

**REGULATIONS OF THE AUDIT COMMITTEE
OF PUBLIC LIMITED LIABILITY COMPANY „VILNIUS BALDAI“**

GENERAL PART

1. Public limited company „Vilnius baldai“, whose company code is 121922783, registered office address - Vilnius city municipality, Vilnius city, Savanorių av. 178 B (hereinafter referred to as the Company) is public interest entity since its issued ordinary registered shares are traded on the regulated market of the Republic of Lithuania.
2. In accordance with provisions of paragraph 1 of article 69 of the Republic of Lithuania Law on the audit of financial statements, the Audit Committee is formed in the Company, which main objectives are to ensure the independence of audit firm and / or auditors performing statutory audit of the financial statements of the Company and audit of the consolidated financial statements, the quality of the audit and the appropriate disclosure of related information.
3. The Audit Committee shall operate in accordance with the Regulations of the Audit Committee (hereinafter – the Regulations), which establish the procedures of Audit Committee formation and operation, its rights and obligations, requirements for Audit Committee members' education, professional experience, the principles of independence and regulate other issues related to the formation and work organisation of the Audit Committee.
4. Legal basis of the Regulations – Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission decision 2005/909/ec (hereinafter referred to as – the Reg. (EU) No 537/2014), Law on financial audit of the Republic of Lithuania (hereinafter referred to as the – Law) and resolution No. 03-14 of the board of the Bank of Lithuania of 24 January 2017 on approval of description of requirements for audits committees (hereinafter referred to as the Description). In the event of changes in the provisions of the Reg. (EU) No 537/2014, the Law and / or the Description, the relevant contradictory provisions of the Regulations ceases to exist and the changed provisions of mentioned legal acts shall be directly applied to Audit Committee from the moment of their entry into force.

PROCEDURE OF THE AUDIT COMMITTEE FORMATION

5. Decision on composition of Audit Committee and approval of Regulations shall be taken by General Meeting of Shareholders of the Company by a majority of 2/3 of votes held by the shareholders present at the Meeting.
6. Audit Committee is comprised of three members who are elected for a four-year term of office. Audit Committee *in corpore* or individual Audit Committee members may be revoked by the General Meeting of Shareholders. Same General Meeting of Shareholders in which Audit Committee is revoked *in corpore*, shall elect new Audit Committee (for a new four-year term), whereas instead of revoked individual audit members – shall elect new individual audit members (for the remaining term of office).

A member of Audit Committee is entitled to resign upon submitting a written notice to the Company 14 (fourteen) days in advance. New Audit Committee member shall be elected in the next General Meeting of the Company for the replacement of resigned member until the end of term of office of the Audit Committee.

7. Information on the independence and qualifications of the members of the Audit Committee shall be submitted to the General Meeting of the Company which elects the Audit Committee. A review of Audit Committee members' conformity with applicable requirements shall be carried out annually in the Annual General Meeting of Shareholders. Each member of the Audit Committee shall submit

to the General Meeting of Shareholders changed information about himself along with written report on the Audit Committee's activity. General Meeting of Shareholders assesses information submitted by the members of Audit Committee and submits comments and suggestions which are mandatory to Audit Committee and its individual members. If according to opinion of the General Meeting of Shareholders qualification or experience of Audit Committee member is insufficient, same General Meeting of Shareholders shall consider issue of revocation of this member and appointment of other member who is elected for the remaining term of office of the Audit Committee.

8. Members of the Audit Committee shall be of good reputation, appropriate qualification and experience, collegially having knowledge of finance, accounting or financial statements audit sphere and sector, in which Company operates. Majority of Audit Committee members shall be independent and one of the independent Audit Committee members shall have at least 3 years' experience of working in the sphere of accounting or audit of finance statements.
9. Persons shall be deemed to have an appropriate qualification if they hold a social science degree or equivalent degree in law, economics, business, finances or management (a bachelor's and a master's qualification degree). Persons shall be deemed to have appropriate experience if they have at least three years of accountant, financier, auditor, brokerage working experience in the last five years.
10. Person shall be deemed independent member of Audit Committee only if he is not linked with the Company, Company's controlling shareholder or member or managing employees by business, family or other relations, because of which conflict of interest arises or may arise and which may impact Audit Committee member's opinion. Whether member of Audit Committee shall be deemed independent shall be determined in accordance with criteria established in the Description.
11. Members of Audit Committee shall elect chairman of Audit Committee by a simple majority of votes. If members of Audit Committee fail to elect chairman, he shall be elected in the next General Meeting of Shareholders. Chairman of Audit Committee shall be only independent member of the Audit Committee. Chairman of Audit Committee cannot manage any other committee established by the Company.

OBLIGATIONS OF THE AUDIT COMMITTEE

12. Obligations of Audit Committee are provided in paragraph 5 of article 69 of the Law and in article 18 of the Description.
13. The Audit Committee shall submit at least two possible alternatives in recommendations related to selection, appointment, repeated appointment and revocation of external audit firm as well as terms of agreement with external audit firm to the General Meeting of Shareholders and has to justify the Audit Committee's opinion on the more acceptable alternative. In order to submit a fair and proper justification, the Audit Committee must use the results of mandatory selection procedure, which is organized by the Company and for which Audit Committee is responsible. Selection procedure is carried out under requirements of the Reg. (EU) No 537/2014. During procedure of selection the Company shall not restrict auditors or audit firms who take up a small share of the market to provide audit tasks proposals. The tender documents must specify transparent and non-discriminatory selection criteria which will be applied to evaluation of proposals.

The Audit Committee shall confirm in its recommendation that no third party had any impact on the recommendation and that no provision established in paragraph 6 of the Reg. (EU) No 537/2014 are applied to the recommendation.

Board of the Company when submitting a proposal to the General Meeting of Shareholders, shall disclose whether it complies with the more acceptable alternative submitted by the Audit Committee and if not – why.

14. In cases the audit firm or auditor proposes the discount for services of financial statement audit, the Audit Committee shall ensure that mentioned discount would not increase the materiality level applicable by audit firm or auditor and would not reduce scale and consideration of financial statements audit services which is significant for identification of the risks. Whereas due to amount and structure of remuneration received from the company being audited the risk may arise to independence of auditor or audit firm carrying out the statutory audit, it is important to ensure that the audit reward is not based on any conditions, and that in cases where an audit remuneration from the Company including its subsidiaries companies constitutes a significant part, a specific procedure to ensure the quality of the audit with the participation of the Audit Committee is established. If the auditor or the audit firm becomes too dependent on the Company, the Audit Committee in the presence of valid grounds should decide whether the auditor or audit firm may continue to carry out the audit. While adopting the decision, the Audit Committee shall, *inter alia*, take into account the threats to the independence and the consequences of such a decision.
15. The Audit Committee shall ensure that an auditor or an audit firm carrying out an audit provides the Audit Committee with additional and more detailed report on results of statutory audit. This additional report shall be provided to the Audit Committee not later than an audit report. The Audit Committee shall discuss with an auditor or an audit firm carrying out an audit the key issues set out in the additional report.
16. The Audit Committee considers whether an auditor or audit firm carrying out the Company's audit and, when auditor or audit firm carrying out the audit belongs to the network, any member of such network may provide non-audit services to the Company, its parent company or its controlling entities (except non-audit services that are prohibited). The above services can be started to provide only with the prior approval of the Audit Committee.
17. The Audit Committee must annually:
 - 1) obtain from the auditor or audit firm a written confirmation that an auditor, an audit firm and partners, senior managers and executives, who carry out the statutory audit, are independent from the Company;
 - 2) discuss with an auditor or an audit firm the threats to their independence and security measures applicable to reduce those threats.

RIGHTS AND OBLIGATIONS OF THE AUDIT COMMITTEE MEMBERS

18. Audit Committee members must:
 - 1) act in good faith, with diligence and responsibility for the benefit and interests of Company and shareholders, in accordance with valid legal acts, the internal documents of the Company and with due regard to the interests of employees and public welfare;
 - 2) maintain the independence of his analysis, decision-making and actions;
 - 3) do not seek and accept any unjustified privileges, that might compromise independency of the Audit Committee;
 - 4) express his objections in a case when he considers that the resolution of the body of the Company may harm the Company. When the Company's body has adopted the resolutions about which Audit Committee member has serious doubts, this member should report relevant conclusions to the next General Meeting of Shareholders;
 - 5) develop their qualification constantly.
19. When fulfilling their duties, the members of the Audit Committee shall have the following rights:
 - 1) to select the order of activity and procedures using professional knowledge and skills;
 - 2) to receive and use the necessary documents and (or) their copies and information from the Company;

- 3) to demand the Company to provide explanations, perform other necessary actions for performance of the functions of the Audit Committee;
- 4) to demand the employees of the Company and the subsidiaries to provide explanations in writing;
- 5) other rights specified in the valid legal acts.

WORKING PROCEDURE OF THE AUDIT COMMITTEE

20. The Audit Committee informs the Annual General Meeting of Shareholders of the Company about its activities providing a written report, and if necessary provides information during other General Meetings of Shareholders of the Company
21. The Audit Committee is a collegial body taking decisions during meetings. The Audit Committee may adopt decisions and its meeting shall be deemed have been held when the meeting is attended by all elected members. The decision shall be adopted when all members of the Audit Committee vote for it. The member of the Audit committee may express his will “for” or “against” the decision put to vote upon familiarising himself with the draft thereof by taking a written vote. Voting in writing shall be considered equal to voting by means of electronic communications, provided that text protection is ensured and it is possible to identify the signature.
22. The meetings of the Audit Committee shall be convened at least twice a year. The Audit Committee meetings shall be convened by the chairman of the Audit Committee. Each member of the Audit Committee shall have the right of initiative to convene the Audit Committee meeting by submitting a notice of the initiation of the meeting to the chairman of the Audit Committee. The chairman of the Audit Committee informs in writing members of the Audit Committee about the convening of the meeting, issues to be discussed and proposed draft decisions not later than three business days before meeting (by e-mail or fax).
23. The meetings of the Audit Committee are not recorded, and the decisions taken are signed by all elected members. When all members of the Audit Committee vote in writing, the decision shall be written and signed by the chairman of the Audit committee. The decision shall be written down and signed not later than within seven days from the day of the meeting of the Audit Committee.
24. The Company manager must ensure that:
 - 1) the members of the Audit Committee will be properly introduced to the Company’s activities and provided with detailed information relates to the Company’s specific accounting, financial and other operational features;
 - 2) the Audit Committee will be informed about the methods of settlement for significant and unusual transactions where the settlement can be recorded in several different ways. The Audit Committee will be provided with detailed information related to specific features of accounting, financial and other operations of the Company;
 - 3) the Audit Committee will be provided with premises, a secretary will be appointed and other measures necessary for the Audit Committee’s activity will be provided;
 - 4) The Audit Committee will be informed about the work programme of internal auditors and will receive reports or a periodic summary from internal auditor;
 - 5) The Audit Committee will be informed about the work programme of external auditors and will receive reports from the external auditor describing all relations between the independent auditor and the Company and its group. The Audit Committee will timely obtain information about all issues related to the audit;
 - 6) The Audit Committee will receive from the Company the financing required for external consultations and assistance of legal, accounting or other consultants to the extent that the Audit Committee deems it necessary for the performance of its duties.

25. The Audit Committee shall have the right to invite to its meetings the manager of the Company, members (member) of the Board, the chief financier, employees responsible for finance, accounting and treasury issues, external auditors and other persons, whose presence is admitted necessary by the chairman of the Audit Committee considering questions scheduled for the Audit Committee meeting.
26. Members may receive remuneration for their work in the Audit Committee. The remuneration for the Audit Committee members shall be approved by the General Meeting of Shareholders by fixing the maximum hourly rate.