

To Invalda AB
Šeimyniškių st. 1 A,
Vilnius

22 April, 2011

The report about the activity of the Audit Committee of Invalda AB

The Audit Committee (hereinafter – the Committee) of Invalda AB (hereinafter – the Company) was formed and the Regulations of the Formation and Activity of the Audit Committee were approved by the decision of the General Meeting on 14 November 2008.

The Committee consists of two members, elected by the above-mentioned General Meeting – Danutė Kadanaitė, the lawyer of Legisperitus UAB, and an independent member Tomas Bubinas. These members were re-elected for the four years term by the decision of the General Meeting on 30 April 2010. Tomas Bubinas resigned from 23 August, 2010 and a new member was not elected.

The main functions of the Audit Committee:

1. to provide recommendations to the Board of the Company on selection, appointment, reappointment and removal of an external audit company as well as the terms and conditions of agreement with the audit company;
2. to monitor the process of external audit of the Company;
3. to monitor how the external auditor and the audit company follow the principles of independence and objectivity;
4. to observe the process of preparation of financial statements of the Company;
5. to monitor the efficiency of the internal control and risk management systems of the Company. Once a year review the need of the internal audit function.

The Committee's activity since 23 April, 2010:

1. Regarding the selection of the audit companies for Invalda AB and Vilniaus Baldai AB and conclusion of the agreements with them

The Committee recommended for the Board of the Company to conclude the agreement with PricewaterhouseCoopers UAB for the audit of financial statements of the financial years 2010 and 2011.

The Committee received confirmation of PricewaterhouseCoopers UAB that the audit company complies with the independence principles and requirements, its civil liability is indemnified under the law of the Republic of Lithuania.

On 6 August 2010 in the General Meeting of Invalda AB the decision to select PricewaterhouseCoopers UAB to audit statements of the financial years 2010 and 2011 was passed. Also conditions of the payment for the audit services were determined.

Considering the fact that it is not necessary for a company of public interest, which is a subsidiary and which financial statements are consolidated, to form the audit committee and, according to the Paragraphs 4 and 6 of Article 52 of the Law of the Republic of Lithuania on Audit, the Committee of the Company recommended the Board of Vilniaus Baldai AB to consider the possibility of conclusion of an agreement with PricewaterhouseCoopers UAB for the audit of financial statements for the financial years 2010 and 2011.

The Extraordinary General Meeting of Vilniaus Baldai AB, held on 21 September 2010, made a decision to select PricewaterhouseCoopers UAB to audit financial statements of financial years 2010 and 2011 and determined conditions of the payment for the audit services.

2. Monitoring of the process of the external audit

The members of the Committee had the possibility to get from PricewaterhouseCoopers UAB information about the process of the external audit of the Company and the Group of the financial year 2010.

3. Monitoring the independence of the auditors and the audit company

On 16 November, 2010 the Committee received confirmation of the audit company that PricewaterhouseCoopers UAB is independent from Invalda AB and Vilniaus baldai AB while auditing financial statements of 2010.

The Committee observed the external auditor's and the audit company's compliance with the principles of independence and objectivity and confirm that:

a) The manager of the audit group auditor Rasa Radzevičienė and (or) the audit company – PricewaterhouseCoopers UAB are not directly or indirectly related to the Company and Vilniaus Baldai AB and there are no grounds which could harm the independence of the auditor and (or) the audit company.

b) Rasa Radzevičienė is considered to be independent since:

- she is not linked by family, close relations or related by marriage with the participants in the Company or its significant subsidiaries, Company's head, members of the Board, chief accountants or with any other employees of the Company or its significant subsidiaries, who may have a direct and material influence on the drawing up of financial statements;
- she is not and never was an employee of the Company or its significant subsidiaries;
- she is not and never was a participant of the Company or its significant subsidiaries;
- she has not provided to the Company and its significant subsidiaries the services of asset and business valuation, book keeping and drawing up of financial statements, the services of valuation of reorganisation of public and private companies, did not perform internal audit;
- she is not influenced by other material conditions that might effect her independence.

c) PricewaterhouseCoopers UAB is considered to be independent from the Company and its significant subsidiary companies since:

- neither the Company nor its significant subsidiaries are participants of the audit company;
- the audit company, participants of the audit company, its manager, board members are not participants of the Company or its significant subsidiaries;
- participants of the audit company, its manager, board members are not related by family, close relations or related by marriage with Company's or its significant subsidiaries participants;
- it has not provided to the Company and its significant subsidiaries the services of asset and business valuation, book keeping and drawing up of financial statements, the services of valuation of reorganisation of public and private companies, did not perform internal audit;
- the audit company does not get as much payment for the audit services from the Company or its significant subsidiaries that it could influence the independence of the audit company.
- it is not influenced by other material conditions that might effect her independence.

d) The payment for the performance of the audit, indicated in the agreement with the audit company, in the opinion of the Committee ensures that the audit will be performed according to the principles of professional ethics and requirements of international standards of audit. There are no any indefinite conditions in the agreement concluded with the audit company, which could influence the amount of payment for the audit services. The payment for other services, rendered by the same audit company, does not influence the payment for the audit services.

4. Financial statements' preparation process

The Committee observed the preparation process of financial statements for the financial year 2010 of the Company. The Company's chief accountant was responsible for proper and timely preparation of financial statements of the Company, financial statements were prepared according to the common principles of accounting: principle of an entity, an entity going concern, periodicity, consistent accounting methods, monetary measurement, accrual-based accounting, comparability, principle of prudence; neutrality, precedence of content over form. Financial statements and consolidated financial statements are prepared according to the Law on financial statements of entities, Law on Consolidated Accounts of Groups of Undertakings and International Accounting²

Standards. The Company's and consolidated financial statements were prepared on time. The Committee recommended to give financial statements of the year 2010 to the General Meeting of the Company and Vilniaus Baldai AB to confirm.

5. The efficiency of the internal control and risk management systems of the Company

The Committee monitored and discussed with the Company's management these issues of internal control: the process of preparation of the financial statements and internal control of the sphere of information technologies and its effectiveness. The Committee assumes that the Company should pay more attention to documentation of the internal control systems.

Member of the Audit Committee

Danutė Kadanaitė