

## **DESCRIPTION OF RISK FACTORS RELATED TO THE SHARES AND ACTIVITIES OF THE PUBLIC**

### **JOINT – STOCK COMPANY INV L TECHNOLOGY**

The document provides information on risk factors related to public joint – stock company INV L Technology's (previous name – AB BAIP group, code 300893533) activities and securities. The company continues its operations by joining the public joint – stock company INV L Technology (code 303299817) which ceases to operate without liquidation process.

Information provided in this document shall not be considered complete and covering all the 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 technologies and market*

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

##### *Dependence on managing bodies and human resources*

Information technology service companies highly depend on human resources. Profit and value can decrease significantly if the key persons leave the company INV L Technology, AB. The risk can be reduced using implementation of the right motivational system, aligned to the conditions in the market.

##### *Agreement of shareholders of INV L Technology, AB*

Shareholders of the public joint-stock company INV L Technology signed an agreement, which includes decision making as well as trading in shares and voting system for resolutions. It has already been decided to increase the authorized capital by attracting EUR 10 000 000 of investments.

##### *General 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 service companies should be carried out in the long term, so that investor can avoid the short-term price fluctuations. Investing in IT service companies is a bigger than an average risk. 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*

The investments of the public joint - stock company INV L Technology in IT service companies under certain market conditions are relatively illiquid, thus finding buyers for these companies can take time. Investments in such companies should be considered only if there is a sufficient time horizon.

##### *Risk of legislative and regulatory changes*

Changes in law system and/or legal acts of Lithuania as well as other countries, where the public joint - stock company INV L Technology operates, may affect the activity, income and value of IT service companies.

##### *Tax increase risk*

Tax law changes may lead to a greater taxation of the public joint - stock company INV L Technology and its group companies (directly and indirectly), which in return 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 and its controlled companies will face both inflation and deflation risks. If the value of investments of the public

joint - stock company INV L Technology grew slower than the inflation rate, even if the investment value growth would be achieved, money earned from the realization of the investments would have a lower purchasing power.

#### *Credit risk*

There is a risk that buyers of the production and services of the companies controlled by the public joint - stock company INV L Technology will not fulfill their obligations. It would negatively affect the profit of the companies controlled by the public joint - stock company INV L Technology. If larger part of liabilities is not fulfilled in time, it may cause disturbances in activities of the companies controlled by 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 bigger than EUR 100 000 funds in bank accounts or investing in short-term financial instruments as in Lithuania only deposits, which are up to EUR 100 000 insured.

#### *Liquidity risk*

The companies controlled by the public joint - stock company INV L Technology are financed using short-term borrowed capital. Therefore, the companies controlled by the public joint-stock company INV L Technology may face a situation where they will not be able to settle up with suppliers and other creditors in time. The company will seek to maintain adequate liquidity levels or secure funding of its controlled companies in order to reduce this risk.

#### *Currency risk*

The companies controlled by the public joint - stock company INV L Technology face the currency risk of USA dollar and other currencies. A larger part of agreements in foreign markets is made in USA dollars, but part of their costs is incurred in euros. Because of that, fluctuation of US dollar exchange rate may have a negative effect on profit of the controlled companies. Also, a big part of computers and other equipment is bought in USA dollars from foreign suppliers.

#### *Interest rate risk*

Interest rate risk mainly includes loans with a variable interest rate. The changes in variable interest rates may negatively affect the activity results as a part of the companies controlled by the public joint - stock company INV L Technology (BAIPUAB; NRDUAB) is financed by bank loans with a variable interest rate.

#### *Reorganization risk*

The public joint - stock company INV L Technology after the reorganization, - the merger of the public joint - stock company INV L Technology into the public joint - stock company INV L Technology (previous name - BAIP Group, AB), took over all the assets, equity and liabilities of the public joint - stock company INV L Technology. For any obligation of the public joint - stock company INV L Technology, AB the company continuing operations after the reorganization INV L Technology will take responsibility.

#### *The legal status change risk*

The public joint - stock company INV L Technology intends to apply for a 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 that are foreseen in the Law on Collective Investment Undertakings. Company's operating expenses might be increased because of the requirements to conduct periodic property's assessment and protect the property in the depository.

#### *The risk of audited results*

The joint - stock company INV L Technology has not yet published the audited results of 2014. There is a risk that the audited results of the public joint - stock company INV L Technology of 2014 may differ from the preliminary indicators that have been published publicly.

### **Market-related risks**

#### *Market risk*

Shareholders of the public joint - stock company INV L Technology face the risk of incurring losses due to adverse changes in the market price of the shares. The drop of the stock price may be caused by a negative change in company's asset value and profitability, general stock market trends in the region and the world. Trading in shares of the public joint - stock company INV L Technology may depend on the comments of brokers and analysts as well as published independent analyses of the company and its activities. The unfavorable analysts' outlook of the shares of the public joint - stock company INV L Technology 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 the shares decreases or they are delisted from the stock exchange, investors will face the problem of realization of shares. If the financial situation of the public joint - stock company INV L Technology deteriorates, the demand for company's shares may drop, which would lead to a fall in share price.

#### *Dividend payment risk*

Dividend payment to the shareholders of the public joint - stock company INV L 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 affect attractiveness of the shares of the public joint - stock company INV L Technology. This may reduce the liquidity of the shares of the company and/or share 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, return on equity from capital gain on market shares for traders may be less than expected.

#### *The initial stock price risk*

The shares of the public joint - stock company INV L Technology, prior to inclusion in the stock market, have not been publicly traded. As a result, their stock price, after an addition 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 public joint - stock company INV L Technology announced in public 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.