

RISK FACTORS, RELATED WITH THE SHARES OF THE PUBLIC JOINT-STOCK COMPANY INV L TECHNOLOGY

Translation note. This document is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over the translation.

This document provides information about the risk factors associated with activities and securities of the public joint-stock company INV L Technology, created in the split-off, separating the part, which is associated with investments into IT services companies, of the public joint-stock company Invalda LT.

Information, provided in this document, should not be considered complete and covering all aspects of the risk factors associated with the activity and securities of the public joint-stock company INV L Technology.

Risk factors, associated with activities of INV L Technology

Rapid changes in technology and market

Changes in the IT and related markets take place rapidly therefore failure to adapt to these changes can lead to impairment of profitability and reduction of value of the investment.

Dependence on managing bodies and human resources

Information technology services companies highly depend on human resources. Profit and value can reduce significantly if the key persons leave the company INV L Technology, AB. The risk can be reduced using implementation of the right motivation system, which should tally with the conditions in the market.

Agreement of shareholders of BAIP Group, UAB

Owned portfolio of 80 percent of shares in BAIP Group, UAB is the main asset of the public joint-stock company INV L Technology. Shareholders of the public joint-stock company INV L Technology has signed an agreement, which includes decision making as well as trading in share and options motivation system for the management of the company. Implementation of provisions of an agreement may result in situation that owned amount of votes in the public joint-stock company INV L Technology will no longer last in majority right in making essential decisions among the shareholders (the amount of shares in BAIP Group, UAB owned by the public joint-stock company INV L Technology may reduce from 80 to 68.735 percent after implementing options motivation system). Moreover, an order on trading of shares settled in the agreement may prevent to achieve maximum value of the investment.

The total investment risk

The value of the investment in IT services companies can vary in the short term, depending on the market situation. Investment in IT services companies should be carried out in the long term, so that investor can avoid the short-term price fluctuations. Investing in IT services companies is connected with the risk bigger than medium. After failure of investments or under other ill-affected circumstances (having been unable to pay for the creditors) the bankruptcy proceedings may be initiated.

Investments illiquidity risk

Investments in IT services companies under certain market conditions are relatively illiquid, thus finding buyers for these companies can take time. Investors may consider the investment in IT services companies only if they do not have needs for the sudden liquidity.

Risk of legislative and regulatory changes

Law system change and other changing legislative in Lithuania as well as in other countries, where the public joint-stock company INV L Technology participates in the market, may affect the activity, income and value of IT services companies.

Tax increase risk

Tax laws change may lead to a greater taxation of the public joint-stock company INV L Technology and its group companies (directly and indirectly), which in turn may reduce the profits and assets of the company.

Inflation and deflation risk

It is likely that during its operational period the public joint-stock company INV L Technology will face both inflation and deflation risks. If the profit from the investments will be less than the inflation rate, it will result in loss of purchasing power.

Credit risk

There is a risk that buyers of the production and services of the public joint-stock company INV L Technology will not fulfil their obligations - it would adversely affect the profit of the public joint-stock company INV L Technology. Large parts of liabilities not fulfilled in time may cause disturbances in activities of the public joint-stock company INV L Technology, there might be a need to seek additional sources of financing, which may not always be available.

The public joint-stock company INV L Technology also bears the risk of holding funds in bank accounts or investing in short-term financial instruments.

Liquidity risk

The consolidated short-term assets of the public joint-stock company INV L Technology is smaller than the short-term liabilities. Therefore, the public joint-stock company INV L Technology may be faced with a situation where it will not be able to settle with suppliers and other creditors in time. The company will seek to maintain adequate liquidity levels or secure funding in order to reduce this risk.

Currency risk

The public joint-stock company INV L Technology bears the currency risk of USA dollar and other currencies.

Lithuania plans to adopt the Euro since 2015. Changes in the currency (Litas turning into Euros) affect the recalculation of the authorised capital as well as amount of shares in the company, therefore the part of the authorised capital owned by the shareholders after the recalculation may change slightly due to the rounding.

Interest rate risk

Interest rate risk mainly includes loans with a variable interest rate. Since the larger part of the loans received by the public joint-stock company INV L Technology is granted with the fixed interest rate, the risk of change in the interest rate is minimal.

Large shareholders risk

Three shareholders of the public joint-stock company INV L Technology together with related parties together holding more than 60 percent of shares in company and shares and their voting will influence the election the election of the Members of the Board of the company as well as the essential decision making regarding management of the public joint-stock company INV L Technology, operations and financial position. There is no guarantee that the decisions of the major shareholders' will always coincide with the opinion and interest of the minority shareholders. Large shareholders have the right to block the proposed solutions of other shareholders.

The Split-Off from the public joint-stock company Invalda LT risk

The public joint-stock company INVL Technology established in the process of Split-Off of the public joint-stock company Invalda LT and took over 2.6 percent of assets, equity and liabilities of the public joint-stock company Invalda LT. If certain public joint-stock company's Invalda LT obligations will not be distributed to all companies operating after the separation, then all post-split-off-based companies will be jointly liable for it. Each of the companies' responsibility will be limited by the size of equity, attributable under the Split-Off conditions.

When any obligation of the public joint-stock company Invalda LT under the terms of the Split-Off will be assigned to one of the companies', established after the split-off, that company will be liable to answer the obligation. If this company does not meet the whole or part of the obligation, and there is no additional guarantee provided to creditors under the Company Law, all post-split-off companies will be jointly liable for that obligation (or part of it). Each of the companies' responsibility will be limited by the size of equity, attributable under the split-off conditions.

The legal status change risk

The public joint-stock company INVL Technology intends to apply for closed-end investment company license, issued by the bank of Lithuania. This will lead to changes in the protection of company's shareholders' and certain operating restrictions. Shareholders of closed-end investment company are under no obligation to publish an official tender offer; the company has a limited duration of operating and is a subject to certain diversification requirements. Becoming a closed-end investment company will influence only certain restrictions on the activities and supervision, which may increase the company's operating costs.

Market-related risks

Market risk

Shareholders of the public joint-stock company INVL Technology bear the risk of incurring losses due to adverse changes in the market price of the shares. The stock price drop may be caused by negative changes in company's assets value and profitability, general stock market trends in the region and the world. Trading in shares of the public joint-stock company INVL Technology may depend on the comments of brokers and analysts as well as published independent analyses of the company and its activities. The unfavourable analysts' outlook of the public joint-stock company's INVL Technology shares may adversely affect the market price of the shares. Non-professional investors assessing the shares are advised to seek the assistance of intermediaries of public trading or other experts in this field.

Liquidity risk

If demand for shares decreases or they are unlisted from the stock exchange, investors will face the problem of realization of shares. If the financial situation of the public joint-stock company INVL Technology deteriorates, the demand for company's shares may drop, which will lead to fall in share price.

Dividend payment risk

Dividend payment to shareholders of the public joint-stock company INVL Technology is not guaranteed and will depend on the profitability, investment plans and the overall financial situation of the company.

Tax and legal risk

Changes in the equity-related legislation or state tax policy can effect attractiveness of shares of the public joint-stock company INVL Technology. This may reduce the liquidity of the shares of the company and/or price.

Inflation risk

When inflation increases, the risk, that the stock price change may not offset the current rate of inflation, appears. In this case, the real returns from capital gain on market shares for traders may be less than expected.

The initial stock price risk

Shares in the public joint-stock company INVL Technology, prior to inclusion in the stock market, have not been publicly traded. As a result, their stock price, having added them to the trading list, will be determined on the basis of the purchase and sale orders, which may depend on subjective factors, such as the market and the economic situation, performance evaluation of the company as well as the interest of investors. As a result, the initial share price may not reflect accurately the true value and have high fluctuations.

Director of the public joint stock company INVL Technology
Darius Šulnis