therefore unpopular. As a result, the Norwegian fish industry itself describes the availability of labour as low, while the work force's costs are "extremely high". Personnel Costs in Latvia are only 38.3% those of Norway.

3.3 Economics

The price breakdown for salted dried cod in Norway is: raw materials (80%), labour force (11%) and energy costs (5.9%). Practice shows that the difference between costs and sales prices in export markets does not change significantly. The price of cod resources from the vessel remained relatively stable while the export price fluctuations were somewhat higher depending on the export market. Typical consumption, for instance, in Portugal, is not very sensitive to price. If prices are higher in a particular year, consumers will still buy these products for Christmas season and Easter for their traditional dishes.

3.4 Fish Suppliers

Olga Godø AS has a well establish supply chain of product from Norway which includes the following suppliers:

- Sunnmøre og Romsdal Fiskeselslag (SuRoFi), <http://www.surofi.no/>
- Råfisklaget, <http://www.rafisklaget.no/>
- Traders
 - Drevik International, <http://www.drevik.no/>
 - Ocean Trawellers (Drøbak), <http://www.oceantrawlers.com/>
 - Saga Seafood, <http://www.sagaseafood.no/>
 - Molja <http://www.molja.no/>

3.5 Suppliers of other raw materials

Suppliers of other raw materials play a much smaller role than fish suppliers. The most important raw material by volume of fish is salt, and there are no supply issues at competitive process in Latvia.

The purchase of packaging materials is also not an issue as it doesn't involve significant costs and does not present any risk since there are several suppliers of such raw materials.

3.6 Distribution channels

Olga Godø AS also has longstanding, established relations with distribution organizations that ensure that everything that LaNoDe produces will be sold. The following is a list of distributors:

- West-Norway* AS, <http://bacalanor.com/>
- Harald Mowinckel*, <http://www.hmowinckel.com/>
- SUNCO* AS, Michael Skjong
- Nils Sperre*, <http://www.nsperre.as/>
- Elamer S. A.* (Greece), <http://www.elamer.gr/>
- Marz Seafood*, <http://marz.is/>
- Molja, <http://www.molja.no/>
- Møre Cod Fish, <http://www.codfish.no/>
- Gustav Stokke, <http://www.codfish.no/>
- Jangaard Export, <http://www.jangaard.no/>
- Cod Export, <http://www.bacalhau.no/>
- Br Sperre, <http://www.sperrefish.com/>
- Fjord Laks, <http://www.fjordlaks.no/>
- Saga Seafood, <http://www.sagaseafood.no/>
- Drevik, <http://www.drevik.no/>

* Companies that Olga Godø has good experience with

3.7 Labour

Latvia has had a well established and respected fishing industry along the coasts of the Baltic sea and is particularly well known for its sprats. However, this industry traditionally depended largely on the Russian market. Since independence in 1991, the industry has been hit by political and financial instability, and embargos with Russia. Since LaNoDe's markets are in western or southern Europe, Latvia will benefit from LaNoDe's market potential which has left a large segment of the industry unemployed. LaNoDe has already benefited from this situation by sending personnel to Norway, but a more effective use would be to employ this labour in Latvia.

Personnel Costs are 161% higher in Norway (Latvia = 38,3% of Norway), and productivity is considered to be the same because of the nature of the industry - production in Norway would have been staffed with the same personnel, though it must be noted that personnel costs account for a small proportion of overall costs.

3.8 Sales factors

LaNoDe enjoys key factors which make it as good or better than Norwegian competitors:

- Quality; Same quality as competitors
- Production Cost and Sales Price; lower production cost than competitors, same sales price
- Delivery time; faster delivery to European markets
- Logistics; easier to European markets

3.9 Financial service providers

An important partner is and will be a credit institutions. With Riga being a regional centre for banking, there is a significant choice in service providers. The company has, to date, had success with the Nordea Bank.

LaNoDe is also working with public organizations that support export-oriented business development in Latvia, including the Rural Support Service of the Ministry of Agriculture, the Latvian Investment and Development Agency (LIAA) and Altum. LIAA has signed an agreement to support the company's participation in international exhibitions, which is already used in food industry exhibitions in target countries. In 2016 the company participated in an exhibition in Turin, Italy.

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4 TARGET MARKETS

Major markets for Norwegian salted and salted dried fish Portugal, Brazil, Dominican Republic and Congo. Apparently Portugal and its former colonies are the main market for this type of product. Galicia, the northwest of Spain is also important. The product can be considered as an iconic Portuguese cuisine.

Olga Godø AS main established markets are:

- Salt Fish for Wholesale (Cod) – Portugal, Italy, Greece
- Salt Fish for Klipfish (Cod and Saithe) – Portugal
- Salt Fish Sub-production (Cod) – Portugal, Italy, Greece

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5 THE COMPETITION

Among the most significant competitors are the leading Norwegian salted dried fish production companies. With these companies, competition will take place not only in sales, but also in acquiring raw materials (cod).

Jangaard Export AS is a leading producer and exporter of Norwegian raw and dried salted fish, founded in 1931, which uses the most traditional methods of production. The company tries to avoid freezing fish in order to preserve the value of the feedstuff. Jangaard Export buys fish from small and medium-sized fishing vessels that catch bigger fish than typical trawlers. The company has 9 factories, of which 4 are in the northwest Norway and the rest of northern Norway.

AS Møre Codfish is one of the leading producers of Norwegian salted and dried fish, operating since 1956. This company accounts for about 12% of the country's salted dried fish exports. The company also sells salted fish, fillets and various by-products. The company has three modern and well-maintained factories located in the northwest of Norway. Sales are carried out through an agent network in Portugal, Italy, the Dominican Republic and Brazil.

Nils Sperre AS is one of the leading producers and suppliers of pelagic fish in Norway, producing frozen, salted dried and salted fish. The company was founded in 1923 and is located in the northwest of Norway. Nils Sperre has long-term cooperation with the fishermen's fleet and its own port, so a fairly stable number of vessels prefers to transfer their catch to them. Also, a private port provides the opportunity to load and unload larger cargo refrigeration ships. Salted dried fish are produced in a modern factory using new and rational production lines. They have one of the few automated drying lines in the country. Salted dried fish are exported mainly to Southern Europe and Central to South America. In turn, the company has a leading position in the production of salted unprocessed fish in Norway.

Brødrene Sperre AS has been operating in the fish processing industry for more than 50 years. The company is also located in the northwest of Norway and has a very modern fish processing plant and logistics center, which provides the opportunity to export products to different countries of the world. In the production of salted dried fish, the company is one of the leading industry players in Norway.

Given the high level of competition in the product market, the homogeneous nature of the products manufactured by different competitors, LaNoDe now and in the future intends to be a market-maker and base its revenue planning on market prices. Attraction of customers will be done by ensuring high quality of produced products at market price. In addition, according to the company's perspectives, it is planned to work on the development of the sales system and the development of cooperation with new exporters of products in export markets.

It is directly or through the company of Olga Godø AS that it is possible to buy frozen fish in northern Norway, where they are unloaded from the vessels, and to transport fish to the production site in Latvia by road. The company will be able to pay a competitive purchasing price as its labour costs are significantly lower than that of Norwegian competitors.

LaNoDe's competitive advantages:

- Personnel Costs in Latvia are only 38.3% those of Norway.
- Available local labour force with sufficient work experience in the Norwegian fish processing industry, including the production of salted dried fishery products
- The availability of EU and national support for investment projects in the processing of fishery products
- Long-term experience in the production and marketing of salted dried fish, as the owner-owned company is one of the oldest industries in Norway

- Successful sales practices in international markets over a long period of time

	1,000 EUR		
	Total operating income Olga Godø AS	Export salted fish (Norway)	Export salted and dried fish (Norway)
1992	601	107,031	192,229
1993	668	133,116	195,957
1994	888	194,345	214,564
1995	1,639	155,958	241,533
1996	687	149,885	244,102
1997	871	158,425	235,455
1998	1,503	209,800	323,032
1999	2,008	199,862	279,713
2000	1,936	133,609	299,248
2001	2,032	151,591	315,802
2002	1,274	117,716	275,521
2003	5,115	98,527	232,065
2004	487	109,053	275,344
2005	555	105,825	282,266
2006	1,325	131,356	323,639
2007	596	165,578	362,707
2008	515	156,715	339,277
2009	1,276	97,793	333,188
2010	1,547	100,626	387,442

The previous table demonstrates the annual sales of Olga Godø AS as compared to total exports for Norwegian companies and its competitors. Olga Godø sales are relatively insignificant and assured by their connection in the distribution chain.

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6 MARKETING AND SALES STRATEGY

Distribution channels are structured around various elements: primary processors, secondary processors, wholesale, retail organizations and consumers. Primary processors are the coastal and marine fishing fleet. Their catch represents a raw material base for recycling companies. Secondary processing plants are land-based factories that convert fresh or frozen fish into salted or salted dried fish products. In some countries, there are important fish wholesale organizations, but in the most important market in Portugal, fish from manufacturers come to retailers, both chains and independent stores.

It is possible to sell cod in different processing stages - frozen, salted and dried.

LaNoDe plans to produce salted Atlantic cod, and sell it to fish processing factories and retail outlets in Portugal, before completing the investment project.

After the new plant is built, it will be possible to produce salted dried fish. Salted dried Atlantic salmon will be added to salted Atlantic cod, as well as a variety of other specialized products (sauces). Thus, Portugal will continue to be the main export market, as it is most attractive.

Using the potential of Olga Godø AS, it is also possible to co-operate with other producers, for example, Slowfish.no, which promotes Norwegian salted dried fish in the world. It is possible both to participate in joint exhibitions and trade missions, and to co-operate with several manufacturers in order to execute larger orders. Support can also be received from the Norwegian Sea Export Council.

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7 OPERATIONS

7.1 Site Selection

LaNoDe currently operates a limited processing facility at Miera iela 3, Roja, Rojas pag., LV-3264 which is leased from Baltic Fish Processing SIA <http://company.lursoft.lv/baltic-fish-processing/41203045042>. Current production is limited because of space restrictions.

Numerous sites in Latvia have been considered. However, the preferable alternatives were:

1. In Roja <http://roja.lv/> at Ostas iela 3: This involves an area of 2,500 m² which is leased by another fish processing plant (IRBE), which leases land from municipality. LaNoDe would sub-lease part of IRBE's land and possibly go into some sort of a joint venture with IRBE. Roja is an established fishing village with a population of 6271. The lease has not yet been arranged and is subject to negotiation.
2. In the port of Mersrags <http://www.mersrags.lv/> at Lielā iela 62 Mērsrags. 10,000 m² is leased from the municipality, and there is adjacent land which could allow for expansion in the immediate area. Mersrags has a population of 1,532. The property located on landfill. LaNoDe has entered into a long-term lease agreement for land lease in Mersrags, Lielā iela 62 for 30 years.

Mersrags was chosen as the preferred alternative after a technical and risk evaluation based on the fact that the independence of operations and the possibility for expansion were critical factors.

Issues identified during the evaluation were:

Roja is the most acceptable site for the manufacturing facility to meet the current objectives from a technical evaluation point of view. The main factors affecting this evaluation include:

- a larger local work force and service organizations,
- more local support from an existing fishing community,
- potential benefits and cost reductions of working with IRBE,
- Roja is a established and sizable fishing community.

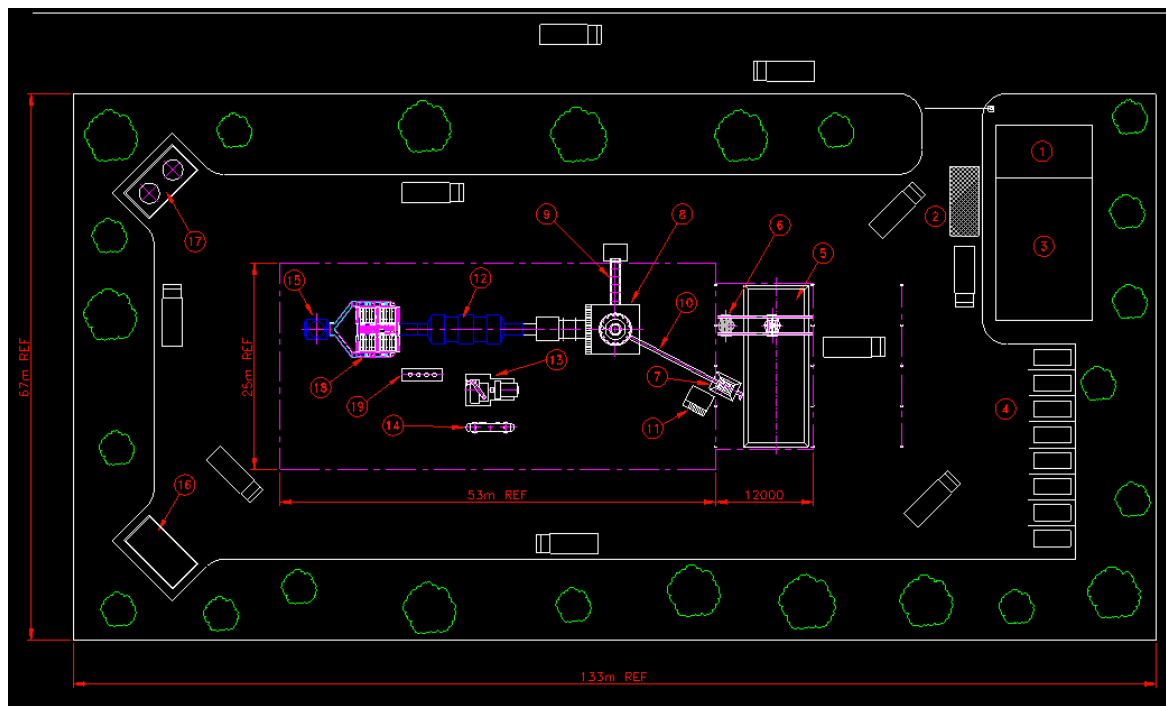
Mersrags does offer noticeable possibilities for expansion. This is not the case in Rija. It should be noted that Roja is a 30 minute drive from Mersrags which is not a prohibitive distance to travel if need be.

The Mersrags site is more favourable from a risk mitigation point of view. The main factors include:

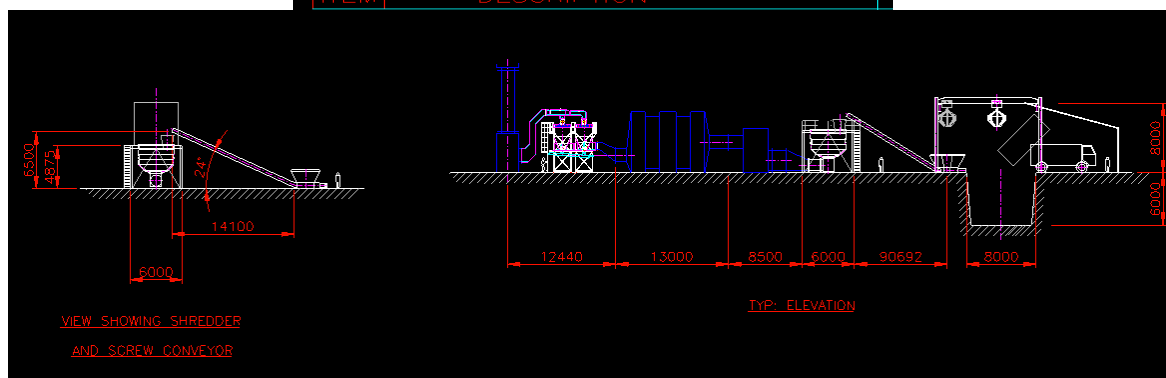
- The unpredictability of the partner company, IRBE. Any financial, operational or management issues could potentially negatively affect LaNoDe.
- Should LaNoDe go into a joint venture with IRBE, this will affect the independence of LaNoDe decision making and could negatively affect LaNoDe development.
- If Roja were to be selected as the production site, every effort would have to be made to decrease the risk by arranging lease and cooperation agreements that protect LaNoDe from any problems IRBE could experience, or issues with IRBE's management. However, coming to an acceptable agreement will be time consuming with no guarantee of success.
- The territory available in Roja is limited to 2,500 m² which adds another risk. The planned building sizes of 1,000 m² and 300 m² are not based on dimensioned layouts but rather on construction regulations and best guesses. Should additional under-the-roof areas be required, this could be a major problem un Roja.
- Though Mersrags offers more independence than the Riga site, a degree of risk does exist as the plant will be "on its own". As a result, there will be additional costs for water and sewage handling and providing infrastructure, which, at this point, are considered to be acceptable. This has been considered in the evaluation.

7.2 Site plan

During the application for EU financing under the European Maritime and Fisheries Fund (EMFF) "Processing of fishery and aquaculture products" project, a concept design of the facility was prepared by the architects.



19	DE-SUPER HEATER
18	FILTRATION PLANT
17	TANK FARM
16	SUB-STATION
15	CHIMNEY
14	CONDENSER
13	TURBINE
12	BOILER
11	OPERATOR PLATFORM
10	SCREW CONVEYOR
9	RESIDUE CONVEYOR
8	200S REACTOR UNIT
7	SHREDDER
6	OVERHEAD CRANE
5	REFUSE PIT
4	CAR PARK
3	ADMINISTRATION BUILDING
2	WEIGHBRIDGE
1	GATE HOUSE
ITEM	DESCRIPTION



7.3 Process

Currently, LaNoDe receives fresh, frozen cod from Norwegian suppliers. Upon receipt, they are unpacked and placed in thawing tanks. The fish are defrosted, then dissected and the backbone removed. Salting is then carried out in large 1000-liter containers. This takes from 7 to 14 days. When the cod is matured and held for a suitable period of time, they are removed from the tanks, cleaned of blood and further sprinkled with salt. The salted cod is drained and graded in different sizes. The finished fish are then packed in pallets and cooled down. When the cod is chilled, it is ready to be transported to the supplier. Delivery to markets in Europe is possible by road within 2-3 days.

In the new plant, the production process will be upgraded with not only with more efficient processing equipment but also with the drying tunnel which will provide an opportunity to supplement existing products with salted dried fish. The drying process lasts 2-4 days depending on the size of the dried fish. The introduction of the drying process will also allow future processing and export of other fish species that can be marketed outside Europe: logs, ling and tusk. The total length of the production process is 4-5 weeks depending on the size of the fish, as drying processes take longer for larger fish.

7.4 Equipment

At the moment, the fish salting line, which includes the Baader 440 frozen fish separation equipment, fish cleaning equipment, washing plant, pallet frames, conveyors, water pump, fish boxes in Roja, including:

Baader splitting machine



Brushing machine - Fodema



Conveyors



Lifting table



Flygt pump



Pallet weight scale



Lifting bukk 1



Lifting bukk 1



weight 100kg



Palleting - Aluminum frames Shower table

Packing line – Strapex

Investment / Financing Proposal
To relocate a Salt Fish Production Business
from Norway to Latvia



Withe wing table



Dryer wagons



Automatic salt dispenser – Optimar
and Containers - 100



Other equipment:

- Defroster
- Automatic salt dispenser - Optimar Stette
- Salt buffer, w/screw
- Containers - 100
- Drier - Vifte
- Forklift 1&2
- Charger 1&2

As part of the EMFF project associated with the construction of the new plant, additional equipment will be purchased to complement existing production facilities, increase productivity, improve output and quality. This will include:

- Frozen Fish Defrosting Plant
- Packing and Frozen Fish Distribution Station
- Drier machinery (Climacontrolled dryer system)
- Pallet lifting machine
- Loader AG1N1L20Q
- 30 Containers Nilkamal R1000
- Software and computer-aided manufacturing process management

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7.5 Sales – Supply Side and Clients

7.5.1 Supply Side - Projected requirements

Position	Requirement (t/month)
Frozen cod inputs purchased	168.8
Frozen saithe inputs purchased	26.0
Frozen small saithe inputs purchased	35.6
Total Requirement	230.4

Raw product will be supplied by:

Baltijas Juras Veltes: 90 t/month
Molja AS: 140 t/month

Note:

1. Baltijas Juras Veltes (BJV) stocks represent volumes that have been caught over the last five years. BJV has access to other raw material sources, but they are not currently being considered by LaNoDe.
2. Molja AS has been a regular supplier for Olga Godø AS. It is expected that this relationship will continue.

7.5.2 Projected Sales (Production):

Position	Production (t/month)
Salted cod, produced	80.0
Bacalhau (salted dried cod), produced	30.0
Salted dried saithe, produced	13.0
Total Sales (Production)	123.0

Firm sales expected from the following (provided in writing):

ELAMER S.A. (Greece) 500 t/year = 42 t/month
SuperFish (Portugal) 400 t/year = 33 t/month
Toralf Akslen (Portugal) 600 t/year = 50 t/month
Total: **125 t/month**

Note: ELAMER S.A of Greece, SuperFish of Portugal and Toralf Akslen of Portugal have all been clients of Olga Godø AS and/or LaNoDe and have indicated that they are prepared to take LaNoDe production.

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8 MANAGEMENT and KEY PERSONNEL

8.1 Key Personnel - SIA LaNoDe



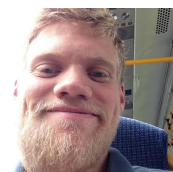
Ståle Godø is a Norwegian citizen with over 36 years of experience in the Norwegian cod processing company Olga Godø AS and is the owner and manager of SIA LaNoDe. Olga Godø AS has been in the family since its foundation in 1927. Olga Godø AS's core business has been the production of salted and salted dried cod, therefore Ståle Godø has gained extensive experience in all aspects of raw material (fish) procurement, production and product sales, has worked with various markets and gained a deep understanding of possible fluctuations in raw materials and other factors of production, as well as finished products at market prices.



Andrey Poroshin is the owner of Baltijas jūras veltes, and will serve as the Chief Financial Office of LaNoDe. He has been in the industry since 1999 and is totally familiar with the supply side of the fish processing business, having worked in the regions of northern Norway and Russia, and developed a sales for raw fish in Northern Europe. The addition of LaNoDe to his portfolio provides for added value services to an already established business. He has a wide knowledge of the Russian market for fresh and frozen fish and also has a large number of business contacts with ship-owners of fishing vessels, which gives additional opportunities for the purchase of raw materials for direct supply.



Yuri Anushkin is the General Manager of the Oceanprom LLC. He has been in the industry since 1999, and is an associate of Andrey Poroshin. He is responsible for the formation of the crew and together with the captain determines the areas of operation, the range of each catch and ports for unloading and logistics of delivery of goods around the world.



Øyvind Snorre Magelssen Godø is the son of Ståle Godø. At an early age he was involved in the production of salted fish and dried fish. He has also taken great interest in media and journalism, and has studied media and communication. He also spent two years studying television production. He was appointed as a trainee sports journalist at Norway's largest local newspaper, and worked there for one year. After that, he worked for two years as a webmaster in the television company TV Vision Norway. In 2014, Øyvind moved home to join Ståle's project in Latvia. In this connection he has started business studies which he completes in early 2018. Øyvind has gained knowledge and contacts in the industry since 2014. Among other things, he has an important role in fish factory Riksheim Fisk AS. The company receive 1000 tonnes of cod during a season.

Gunters Lapsa has been working with Olga Godø in Norway for several years, and will be the Foreman in Latvia.

Valerij Vladimirov: Technical Manager

Inguna Lapsa: Accountant

Andrijs Smits: Legal Services:



8.2 Key Personnel - Olga Godø AS

- Shareholders: Ståle Godø – 80% Godøy Akvafisk DA – 20% up to 2017
- Shareholders: Ståle Godø – 100% after 2017.
- Board of Directors: chairman Ståle Godø
- Ståle Godø Managing Director, Øyvind M. Godø

8.3 Key Personnel - Baltijas jūras veltes, SIA

- Shareholders: Andrey Poroshin

8.4 Distribution of responsibilities:

Ståle Godø

- Olga Godø AS, Norway, 50%

- Establishment, rebuilding etc Latvia
- Management Latvia 50%

Andrey Poroshin

- Management of LaNoDe 50%
- Management of Baltijas jūras veltes, SIA

Øyvind Godø

- Management Latvia 100%

Guntars Lapsa (28)

- Production Manager Latvia 100%

The company currently employs 7 people, consisting of Ståle Godø, a production manager and five employees. Ståle plans, organizes, monitors and improves the company's operations, as well as conducts business development projects. In addition, he ensures the management of the product implementation process, organizes the company's publicity and product promotion activities. Øyvind assists Ståle as required.

When the plant is complete, it is expected to employ 15 employees in production, plus additional administrative staff.

8.5 Consultants:

Architect: Smart properties www.smartproperty.lv/en/

Girts Barenis
Egija Veisa
Maris Sedlenieks

Business Development and Finance Consultant

Jānis Ozoliņš Corporate Management Expert Bureau, www.cmebureau.com/en/

Engineering and Project Management Consultant

“TP Riga” SIA (Latvia) / Technical Partners International Inc. (Canada) <http://tpriga.lv/>

Ed Kalvins, Senior Consultant, is a Latvian-Canadian who operates Technical Partners International Inc. of Canada and “TP Riga” SIA of Latvia from offices in Riga, Latvia. As a Canadian engineer with extensive Project, Production and Engineering experience in Canada and 20+ years in Latvia, he has developed both a significant contact network and a deep understanding of local conditions while still understanding western business expectations. www.linkedin.com/in/ed-kalvins-6b4874a.

His particular strength is documentation and control processes required in project management and helping clients manage and develop their businesses. He developed and uses the **PM-PROformance™ System**, www.pm-proformance.com, a hands-on project management system which helps small and medium sized business units organize project work, and supports business initiatives as the President of the Canadian Chamber of Commerce in Latvia (<http://cancham.lv/>).

Project Group:

Alvis Līdums – BA – Economics – Manufacturing, BA – Business Administration, MA – Public Administration (University of Latvia). Project Manager. Industrial Engineering and Project Management experience. Cogeneration specialist for CHP plants.

Jānis Zvirbulis – MSc - Electrical and Power Engineering (Riga Technical University, Latvia). Electrical Systems Design Specialist. Substation, air conduits, aerial cables and transmission line design; interior installations and lighting design; cogeneration station construction design.

Andris Pumpurs – B.Sc.Env and M.Sc.Env (University of Latvia). Environmental projects specialist. Management, personnel administration, environmental and project administration.

Anita Boldane – BA - Economics (University of Rezekne, Latvia). EU certificate in Project Management. Project Group Manager. Engineering services specialist. Project coordination with municipal institutions.

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9 DEVELOPMENT and EXIT PLANS

9.1 Development

Priority will be given to maintaining and expanding the current procurement and distribution network, and using Olga Godø AS to network into Norway's world resources and markets.

Consideration will be given to working with a strategic partner for the development of the business, and to provide additional security.

The EMFF project will allow for the establishment of a modern fish processing plant in Latvia. Expanding the product range will be considered.

With the support of the Latvian Investment and Development Agency, LaNoDe plans to participate in international exhibitions.

Consideration will be given to developing a fish farming facility in connection to the processing plant.

9.2 SWOT Strengths and weaknesses, opportunities and threats Analysis

Strengths:

- Good understanding of the economic issues related to salting dry fish production, optimal business model and production volume
- Long-term experience in production
- Successful sales practices in international markets over a long period of time
- Most of the necessary production equipment is available
- An energetic and targeted management team
- There is a range of skilled Latvian workers who have experience in working in Norway
- Technological process stability

Weaknesses:

- Lack of working capital
- The rented production area in Roja is small - with existing facilities
- In larger areas it would be possible to process larger quantities of fish
- Production is associated with the application of traditional technologies and techniques that requires a great deal of hand work

Opportunities:

- Possibilities to invest in a plant with support of EU funds
- EU funds support for the acquisition of foreign markets for Latvian products
- Increase in demand for salted and salted dried fish in several
- Export markets
- Possibilities of sales are not affected by EU economic sanctions against Russia because orientation is on entirely different markets
- Possibility of expanding production to other fish types

Threats:

- Increase of labour costs in Latvia
- Increase in energy prices
- Reduction of fishing quotas for individual fish species

The major risks identified with and Latvian operation are expected to be

- Risk of running into problems with the operation as such, manpower, productivity, the authorities.
- Risk of reduced market price for salt fish
- Risk of reduced demand for salt fish
- Risk related to buying fish from Norway where the NOK/EUR rate will affect profitability

9.3 Exit Plan

There is no exit plan. The current owners intend to keep the business in the family.

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10 Finances

10.1 INCOME STATEMENTS

Included in detailed financials.

FINANCIAL HIGHLIGHTS										
Unit: EUR										
Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sales	63 600	63 600	8 091 345	8 821 140	8 821 140	8 821 140	8 821 140	8 821 140	8 821 140	8 821 140
EBITDA	58 920	41 149	633 702	715 834	715 834	715 834	715 834	684 167	684 167	684 167
EBITDA margin, %	93	65	8	8	8	8	8	8	8	8
Net profit or loss	52 176	11 739	362 427	464 311	486 211	507 199	512 674	590 555	607 871	607 871
Net profit margin, %	82	18	4	5	6	6	6	7	7	7
ROE, %	52	2	36	32	25	21	17	17	15	13
ROA, %	40	1	13	17	18	18	15	15	14	12
Net present value	1 972 707									
IRR	0.28									
Total investment cost in fixed assets	1 831 100									
Investment in working capital	158 900									
Sources of financing										
Payment for company shares	530 000									
Loans	1 460 000									

10.2 BALANCE SHEET

Included in detailed financials.

10.3 European Maritime and Fisheries Fund EMFF Project

European Maritime and Fisheries Fund EMFF "Processing of fishery and aquaculture products" project application provides SIA LaNoDe as an existing fish processing company to qualify for eligible costs of EUR 250000, plus a five-fold net turnover in 2015, a total of EUR 922 375 at a 50 % support intensity. The project includes design, construction, equipment delivery and installation. The funding of the EMFF is expected to be received in February 2018. The benefit to LaNoDe would be **€461,000**.

10.4 Owner Input

10.4.1 LaNoDe: LaNoDe is contributing the following worth to the project:

LaNoDe Contribution

Equipment Inventory at Roja (inventarizācijas akts) - Book Value	€ 55
Dryer (Used)	€ 422
Dryer wagons for fish (wooden wagons approved from ESA (EU-food control) 65 units	€ 35
Project costs to date	€ 20
Total past investment and equipment	€ 532
Cash	€ 30
Total investment	€ 562

LaNoDe SIA

Inventarizācijas akts

Atlasīts pēc : Datums: šodienā, Izslēgts: Nav izslēgts

Kartītes numurs	Nosaukums	Iegādes datums	Nolietojamā vērtība	Aprēķinātais nolietojums	Atlikusī vērtība	Skaits gr.uzsk.	Skaits faktiskais
2	Zivju kaste/vagons	01.03.2009	628.72	628.72	0.00	1	
3	Ledusskapis	08.06.2009	853.51	853.51	0.00	1	
4	Dators Acer eMachines E640G	19.10.2010	701.66	701.66	0.00	1	
5	Ūdens sūkņi	28.12.2010	209.67	209.67	0.00	1	
6	Zivju sadalīšanas iekārta	19.09.2011	42 539.40	7 798.89	45 375.05	1	
7	Zivju pārstrādes iekārta	26.09.2011	2 985.05	547.26	2 437.79	1	
8	Zivju pārstrādes iekārta	26.09.2011	2 985.05	547.26	2 437.79	1	
9	Zivju pārstrādes iekārta	26.09.2011	2 985.05	547.26	2 437.79	1	
10	Ūdenssūkņi, lentas, caurules, alumīnija galds	06.10.2011	1 822.81	334.18	1 488.63	1	
12	Palešu stīpojamā mašīna lietota	20.04.2016	540.09	72.01	468.08	1	
Kopā			56 251.01	12 240.42	54 645.13	10	

10.4.2 Baltijas jūras veltes: Baltijas jūras veltes is contributing the following worth to the project:

Baltijas jūras veltes Contribution

Cash	€ 500
Credit on working capital	€ 100
Total investment	€ 600

10.5 Capital Funding Requirement

Equipment and building

Process and Related Equipment Costs	€ 600.6
Building, Site and Non-Process Related Costs	€ 1,143.3
Contingency	€ 87.2

Capital Funding Requirement

€ 1,831.1

10.6 Sources of Funding

Sources of Funding

Baltijas jūras veltes	€ 500.0
Stāle Godø / Olga Godø AS	€ 30.0
Loan requirement for capital project	€ 1,301.1

Capital Funding Requirement

€ 1,831.1

10.7 Loan for Capital Project

Loan for Capital

Loan requirement for capital project	€ 1,301.1
EMFF fund payment on plant commissioning	€ 461.0

Loan to capital project after EMFF fund payment

€ 840.1

10.8 Working Capital

Working Capital Funding Requirement

Working Capital (for the purchase of fish stocks)	€ 613.0
Working Capital (for operating expenses)	€ 106.9

Total Working Capital Funding Requirement

€ 719.9

Baltijas jūras veltes contribution to working capital	€ 100.0
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Working Capital Loan

€ 619.9

Note: working capital will only be required after the plant is commissioned.

Refer to [Attachment #2 – Capital Plan](#) for details.

10.9 Total Funding Requirement – Loans

Total Funding Requirement - Loans

Loan allocated to capital project	€ 840.1
Working Capital Loan	€ 619.9

Total Loans

€ 1,460.0

10.10 Overall Capital Project Value

Overall Capital Project Value

Equipment and building	€ 1,831.1
LaNoDe Contribution	€ 531.6

Total Project Value

€ 2,362.7

10.11 Cash flow

Included in detailed financials.

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Attachment #1 - Feasibility Study

Feasibility Study to study the possibility of establishing salt fish production in Latvia by Sindre Rotevatn of the Norwegian Maritime Competence Center MRB.

The following are excerpts from the original report. The original report is available on request.

This report is based on an assignment from Olga Godø AS, as defined by Chairman Bjørn Tunheim and completed with information from Ståle Godø. The work was carried out in January-February 2015.

Conclusions:

1. Establishment of salt fish production in Latvia may be interesting because it is within the EU, because labour is available and because Latvia is low cost (relative to Norway)
2. The most critical is that Ståle and / or Øyvind are 100% involved, and that one has trusted partners in Latvia.
3. Emphasis should be placed on finding a good, if possible, key, location. Estonia and Poland can also be considered.
4. Focus on the production line for salt cod, delivery to Portugal, Italy and Greece, mainly through independent distributors without their own salt fish production.
5. Contract packing for others should be used as a supplementary work. Own production should be a priority for halving higher margins on sales volumes, assuming one way to finance own production.
6. Investment needs depend on whether one invests in building or leasing buildings:
 - a. Investment Operations about €350,000 in start-up and working capital.
 - b. Investment Facility approximately €250,000.
7. Distribution channels must be considered more prior to choosing partner(s).

Business Rationale for going abroad

Several small players in Norway have discontinued because of:

- High Labour Costs
- Small players are not able to optimize their production the way producers with substantially higher volume can.
- Too low purchasing volume
- The big players prioritize their own volume and value chain when markets are tough
- Lack of international / export competence
- Small players do not have significant export competence

Comments: Labour cost is not important enough / big enough alone to motivate moving abroad. A small scale producer will never manage the same level of production cost as a big producer. Ståle Godø has several years of production experience to minimize the difference.

Low Cost Country / EU

- Pro:
 - Production Costs
 - Available man power
 - Less customs barriers and risk
 - Reduced currency risk
 - Handover of competence to next generation
- Contra:
 - Running an operation «far away from home» in another country and culture

Success Factors for Latvian Satellite

- Critical:
 - Continuous presence of Ståle and / or Øyvind
 - Reliable Collaborators
 - Location
 - Cost / Benefit
 - Without surprises in costs or other aspects
- Important
 - Market access through reliable partnerships - As the volume (1.000 ton) is limited in a total market, this is expected to be possible to establish
 - Reliable sourcing

Financial Basis: The Plant at Godøya to be

- sold; indication €350,000, or
- rented out; indication €30,000/year

Why EU:

- Importing HG fish from Norway to EU implies no, or very low, risk of customs barrier at any time
- Salt Fish is in practice free of customs for the time being (Tariff- rate Quota), but risk of duty remains
- Free distribution of salt fish and any other kind of processed fish within EU
- Simplified logistics
- Reduced currency risk
- Lower Costs in the Eastern part of EU

Why Latvia:

- Low Cost
- 10 years of experience
- Personal relations
- Available man power
- Reasonable business environment

About Estonia:

- Estonia has a fish processing industry / tradition

About Poland:

- Poland has for a long time been an important destination for Norwegian seafood. Poland has one of the largest and most modern fish processing industry in Europe
- The biggest export market for Norwegian seafood
- Olga Godø AS has no specific relation to Poland

Additional issues to consider

Land risk
Political risk

Evaluation criteria location in Latvia

- Inbound logistics: Reachable from Northern Norway within 1-2 days by truck
- Production:
 - Premises / Site
 - Apr. 1.000 m², later expansion should be possible
 - Preferably used for food production previously
 - As close to «turn-key» ready as possible
 - Water: Satisfactory water quality and supply (30 m3 per day),
 - Bacteriologic clean enough for food production
 - Chemical, limited contaminants
 - Waste water: Satisfactory waste water solution(30 m3 per day)
 - HACCP
 - Building approved or approvable for food production. Building fulfilling HACCP requirements
 - Satisfactory personnel flow
 - Satisfactory goods flow
 - Materials of a satisfactory quality (stainless steel, concrete, plastic)
 - Manpower: Available management and manning
 - Financing: Local financial solution for the building
- Outbound Logistics:
 - Within EU: Reach major European Markets within 1- 2 days by truck

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Investment / Financing Proposal

To relocate a Salt Fish Production Business from Norway to Latvia

Attachment #2 – Capital Plan

Description	Units	Floors	Total area of building m²	Land area, m²	Cost per m²	Total construction cost	Equipment & Misc. costs	Architectural, Design & Specification			Project Management, Construction Management, Design Supervision			Total Capital			
1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0			9.0			10.0	11.0			
Total Capital Requirement							€ 953	€ 708				€ 73			€ 100		€ 1,831
Contingency @5%							€ 45	€ 37				€ 3			€ 5		€ 87
Total Building and Equipment Costs		1,805.0					0.0	€ 908				€ 671	€ 70		€ 95		€ 1,744

Process and Related Equipment Costs							
New Equipment Purchases							€ 317
Dryer (LaNoDe)							€ 0
Dryer wagons for fish (wooden wagons approved from ESA (EU-food control) 65 units (LaNoDe)							€ 0
Frozen Fish Defrosting Plant							€ 239
Unpacking and Frozen Fish Distribution Station							€ 13
Pallet lifting machine							€ 16
Loader AG1N1L20Q							€ 27
30 Containers Nilkamal R1000							€ 5
Software and computer-aided manufacturing process management							€ 18
Processing Equipment Installation							€ 50
Relocation from Saldus & set up							€ 50
Plant Equipment							€ 20
Boiler							€ 20
Control Systems							€ 0
Process control system							€ 0
Monitoring equipment which complies with local Latvian requirements							€ 0
Balance of Plant							€ 60
Undefined Equipment							€ 60
Delivery							€ 0
Entire Plant Equipment							€ 0
Connections to Utilities							€ 64
Power connection							€ 14
Wastewater treatment connection							€ 50
Heat connection							€ 0
Environmental Assessments							€ 64
Preliminary Assessment							€ 7
B Pollution Certificate							€ 57
A Pollution Certificate							€ 0
Total Equipment							€ 575

% Misc	€ 2
0.50%	€ 0
0.50%	€ 0
0.50%	€ 1
0.50%	€ 0
0.50%	€ 0
0.50%	€ 0
0.50%	€ 0
0.50%	€ 0
0.50%	€ 0

% Misc	€ 3
1.00%	€ 0
1.00%	€ 0
1.00%	€ 2
1.00%	€ 0
1.00%	€ 0
1.00%	€ 0
1.00%	€ 0
1.00%	€ 0
1.00%	€ 0

€ 321
€ 0
€ 0
€ 243
€ 13
€ 16
€ 28
€ 5
€ 18

% Misc	€ 1
2.00%	€ 1

% Misc	€ 3
6.00%	€ 3

€ 54
€ 54

%	€ 0
2.00%	€ 0

%	€ 0
2.00%	€ 0

€ 21
€ 21

%	€ 0
2.00%	€ 0

%	€ 0
6.00%	€ 0

€ 0
€ 0

%	€ 0
2.00%	€ 0

%	€ 0
6.00%	€ 0

€ 66
€ 66

% Misc	€ 0
0.00%	€ 0

% Misc	€ 0
6.00%	€ 0

€ 0
€ 0

% Misc	€ 4
6.00%	€ 1
6.00%	€ 3
6.00%	€ 0

% Misc	€ 3
4.00%	€ 1
4.00%	€ 2
4.00%	€ 0

€ 70
€ 15
€ 55
€ 0

%	€ 4
6.00%	€ 0
6.00%	€ 3
6.00%	€ 0

€ 68
€ 8
€ 60
€ 0

€ 9

€ 17

€ 601

Investment / Financing Proposal
To relocate a Salt Fish Production Business
from Norway to Latvia

Building, Site and Non-Process Related Costs									
Buildings - Production			1,565	0		€ 738	€ 0		
Total building	All	1.0	1,565		€ 0.47	€ 738	€ 0		
Admin/staff			240	0		€ 171	€ 70		
Administration	Total	1.0	240		€ 0.71	€ 171	€ 0		
Air conditioning (administration and meeting rooms)		1.0				€ 0	€ 30		
Administrative section heating		1.0				€ 0	€ 0		
Internal electricity		1.0				€ 0	€ 0		
Internal low current		1.0				€ 0	€ 0		
Internal water		1.0				€ 0	€ 0		
Internal sewage		1.0				€ 0	€ 0		
Office furniture		1.0				€ 0	€ 20		
Kitchen & cafeteria equipment		1.0				€ 0	€ 10		
Office equipment and supplies		1.0				€ 0	€ 10		
Other facilities			0	0		€ 0	€ 40		
Diesel tank							€ 10		
Weighbridge							€ 30		
External Infrastructure / Utilities			0	0		€ 60	€ 0		
Transformer						€ 0	€ 0		
Gas connection						€ 0	€ 0		
Electricity to buildings						€ 10	€ 0		
Water supply to buildings						€ 10	€ 0		
Sewage and biological filtration						€ 10	€ 0		
Firefighting water reservoir						€ 10	€ 0		
Telecommunications to buildings						€ 10	€ 0		
Fire alarms						€ 10	€ 0		
Site work			0	0		€ 110	€ 0		
Site preparation						€ 10	€ 0		
Roads						€ 25	€ 0		
Walkways						€ 5	€ 0		
Parking						€ 20	€ 0		
Drainage						€ 10	€ 0		
Landscaping						€ 10	€ 0		
Fencing						€ 10	€ 0		
Security systems, gates, wall, fence						€ 20	€ 0		
Decontamination						€ 0	€ 0		
Misc equipment			0	0		€ 0	€ 56		
Lift truck							€ 25		
Lawn mower							€ 1		
External lighting and signs							€ 10		
Transportation							€ 10		
Building maintenance supplies							€ 10		
Total Building and Site Costs			1,805.0	0.0		€ 908	€ 96		

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Attachment #3 – Supplemental Information on the Ability to Repay Loans

The issue recently raised pertains to the perception of lenders as to the owner's ability to pay back loans and centers around the ability (or inability) to meet sales volumes. This is an erroneous perception that needs rectifying. The following comments should clarify the situation.

1. Reputation of the industry

The fish processing industry in Latvia is in a difficult situation with a number of companies experiencing extensive financial difficulties and therefore considered bad risks by financing institutions. It needs to be noted that their customer base is in Russia and subject to Russian sanctions on EU food products. These sanctions are currently in place and are affecting Latvian companies.

The LaNoDe project is different. The customer base has been established in the EU and the owners have an extensive track record of operating in the industry.

2. History of Operations.

LaNoDe is owned by Ståle Godø, who together with his son Øyvind Godø, have operated the family business which started in Norway in 1927 and transplanted this business to Latvia in 2005. See section 2.2 for details. This represents 89 years of familiarity in the business, but also an ability to survive financially.

Baltijas Juras Veltes is one of the companies owned and operated by Andrey Poroshin and Yuri Anushkin since 1999 servicing the EU through companies registered in Russia, Latvia and Estonia, and with a customer base in the EU. See section 2.3 for details. Besides a 19 years track record, they have demonstrated an ability to improve their financial position.

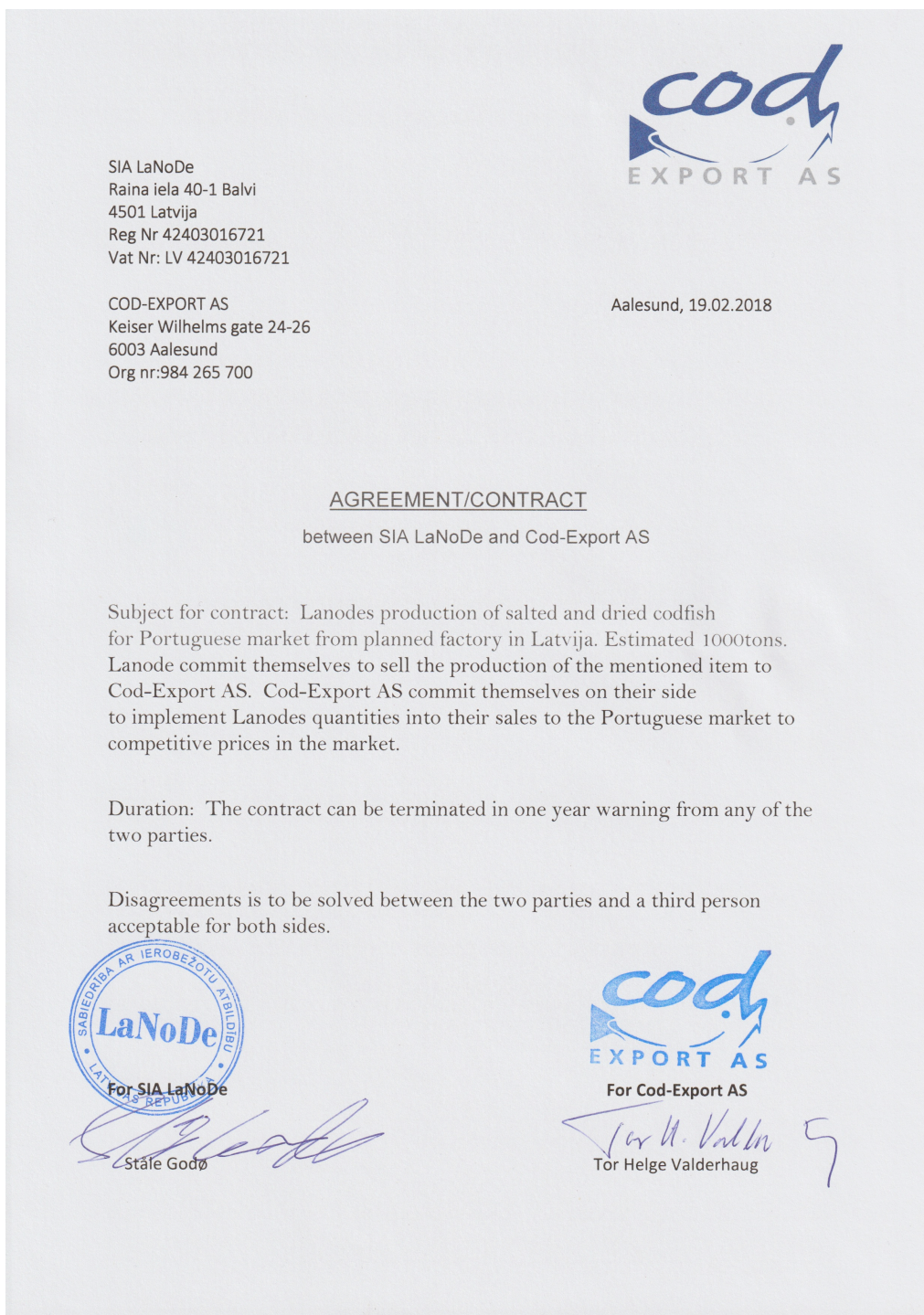
The following is a summary table of the finances of the individual companies involved. The emphasis is in growth and sustainability. While past operations may not support the ability to meet the financial obligations of a loan, the knowledge and experience to generate growth and sustainability does.

	Ståle Godø and Øyvind Godø								Andrey Poroshin and Yuri Anushkin											
	Olga Godø AS (Norway)				LaNoDe (Latvia)				Baltijas Juras Veltes (Latvia)				ADWIND OÜ (Estonia)				Oceanprom (Russia)			
	Turnover		Profit		Turnover		Profit		Turnover		Profit		Turnover		Profit		Turnover		Profit	
	NOK	EUR	NOK	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR		EUR		EUR	RUB	EUR	RUB	EUR
2017	744	77	-350	-36		197		-8	-		-		-	1,926		340				
2016	1,151	119	-452	-47		108		-49	-	4,155	-	12	-	-	-	-	233,438	3,331	616	
2015	2,731	283	1,831	190		134		9	-	3,903	-	14	-	-	-	-	235,532	3,363	#####	26
2014	491	51	-101	-10		40		-24	-	2,747	-	10	-	-	-	-				
2013	778	81	-53	-5	24	33	-12	-17		27		5	-	-	-	-				
2012	1,009	104	-221	-23	4	6	-8	-11					-	-	-	-				
2011	7,902	818	-366	-38	57	80	-9	-13	-	-	-	-	-	-	-	-				
2010		1,547	196	20	168	233	57	79	-	-	-	-	-	-	-	-				
2009		1,276	290	30	83	115	33	46					-	-	-	-				
2008		515	48	5	41	56	11	15	-	-	-	-	-	-	-	-				
2007		596	-95	-10	16	22	-2	-2	-	-	-	-	-	-	-	-				
2006		1,325	118	12	28	39	1	1	-	-	-	-	-	-	-	-				
2005		555	-253	-26					-	-	-	-	-	-	-	-				
2004		487	-56	-6					-	-	-	-	-	-	-	-				
2003		5,115	27	3					-	-	-	-	-	-	-	-				
2002		1,274	-1,018	-105					-	-	-	-	-	-	-	-				
2001		2,032	9,492	983					-	-	-	-	-	-	-	-				
2000		1,036							-	-	-	-	-	-	-	-				

Yellow – waiting for information.

3. Sales Projections

The owners do not agree with bank financial analysts who question LaNoDe's ability to reach projected sales volumes. The Projected Sales (Production) in section 7.5.2 is quite valid. However, an agreement has been reached with Cod Export AS of Norway <http://www.bacalhau.no/> for the sale of LaNoDe production. See below. Sales volumes are identified in section 7.5.2.



In the unlikely situation the sales reach only 50% of projected values, the following should be considered:

The information in this financing proposal states:

- Discounted payback period, years – **4**
- Loan payback period: **52 months**
- Internal rate of return (IRR) – **28%**

If we reach only 50% of sales projections, the following will apply:

- Discounted payback period, years – **9**
- Loan payback period: **52 months**
- Internal rate of return (IRR) – **7%**

In this case, the bank still gets its money back after 52 months.

In conclusion – achieving sales volumes is quite realistic.

4. Asset Values

When the project is completed LaNoDe's asset position will increase with the construction of facilities and the purchase and transfer of equipment. In a worst case scenario, these assets can either be sold or rented out to cover outstanding commitments, substantially reducing any risk of losses to lending institutions.

		Sale (asset) value
Loan amount	1.460	
Building value	1.143	1.143
Equipment value (new)	0.601	0.300
Equipment value (used)	0.532	0.266
Total		1.709

5. Future Options

The current project and associated projections are a conservative approach to staying in business based on currently known factors and experiences.

Supplemental income will be available from contract production/packing (for others), an issue that can't be pursued if there is no plant.

LaNoDe management also recognizes the potential of value added activities which include:

- Production of convenient products (COPRO),
- Processing of other species (eg. salmon, sardines)
- Production of other products (salads)
- Fish farming

Conclusions:

Risk has been mitigated by:

- having a secure market in the EU,
- the involvement of experienced owners with a substantial track record in the industry,
- a sales agreement with a reputable and major sales organization,
- assets,
- future plans.

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