Prospectus of the mandatory share redemption offer of AS “Daugavpils Lokomotīvju Remonta Rūpnīca”

1. TARGET COMPANY

AS “Daugavpils Lokomotīvju Remonta Rūpnīca” registered with the Enterprise Register of the Republic of Latvia on 3 October 1991 with the registration number 40003030219, registered address: Marijas iela 1, Daugavpils LV-5404, Latvia, telephone number: + 371 65404420, fax number: + 371 65404421, e-mail address: info@dlrz.lv web page address: www.dlrz.lv (hereinafter the “Target Company”).

2. OFFEROR

Company OÜ Lokomotiiv Investeeringud registered with the Enterprise Register of Estonia on 7 January 2005 with registration number: 11096115, registered address: Tartu mnt 18-18, Kesklinna linnaosa, Tallinn, Harju maakond, 10115, Estonia (hereinafter the “Offeror”).

The Offeror in total owns 1,110,685 shares of the Target Company all of which have been included in the regulated market and are comprising 13.39% of all voting shares and the share capital of the Target Company.

AS Skinest Rail, registration number: 10293440, legal address: Mõisa 4, 13522 Tallinn, Estonia, who owns 4,139,669 voting shares of the Target Company, Anna Šaranina, personal code: 201163-10245, who owns 160 voting shares of the Target Company, Ināra Škapare, personal code: 050756-10210, who owns 160 voting shares of the Target Company, Galina Kamrikova, personal code: 200156-10222 who owns 108 voting shares of the Target Company and Kazimirs Steļmačenoks, who owns 160 voting shares of the Target Company, (hereinafter all jointly the “Other Shareholders”) have acted jointly with the Offeror in the extraordinary shareholders meeting of the Target Company of 7 September 2017.

In the extraordinary shareholders meeting of the Target Company of 7 September 2017 the Offeror and the Other Shareholders have voted “for” exclusion of the Target Company’s shares from the regulated market. On 7 September 2017 the Offeror and the Other Shareholders have entered into an agreement according to which the Offeror has been authorized to make the mandatory share redemption offer (hereinafter the “Offer”) on behalf of the Offeror and the Other Shareholders without causing an obligation to Other Shareholders to purchase the shares of the Target Company in the result of the Offer and by accepting all financial liabilities arising out of the Offer.

The contact persons for the Offeror is Renate Purvinska and Eva Berlaus, telephone number: +371 67 365 000, e-mail address: info@sorainen.lv.

3. TYPE OF THE OFFER

The Offer has been made in accordance with Article 66 Paragraph four clause 2 of the Financial Instruments Market Law (hereinafter the “Law”), which provides that an offer addressed to other shareholders to redeem the shares owned by them must be expressed by a person or persons acting in concert, if they have voted in favour of the matter regarding exclusion of the shares from a regulated market at the shareholders’ meeting in which the decision to exclude the shares from a regulated market was taken.

4. ISIN CODE OF THE SHARES

The ISIN code for the shares of the Target Company recorded in the Nasdaq CSD SE (hereinafter "Nasdaq CSD") and listed in the Baltic Secondary list of AS "Nasdaq Riga" is LV0000101061.

5. PRICE PER ONE SHARE AND THE METHODS USED FOR ITS CALCULATION

The price for one share of the Target Company is EUR 0,44 determined in accordance with the provisions of Article 74 Paragraph one clause 3 of the Law, namely by dividing the net assets of the Target Company by the number of shares issued.

6. SHARE PAYMENT PROCEDURE AND TERMS

In order to perform payments for the shares, the Offeror will submit the share settlement purchase orders to Nasdaq CSD through AS LHV Pank. The share settlement purchase orders will be submitted in accordance with the Nasdaq CSD Regulations.

The payment for the shares will be made in accordance with DVP (delivery versus payment) principle on the fifth day after the lapse of the Offer term as provided in clause 7. If the payment term sets in on a public holiday or on other official day off, then the payment will be made on the next coming working day.

The shareholders, who accept the Offer, will receive the consideration for the sale of their shares in the Target Company through those credit institutions or investment brokerage companies with whom their financial instruments accounts have been opened.

7. THE OFFER TERM

The share redemption offer is valid on the next working day after its publication in the newspaper "Latvijas Vēstnesis". The validity of the offer is 30 days (hereinafter the "Offer Term").

8. THE PROCEDURES FOR ACCEPTING THE OFFER

8.1. The procedures for accepting the Offer for persons holding public shares of the Target Company.

A shareholder who wishes to accept the Offer in the Offer Term shall submit to the credit institution or investment brokerage company with whom he/she has opened a financial instrument account the Target Company's shares' settlement sales order, indicating there that the share sales transaction will be an over-the-counter transaction and will be performed in accordance with DVP (delivery versus payment) principle.

The following information on the seller, buyer and the shares must be indicated in the share settlement sales order to be delivered to the credit institution or investment brokerage company:

1) name, surname and identity code (or name and registration number) of the seller;
2) the name and registration number of the buyer of the shares – OÜ Lokomotiiv Investeeringud, registration number: 11096115;
3) the seller's financial instrument account number and the name of the credit institution or the investment brokerage company with whom the seller has opened a financial instrument account;
4) the seller's current account number for receipt of the consideration for the sale of shares, opened with a credit institution;

5) the buyer's financial instrument account number and the credit institution with whom the buyer has opened the financial instrument account: No 99102262333, opened with AS LHV Pank;
6) ISIN code for the shares **-** LV0000101061;
7) the amount of the shares to be sold;
8) redemption price for one share – EUR 0.44;
9) the date of settlement – the fifth date of the day after the Offer Term;
10) the reason for submission of the order – the acceptance of AS "Daugavpils Lokomotīvju Remonta Rūpnīca" share redemption offer.

Not later then at 4 pm on the next day after the Offer Term has lapsed, the credit institution or the investment brokerage company with whom the shareholder has opened the financial instrument account should record the shareholder's order in the settlement system of Nasdaq CSD.

All expenses related to acceptance of the Offer (payment for services of the credit institutions or the investment brokerage company with whom the shareholder has opened the financial instrument account, etc.) shall be borne by the shareholder (the seller).

The shareholder having registered his/her shares of the Target Company in the Initial Register and willing to accept the Offer, must perform the following activities before the sale:

1) to open a financial instrument account with a credit institution or an investment brokerage company and
2) to deregister (transfer) his/her shares to this account.

The list of credit institutions and investment brokerage companies where a financial instrument account can be opened, is available on the web page of the Nasdaq CSD:https://nasdaqcsd.com/lv/pakalpojumi/pakalpojumi-dalibniekiem/depozitarija-dalibnieki/ .

8.2. The procedures for acceptance of the Offer for persons not holding public shares of the Target Company

Considering that all shares of the Target Company are publicly traded, it is not necessary to determine a procedure for accepting the Offer by persons having no shares of the Target Company in the public market.

9. THE FUTURE PLANS FOR THE ACTIVITIES OF THE TARGET COMPANY

After the share redemption and exclusion from the regulated market, the Offeror intends to continue the business activities of the Target Company as provided in its Articles of Association and the approved strategy.

The employees of the Target Company maintain their positions and working places as provided in their employment contracts, continuing their employment according to the provisions of the employment contracts. Currently there are no changes planned in the respect of the above.

There are no plans to change the place of business activities of the Target Company or the Offeror.

10. OTHER MATERIAL INFORMATION

The prospectus of the Offer is available on the web page of AS "Nasdaq Riga": www.nasdaqbaltic.com, on the web page of the Target Company: http://www.dlrr.lv, as well as in the office of the Target Company at Marijas iela 1, Daugavpils, telephone number: +371 65404420, e-mail address: info@dlrz.lv.

11. COMPENSATION

Article 69 Paragraph 11 of the Law provides for compensation in case the shareholders' rights are restricted. In the current case the shareholders' rights are not restricted and there are no plans to restrict them, therefore there is no need to determine the amount for the compensation.

12. FINANCING RESOURCES OF THE OFFER

The Offeror has deposited financial means for purchase of the shares at its current account with AS LHV Pank.

13. LEGAL ACTS GOVERNING AGREEMENTS BETWEEN THE OFFEROR AND SHAREHOLDERS OF THE TARGET COMPANY IN RELATION TO THE OFFER, AND COURTS EXAMINING MUTUAL DISPUTES

Agreements entered into by the Offeror and shareholders of the Target Company are governed by the legal acts of the Republic of Latvia.

Any disputes arising between the parties will be solved in accordance with the legal acts of the Republic of Latvia.

Riga, 5 October, 2017

On behalf of the Offeror:

/virtually signed/

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Renāte Purvinska
Authorized representative