

**RISK FACTORS, RELATED WITH THE SHARES OF THE PUBLIC JOINT-STOCK COMPANY
INVL BALTIC FARMLAND**

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 INVL Baltic Farmland, created in the split-off, separating the part, which is associated with investments into agricultural land, of the public joint-stock company Invalida 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 INVL Baltic Farmland.

Risk factors, associated with activities of INVL Baltic Farmland

Restriction of the purchase of agricultural land

The public joint-stock company INVL Baltic Farmland will invest in agricultural land in Lithuania through its owned private companies. In 1 January 2014 changes to the Agricultural Land Acquisition temporary law (No. IX-1314) entered into force, providing restrictions of the purchase of agricultural land (including restriction of purchase of shares in the legal entity owning agricultural land). These restrictions mean that the public joint-stock company INVL Baltic Farmland and its owned private companies will not be able to purchase agricultural land additionally and/or acquire shares in companies owning agricultural land.

Prohibition stated in the law can reduce the amount of buyers of agricultural land, owned by subsidiaries of the public joint-stock company INVL Baltic Farmland, and thus the liquidity and price of the asset.

The total investment risk

The value of the investment in agricultural land can vary in the short term, depending on the harvest, prices of agricultural products, local demand and supply fluctuations, competition between farmers and financial situation. Investment in agricultural land 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 long-term 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.

Agricultural production and other commodity price volatility risk

Agricultural products and other commodities prices are historically characterized by very large fluctuations, on which, in many cases, depends the price of agricultural land. The main factor affecting profitability of agricultural business is the price of the crop (wheat, canola, etc.), but fuel, labor, fertilizers' and other commodity prices also affect the cost of agricultural activity, therefore their increase lowers profit margins and reduces the ability to pay higher prices for agricultural land leases. If high fuel, fertilizer and labor costs coincide with the fall of agricultural output prices, farmers and investors in the agricultural sector may suffer a loss.

Common agricultural risk

The public joint-stock company INVL Baltic Farmland will seek to lease its owned agricultural land to farmers and agricultural companies for the highest price possible. Factors that could adversely affect the agricultural sector may be: weather conditions (floods, droughts, heavy rains, hail, frost, weeds, pests, diseases, fire, climate change related worsening conditions and others). Any of these factors, together or separately, could have a negative impact on farmers' incomes and farmland values. Part of the risks, not all, can be insured, but the insurance costs reduce agricultural profitability, thus not all Lithuanian farmers do it.

Reliance on the European Union and national subsidies

Lithuanian and the European Union farmers' activities and profits are highly dependent on the European Union's Common Agricultural Policy (CAP) - EU and national subsidies for agricultural activities. Recent changes to the CAP are valid for the period 2014-2020 and provide that direct payments for the Lithuanian farmers in 2014 will average 149 euros, in 2020 - 196 euros per hectare (now Lithuania payments to farmers equal 144 euros) and will form 75 percent of all EU farmers received payments average.

Elimination of direct payments could have a negative impact on agricultural land rents and values.

Land illiquidity risk

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

Risk of legislative and regulatory changes

Lithuanian law, the European Union directives and other legislative changes may affect the income of farmers and agricultural land rents. For example, changes affecting agricultural products price controls, export restrictions, customs entry or withdrawal, more stringent environmental restrictions could adversely affect the profitability of agriculture.

Tax increase risk

Tax laws change may lead to a greater taxation of the public joint-stock company INVL Baltic Farmland 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 the public joint-stock company INVL Baltic Farmland will face both inflation and deflation risks as investments in agricultural land are long term. If the profit from the agriculture land rent will be less than the inflation rate, it will result in loss of purchasing power. It is estimated that investment in agricultural land profitability is highly correlated with inflation.

Credit risk

The public joint-stock company INVL Baltic Farmland will seek to lease agricultural land plots in the highest price possible to farmers in Lithuania and agricultural companies. There is a risk that tenants of the land will not fulfill their obligations - it would adversely affect the profit of the public joint-stock company INVL Baltic Farmland. Large parts of liabilities not fulfilled in time may cause disturbances in activities of the public joint-stock company INVL Baltic Farmland, there might be a need to seek additional sources of financing, which may not always be available.

The public joint-stock company INVL Baltic Farmland also bears the risk of holding funds in bank accounts or investing in short-term financial instruments.

Liquidity risk

The public joint-stock company INVL Baltic Farmland 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 INVL Baltic Farmland forms agricultural land rental transactions in Litas or Euros; therefore the currency risk is low. Lithuania plans to adopt the Euro since 2015. There is a risk that before the introduction the fixed LTL/EUR rate may change, which may reduce the investment value of the public joint-stock company INVL Baltic Farmland.

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. The public joint-stock company INVL Baltic Farmland plans to use very small amount of debt. Rising interest rates worldwide may adversely affect the values of property - agricultural land.

Large shareholders risk

Three shareholders of the public joint-stock company INVL Baltic Farmland together with related parties at the start of company's activities will hold more than 60 percent of shares and their voting will influence the election of the Members of the Boards of company, essential decisions regarding management of the public joint-stock company INVL Baltic Farmland, operations and financial position. There is no guarantee that the decisions made by 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 Baltic Farmland established in the process of Split-Off of the public joint-stock company Invalda LT and took over 14.45 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 company, 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.

Market-related risks

Market risk

Shareholders of the public joint-stock company INVL Baltic Farmland 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 assets value and profitability of the company, general stock market trends in the region and the world. Trading of shares of the public joint-stock company INVL Baltic Farmland may depend on comments of the brokers and

analysts and published independent analyzes of the company and its activities. The unfavorable analysts' outlook of the shares of the public joint-stock company INVL Baltic Farmland 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 deleted from the stock exchange, investors will face the problem of realization of shares. If the financial situation of the public joint-stock company's INVL Baltic Farmland deteriorates, the demand for company's shares may drop, which will lead to fall in share price.

Dividend payment risk

Dividend payment to the shareholders of the public joint-stock company INVL Baltic Farmland 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 change shares attractiveness of the public joint-stock company INVL Baltic Farmland. 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

The shares of the public joint-stock company INVL Baltic Farmland, 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, as well as performance evaluation of the public joint-stock company INVL Baltic Farmland, the interest of investors. As a result, the initial share price may not reflect accurately the true value and have high fluctuations.

The legal status change risk

The public joint-stock company INVL Baltic Farmland intends to apply for closed-end investment company license, issued by the bank of Lithuania. This will lead to changes in the shareholders' protection of the company and certain operating restrictions. Closed-end investment company shareholders are under no obligation to publish an official tender offer, the company has a limited duration 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.

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