

**PUBLIC JOINT-STOCK COMPANY INVL TECHNOLOGY**

**THE BOARD'S REPORT**

**ON THE INTENDED REORGANIZATION**

Vilnius  
December 23, 2014

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## **1. DEFINITIONS**

Capitalized terms used in this public joint-stock company INV L Technology board's report on the intended reorganization have the same meaning as given to them in public joint-stock company BAIP grupė and public joint-stock company INV L Technology Terms of Reorganization, prepared on December 23, 2014 (further – Terms of Reorganization).

## **2. PURPOSE OF THE REORGANIZATION**

The purpose of the Reorganization is on the basis of provisions of the Law on Companies of the Republic of Lithuania and the Civil Code of Lithuania to public joint-stock company INV L Technology which ceases to operate without liquidation process, to public joint-stock company BAIP grupė, which after assuming all the rights and duties of INV L Technology (including the name) continues its operations under a new name as a public joint-stock company INV L Technology.

## **3. ECONOMIC AND LEGAL BASIS OF THE REORGANIZATION**

### **3.1. The mode of the Reorganization:**

- 3.1.1. The Reorganization is performed in the manner indicated in paragraph 3 of Article 2.97 of the Civil Code of the Republic of Lithuania, when one legal entity is merged to the other and all the rights and duties of the first subject are transferred to the later.
- 3.1.2. The Reorganization corresponds with paragraph 1 of part 2 of Article 41 of the Law on Corporate Income Tax of the Republic of Lithuania according to which “entities are reorganised by means of a merger by acquisition, i.e. one or more entities, on being dissolved without going into liquidation, (hereinafter referred to as the “acquired entities”) are merged with another existing entity (hereinafter referred to as the “acquiring entity”) and, at the time of the merger, all the assets, rights and obligations of the acquired entity are transferred to the acquiring entity and members of the acquired entity, in exchange for the shares (interests, member shares) held in the acquired entity, receive shares (interests, member shares) issued by the acquiring entity, to which all the assets, rights and obligations of the acquired entity are transferred“.
- 3.1.3. As the Reorganization corresponds with cases of reorganization and transfer provided in Article 41 of the Law on Corporate Income Tax of the Republic of Lithuania, according to part 1 of Article 42 of the Law on Corporate Income Tax of the Republic of Lithuania, when the shareholders of the Company being Reorganized receive shares in the Company participating in the Reorganization in exchange for those held in the Company being Reorganized, the increase of the value of shares shall not be treated as income of such shareholders. In this case, the acquisition price of the shares received in the Company participating in the Reorganization in exchange for the shares of the Company being Reorganized is the acquisition price of the shares exchanged before the transfer was effected.
- 3.1.4. As the Reorganization corresponds with cases of reorganization and transfer intended in Article 41 of the Law on Corporate Income Tax of the Republic of Lithuania, according to part 2 of Article 42 of the Law on Corporate Income Tax of the Republic of Lithuania, when the Company being Reorganized transfers assets to the Company participating in the Reorganization, the increase in the value of assets shall not be treated as income of the Company being Reorganized. In this case, the acquisition price of such assets shall be the acquisition price of the assets before the transfer was effected.

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- 3.2. In the opinion of the Board Reorganization will allow to decrease business administration costs, the Company participating in the Reorganization after the Reorganization (i) will be able to optimize investments into new businesses, (ii) increase the probability to find new sectors suitable for investments, (iii) this will create conditions for successful transactions and shareholders value increase.
- 3.3. Legal assumptions of the Reorganization are the following:
- 3.3.1. the authorized capital of the Company Participating in the Reorganization has been fully paid up (at the price of the last share issue);
  - 3.3.2. the Company Participating in the Reorganization and the Company being Reorganized have not acquired the status of the company being reorganized or involved into the reorganization, or the company being transformed, or the company in liquidation or restructuring;
  - 3.3.3. the drawing up of the Terms was approved by the general meeting of shareholders of the Company participating in the Reorganization on 5 December 2014 (Annex 1) and by the general meeting of shareholders of the Company being Reorganized on 19 December 2014 (Annex 2);
  - 3.3.4. the Terms have been drawn up by the Board of the Company Participating in the Reorganization and the Board of the Company being Reorganized.
  - 3.3.5. Terms of the Reorganization are assessed and the report prepared by private limited company MOORE STEPHENS VILNIUS.

#### **4. REORGANIZATION ACTIONS AND TIME LIMITS**

- 4.1.1. not later than 30 days before the Meeting of the Company participating in the Reorganization and the Meeting of the Company being Reorganized, the information about the prepared Terms of Reorganization shall be one time published in the electronic publication for public announcements which is issued by the Manager of the Register of Legal Entities and provided to all creditors of the Company participating in the Reorganization and the Company being Reorganized in writing (by registered mail or in person). The announcement shall contain further-mentioned data and information where the documents listed under the point 4.2 can be found;
  - 4.1.2. Information that corresponds with the article 2.44 of the Civil Code of the Republic of Lithuania about the Company participating in the Reorganization and the Company being Reorganized;
  - 4.1.3. mode of the Reorganization;
  - 4.1.4. the companies that will continue to operate after the Reorganization;
  - 4.1.5. the moment when all the rights and duties of the Company being Reorganized are transferred to the Company participating in the Reorganization.
- 4.2. not later than 30 days before the Meeting of the Company Participating in the Reorganization and the Meeting of the Company being Reorganized, both the Company being Reorganized and the Company participating in the Reorganization will offer a possibility for their shareholders and creditors to access further mentioned documents in their web-sites [www.baipgrupe.lt](http://www.baipgrupe.lt) ir [www.invltechnology.lt](http://www.invltechnology.lt):
- 4.2.1. Terms of Reorganization;
  - 4.2.2. new wording of the Articles of Association of the Company participating in the Reorganization;

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- 4.2.3. the sets of annual financial statements, annual reports for the last three years and a set of interim financial statements as of 30 September 2014 of the Company participating in the Reorganization;
  - 4.2.4. the sets of annual financial statements, annual reports for the last three years and a set of interim financial statements as of 30 September 2014 of the Company being Reorganized;
  - 4.2.5. the report of the assessment of the Terms of Reorganization;
  - 4.2.6. the report about the intended Reorganization prepared by the Board of the Company participating in the Reorganization;
  - 4.2.7. the report about the intended Reorganization prepared by the Board of the Company being Reorganized.
- 4.3. The documents listed in paragraph 3.3.2. of the Terms of the Reorganization will be available at no charge for the shareholders on the website of the Company participating in the Reorganization [www.baipgrupe.lt](http://www.baipgrupe.lt) as well as on the website of the Company being Reorganized [www.invltechnology.lt](http://www.invltechnology.lt) and print or receive copies of these documents at no charge in the offices of the Company participating in the Reorganization and/or the Company being Reorganized all the time – period provided in paragraph 2.8 of the Reorganization Terms.
- 4.4. If there are any substantial changes in assets, rights and liabilities from the Day of preparation of the Terms of Reorganization, the manager of the corresponding company will immediately draw up written announcements regarding such changes and will attach to the documents listed in paragraph 3.3.2. of the Terms of Reorganization. If there are any substantial changes in assets, rights and liabilities from the Day of preparation of the Terms of Reorganization till the day of the Meeting of the Company participating in the Reorganization and the day of the Meeting of the Company being Reorganized, the manager of the corresponding company will verbally announce the changes in the meeting of a corresponding company and inform the manager of the other company so he is able to inform shareholders.
- 4.5. Proposals regarding the Reorganization Terms may be submitted by the Company participating in the Reorganization and the Company being Reorganized boards, the company manager and the Shareholders holding the shares the face value whereof is at least 1/3 of the authorized capital of corresponding company.
- 4.6. The Terms of Reorganization, the report about the intended Reorganization drawn up by the board of the Company participating in the Reorganization, the report about the intended Reorganization drawn up by the board of the Company being Reorganized and the report of the assessment of Terms of Reorganization shall be submitted to the Manager of the Register of Legal Entities no later than on the day information about their preparation is published in the electronic publication for public announcements which is issued by the Manager of the Register of Legal Entities.
- 4.7. From the day of publication of the Terms the public joint - stock company BAIP grupė shall acquire the legal status of the Company participating in the Reorganization and public joint-stock company INVLT Technology shall acquire the legal status of the Company being Reorganized.
- 4.8. Creditors of the Company participating in the Reorganization and the Company being Reorganized may submit their claims from the first day of publication of the Terms of Reorganization until the Meeting of the Company participating in the Reorganization and the Meeting of the Company being Reorganized.

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- 4.9. The decision regarding the Reorganization, approval of the Terms of Reorganization and approval of the Articles of Association of the Company participating in the Reorganization, that will continue its operations after the Reorganization, will be adopted by the Meeting of the Company participating in the Reorganization and the Meeting of the Company being Reorganized not earlier than 30 days from the day on which the Manager of the Register of Legal Entities announces about Terms of Reorganization received.
- 4.10. Documents confirming the decisions regarding the Reorganization taken by the Meeting of the Company participating in the Reorganization and the Meeting of the Company being Reorganized will be submitted to the Manager of the Register of Legal Entities within 5 (five) days of the corresponding meeting.
- 4.11. The Reorganization will be completed after the fulfilment of all below stated conditions:
- 4.11.1. the Register of Legal Entities will register new wording of Articles of Association of the Company participating in the Reorganization amending the authorized capital of the company and the name herein;
- 4.11.2. the Register of Legal Entities will deregister the Company being Reorganized;
- 4.11.3. the shareholders of the Company participating in the Reorganization will receive shares of the Company being Reorganized in exchange of the shares held in the Company Participating in the Reorganization.

## 5. BUSINESS CONTINUITY

- 5.1. The Company participating in the Reorganization after the Company being Reorganized is merged and ceases to operate as legal person as indicated in these Terms of Reorganization, on the day of Completion of the Reorganization shall take over all assets, rights and liabilities of the Company being Reorganized, including assets, rights and liabilities not indicated in financial statements of the Company being Reorganized, without signing any deeds of transfer – acceptance and shall continue its operations.
- 5.2. The Company Participating in the Reorganization:

- 5.2.1. The data on the Company Participating in the Reorganization as of the Day of the Terms:

	<b>Description</b>
<b>Name of the legal entity</b>	Public joint-stock company BAIP grupė
<b>Legal form of the legal entity</b>	Public joint-stock company
<b>Registered address</b>	A. Juozapavičiaus str. 6, Vilnius
<b>Company code</b>	300893533
<b>Register which accumulates and stores the data about the legal entity</b>	The Register of Legal Entities of the Republic of Lithuania, manager – Vilnius Branch of Centre of Registers
<b>The VAT payer's code</b>	LT100003300019
<b>Authorized capital</b>	6 092 685 LTL
<b>Fully paid authorized capital</b>	6 092 685 LTL
<b>Number of shares</b>	6 092 685 units
<b>Nominal value per one share</b>	1 LTL

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<b>Class of the shares</b>	Ordinary registered shares
<b>Type of the shares</b>	Uncertificated
<b>ISIN code of the shares</b>	LT0000128860
<b>Regulated market on which the shares are traded</b>	Not traded
<b>Share account manager</b>	Public joint-stock company brokerage house Finasta

5.2.2. The data on the Company participating in the Reorganization after the Completion of the Reorganization:

	<b>Description</b>
<b>Name of the legal entity</b>	Public joint-stock company INV L Technology
<b>Legal form of the legal entity</b>	Public joint-stock company
<b>Registered address</b>	Gynėjų str. 16, Vilnius
<b>Company code</b>	300893533
<b>Register which accumulates and stores the data about the legal entity</b>	Vilnius Branch of the Register of Legal Entities
<b>The VAT payer's code</b>	LT100003300019
<b>Authorized capital</b>	6 114 714 LTL
	1 773 267,06 EUR
<b>Fully paid authorized capital</b>	6 114 714 LTL
	1 773 267,06 EUR
<b>Number of shares</b>	6 114 714 units
<b>Nominal value of one share</b>	1 LTL
	0,29 EUR
<b>Class of the shares</b>	Ordinary registered shares
<b>Type of the shares</b>	Uncertificated
<b>ISIN code of the shares</b>	LT0000128860
<b>Regulated market on which the shares are traded</b>	NASDAQ OMX Vilnius, Baltic Secondary List. The aim is to include the shares in the market within minimal required time on the legal basis.
<b>Share account manager</b>	Public joint-stock company brokerage house Finasta

5.2.3. The data on the Company being Reorganized:

	<b>Description</b>
<b>Name of the legal entity</b>	Public joint-stock company INV L Technology
<b>Legal form of the legal entity</b>	Public joint-stock company
<b>Registered address</b>	Kalvarijų str. 11A-20, Vilnius
<b>Company code</b>	303299817

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<b>Register which accumulates and stores the data about the legal entity</b>	Vilnius Branch of the Register of Legal Entities
<b>The VAT payer's code</b>	Non VAT payer
<b>Authorized capital</b>	592 730 LTL
<b>Fully paid authorized capital</b>	592 730 LTL
<b>Number of shares</b>	592 730 units
<b>Nominal value per one share</b>	1 LTL
<b>Class of the shares</b>	Ordinary registered shares
<b>Type of the shares</b>	Uncertificated
<b>ISIN code of the shares</b>	LT0000128738
<b>Regulated market on which the shares are traded</b>	NASDAQ OMX Vilnius.
<b>Share account manager</b>	Public joint-stock company brokerage house Finasta

**6. EXCHANGE RATIO OF THE SHARES OF THE COMPANY PARTICIPATING IN THE REORGANIZATION FOR THE SHARES OF THE COMPANY BEING REORGANIZED, AND THE SUBSTANTIATION THEREOF.**

**THE NUMBER OF SHARES OF THE COMPANY PARTICIPATING IN THE REORGANIZATION AND OPERATING AFTER THE REORGANIZATION ACCORDING TO THEIR CLASSES AND NOMINAL VALUE.**

**THE RULES OF SHARE ALLOCATION TO THE SHAREHOLDERS**

6.1. As of the Day of the Reorganization Terms:

- the authorized fully paid up capital of the Company being Reorganized is 592 730 (five hundred ninety two thousand seven hundred and thirty) litas. It is divided into 592 730 (five hundred ninety two thousand seven hundred and thirty) ordinary registered shares with nominal value of 1 (one) litas each. As of the Day of preparation of the Terms of Reorganization the Company being Reorganized has not acquired its own shares;
- the authorized fully paid capital of the Company participating in the Reorganization is 6 092 685 (six million ninety two thousand six hundred and eighty five) litas. It is divided into 6 092 685 (six million ninety two thousand six hundred and eighty five) ordinary registered shares with nominal value of 1 (one) litas each. As of the Day of preparation of the Terms of Reorganization the Company participating in the Reorganization has not acquired its own shares.

6.2. The exchange ratio at which the shares of the Company being Reorganized are exchanged to the shares of the Company participating in – 6.7856, i.e. for every share of the Company being Reorganized shareholder of the Company being Reorganized shall get 6.7856 ordinary registered shares with nominal value of 1 (one) litas (which is equal to 0.29 euro) each of the Company participating in the Reorganization.

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## 6.3. Reasoning behind the exchange ratio:

## 6.3.1. Major assets of the Company being Reorganized 30 September 2014:

Asset	Book value 30 September 2014	Description
Shares of the Company Participating in the Reorganization	16 996 189	4 000 000 ordinary registered shares par value of 1 (one) litas of the Company Participating in the Reorganization
Shares of private limited company Inventio	7 555	10 000 ordinary registered shares par value of 1 (one) litas. Due to the fact that the company is not operating, shares are valued at book value (authorised capital (cash)).
Cash	112 035	Cash in the bank
Liabilities	-11 846	Total liabilities
Authorised capital	17 03 933	

6.3.2. As of the Day of preparation of the Terms of Reorganization, the Company being Reorganized owns 4 000 000 ordinary registered shares with nominal value of 1 (one) litas of the Company participating in the Reorganization, which is 65.65 percent of total shares of the Company participating in the Reorganization. These shares are not exchanged for the shares of the Company participating in the Reorganization.

6.3.3. Shares of the Company being Reorganized are traded on NASDAQ OMX Vilnius Stock Exchange. Weighted average price of these shares from 18 June 2014 to 18 December 2014 was EUR 9.612830 (LTL 33.1912). Statistics on the trading activity on NASDAQ OMX Vilnius Stock Exchange of the shares of the Company being Reorganized is provided in Annex 10.

6.3.4. Determining exchange ratio, shares of the Company being Reorganized were valued according to the weighted average price of the last six months (as stated in paragraph 5.3.3.), while the value of the shares of the Company participating in the Reorganization is determined by deducting net assets non-related to the shares of the Company participating in the Reorganization from its market capitalization (market value of the shares):

The number of Shares of the Company being Reorganized, units	592 730
Weighted average price of the Company being Reorganized, LTL	<b>33,1912</b>
Market capitalization of the Company being Reorganized, LTL	19 673 420
Other net assets of the Company being Reorganized (excluding the Shares of the Company Participating in the Reorganization), LTL	107 744
Value of the Shares of the Company Participating in the Reorganization owned by the Company being Reorganized, LTL	19 565 676
Number of Shares of the Company Participating in the Reorganization owned by the Company being Reorganized, units	4 000 000
Value of one share of the Company Participating in the Reorganization	<b>4,8914</b>
Exchange ratio (the number of the Shares of the Company Participating in the Reorganization exchanged for one share of the Company being Reorganized)	<b>6,7856</b>



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6.3.5. After assessing exchange ratio sensitivity analysis, depending on different share prices of the Company being Reorganized, price movements between the boundaries of 28 and 37 litas, the deviation of the exchange ratio is negligible and less than 0.1 percent:

Share price of the Company being Reorganized, LTL	28	29	30	31	32	33	34	35	36	37
Share value of the Company Participating in the Reorganization, LTL	4,1222	4,2704	4,4185	4,5667	4,7149	4,8631	5,0113	5,1595	5,3076	5,4558
Exchange ratio	6,7925	6,791	6,7896	6,7882	6,787	6,7858	6,7847	6,7837	6,7827	6,7818
Deviation from the determined exchange ratio, %	0,10%	0,08%	0,06%	0,04%	0,02%	0,00%	-0,01%	-0,03%	-0,04%	-0,06%

6.4. According to the determined exchange ratio and applying arithmetic rounding rules:

Number of shares of the Company Participating in the Reorganization entitiled to the Shareholders of the Company being Reorganized, units	4 022 029
Number of shares entitiled to the Shareholders of the Company Participating in the Reorganization (excluding the Company being Reorganized), units	2 092 685
Authorised capital of the Company Participating in the Reorganization after the Reorganization, LTL	6 114 714 (which equals to 1 773 267.06 EUR)

6.5. In order to ensure smooth implementation of the share exchange procedure stated in the Terms of Reorganization, the trading on NASDAQ OMX Vilnius Stock Exchange of the shares of the Company participating in the Reorganization will be suspended not later than 2 (two) days until the Meeting of the Company participating in the Reorganization. Shares of the Company participating in the Reorganization will be included in the list of NASDAQ OMX Vilnius Stock Exchange within the minimal time limits indicated in legal acts.

6.6. If a fractional amount occurs while calculating a size of a new authorized capital and/or exchanging the shares of the Company participating in the Reorganization for the shares in the Company being Reorganized as indicated in the Terms of Reorganization, the fraction will be rounded to a whole number using arithmetic rounding rules: (i) if the first digit of decimal fractional part is figure 5 or bigger, 1 is added to the last digit of the whole number; (ii) if the first digit of the decimal fractional part is less than 5, the last digit of the whole number will remain unchanged.

## 7. EXPLANATION OF REORGANIZATION TERMS

7.1. The Terms of the Reorganization are prepared on 23 December, 2014 by the Board of the Company participating in the Reorganization and by the Board of the Company being Reorganized.

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- 7.2. Terms of the Reorganization are prepared on the basis of provisions of the Law on Companies of the Republic of Lithuania Articles 61 – 69 of the Law on Companies of the Republic of Lithuania and Chapter VIII of Book Two of the Civil Code of the Republic of Lithuania, taking into account the requirements of other related legal acts of the Republic of Lithuania.
- 7.3. The Reorganization corresponds with paragraph 1 of part 2 of Article 41 of the Law on Corporate Income Tax of the Republic of Lithuania according to which subjects being reorganized by merger i.e. one or few subjects which ceased to operate without liquidation process (acquired subjects) are merged to the other subject (acquiring subject) and at the moment of the merger all the assets, rights and duties of the acquired subjects are transferred to the acquiring subject. Acquired subjects' participants get issued acquiring company's which takes all the assets, rights and duties of acquired subject shares (parts) in exchange for acquired company's shares (parts).
- 7.4. All the rights and liabilities of the Company being Reorganized shall be assumed by the Company Participating in the Reorganization and all the contractual rights and liabilities of the Company being Restructured shall be assumed by the Company Participating in the Reorganization and the transactions shall be included into its accounting on the basis of these Terms without additional signing of Transfer – Acceptance Certificates at the end of the day of the deregistration of the Company being Reorganized from the Register of Legal Entities.
- 7.5. As of the day of the Company being Reorganized deregistration from the Register of Legal Entities the rights to manage use and dispose of the funds available in the bank accounts of the Company being Reorganized shall be transferred to the Company Participating in the Reorganization or else these accounts shall be closed and the funds in them shall be transferred to the Company Participating in the Reorganization.
- 7.6. The Company participating in the Reorganization assumes all the assets, righthts and obligations of the Company being Reorganized, including but not limited to the assets, rights and obligations not reflected in financial statements of Company being Reorganized, also all tax rights and liabilities, which might turn out after the tax authorities or other state institutions calculate tax or other payments arrears, penalties and interest according to the laws for the Company being Reorganized activities until the end of the day of the deregistration of the Company being Reorganized from the Register of Legal Entities.
- 7.7. Company participating in the Reorganization, as stated above, after assuming all assets, rights, obligations and name of the Company being Reorganized will continue its activities. Reorganization will have no influence on the strategy and goals of the Comapny participating in the Reorganization.
- 8. INFORMATION ABOUT PREPARATION OF THE ASSESMENT OF THE TERMS OF REORGANIZATION**
- 8.1. On the basis of the Law on Companies of the Republic of Lithuania article 63 part 2, assesment of the Terms of Reorganization is performed and report prepared by private limited company MOORE STEPHENS VILNIUS. Report on the assesment of the Terms of the Reorganization, inter alia, should include:
  - 8.1.1. the conclusions whether the share exchange ratio is fair and justified;
  - 8.1.2. the methods used to determine the share exchange ratio and the conclusions on the appropriateness of these methods for and their impact on the determination of the value of the shares;
  - 8.1.3. a description of the difficulties encountered during the assessment.
- 8.2. While performing the assesment of the Terms of the Reorganization private limited liability company MOORE STEPHENS VILNIUS has the following rights:

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- 8.2.1. To receive all the documents necessary to perform assesment and prepare report on the Terms of the Reorganization;
- 8.2.2. To receive all the information necessary to perform assesment and prepare report on the Terms of the Reorganization and explanations of the management and employees of the Company participating in the Reorganization and the Company being reorganized.
- 8.2.3. All other rights stated in the agreement with private limited liability company MOORE STEPHENS Vilnius and legal acts of the Republic of Lithuania.
- 8.3. Assesment of the Terms of the Reorganization will be provided no later than the day of the public announcement about the prepared Reorganization terms to the the manager of Register of Legal and will be announced publicly by terms stated in the Terms or Reorganization.

This report of the Board is approved on 23 December, 2014 by the Board of joint stock company INV L Technology.

Chairman of the Board

Alvydas Banys