

To
Invalda LT, AB
Šeimyniškių str. 1 A,
Vilnius

INVALDA LT, AB AUDIT COMMITTEE ACTIVITY REPORT FOR THE FINANCIAL YEAR 2014
14 April 2015, Vilnius

GENERAL PART

The Audit Committee (hereinafter – the Committee) of Invalda LT, AB (hereinafter – Invalda LT, AB or the Company) was formed for the first time by the decision of the General Meeting of Shareholders on 14 November 2008.

The Committee works in accordance with the laws of the Republic of Lithuania, the Articles of Association of Invalda LT, AB also Regulations of the Formation and Activity of the Audit Committee of Invalda LT, AB (hereinafter – the Regulations), approved by the decision of the General Meeting of Shareholders on 29 April 2011.

COMPOSITION OF THE AUDIT COMMITTEE

The members of the Committee – Tomas Bubinas (an independent member of the Committee) and Danutė Kadanaitė, were elected by the decision of the General Meeting of Shareholders held on 14 November 2008 (the Company's first audit committee was also formed by the same decision).

These members were re-elected for the cadence of four years by the decision of the General Meeting of Shareholders on 30 April 2010.

After resignation of Tomas Bubinas on 30 August 2010, Vaidas Savukynas was elected as an independent member of the Committee till the end of the Committee's cadence by the decision of the General Meeting of Shareholders on 29 April 2011.

The Audit Committee was removed *in corpore* on 30 August 2013 by the resolution adopted by the General Shareholders Meeting of Invalda LT, AB. Danutė Kadanaitė and Tomas Bubinas (as an independent member) were appointed to the Audit Committee of Invalda LT, AB

The members of the Committee correspond with the qualification and experience requirements set out in the Regulations:

- an independent member of the Committee has an university degree in economics and more than three years work experience in the field of accounting;
- second member of the Committee has an university degree in law and more than three years work experience in the field of law.

Information and data which approve qualification and experience of the members of the Committee and which were submitted to the General Meeting of Shareholders on 28 April 2014 has not changed.

An independent member of the Committee complies with main criteria set out in the Regulations which are used for identifying whether a member of the Audit Committee can be considered as independent:

1. he is not a head of the Company or the Subsidiary and any associated company (as they are defined in paragraph 14 of the Regulations) and has not been such during the last five years;
2. he is not an employee of the Company or the Subsidiary and any associated company and has not been such during the last three years;

3. he is not receiving and has not been receiving significant additional remuneration from the Company or the Subsidiary and associated company other than remuneration for the office in the Audit Committee;
4. he is not a controlling shareholder and is not a representative of such shareholder;
5. he does not have and did not have any material business relations with the Company or the Subsidiary and associated company within the past year directly or as a partner, shareholder, head or employee of the administration of the subject having such relationships (a subject is considered to have business relations when it is a major supplier or service provider (including financial, legal, advisory and consulting services), major client or organisation receiving significant payments from the Company or the Subsidiary or its group);
6. he is not and has not been during the last three years a partner or employee of the current or former audit company of the Company or the Subsidiary and associated company;
7. he has not been in the position of a member of the Committee of the Company or the Subsidiary for over than 12 years;
8. he is not a close relative to the head of the Company or the Subsidiary or to any person specified in paragraphs 1 – 6 above (a spouse (partner), children and parents are considered to be close relatives).

FUNCTIONS AND PROCEDURE OF WORK OF THE AUDIT COMMITTEE

The main functions of the Committee:

1. provide recommendations to the Board of the Company with selection, appointment, reappointment and removal of an external audit company as well as the terms and conditions of the agreement with the audit company;
2. observe the process of external audit of the Company;
3. observe how the external auditor and audit company follow the principles of independence and objectivity;
4. observe the financial statements preparation process of the Company;
5. observe the efficiency of the internal control and risk management systems of the Company and the Subsidiary. Once a year review the need of the internal audit function;
6. observe if the members of the Board and/or the managers of the Company take into account recommendations and comments of the audit company properly.

The work of the Committee is organized taking into account the specifics of the activity of the Company external factors, changes in legal environment.

The right of initiative of convoking the meetings of the Committee is held by both members of the Committee. Usually the time of the meetings is combined with discussion of preparation process of financial and audit (including intermediate financial statements) statements.

During the reporting period the Committee discussed all questions collegially.

The Board members of the Company has worked closely with the members of the Committee, duly presented them with the activity of the Company, provided with detailed information regarding the specific peculiarities of accounting, finance and activity of the Company, informed about methods of settlement for important and unusual transactions when the settlement may be included in accounting in several different ways, provided with other information which is necessary to carry out the functions of the Committee properly.

The Committee has received information regarding all questions of the external audit from the management of the Company on time.

THE ACTIVITY OF THE AUDIT COMMITTEE IN FINANCIAL YEAR 2014

Providing recommendations towards the audit company selection

Without prejudice to the responsibility and rights of the Board members' rights and responsibilities, the Committee, *inter alia*, (A) submitted recommendations to the board of the Company related to the selection of the external auditor and with agreement terms with it.

The Committee reviewed the proposals made by auditing firms for auditing of set of annual financial statements for the year 2014. The Committee evaluated the independence of responsible auditors and audit companies, experience, audit's methods, periods and prices of auditing fulfilment.

The Audit Committee presented recommendation to the board members of the Company to make an agreement on auditing the set of financial statements of year 2014 with PricewaterhouseCoopers, UAB.

The Committee also reviewed the contract with the audit company and found out that the contract conditions are compatible with imperative legal requirements and principles of general fairness, reasonableness and fairness.

The General Meeting of the Company, held on 23th December 2014, made a decision to select PricewaterhouseCoopers, UAB to audit the set of financial statements of year 2014 and to determine conditions of the payment for the audit services.

Observation of the financial statements preparation process.

Without prejudice to the responsibility and rights of the administration, the Board members also the external audit company, the Committee *inter alia* (B) observed the financial statements preparation process (including intermediate) of the Company.

The members of the Committee were informed about any possible non-compliance with the accounting policies or problems of disclosure, a regular two-way dialogue between the members of the Committee and persons, responsible for preparing financial statements took place, information regarding work of independent audit was received.

After completing the Split-off Invalda LT, AB became investment entity and ceased to consolidate subsidiaries, except those subsidiaries that provide services that are related to the entity's investment activities. The accounting policy of the Company was changed and accounting principles of investment entity, according to the 10th TFAS, was incorporated into accounting policy. In the opinion of the members of the Committee these amendments allows transparently and properly to reflect financial activity results of the Company also consolidated financial activity results.

The Company pays enough attention and resources to ensure timely implementation of all legislative changes governing the preparation of financial statements.

The members of the Committee, after familiarizing with the audited set of annual financial statements for the year ended 31 December 2014, hearing from chief accountant of the Company about the preparation process of the above mentioned statements and problems related with it, discussed the audit process and the issues connected to the Company's auditors, recommended to the Boards of the Company to submit audited set of annual financial statements for the year ended 31 December 2014 and consolidated financial statement to the General Meeting of Shareholders of Invalda LT, AB held on 30 April 2015.

Observation of the process of external audit.

Without prejudice to the responsibility and rights of the administration, the Board members also the external audit company, the Committee *inter alia* (C) observed the process of external audit.

Management of the Company as well as the audit company provided the members of the Committee with information about the process of external audit of financial statements of year 2014 of the Company.

The main questions discussed with auditors of the audit for 2014: (I) question arising from amendments of standards regarding investment entity accounting (after completing the Split-off Invalda LT, AB became investment entity and ceased to consolidate subsidiaries, except those subsidiaries that provide services that are related to the entity's investment activities), (II) the fair value estimation of entities owned by Invalda LT, AB, and its disclosures in the financial statements according to IFRS 13 "Fair value measurement", (III) asset management entities' acquisition accounting (evaluation of value of acquired intangible assets – funds), (IV) additional disclosures in financial statements.

Independence and objectivity of external auditor and the audit company.

Without prejudice to the responsibility and rights of the administration, the Board members also the external audit company, the Committee inter alia (D) reviews and observes an independence of external auditor and the audit company firms of all in the point of view of provision of additional services to the audited subject.

Once a year the Committee considers an independence of the auditor performing the audit and the audit company and carries out the procedures which enable to ensure their independence and objectivity according to requirements of professional ethics and laws.

While considering issues related to independence and objectivity of auditor performing the audit and the audit company, the members of the Committee examine circumstances indicated below:

1. if the auditor (audit company) has any direct or/and indirect financial interests, related to the Company;
2. the auditor's and his family members, close relatives and partners business relationships with the Company;
3. nature of relationships between the auditor and managers of the Company (including the Board members and chief accountant);
4. the auditor's and audit company's possible dependence from the Company;
5. scale and nature of services provided by the auditor and audit company.

The Committee received a confirmation from the responsible auditor and the audit company that they meet the requirements and principles of independence.

The members of the Committee confirm that:

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

b) Rasa Selevičienė is considered to be independent from the Company since:

- she is not linked by family, close relations or related by marriage with the participants in the Company and/or the Subsidiary or its significant subsidiaries, manager, 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 reorganization conditions 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 the Company or its significant subsidiaries participants;
- it has not provided to the Company or its significant subsidiaries the services of asset and business valuation, book keeping and drawing up of financial statements, the services of valuation of reorganization conditions 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 its 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.

Observation of the efficiency of internal control and risk management systems and assessment of the need of internal audit function

Without prejudice to the responsibility and rights of the administration, the Board members also the external audit company, the Committee *inter alia* (E) observed the effectiveness of internal control and risk management systems and assessed the need of internal audit function in the Company.

There is no internal audit function in the Company. As the Company with subsidiaries operate activity in different business segments (asset management, farming, banking and financial services and building maintenance). The Committee recommends for the administration and the Board of the Company to consider the possibility of creating internal audit.

Members of the Committee:

Tomas Bubinas

Danutė Kadanaitė