

To Invalda AB

Šeimyniškių st. 1 A,

Vilnius

23rd April, 2010

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

The Audit Committee (hereinafter – the Committee) of Invalda AB (hereinafter – the Company) is formed and the Regulations of the Formation and Activity of the Audit Committee are approved by the decision of the General Meeting on 11th November 2008.

The Audit Committee consists of two members, elected by the above-mentioned General Meeting – Danutė Kadanaitė, the director of JSC „Legisperitus“, and independent member Tomas Bubinas.

Main functions of the Audit Committee:

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

Since 20th April 2009 until 23rd April 2010 the Committee carried out these issues:

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

On 9th July 2008 in the Extraordinary General Meeting of Invalda AB the decision was made to select Ernst & Young Baltic UAB (code 110878442) to audit reports of financial years 2008-2009 and terms and conditions of the payment for the audit services were determined.

Considering the fact that economical situation was getting worse in 2009, the market conditions were changing and for the purpose of reducing the expenditures for the audit, the Company negotiated with its contemporary auditors and analysed prices and services of other international audit companies acting in Lithuania. The members of the Committee were acquainted with the analysis.

After the examination of the information according to the Paragraph 2 of Article 51 of the Law of the Republic of Lithuania on Audit provided about the audit companies which have performed audit of the companies of public interest, and considering the analysis of the prices for the audit services, particularity of the Company's activity and for the purpose of ensuring confidence of the society in the Company's financial results, the Committee proposed for the Board of the Company to consider the possibility to conclude the agreement with PricewaterhouseCoopers UAB for the audit of financial reports of financial year 2009.

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

The members of the Committee acquainted with the draft agreement for the audit of the Company's and consolidated financial reports for the year ended 31st December 2009, and for preparing auditor's report.

The Extraordinary General Meeting of the Company, held on 30th November 2009, made a decision to terminate the agreement concluded with Ernst & Young Baltic UAB, to select PricewaterhouseCoopers UAB to audit the set of financial statements of year 2009 and to determine conditions of the payment for the audit services.

The Extraordinary General Meeting of the Vilniaus baldai AB, held on 9th December 2008, made a decision to select Ernst & Young Baltic UAB to audit the set of financial statements of year 2009 and determined conditions of the payment for the audit services.

Considering the fact that it is not necessary for a company of public interest, which is a subsidiary and financial statements are consolidated, to form the audit committee and, according to the Paragraphs 4 and 6 of Article 52 of the Law of the Republic of Lithuania on Audit, the Audit Committee of the Company recommended the Board of Vilniaus baldai AB to consider the possibility of conclusion of an agreement with PricewaterhouseCoopers UAB for the audit of financial statements for financial year 2009.

The Extraordinary General Meeting of Vilniaus baldai AB, held on 30th November 2009, made a decision to terminate the agreement concluded with Ernst & Young Baltic UAB, to select PricewaterhouseCoopers UAB to audit the set of financial statements for year 2009 and to determine conditions of the payment for the audit services.

2. Regarding monitoring of the process of the external audit

On 9th December 2009 the members of the Committee together with the members of the Board of the Company at the joint meeting with PricewaterhouseCoopers UAB discussed Company's and Group's audit plans for the financial year 2009. During the meeting, the auditors presented applicable methodology of audit, the members of audit team and their functions. The Committee together with the auditors and the members of the Board of the Company also discussed remarks of the internal audit, identified risks, the audit plan and timetable of works.

On 25th March 2009 the members of the Committee together with the members of the Board of the Company at the joint meeting with PricewaterhouseCoopers UAB discussed the progress of audit works, the main outstanding questions, assumptions of business continuity, subsequent events and the closing date of the audit.

3. Regarding independence of the auditors and the audit company

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

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

b) Rasa Radzevičienė is considered to be independent since:

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

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

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

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

4. Regarding the observance of Company's financial statements preparation process

The Committee observed the preparation process of financial statements for financial year 2009 of the Company and states that chief accountant was responsible for the process of preparation of financial statements of the Company, financial statements were prepared according to the common principles of accounting: principle of an entity, an entity going concern, periodicity, consistent accounting methods, monetary measurement, accrual-based accounting, comparability, principle of prudence; neutrality, precedence of content over form. Financial statements and consolidated financial statements are prepared according to the Law on financial statements of entities, Law on Consolidated Accounts of Groups of Undertakings and International Accounting Standards. The process of preparing financial statements, compared with the former year, was organised more effectively and Company's financial statements and consolidated financial statements were prepared on time.

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

The Committee monitored and discussed with the direction and auditors of the Company these major questions of the internal control: the process of preparation of the financial statements and internal control of the sphere of information technologies and its effectiveness. The Committee believes that the Company should pay more attention to the renewal of the accounting policy and documentation of the internal control systems.

Members of the Audit Committee

Tomas Bubinas (signature)

Danutė Kadanaitė (signature)