

THE REPORT ABOUT THE INTENDED REORGANIZATION

PREPARED BY THE BOARD OF THE PUBLIC JOINT-STOCK COMPANY BAIP GRUPĖ

Vilnius
23 December 2014

1. DEFINITIONS

All capitalized terms used in this report about the intended reorganization prepared by the Board of the public-joint company BAIP grupė shall have the same meaning indicated in the Terms of Reorganization of public joint-stock company INVL Technology and public joint-stock company BAIP grupė (hereinafter referred to as the Terms of Reorganization).

2. THE GOAL OF THE REORGANIZATION

The goal 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 Technology, which after the Reorganization ceases to operate without liquidation process, to public joint-stock company BAIP grupė, which after all the rights and duties (including the name) are transferred, continues its operations under the new name of public joint-stock company INVL Technology.

3. ECONOMIC AND LEGAL GROUNDS FOR 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.

3.2. In the opinion of the Board Reorganization will reduce the cost of business administration, the Company participating in the Reorganization after the Reorganization (i) will be able to optimize investments in 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 grounds for Reorganization:

3.3.1. the authorized capital of the Company participating in the Reorganization and the Company being Reorganized have been fully paid up (shares emission price of the last share issue).

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- 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, bankruptcy or restructuring.
- 3.3.3. Preparation of the Terms of Reorganization was approved by the decision of shareholders of private limited company BAIP grupė on 5 December 2014 and by the general meeting of shareholders of the Company being Reorganized on 19 December 2014.
- 3.3.4. The Terms of Reorganization 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. The Terms of Reorganization are assessed and the report is prepared by private limited company 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 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 paragraph 4.2. can be found:
 - 4.1.1. information indicated in 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 in their web-sites www.baipgrupe.lt and 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;
 - 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 above will be available at no charge for the shareholders on the website of the Company participating in the Reorganization www.baipgrupe.lt as well as on the website of the Company being Reorganized 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 during all period indicated in paragraph 2.8 of the Terms of Reorganization.

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- 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. 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 Terms of Reorganization may be submitted by the Board, manager and shareholders of the Company participating in the Reorganization and the Company being Reorganized, holding the shares with their nominal value not less than 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 about preparation of the Terms of Reorganization, the public joint - stock company BAIP grupè shall acquire the legal status of the company participating in the reorganization and public joint-stock company INVL 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.
- 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 the 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

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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 preparation of the Terms of Reorganization:

	Description
Name of the legal entity	Public joint-stock company BAIP grupė
Legal form of the legal entity	Public joint-stock company
Registered address	A. Juozapavičiaus str. 6, Vilnius
Company code	300893533
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
VAT payer's code	LT100003300019
Authorized capital	6 092 685 LTL
Fully paid authorized capital	6 092 685 LTL
Number of shares	6 092 685 units
Nominal value per one share	1 LTL
Class of the shares	Ordinary registered shares
Type of the shares	Uncertificated
ISIN code of the shares	LT0000128860
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 INVL Technology
Legal form of the legal entity	Public joint-stock company
Registered address	Gynėjų str. 16, Vilnius
Company code	300893533
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
VAT payer's code	LT100003300019
Authorized capital	6 114 714 LTL
	1 773 267.06 EUR
Fully paid authorized capital	6 114 714 LTL
	1 773 267.06 EUR

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Number of shares	6 114 714 units
Nominal value per one share	1 LTL
	0.29 EUR
Class of the shares	Ordinary registered shares
Type of the shares	Uncertificated
ISIN code of the shares	LT0000128860
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 indicated in legal acts.
Share account manager	Public joint-stock company brokerage house Finasta

5.3. The data on the Company being Reorganized:

	Description
Name of the legal entity	Public joint-stock company INVL Technology
Legal form of the legal entity	Public joint-stock company
Registered address	Kalvariju str. 11A-20, Vilnius
Company code	303299817
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
VAT payer's code	Not VAT payer
Authorized capital	592 730 LTL
Fully paid authorized capital	592 730 LTL
Number of shares	592 730 units
Nominal value per one share	1 LTL
Class of the shares	Ordinary registered shares
Type of the shares	Uncertificated
ISIN code of the shares	LT0000128738
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. As of the Day of preparation of the Terms of Reorganization:

- 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;

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- 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 the Reorganization – 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.

6.2.1. Major assets of the Company being Reorganized as of 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 with nominal 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 with nominal 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 account
Liabilities	-11 846	Total liabilities
Equity capital	17 103 933	

6.2.2. 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.

6.2.3. 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 of the Terms of Reorganization.

6.2.4. 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	33,1912
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	19 565 676

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the Company being Reorganized, LTL	
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	4,8914
Exchange ratio (the number of shares of the Company participating in the Reorganization exchanged for one share of the Company being Reorganized)	6,7856

6.2.5. 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%

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

Number of shares of the Company participating in the Reorganization entitled to the shareholders of the Company being Reorganized, units	4 022 029
Number of shares entitled 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	6 114 714 (which is equal to 1 773 267.06 EUR)

6.4. 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.

6.5. 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 THE TERMS OF REORGANIZATION

7.1. The Terms of Reorganization are prepared by the Board of the Company participating in the Reorganization and the Board of the Company being Reorganized.

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- 7.2. Terms of Reorganization are prepared in accordance with 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 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 “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“.
- 7.4. All the assets, rights and liabilities of the Company being Reorganized, all the contractual rights and liabilities of the Company being Reorganized shall be assumed transferred to the Company participating in the Reorganization and the transactions shall be included into its accounting on the basis of the Terms of Reorganization without additionally signing of transfer – acceptance deeds at the end of the day the Company being Reorganized is deregistered from the Register of Legal Entities.
- 7.5. From the day the Company being Reorganized is deregistered from the Register of Legal Entities the rights to manage, use and dispose the funds available in the bank accounts of the Company being Reorganized shall be transferred to the Company participating in the Reorganization or 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 takes-over all the assets, rights and duties of the Company being Reorganized, including but not limited, assets, rights and duties not stated in the financial statements as well as all the tax rights and duties, including but not limited, rights and duties that might emerge after the tax administrator or other state institutions add on arrears or fines according to the legal acts for the operations of the Company being Reorganized until the day of deregistration from the Register of Legal Entities.
- 7.7. The 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 REPORT ON ASSESMENT OF THE TERMS OF REORGANIZATION**
- 8.1. According to paragraph 2 of Article 63 of the Law of the Republic of Lithuania, the Terms of Reorganization are assessed and the report on assessment is prepared by private limited company MOORE STEPHENS VILNIUS. The report on assessment shall include:
 - 8.1.1. findings on validity and fairness of the exchange ratio;
 - 8.1.2. methods used to determine the exchange ratio and findings on validity of these methods and impact on the valuation of the shares;
 - 8.1.3. description of assessment difficulties.
- 8.2. Rights granted to private limited company MOORE STEPHENS VILNIUS while assessing the Terms of Reorganization:
 - 8.2.1. receive all the documents needed to assess and prepare the report on assessment of the Terms of Reorganization;
 - 8.2.2. receive all the information needed to assess and prepare the report on assessment of the Terms of Reorganization as well as get the explanations of the managers and employees of the Company participating in the Reorganization and the Company being Reorganized;
 - 8.2.3. all the other rights provided in the agreement with private limited company MOORE STEPHENS VILNIUS and the legal acts of the Republic of Lithuania.

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- 8.3. The report on assessment of the Terms of Reorganization will be submitted to the Manager of the Register of Legal Entities and will be published as indicated in the Terms of Reorganization not later than on the day an announcement about prepared Terms of Reorganization was published.

This report of the Board was approved by the decision of the Board of public joint-stock company BAIP grupē dated 23 December 2014.

Chairman of the Board

Kazimieras Tonkūnas