

**AB Invalda**  
MANAGEMENT REPORT FOR THE YEAR 2006

## Independent auditors' report to the shareholders of AB Invalda

We have reviewed consolidated Annual Report of AB Invalda (“the Company”) and its subsidiaries (“the Group”) for the year ended 31 December 2006. The report for the year ended 31 December 2006 is the responsibility of the Group’s management. Our responsibility is to present report on the management report based on our review.

We have audited the financial statements of AB Invalda and consolidated financial statements of its subsidiaries (“the Group”) for the year ended 31 December 2006 in accordance with International Standards of Auditing. On 8 May 2007 we have expressed opinion with emphasis of matter on these financial statements.

Our review of the management report for the year ended 31 December 2006 was limited primarily to analytical procedures and discussions with the Company’s personnel. The scope of review provides less assurance than the audit for the purpose of expressing an audit opinion on this report. Accordingly, we do not express an audit opinion.

The management report for the year ended 31 December 2006 includes operating plans and forecasts. The actual results in the future might be different from the current management’s estimations as events and circumstances might not occur as expected.

Based on our review, nothing has come to our attention that would cause us to believe that the consolidated Annual Report for the year ended 31 December 2006 includes financial information that has not been accurately derived, in all material respects, from the Company’s and Group’s consolidated financial statements.

UAB ERNST & YOUNG BALTIC  
Audit company’s licence No. 000514

Jonas Akelis  
Auditoriaus pažymėjimo  
Nr. 000003

Ramūnas Bartašius  
Auditor’s licence  
No. 000362

The review was completed on 8 May 2007.

**Invalda AB**  
**CONSOLIDATED ANNUAL REPORT**  
**for the year ended 2006**

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## I. Objective position of the group of enterprises, overview of pursuance and development of activity, description of main risk types and uncertainties encountered

### 1. About the company

#### 1.1. General data

Name of the issuer	Public company (AB) INVALDA
Code	1213 04349
Office address	Šeimyniškių St. 3, LT-09312 Vilnius
Telephone	(+370 5) 279 06 01
Fax	(+370 5) 279 05 30
E-mail	<a href="mailto:post@invalida.lt">post@invalida.lt</a>
Website	<a href="http://www.invalida.lt">www.invalida.lt</a>
Authorized capital	45 008 376 LTL
Number of shares	45 008 376 ordinary registered shares
Date and place of registration	20 March 1992, Register of Enterprises of Vilnius
Register, in which data about the company are accumulated and stored	Register of Legal Entities

Invalda actively manages its investments:

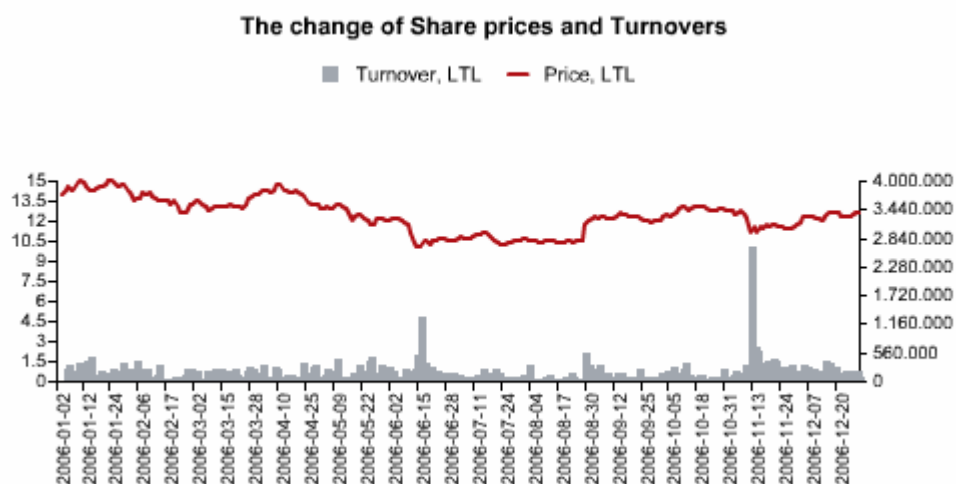
- » By acquiring and restructuring businesses;
- » By introducing modern management and financial management methods;
- » By receiving income from managed companies and/or exiting business and providing high return to shareholders of the company;
- » By diversifying risk.

#### 1.2. Security information

All shares of Invalda AB are listed on the Current List of the Vilnius Stock Exchange.

ISIN	LT0000102279
Name	IVL1L
List	BALTIC I-LIST
Nominal value	1,00 LTL
Share capital (LTL)	45 008 376
Total number of securities	45 008 376
Listing date	December 19, 1995

### 1.3. Trading in securities



Share price, LTL	2006	2005
Highest	15.00	14.19
Lowest	8.90	7.51
Open	13.85	7.70
Last	12.48	13.85
Traded volume	8808	8010
Turnover (units)	3 279 888	3 326 395
Turnover (LTL)	39 596 023.07	36 562 663.81
Capitalization, mln. LTL	561.70	578.03

### 1.4. Shareholders

As at the end of 2005, the total number of shareholder reached 6055.

Shareholders as of 30.03.2007	Portion owned including shares sold by repurchase agreements
Nenuorama UAB	21.08
Dailius Juozapas Mišeikis	15.09
Vytautas Bučas	13.07
Alvydas Banys	11.92
Darius Šulnis	9.94
Other shareholders	28.9

### 1.5. Collegial management body

The supervisory council is not formed in the company. Only one collegial body is formed in the company - the Board

Extraordinary shareholders meeting, held on 12 01 2006, elected Alvydas Banys, Dailius Juozapas Mišeikis, Vytautas Bučas and Darius Šulnis as members of the board. The newly elected board started its terms of office on 01.02.2006. Alvydas Banys was elected as the Chairman of the board.

The number of the board members stated in the company's bylaws is 4 (four), elected by the General meeting of stockholders for 4 (four) years period.

Name, surname	Alvydas Banys
Position	Chairman of the Board till 02.05.2007
Education	1991 - 1992 junior fellowship at the Institute of Economy of Lithuanian Academy of Science; 1991 - Vilnius Technical University, faculty of Building Economics.
Job experience	Since 2006 - Invalda AB, advisor. 1996 - 2006 Invalda AB, vice president. 1996 - March 2007 Nenuorama UAB, president.
Other positions	Valmeda AB - chairman of the Board Invaldos nekilnojamojo turto fondas AB - Board member Minija AB - Board member Kauno tiltai AB - Board member Vilniaus baldai AB - chairman of the Board till 11.04.2007 Girių bizonas AB - Board member till 24.04.2007

Name, surname	Dailius Juozapas Mišeikis
Position	Board member
Education	1968 - Vilnius University, faculty of Economics.
Job experience	Since 2002 - Invalda AB, Board member. Since 2006 - Invalda AB, advisor. 1998 - 2006 Invalda AB, vice president. 1992 - 1998 Invalda KIB, director of real estate. 1991 - 1992 Ministry of International Economical Relationship, manager. 1967 - 1991 Experimental and Clinical Medical Science Research Institute, deputy director.
Other positions	Finasta AB FMĮ - Board member. Valmeda AB - Board member. Invaldos nekilnojamojo turto fondas AB - Board member. Minija AB - Board member. Aikstentis UAB - chairman of the Board. Vernitas AB - Supervisory Board member till 05.04.2007. Vilniaus baldai AB - Board member till 11.04.2007. Umega AB - Board member till 18.04.2007. Hidroprojektas UAB - Board member till 20.04.2007. Sanitas AB - Board member till 25.04.2007. Broner UAB - Chairman of the Board till 26.04.2007. Wembley - Neringa UAB - chairman of the Board till 26.04.2007.

Name, surname	Vytautas Bučas
Position	Board member
Education	1993 - Vilnius University, faculty of Economics, diploma with compliment. July 1991 - Wharton Business School. 1994 - 2002 member of Association of Chartered Certified Accountants, UK.
Job experience	Since 2006 - Invalda AB, Board member, advisor. 2000 - 2006 SEB Vilniaus bankas, Board member, executive vice president, CFO, Head of IT department. 1992 - 2000 Arthur Andersen, senior auditor, senior manager, manager
Other positions	Invaldos nekilnojamojo turto fondas AB - director, chairman of the Board. Finasta AB FMĮ - Board member. Finasta įmonių finansai AB - Board member Vilniaus baldai AB - Chairman of the Board since 12.04.2007

Name, surname	Darius Šulnis
Position	Board member
Education	1993 - Vilnius University, faculty of Economics.
Job experience	Since 2006 - Invalda AB, president, Board member. 2002 - 2006 Invalda Real Estate UAB, director. 1994 - 2002 Finasta AB FMĮ, director.
Other positions	Sanitas AB - chairman of the Board. Jelfa SA (Poland) - chairman of the Supervisory Board. Hidroprojektas UAB - chairman of the Board. Finasta AB FMĮ - chairman of the Board. Finasta įmonių finansai AB - chairman of the Board. Agrovaldymo grupė AB - Board member. Industrial and logistics centre "Lapegles" SIA (Latvia) - chairman of the Supervisory Board. DOMMO SIA (Latvia) - chairman of the Supervisory Board. AMMO SIA (Latvia) - chairman of the Supervisory Board. Celtniecibas Pasaule SIA (Latvia) - chairman of the Supervisory Board. Vilniaus baldai AB - Board member since 12.04.2007 Broner UAB - Board member till 26.04.2007. Wembley - Neringa UAB - Board member till 26.04.2007.

Board procedures and regulations approved on 01 03 2007 establishes a mechanism for constituting the board which ensures an objective, impartial and proper representation of the small shareholders' interests: 10 days prior to the general shareholders meeting during which members (member) of the board are intended to be elected, the shareholders shall be provided with full information about the candidates to the members of the board, with indication of their names, surnames, into the supervision or management bodies of other companies they were elected, the blocks of shares bigger than 1/20 of which companies are held by them, and all other circumstances which may have an effect on the candidates' independency, including details about their education, qualification, professional experience, information whether any administrative sanctions were applied to them, whether they were convicted for offences, crimes against economics, business procedure, property, property

rights and property interests, whether they are free from liabilities or are in default on the functions which would endanger a safe and reliable operation of the company, whether the candidates comply with the requirements set for the managers in the legal acts.

Not less often than once per year the Board shall make an assessment of its operation. This assessment shall cover an evaluation of the structure of the Board, work organisation, efficiency, attainment of the goals set. After assessing its activity in 2006, the Board decided that presently it is not expedient to form an Audit, Appointment and Remuneration committees. Besides, it was approved that each member of the board should allocate sufficient time for performing the duty of the member of the Board and participate in at least 2/3 of the Board meetings.

### **1.6. Important events in the activity of the company in 2006.**

In 2006, the Bylaw of the company were amended twice, reorganisation of Invalda AB and Pozityvios investicijos AB took place and also the accounting policy of the company was changed:

- » On 1 February 2006, a new edition of the Bylaw of the public company Invalda was registered on which basis the number of members of the board was increased from 3 (three) up to 4 (four).
- » On 30 June 2006, Invalda AB Bylaw were registered with an authorised capital of 45,008,376 litas.
- » On 12 January 2006, an extraordinary shareholders meeting approved the reorganisation by merger of Invalda and Pozityvios investicijos, merging the public company Pozityvios investicijos with the public company Invalda, and assigned the development of reorganisation conditions to Invalda Board.
- » On 16 May 2006, the reorganisation conditions were announced based on which the companies were reorganised by merger, merging Pozityvios investicijos AB (the company being reorganised) which terminates its operation, with the public company, Invalda (company participating in the reorganisation) which will continue its operation and assume all rights and duties of the company being reorganised. After the reorganisation, the assets, rights and duties under transactions of the terminating company are passed over to the company which operates after the organisation, and other assets and transactions are included into the records of this company from 30 06 2006.
- » On 19 June 2006, extraordinary shareholders meeting of Invalda AB approved the reorganisation conditions.
- » On 30 June 2006, reorganisation was completed by merging Pozityvios investicijos AB with Invalda AB and deregistering Pozityvios investicijos from the Register of Legal Entities.
- » In 2006, Board of Invalda AB approved a new accounting policy of the company. Based on this accounting policy, the investment assets at 31 12 2005 managed by Invalda were recalculated at their fair market value, whereas the hotels owned were attributed as fixed tangible assets to a separate asset class. Besides, based on the new accounting policy, all enterprises of Invalda group shall provide data prepared by the unified accounting principles for the consolidation statement.



## 2. Group of enterprises

### 2.1. Management principles of the group

Competitiveness – we strive for every single business of the Invalda group to be competitive and to have the best managers that are motivated and able to develop business vision, organize a team, set ambitious goals and implement them.

Independency – the principle that Invalda-owned businesses are independent from each other and act independently enough from the parent company is kept.

Risk diversification – striving to retain maximum stability and security, Invalda does not act as a risk guarantor nor does it take responsibility for separate businesses, as well as separate businesses do not take responsibility for each other.

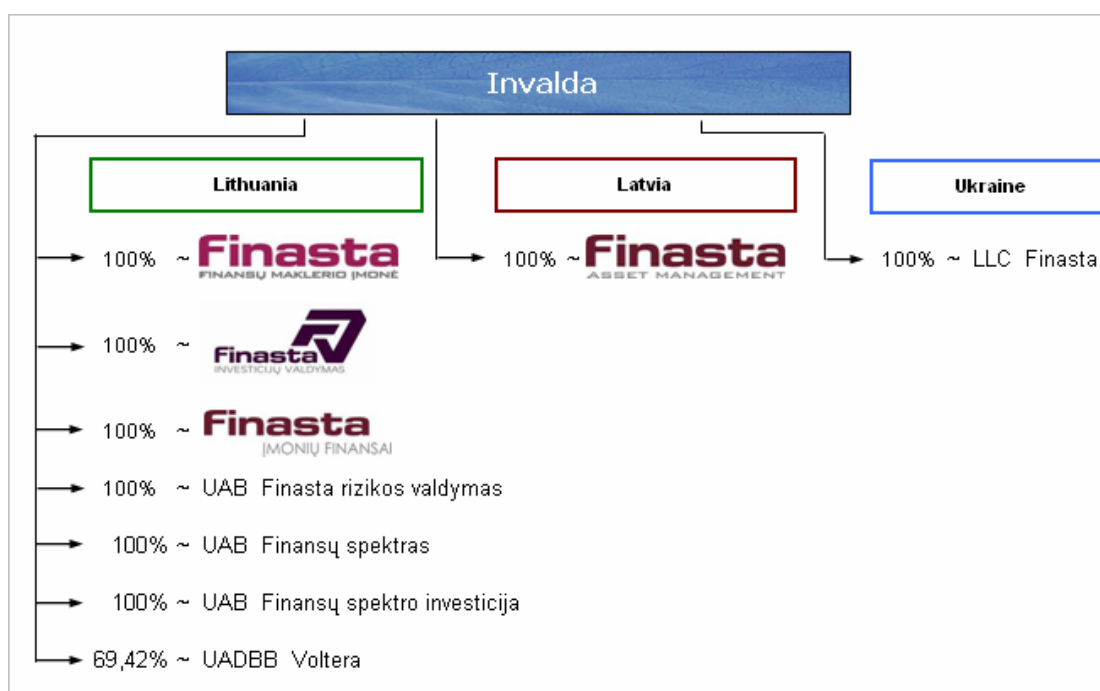
### 2.2. Overview of the group's activity

As of 1 January 2006, the group of Invalda consisted of 51 enterprise, and at 31 December - of 82 enterprises.

Enterprises of the group pursue activities not only in Lithuania, but also in Latvia, Ukraine, Poland, and Slovakia. Enterprises of the group may be divided into 7 sectors:

- » financial activity;
- » real estate;
- » pharmacy;
- » road and bridges construction;
- » furniture manufacturing;
- » hotel management;
- » production and services.

#### 2.2.1. Financial activity sector



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**Changes in the structure of financial activity sector in 2006:**

» **Enterprises established:**

In Lithuania:

31 07 2006 Finasta was reorganised by separating enterprise finance department into the new company Finasta įmonių finansai AB. The enterprise focuses its activity on the consulting of companies.

In Latvia:

11 07 2006 – Finasta Asset Management AS IPS

In Ukraine:

22 11 2006 – Finasta AS IPS

» **Block of shares acquired:**

100 % of Medicinos banko investicijų valdymas UAB; on 29 12 2006 reorganisation was completed by merging Medicinos banko investicijų valdymas UAB to Finasta investicijų valdymas UAB.

**Financial results of the sector in 2006**

» During 2006 the net profit of the sector reached 7.9 mLTL. The part attributable to Invalda is 7.7 mLTL.

**Other events :**

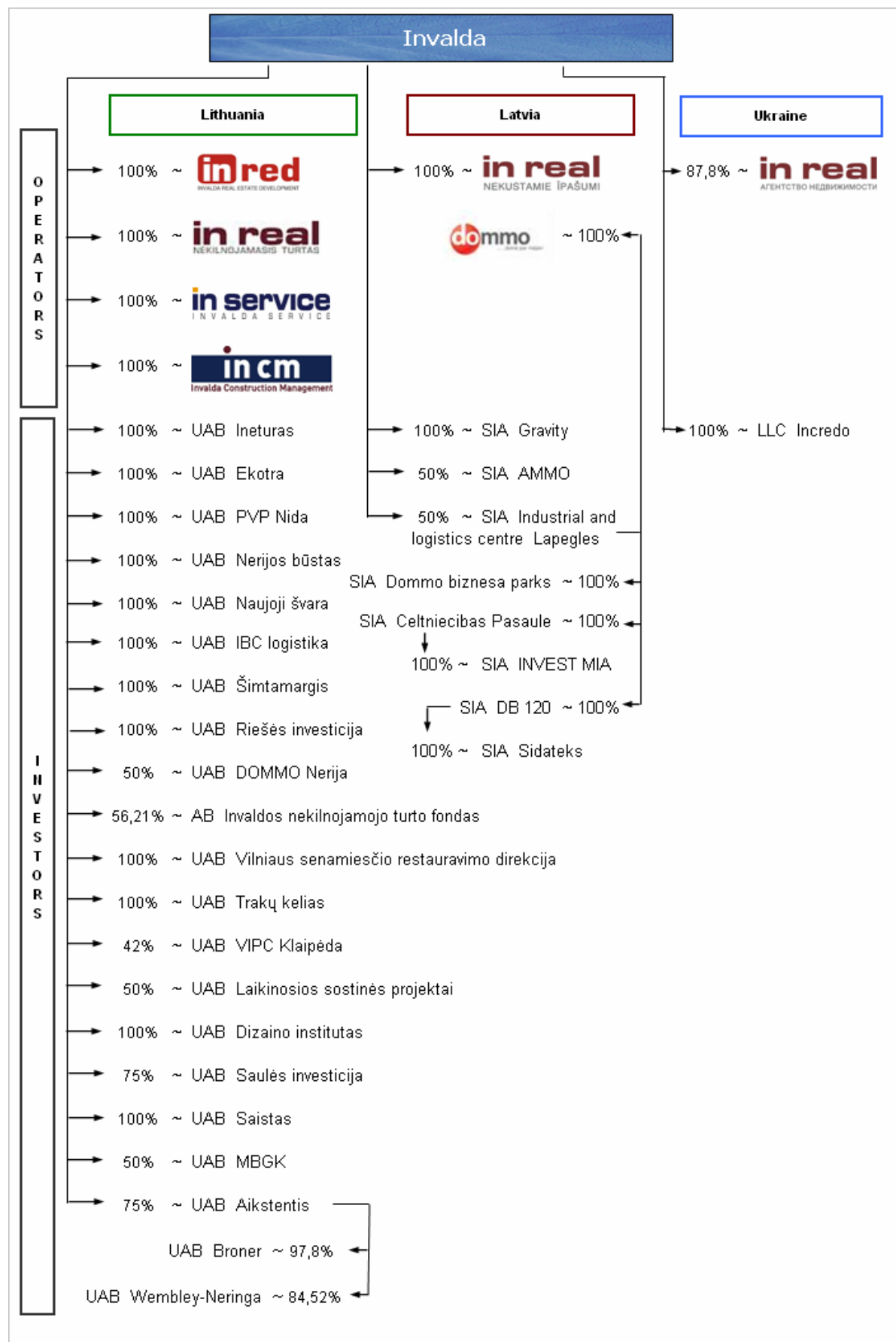
» On 06 10 2006 the Latvian finance and capital market supervision commission issued an activity licence to the company Finasta Asset Management, which activity is focused on the active management of investment funds and personal portfolios.

» In December 2006, Latvia-origin management company Finasta Asset Management established a close investment fund Finasta Alpha. Already during the initial public offering, 1.6 million euros were attracted by Finasta Alpha fund.

» During 2006, an amount of assets under the management of Finasta investicijų valdymas increased by 90%. At the end of the year the company managed 248.4 million LTL, of which 21.85 million LTL were held in the second level pension funds, 4.61 million LTL in the third level (volunteer) pension funds, 200.24 million LTL in investment funds and 21.7 million LTL in the portfolios of private clients.

» Throughout 2006, the finance brokerage enterprise Finasta concluded 15.54% of all transactions in the Vilnius stock exchange (45 500 transactions). Share turnover in Vilnius stock exchange covered 11.71 % of total share turnover in Vilnius stock exchange. Turnover in debt securities in Vilnius stock exchange – 6.45 % of the market. At the end of 2006 capitalization of securities accounted by Finasta totaled 8 611.16 mLTL or 21,57 % of securities held with intermediaries registered at Central Securities Depository.

2.2.2. Real Estate sector



## Changes in the structure of the real estate sector during 2006

### » Enterprises established:

In Lithuania

14 06 2006 – Inreal UAB;

29 08 2006 – Šimtamargis UAB;

11 10 2006- Riešės investicija UAB.

In Ukraine (established by Pozityvios investicijos):

17 01 2006 – Inreal LLC;

17 05 2006- Incredo LLC.

In Latvia (established by subsidiary Industrial and logistics centre "Lapegles"):

2006.10.11 - DB 120 SIA;

2006.10.13 - Dommo biznesa parks SIA.

### » Block of shares acquired:

50 % of Laikinosios sostinės projektai UAB.

### » Block of shares sold:

100 % of Apželdinimas UAB shares.

## Financial results of the sector in 2006

During 2006 the net profit of the sector reached 67.8 mLTL. Net profit attributable to Invalda is 56.6 mLTL.

## Other events:

» On 01 09 2006, seeking clarity in its activity, Invalda Real Estate completed reorganisation, during which the activity of real estate mediation was separated from the activity of real estate project development and management. After the reorganisation, the real estate mediation services are provided by InReal, which is also engaged in the market surveys, valuation of immovable and movable property, consulting on different real estate issues. Invalda Real Estate which will change its name into Invalda Real Estate Development and will also have a trademark inRED, is engaged in the development of real estate projects in Lithuania and the real estate management, also, it supervises the real estate projects in other countries.

» Seeking to commence trade in the current trade list of the Vilnius securities exchange, Invaldos nekilnojamojo turto fondas AB made an initial public offering in May and attempted to sell up to 49 % of the shares. The initial public offering did not take place due to small demand for the shares.

» In October 2006, the real estate development and management company inRED (Invalda Real Estate UAB), which administrates over 81 thousand square meters of office, shopping, logistics space, completed the second construction stage of IBC logistics centre in Lithuania, Kaunas. The implementation of this project extended for two years, and its value amounts to approximately 17. 5 million litas.

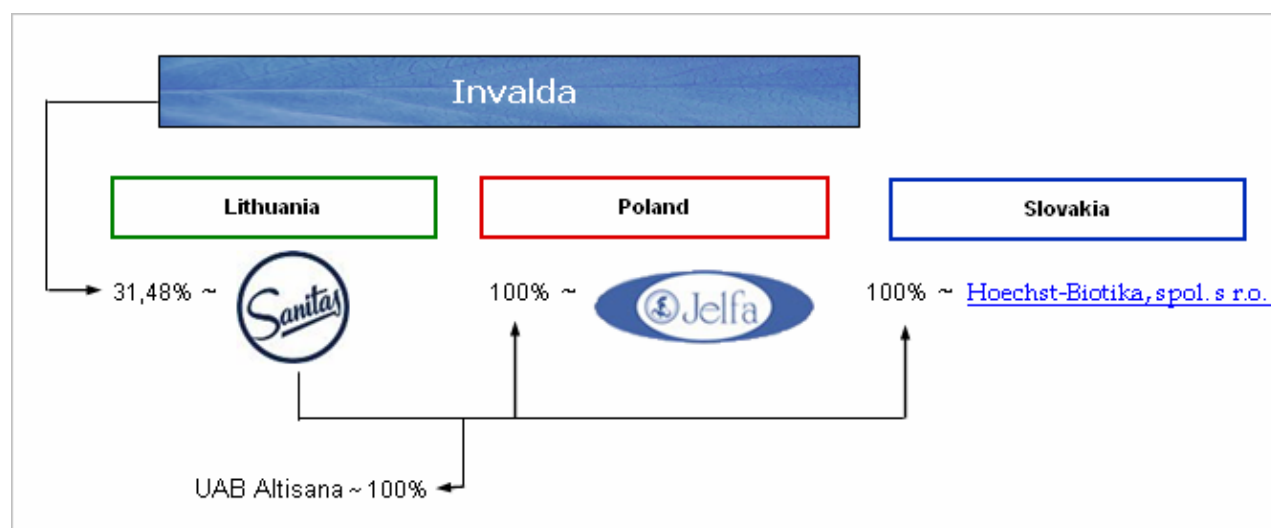
» In January 2006, a real estate brokerage company InReal was established in Ukraine. After a couple of months, a sale manager was employed who started to form a Brokerage department and 30 persons were already employed in the company by July. In September, the enterprise moved to the newly leased office in the central street of the city. The

brokerage, advertisement, administration units were intensively expanded and at the end of the year InReal already had 60 employees in Ukraine.

» Invalidos nekilnojamojo turto fondas AB completed the acquisition transaction of the real estate package owned by TEO LT (8 buildings, 40 thousand square meters).

» The Lithuanian Real Estate Development Association recognised the reconstruction project of the house located at Vytauto pr. 3, Kaunas by inRED as the best reconstruction project in the Republic in 2006. The reconstruction of the industrial building in Vytauto g. 3, Kaunas was carried out by adapting it to the commercial and residential purpose. 78 flats were built, including 21 underground parking places, 3 commercial buildings and office premises.

### 2.2.3. Pharmaceutical sector



#### Changes in the pharmaceutical sector during 2006:

##### » Enterprises established:

In Poland:

On 17 01 2006, Sanitas established a subsidiary company Sanitas Polska which after completing the reorganisation was merged with the Polish pharmaceutical company Jelfa at the end of the year.

##### » Blocks of shares acquired:

100 % of shares of the Polish pharmaceutical company Jelfa were acquired by Sanitas AB.

#### Financial results of the sector in 2006

» During 2006 the net loss of the sector reached 7.3 mLTL. Net loss attributable to Invalda is 2.4 mLTL (without eliminations).

#### Other events:

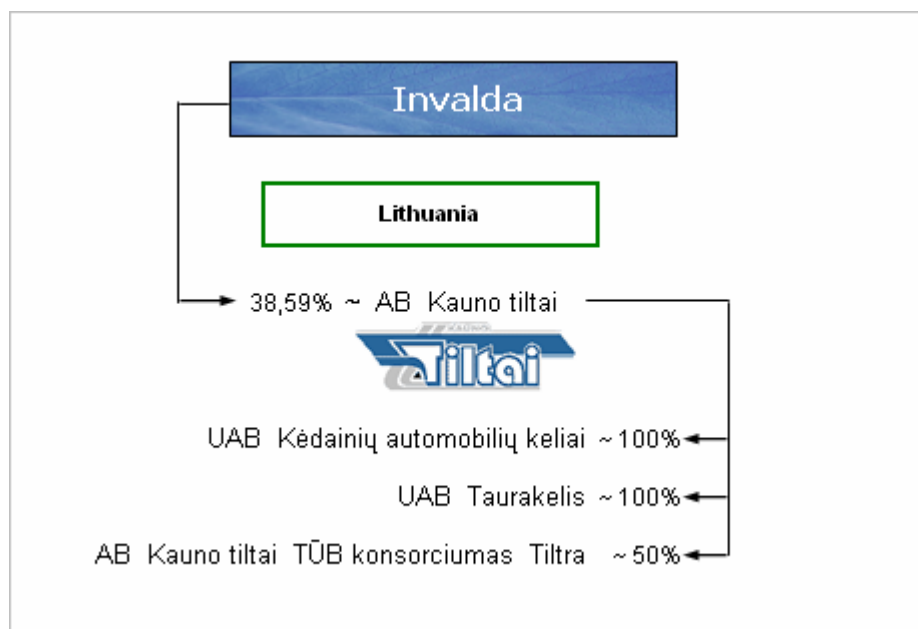
» On 24.02.2006, a shareholders agreement was concluded between Invalda, holding the biggest shareholding of Sanitas AB, several shareholders and the investment funds Amber Trust II SCA and Citigroup Venture Capital International Jersey Limited. The agreement was signed regarding the new emission of Sanitas AB shares intended for the redemption of the Polish pharmaceutical enterprise Jelfa .

» On 02.05.2006, a transaction regarding the sale of real estate owned by the subsidiary Altisana UAB located in the territory between Vytautas, Čiurlionis and Kaunakiemis streets in the city of Kaunas was completed.

» On 9 November 2006, further to decision of the Chief Pharmaceutical Inspector, production was terminated in Sanitas' subsidiary company Jelfa. The decision was adopted after another type of medication was detected in one bottle for "Corhydron 250" in October. On 17 November both production and sales were resumed.

» The shares of Sanitas AB are listed on the Current List of the Vilnius stock exchange. During 2006, the turnover in Sanitas shares reached 20.66 million LTL and capitalization totalled 423.04 million LTL at the end of the year.

#### 2.2.4. Road and bridges construction sector



#### Financial results of the sector in 2006

» During 2006 the net profit of the sector reached 7.6 mLTL. Net profit attributable to Invalda is 2.9 mLTL.

#### Other events:

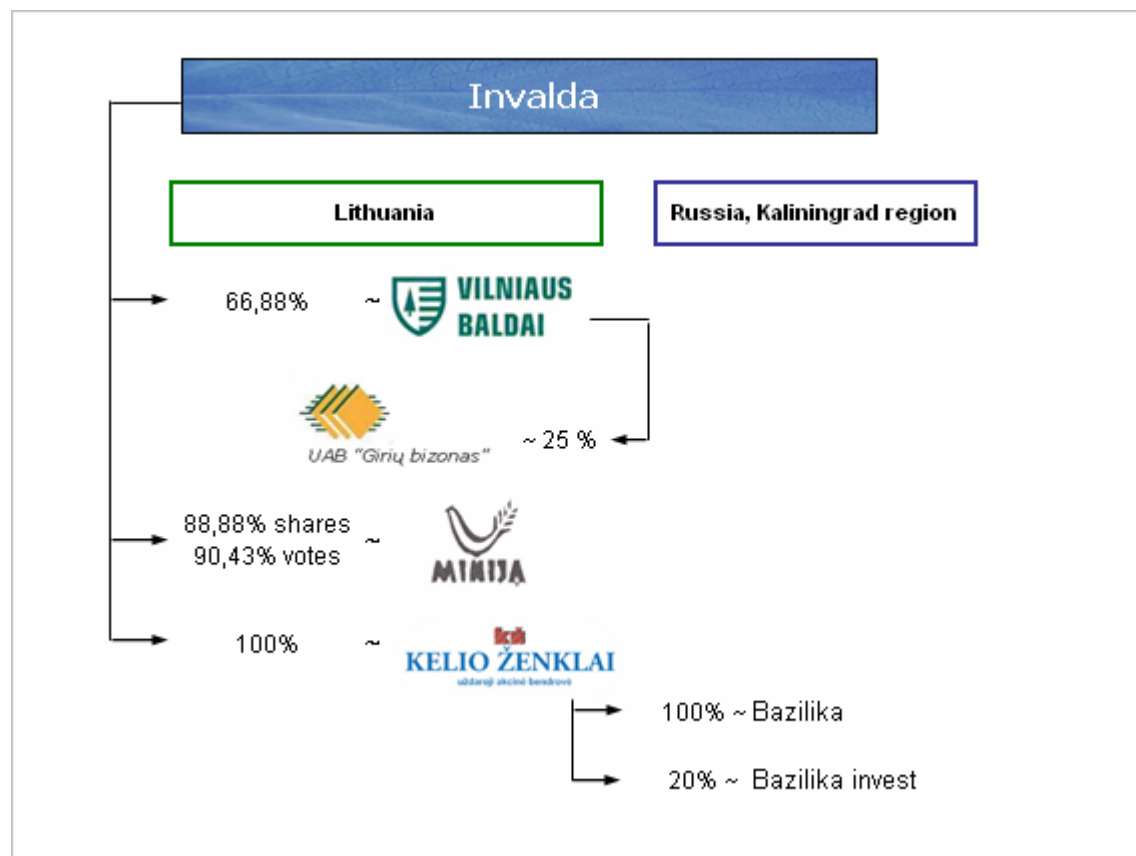
» In 2006 the management team of Kauno tiltai was strengthened seeking to enhance the company's position in the market.

» Kauno tiltai AB together with the partners consortium has won the contest for the construction of the Southern Vilnius detour, worth 265 mln LTL

» Due to the significant increase of investments the leading-edge asphalt mixing plant in the Baltics (320 t/hour) was purchased.

» Kauno tiltai started improving business management system, environmental and work-safety standards.

### 2.2.5. Furniture production sector



#### Changes in the furniture manufacturing sector during 2006:

##### » Blocks of shares acquired:

In Lithuania:

After the acquisition of Minija AB 33,040 shares during the mandatory sale, Invalda AB increased the portion of the authorised capital held up to 88.46 % and votes up to 99.01 %. After merging Pozityvios investicijos AB, the portion of Minija authorised capital held increased by 0.42%.

#### Financial results of the sector in 2006

» During 2006 the net loss of the sector reached 7.7 mLTL. Net loss attributable to Invalda is 5.7 mLTL.

#### Other events:

» 2006 CEO of Vilniaus baldai changed and reforms for improving the situation were started.

» The shares of Vilniaus baldai AB are listed on the Current List of the Vilnius stock exchange. During 2006, the turnover in the shares of the company amounted to 4.89 million LTL, and the capitalisation totalled 70.34 million LTL at the end of the year .

### 2.2.6. Hotel management sector



During 2006, there were no changes in structure of hotel management sector.

#### Financial results of the sector in 2006

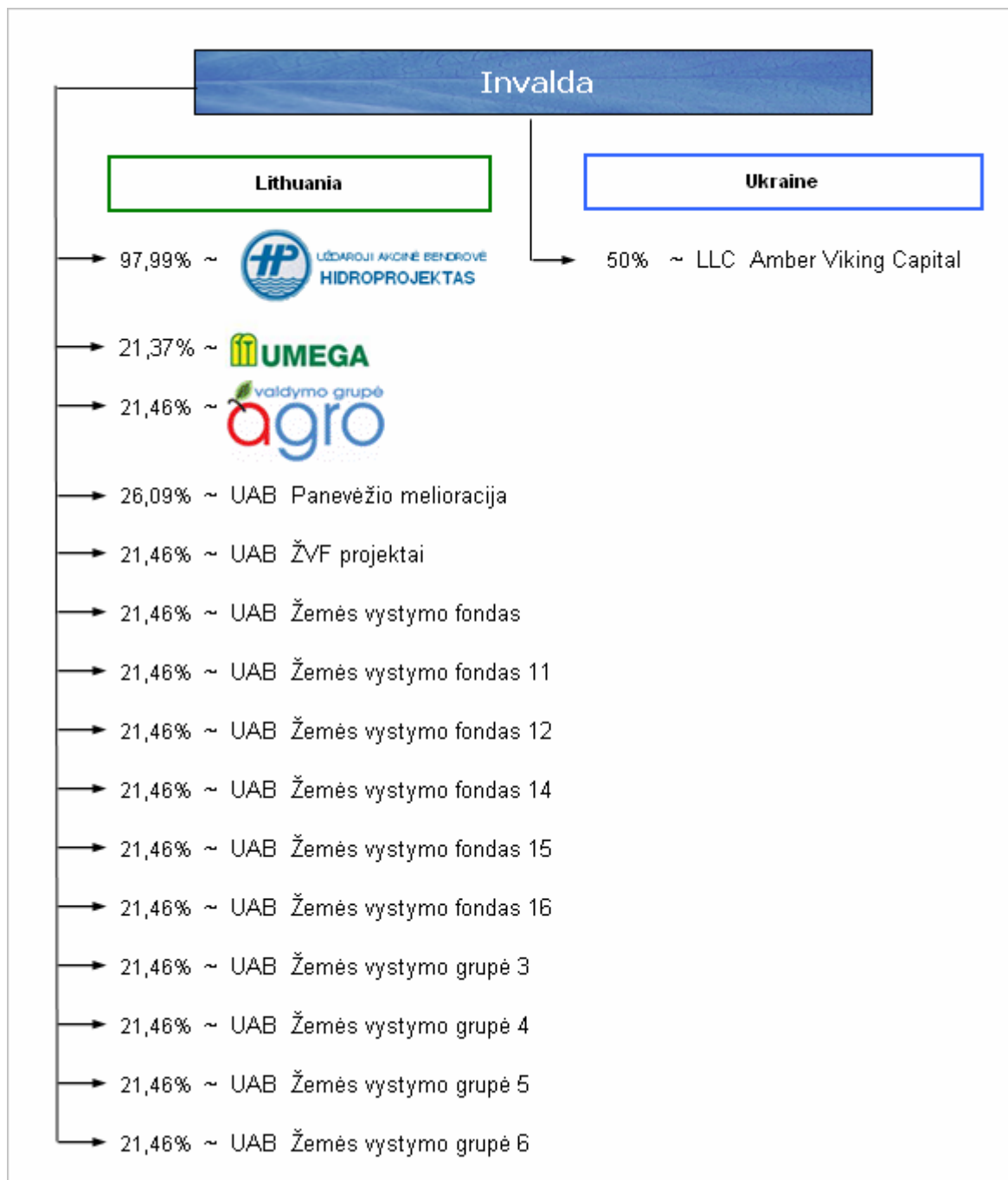
» During 2006 the net profit of the sector reached 1.8 mLTL. The same is amount of net profit attributable to Invalda.

#### Other events:

- » The occupancy of the 4 star hotel Holiday Inn Vilnius increased up 61%, and of the economic class hotel Ecotel Vilnius - up to 66% in 2006.
- » The hotel Holiday Inn Vilnius was acknowledged one of the best hotels of the Holiday INN network in the service field among 600 EMEA region hotels for the second year in a row.

### 2.2.7. Production and services enterprise sector





### Changes in production and services enterprise sector during 2006:

» **Blocks of shares acquired:**

- 21.46 % Žemės vystymo fondas 12 UAB;
- 21.46 % Žemės vystymo fondas 14 UAB;
- 21.46 % Žemės vystymo fondas 15 UAB;
- 21.46 % Žemės vystymo fondas 16 UAB;
- 21.46 % Žemės vystymo grupė 3 UAB;
- 21.46 % Žemės vystymo grupė 4 UAB;
- 21.46 % Žemės vystymo grupė 5 UAB;
- 21.46 % Žemės vystymo grupė 6 UAB;

» **Blocks of shares sold:**

- 100 % of Klaipėdos konditerija AB.

### Financial results of the sector in 2006

» During 2006 the net profit of the sector reached 5.0 mLTL. Net profit attributable to Invalda is 4.7 mLTL.

### Other events:

» On 01 06 2006, the country's largest agricultural investment company Agrovaldymo grupė obtained a permission from the Securities commission to distribute one-year bonds with an annual interest of 8 %. Emission with nominal value of 10 million LTL. was distributed.

» In September 2006, Agrovaldymo grupė AB signed a credit agreement with DnB NORD bank for amount of 25 million LTL. The loan granted for ten years is designated for the investment into the upgrading of agricultural production and refinancing the current credits of Agrovaldymo grupė enterprises.

## 2.3. Risk types and uncertainties encountered

The results of Invalda directly depend on the quality of investment portfolio and efficient management of the group companies, since income from the sale of financial assets and financial income constitute the essential part of the company's income.

Since companies of the group act not only in Lithuania but also abroad, economic situation of those countries influence performance of companies.

The risk of interest rate growth is also mentioned among possible risk types.

Companies of the group are affected by changes in the laws and other legal acts.

## II. Analysis of financial and non-financial activity results of the group of enterprises, information associated with personnel issues

### 2.1. Consolidated ratios

	Change during the year	2006	2005
Sales and services, thousand LTL	-19%	238 349	295 686
Net consolidated profit attributable to the parent company, thousand LTL	222%	65 533	20 326
Net consolidated profit, thousand LTL	93%	75 552	39 122
Total assets, thousand LTL	16%	938 006	811 732
Shareholder's equity, thousand LTL	10%	368 498	335 290
ROAE, %	11.2% points	23.0	11.8
Current ratio	-0.31	0.50	0.81
Debt/Equity ratio	0.2	1.6	1.4

Return on average equity was calculated as net consolidated profit attributable to the parent company divided by equity attributable to the parent company. Sales and services decreased, because turnover of the pharmacy sector was consolidated only for the first quarter of 2006. Later AB Sanitas became an associate.

## 2.2. Ratios of the Company

	Change during the year, %	2006	2005
Net profit, thousand LTL	200%	28 816	9 620
Total assets, thousand LTL	101%	235 764	117 067
Shareholder's equity, thousand LTL	74%	146 339	84 153
ROAE, %	12 % points	25	13
Current ratio	-0,81	0.2	1.01
Debt/Equity ratio	0,22	0.61	0.39
Stock price at the end of the period	-9,9%	12.48	13.85
Book value, LTL	60,9%	3.25	2.02
EPS, LTL	167%	0.64	0.24
Capitalization, million LTL	-2,8%	561.7	578.03
Average price to book value per share ratio	-31,9%	3.71	5.45
Average price and earnings per share ratio	-60,5%	18.85	47.68

## 2.2. Employees

AB Invalda puts a big focus on group company's managers and other employees qualification raising, training, team-building.

During the year the number of employees in Invalda increased by 83 % from 6 employees at the end of the year 2005 to 11 employees at the end of 2006.

Employees in the whole group Invalda increased by 54 % from 2795 employees in 2005 to 4311 at the end of 2006.

## III. References and additional classification on the data represented in the consolidated financial statement

Invalda draws up the financial statement under the guidance of the International Financial Statement Standards. All clarifications associated with 2006 financial statements which were audited by UAB „Ernst & Young Baltic“ are provided in the notes.

## IV. Significant events after the end of the preceding year

- » On 26 January 2007, an extraordinary meeting of shareholders of Invalda AB decided to approve the reorganisation of the public company Invalda and private company Nenuorama by merger, merging the private company Nenuorama, which prior to the preparation of the reorganisation conditions will be rearranged into the public company

Nenuorama, to the public company Invalda, and assigned the board of Invalda to prepare the reorganisation conditions and announce them in the manner set forth in the legal acts.

- » In February 2007, Invalda sold 26.09 % of Panevėžio melioracija UAB shares.
- » Being a socially responsible company, on 08 03 2007 Invalda established a social enterprise foundation INICIATYVOS FONDAS that will organise and supervise the programs promoting the social initiative.
- » In March 2007, Invalda has chosen Finasta įmonių finansai AB as its consultant in the search for potential buyers of Valmeda AB which owns the hotels Holiday Inn Vilnius and Ecotel, and for the constructional design enterprise Hidroprojektas. The sale process shall be attempted to be finalised by the beginning of summer if favourable offers from investors are received.
- » Considering the fact that Agrovaldymo grupė AB decided to enlarge the companies and install a centralised model for their management with an intention to quote the shares on the securities market, Invalda sold owned shares of Žemės vystymo fondas group to the company Agrovaldymo grupė in March 2007.

## V. Activity plans and forecasts for the group of enterprises

While making forecasts it is assumed that there will be no significant negative or positive changes in the investment asset value, and there will be no significant changes in the structure of the group.

### 5.1. Forecast for 2007 of Invalda group

In 2007, Invalda plans to reach a consolidated net profit of 76.97 million LTL, of which 47.8 million LTL are attributable to shareholders of the parent company.

### 5.2. Finance sector:

- » Forecasts:
  - Net profit attributable to Invalda – 5.5 mLTL;
  - Net profit of the sector – 5.5 mLTL.
- » Priorities raised by Invalda:
  - Rearrangement of the financial sector enterprises into the bank by focussing on high level quality management, investment and private banking services;
  - Ensurance of further development and profitability.

### 5.3. Real estate sector:

- » Forecasts:
  - Net profit attributable to Invalda - 32.5 mLTL;
  - Net profit of the sector - 42.6 mLTL.
- » Priorities raised by Invalda :
  - High financial rate of return and balanced risk from investment into the real estate;
  - Focused selection of priority markets and segments.

**5.4. Pharmaceutical sector:**

- » Forecasts:
  - Net profit attributable to Invalda - 6.7 mLTL;
  - Net profit of the sector – 21.3 mLTL;
  - Sales of the sector – 340.5 mLTL;
  - EBITDA – 77.1 mLTL.
- » Priorities raised by Invalda:
  - To strengthen the status as one of the best CEE region pharmaceutical enterprises;
  - Realisation of the effect and synergy received from the rearrangement of enterprises in financial results.

**5.5. Road and bridge construction sector:**

- » Forecasts:
  - Net profit attributable to Invalda - 2.8 mLTL;
  - Net profit of the sector – 7.2 mLTL.
- » Priorities raised by Invalda:
  - To enhance the positions through acquisitions and organisational development in Lithuania and neighbouring countries ;
  - To raise the efficiency of the enterprises and improve the main financial ratios.

**5.6. Furniture manufacturing sector:**

- » Forecasts:
  - Net profit attributable to Invalda - 0.4 mLTL;
  - Net profit of the sector - 0.4 mLTL;
  - EBITDA – 15.3 mLTL.
- » Priorities raised by Invalda:
  - Efficient and competitive manufacturing;
  - Formation of an optimal portfolio of the clients' orders;
  - Profitable operation.

**5.7. Hotel management sector:**

- » Forecasts:
  - Net profit attributable to Invalda – 1.93 mLTL;
  - Net profit of the sector – 1.93 mLTL.
- » Priorities raised by "Invalda":
  - Further improvement of the main indicators – profitability, EBITDA, occupancy;
  - Analysis of development possibilities.

**5.8. Production and services enterprises:**

- » Forecasts:
  - Net profit attributable to Invalda - 1.75 mLTL;
  - Net profit of the sector – 1.75 mLTL.
- » Invalda's policy:
  - To participate only in those non-strategic businesses pursued by the enterprises where a high rate of return and risk ratio is probable, and which require management adequate to their size.

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**VI. Information on the research and development activity of the group of enterprises**

Invalda group does not carry out any scientific, production demand or other research.

**VII. Number and nominal value of shares of the patronising enterprise belonging to the same enterprise, subsidiary enterprises or persons acting under their direction, albeit on their own behalf.**

Invalda, its subsidiaries or persons acting under their direction but on their own behalf, do not own shares of the parent enterprise.

**VIII. When a group of enterprises uses the financial measures, and if this is important at the time of assessing the assets, equity capital, liabilities, financial position and activity results of the group of enterprises, the goals of the financial risk management, the main groups of insurance measures used for intended transactions subject to the accounting of insurance transactions, the scope of price risk, credit risk, liquidity risk and cash flow risk of the group of enterprises are to be disclosed.**

There are no insurance measures which are subject to the accounting of insurance transactions.

**IX. Compliance with the Governance Code of the companies**

Invalda's report on the compliance with the Governance Code of the companies whose securities are traded on a regulated market is attached thereto.

President of Invalda AB

Darius Šulnis

**Invalda AB disclosure concerning the compliance with the Governance Code for the companies listed on the regulated market**

Invalda AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p><b>Principle I: Basic Provisions</b></p> <p><b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b></p>		
<p>1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>Yes</p>	<p>Changes estimated during the nearest fiscal years are provided by the company in the annual prospectuses-reports. Besides, on 18 12 2006 the company organised a conference where the management principles, forecasts and goals of "Invalda" group were introduced. The materials of the conference are provided on the company's website, in the "Reports" section for investors.</p>
<p>1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.</p>	<p>Yes</p>	<p>The company's Board members and chief executive officer attempt in their actions to increase the shareholders' equity and transparency of the company by ensuring a high long-term financial rate of return, maintaining a small risk level and abiding by the ethic standards and traditional values.</p>
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>Yes</p>	<p>The company's Board members and chief executive officer attempt in their actions to increase the shareholders' equity and transparency of the company by ensuring a high long-term financial rate of return, maintaining a small risk level and abiding by the ethic standards and traditional values.</p>
<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>Yes</p>	<p>The Company respects all the rights and interests of persons other than the company's shareholders participating in or connected with the company's operation.</p>
<p><b>Principle II: The corporate governance framework</b></p> <p><b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b></p>		

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<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	<p>No</p>	<p>Due to its size, it is not expedient to form a supervisory council in the company. The chief executive officer of the company is accountable to the Board of the company.</p>
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company’s management bodies.</p>	<p>Yes</p>	<p>The functions set forth in the recommendation are performed by the collegial management body – the Board.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company’s chief executive officer.</p>	<p>No</p>	<p>Only one collegial body is formed in the company - the Board, which performs all essential management functions and ensures responsibility and control of the chief executive officer of the company. The supervisory council is not formed in the company.</p>
<p>2.4. The collegial supervisory body to be elected by the general shareholders’ meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.<sup>1</sup></p>	<p>Yes</p>	<p>The relevant provisions set forth in III and IV principles are applicable to the formation of company’s Board and activity assessment.</p>
<p>2.5. Company’s management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.<sup>2</sup></p>	<p>Yes</p>	<p>There are 4 (four) independent Board members in the Company who do not have other mutual interests but only activity within the Board and who act seeking benefit to the company and all shareholders.</p>

<sup>1</sup> Provisions of Principles III and IV are more applicable to those instances when the general shareholders’ meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company’s board and the chief executive officer and to represent the company’s shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board, should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company’s chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company’s management bodies is applied to the extent it concerns independence from the chief executive officer.

<sup>2</sup> Definitions ‘*executive director*’ and ‘*non-executive director*’ are used in cases when a company has only one collegial body.



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<p>2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>	<p>No</p>	<p>There is no supervisory council and directors-consultants in the company.</p>
<p>2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The chairman of the company's Board is not and has not been chief executive officer of the company.</p>
<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup></b></p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>The company's Board operates impartially, objectively and represents the interests of all shareholders equally. The mechanism for forming the Board which will be followed by the company is provided in the Board's procedures and regulations approved on 01 03 2007.</p>

<sup>3</sup> Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

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<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>		<p>Information about the members of the company, their education, qualification, professional experience, participation in the activity of other companies is released in the prospectuses- reports, annual report, and website.</p> <p>The Board's procedures and regulations approved on 01 03 2007 sets forth the procedure of informing about change in the data on the Board members.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	Yes	<p>The company's annual report announces information about the composition of the Board, education, work experience and participation in the activity of other enterprises.</p>
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	Yes	<p>The composition of the Board is regularly assessed in the company with consideration to the type and structure of activity pursued by the Company.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	No	<p>Presently, members of the Board do not perform the assessment of skills and knowledge. It is probable that this provision will be abided by in the future.</p>

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<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>No</p>	<p>Until now, independency of the elected Board members has not been assessed and the content of independent members' sufficiency has not been discussed.</p>
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<sup>4</sup> The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

<sup>5</sup> It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

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<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</li> <li>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</li> <li>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations</li> </ol>	<p>No</p>	<p>Those persons were elected Board members at the general shareholders meeting who are independent and in their actions seek the benefit to the company, however fail to meet this code recommendation on independency.</p>
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<p>when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
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<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>No</p>	<p>No Board members' independency assessment and announcement practice has been applicable in the company until now.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>		
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.<sup>6</sup>. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Not applicable</p>	<p>The Board members are not remunerated from the resources of the Company.</p>
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.<sup>8</sup></p>	<p>Yes</p>	<p>The company's Board submits opinions and suggestions regarding the company's annual financial statement and consolidated annual financial statement, profit distribution to the general shareholders meeting, delivers and comments on the company's activity report ( from 2007 – an annual report) , also performs all other activity supervision functions set forth in the legal acts of the Republic of Lithuania.</p>

<sup>6</sup> It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

<sup>7</sup> See Footnote 3.

<sup>8</sup> See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

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<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>According to the data held with the company, all Board members act in good will with respect to the company, are guided by the interests of the company, and not personal or third parties' interests, seeking to preserve their independency while adopting the decisions.</p>
<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The company's Board members perform the functions assigned properly: they actively participate in the Board meetings and devote sufficient time for the performance of their duties as Board members.</p> <p>In 2006, all Board members participated in over ¾ of the Board meetings.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The company's Board treats all shareholders honestly and impartially.</p> <p>Essential obligations of the company to the shareholders are set forth in the Shareholders' Policy approved by the Board.</p>

<sup>9</sup> It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

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<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	<p>There were no significant transactions between the company and its shareholders or management bodies. The Board's work regulation establishes that in the event such transactions are concluded, all Board members should be informed thereof.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies<sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	<p>Yes</p>	<p>The company's Board is independent while adopting decisions which are significant for the activity and strategy of the company.</p>

<sup>10</sup> In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.



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<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>No</p>	<p>Due to simplicity of the enterprise management structure and small number of employees, it is not expedient to form the Nomination, Remuneration and Audit committees.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>		
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive</p>		

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<p>directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>		
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>		
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>		

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<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>		
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> <li>• Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>• Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>• Assist the collegial body in overseeing how the company complies with applicable provisions regarding the</li> </ul>		

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<p>remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <ul style="list-style-type: none"> <li>• Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ul> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> <li>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>• Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</li> </ul> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> <li>• Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>• At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>• Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</li> <li>• Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>• Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material</li> </ul>		

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<p>conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <ul style="list-style-type: none"> <li>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ul> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to</p>		
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<p>the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>Yes</p>	<p>The Board conducts assessment of its activities once per year. After evaluating its activity in 2006, the Board decided that presently it is not expedient to form the Nomination, Remuneration and Audit committees. It was also approved that each Board member has to devote sufficient time for the performance of its duties as Board member and participate in at least 2/3 of the Board meetings.</p>
<p><b>Principle V: The working procedure of the company's collegial bodies</b></p> <p><b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b></p>		

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<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	<p>This provision is implemented by the company's Board (no supervisory council is formed in the company).</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month<sup>11</sup>.</p>	<p>Yes</p>	<p>According to the Board's procedures and regulations, the Board meetings are held at least once per quarter.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>The Board meeting is convened by its chairman by informing each Board member about the meeting to be held at least 5 working days prior to the meeting. Additional issues may be including into the agenda not later than 3 days prior to the meeting.</p>

<sup>11</sup> The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

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<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>No</p>	<p>The company may not implement this recommendation since only the Board is formed.</p>
<p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b></p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	<p>The ordinary registered shares which compose the company's authorised capital grant equal rights to all shareholders of the company's shares.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	<p>The company publicly informs about the rights granted by the newly issued shares.</p> <p>The last share emission was issued in 2006, at the time of reorganising AB "Invalda" and AB "Pozityvios investicijos", by merging the latter with "Invalda". The rights granted by the shares were notified in public, in chapter V of the reorganisation conditions announced in public. Equal rights granted by already issued shares of the company are set forth in the Shareholders' Policy adopted by the company's Board and Bylaws.</p>
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.<sup>12</sup> All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	<p>Yes</p>	<p>All shareholders of the company have equal opportunities to get familiarised and participate in adopting decisions important to the company. Approval of the shareholder's meeting is also necessary in cases stipulated in Chapter V of the Republic of Lithuania Company Law. No any other cases when approval of the shareholder's meeting should be obtained were envisaged, since the nature of the company's activity is such that it would impair its business.</p>

<sup>12</sup> The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.



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<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.</p>	<p>Yes</p>	<p>The procedures for the convention and conduction of the general shareholders meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meeting, get familiarised with the draft resolutions and materials necessary for adopting the decision in advance, also give questions to the Board members.</p>
<p>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance<sup>13</sup>. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>The company's website announces the minutes of the general shareholders meetings for the last 5 years. At least 10 days prior to the general shareholders meeting, the documents prepared for the general shareholders meeting shall be announced on the company's website.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>The company's shareholders may exercise their rights to participate in the general shareholders meeting both personally and via an attorney, if such person has a proper authorisation or if an agreement on the transfer of voting rights was concluded with him in the manner set forth in the legal acts, besides, the company provides the shareholders with equal conditions to vote by completing a general ballot.</p>

<sup>13</sup> The documents referred to above should be placed on the company's website in advance with due regard to a 10-day period before the general shareholders' meeting, determined in paragraph 7 of Article 26 of the Law on Companies of the Republic of Lithuania (Official Gazette, 2003, No 123-5574).

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<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	<p>There are no possibilities to enable the shareholders to vote at the general shareholders meetings by using the telecommunication terminal devices, however, the shareholders may vote via an empowered person or by completing a general ballot.</p>
<p><b>Principle VII: The avoidance of conflicts of interest and their disclosure</b></p> <p><b>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</b></p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	<p>The Board members act according to the following recommendations.</p>
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>		
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>		

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<p>7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.</p>	<p>Yes</p>	<p>The Board members are familiarised with these provisions and apply these recommendation in practise.</p>
<p><b>Principle VIII: Company's remuneration policy</b></p> <p><b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b></p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.</p>	<p>No</p>	<p>The Company does not prepare a remuneration policy since the majority of VIII principle items are not actual for the present structure of the Company.</p> <p>Information about the benefits and loans for the members of the management bodies is provided in the annual prospectuses – reports, financial accounts.</p> <p>The adopting, reconsidering and declaring of Remuneration policy is intended elaborating during the next years.</p>
<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>		
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ul>		
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>		

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<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>		
<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>		
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>• If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>• Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</li> <li>• The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</li> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul>		

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<p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</li> </ul> <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	No	It is not relevant to apply the schemes in the company, on which basis the directors were remunerated in shares, share selection transactions or other rights to acquire the shares or be remunerated based on the share price movements.
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> <li>• Grant of share-based schemes, including share options, to directors;</li> <li>• Determination of maximum number of shares and main conditions of share granting;</li> <li>• The term within which options can be exercised;</li> <li>• The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>• All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</li> </ul>		
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		

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<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company’s website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company’s website.</p>		
<p><b>Principle IX: The role of stakeholders in corporate governance</b></p> <p><b>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</b></p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The company respects the rights of interest holders which are protected by the laws and which authorise the interest holders to participate in the management of the company in the manner set forth in the laws.</p>
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		
<p><b>Principle X: Information disclosure and transparency</b></p> <p><b>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</b></p>		

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<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> <li>• The financial and operating results of the company;</li> <li>• Company objectives;</li> <li>• Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>• Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>• Material foreseeable risk factors;</li> <li>• Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations;</li> <li>• Material issues regarding employees and other stakeholders;</li> <li>• Governance structures and strategy.</li> </ul> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company’s supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company’s supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company’s policy with regard to human resources, employee participation schemes in the company’s share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p>	<p>Information set forth in this recommendation is disclosed in the periodic prospectuses-reports, annual report, website.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company’s shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>Information is provided by the company via the information disclosure system used by the Vilnius Stock Exchange in the Lithuanian and English languages at the same time, as much as it is possible. The exchange announces the information received in their website and trade system, this way ensuring simultaneous provision of information to everyone. Besides, the company announces information prior to or after the trading session of the Vilnius Stock Exchange. The company does not disclose information that may have an effect on the price of securities issued by the company in the commentaries, interview or other ways as long as such information is publicly announced via the information system of the Stock Exchange.</p>

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<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>The company announces information in the daily "Lietuvos rytas" and "Verslo žinios" via the information disclosure system used by the Vilnius Stock Exchange, on the website.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>The company announces all information indicated in this recommendation on its website.</p>
<p><b>Principle XI: The selection of the company's auditor</b></p> <p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></p>		
<p>11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>No</p>	<p>An independent audit company audits the annual financial statements and annual report. The audit company does audit the interim financial statements.</p>
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>Yes</p>	<p>The candidature of the audit company is suggested to the general shareholders meeting by the company Board.</p>
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>Not applicable</p>	<p>The audit company did not provide non-audit services to the company and has not received remuneration for that from the company.</p>