



AS "mogo"

Reg. No: 50103541751

LEI: 213800DOKX626GYVOI32

## Terms of the Notes Issue

Type of Security:	Notes
Nominal:	EUR 1,000
Nominal value of the issue:	EUR 10,000,000
Annual coupon rate:	10%
Maturity:	31 March 2021

Arranger:



27 November 2017

*These Terms of the Note Issue do not constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

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## Terms and abbreviations used

Agent	: A person authorized to represent the Issuer and to perform certain tasks
Arranger	: AS BlueOrange Bank (registration number: 40003551060, legal address: Smilšu iela 6, Riga, LV-1050, Latvia)
Business Day	: Business Day is the day when the Nasdaq CSD system is open and operational
Coupon	: Interest on Notes calculated in accordance with the Section 4.2.7. "Coupon payments"
Custodian	: Credit institution or investment brokerage company that has obtained the FCMC license or is entitled to do business and to keep securities in accordance with its country of registration laws
EUR	: Euro (single currency of the member states of the European Monetary System)
FCMC	: Financial and Capital Market Commission
First North	: Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga
First Settlement Date (Issue Date)	: The date when interest on the Notes start to accrue and is 1 December 2017
Interest calculation period	: The period of time between the First Settlement Date and the date of the first payment or between two Coupon payment dates
Issuer or Mogo	: AS "mogo" (registration number: 50103541751, legal entity identifier: 213800DOKX626GYVOI32, legal address: Skanstes iela 50, Riga, LV-1013, Latvia)
Legal acts	: All legal acts including FCMC, Nasdaq Riga and Nasdaq CSD regulations, which are in force in Latvia at the time of the Notes issue, as well as prior to the maturity date of the Notes
Minimum Settlement Unit	: The minimum amount which can be held/traded, which is equal to EUR 1,000
Nasdaq CSD	: Nasdaq CSD SE (registration number: 40003242879, legal address Vaļņu iela 1, Riga, LV-1050, Latvia)
Nasdaq Riga	: AS "Nasdaq Riga" (registration number: 40003167049, legal address: Vaļņu iela 1, Riga, LV-1050, Latvia)
Nominal	: Face value of a Note
Note	: Debt security that is issued by the Issuer according to the Terms of the Issue
Noteholder	: Private person or legal entity that is an owner of one or more Notes and has a claim against the Issuer as stipulated by the Legal acts
Potential Investor	: A private person or legal entity that has, according to the terms stated in the Terms of the Issue, expressed interest or is planning to purchase for its own account one or more Notes
Settlement Unit Multiple	: Multiple that defines that the settlement quantity or nominal must be a multiple of the defined value, which is EUR 1,000
Terms of the Issue	: This document, which entitles the Issuer to execute the Issue and the initial offering of the Notes

## 1. Summary

Part A. Introduction and Warnings		
Element and Request for the Provision of Information		Information
A.1	Warning to investors	<ul style="list-style-type: none"> <li>• This summary should be read as introduction to the Terms of the Issue;</li> <li>• Any decision to invest in the securities should be based on consideration of the Terms of the Issue as a whole by the Potential Investor;</li> <li>• Where a claim relating to the information contained in the Terms of the Issue is brought before a court, the plaintiff Potential Investor might, under the national legislation of the Member States, have to bear the costs of translating the Terms of the Issue before the legal proceedings are initiated; and</li> <li>• Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Terms of the Issue, key information in order to aid Potential Investors when considering whether to invest in such securities.</li> </ul>
Part B. Issuer and any Guarantor		
B.1	Legal name and commercial name of the Issuer	The Issuer's legal name is AS "mogo".
B.2	The domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation	<p>Country of location: Republic of Latvia.  Legal form: joint-stock company, legal status — legal person.  Date and place of registration: in the Commercial Register of the Republic of Latvia on 3 May 2012  Registration number: 50103541751  Legal address: Skanstes iela 50, Riga, LV-1013, Latvia.  The company's country of foundation is the Republic of Latvia.  The main regulatory enactments which regulate Issuer's activities:</p> <ul style="list-style-type: none"> <li>• The Commercial Law of the Republic of Latvia;</li> <li>• Cabinet Regulation No. 245 of 29 March 2011, "Regulations Regarding a Special Permit (Licence) of Consumer Credit Services";</li> <li>• Cabinet Regulation No. 691 of 25 October 2016, "Regulations On Consumer Credit" (these Regulations determine the requirements in relation to the content of consumer credit service advertisements, the procedures by which information shall be provided prior to entering into a consumer credit agreement, and the content of information, requirements for provisions of additional services, the requirements to be set out for the credit agreement and the information to be contained therein, the methodology for the calculation of the annual percentage rate of charge, foreign currency credit and variable interest rate credit provisions, the procedures for informing consumers during the duration of the credit agreement, the procedures for early repayment of credit and fair reduction of the total costs of the credit, the requirements applicable to individual types of credit agreements and the obligations of credit intermediaries, advisory requirements, as well as the legal framework for consumer credit for pledging movable property);</li> <li>• Law On Out-Of-Court Consumer Dispute Resolution Bodies (the purpose of this law is to lay down uniform requirements for the out-of-court dispute resolution bodies, in order to enable</li> </ul>

		<p>consumers to exercise and protect their lawful rights through independent, impartial, transparent, efficient, fast, and fair out-of-court dispute resolution);</p> <ul style="list-style-type: none"> <li>• Personal Data Protection Law (the purpose of this Law is to protect the fundamental human rights and freedoms of natural persons, in particular the inviolability of private life, with respect to the processing of data regarding natural persons);</li> <li>• Consumer Rights Protection Law (the purpose of this Law is to ensure that consumers are able to exercise and protect their lawful rights when entering into contracts with manufacturers, traders or service providers);</li> <li>• Unfair Commercial Practice Prohibition Law (the purpose of this Law is to ensure the protection of the rights and economic interests of the consumers by prohibiting the performers of commercial practices from utilising unfair business-to-consumer commercial practices);</li> <li>• Law On Extrajudicial Recovery of Debt (the purpose of this Law is to regulate the rights and duties of a creditor and a provider of debt recovery services in the field of debt recovery).</li> </ul>
B.3	A description of, and key factors relating to, the nature of the Issuer's current operations and its principal activities	The main area of Issuer's activity is the leaseback of vehicles or crediting against the vehicle already owned by the client and financial leasing of vehicles.
B.4a	A description of the most significant recent trends affecting the Issuer and the industries in which it operates	At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any recent tendencies that have negatively affected the Issuer or the activity of the crediting industry.
B.4b	A description of any known trends affecting the Issuer and the industries in which it operates	At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any identified tendencies that have negatively affected the Issuer or the activity of the crediting industry.
B.5	A description of the group and the Issuer's position within the group	The Issuer is operating company in Latvia within Mogo Group and it holds no significant interest in other subsidiaries within the Mogo Group.
B.6	Main shareholders of the Issuer	<p>The main shareholder of the Issuer is a holding company registered in Luxembourg "Mogo Finance S.A." (registration No. B 174.457, legal address: 9, Allee Schefer, L-2520, Luxembourg) which owns 98% shares of the company.</p> <p>At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer's control.</p>
B.7	Selected historical key financial information	<p>Issuer's financial figures, including audited annual reports and unaudited quarterly reports are available on Nasdaq Riga website:</p> <p><a href="http://www.nasdaqbaltic.com/market/?instrument=LV0000801363&amp;list=1&amp;pg=details&amp;tab=reports">http://www.nasdaqbaltic.com/market/?instrument=LV0000801363&amp;list=1&amp;pg=details&amp;tab=reports</a></p> <p>The Issuer's financial auditor of the last audited annual report is PricewaterhouseCoopers SIA.</p>

		As of the publication of the last audited financial statement, the financial situation or performance of the Issuer has not worsened. The Issuer is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.
B.8	Selected pro forma financial information	Issuer does not provide pro forma financial information.
B.9	Profit forecast or evaluation	The profit/loss forecast has not been carried out.
B.10	Objections in the financial information of the audit report	The reports on the audit of the financial statement for 2015 and 2016 contained no objections.
B.11	Issuer's equity	The last audited total equity of the Issuer is EUR 8,321,447.
B.12	Forecasts regarding the Issuer	The forecasts regarding the Issuer contain no crucial negative changes after the publication of the last audited financial statements.
B.13	A description of any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency	No events related to the Issuer, which are crucial for preventing Issuer's insolvency, have been established.
B.14	Issuer's dependency	The Issuer is an operational company within the group, and it has no significant dependence on other group's entities.
B.15	Description of the Issuer's principal activities	The main area of Issuer's activity is the leaseback of vehicles or crediting against the vehicle already owned by the client and financial leasing of vehicles.
B.16	Control over the Issuer	98% of Issuer's shares belong to a holding company "Mogo Finance S.A."
B.17	Credit ratings assigned to the Issuer or its debt securities	There is no credit rating assigned neither to the Issuer nor to the Notes issue.
B.18 – B.50		Not applicable.
<b>Part C. Securities</b>		
C.1	Type and category of securities, ISIN	Notes issue ISIN (International Security Identification Number) will be allocated by Nasdaq CSD.
C.2	Currency of the issue of securities	Currency of the Notes issue is euro (EUR).
C.3 – C.4		Not applicable.
C.5	Restrictions for free transferability of securities	The Notes are freely transferable securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the laws of the Republic of Latvia and the United States of America.
C.6 – C.7		Not applicable.
C.8, C.9	Rights arising from the Notes	Noteholders have a right to receive Coupon and Nominal payments, exercise other rights as stipulated in the Terms of the Issue. The Coupon rate is 10% (ten per cent) per annum. The Issuer will withhold taxes according with applicable laws in the Republic of Latvia.

		<p>The Coupon starts to accrue on the First Settlement Date - 1 December 2017. Interest payments start from 31 December 2017 and are made on the last day of each month. The maturity date of Notes is 31 March 2021, Nominal amount payments are made once a quarter and on the last day of a quarter, starting from 30 June 2019.</p> <p>If the Issuer takes decision on the early redemption of Notes, either in full or partially, the Issuer shall notify Noteholders at least 10 (ten) Business Days prior to the redemption date of Notes, with intermediation of Nasdaq CSD, or, if Notes are included in First North, via Nasdaq Riga information system.</p> <p>The Issuer can make early redemption, either full or partial, starting from 31 December 2017 on the last day of each month. When repaying the Nominal amount of Notes, the Issuer has to pay by 1% more for the Nominal amount of Notes to be repaid. The minimum redemption size of Nominal amount per Note is EUR 10 (ten euro) with the next step of EUR 10 (ten euro). In cases when the Nominal amount is repaid in full, the redemption step of EUR 10 (ten euro) shall not be applied. Notes are not secured by pledge and third parties have not guaranteed for Notes and Coupon payments related thereto.</p> <p>Within the framework of the issue of Notes it is not provided for, yet at the same time there are no restrictions set for Noteholders' right to create and/or authorize an organization/person that represents the legal interests of all Noteholders or part thereof.</p>
C.10	Interest payment of securities based on derived financial instruments	Not applicable. There is no derivative component embedded in the terms of the Notes.
C.11	Inclusion of Notes in the regulated market	The Issuer plans to list the Notes on the alternative market Nasdaq First North.
C.12	Minimum denomination of the issue	The Nominal value of one Note is EUR 1,000 (one thousand euro).
C.13 – C.22		Not applicable.
<b>Part D. Risks</b>		
D.1, D.2	Key information on the key risks that are specific to the Issuer or its industry	When making an investment in Notes, the Noteholder undertakes certain financial risks. The main risk factors that influence the Issuer are changes in regulatory enactments, macroeconomics risk, licensing risk, competition risk, financial risk, dependence on service providers and managing employees risk, operational risk and credit risk of clients.
D.3	Key information on the key risks that specific to the securities	When investing funds in Notes, investors undertake the following risks related to debt securities: Notes repayment risk, delisting risk, liquidity risk, price risk and tax risk.
D.4 – D.6		Not applicable.
<b>Part E. Offer</b>		
E.1 – E.2a		Not applicable.
E.2b	Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks	Funds that are raised as a result of the Notes issue will be used in the ordinary course of business of the Issuer.

E.3	A description of the terms and conditions of the offer	Not applicable.
E.4	A description of any interest that is material to the issue/offer including conflicting interests	AS BlueOrange Bank (the Arranger) is organizing the Notes issue and may have other business transactions with the Issuer.
E.5 – E.6		Not applicable.
E.7	Estimated expenses charged to the investor by the issuer or the offeror	<p>All the expenses related to the acquisition and custody of Notes are borne by an investor in compliance with the price-list of a credit institution or investment service provider, through which the investor purchases and keeps Notes. The Issuer is not obliged to compensate for expenses incurred by the investor.</p> <p>The investor may have additional tax payment obligations related to Notes depending on the investor's country of residence. The Issuer will deduct taxes from Coupon payments in compliance with the applicable Legal acts of the Republic of Latvia.</p>

## 2. Risk Factors

### 2.1. Important note

The risks indicated in this section may reduce Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Noteholders have to take into account that Notes are not secured with collateral and third parties have not guaranteed Notes and Coupon payments related thereto. This section may not feature all the potential risks, which may affect the Issuer.

### 2.2. Changes in regulatory enactments

The Issuer carries out its activity in Latvia and most of the risks, which affect it, are related to the general economic situation in the country and regulatory enactments adopted by the Saeima of the Republic of Latvia or Cabinet of Ministers of the Republic of Latvia.

Currently, the activity of the Issuer and other non-bank credit companies in Latvia is regulated by Cabinet Regulation No. 245 of 29 March 2011, "Regulations Regarding a Special Permit (Licence) of Consumer Credit Services", which, among other things, determines the need for a licence, the price of which is EUR 71,140, as well as annual prolongation of licence operation, the price of which is EUR 14,225; by Cabinet Regulation No. 691 of 25 October 2016, "Regulations On Consumer Credit", Law On Out-Of-Court Consumer Dispute Resolution Bodies, Personal Data Protection Law; Unfair Commercial Practice Prohibition Law; Law On Extrajudicial Recovery of Debt, and Consumer Rights Protection Law.

Significant changes in existing regulatory enactments or implementation of new regulations in the Republic of Latvia might negatively affect the business and solvency of the Issuer.

### 2.3. Macroeconomics risk

The economic situation in Latvia, where the Issuer carries out its entrepreneurial activity, is assessed as stable, which is supported by both macroeconomic data, such as GDP and employment indicators, and credit ratings assigned by international rating agencies — Moody's Investors Service, Standard & Poor's Financial Services, and Fitch Ratings — which have been increased over the recent years.

At the moment of signing the Terms of the Issue Standard & Poor's credit rating for Latvia stands at A-with positive outlook, Moody's credit rating for Latvia was last set at A3 with stable outlook, Fitch's credit rating for Latvia was last reported at A- with stable outlook.

### 2.4. Licensing Risk

Consumer Rights Protection Centre (CRPC) carries out supervisory functions for consumer finance and debt collection companies in the Republic of Latvia. CRPC issues licenses for companies in these sectors.

The Issuer is licensed consumer finance company and has obtained non terminated license.

CRPC is entitled to withdraw licenses in case there are breach of regulations set forth by Legal acts of the Republic of Latvia. The risk is managed at higher management level by following regulations and recommendations.

### 2.5. Competition risk

As of the date of signing Terms of the Issue, there were 64 licensed consumer finance companies which operated in the territory of Latvia, offering different credit services; 20 of them offer financing lease and/or leaseback products. Five companies out of 20 competitors of the Issuer are bank leasing companies.

Despite Issuer's brand awareness and market share, it is possible that a competitor, which will be able to reduce Issuer's market share by means of an aggressive and extensive marketing campaign and more favorable conditions, as a result of which Issuer's profitability will decrease, will appear among existing non-bank credit companies which offer vehicle leasing services to a similar target audience.

The Issuer's management has extensive experience in managing entrepreneurial activity, which is useful in adjusting to market changes and managing the company in changing conditions of external environment.

## 2.6. Financial risk

Issuer's growth and size of loan portfolio significantly depends on the ability to attract capital from different sources of financing. As of 30 September 2017, 76% of Issuer's borrowings were financing through issued bonds and 23% were loans from peer-to-peer (P2P) investors. Previously, Issuer has obtained credit line from the commercial bank in Latvia.

Despite the Issuer's track record on the capital markets and various forms of financing available, there is a possibility that these sources of financing may not be available in the amount required for the Issuer, or their conditions may be too unfavorable, which may significantly affect Issuer's ability to ensure sufficient financing for the company's growth.

The Nominal amount of Notes will be repaid every quarter from 30 June 2019 to 31 March 2021 by applying the amortization method once a quarter (Nominal amount payments are equal in all the quarters). Coupon payments are made once a month, hence the Issuer has the minimum risk of Note refinancing at the end of the term.

Noteholders must take into account that the Issuer has the right to the early redemption of Notes in accordance with Section 4.2.9. "Early redemption", wherewith Noteholders are subject to early redemption risk which is compensated by the payment of additional 1% of the Nominal amount to be repaid.

Noteholders should take into account, that the Issuer has issued unsecured notes (ISIN LV0000801363) in amount of EUR 20,000,000, with 10% annual coupon rate. Current Notes issue would increase the leverage of the Issuer and increase Note refinancing risk at the end of the term.

## 2.7. Dependence on service providers risk

There is a risk that the access to services the Issuer uses to assess client's solvency (credit record data bases offered by SIA "Lindorff Oy Latvijas filiāle", SIA "Paus Konsults", etc.), to assess vehicles, and to determine the conformity of vehicles (Road Traffic Safety Directorate (CSDD) database, announcement platforms), and to provide marketing services (advertisement on Google homepage and in Google partner networks), may be restricted or prohibited, or the costs services may be significantly increased, which may affect Issuer's activity for an indefinite period of time.

## 2.8. Dependence on managing employees risk

In future, Issuer's duties will be affected by its ability to attract, preserve, and motivate highly qualified and experienced personnel. There is competition for personnel with the relevant skills and experience in Latvia, and it is comparatively high; however, the Issuer has successful experience in the field of personnel management, offering education, professional growth, and development possibilities, as well as different motivation programs to the employees.

## 2.9. Operational risk

Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful inner processes, personnel management, systems, or external circumstances. Thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, constant investments are made within the IT system, which allows the Issuer to reduce operational risks.

## 2.10. Credit risk of clients

Noteholders must take into account that the main activity of the Issuer is related to the issue of leases and the main asset of the Issuer is its leasing portfolio, as well as vehicles registered as collateral in favour of the Issuer. Leases are issued below the market value of a vehicle, but its sales value may not reach the amount of the issued lease in case potential risks set in.

To reduce the credit risk of the Issuer's client, the Issuer regularly makes impairment allowances.

## 2.11. Risks related to Notes

### 2.11.1. Notes repayment risk

Notes are equivalent to other unsecured loans of the Issuer. In case of Issuer's insolvency, Noteholders have the same right to receive their investment as other creditors of the relevant group in accordance with applicable regulatory enactments. There are no contracts or other transaction documents, which

would subordinate the claims of Noteholders to other unsecured obligations of the Issuer. Shares of the Issuer are pledged to the creditor of the Mogo group. The Issuer is not prohibited from pledging assets in favor of other creditors.

#### **2.11.2. Delisting risk**

After Notes registration the Issuer plans to request admission to trading of the Notes on First North, which is alternative market operated by Nasdaq Riga. There is a risk, that Nasdaq Riga would not accept Notes to be admitted for trading on First North or order to delist Notes from the First North before the maturity after the admission to trading took place, due to FCMC opinion or changes in Legal acts, including Nasdaq Riga regulations.

#### **2.11.3. Liquidity risk**

Neither the Issuer, nor any other person guarantees the minimum liquidity of Notes. Noteholders should take into account that there may be difficulties in selling Notes in the secondary market.

#### **2.11.4. Price risk**

Notes will be repaid for their Nominal Value, yet the price in the secondary market may change significantly. Neither the Issuer, nor any other person undertakes to maintain a certain price level of Notes.

#### **2.11.5. Tax risk**

Tax rates and tax payment procedure applicable at the moment of purchase of Notes to the tax residents, non-residents of Latvia, and residents of other countries may change. The Issuer will not compensate for the increase in taxes to Noteholders, therefore Noteholders may receive smaller payments related to Notes.

### 3. Party responsible for the Terms of the Issue

#### 3.1. Party responsible for the Terms of the Issue

AS "mogo"

Registration number: 50103541751

Legal entity identifier: 213800DOKX626GYVOI32

Legal address: Skanstes iela 50, Riga, LV-1013, Latvia

#### 3.2. Assurance of the information provided in the Terms of the Issue

The Issuer and its management board are responsible for the information contained in Terms of the Issue.

Hereby I, the member of the board of AS "mogo", Aleksandrs Čerņagins, certify that, by paying sufficient attention to this purpose, the information included in the Terms of the Issue is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.



Aleksandrs Čerņagins

## 4. Information on Notes

### 4.1. The use of the proceeds

Funds that will be raised as a result of the Notes issue will be used in the ordinary course of business of the Issuer.

It is planned to attract funds in the amount of EUR 10,000,000 (ten million euro).

### 4.2. Information on the offered Notes

#### 4.2.1. General Information

The Notes are bearer and any person or entity that holds the Notes in his securities account has the right to receive Coupon and the Nominal payments. It is planned to issue Notes with nominal value of EUR 1,000 (one thousand euro) for one Note and total nominal value of EUR 10,000,000 (ten million euro).

Notes issue ISIN (International Security Identification Number) will be allocated by Nasdaq CSD.

#### 4.2.2. Legal acts that regulate the Notes issue

The Notes issue is arranged in compliance with the Financial Instrument Market Law and other Legal acts of the Republic of Latvia that are in force including the FCMC, the Nasdaq CSD and the Nasdaq Riga regulations.

All disputes between Noteholders and the Issuer shall be settled in courts of the Republic of Latvia in accordance to the Legal acts in force. Terms of the Issue are drafted and signed in English and any translations of the Terms of the Issue into another language are unofficial and made exceptionally for the Potential Investors' convenience. In case of any disputes' settlement, interpretation of the norms of the Terms of the Issue in English holds the priority against an interpretation in any other language.

#### 4.2.3. Form and accounting of the Notes

The Notes are issued in dematerialized form and will be recorded in the Latvian SSS (securities settlement system governed by Latvian law) operated by Nasdaq CSD, which will provide the maintaining function for the Notes. Investors may hold Notes through Nasdaq CSD participants participating in the Latvian SSS.

#### 4.2.4. Currency of the Notes

Currency of the notes is EUR (euro).

#### 4.2.5. Subordination of the Notes

The Notes rank pari passu with other unsecured obligations of the Issuer. In case of the insolvency of the Issuer, the Noteholders will be entitled to recover their investment on the same terms as other creditors in the respective claims' group according to the relevant Legal acts. There are no contracts or other transaction documents that would subordinate the claims of the Noteholders to other unsecured liabilities of the Issuer.

The Issuer has issued unsecured notes (ISIN LV0000801363) in amount of EUR 20,000,000, with 10% annual coupon rate and maturity date 31 March 2021.

Shares of the Issuer are pledged to the creditor of the Mogo group. The Issuer is not prohibited from pledging assets in favor of other creditors.

#### 4.2.6. Rights and restrictions connected with the Notes issue

Any Noteholder has the right to receive Coupon and Nominal payments in accordance with the Section 4.2.7. "Coupon payments" and 4.2.8. "Procedure of Notes repayment", as well as exercise other rights fixed in the Terms of the Issue and legislation of the Republic of Latvia.

The Issuer has the rights to purchase Notes on the secondary market directly from Noteholders. Notes that are purchased by the Issuer are held in Issuer's financial instruments' custody account and the Issuer has the rights to sell purchased Notes to Potential Investors and other Noteholders. The Issuer cannot cancel the purchased Notes held in the Issuer's financial instruments' custody account, therefore decreasing the size of Notes issue.

Notes owned by the Issuer and / or its affiliated persons (subsidiaries, shareholders, management or employees) are not eligible to participate in the voting in accordance with Section 5.5. "Procedure for applying of the waiver".

#### 4.2.7. Coupon payments

The Coupon rate for the Notes is 10% (ten per cent) per annum and is fixed until the maturity of the Notes.

Coupon payments are made once a month on the last day of the month. The first Coupon payment will be made on 31 December 2017, the last Coupon payment will be made on 31 March 2021.

The calculation date of the Coupon is the 5th (fifth) Business Day prior to the Coupon payment day. At the end of the Coupon calculation date Noteholders list, who will be eligible for the Coupon payments, will be fixed. Coupon payment shall be made to the Noteholders, as per Noteholders list, on each Coupon payment date for the preceding Coupon period.

The Issuer pays the Coupon through the intermediary of Nasdaq CSD and in accordance with applicable Nasdaq CSD regulations, which regulate the procedure for paying income from debt securities. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service description.

If the Coupon payment date is a holiday or a festive day, the Issuer will make the relevant Coupon payment on the first Business Day preceding the holiday or festive day.

Coupon payments starting from December 2017 are determined according to the following formula:

$$CPN = F * C / 12 \text{ or } CPN\% = C/12, \text{ where}$$

CPN – the amount of Coupon payment in EUR per Note;

F – Nominal value of one Note at the beginning of the relevant Coupon calculation period, i.e. the initial Nominal Value is reduced for the payments made during the previous periods in accordance with the Section 4.2.8. "Procedure of Notes repayment" and 4.2.9. "Early redemption";

C – annual Coupon rate (%).

CPN% - the amount of Coupon payment % per Note.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the payment of the Coupon not earlier than after 5 (five) Business Days following the payment date of the relevant Coupon.

The authority performing the calculation is not required to calculate the Coupon payment, since the annual rate of the Coupon for the relevant period is fixed in advance.

#### 4.2.8. Procedure of the Notes repayment

The Nominal Value of one Note is EUR 1,000 (one thousand euro) and the Issuer will make Nominal amount payments of EUR 125.00 (one hundred twenty five euro zero cents) per Note once a quarter — on 31 March, 30 June, 30 September, and 31 December, starting from 30 June 2019, according to Table 1 – Schedule of repayment of Notes. Maturity date of Notes is 31 March 2021.

Table 1 – Schedule of repayment of Notes

Date of Nominal amount payments	Remaining Nominal amount payment per Note, EUR	Minimum Settlement Unit, EUR	Settlement Unit Multiple, EUR	Redemption amount per Note, EUR	Redemption % of Minimum Settlement Unit
30.06.2019	1,000.00	1,000.00	1,000.00	125.00	12,50000000%
30.09.2019	875.00	875.00	875.00	125.00	14,28571429%
31.12.2019	750.00	750.00	750.00	125.00	16,66666667%
31.03.2020	625.00	625.00	625.00	125.00	20,00000000%
30.06.2020	500.00	500.00	500.00	125.00	25,00000000%
30.09.2020	375.00	375.00	375.00	125.00	33,33333334%
31.12.2020	250.00	250.00	250.00	125.00	50,00000000%
31.03.2021	125.00	125.00	125.00	125.00	100,00000000%

If the Issuer, in accordance with the Section 4.2.9. "Early redemption", uses the right to the early redemption of Nominal amount of Notes, the payments referred to in Table 1 "Schedule of repayment of Notes" shall be reduced for the early paid Nominal Value, starting from the first quarterly payment, i.e. 30 June 2019. For instance, if the Issuer has repaid 30% (thirty per cent) of the Nominal amount early, the Issuer will not make quarterly payments on 30 June 2019 and 30 September 2019, but will pay 10.71428572% of remaining Minimum Settlement Unit on 31 December 2019. Notes are repaid on the day when the Issuer has repaid the Nominal amount in full, the accrued Coupon, and a penalty, if such has been calculated.

The Issuer will pay the Nominal amount in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Corporate Action Service Description. The Nominal amount will be paid on the same Business Day as the Coupon payment for the relevant month. Noteholders list eligible to receive the Nominal will be fixed at the end of the previous Business Day before Nominal repayment date.

If the repayment date of Notes is not a Business Day, the Issuer will pay the Nominal Value of Notes on the Business Day preceding the repayment date of the Nominal amount of Notes.

If the Issuer has failed to make Nominal amount payment in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the repayment of the Nominal amount not earlier than after 5 (five) Business Days following the payment day of the Nominal amount.

#### **4.2.9. Early redemption**

Regardless of the repayment schedule of the Nominal amount of Notes determined in the Section 4.2.8. "Procedure of Notes repayment", the Issuer can carry out early redemption (call option), either full or partial, starting from 31 December 2017 on the last day of each month. When repaying the Nominal amount of Notes, the Issuer has to pay by 101% (one hundred and one per cent) for the Nominal amount of Notes to be repaid. The minimum redemption size per Note is 1% (one per cent) of initial nominal value with next step of 1% (one per cent) of initial nominal value. In cases when the Nominal amount is repaid in full, the redemption step of 1% (one per cent) shall not be applied.

If the Issuer takes decision on the early redemption of Notes, either in full or partially, the Issuer shall notify Noteholders at least 10 (ten) Business Days prior to the redemption date of Notes, with intermediation of Nasdaq CSD, or, if Notes are included in First North, via Nasdaq Riga information system.

If the Issuer takes decision on the early redemption of Notes, the Issuer will pay redemption payment in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. Nasdaq CSD regulations applicable on the day of preparation of the Terms of the Issue are Nasdaq CSD Rulebook and Action Service Description. Noteholders list eligible to receive the redemption payment will be fixed at the end of the previous Business Day before redemption payment date.

If the Issuer decides to execute early redemption of notes with ISIN LV0000801363 (according to the section 5.10. "Obligāciju pirmstermina atmaksa (call option)" of Prospectus dated 13 October 2014), the Issuer is obliged to execute early redemption in the same proportion (in full or partially) of Notes.

In case of partial early redemption, the Nominal of the issued Notes (held by Noteholders) and registered Notes (held in the Arranger's initial placement account) would be decreased accordingly.

Noteholders shall not have rights to demand early redemption of Notes (put option), except in case of occurrence of the events of default in accordance with the Section 5.2. "Event of default".

#### **4.2.10. Accrued interest calculation**

The first Coupon starts to accrue on 1 December 2017, which is the First Settlement Date of the Notes issue. The accrued Coupon is calculated presuming that there are 360 days in one year (day count convention - "European 30/360"). Accrued interest between Coupon payment dates shall be calculated as follows:

$AI = F * C / 360 * D$ , where

AI – accrued interest of one Note;

F – Nominal Value of one Note at the beginning of the relevant Coupon calculation period, i.e. the initial Nominal Value is reduced for the payments made during the previous periods in accordance with the Section 4.2.8. "Procedure of Notes repayment" and 4.2.9. "Early redemption".

C – annual Coupon rate (%);

D – the amount of days from the beginning of the Coupon accrual period according to European 30/360 day count method.

#### **4.2.11. Representation of the Noteholders**

Within the framework of the issue, it is not planned, yet not prohibited to create an organization of authorized persons which would represent Noteholders. In case of the insolvency of the Issuer, every Noteholder has the right to represent his own interests in creditors' meetings. The Noteholders will have equal rights for satisfaction of their claims with other creditors in the same claims' group.

#### **4.2.12. Decisions of the Issuer on the Notes issue**

On 9 November 2017, the Issuer's shareholders passed the decision (Nr. 09/11/2017) to issue debt securities (Notes) in the amount of up to EUR 10,000,000 (ten million euro), to authorise the management board of Issuer to sign all documents related to the debt securities issuance, registration in Nasdaq CSD the Latvian SSS and admission to trading on First North operated by Nasdaq Riga.

On 10 November 2017 the Issuer's Management Board passed the decision (Nr. 10/11/2017) to accept shareholders resolution regarding the issuance of debt securities (Notes) of Issuer in the amount of up to up to EUR 10,000,000 (ten million euro) and to appoint chairman of the board Edgars Egle or member of the board Aleksandrs Čerņagins to sign all relevant documents related to the debt securities issuance and registration in Nasdaq CSD and debt securities admission to trading on First North operated by Nasdaq Riga.

#### **4.2.13. The First Settlement Date of the Notes issue**

The First Settlement Date (Issue Date) of the Notes issue is 1 December 2017, on which the Coupon starts to accrue.

#### **4.2.14. Restrictions on free circulation of the Notes**

The Notes are freely transferable securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the laws of the Republic of Latvia and the United States of America.

## 5. Special Conditions

### 5.1. Disclosure of information

Up to the maturity of Notes, the Issuer shall publish all the information required by regulatory enactments. After the inclusion of Notes on the First North, the Issuer will publish all the information in the Nasdaq Riga information system.

### 5.2. Event of default

The Issuer is in default if at least one of the following occurs and as long as it has not been rectified:

- The issuer has violated the conditions of the Section 5.4. "Covenants" and has failed to eliminate the occurred violation within 30 (thirty) Business Days after the receipt of a written notification from Noteholders which own 10% (ten per cent) or more Notes;
- The Issuer has failed to make a Coupon payment in full for more than 20 (twenty) Business Days following the planned payment date;
- The Issuer has failed to make a Nominal Value payment in full for more than 20 (twenty) Business Days following the planned payment date;
- Insolvency proceedings have been initiated against the Issuer;
- The Issuer has submitted an application for liquidation in the relevant state authorities in Latvia.

The Noteholder can submit a written notification to the Issuer regarding that the immediate repayment deadline has set in for the Notes owned by the relevant Noteholder, at any time after the event of default has occurred (and as long as the event of default exists). The Issuer has to pay the Nominal Value of Notes along with the accrued Coupon and contractual penalty, in accordance with Section 5.3. "Contractual penalty", within 5 (five) Business Days after the receipt of the notification.

### 5.3. Contractual penalty

In the case of non-compliance or inadequate compliance with a payment obligation arising from the Notes, the Noteholder in question shall be entitled to require and the Issuer shall be obliged to pay contractual penalty upon the request of any Noteholder to all the Noteholders from the date (excluding), when the deadline has set in, to the actual payment date (including) in the amount of 0.05% (zero point zero five per cent) per day from the relevant outstanding amount.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the payment of the Coupon not earlier than after 5 (five) Business Days following the payment date of the relevant Coupon.

If the Issuer has failed to make Nominal amount payment in accordance with the deadlines specified in the Terms of the Issue, Noteholders shall have the right to submit claims regarding the repayment of the Nominal amount not earlier than after 5 (five) Business Days following the payment day of the Nominal amount.

### 5.4. Covenants

From the date of issue of Notes to the date of repayment thereof, the Issuer and its subsidiary companies (if any) shall undertake the following:

- To maintain positive amount of equity at all times. In case if the amount of equity is negative, the Issuer and its subsidiary companies (if any) shall undertake to increase the equity capital within 30 (thirty) Business Days after the receipt of a written notification from Noteholders which own 10% (ten per cent) or more Notes, in order to eliminate this discrepancy;
- To maintain Net Debt/EBITDA (total liabilities minus cash against profit before interest payments, tax payments, depreciation and amortization calculation) indicators not exceeding 8 to 1;
- To maintain Net Debt/Equity (total liabilities minus cash against equity) indicators not exceeding 10 to 1. In case if Net Debt/Equity indicator is greater than 10 to 1, the Issuer and its subsidiary companies (if any) shall undertake to increase the equity capital or reduce Net Debt (total

liabilities minus cash) within 30 (thirty) Business Days after the receipt of a written notification from Noteholders which own 10% (ten per cent) or more Notes, in order to eliminate this discrepancy;

- Not to close transactions with Related Persons, except if transactions are concluded for market prices;
- Not to obtain participation in other companies by investing funds, except if the Issuer or its subsidiary company acquires over 50% (fifty per cent) participation in this company by making an investment;
- Not to sell, present, change, rent, invest, or otherwise transfer into utilisation the right to use the trademarks of the Issuer and/or its subsidiary companies, except if trademarks are sold, presented, changed, rented, invested, or otherwise transferred into utilisation to the Issuer's subsidiary company, its managing company, or any companies dependent on the managing company, other enterprises or companies which have directly or indirectly acquired participation in the equity capital of the Issuer or in which the Issuer has acquired direct or indirect participation (if any);
- Not to start carrying out a new type of economic activity, as well as to act in any status, either directly or indirectly, or through the intermediary of its related persons, not to carry out activities in the industries which are not related to the current economic activity. When starting to carry out a new type of economic activity, the turnover of a calendar year from such economic activity cannot exceed 25% (twenty per cent) of the total calendar year turnover of the Issuer or its subsidiary company;
- Not to commence Issuer's liquidation and not to reduce equity capital;
- Not to encumber the assets, except the following cases:
  - a) when assets are encumbered to secure loans issued, credit lines granted by or other funds from credit institutions and/or other parties to the Issuer;
  - b) when assets are encumbered together with all assets of the companies in the Issuer's group, to secure loans issued, credit lines granted by credit institutions and/or other parties to the Issuer's parent company or the dominant company or other funds that finance the subsidiaries in the Issuer's group;
  - c) when assets are encumbered to secure loans issued, credit lines granted by or other funds from credit institutions and/or other parties to the Issuer's parent company or the dominant company;
  - d) to secure in case of the Bond issue.
- Not to exclude or delist Issuer's notes (LV0000801363) from the regulated market Baltic Bond list operated by Nasdaq Riga.

Financial indicators referred to in this section are calculated by using data from the audited annual reports of the Issuer.

For the needs of this section, the term "Related Persons" shall mean any natural or legal person, which is (a) a shareholder or (b) a member of the Board or Council, or (c) an employee, or (d) a spouse of any persons referred to in (a) – (c) in relation to the Issuer.

Any of the restrictions referred to in the Section 5.4. "Covenants" may be cancelled or amended, if a written consent has been received from Noteholders which own over 50% (fifty per cent) of Notes. The process of receipt of the consent must be organized in accordance with the conditions of the Section 5.5. "Procedure for applying for the waiver".

## 5.5. Procedure for applying for the waiver

The Issuer has the right to ask for the consent (waiver) of Noteholders to amend the conditions included in the Terms of the Issue, or to receive a permit for activities referred to in the Section 5.4. "Covenants" (apply for the waiver).

The amendment of the Terms of the Issue may include the amendment of any conditions, which is not restricted by such characteristics of Notes as currency, Coupon rate, Coupon calculation method, Coupon and Nominal Value payments, inclusion of Note for trade in other regulated or alternative markets,

repayment deadline of Notes, and other conditions, unless they contradict regulatory enactments in force in the Republic of Latvia.

The Issuer can apply for the waiver itself or through the intermediary of an authorized person ("Agent"). To apply for the waiver, the Issuer or Issuer's Agent shall notify Noteholders with intermediation of Nasdaq CSD, or, if Notes are included in First North, via Nasdaq Riga information system, specifying at the least the following information:

- a description of the changes applied for;
- a justification of the necessity of the changes applied for;
- the date when the list of Noteholders eligible to grant the waiver (vote) will be fixed;
- the term within which a Noteholder can support or reject the offered waiver;
- instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;
- notification that a Noteholder willing to grant the waiver offered by the Issuer shall notify the Issuer and Issuer's Agent within the term specified in the application, which is certified by a postal seal or signature on receipt. If the Noteholder does not notify the Issuer or Issuer's Agent about the approval to grant waiver within the term specified in the application, a Noteholder shall be deemed as not having granted the waiver;
- contact details of the Issuer and/ or the Issuer's Agent to be used for notifications (telephone number for inquiries, address for sending filled in and signed questionnaires, and list of representative offices and/ or branches of the Issuer and/ or Issuer's Agent where Noteholders can submit the questionnaires in person);
- other information including a fee to Noteholders for approving the waiver needed by Noteholders for deciding upon granting the consent or refusal to grant the waiver to the Issuer.

The list of Noteholders shall be inquired from the Nasdaq CSD as of the date falling to the fifth Business Day after the waiver with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities' custody accounts or are Noteholders, or after the announcement of the waiver has been published via Nasdaq Riga information system, if Notes are included in First North.

The term allowed to Noteholders for deciding upon refusal to grant the waiver to the Issuer may not be shorter than fourteen calendar days after the waiver with intermediation of Nasdaq CSD was sent to Nasdaq CSD participants, who hold the Notes in financial securities' custody accounts or are Noteholders, or after the announcement of the waiver has been published via Nasdaq Riga information system, if Notes are included in First North.

Noteholders shall submit signed questionnaires with their decision to the Issuer or Issuer's Agent by a deadline set in the application of the waiver. The waiver is deemed to be granted, if Noteholders owning at least 50% (fifty per cent) of the Notes issue have voted for granting the waiver. The Notes owned by the Issuer and / or its affiliated persons (subsidiaries, shareholders, management or employees) are not eligible to participate in the voting.

The Issuer or Issuer's Agent shall sum up the received votes and notify Noteholders of the results of the voting within one Business Day after the deadline for submitting the questionnaires by sending relevant notification with intermediation of Nasdaq CSD to Nasdaq CSD participants, who hold the Notes in financial securities' custody accounts or are Noteholders, or by publishing relevant announcement via Nasdaq Riga information system, if Notes are included in First North.

If the accepted changes refer to specifications of the Notes and/ or Coupon calculation method, as well as procedure of Coupon payments and/ or repayment of the Nominal, the Issuer shall inform Nasdaq CSD on the mentioned changes according to the regulation determined in the Nasdaq CSD rules.

If the Issuer offers Noteholders a fee for approving the waiver and the waiver is granted, the Issuer transfers the fee amount to the account stated by a Noteholder in the questionnaire not later than ten Business Days after the waiver comes into force.

## 6. Taxes

### 6.1. Notice

This summary is of general nature and should not be considered a legal or tax advice. This section does not contain full and complete information on all the taxes that relate to investment in the Notes. Tax rates and conditions for paying taxes may change during the life of the Notes. Prospective Noteholders should consult with their own tax advisors with respect to their particular circumstances and the effects of the Latvian or foreign tax laws to which they may be subject to.

### 6.2. Definition of residents and non-residents

An individual is considered resident of Latvia for tax purposes if his or her permanent place of residence is Latvia; or he or she stays in Latvia for more than 183 days within any 12-month period; or he or she is a citizen of Latvia and is employed abroad by the government of Latvia. If an individual does not meet any of the above-mentioned criteria, he or she is considered a non-resident for tax purposes.

Any legal entity is considered resident of Latvia for tax purposes if it is or should be established and registered in Latvia according to the Latvian legislation. Other legal entities are considered non-residents for tax purposes.

**Table 2 – Tax consequences in Latvia regarding the income derived from Notes that are issued by a legal entity registered in Latvia (not being a credit institution) effective until 31 December 2017**

Legal status of income beneficiary	Notes that are not in the Public Circulation		Conditions
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	10%	10% <sup>1</sup>	10% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia. 1 - Capital gains from a sale of Notes are considered equivalent to an interest income and taxed at 10% rate in Latvia. Self-assessment and payment of a tax on capital gains [i.e. profits] in Latvia is performed by a beneficiary of capital gains – a resident individual filing the Annual Income Statement.
Company resident of Latvia	15%	15%	Interest (coupon) income and a capital gain from the Notes not being in the Public Circulation constitute a part of company's overall income and are taxed at regular 15% tax rate filing the Corporate Income Tax Return for a taxation year.

Individual non-resident	10% <sup>2,4</sup>	10% <sup>3,4</sup>	<p>10% tax from the interest (coupon) income is withheld and transferred to the State budget by an issuer of bonds, if it is registered in Latvia.</p> <p>2 - The reduced 7%, 5%, 2.5% or 0% tax rate on interest (coupon) income can be applicable in Latvia only, if it is stipulated by provisions of the Double Tax Treaty concluded between Latvia and other relevant country.</p> <p>3 - A capital gain from the Notes is considered equivalent to an interest income and taxed at 10% rate. Calculation and withholding of a tax on capital gain [i.e. a profit] is performed by the party paying income, if it is registered in Latvia. If no profit is derived from a sale transaction, the 10% tax is not withheld/paid. The Double Tax Treaty provisions may stipulate a tax exemption in Latvia for a capital gain derived by a non-resident individual.</p> <p>4 - A non-resident individual being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>
Company non-resident	exempt <sup>5,6</sup>	exempt <sup>6</sup>	<p>Interest (coupon) income and a capital gain derived by a non-resident company (except a company from one of the "black listed countries or territories") are tax exempt in Latvia.</p> <p>5 - An issuer of Notes withholds 15% tax from interest (coupon) payments, if they are made to a company non-resident registered in one of the low tax or non-tax countries or territories specified by the Cabinet Regulations of Latvia (so called "the black listed countries and territories").</p> <p>6 - A non-resident company being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>

Source: Legal acts of the Republic of Latvia

**Table 3 – Tax consequences in Latvia regarding the income derived from Notes that are issued by a legal entity registered in Latvia (not being a credit institution) effective starting from 01 January 2018**

Legal status of income beneficiary	Notes that are not in the Public Circulation		Conditions
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	20%	20% <sup>1</sup>	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia.</p> <p><sup>1</sup> - Capital gains from a sale of Notes are considered equivalent to an interest income and taxed at 20% rate in Latvia. Self-assessment and payment of a tax on capital gains [i.e. profits] in Latvia is performed by a beneficiary of capital gains – a resident individual filing the Annual Income Statement.</p>

Company resident of Latvia	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	<p>Interest (coupon) income and a capital gain from the Notes not being in the Public Circulation constitute a part of the beneficiary - Latvian company's overall income.</p> <p>The Corporate Income Tax obligation is deferred to the moment of profit distribution (dividends, interim dividends) or deemed profit distribution (deemed dividends, non-business expenditure, bad debts provisions/write-off, loans to the related persons, transfer pricing adjustments, liquidation quota) of the beneficiary - Latvian company. The tax is assessed and paid based on the Corporate Income Tax Return filed for a taxation period (a month or year).</p>
Individual non-resident	20% <sup>2,4</sup>	20% <sup>3,4</sup>	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Notes, if it is registered in Latvia.</p> <p><sup>2</sup> - The reduced 10%, 7%, 5%, 2.5% or 0% tax rate on interest (coupon) income can be applicable in Latvia only, if provisions of the Double Tax Treaty concluded between Latvia and other relevant country stipulate it.</p> <p><sup>3</sup> - A capital gain from the Notes is considered equivalent to an interest income and taxed at 20% rate. The purchaser of the Notes, if it is registered in Latvia, performs calculation and withholding of a tax on capital gain [i.e. a profit]. If no profit is derived from a sale transaction, the 20% tax is not withheld/paid. The Double Tax Treaty provisions may stipulate a tax exemption in Latvia for a capital gain derived by a non-resident individual.</p> <p><sup>4</sup> - A non-resident individual being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>
Company non-resident	exempt <sup>5,6</sup>	exempt <sup>6</sup>	<p>Interest (coupon) income and a capital gain derived by a non-resident company (except a company from one of the "black listed countries or territories") are tax exempt in Latvia.</p> <p><sup>5</sup> - An issuer of Notes withholds 20% tax from interest (coupon) payments, if they are made to a company non-resident registered in one of the low tax or non-tax countries or territories specified by the Cabinet Regulations of Latvia (so called "the black listed countries and territories").</p> <p><sup>6</sup> - A non-resident company being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>

Source: Legal acts of the Republic of Latvia

## 7. Terms of the Offering

### 7.1. Subscription to the Notes

#### 7.1.1. Subscription period

The initial offering shall commence on 27 November 2017 and shall end on 20 June 2019 at 17:00.

#### 7.1.2. Subscription terms

Subscription orders to the Notes can be submitted to the Arranger every Business day during normal working hours. More detailed information on the submission of the subscription orders is available by phone +371 67031222.

Subscription order can also be submitted to other Custodians, which in turn shall submit orders to the Arranger. Business relations between Potential Investors and Custodians are regulated by contracts between them and by the applicable Legal acts.

The total Nominal value of demanded Notes should be stated in the order. Potential Investors have the right to submit several subscription orders during the offering. Subscription orders to the Notes are irrevocable. The Arranger will register all submitted subscription orders of its clients according to legal requirements and internal procedures.

The minimal subscription size is EUR 1,000 (one thousand euro) for a qualified investor and EUR 100,000 (one hundred thousand) for other Potential Investors. The maximum subscription size is EUR 10,000,000 (ten million euro). Subscription size should adhere Settlement Unit Multiple.

#### 7.1.3. Notes price

Notes purchase price can be equal to 100% (one hundred per cent) of the Nominal value or purchase price could be lower or higher than Nominal value, meaning that bonds can be sold with discount or premium, plus accrued interest as per Section 4.2.10 "Accrued interest calculation".

All subscription orders that were aggregated during the subscription period with the First Settlement Date as of 1 December 2017 will be delivered without accrued interest.

In case of partial early redemption, as per Section 4.2.9. "Early redemption", the Nominal value of the Note can be decreased, therefore the Note's price can be less than EUR 1,000 (one thousand euro).

#### 7.1.4. Reduction of the Notes issue size

At any time the Issuer may decide to discontinue offering of the Notes. The total issue size is equal to the actual issue size of the Notes before such decision.

#### 7.1.5. Allocation of the Notes to investors

The Notes are allocated to investors in the amount not larger than the amount specified in the subscription form and not less than the minimum size as described in the Section 7.1.2. "Subscription terms".

The Arranger at its sole discretion has a right to refuse to allocate all or part of the subscribed Notes to any Potential Investor.

## 7.2. Settlement and delivery of the Notes

The First Settlement Date of Notes is 1 December 2017. All subscription orders that were aggregated during the subscription period with settlement date 1 December 2017 will be delivered without accrued interest.

The settlement date for the Notes can be any Business day which is not earlier than the second Business day and not later than the 20th Business day after subscription order is duly submitted to the Arranger.

Settlement of the Notes will be executed through the Nasdaq CSD as DVP (delivery versus payment) transactions according to the applicable Nasdaq CSD rules and Operating Manual. The Custodians execute payments for the Notes based on the results of the subscription provided by the Arranger. The Notes will be transferred to Potential Investors' financial instrument accounts on the settlement date.

Settlement for the Notes can be executed according to other procedure, which is agreed to by the Arranger and Potential Investor.

### 7.3. Pre-emptive rights

None of Potential Investors has the rights of pre-emption in respect to acquisition of the Notes in the initial placement.

## 8. Including of the Notes on the market and trading regulations

The Issuer plans to request the admission to trading of the Notes on First North, which is alternative market operated by Nasdaq Riga, and submit Terms of the Issue and company description with Nasdaq Riga.

The Issuer has LV0000801363 notes issue listed on Nasdaq Riga regulated market. However, the Issuer does not undertake neither to register the Notes prospectus with the FCMC nor list the Notes on any regulated market.

The Issuer has not signed any agreement with any person for Notes liquidity maintenance on the secondary market.

## 9. Additional Information

### 9.1. Advisors involved in the Issue

The Issuer has concluded an agreement with the Arranger to organize the Notes issue, to communicate with the Nasdaq CSD, market it to Potential Investors and conduct settlement during the subscription period. The Arranger may provide other services to the Issuer in the future and receive remuneration for it. The Arranger may invest its own funds in the Notes.

### 9.2. The external audit of the information included in the securities description

The auditors have not verified the information included in the securities description.

### 9.3. Statements or reports included in the securities description

The securities description does not contain any expert statements or reports.

### 9.4. Credit ratings

There is no credit rating assigned to the Issuer or to the Notes issue.

## 10. The Issuer

### 10.1. General Information on the Issuer

The Issuer is AS "mogo".

The Issuer was founded on 3 May 2012 and its registration number is 50103541751.

The term of the Issuer's activities is indefinite.

Legal address and location of management is Skanstes iela 50, Riga, LV-1013, Latvia.

Legal form: joint-stock company, legal status — legal person.

The Issuer carries out its activities in accordance with the Legal acts of the Republic of Latvia. The main regulatory enactments which regulate Issuer's activities:

- The Commercial Law of the Republic of Latvia;
- Cabinet Regulation No. 245 of 29 March 2011, "Regulations Regarding a Special Permit (Licence) of Consumer Credit Services";
- Cabinet Regulation No. 691 of 25 October 2016, "Regulations On Consumer Credit" (these Regulations determine the requirements in relation to the content of consumer credit service advertisements, the procedures by which information shall be provided prior to entering into a consumer credit agreement, and the content of information, requirements for provisions of additional services, the requirements to be set out for the credit agreement and the information to be contained therein, the methodology for the calculation of the annual percentage rate of charge, foreign currency credit and variable interest rate credit provisions, the procedures for informing consumers during the duration of the credit agreement, the procedures for early repayment of credit and fair reduction of the total costs of the credit, the requirements applicable to individual types of credit agreements and the obligations of credit intermediaries, advisory requirements, as well as the legal framework for consumer credit for pledging movable property);
- Law On Out-Of-Court Consumer Dispute Resolution Bodies (the purpose of this law is to lay down uniform requirements for the out-of-court dispute resolution bodies, in order to enable consumers to exercise and protect their lawful rights through independent, impartial, transparent, efficient, fast, and fair out-of-court dispute resolution);
- Personal Data Protection Law (the purpose of this Law is to protect the fundamental human rights and freedoms of natural persons, in particular the inviolability of private life, with respect to the processing of data regarding natural persons);
- Consumer Rights Protection Law (the purpose of this Law is to ensure that consumers are able to exercise and protect their lawful rights when entering into contracts with manufacturers, traders or service providers);
- Unfair Commercial Practice Prohibition Law (the purpose of this Law is to ensure the protection of the rights and economic interests of the consumers by prohibiting the performers of commercial practices from utilising unfair business-to-consumer commercial practices);
- Law On Extrajudicial Recovery of Debt (the purpose of this Law is to regulate the rights and duties of a creditor and a provider of debt recovery services in the field of debt recovery).

### 10.2. Business of the Issuer

The main area of Issuer's activity is the leaseback of vehicles or crediting against the vehicle already owned by the client and financial leasing of vehicles.

### 10.3. Group and shareholders of the Issuer

The Issuer is operating company in Latvia within Mogo Group and it holds no significant interest in other subsidiaries within the Mogo Group. The Issuer has no significant dependence on other group's entities.

The main shareholder of the Issuer is a holding company registered in Luxembourg "Mogo Finance S.A." (registration No. B 174.457, legal address: 9, Allee Schefer, L-2520, Luxembourg) which owns 98% shares of the Issuer.

At the moment of signing the Terms of the Issue, the Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer's control.

#### **10.4. Auditor**

The Issuer's financial auditor of the last audited annual report is PricewaterhouseCoopers SIA.

#### **10.5. Legal proceedings and arbitration**

At the moment of signing the Terms of the Issue, the Issuer are not involved in any government interventions, lawsuits or arbitration processes, which may significantly affect or have significantly affected the financial situation or profitability of the Issuer, are taking place.

#### **10.6. Substantial changes in financial situation of the Issuer**

As of the publication of the last audited financial statement, the financial situation or performance of the Issuer has not worsened. The Issuer is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.

#### **10.7. Important agreements**

The Issuer has no knowledge of any important agreements that could have been concluded between the Issuer and any related company and that could affect the Issuer's capability to fulfil its liabilities due to investors regarding the securities to be issued.

#### **10.8. Documents available to the public**

After the Notes registration in Nasdaq CSD, the Issuer will publish the announcement in the Nasdaq Riga information system.

After the Notes will be included in First North operated by Nasdaq Riga, Terms of the Issue and company description will be available to the public.

#### **10.9. Financial information**

Issuer's financial figures, including audited annual reports and unaudited quarterly reports are available on Nasdaq Riga website:

<http://www.nasdaqbaltic.com/market/?instrument=LV0000801363&list=1&pg=details&tab=reports>

The last audited total equity of the Issuer is EUR 8,321,447.

Issuer does not provide pro forma financial information.

The profit/loss forecast has not been carried out.

The reports on the audit of the financial statement for 2015 and 2016 contained no objections.