

THE PUBLIC JOINT-STOCK COMPANY „INVL BALTIC REAL ESTATE“

REPORT OF THE BOARD

ON THE INTENDED REORGANIZATION

Vilnius

30 June 2015

1. DEFINITIONS

Capitalized terms used in this public joint-stock company „INVL Baltic Real Estate“ board's report on the intended reorganization have the same meaning as given to them in public joint-stock company „Invalidos nekilnojamojo turto fondas“ and public joint-stock company „INVL Baltic Real Estate“ Terms of Reorganization, prepared on 30 June, 2015 (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 the Republic of Lithuania to merge public joint-stock company “INVL Baltic Real Estate”, which after the Reorganization ceases to operate without liquidation process, into public joint-stock company “Invalidos nekilnojamojo turto fondas”, which after all the rights and duties (including the name) of the public joint-stock company “INVL Baltic Real Estate” are transferred, continues its operations under the new name of public joint-stock company “INVL Baltic Real Estate”.

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 reorganized 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.

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 real estate projects, (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 capitals of the Company Participating in the Reorganization and the Company being Reorganized have 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 sole shareholder of the Company participating in the Reorganization on 30 April, 2015 and by the general meeting of shareholders of the Company being Reorganized on 30 April, 2015;
- 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 UAB "MOORE STEPHENS VILNIUS".

4. REORGANIZATION ACTIONS AND TIME LIMITS

- 4.1. 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 in the newspaper „Verslo žinios, and also 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:
 - 4.1.1. 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;
 - 4.1.2. mode of the Reorganization;
 - 4.1.3. the companies that will continue to operate after the Reorganization;
 - 4.1.4. 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 respectively in web-site www.invlbalticrealestate.lt and in the premises located in Šeimyniškių str. 1A, Vilnius:
 - 4.2.1. Terms of Reorganization;
 - 4.2.2. new wording of the Articles of Association of the Company participating in the Reorganization;
 - 4.2.3. the sets of annual financial statements, annual reports for the last three years of the Company participating in the Reorganization;
 - 4.2.4. considering that the Company being Reorganized was established on 29 April 2014 after the split-off of the public joint-stock company “Invalda LT” (current name – public joint-stock company “Invalda INVL”), the set of annual financial statement and annual report of 2014 of the Company being Reorganized, the set of annual financial statement and annual report of 2013 of the public joint-stock company “Invalda LT” and the set of annual financial statement and annual report of 2012 of the public joint-stock company “Invalda” (public joint-stock company “Invalda” after the split-off on 31 May, 2013 changed its name to “Invalda LT”);
 - 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 4.2. will be available free of charge for the shareholders to download on the website of the Company being reorganized www.invlbalticrealestate.lt, as well as to print or receive copies of these documents in the offices of the Company participating in the Reorganization and/or the Company being Reorganized – Šeimyniškių str. 1A, Vilnius, all the time – period provided in paragraph 2.8 of the Terms of Reorganization.
- 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 4.2. 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 newspaper „Verslo žinios“ and 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 „Invalidos nekilnojamojo turto fondas“ shall acquire the legal status of the Company participating in the Reorganization and public joint-stock company „INVLTALIC Real Estate“ 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.
- 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 not later than within 5 days of the corresponding meeting.
- 4.11. 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 being Reorganized will receive shares of the Company participating in the Reorganization in exchange of the shares held in the Company being Reorganized.

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:

	Description
Name of the legal entity	Public joint-stock company „Invalidos nekilnojamojo turto fondas“
Legal form of the legal entity	Public joint-stock company
Registered address	Municipality of Vilnius, Vilnius city, A. Juozapavičiaus str. 6
Company code	152105644
Register which accumulates and stores the data about the legal entity	The Register of Legal Entities of the Republic of Lithuania, manager – Vilnius Branch of Centre of Registers
The VAT payer's code	LT521056415
Authorized capital	33 265 440 LTL
Authorized capital converted in accordance with provisions of Republic of Lithuania Law on redenomination to the euro of the capital and of the nominal value of securities of public limited liability companies and private limited liability companies and amendment of the articles of association of these companies	9 646 977,60 EUR
Fully paid authorized capital	33 265 440 LTL / 9 646 977,60 EUR
Number of shares	33 265 440 units
Nominal value per one share	1 LTL
Nominal value per one share converted in accordance with provisions of Republic of Lithuania Law on redenomination to the euro of the capital and of the nominal value of securities of public limited liability companies and private limited liability companies and amendment of the articles of association of these companies	0,29 EUR
Class of the shares	Ordinary registered shares
Type of the shares	Uncertificated

ISIN code of the shares	LT0000127151
Regulated market on which the shares are traded	Not traded
Share account manager	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:

	Description
Name of the legal entity	Public joint-stock company INV L „INV L Baltic Real Estate“
Legal form of the legal entity	Public joint-stock company
Registered address	Municipality of Vilnius, Vilnius city, Šeimyniškių str. 1A
Company code	152105644
Register which accumulates and stores the data about the legal entity	The Register of Legal Entities of the Republic of Lithuania, manager – Vilnius Branch of Centre of Registers
The VAT payer’s code	LT521056415
Authorized capital	12 535 613,08 EUR
Fully paid authorized capital	12 535 613,08 EUR
Number of shares	43 226 252 units
Nominal value of one share	0,29 EUR
Class of the shares	Ordinary registered shares
Type of the shares	Uncertificated
ISIN code of the shares	LT0000127151
Regulated market on which the shares are traded	NASDAQ OMX Vilnius, Baltic Secondary List. The aim is to include the shares in the market within minimal required time on the legal basis.
Share account manager	Public joint-stock company brokerage house Finasta

5.2.3. The data on the Company being Reorganized:

	Description
Name of the legal entity	Public joint-stock company „INV L Baltic Real Estate“
Legal form of the legal entity	Public joint-stock company
Registered address	Municipality of Vilnius, Vilnius city, Šeimyniškių str. 1A
Company code	303299735

Register which accumulates and stores the data about the legal entity	The Register of Legal Entities of the Republic of Lithuania, manager – Vilnius Branch of Centre of Registers
The VAT payer's code	Not VAT payer
Authorized capital	2 042 865,85 EUR
Fully paid authorized capital	2 042 865,85 EUR
Number of shares	7 044 365 units
Nominal value of one share	0,29 EUR
Class of the shares	Ordinary registered shares
Type of the shares	Uncertificated
ISIN code of the shares	LT0000128746
Regulated market on which the shares are traded	NASDAQ OMX Vilnius.
Share account manager	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 RULES OF SHARE ALLOCATION TO THE SHAREHOLDERS

- 6.1. The exchange ratio at which the shares of the Company being Reorganized are exchanged to the shares of the Company participating in Reorganization – 6,136287941, i.e. for every share of the Company being Reorganized shareholder of the Company being Reorganized shall get 6,136287941 ordinary registered shares with nominal value of 0,29 EUR each of the Company participating in the Reorganization (total number of shares of each shareholder shall be rounded to the whole share according to the rules of arithmetic).
- 6.2. Reasoning behind the exchange ratio:
 - 6.2.1. As of the Day of preparation of the Terms of Reorganization, the Company being Reorganized is the sole shareholder of the Company participating in the Reorganization, which owns 33 265 440 ordinary registered shares with nominal value of 0,29 EUR of the Company participating in the Reorganization;
 - 6.2.2. Shares of the Company participating in the Reorganization are the main asset of the Company being Reorganized;
 - 6.2.3. Asset of the Company participating in the Reorganization is real estate objects assessed according to the market value by the independent property valuers. The value of the objects is indicated in the audited set of annual financial statements of the 31 of December, 2014;
 - 6.2.4. Considering the paragraphs 6.2.1 – 6.2.3 of this Report of the Board, it is concluded that equity capital of the both companies – Company participating in the Reorganization and the Company being Reorganized, essentially corresponds real market value and the exchange ratio of the shares is established according to the equity capital of the corresponding company of 31 of December, 2014. Equity capital of the Company participating in the Reorganization – 38 526 000 LTL, equity capital of the Company being Reorganized – 50 062 000 LTL (data of the audited set of annual financial statements of 2014).
 - 6.2.5. one ordinary registered share with the nominal value of 0,29 EUR of the Company

being Reorganized equals 7,106673 LTL (2,058234826 EUR) of the equity capital of this company;

- 6.2.6. one ordinary registered share with the nominal value of 0,29 EUR of the Company participating in the Reorganization equals 1,158139 LTL (0.335420209 EUR) of the equity capital of this company;
- 6.2.7. the exchange ratio of the shares is established according to the part of the equity capital for one share: 7,106673 (2,058234826 euro)/1,158139 (0,335420209 euro).

7. EXPLANATION OF REORGANIZATION TERMS

- 7.1. The Terms of the Reorganization are prepared on 30 June, 2015 by the Board of the Company participating in the Reorganization and by the Board of the Company being Reorganized.
- 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 Reorganized 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, rights 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 Company 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, assessment of the Terms of Reorganization is performed and report prepared by UAB “MOORE STEPHENS VILNIUS”. Report on the assessment 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 assessment of the Terms of the Reorganization UAB “MOORE STEPHENS VILNIUS” has the following rights:

8.2.1. To receive all the documents necessary to perform assessment and prepare report on the Terms of the Reorganization;

8.2.2. To receive all the information necessary to perform assessment 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 UAB “MOORE STEPHENS Vilnius” and legal acts of the Republic of Lithuania.

8.3. Assessment of the Terms of the Reorganization will be provided no later than the day of the public announcement about the prepared Terms of Reorganization to the Manager of Register of Legal Entities and will be announced publicly by terms stated in the Terms or Reorganization.

This report of the Board is approved on 30 June, 2015 by the Board of public joint-stock company „INVLTALIC Real Estate“.

Chairman of the Board

Alvydas Banys