

Public limited liability company „SANITAS“
Veiveriu str. 134 B, Kaunas

23 March 2011

Public limited liability company „SANITAS“ Audit Committee activity report for activities performed from 21 September 2010 until 23 March 2011

Introductory part

Public limited liability company „SANITAS“ (hereinafter – „Sanitas“ or „Company“) Audit Committee (hereinafter – „Committee“) for the term of office of 2010 – 2014 was elected by Sanitas Ordinary General Shareholders Meeting held on 28 April 2010.

4 members were working (1 of them independent) in the Committee during the reporting period:

1. Alina Naujokaitiene (chairman);
2. Kustaa Aima;
3. Algirdas Valancius (independent member);
4. Raimondas Rajeckas (elected by General Shareholders Meeting on 12 October 2010 instead of resigned Committee member Mindaugas Lankas).

While performing its activity the Committee acts according to internal rules of the Committee defining rights and duties, size, period of membership of the Committee, requirements for education, professional experience of the members of the Committee, principles of independence applied to the independent member of the Committee, and other issues related to composition of the Committee and work organization (hereinafter – „Rules“). The Rules were approved on 12 October 2010.

The Rules establishes main functions of the Committee:

1. to provide the Management Board of the Company with recommendations related to selection, repeated appointment and cancellation of an external audit company as well as the terms and conditions of the agreement with the audit company;
2. to observe the process of carrying out an external audit;
3. to observe how the external auditor and audit company follow the principles of independence and objectivity;
4. to observe the process of preparation of financial reports of the Company;
5. to observe the efficiency of systems of internal control, risk management and internal audit, if such functions exist in the Company. Should there be no internal audit authority in the Company, the need for one should be reviewed at least annually;
6. to review efficiency of external audit process and responsiveness of management of the Company to recommendations and remarks made in the external auditor's management letter;
7. to fulfil other functions specified in the legal acts of the Republic of Lithuania and the recommendations of the Code of management of companies listed with NASDAQ OMX Vilnius, AB.

Issues related to work organization of the Committee

The meetings of the Committee are convoked as such demand emerges. During the reporting period 3 meeting of the Committee were held (15 October 2010, 29 December 2010, 18 March 2011), they resolved issues assigned for the competence of the Committee.

Review of conformity of the Committee members to the requirements of the Rules

Following article 25 of the Rules, members of the Committee performed review of their conformity to requirements of the Rules on 29 December 2010. Evaluation of independence of the independent Committee member Algirdas Valancius was performed, after this evaluation the conclusion was made that he satisfies all independence requirements. Algirdas Valancius signed confirmation on his independence.

The key criteria for establishing whether member of the Committee can be considered independent are the following:

1. he cannot be the head of the Company and an associated company and could not have occupied such a position within the last 5 years;
2. he cannot be an employee of the Company and an associated company and could not have occupied such a position within the last 3 years;
3. he should not receive and could not have received significant additional remuneration from the Company and an associated company, except for remuneration for the post of the member of the Audit Committee;
4. he should not be a controlling shareholder, he should not represent any such a shareholder;
5. he should not have and has not had important business relations with the Company and an associated company within the last year neither directly nor as a partner, shareholder, head or employee of the administration of a subject with such relationships. A subject that is considered an important supplier of goods or services (including financial, legal, advisory and consultation services), a significant client or organization, which receives significant contributions from the Company or its group, shall be considered as a subject having business relations;
6. he cannot be and could not have been within the last 3 years a partner or employee of the current or former audit company of the Company and an associated company;
7. he could not have occupied the position of a member of the Audit Committee of the Company for over 12 (twelve) years;
8. he should not be a close family member of the head of the Company or the persons specified in paragraphs 1 through 6. The spouse (cohabitant), children and parents shall be considered close family members.

A company associated with the Company is the one which:

1. directly or indirectly controls the Company or is controlled by it;
2. has a significant influence on the Company;
3. jointly controls the Company under a joint activity agreement;
4. is controlled by the same legal or natural person (their group) as the Company;
5. is an associated company;
6. is a company controlled under a joint activity agreement;
7. is a company accumulating and at the end of the service paying pensions and other benefits.

During conformity to requirement review it was also established that qualification and work experience of all members of the Committee satisfy requirements of the Rules (persons with appropriate qualification are persons with university degree in economics, finances or law; persons with appropriate experience are persons with at least 3 years of work experience in the sphere of finances, accounting or law. Independent member must have at least 5 years of work experience in the sphere of accounting or finances).

Presentation of recommendations

Recommendation to the management of the Company on agreement with audit company

While performing its duty to issue recommendation on agreement with audit company specified in article 14.1 of the Rules, the Committee issued such recommendation to the management of the Company suggesting to sign agreement on audit assignment with Deloitte Lietuva, UAB (hereinafter – “Deloitte”). The Committee became familiar with draft of audit assignment agreement and submitted its comments regarding this draft before issue of recommendation.

Recommendation to Sanitas Management Board on presentation of annual information for 2010 for shareholders' approval

The Committee prepared recommendation to the Management Board of the Company on annual information for 2010 on 21 March 2011. In this recommendation the Committee proposed to the Management Board of the Company to present annual information for 2010 for shareholders' approval.

Before presenting recommendation to the Management Board, the members of the the Committee became familiar with audited annual information for 2010, analysed information on process of preparation of annual information for 2010 presented by the Company's CFO Nerijus Drobavicius, heard out information on audit of annual information for 2010 and problems related to it presented by Deloitte partner Timothy Mahon, observed the process of carrying out this audit, analysed whether auditors follow the principles of independence and impartiality.

Analysis of responsiveness of the management of the Company to recommendations and remarks made by Deloitte in management letter for 2009

Responsiveness of the management of the Company to recommendations and remarks made by Deloitte in management letter for 2009 were analysed during the Committee meeting held on 18 March 2011. It was determined that management of the Company didn't respond to Deloitte recommendations on accounting manual and activity - based production costing. It was ascertained that the Company responded to Deloitte recommendations on depreciation rates for trademarks, followed IAS 36 and IFRS 8 standards' requirements, started to supply goods to Hungarian clients directly from Jelfa SA (Poland), not from warehouses located in Slovakia.

Efficiency of internal audit system

The Committee didn't have an opportunity to evaluate efficiency of internal audit system whereas there is no this function in the Company. However, the Committee recommends to implement this function as such possibility emerges.

Chairman of the Committee:

Alina Naujokaitiene (signature)

Members of the Committee:

Algirdas Valancius (signature)

Kustaa Aima (signature)

Raimondas Rajeckas (signature)