

**DESCRIPTION OF RISK FACTORS RELATED TO THE SHARES
OF THE PUBLIC JOINT – STOCK COMPANY INV L BALTIC REAL ESTATE**

The document provides information on risk factors related to public joint – stock company INV L Baltic Real Estate (a company operating after the Reorganization) (hereinafter referred to as the Issuer) activities and securities.

Information, provided in this document, should not be considered complete and covering all aspects of the risk factors associated with the public stock company's INV L Baltic Real Estate activities and securities.

Risk factors, associated with activities of the public joint-stock company INV L Baltic Real Estate

The total investment risk

The value of the investment in real estate can vary in the short term, depending on the general economic conditions, rent and purchase prices of real estate, demand and supply fluctuations. Investment in real estate should be carried out in the medium and long term, so that investor can avoid the short-term price fluctuations. Investing in real estate is connected with the higher than medium risks. After failure of investments or under other ill-affected circumstances (having been unable to pay for the creditors) the bankruptcy proceedings may be initiated for the Issuer.

Liquidity risk

It is the risk of incurring losses due to low liquidity of the market, when it becomes difficult to sell the assets at the desired time and at the desired price. In order to manage this risk, public joint-stock company INV L Baltic Real Estate will keep monitoring the real estate market, will prepare in advance for property sales process, thereby reducing the liquidity risk.

Real estate development risk

Real estate development projects, undertaken by the public joint-stock company INV L Baltic Real Estate, may take longer than anticipated or be more costly than expected, which may reduce the return on investments of the public joint-stock company INV L Baltic Real Estate. In managing this risk, the company will allocate sufficient resources to the real estate development project budgets' and time control.

Leverage usage risk

Leverage usage risk is associated with potential real estate depreciation, which was acquired using borrowed money. The higher the leverage used, the greater the likelihood of this risk. The level of bank loans of the public joint-stock company's INV L Baltic Real Estate AB, is close to 46% of its real estate market value.

Investment diversification risk

This is the risk that one failed investment will significantly influence results of the public joint-stock company INV L Baltic Real Estate. In order to reduce the risk, company will include a sufficient number of different real estate properties in its portfolio, thus maintaining an appropriate level of diversification.

Tax increase risk

Tax laws change may lead to a greater taxation of the public joint-stock company INV L Baltic Real Estate and its group companies, which in turn may reduce the profits and assets of the company.

Inflation and deflation risk

It is likely that during its operational period public joint-stock company INV L Baltic Real Estate will face both inflation and deflation risks as investments in real estate are long term. At high inflation, the value of lease agreements, which are not subject to inflation or at high deflation, the value of lease contracts, which are linked to inflation, will decrease.

Credit risk

The public joint-stock company INVL Baltic Real Estate will seek to lease real estate in the highest price possible. Currently payments for lease are collected on time (delayed payments are small and have no influence on activities of the Issuer), there is a risk that changes (deterioration) in economic situation may affect tenants, who will not fulfill their obligations - it would adversely affect the profit of INVL Baltic Real Estate. Large parts of liabilities not fulfilled in time may cause disturbances in activities of the Issuer, there might be a need to seek additional sources of financing, which may not always be available.

Currently activities of the Issuer are financed from revenues, there is no need for additional sources of financing.

The public joint-stock company INVL Baltic Real Estate has granted loans to the other companies. There is a risk that if the financial state of these companies become worse, INVL Baltic Real Estate may not receive all the loans granted.

The public joint-stock company INVL Baltic Real Estate owns a subsidiary company SIA Dommo Grupa, which have a negative consolidated shareholders equity – EUR -19.7 million. The majority of the liabilities is debt to Issuer – EUR 27.7 million, so the risk for subsidiary company to suspend its operations is not high.

The public joint-stock company INVL Baltic Real Estate also bears the risk of holding funds in bank accounts or investing in short-term financial instruments. Currently short-term financial instruments are not purchased, excess funds are held in bank accounts or used to cover liabilities of the company.

Interest rate risk

Interest rate risk mainly includes loans with a variable interest rate. On 26 August 2014 the public joint stock company INVL Baltic Real Estate and Šiaulių Bankas AB made a credit agreement for EUR 15.35 million credit with variable interest rate – 6 month EURIBOR and fixed margin. Rising interest rates will increase the public joint-stock company's INVL Baltic Real Estate debt service costs, which will reduce the return on investment. If considered necessary, the public joint-stock company INVL Baltic Real Estate will get insured from interest rate risk engaging in the relevant transactions.

Reliance on the Issuer's assets administrator

The public joint-stock company INVL Baltic Real Estate has entered into an agreement at a market price with Inreal Valdymas, UAB for the company's asset management and administration services. Under this agreement, Inreal Valdymas, UAB, as an administrator of the property, is committed to increase companies' value and maintain high quality of service for buildings' tenants and employees. In case of change in administrative prices in the market, new contracts under less favorable conditions can be created with administrator, which may directly influence company's costs' increase.

Dependence on tenants

If the public joint-stock company INVL Baltic Real Estate fails to achieve expected revenue from the rental of buildings or maintain high employment rate, they may be faced with permanent non-reimbursable cost problem of tenants. This risk may appear due to dramatic increase in rented accommodation supply and a drop in demand, the fall in rents. Failing to lease space under expected price/volume or after current tenants terminate their leases, could cause corporate earnings to be reduced without a change in fixed costs. Accordingly, their profits will also fall.

Sub-lease agreement risk

In 2007, company operating after reorganization has sold 5 real estate properties and entered into the lease agreement with the buyer, under which they agreed to sub-lease the property until 2017 August. At the time of lease agreement higher prices for real estate and its lease prevailed at the market. Situation at the real estate market has changed after the financial crisis and currently, the company is incurring about EUR 15 000 loss per month due to sublease. This amount varies depending on the income from the sub-lease, property maintenance costs incurred and the rent paid.

Large shareholders risk

89.56 percent of public joint-stock company's INVL Baltic Real Estate shares and their voting rights are held by five shareholders: LJB investments, UAB – 30.44 per cent, Irena Ona Miseikiene – 28.9 per cent, Invalda INVL, AB – 12.71 per cent, Lucrum investicija, UAB – 10.15 per cent (of votes), Alvydas Banys – 7.68 per cent. Voting of the shareholders mentioned above will influence the election of the Members of the Board of company, essential decisions regarding the management, operations and financial position of the public joint-stock company INVL Baltic Real Estate. There is no

guarantee that the major shareholders' decisions 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.

Market-related risks

Market risk

Shareholders of public joint-stock company INVL Baltic Real Estate 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 Baltic Real Estate may depend on the broker and analyst comments and published independent analyses of the company and its activities. The unfavorable analysts' outlook of the shares of public joint-stock company INVL Baltic Real Estate 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 financial situation of public joint-stock company INVL Baltic Real Estate 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 public joint-stock company INVL Baltic Real Estate is not guaranteed and will depend on the company's profitability, investment plans and the overall financial situation.

Tax and legal risk

Changes in the equity-related legislation or state tax policy can change attractiveness of shares of the public joint-stock company INVL Baltic Real Estate. 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.

Initial share price risk

The shares of the company - the public joint stock company INVL Baltic Real Estate - operating after the Reorganization was not listed on a stock exchange. Initial market price for the shares of the Company after the quoting on the stock exchange will be determined by subjective factors, e.g. buy-sell offers, global exposure to the markets, economic situation, estimations on operations of the INVL Baltic Real Estate, investors interest on the Company, etc. Therefore initial share price may deviate from intrinsic value of the share and may experience high volatility.

Risk factor, related to possible change of the legal status of the Company

The public joint stock company INVL Baltic Real Estate, intends to apply for a closed-end investment company license, to be issued by the Bank of Lithuania. If the license is issued, this would lead to changes in the protection of Company's shareholders and certain operating restrictions, as established in the Law on Collective Investment Undertakings, e.g. the Shares of the Company will be replaced with investment units, voluntary tender offer and rules are not applied, certain limitations of the applicable laws shall be applied to the Company with regards its investments, their diversification, etc. Furthermore, the Company's operating expenses might be increased because of the requirements to conduct periodic property's assessment, protect the Company's property in the depository and other.

After the decision to change of the legal status of the Issuer (i) arguments with a shareholders who does not support this decision may appear and/or (ii) issuance of closed-end investment company license may not be approved. If Bank of Lithuania will not approve issuance of closed-end investment company license, company will continue its ordinary operations.