



# ANNUAL REPORT

## 2005

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ROKIŠKIS, 2006 May

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## 1. GENERAL INFORMATION

### 1. Reporting term of the prepared report.

The report is prepared for the year 2005.

### 2. Main data of the issuer:

Name of issuer – joint stock company "Rokiškio sūris".

Juridical organizational form – joint stock company.

Address – Pramonės str.3, LT 42150 Rokiškis, Republic of Lithuania.

Telephone: +370 458 55 200, fax +370 458 55 300.

E-mail address: [rokiskio.suris@rokiskio.com](mailto:rokiskio.suris@rokiskio.com)

Website: [www.rokiskio.com](http://www.rokiskio.com)

Registration date and place – registered on 28<sup>th</sup> February 1992 at the Directorate of Rokiskis region. Reregistered on 28<sup>th</sup> November 1995 at the Ministry of Economics of the Republic of Lithuania.

Company code - 173057512.

Manager of legal persons registry – State company "Registru centras".

The authorized capital of AB "Rokiškio sūris" registered in on 19<sup>th</sup> July 1999 is LTL 47.462.700 (forty seven million four hundred sixty two thousand seven hundred litas).

### 3. Characterization of the issuer's main activities.

Activities of joint stock company "Rokiškio sūris":

- ♦ Dairy activities and cheese production (EVRK 15.51);

The main activity of the company is production and sales of fermented cheese, fresh dairy products, butter, milk powders, whey and other milk products.

### 4. Information as where and when to find the report and documents according to which the report was prepared, name of organs of public opinion:

The report and documents according to which the report was prepared (financial accounts, auditor conclusion etc.), can be provided at the joint stock company "Rokiškio sūris", Pramonės str.3, Rokiškis, during working days from 8am to 16pm. The name of organ of public opinion – daily "Lietuvos rytas".

### 5. People responsible for the information provided:

5.1.

Antanas Trumpa – Chief Executive Officer of AB "Rokiškio sūris".

Tel: +370 458 55 200, Fax +370 458 55 300

Antanas Kavaliauskas – Chief Financial Officer of AB "Rokiškio sūris".

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Tel.: +370 5 210 2717, Fax +370 458 55 300

5.2.

The Annual report (part 39) includes consolidated financial accounts prepared by UAB PricewaterhouseCoopers“ according to International Accounting Standards.

**6. Approval of members of the issuer's managing bodies responsible for report preparation, as well as approval of consultants of employee and the company manager.**

We, the undersigned, approve that the information provided by the annual report for the year 2005 is true and there is no hidden information which might influence significantly the investor decisions to buy or sell the issuer's securities, as well the price and evaluation of the securities:

Chief Executive Officer

Antanas Trumpa

Chief Financial Officer  
Member of the Board of Directors  
29.05.2006

Antanas Kavaliauskas

Report prepared by AB "Rokiškio sūris"

## II. INFORMATION ON THE ISSUER'S AUTHORIZED CAPITAL AND SECURITIES LAUNCHED

### 7. Authorized capital of the issuer:

7.1. The joint stock company "Rokiškio sūris" registered on 28<sup>th</sup> February 1992 at the Directory of Rokiskis region. The company was reregistered on 28<sup>th</sup> November 1995 at the Ministry of Economics of the Republic of Lithuania. Company code – 173057512.

The authorized capital registered in by the Ministry of Economy on **19<sup>th</sup> July 1999** is **LTL 47.462.700** (forty seven million four hundred sixty two thousand seven hundred litas).

Type and class of shares	Number of shares	Nominal value LTL	Total nominal value LTL	Share in the authorized capital %
1	2	3	4	5
Ordinary registered shares	4 746.270	10	47 462 700	100%

All shares of AB „Rokiškio sūris“ are paid-up.

7.2. The company has not issued debt securities or derivative securities, therefore the capital is not to be increased by share convert or exchange into this type of securities.

### 8. Shareholders.

Total number of shareholders as of 28<sup>th</sup> April 2006 (date of the General meeting of shareholders) was – 5.241 shareholders.

**The shareholders having or owning over 5 percent of the issuer's authorized capital (as of 28.04.2006):**

Name, surname Name of company	Address	Proprietary rights			With associated persons	
		Number of shares	Capital share %	Votes %	Capital share %	Votes %
<b>UAB "Pieno pramonės investicijų valdymas"</b>	Pramonės str. 3, Rokiškis	989.780	20,85	22,73	48,01	52,34
<b>Antanas Trumpa</b>	Sodų str. 41a, Rokiškis	1.096.837	23,11	25,19	48,01	52,34
<b>Hansabank clients</b>	Liivalaia 8, Tallinn 15040 Estonia	646.953	13,63	14,86	-	-
<b>Skandinaviska Enskilda Banken AB clients</b>	Sergels Torg 2, 10640 Stockholm, Sweden	510.102	10,75	11,72	-	-

As at the date of the 28<sup>th</sup> April 2006 General meeting of shareholders, AB „Rokiškio sūris“ had 392 047 treasury shares which made 8,26 percent of the company's authorized capital.

## 9. Main characteristics of the shares launched for the public stock turnover:

As for the public share sales it was launched 4 746 270 (four million seven hundred forty six thousand two hundred seventy) ordinary registered shares. Nominal value of shares is 10 (ten) litas per share, total nominal value of shares is LTL 47.462.700 (forty seven million four hundred sixty two thousand seven hundred litas).

### Types of shares launched for public share sales:

Type of securities being issued	Number of shares (units)	Date of launch
Pursuing the Law on private capital accumulation	7 993	30.04.1991
Pursuing the Law on primary privatization	133 029	02.11.1991
Sale of shares owned by the State	13 694	21.12.1992
Increase of the authorized capital (issue of additional contributions by the issuer)	100 000	08.04.1993
Sale of the state capital reserve	3 634	17.05.1993
Increase of the authorized capital (issue of additional contributions by the issuer)	50 000	02.09.1993
Increase of the authorized capital (issue from own resources)	249 075	29.04.1994
Assets indexation	565 368	25.11.1994
Increase of the authorized capital (issue of additional contributions by the issuer)	400 000	16.12.1994
Company reorganization (issue by acquisition of AB "Zarasų pieninė")	37 116	11.08.1995
Increase of the authorized capital (issue of additional contributions by the issuer)	80 000	03.06.1996
Company reorganization (issue by acquisition of AB "Ukmergės pieninė")	65 824	15.11.1996
Increase of the authorized capital (issue of additional contributions by the issuer)	1 200 000	11.02.1997
Increase of the authorized capital (issue of additional contributions via mediator, not stock exchange)	300 000	11.11.1997
Company reorganization (issue by acquisition of AB "Šalčininkų pieninė")	11 314	06.02.1998
Increase of the authorized capital (issue of additional contributions by the issuer)	1 400 000	21.07.1999
Conversion of preferred shares into ordinary registered shares	6 452	20.08.1999
Former shares of manufactures of agricultural produce included into public share sale	122 771	09.06.2004

## 10. Data on the shares registered and launched for non-public share sale

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There are no shares registered and launched for non-public share sale.

### **11. Information on depository notes issued on share grounds.**

Depository notes on share grounds (GDR) were issued on 10<sup>th</sup> October 1997, the base for the issue was shares registered at the Securities Commission (registration act No.AB-4060). The shares were launched on 15<sup>th</sup> October 1997, end of offering – 29<sup>th</sup> October 1997. Launched 300 000 ORS. Price per share LTL 54.

On 14<sup>th</sup> November 1997, by the Securities non-monetary transfer No.021933 it was transferred 154 500 of ORS of this emission into the securities current account of FMD clients of Vilniaus bankas (Bankers Trust Company) in order to convert the ORS into GDR. Coefficient of conversion – 2, i.e. one ordinary registered share is converted into two depository notes. The depository notes were not quoted at stock exchange.

The way of issue: the depository notes (GDR) were designed for exclusive issue (only to qualified institutional investors) not to the US investors, therefore the GDR were not registered in the US Stock exchange commission.

On 29<sup>th</sup> October 2004, the conversion of depository notes issued on share grounds into ordinary registered shares was ended.

On 31<sup>st</sup> December 2005, as well as at the date of General meeting of shareholders 28<sup>th</sup> April 2006, the company did not have any depository notes issued on share grounds.

### **12. Main characteristics of debt securities launched for the public share sale.**

The company has not issued any debt securities for the public share sale.

### **13. Data on the debt securities registered and launched for non-public share sale.**

The company has not issued any debt securities for the non-public share sale.

### **14. Securities non participating in the authorized capital but regulated by the Law on securities market of the Republic of Lithuania, excluding debt securities.**

There are no securities which do not participate in the authorized capital but are regulated by the Law on securities market.



### III. DATA ON THE SECONDARY SALES OF ISSUER'S SECURITIES

#### 15. Securities listed on the official list of stock exchange

The 4 746 270 ordinary registered shares of AB "Rokiškio sūris" are listed on the official list of OMX Vilnius Stock Exchange. (VVPB symbol RSU1L). Nominal value per share 10 (ten) litas. Total nominal value of shares 47 462 700 (forty seven million four hundred sixty two thousand seven hundred) litas.

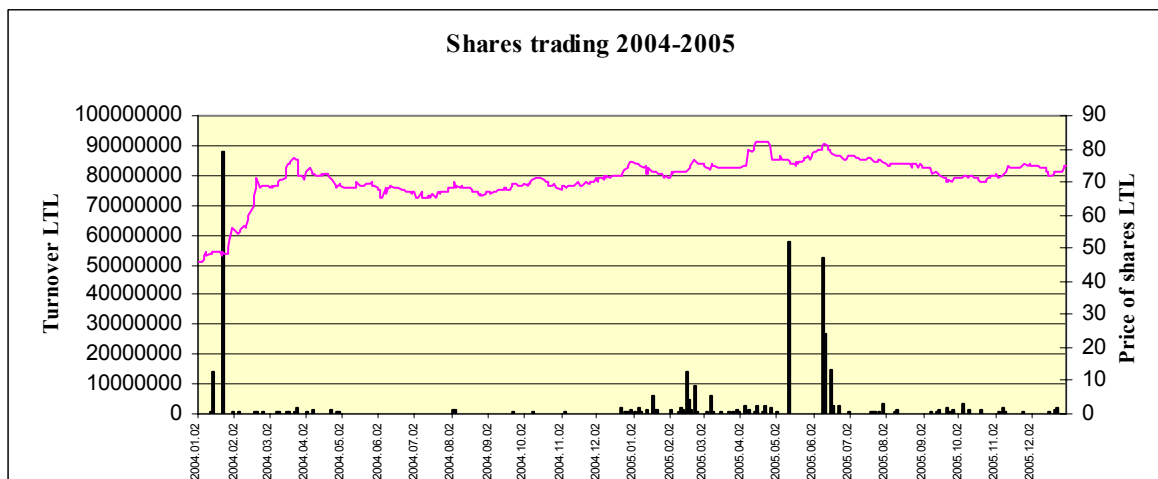
#### 16. Trade in issuer's securities by stock exchange and other organized markets

Shares of AB "Rokiškio sūris" are traded by Vilnius Stock Exchange on the official trade list.

##### 16.1. Trade by Vilnius Stock Exchange:

##### 16.1.1. Trade in central market:

Reporting period		Price (LTL)			Sales (LTL)			Date of last session	Total sales	
from	until	max	min	Last session	max	min	Last session		(.)	(Lt)
2004.01.01	2004.03.31	77,50	46,00	70,50	820 199	0	19 832	2004.03.31	156 804	9 855 718
2004.04.01	2004.06.30	74,00	65,00	67,00	722 273	0	2 346	2004.06.30	61 139	4 296 848
2004.07.01	2004.09.30	69,98	65,00	69,10	400 137	0	10 089	2004.09.30	32 062	2 175 546
2004.10.01	2004.12.31	76,00	67,50	76,00	753 276	0	234 487	2004.12.31	101 993	7 329 045
2005.01.01	2005.03.31	77,00	71,00	74,00	5 335 597	7 500	81 348	2005.03.31	294 225	21 585 117
2005.04.01	2005.06.30	82,50	74,00	77,77	57 539 044	0	47 872	2005.06.30	2 409 299	178 308 179
2005.07.01	2005.09.30	78,50	70,00	71,30	3 272 780	0	175 939	2005.09.30	245 377	18 149 244
2005.10.01	2005.12.31	75,50	70,00	75,00	3 528 225	0	75 000	2005.12.30	258 355	18 620 766
2006.01.01	2006.03.31	75,50	68,00	72,50	2 669 836	0	7 015	2006.03.31	194 218	14 016 379

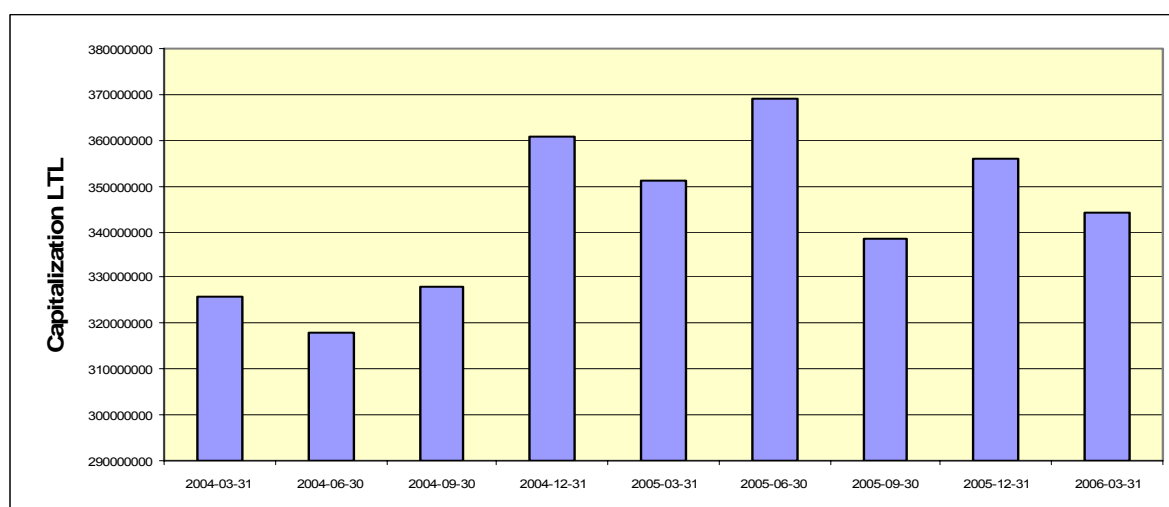


16.2 -3. There has not been any trade in other stock exchange or organized markets.

## 17. Capitalization of securities.

Date of last trade session	Capitalization (LTL)
2004.03.31	325 956 680
2004.06.30	318 000 090
2004.09.30	327 967 257
2004.12.31	360 716 520
2005.03.31	351 223 980
2005.06.30	369 117 418
2005.09.30	338 409 051
2005.12.31	355 970 250
2006.03.31	344 104 575

**Capitalization of the company's shares, LTL**



## 18. Trade in issuer's securities outside stock exchange.

The issuer's ordinary registered shares (4 746 270vnt.) are listed on the official list of Vilnius Stock Exchange, therefore the shares are traded solely within the Stock Exchange.

## 19. Information on treasury shares

The very first decision regarding purchasing of own shares was adopted at the 25<sup>th</sup> September 1998 General meeting of shareholders of AB "Rokiškio sūris". The resolution of general meeting of shareholders as follows: "In order to avoid loss due to severe slump of share rate, it shall be purchased up 334 627 ordinary registered shares of the company. The Board of Directors is delegated to establish the procedure for purchasing own shares and organize the purchase, as well as execute all other related actions".

The 30<sup>th</sup> April 2003 General meeting of shareholders renewed the resolution regarding purchasing of own shares. The General meeting of shareholders resolved:

1. In order to avoid loss due to the decreasing rate of shares, it shall be purchased own shares whose nominal value would be not more than 1/10 of the Authorized Capital.
2. The period during which the Company shall purchase its treasury shares – 18 months after the resolution is accepted.
3. The maximal price for the shares to be acquired is set as 100 litas per share; minimal price is set as 10 litas per share.
4. A reserve of 10m.LTL shall be formed for the acquisition of treasury shares.
5. The Board of Directors is authorized to organize purchase of treasury shares and settle the procedure for share purchase and proceed with the related actions pursuing the conditions defined by this resolution and the requirements of the Law on Joint Stock Companies Article 55.

The 21<sup>st</sup> September 2004 meeting of the Board of Directors of AB "Rokiškio sūris" resolved the following:

1. Pursuing the resolution adopted by the 30<sup>th</sup> April 2003 General meeting of shareholders of AB "Rokiškio sūris" in order to raise the share price of AB "Rokiškio sūris", it shall be purchased up to 142 857 (one hundred forty two thousand eight hundred fifty seven) ordinary registered shares of AB "Rokiškio sūris" as par value 10 (ten) litas. Minimal amount of shares to be purchased – 10 000 (ten thousand) ordinary registered shares of AB "Rokiškio sūris".
2. To establish the price for shares as at 70 (seventy) litas per ordinary registered share.
3. Period for share purchase – 30 days.
4. Purchase of own shares shall be conducted by submission of voluntary official proposal following the legal procedure established for securities market.

During the obligatory non-competitive tender offer which was being implemented from 29<sup>th</sup> September 2004 until 28<sup>th</sup> October 2004, AB "Rokiškio sūris" purchased 142 857 shares of the company paying LTL 70,00 per share.

Throughout the tender offer the issuer acquired 34 328 shares from the issuer's managers.

Upon implementation of tender offer AB „Rokiškio sūris“ owns 392 047 treasury shares and it makes 8,26 % of the Authorized capital of AB "Rokiškio sūris".

Within the year 2005, AB „Rokiškio sūris“ had no acquisitions of own shares.

## 20. Tender offer announcement

Within the year 2005 there has not been any tender offers.

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## **21. Payment agents of issuer**

There are not any contracts with payment agents and AB "Rokiškio sūris".

## **22. Contracts with share trading brokers**

On 24<sup>th</sup> December 2003, AB "Rokiškio sūris" contracted with UAB FMĮ "Baltijos vertybiniai popieriai" (Gedimino pr. 60, Vilnius) regarding handling of shareholder accounting for AB "Rokiškio sūris".

## IV. INFORMATION ON THE ISSUER'S ACTIVITIES

### 23. Legal Basis of the Issuer's Activities

In its activities AB "Rokiškio sūris" follows the company regulations, the Law on Joint Stock Companies of the Republic of Lithuania, the Law on Securities Market and other laws and legal acts in force, regulating enterprise activities.

### 24. Belonging to Associated Organisations

AB "Rokiškio sūris" is a member of the Lithuanian Dairymen Association "Pieno centras" and the Lithuanian Confederation of Industrialists. Moreover, it participates in the activities of the Chamber of Commerce, Industry and Trade of Panevezys.

Being the member of various associated structures of dairy industry, the company takes part in general problem and method solving. With the help of associations various operative dairymen information is received easier. By defending dairymen concerns in governmental and other institutions, associations unite companies in general problem solving and activity coordination. The activities of the Lithuanian Dairymen Association are regulated by the Law on Associations of the Republic of Lithuania and by the Confederation Regulations.

### 25. Brief Description of the Issuer's History

AB "Rokiškio sūris" is one of the largest and most modern dairy production companies in Lithuania. The main activity of the company is production and sales of fermented cheese, fresh dairy products, butter, milk powders, whey and other milk products.

Specialised "Rokiškio" cheese production was planned and started to build in 1964, whereas at the beginning of 1966 the company started its work. From the very beginning of the company's business fermented cheese became its main product. In 1980 the company started the first reconstruction phase by putting into action a new cheese production department. The second reconstruction phase was in 1988 when the construction of new milk receiving machinery and full cream milk production departments was completed. In 1991 a new Finnish cheese maturation base was put into action.

In 1992 the state-owned enterprise "Rokiškio sūrio gamykla" was privatised and reorganised into a joint stock company "Rokiškio sūris". In 1993 the remaining governmental enterprise shares were sold. Following the decisions of the Government, in 1994 the company indexed its property. During the period from 1993 to 2002 the company's share capital increased 7 times with the help of additional contributions, 2 times thanks to own means and 3 times due to reorganization. In 2000, after affiliation of AB "Utenos pienas", and in 2002, after affiliation of "Eišiškių pieninė" the authorized capital was no longer increased.

In 1997 150 000 of nominal equity were distributed in the form of international depository notes (GDR).

To secure constant material supply and to strengthen its position in the local market, AB "Rokiškio sūris" affiliated "Zarasų pieninė" in 1995, in 1996 – "Ukmergės pieninė", in 1998 "Šalčininkų pieninė", in 2000 "Utenos pienas" and in 2002 – "Eišiškių pieninė". In all these dairies the company created its subsidiary companies.

In the months of November and December, 2000 AB "Rokiškio sūris" increased the share portfolio of AB "Švenčionių pieninė" up to 90,6%.

In December, 2000 AB "Rokiškio sūris" acquired 49,9% of AB "Eišiškių pieninė" share portfolio, whereas in March, 2002 AB "Rokiškio sūris" increased the share portfolio of AB "Eišiškių pieninė" up to 100% of authorized capital and votes.

In March, 2001 AB "Rokiškio sūris" purchased 49,9% of AB "Varėnos pieninė" share portfolio.

In October, 2001 AB "Rokiškio sūris" purchased 49,9% of AB "Ignalinos pieninė" and 100% UAB "Jonavos pieninė" share portfolio.

On 1st of June, 2005 AB "Rokiškio sūris" sold the share portfolio of AB "Varėnos pieninė" and AB "Ignalinos pieninė".

On 26th of April, 2002 at the general shareholder meeting of AB "Rokiškio sūris" the decision to reorganize the enterprises was made. It was decided to affiliate AB "Eišiškių pieninė" and UAB "Jonavos pieninė"; that is, the enterprises stopped functioning as legal persons.

On 4th of July, 2002 AB "Rokiškio sūris" Board decided to stop the activities of AB "Rokiškio sūris" subsidiary company "Šalčininkų pieninė" and to sign it out from the Enterprises' Register.

On 30th of December, 2002 the subsidiary company of AB "Rokiškio sūris" "Šalčininkų pieninė" was signed out from the Enterprises' Register of the Republic of Lithuania.

On 6th of September, 2002 at the general meeting of AB "Rokiškio sūris" shareholders the following decisions were made: reorganization of AB "Rokiškio sūris", AB "Eišiškių pieninė" and UAB "Jonavos pieninė" was terminated; AB "Eišiškių pieninė" and UAB "Jonavos pieninė" property, rights and responsibilities acceptance and transfer acts were confirmed. AB "Eišiškių pieninė" and UAB "Jonavos pieninė" terminated their activities as legal persons and they were signed out from the Enterprises' Register.

On 14th of November, 2002 AB "Rokiškio sūris" Board decided to establish a subsidiary company "Eišiškių pieninė". On 6th of December, 2002 AB "Rokiškio sūris" subsidiary company "Eišiškių pieninė" was registered into the Enterprises' Register. On 29th October, 2005 AB "Rokiškio sūris" Board decided to terminate the subsidiary company's activities. In April, 2006 the subsidiary company "Eišiškių pieninė" was signed out from the register of legal persons.

On 14th of February, 2003, following the decision of AB "Rokiškio sūris" Board, the activities of AB "Rokiškio sūris" subsidiary company "Zarasų pieninė" were terminated. On 26th of June, 2003 "Zarasų pieninė" was signed out from the Enterprises' Register of the Republic of Lithuania.

On 20th of August, 2003 AB "Rokiškio sūris" bought 12 units of UAB "Kalora" nominal equity, which composed 100% of UAB "Kalora" authorized capital. In October, 2005 AB "Rokiškio sūris" sold these shares.

On 18th of February, 2005 an insolvency case with creditors, without the court process, was raised against AB "Švenčionių pieninė". On 29th of April, 2005, due to its bankruptcy, AB "Švenčionių pieninė" was signed out from the register of legal persons.

On 14th of June, 2005 AB "Rokiškio sūris" sold 410 330 units of AB "Žemaitijos pieno investicija" shares, that is, 11,63% of AB "Žemaitijos pieno investicija" authorized capital.

On 3rd of March, 2006, to achieve more effective fresh dairy production results, AB "Rokiškio sūris" Board decided to separate export-oriented cheese production business from fresh dairy production business oriented to the local market. For this reason a new subsidiary company was established. On 21st of April, 2006 a subsidiary company UAB "Rokiškio pienas" was registered into the register of legal persons.

On 31st of December, 2005 AB "Rokiškio sūris" had already purchased 392 047 units of own nominal shares, which amounted to 8,26% of AB "Rokiškio sūris" authorized capital. During the reporting fiscal year AB "Rokiškio sūris" did not purchase its own shares.

The AB "Rokiškio sūris" Group consists of two subsidiary companies – "Ukmergės pieninė" and "Utenos pienas".

On 31st of December, 2005 the authorized capital of AB "Rokiškio sūris" was 47 462 700 litas, which was divided into 4 746 270 10 litas nominal value shares.

## 26. Characteristics of Production (Services)

The Group's main activity is milk processing. The main products are cheese, butter, dry and fresh milk products. Production is developed in the towns of Rokiškis, Utena and Ukmerge.

- Specialisation of Rokiskis production department – fermented cheese, lactose and whey products.
- Specialisation of Utena production department – fresh dairy products for the local market, whey protein concentrate, milk powder and butter production.
- Specialisation of Ukmerge production department – curd and curd cheese production.

Throughout the long years of successful production fermented cheese remains the main company product. It is a valuable alimentary food rich in milk fat, proteins, minerals, salts and vitamins.

The company's produced cheese is divided into semi-hard and hard cheese. The group of semi-hard cheese includes the following products: "Rokiškio sūris" (varies in fat and height), "Hermis", "Utenos", "Lietuviškas", "Gauda" and "Edamas", whereas "Goya", "Montecampo" and "Gojus" belong to the hard cheese type.

According to fermented cheese production amounts AB "Rokiškio sūris" is the largest milk processing company in Lithuania. Fermented "Rokiškio" cheese is produced from normalised fat and protein cow milk clotted with the help of ferments and later specially processed and matured. This cheese belongs to semi-hard cheese group. Its analogues in the world are the Swedish (Sveciaost) cheese, the Russian cheese and a highly appreciated among the English speaking countries Cheddar cheese. "Rokiškio sūris" can be consumed by people of various age. In terms of nutrition, it is a universal fermented cheese. Its ingredients satisfy the sanitary requirements applicable in the Republic of Lithuania.

The biotechnological process of "Rokiškio sūris" is organized following the EU requirements. New milk preparation regimes are applied in its technology. The "know-how" has no analogues abroad. It is combined with milk bactofuge. Contemporary cheese production tanks with microprocessing management and an original two-degree technological scheme for cheese mass formation are used.

In 2005 "Rokiškio sūris" cheese won a medal at the „Agro-Balt” exposition. In 2004 "Goya" cheese was acknowledged to be the best Lithuanian product of the year.

In 2001 AB "Rokiškio sūris" and in 2002 its subsidiary companies were certified on the international scale: Food Security -RVASVT, Quality Management - ISO 9001:2000 and Environment Protection Management ISO 14001:1996 systems.

The certificates conferred by the international certification organisation BVQI confirm that the above-mentioned systems are in conformity with ISO 9001:2000, ISO 14001:1996 standard requirements. Moreover, it is determined that all work process, production, machinery and technical maintenance management of the company ensure its production to be safe and of high quality.



Moreover, efforts to improve the entire environment protection efficiency, without any deviation from the company's executive policy, are acknowledged.

According to food safety system, important production points have to be under constant observation, this way safeguarding from any critical deviation limits. The system determines these critical limits and means allowing managing the process.

The quality management system ISO 9001:2000 determines both safe and high quality production means. The rules of the system ensure receiving stable, equal and qualified production. The quality management system includes the entire process from material purchase to client need satisfaction when selling the final production.

Besides the main production of fermented cheese, the AB "Rokiškio sūris" Group produces fresh and dry dairy products, butter, melted cheese, soft fresh "Mozzarella" cheese, melted breakfast cheese, selected curd "Rinktinė varškė Kasdien", liquid bio-yoghurt "Savas", whey protein concentrate (WPC) and milk sugar (lactose). The latter products are processed from whey, which is produced in fermented cheese production. Milk sugar is used in pharmacology, confectionery and so on.

In 2003 AB "Rokiškio sūris" and its subsidiary companies in Ukmerge and Utena were attributed the status of ecological product processing enterprises. The status gives the right to produce ecological products and certify them as such.

In the beginning of 2003 new flavours of chocolate coated cheese were produced - peach, vanilla, tangerine, almond, wild strawberry, orange candied fruits, sesame, papaya and hazelnut tastes. All these are marked with the trademark called "Žaloji karvutė". In the first half of the year hard fermented cheese "Gojus" and "Montecampo" was started to pack into souvenir packages.

New fresh products with the trademark BIFIDO were mastered (milk, kefir, yoghurts, curd, chocolate coated cheese with vanilla, honey and wild strawberry taste). These products are enriched with lactulose.

AB "Rokiškio sūris" is the first among the Lithuanian dairymen to produce a group of fat-free milk products called "Valgyk lengvai" under one trademark. It includes milk, kefir, sour buttermilk, fermented cheese, yoghurts, curd and curd cheese.

In 2004 a new whey-juice drink production department with modern packaging equipment was opened in the Group's subsidiary company of Ukmerge. 4 types of juice drinks were started to produce: orange, peach and tropical fruit. Whereas production line of "Dessert products" (creams and desserts with various flavours) was mounted in Utena.

For the summer season of 2004 a modern Danish APV cheese production line was launched.

In the year 2004 production of fresh "Cagliata" cheese was mastered.

In 2004 hard cheese and smoked cheese sticks were presented to the market.

The following products were begun to produce: curd, curd cheese with fruit, curd with spices and garlic, new "Sour Yoghurt Cream" and "Yoghurt Fat Mixture for Spreading". &Joy family was joined by 7% fat peach and cherry taste yoghurts.

In the year 2005 "Gardi" and "Skalsi" curd types were started to produce in the subsidiary company of Ukmerge.

The company successfully works with the computer accounting system "Navision". It connects the main enterprise with the subsidiary companies of Utena and Ukmerge.

The direction pays great attention to ensure the sanitary level, food quality and security in all production levels in order to reduce production costs and respect environmental protection norms, safeguarding clean environment.



### Average Export and Local Market Prices of Main Products

Product Name	Year 2003		Year 2004		Year 2005	
	Local Market Lt/t	Export Lt/t	Local Market Lt/t	Export Lt/t	Local Market Lt/t	Export Lt/t
Hard cheese	12429	9999	12712	9970	12290	10515
Semi-hard cheese	8454	7242	9067	8274	10131	9019
Butter	6530	6660	7144	7054	8056	7766
Fresh dairy products	1011	950	2173*	3118*	2124	4236

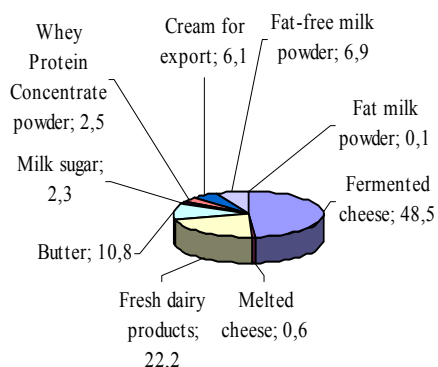
\* For the period from 2004 to 2005 prices of fresh dairy products are calculated per 1 ton of natural product, whereas in the years 2002 and 2003 1 ton of fresh dairy product is recalculated into milk quantities.

### AB "Rokiškio sūris" Production Dynamics in Qualitative and Quantitative Terms

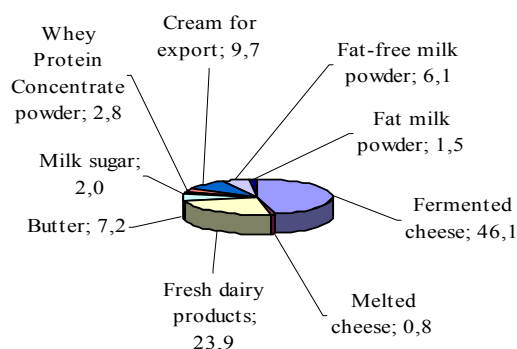
No.	Product Name	Year 2003			Year 2004			Year 2005		
		Quantity t.	Thousand Lt	%	Quantity t.	Thousand Lt	%	Quantity t.	Thousand Lt	%
1.	Fermented cheese**	18.959	170.821	48,5	19.968	184.568	46,1	24.454	246.672	52,9
2.	Melted cheese	265	2.116	0,6	385	3.007	0,8	616	5.448	1,2
3.	Fresh dairy products	93.081	78.075	22,2	43.668*	95.654	23,9	46.575*	97.202	20,9
4.	Butter	5.793	38.054	10,8	3.847	28.787	7,2	3.724	31.866	6,8
5.	Milk sugar	5.100	7.956	2,3	4.868	7.896	2,0	6.390	11.751	2,5
6.	Whey Protein Concentrate powder	3.155	8.951	2,5	3.128	11.137	2,8	3.609	17.753	3,8
7.	Cream for export	6.453	21.437	6,1	8.659	38.741	9,7	10.279	44.559	9,6
8.	Fat-free milk powder	4.822	24.476	6,9	3.935	24.343	6,1	1.667	10.932	2,3
9.	Fat milk powder	54	329	0,1	916	6.188	1,5	0	0	0
	<b>In total:</b>	<b>137.682</b>	<b>352.215</b>	<b>100</b>	<b>89.374</b>	<b>400.321</b>	<b>100</b>	<b>97.314</b>	<b>466.183</b>	<b>100</b>

\*\* Fermented cheese together with frozen melted cheese

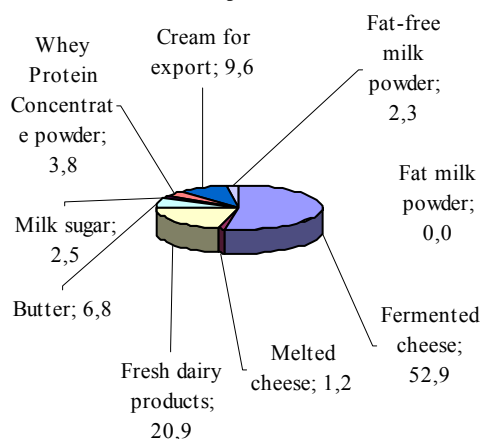
The structure production for 2003



The structure production for 2004



The structure production for 2005



## Main Indicators Describing the Company's Activities, their Dynamics

No.	Indicators	Year 2003	Year 2004	Year 2005
1.	Net profitability	0,04	0,06	0,04
2.	Return on average assets	0,05	0,09	0,07
3.	Debt rate	0,35	0,30	0,35
4.	Debt – property rate	0,54	0,43	0,54
5.	General liquidity ratio	1,78	1,96	1,70
6.	Property turnover	1,19	1,61	1,58
7.	One-share accounting value, Lt	41,42	41,26	40,96
8.	One-share net profit, Lt	3,31	6,21	4,81

## 27. Sales Markets

AB "Rokiškio sūris" has a wide production sales network. Besides the local market, its products are sold in Italy, Holland, Russia, Germany, the USA, Great Britain, Poland, France, Canada, Estonia, Denmark, Latvia and other markets.

After Lithuania has become a full member of the European Union trade conditions changed both in Europe (quota system allowing only a definite cheese import quantity into the EU countries was no longer applied) and in the third countries. Presently the company receives subsidies for export production; therefore, its cheese can successfully compete with production from other countries. All this has allowed substantial increase of the company's sales.

In the year 2005 the Group's sales increased 5% from 451 to 473 million litas, where 36% approx. were local market sales.

The sales increase was determined by the European Union market. After Lithuania has become a full member of this organization, quotas were no longer applied; therefore, sales quantities became unlimited, this way allowing prices to rise.

Moreover, the Group constantly strengthens its positions in the local market as well.

Meanwhile a previously large fermented cheese sales market of the USA was constantly reduced, since a strong fall of the USA dollar quotation had turned sales economically inconvenient.

In the year 2005 export to the USA was completely stopped.

The Group remains the largest dairy industry representative and exporter in Lithuania. In the year 2005 it exported 20,4 thousand tons of fermented cheese (45 per cent of the total amount), 1,3 thousand tons of butter, 10,2 thousand tons of cream, 3,7 thousand tons of whey protein concentrate, 1,7 thousand tons of milk powder and 6,8 thousand tons of lactose.

The Group is most famous for its fermented cheese, which is widely sold in all the biggest markets, such as the markets of the European Union and Russia. The biggest attention in future remains on the development of this sector, namely the areas of mass and packaged production. The main objective for 2006 is to continue strengthening the company's positions in the EU and the Russian markets.

The second important direction is sale of fresh dairy production in Lithuania. During the reported fiscal year in the local market the Group rose from an average producer level to the top seller's position (the market share increased from 20% to around 30%). The Group's objectives in the local market are changing as well: sales are induced with the help of trademark development, new high added value product creation and market innovations.

Moreover, special attention is paid to constant product quality guarantee, which safeguards implementation of marketing strategies.

The Group continues to develop a closer contact with the client, especially supermarket nets, whose sales share is in continuous growth and it comes to around 80% of the general local returns. The united logistics system will also increase the client's trust, by allowing him to receive all the Group's production from one location and with one accompanying document. The Group's objective is to reduce the number of mistakes in product loading to such a level of trust that when the final client accepts the goods no additional control of the load is made. All this would allow save time and reduce transport costs, as well as encourage the clients to work with the Group as a convenient partner.

As it was mentioned before, AB "Rokiškio sūris" is the largest dairy company in Lithuania and in the Baltic States, developing its activities both in Lithuania's and export markets. It is also the biggest regional exporter of fermented cheese. The main competitor in hard and fermented cheese sector is AB "Žemaitijos pienas", whereas in semi-hard – AB "Pieno žvaigždės", AB "Žemaitijos pienas" and AB "Vilkyškių pieninė". Successful competition in these sectors is

determined by larger production quantities, allowing reducing single product costs and ensuring high quality.

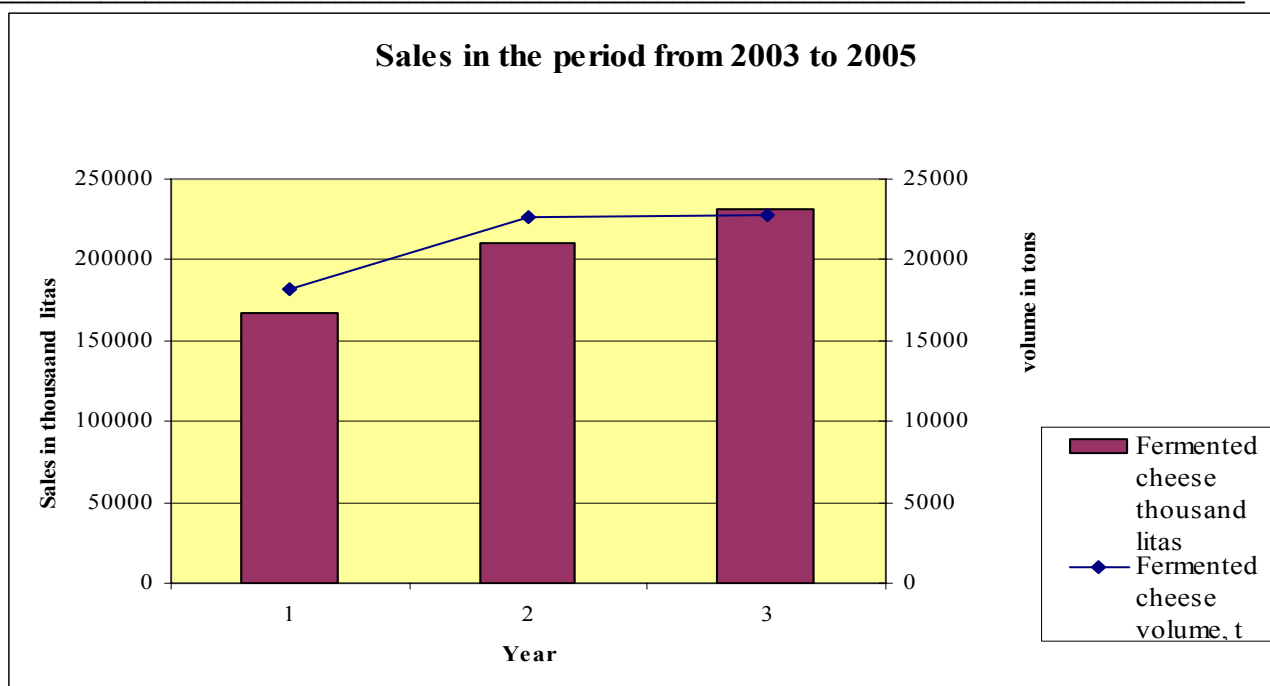
In Lithuania AB "Rokiškio sūris" pays highest attention to higher added value product sale and strengthening its product basket. Presently the company is still lagging behind AB "Pieno žvaigždės", which has the biggest market share in this segment. However, the difference is constantly reduced. Even if one year ago the difference was around 10% of points, presently it is only 3-4%. Another advantage is that AB "Rokiškio sūris" product basket is even twice smaller,

which allows paying greater attention to the main positions, as well as reducing production, sales and logistics costs. In the local market after AB "Pieno žvaigždės" and AB "Rokiškio sūris" follow AB "Žemaitijos pienas", AB "Kelmės pieninė", AB "Alytaus pieninė" and so on.

### Sales in the period from 2003 to 2005, expressed in tons and thousand litas

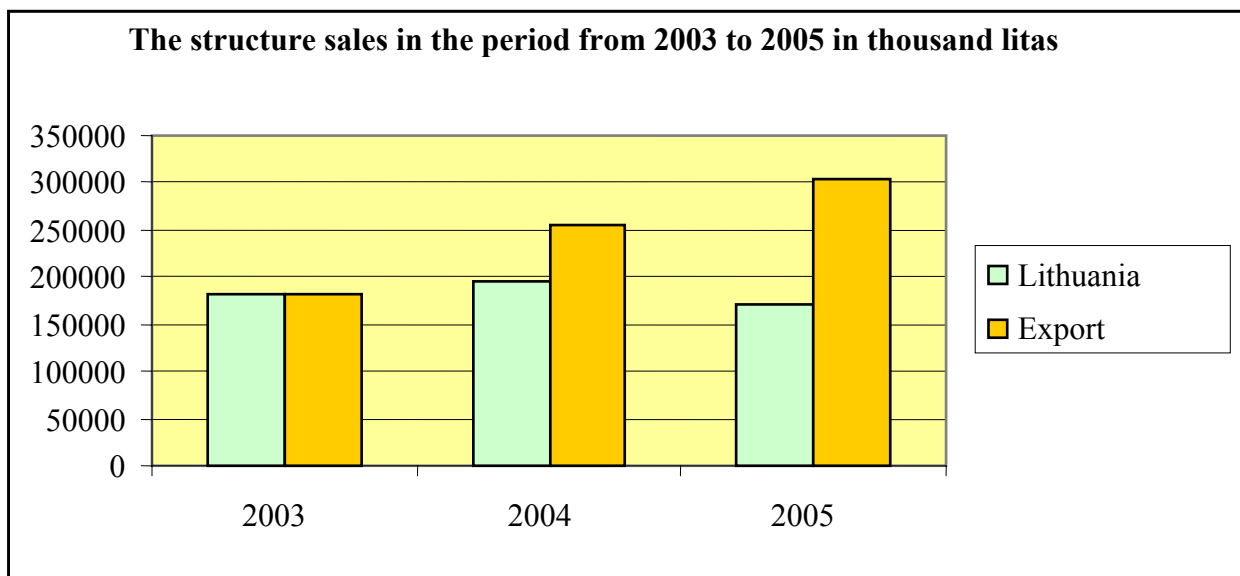
Product Name		Sold		
		Year 2003	Year 2004	Year 2005
Fermented cheese	Quantity, t	18149	22656	22749
	Thousand, Lt	167241	210827	231022
Fresh dairy products	Quantity, t	93081	43150*	46257*
	Thousand, Lt	87804	94520	100220
Butter	Quantity, t	4497	5054	3504
	Thousand, Lt	29551	37821	29983
Milk sugar	Quantity, t	5375	4586	6843
	Thousand, Lt	8485	7438	12582
Milk powder	Quantity, t	4590	4996	1695
	Thousand, Lt	23260	31842	11116
Whey protein concentrate	Quantity, t	3048	3005	3697
	Thousand, Lt	7918	10699	18187

\* starting from the year 2004 fresh dairy goods production and sales are calculated in natural quantities; therefore, the quantity is lower than in the year 2003, when they were calculated by recalculating milk.



**Sales markets in the period from 2003 to 2005**

Country names	Sold					
	Year 2003		Year 2004		Year 2005	
	thousand Lt	%	thousand Lt	%	thousand Lt	%
Lithuania	182 136	50	195 507	43,3	169 927	35,9
Export	181 707	50	255 886	56,7	303 191	64,1
<b>Total</b>	<b>363 843</b>	<b>100</b>	<b>451 393</b>	<b>100</b>	<b>473 118</b>	<b>100</b>



## 28. Supply

Milk is the main material used in production of cheese and fresh dairy products.

In 2005 in Lithuania 1 433,4 thousand tons, or 4,4 per cent more than in 2004, of basic fat milk were bought. In 2005 average basic fat milk price in Lithuania, if compared with 2004, increased 16 per cent and cost 566Lt/t.

AB "Rokiškio sūris" bought 324 454 tons of basic fat milk directly from milk producers for an average price of 539LT/t. The basic fat milk which had no payment allowances applied made 95,6 per cent of all the basic fat milk amount bought in the year 2005.

From other suppliers the company purchased 150 186 tons for an average price of 680 Lt/t. In total, AB "Rokiškio sūris" Group enterprises bought 474 640 tons of basic fat milk, namely, 7,5 per cent more than in 2004.

In the year 2005 the average milk purchase price was 584 Lt/t, that is, 114 Lt per ton more than in 2004.

## Suppliers of Energy Resources

The main product of AB "Rokiškio sūris" is fermented cheese. Besides the fermented cheese produced from whey collected during the technological cheese production process, alimentary lactose is produced from the lactose part, whereas in Rokiskis from the protein part liquid whey protein concentrate is made. In Utena liquid whey protein concentrate is used for production of whey protein concentrate powder. Besides all the above mentioned products, fresh dairy products are produced as well; namely, butter, fat free milk powder, melted cheese and chocolate coated cheese.

According to the analysis on materials and other resources necessary for production, the indispensable resources for making fermented cheese and other products are electricity, thermoelectricity, water and other. The company produces these resources by itself or receives them from other suppliers. Compressed air and cold are produced in the company.

Main material and detail gathering suppliers are UAB "Žarsta", UAB "Simanta", UAB "Agava", UAB "Elinta", UAB "Laisva linija", UAB "Fiesta", UAB "Filter", UAB "Srovėteka", UAB

"Keltena", UAB "Archeda", UAB "Pribus", Baliuckas enterprise "Varžos matas", UAB "Vikimeta" and UAB "Vilniaus kontūras". Necessary materials produced in Lithuania and various minor energy economy goods are purchased in the shop "Bikuva" and in "Senukai" specialized store branch called "Utenaitis". Various electrics from the Commonwealth of Independent States are purchased both in the above mentioned shops and in J. Zamyrys enterprise "Decibelas" in Panevėžys.

Packing material is received from such companies as "Pakmarkas", "Daigai", "Popieriaus lapas", "Letpakas", "SCA Packaging", "Cryovac" and "Aurika".

Ferments are provided by "Ardita ir Ko" and "Baltvita".

"Igefa", "Deimena", "Laisva linija", "Margūnas", "Manjana" and "Koslita" supply the company with detergents and disinfectants.

Salt is provided by "Konkordija" enterprise.

UAB "Senoji rampa" provides salt tablets and briquettes for soft water preparation.

Alimentary colouring and sodium nitrate are purchased from the enterprise "Vijana"; spices are provided by "Saldva" company. Melting salts are received from UAB "Maisto servizas".

Steam is provided from AB "Panevėžio energija", the subsidiary regional company of Rokiskis Thermal Network. Electricity is received from AB "Rytų skirstomieji tinklai", Rokiskis department of Panevėžys region. The subsidiary companies also receive electricity from AB "Rytų skirstomieji tinklai", Utenos region.

The subsidiary companies "Utenos pienas" and "Ukmergės pieninė" receive steam from their own boiler-rooms.

Supporting materials are received from

60% - Western countries

30% - Lithuanian enterprises

10% - from the Commonwealth of Independent States.

AB "Rokiškio sūris" signs short-term contracts with supporting material suppliers.

All technological equipment is received complete. In case of any breakdown, mounting details are received directly from equipment producers.

Hot water used in the company is produced in its calorific station where steam goes through three heat boilers and reaches its consumers. Hot water is received from Rokiskis Thermal Network to the company's calorific station and from there they are divided to consumers.

The company has two water bores. The water used in the company is in conformity with the sanitary norm HN – 24 on safety and quality requirements; all this is confirmed by the analysis results. AB "Rokiškio sūris" receives water from two wells. Around 20% is bought from UAB "Rokiškio vandenys", which is controlled by the municipality of Rokiskis and around 80% of water is received from own water bores.

## 29. Real Property and Other Main Implements

The Joint stock company "Rokiškio sūris" was built and began its production in 1966.

Enterprises	Common area (ha)	Buildings, structures (ha)	Courtyard, sprouts (ha)
AB "Rokiškio sūris"	20,7	5,7	15,0
Subsidiary company "Ukmergės pieninė"	9,8	0,8	9,0
Subsidiary company "Utenos pienas"	7,7	2,3	5,4
<b>AB "Rokiškio sūris"</b>	<b>38,2</b>	<b>8,8</b>	<b>29,4</b>

with subsidiary companies			
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AB "Rokiškio sūris" is located near the bus station. The company is easily reached by roadways from the biggest towns of Lithuania. Good communication with Klaipeda port is especially important, since most of its production is exported from there to the Western market. Moreover, communication by railway with Moscow and Saint Petersburg is also easy.

In the year 1966 the company had only one building with no additional premises. In the period from 1968 to 1970 a garage for vehicles, container production department and material storage house were built.

From 1972 to 1975 economic premises and administration offices were built.

In 1980 reconstruction of the first level was made by expanding cheese production department, whereas in 1985, during the second level reconstruction, milk receiving, full milk production machinery department, as well as truck container washing station with residue dispensation were built.

In 1991 a Finnish 1000 t cheese maturation base was built.

In the end of 1993 prophylactic premises were built and put into fuction. Moreover, in November, 1993 construction of a gas station was completed. In 1994 3 housing developments and garages were built.

In the period from 1997 to 1999 AB "Rokiškio mašinų gamykla" territory with buildings and „Rokiskis Consumer Cooperative Purveyance Base“ territory and stockhouses were purchased. These stockhouses are used for production stocking.

In September, 1999 Danish lactose production line "GEA niro" was put into action for alimentary lactose production. The line allows processing all whey received from cheese production.

In 2000 construction of a car parking lot with 240 places was completed.

In 2000 a control point for pedestrians and completed production export was constructed.

In 2002 construction of compressor room was completed and in November of the same year the compressor was put into action.

In 2002 reconstruction of the stock-house was made, where the material necessary for cheese maturation was kept.

AB "Rokiškio sūris" subsidiary company "Ukmergės pieninė" underwent deep reconstruction. By using SAPARD financial support new machinery and milk delivery departments, as well as the laboratory, modern chocolate coated cheese production department and a final product chemical laboratory were installed. Presently the subsidiary company "Ukmergės pieninė" is in conformity with the EU requirements.

In the second half of 2003 AB "Rokiškio sūris" completed construction of waste processing equipment. From production waste the company started producing electricity and thermoelectricity.

In Rokiskis modern ventilation system was installed in the production department and its supplementary premises; moreover, floor and ceilings were changed in the production department.

In 2003 intensive work with technological equipment suppliers was made in order to modernize fermented cheese production line.

In 2003 AB "Rokiškio sūris" and its subsidiary companies of Ukmerge and Utena were conferred the status of ecological product processing enterprises. The status allows producing and certifying ecological products.

In 2004 new equipment was purchased in order to improve the product quality, reduce costs and constantly improve the sanitary conditions of production. The acquired equipment was as follows:

- new modern fermented cheese production line was put into function. The line allowed improving Euroblock cheese forms;
- CIP lines in production departments;
- raw milk refrigerators;



- cheese weighing equipment;
- packing and palette washing machine;
- equipment for liquid dairy product distribution with screw caps;
- equipment for cream and dessert production;
- automatic butter packing;
- part of reservoirs and so on.

In Rokiskis modern ventilation system was installed in the production department and supplementary premises, floor covering was changed in the production department as well; ferment department reconstruction was performed. In Utena reconstruction of the reception department was made by implementing automatic management system. Maintenance work of other production departments was made as well. In Ukmerge reconstruction of milk truck washing station was made; calorific station was renewed and machinery department was automated. Numerous other building and reconstruction activities were performed in order to improve the Group's sanitary conditions.

All these means allow AB "Rokiškio sūris" Group remain the dairy production leader in the Baltic States and successfully integrate into the EU markets.

AB "Rokiškio sūris" equipment is purchased from such world famous companies as Tetra Pak, Westfalia Separator, APV, Reda, Elecster, Damrow, Alfa Laval, GEA and NIRO.

### Property, plant and equipment

	Buildings	Plant & machinery	Vehicles, equipment & other	Construction in progress	Total
<b>At 1 January 2004</b>					
Cost	50,030	116,789	56,125	9,556	232,500
Accumulated depreciation	(10,488)	(52,670)	(29,227)	-	(92,385)
Net book amount	39,542	64,119	26,898	9,556	140,115
<b>Year ended 31 December 2004</b>					
Opening net book amount	39,542	64,119	26,898	9,556	140,115
Additions	529	11,244	6,294	3,478	21,545
Disposals	(2,883)	(335)	(122)	(4)	(3,344)
Write-offs	(1)	(133)	(180)	-	(314)
Transfers from CIP	1,326	6,110	3,274	(10,710)	-
Reclassification	42	273	(315)	-	-
Reclassification to current assets	(84)	-	(94)	-	(178)
Depreciation charge	(1,037)	(10,393)	(6,885)	-	(18,315)
Closing net book amount	37,434	70,855	28,870	2,320	139,509
<b>At 31 December 2004</b>					
Cost	47,488	128,316	63,607	2,320	241,731
Accumulated depreciation	(10,054)	(57,431)	(34,737)	-	(102,222)
Net book amount	37,434	70,885	28,870	2,320	139,509
<b>Year ended 31 December 2005</b>					
Opening net book amount	37,434	70,885	28,870	2,320	139,509
Additions	919	3,012	3,700	4,735	12,366
Disposals	(1,739)	(686)	(194)	-	(2,619)
Disposal of subsidiaries	(74)	(3)	(64)	(3)	(144)
Write-offs	-	(320)	(37)	-	(357)
Transfers from CIP	1,483	1,587	232	(3,302)	-
Depreciation charge	(1,047)	(11,358)	(7,449)	-	(19,854)
Closing net book amount	36,976	63,117	25,058	3,750	128,901

**At 31 December 2005**

Cost	47,354	130,827	65,455	3,750	247,386
Accumulated depreciation	(10,378)	(67,710)	(40,397)	-	(118,485)
Net book amount	36,976	63,117	25,058	3,750	128,901

Leased assets, where the Group is a lessee under finance lease, comprise certain equipment:

	2005	2004
Cost - capitalised finance leases	1,400	1,400
Accumulated depreciation	(622)	(467)
Net book amount	778	933

As at 31 December 2005, certain property, plant and equipment with a carrying value of LTL 68,565 thousand (31 December 2004: LTL 82,337 thousand) have been pledged as security for bank borrowings.

The main data on the value and age of buildings and constructions as follows:

No.	Main buildings and constructions	Balance value Lt 2005.12.31	Age years
1.	Production facilities	19.420.309,30	13
2.	Washing premises	257.624,21	29
3.	Ammonium compressor room	754.690,03	15
4.	Thermal facilities	233.925,32	5
5.	Storage rooms	5.329.580,53	15
7.	Roads and territory	532.570,22	22
8.	Parking area	504.181,82	6
9.	Constructions	2.443.534,06	10
10.	Aerobic system constructions	6.744.249,72	4
11.	Other	10.973.898,56	
	<b>Total</b>	<b>47.194.563,77</b>	

As at 31.12.2005, the balance value of buildings, constructions, machinery and plant – LTL 127.834.455,00.

**Information on unfinished construction (31.12.2005)**

Unfinished construction	Functional purpose	Estimated value (LTL)	Used part (LTL)	Forecasted term for work completion
Extension of power supply	To have higher power	918.567	810.112	2006.05

station TP10	supply			
Data accumulation system of technological process in cheese production plant	Analysis of technological process in order to ensure maintenance of parameters and quality standards	162.057	128.637	2006.08
Automation of raw milk reception sector	To increase raw milk reception capacity without changing number of personnel and to improve accounting system of received raw milk	124.434	81.532	2006.05

### Long term tangible assets

The value of long term tangible assets is valued at historical cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will follow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	30 - 80 years
Plant & machinery	5 - 35 years
Motor vehicles	3 - 5 years
Equipment and other property, plant and equipment	3 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.6).

## 30. Risk factors related with the issuer's activities.

### Economic:

- Unfavourable influences related with raw milk production and sales of finished products:

- a) rapidly increasing price of raw milk;
- b) low purchasing power of Lithuanian residents;
- c) unrecognized LT brands on the EU market (due to which it is difficult to trade in the retail market)
- d) high concentration of producers;
- e) increase of prices for fuel/power;
- f) decrease of EU export subsidies to third countries;
- h) lack of raw milk, high competition.
- Lithuania is dominated by small milk farms. In 2005, average farms consisted of 2 cows. Around 76% farms consist of 1-2 cows, 21% – of 3-9 cows, 2% - of 10-19 cows, 0,09% - of 50-99 cows and 0.08% - over 100 cows. Such a high number of raw milk suppliers causes increase of costs for raw milk quality testing and raw milk collection costs. In addition, small farms cannot ensure sufficient and consistent raw milk quality, and impede investment into milk farms.
- Raw milk production in Lithuania is heavily influenced by seasonality: collection of raw milk in August - September is 2,3 as high as in February. It has a negative impact on the effectiveness of milk processors, and utilization of equipment capacities.
- Low productivity of milking cows:  
Low productivity of cows is caused by insufficient genetic potential of herd and poor feedstuffs.
- Unsteady dairy industry regulatory measures implemented by the State. Development of family based milk farms was and still is too slow. Absence of consequent State politics to develop this sector, frequent changes of subsidy requirements and its amounts, concentration into milk prices rather than into investment support have had negative influence on the development of milk farms and improvement of veterinary-sanitary conditions.

### Technical-technological:

Upon purchasing new equipment, it is firstly mounted and started. Afterwards an Act of acceptance of basic equipment is made. Exploitation term of equipment is set in years according to the standards of long term assets depreciation following which the company establishes its own

standards for the amortization/ depreciation of long term assets so that the maximal limits would not be exceeded.

During exploitation period the equipment is affected by various external and internal factors which incapacitate machinery partly or fully and the equipment becomes out of use.

In order to avoid equipment outage, the equipment is properly maintained and worn out parts and lubricants are changed timely.

MIS is implemented, and Equipment Maintenance Pre-requisite is in force.

In this regard there are certain sub-departments which execute maintenance and repair of equipment.

The acquisition value of long term assets with limited exploitation time should be depreciated during the functional working period, however if the assets are fully depreciated but still in use their value cannot be lower than 1 litas. When an equipment is fully worn out in both terms physically and morally and out of use, it is written off according a document prepared by the commission and signed by the Director of the company.

### Property, plant and equipment

		Vehicles, equipment & other	Construction in progress	Total
Buildings	Plant & machinery			

**At 1 January 2004**

Cost	50 030	116 789	56 125	9 556	232 500
Accumulated depreciation	(10 488)	(52 670)	(29 227)	-	(92 385)
Net book amount	39 542	64 119	26 098	9 556	140 115

**Year ended 31 December 2004**

Opening net book amount	39 542	58 240	26 098	10 007	130 864
Additions	529	11 983	7 972	7 289	27 955
Disposals	(2 883)	(335)	(122)	(4)	(3 344)
Write-offs	(1)	(133)	(180)	-	(314)
Transfers from CIP	3 326	6 110	3 274	(10 710)	-
Reclassification	42	373	(315)	-	-
Reclassification to current assets	(84)	-	(94)	-	(178)
Depreciation charge	(1 037)	(10 393)	(6 885)	-	(18 315)
Closing net book amount	37 434	70 855	28 870	2 320	139 509

**At 31 December 2004**

Cost	47 488	128 316	63 607	2 320	241 731
Accumulated depreciation	(10 054)	(57 431)	(34 737)	-	(102 222)
Net book amount	37 434	70 885	28 870	2 320	139 509

**Year ended 31 December 2005**

Opening net book amount	37 434	70 885	28 870	2 320	139 509
Additions	919	3 012	3 700	4 735	12 366
Disposals	(1 739)	(686)	(194)	-	(2 619)
Disposal of subsidiaries	(74)	(3)	(64)	(3)	(144)
Write-offs	-	(320)	(37)	-	(357)
Transfers from CIP	1 483	1 587	232	(3 302)	-
Depreciation charge	(1 047)	(11 358)	(7 449)	-	(19 854)
Closing net book amount	36 976	63 117	25 058	3 750	128 901

**At 31 December 2005**

Cost	47 354	130 827	65 455	3 750	247 386
Accumulated depreciation	(10 378)	(67 710)	(40 397)	-	(118 485)
	36 976	63 117	25 058	3 750	128 901

Leased assets, where the Group is a lessee under finance lease, comprise certain equipment:

	2005	2004
Cost - capitalised finance leases	1 400	1 400
Accumulated depreciation	(622)	(467)
Net book amount	778	933

**Ecological:**

The most sensitive environmental points of AB "Rokiškio sūris" are processing and treatment of production pollutants: production/ operational waste, whey, and raw milk processing waste. Quantities of pollutants are limited and strongly controlled. The most sophisticated technologies are used for the production of fermented cheeses at AB "Rokiškio sūris", as well as up-to-date waste treatment systems. The company has constructed its own waste water treatment plant in order to target loads for pollutants as required by the EU standards. With a view to continuous reduction of ecological risk and environmental improvement AB "Rokiškio sūris" has implemented Environment protection programme.

1. On 31<sup>st</sup> December 2005, AB "Rokiškio sūris" received a Licence for integrated prevention and control of pollution (TIPK). Period of validity unlimited.
  2. In 2005, the operating costs for environment protection made LTL 3,136 million.
  3. In 2005, State taxes for pollution made LTL 84.565.
  4. In 2005, the company covered a claim of Environment protection agency amounting to LTL 18.171,49.
  5. There are five environmental programmes designed for observation and analysis of influence on environment. There is no objectionable influence identified.
- Still AB „Rokiškio sūris“ has several issues to be solved:  
 collect and process all whey;  
 decrease waste composed in the course of milk processing and implement effective waste-less production.

### Financial risk factors:

The Group's activities are exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

#### Market risk: foreign exchange risk

The Group operates internationally, however, its exposure to foreign exchange risk is set at minimum level, since its sales outside Lithuania are performed in the euros. The exchange rate of the euro and the litas is fixed.

### Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

### Liquidity risk

Prudent liquidity risk management allows to maintain sufficient cash and availability of funding under committed credit facilities.

### Interest rate risk

The Group has no significant interest-bearing assets. The Group's policy is to maintain a diversified debt portfolio. The Group's income and cash flow from the main activities are not dependent on changes of market interest rate. The split between fixed and floating interest rate depends on the actual situation in the market.

#### Borrowings (thousand LTL)

	2005	2004
Current		
Short-term bank borrowings	36 973	19 025
Bank overdrafts	8 511	2 155
Current portion of long-term bank borrowings	4 954	6 965
Finance lease liabilities	263	312
	<hr/> 50 701	<hr/> 28 457

#### Non-current

Long-term bank borrowings	4 253	9 151
Finance lease liabilities	-	252
	4 253	9 403
<b>Total borrowings</b>	<b>54 954</b>	<b>37 860</b>

Weighted average interest rates effective as at 31 December (per cent) were as follows:

	2005	2004
Long-term bank borrowings	3,72	3,5
Short-term bank borrowings	3,06	3,6
Revolving credit facility for stock and receivables financing	-	3,65
Finance lease liabilities	4,33	4,33
Bank overdrafts	3,76	3,5

The exposure of the borrowings (excluding finance lease liabilities) of the Group to interest rate changes and the periods in which the borrowings are repriced are as follows:

	6-12 or less months	1-5 years	Total
<b>At 31<sup>st</sup> December 2005</b>			
<b>Total borrowings</b>	54 691	-	54 691
<b>At 31<sup>st</sup> December 2004</b>			
<b>Total borrowings</b>	37 296	-	37 296

### 31. Termination or reduction of production having significant influence on the results of issuer's activities within the last fiscal year

Within the last two years AB "Rokiškio sūris" has not terminated or reduced production of fermented cheese. The company has incessantly and processed whole purchased raw milk.

### 32. Patents, licences, and contracts

AB "Rokiškio sūris" has implemented the system of Hazard Analysis and Critical Control Point (HACCP) which ensures safety of the produce. HACCP analyses all risk factors, establishes critical control points and their monitoring.

Also the Company has implemented quality and environment management systems ISO 9001: 2000 and ISO 14001: 2004.

In 2003, AB "Rokiškio sūris" was granted a status of producer of ecological products and in 2004 the licence was extended giving a permission to mark the products with ecological product certification logo.

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**AB "Rokiškio sūris" has the following licences:**

- Retail trade in oil products,
- Transportation practice (carrying international cargos),
- Medical service,
- Protection of the company's tangible and intangible assets and execution of collection of payments.

**Patents:**

The following names of the Group of AB "Rokiškio sūris" has been patented in Lithuania:

1. "Montecampo"
2. "Žiogelis"
3. "Gojus"
4. "Goja"
5. "Rokiškio sūris" (old label)
6. "Rokiškio sūris" (old logo)
7. "Ukmergės pieninė" (logo)
8. "Utenos pienas" (clover)
9. "Pavasaris"
10. "Pieno upė"
11. "Hermis"
12. "Varėnos" (forest view)
13. "Rokiškio" (red logo)
14. "Žalosios Karvutės" (logo)
15. "Švarios gamtos dovana" (slogan)
16. „Atgaiva“
17. "Rokis"
18. "& joy" (verbally)
19. "Pasiilgusiems tikro" (slogan)
20. "Džiaugtis sveika" (slogan)
21. "Gamtos dalelė kiekvieniame pakelyje" (slogan)
22. & JOY (logo)
23. "PROF Profesional"
24. "Labai"

A request has been presented to the International Patent Office to patent old label of AB "Rokiškio sūris" in Russia.

Requests have been prepared to patent the following names:

1. "Kasdien"
2. "Bacio"
3. "Formaggella San Antonio"
4. "Strascchino"
5. "Varėnos" (logo)
6. „Skalsi varškė“
7. „Gardi varškė“
8. "ROKIŠKIO" premium quality
9. "SVAJA"
10. "VISIEMS"
11. „Rokiškio valgyk lengvai“ (logo)
12. „Liesiau – sveikiau“ (logo)
13. "Montal"



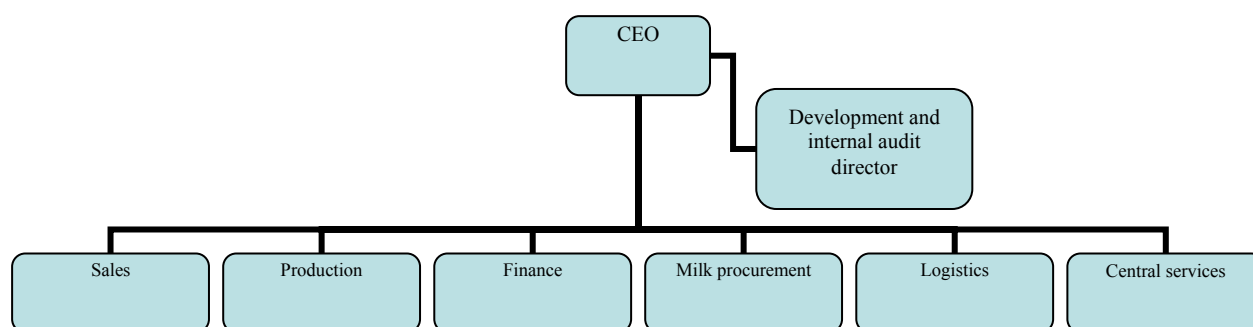
### 33. Judicial and arbitration proceedings

Within the last year 2005, the company has not attended any judicial proceedings having influence on the issuer's financial state.

### 34. Employees

#### Organizational structure

Management of AB "Rokiškio sūris" is divided into seven main departments: internal audit, production, sales and marketing, central services, milk procurement, finance, and logistics. All departments are under the leadership of directors. The general operation of the company is managed by the Chief Executive Officer Antanas Trumpa.



The management of AB „Rokiškio sūris“ is concerned about continuous improvement of employee qualification. A great attention is paid to the studies of foreign languages. There are language lesson at the company as well as lessons organized by an external organizations.

Rights and responsibilities of the company employees are provided by Job descriptions. There are no special rights and responsibilities provided by job contracts.

The table shows the Group's average number of employees and monthly salaries.

	2003	2004	2005
Total average number of employees	2175	2033	1882
Management	26	17	15
Specialists	218	203	190
Workers	1931	1813	1677
<b>Average monthly salary, Lt</b>	<b>1290</b>	<b>1391</b>	<b>1325</b>
As for the management	8395	7169	7050
specialists	1825	2459	2318
workers	1035	1252	1174

#### Education of the Group's personnel

Education	2003	2004	2005
University degree	163	152	141
Specialized secondary	866	809	749
Secondary	1013	953	882

Non-finished secondary	133	119	110
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### 35. Investment Politics (Companies in Whose Authorised Capital the Issuer has Over 30%)

#### 35.1.

The joint-stock company "Rokiškio pienas" Ltd., (henceforth – UAB "Rokiškio pienas"), Pramones g. 8, Utena; activity nature – production and trade of fresh dairy products. The company's authorized capital is 10 000 Lt, the shares are completely paid-up.

UAB "Rokiškio pienas" is a daughter enterprise of the joint-stock company "Rokiškio sūris", (henceforth – AB "Rokiškio sūris"), having 100% of UAB "Rokiškio pienas" shares. Subsidiary companies of Utena and Ukmerge belong to the daughter enterprise. UAB "Rokiškio pienas" is established in order to guarantee a more effective production business of fresh dairy products, oriented towards the local market. Presently preliminary work is in process concerning property transfer for activity development. The enterprise is planning to start its work on 1<sup>st</sup> of January, 2007.

#### 35.2. Concerning Ownership, AB "Rokiškio sūris" Belongs to:

In April, 2006 AB "Rokiškio sūris" established a daughter company UAB "Rokiškio pienas". AB "Rokiškio sūris" has 100% of UAB "Rokiškio pienas" shares.

#### 35.3. Investment Projects, Realised during the Last 3 Fiscal (Economic) Years

In November, 2002 first AB "Rokiškio sūris" investments were made to receive SAPARD support for a business plan of milk process modernization. They were continued in 2003. The SAPARD support received amounted to 4,6 million litas.

In 2002 the building of a compressor room was completed; the compressor started to operate in November, 2002. The amount invested was equal to 4 770 thousand litas.

In 2002 a new curd making department was built and new equipment purchased at "Ukmergės pieninė", the subsidiary company of AB "Rokiškio sūris". The total investment amount was 3,5 million litas.

In 2003 AB "Rokiškio sūris" started to operate new purification equipment, whose total investment amount was around 16 million litas.

In 2003 a new production line of chocolate coated cheese started to operate at AB "Rokiškio sūris" subsidiary company "Utenos pienas". The investment amount was 1,5 million litas.

In 2003 a new pasteurizing and separation line was launched at AB "Rokiškio sūris" subsidiary company "Utenos pienas". The investments amounted to 472 thousand litas.

In 2003 a new milk separation and pasteurizing department was started to operate at "Ukmergės pieninė", the subsidiary company of AB "Rokiškio sūris". The amount invested – 1,6 million litas.

In 2003 AB "Rokiškio sūris" acquired milk protein normalization line. The amount invested – 1,5 million litas.

In 2003 AB "Rokiškio sūris" started installation work for Goya cheese line modernization. The amount invested – 9,1 million litas.

In 2003 AB "Rokiškio sūris" purchased 72 milk refrigerators of 1 and 2 ton tankage, which were installed in milk stations. The total investment value – 1,25 million litas.

In 2003 AB "Rokiškio sūris" Logistics department purchased 6 modern VOLVO company milk carriers, trackers with JANSKY tanks, which meet the EU requirements. The total investment amount – 3,44 million litas.

In 2004 building of the washing machine department for cheese salting containers was completed. The amount invested - 151 thousand litas.

In 2004 building of a cheese production department extension was completed. The investment amount was 102 thousand litas.

In 2004 mounting of Goya cheese production line was completed. The total investment amount was 9,1 million litas.

In 2004 one of the major investment tendencies in Rokiskis was modernization of hard cheese production, assuring a constant quality and parameter cheese.

Following the first priority sector 'Milk and Dairy Products' of the SAPARD rural development programme 'Development of Agricultural and Fishery Product Processing and Marketing', AB "Rokiškio sūris" received financial support, equal to 12,5 million litas, for production modernization. Following the National Payment Agency Director's order No. 221 of 30<sup>th</sup> October, 2002 "Concerning SAPARD Support to AB "Rokiškio sūris"", the Support Agreement No. SA 8 – P25020013 was signed on 30<sup>th</sup> October, 2002. This modernization project was successfully completed in 2004.

In 2005 AB "Rokiškio sūris" invested 17 million litas into such areas as production, logistics and purveyance. Major investments, equal to 8,6 million litas, were made in production development, namely, acquiring evaporators. 2 million litas were used in purchasing milk refrigerators and milk stations.

### 35.5 Planned Investments

In 2006 it is planned to invest 21 294 thousand litas into AB "Rokiškio sūris".

The main 2006 AB "Rokiškio sūris" investment, equal to 15,5 million litas, is scheduled for whey collection and waste free processing. Having introduced these modern technologies, there will be no products discharged into purification equipment during the process of lactose production. 2 million litas are destined for the development of transformer and compressor rooms, as well as 2 million litas for logistics.

All investments were made in Lithuania.

## 36. Competitors

As it was mentioned, AB "Rokiškio sūris" is the biggest dairy product production company in Lithuania and in the Baltic States. The company develops its activities both in the Lithuanian and export markets.

The company is the biggest regional exporter of fermented cheese. The main competitor company in hard and fermented cheese segments is AB "Žemaitijos pienas", whereas in semi-hard cheese segment, AB "Pieno žvaigždės", AB "Žemaitijos pienas" and AB "Vilkyškių pieninė". Successful competition in these segments is achieved due to bigger production quantities, allowing to reduce the product's unit costs and ensure high quality.

## 37. Dividends paid

Dividends paid during the last 6 years according to share class and type:

Type of shares	2000		2001		2002	
	Sum, LTL	Per share	Sum, LTL	Per share	Sum, LTL	Per share
Ordinary registered shares	2.064.627,46	0,435 Lt (4,35%)	No dividends paid		No dividends paid	

Continued

	2003	2004	2005
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Type of shares	Suma, Lt	Per share	Suma, Lt	Per share	Sum, LTL	Per share
Ordinary registered shares	20.012.006,00	4,45 Lt (44,50%)	21.771.115,00	5,00 Lt (50,00%)	10.275.966,28	2,36 (23,60%)

## V. FINANCIAL STATE

(All tabular amounts are in LTL '000 unless otherwise stated)

### 38. Financial accounts prepared according to International Accounting Standards

#### 38.1. Consolidated balance sheet

	As at 31 <sup>st</sup> December		
	2005 (consolidated)	2004 (consolidated)	2003 (consolidated)
<b>Non-current assets</b>			
Property, plant and equipment	128.901	139.509	140.115
Intangible assets	1.135	670	(158)
Other receivables	13.277	14.364	17.341
	143 313	154 543	157.298
<b>Current assets</b>			
Inventories	71.115	54.940	77.028
Trade and other receivables	81.840	60.258	53.992
Financial assets at fair value through profit or loss	-	5.880	11.249
Cash and cash equivalents	3.184	4.312	5.222
	156.139	125.390	147.491
<b>Total assets</b>	<b>299.452</b>	<b>279.933</b>	<b>304.789</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Ordinary shares	47.462	47.462	47.462
Share premium	41.473	41.473	41.473
Reserve for acquisition of treasury shares	10.000	10.000	10.000
Treasury shares	(16.224)	(16.224)	(6.224)
Other reserves	69.805	69.805	69.805
Retained earnings	41.900	41.844	34.077
	194.416	194.360	196.593
<b>Minority interests</b>	-	1.468	1.517
	194.416	195.828	198.110
<b>Non-current liabilities</b>	4.253	9.403	17.424
<b>Deferred income</b>	8.730	10.690	6.351
	12.983	20.093	23.775
<b>Current liabilities</b>			
Income tax liabilities	217	5.126	4.003
Borrowings	50.701	28.457	45.003
Trade and other payables	41.135	30.429	33.898
	92.053	64.012	82.904
<b>Total liabilities</b>	<b>105.036</b>	<b>84.105</b>	<b>106.679</b>

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<b>Total equity and liabilities</b>	<b>299.452</b>	<b>279.933</b>	<b>304.789</b>
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## 38.2. Consolidated income statement

	Year ended 31 <sup>st</sup> December (thou Lt)		
	2005	2004	2003
Sales	473 118	451 393	369 623
Cost of sales	(399 707)	(363 466)	(292 347)
<b>Gross profit</b>	<b>73 411</b>	<b>87 927</b>	<b>77 276</b>
Selling and marketing expenses	(25 920)	(30 421)	(26 067)
General and administrative expenses	(17 612)	(20 231)	(27 752)
Other gains/(losses) – net	(2 269)	(1 243)	(1554)
<b>Operating profit</b>	<b>27 610</b>	<b>36 452</b>	<b>21 903</b>
Finance costs	(2 020)	(2 627)	(2 392)
Profit before tax	25 590	33 825	19 511
Income tax	(4 590)	(6 095)	(4 108)
<b>Net profit</b>	<b>21 000</b>	<b>27 730</b>	<b>15 403</b>
<b>Attributable to:</b>			
Equity holders of the Company	20 952	27 779	14 906
Minority interests	48	(49)	497
	<b>21 000</b>	<b>27 730</b>	<b>15 403</b>
<b>Diluted and basics earnings per share (LTL per share)</b>	<b>4,81</b>	<b>6,21</b>	<b>3,31</b>

(All tabular amounts are in LTL '000 unless otherwise stated)

## Consolidated statement of changes in equity in 2005

Thou. Lt.

	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total	Minority interest	Total
Balance at 1 January 2004	47 462	41 473	10 000	(6 224)	69 805	34 077	196 593	1 517	198 110
Acquisition of treasury shares	-	-	-	(10 000)	-	- (10 000)	-	-	(10 000)
Dividends relating to 2003	-	-	-	-	-	(20 012)	(20 012)	-	(20 012)
Net profit	-	-	-	-	-	27 779	27 779	(49)	27 730
Balance at 31 December 2004	47 462	41 473	10 000	(16 224)	69 805	41 844	194 360	1 468	195 828
Change in accounting policy	-	-	-	-	-	875	875	-	875
Dividends relating to 2004	-	-	-	-	-	(21 771)	(21 771)	-	(21 771)
Net profit	-	-	-	-	-	20 952	20 952	48	21 000
Minority of subsidiaries disposed	-	-	-	-	-	-	-	(1 516)	(1 516)
Balance at 31 December 2005	47 462	41 473	10 000	(16 224)	69 805	41 900	194 416	-	194 416

## Consolidated statement of changes in equity in 2004

Thou. Lt

	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total	Minority interest	Total
Balance as at 1 January 2003	47.462	41.473	10.000	(6.224)	69.805	19.171	181.687	1.020	182.707
Net profit	-	-	-	-	-	14.906	14.906	497	15.403
Balance at 31 December 2003	47.462	41.473	10.000	(6.224)	69.805	34.077	196.593	1.517	198.110
Acquisition of treasury shares	-	-	-	(10.000)	-	-	(10.000)	-	(10.000)
Dividends relating to 2003	-	-	-	-	-	(20.012)	(20.012)	-	(20.012)
Net profit	-	-	-	-	-	27.779	27.779	(49)	27.730
Balance at 31 December 2004	47.462	41.473	10.000	(16.224)	69.805	41.844	194.360	1.468	195.828



# Consolidated statement of changes in equity in 2003

Thou. Lt

	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2002</b>	47.462	41.473	-	(5.730)	69.805	35.159	188.169
Acquisition of treasury shares	-	-		(957)	-	-	(957)
Transfer of treasury shares	-	-		463	-	(22)	441
Transferred to reserves	-	-	10.000	-	-	(10.000)	-
Net profit	-	-		-	-	(5 966)	(5.966)
<b>Balance at 31 December 2002</b>	<b>47.462</b>	<b>41.473</b>	<b>10.000</b>	<b>(6.224)</b>	<b>69.805</b>	<b>19.171</b>	<b>181.687</b>
<b>Balance at 1 January 2003</b>	47.462	41.473	10.000	(6.224)	69.805	19.171	181.687
Net profit	-	-		-	-	14.906	14.906
<b>Balance at 31 December 2003</b>	<b>47.462</b>	<b>41.473</b>	<b>10.000</b>	<b>(6.224)</b>	<b>69.805</b>	<b>34.077</b>	<b>196.593</b>

### 38.3. Consolidated cash flow statement

(All tabular amounts are in LTL '000 unless otherwise stated)

	Year ended at 31 December		
	2005 (consolidated)	2004 (consolidated)	2003 (consolidated)
<b>Cash flows from operating activities</b>			
Cash generated from operations	14.953	70.322	35.470
Interest paid	(1.872)	(2.580)	(3.468)
Income tax paid	(2.755)	(1.300)	
Net cash generated from operating activities	10.326	66.442	32.002
<b>Investicinė veikla</b>			
<b>Cash flows from investing activities</b>	45	-	(101)
Disposal of subsidiaries, net of cash disposed	(12.366)	(21.545)	(27.740)
Purchase of property, plant and equipment	(34)	(156)	(357)
Purchase of intangible assets	(3)	(2.315)	-
Purchase of investments	5.246	6.823	-
	(4.337)	(246)	(798)
Proceeds from investments	(9 961)	(5.286)	-
Loans granted to farmers and employees	1.855	737	618
Other loans granted	-	6.254	5.201
Proceeds from sale of property, plant and equipment	8.656	56	-
Government Grants received	2.189	2.603	315
Other loan repayments received	433	286	227
Net cash used in investing activities	(8.277)	(12.789)	(22.635)
<b>Cash flows from financing activities</b>			
Dividends paid	(20.047)	(19.973)	-
Acquisition of treasury shares	-	(10.000)	-
Proceeds from borrowings	25.068	296.680	36.932
Repayments of borrowings	(14.253)	(323.138)	(43.716)
Finance lease principal payments	(301)	(287)	(646)
<b>Cash flows from financing activities</b>	(9.533)	(56.718)	(7.430)
<b>Net decrease in cash and cash equivalents</b>	(7.484)	(3.065)	1.937
<b>Cash and cash equivalents</b>			
<b>At the beginning of year</b>	<b>2.157</b>	<b>5.222</b>	<b>3.285</b>
<b>At the end of year</b>	<b>(5.327)</b>	<b>2.157</b>	<b>5.222</b>

## 39. – Commentary on Financial Accounts

### 39.1. Explanatory Text on Annual Financial Accounts for the Last Fiscal Year

### 39.3. Major Changes and Their Causes Starting from the End of the Previous Fiscal Year

A consolidated audit account from the audit company "PricewaterhouseCoopers", performed following the international accounting standards, is attached.

### 39.2. Consolidation Principles Applied

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards issued by the IASB. All International Financial Reporting Standards issued by the IASB and effective at the time of preparing these consolidated financial statements have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of the International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement". Following recommendations from the Accounting Regulatory Committee, the Commission adopted the Regulations 2086/2004 and 1864/2005 requiring the use of IAS 39, excluding certain provisions on portfolio hedging of core deposits, by all listed companies from 1 January 2005.

Since the Group is not affected by the provisions regarding portfolio hedging that are not required by the EU-endorsed version of IAS 39, the accompanying financial statements comply with both International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards issued by the IASB.

## 40. Performance Report Prepared by the Issuer's Board of Directors

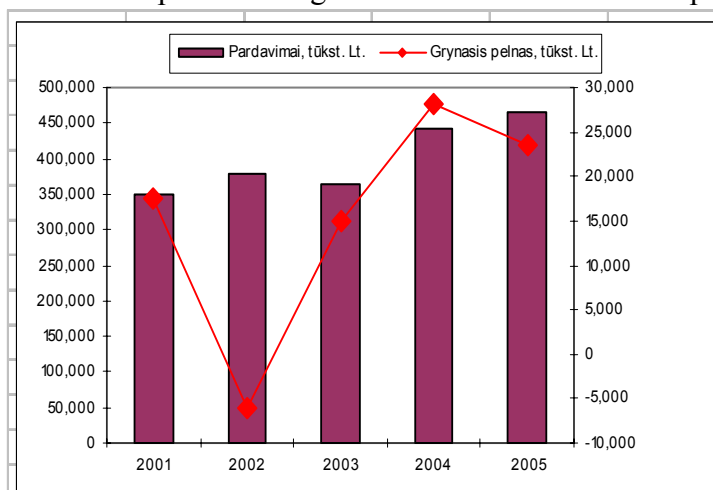
### The Company's Activity Report for the Year 2005 Controlled by the Auditors and Confirmed by the General Meeting of AB "Rokiškio sūris" Shareholders

#### Performance Results

The largest dairying company in Lithuania – Rokiškio Sūris AB and its subsidiaries (hereinafter "the Group") – improved efficiency of its operations and successfully achieved its target results for 2005. The Group's revenue amounted to LTL 473.118 million and consolidated audited net profit was LTL 21.0 million. Although the Company's net profit in 2005 decreased by 24.3 per cent as compared to 2004 (LTL 27.73 million), its sales revenue was higher by 4.7 per cent as compared to 2004 (LTL 451.393 million).

In 2005, the Group's efficiency of operations was improved and general and administrative expenses of the Group were reduced by 12.95 per cent, selling and marketing expenses were reduced by 14.8 per cent.

In 2005, the total payroll expenses amounted to LTL 39,336 thousand, which is less by LTL 5,904 thousand as compared to 2004. The average gross salary in 2005 was LTL 1,325



(including part-time managers of 462 milk buying-up stations) as compared to LTL 1,391 in 2004. In 2005, the average number of employees fell down to 1,882 as compared to 1,893 employees in the Group.

### Changes in financial position

In October 2005, Rokiškio Sūris AB applied for financial support from the EU amounting to LTL 3.45 million to finance its business plan "Rokiškio Sūris AB Whey Collection and Processing".

The financial support obtained will enable the Company to solve environmental issues and strengthen its competitiveness in the EU market, as well as ensure full processing of whey through actual implementation of waste less production technology, and produce new products.

During the reporting financial year the Group acquired property, plant and equipment and intangible assets for LTL 12,400 thousand (2004: LTL 21,701 thousand, 2003: LTL 28,312 thousand).

In 2005, subsidies paid in to Rokiškio Sūris AB for products sold amounted to LTL 15,819 thousand.

As at 31 December 2005, the Group had short-term loans of LTL 45,485 thousand, and long-term loans of LTL 9,206 thousand. Total borrowings of the Group amounted to LTL 54,691 thousand at year end.

### The Company's share value

Diagram of changes in Rokiškio Sūris AB share value over 2005.



In 2005, the highest share value of Rokiškio Sūris AB was LTL 82.50. At the year-end, the Company's capitalisation was LTL 355.97 million.

### Rokiškio Sūris AB Group structure

At the end of 2005, the Rokiškio Sūris AB Group consisted of the parent company Rokiškio Sūris AB and its three branches: Utenos Pienas, Ukmergės Pieninė, and Eišiškių Pieninė.

### **Structural changes in the Group over the financial year 2005:**

As at 1 January 2005, Rokiškio Sūris AB holdings and number of shares in its subsidiary undertakings were as follows:

On 1 June 2005, Rokiškio Sūris AB sold all its 1,498,508 ordinary registered shares held in Varėnos Pieninė AB and all its 387,008 ordinary registered shares held in Ignalinos Pieninė AB. On 5 October 2005, Rokiškio Sūris AB sold all its 12 ordinary registered shares held in Kalora UAB. On 29 April 2005, Rokiškio Sūris AB lost its block of shares held in Švenčionių Pieninė AB as a result of bankruptcy of this company.

As at 31 December 2005, Rokiškio Sūris AB had no subsidiary undertakings.

On 14 June 2005, Rokiškio Sūris AB sold all its 410,330 shares held in Žemaitijos Pieno Investicija AB, which accounted for 11.63 per cent of authorised share capital of Žemaitijos Pieno Investicija AB.

As at 31 December 2005, Rokiškio Sūris AB had acquired 392,047 units of its own shares. They account for 8.26 per cent of Rokiškio Sūris AB authorised share capital. Rokiškio Sūris AB did not acquire own shares in 2005.

### **Changes in management of Rokiškio Sūris AB Group**

During the General Shareholders Meeting of Rokiškio Sūris AB held on 29 April 2005, all Board members were recalled and a new Board was elected. The newly elected Board members of Rokiškio Sūris AB were as follows: Mr. Nerijus Dagilis, Mr. Dalius Trumpa, Mr. Antanas Kavaliauskas, Mr. Andrius Trumpa, and Mr. Linas Strėlis. Mr. Nerijus Dagilis was elected as a Chairman of the Board.

### **Raw milk supplies**

In 2005, 1,433.4 thousand tonnes of base fat milk were bought up in Lithuania, which is more by 4.4 per cent as compared to 2004. In 2005, the average price of base fat milk in Lithuania increased by 16 per cent as compared to 2004 and amounted to LTL 566 per tonne.

The Group bought up 324,454 tonnes of base fat milk directly from milk producers for an average price of LTL 539 per tonne. Base fat milk bought up subject to no discounts accounted for 95.6 per cent of total base fat milk bought up in 2005.

Milk bought up from other suppliers amounted to 150,186 tonnes for an average price of LTL 680 per tonne. Rokiškio Sūris AB Group companies bought up in total 474,640 tonnes of base fat milk or more by 7.5 per cent as compared to 2004. In 2005, an average price of milk bought up was LTL 584 per tonne, which is higher by LTL 114 per tonne as compared to 2004.

### **Production, introduction of productive capacity, mastering of new products**

#### **Rokiškio Sūris AB**

During 2005, in Rokiškis Sūris AB produced 24,454 tonnes of fermented cheese (more by 22.5 per cent than in 2004), 6,390 tonnes of milk sugar (lactose), and 42,601 tonnes of 9 per cent whey protein concentrate.

In 2005, for the purpose of reducing production costs and sustain a high level of production, production technology for Gojos and Cagliata cheese was improved.

A modern system to ensure safe food management and quality of food was introduced in the manufacturing process, which is certified at a global level and enables to produce safe and quality food products that meet the requirements of customers.

The Company continuously seeks to reduce adverse effect on environment and ensures a minimal level for utilization of hazardous substances and generation of waste.

Fermented cheese produced in Rokiškis is well appreciated among the consumers. Fermented cheese with Rokiškio sūris trademark was awarded with AgroBalt 2005 medal during the 14th international trade fair of agriculture, food products and packaging.

### **Branch Ukmergės Pieninė**

Ukmergės Pieninė is one of the most modern dairying company of curd and curd-cheese all over Lithuania. Along with rapid development of dairying companies and intense competition, the branch Ukmergės Pieninė specializes in production of curd, curd-cheese and coated curd-cheese bars and expands the range of products offered.

The main objective of the branch is to find an optimal production solution that would satisfy the needs of the customers and increase the company's profit at a maximum level.

A modern production department of curd and curd-cheese was set up. The focus is given to implementation of state-of-the-art technology and development of new products, which enables the company to achieve good results and maintain a high level of production, as well as ensure safe production of products.

In 2005, 4,055 tonnes of products were produced (more by 20.6 per cent as compared to 2004), whereof 2,898 tonnes of curd, 501 tonnes of curd-cheese, 451 tonnes of coated curd-cheese bars, and 205 tonnes of fruit juice drinks.

The branch Ukmergės Pieninė often participates with its products at trade fairs and has a number of awards. The company produces a well-appreciated curd-cheese among the customers *Proginis varškės sūris*, which was awarded with gold medal and diploma by the Lithuanian Industrial Confederation during the election of a 'Lithuanian Product of a Year 2005'.

### **Branch Utenos Pienas**

In 2005, the branch Utenos Pienas produced 1,667 tonnes of skimmed milk powder, 31 tonnes of buttermilk powder, 3,609 tonnes of whey protein concentrate powder, 3,725 tonnes of butter-fat mixture, 42,478 tonnes of fresh milk products, and 10,278 tonnes of cream were produced and exported.

New products are produced, which include yoghurts with orange and carrots, milk drink of the taste of peach, 20 per cent fat source cream, and fat mixture BIFIDO.

### **Sales and marketing**

Rokiškio Sūris AB group has sustained its position as the largest and major dairying company in Lithuania. In 2005 its sales of goods increased by 3 per cent and reached LTL 448 million.

2/3 of sales represent exported production – primarily fermented cheese. Since long ago, the Group has been engaged in mass production of fermented cheese and is one of the largest and well-known producers of fermented cheese in the region of Central and Eastern Europe. When Lithuania joined the EU and no quotas were left, most of these products were supplied to the EU markets (mainly to Italy). Another direction for export of fermented cheese is the Russian market, where presently the subsidies are received for exported production, which enables to compete successfully with cheaper local production. And beyond any doubt, cheese with trademark of Rokiškio sūris is well-known and well-buyable in local market.

Presently, the Group has withdrawn from the US market, where prices are no longer attractive as they were several years ago due to the US dollar exchange rate.

In addition, in export markets the Group sells ordinary milk products, such as butter, milk powder, and additional products that are used in the process of production of cheese, i.e. whey protein concentrate and lactose.

The Group remains the major representative of the Lithuanian dairy industry as well as the major exporter of dairy products – in 2005 it exported over 20 thousand tonnes of fermented cheese, 10 thousand tonnes of cream, 4 thousand tonnes of lactose, 3 thousand tones of whey protein concentrate, and 1.3 thousand tonnes of butter and milk powder each.

In 2006 it is expected that sales of the Group will further increase and will exceed the level of LTL 500 million.

Another important area of focus of the Group is sales of fresh dairy products in Lithuania. During the recent years, the Group has become one of the leaders in the home market and today it shares the leading positions together with Pieno Žvaigždės. Over the last several years, the Group's objectives in home market have changed radically: it is attempted to have a higher added value, promotion of sales is carried out through development of trademarks, introduction of new products, and innovations offered for the market. The Group's marketing function strengthens with each year.

The Group's objectives in respect of home market are to focus on the package of the core strongest products and retain a market share of not less than 25 per cent. These objectives have been successfully implemented so far.

The Group will further seek to maintain close relations with its customers, especially with the retail trade networks, the percentage of which in the sales gradually increases and accounts for almost 80 percent of aggregate internal turnover. The Group will further seek to strengthen the reliance of its customers through building a single logistic system, which will enable the customer to get the production of all companies from one location and only with one document. This will encourage the customers to co-operate with the company as a convenient partner.

Today the Group has already formed the core of its trademarks: economic – VISIEMS, mass – ŽALOJI KARVUTĖ, premium – ROKIŠKIO, PROF, dessert – &JOY, functional – BiFiDo, low-fat – VALGYK LENGVAI. However, there is still left much to do in order to produce a clean, healthy, and ecological product.



A special focus is placed on ensuring quality maintenance of the products, which helps to successfully implement the marketing strategy

Presently, the Group is preparing for other important projects related to quality improvement and standard compliance with the EU requirements with the help of financial support and structural funds of the EU.

### Operation plans and forecasts

For the year 2006, the Group has targets to earn consolidated net profit of LTL 30.5 million, i.e. more by 30 per cent as compared to 2005, and achieve turnover of LTL 502 million, i.e. higher by 8 per cent as compared to 2005.

The Company plans to achieve the following key financial indicators:

Indicator	2006
Net profit margin, %	6
Turnover growth, %	9*

\* - provided there are no strategic mergers or acquisitions.

In respect of export markets, the Group will focus on sales of products with higher added value and consistent approach to product delivery to the end users. Such strategy has already proved itself as increasing our sales and profitability.

### 41. Information on the Audit

On 31<sup>st</sup> of December, 2005 UAB "PricewaterhouseCoopers" performed an audit of AB "Rokiškio sūris" (the Group's) consolidated balance and related consolidated profit (loss), money flows and proper capital change reports for the terminated year. The auditor's report was signed on 11th of April, 2006.

The audit was performed following the international audit standards, prepared by the International Federation of Accountants. The latter standards require planning and performing an audit which would allow the auditor assure himself well that no substantial mistakes in financial reports have been made. During the audit the data confirming the amounts and their explanations present in the consolidated financial reporting documents are controlled with the help of tests. Moreover, during the audit procedure the accounting methods applied, as well as significant direction calculations and the entire consolidated financial reporting presentation are judged. According to the Auditor, a performed audit underlies his opinion.

In the Auditor's opinion, consolidated financial reports provide a true and correct view on the Group's financial situation for 31st of December, 2005. Whereas a clear view on the activity results and money flows of the terminated year are examined following the international financial reporting standards, approved to be applied in the European Union.

In October, 2005 AB "Rokiškio sūris" set an Internal Development and Audit Agency. The Agency's function lies in creating the company's development strategy, as well as participating in its implementation. With the help of the Internal Development and Audit Agency it is possible to evaluate and stimulate the efficiency of risk management, control and organisation of management processes.





## VI. INFORMATION ON MANAGING BODIES OF THE ISSUER

### 42. Members of management

(Elected by the 29<sup>th</sup> April 2005 General meeting of shareholders of AB „Rokiškio sūris“ and recalled by the 28<sup>th</sup> April 2006 General meeting of shareholders of AB „Rokiškio sūris“)

**Board members:** Nerijus Dagilis, Linas Strėlis, Antanas Kavaliauskas, Andrius Trumpa and Dalius Trumpa.

#### 42.1. Board of Directors:

**Nerijus Dagilis** - Board Chairman, having no shares of AB "Rokiškio sūris".

**Dalius Trumpa** - Deputy Chairman, having 1,60% of the Authorised capital of AB "Rokiškio sūris" and 1,74% votes.

**Antanas Kavaliauskas** – Board member, having no shares of AB "Rokiškio sūris".

**Linas Strėlis** – Board member, having no shares of AB "Rokiškio sūris".

**Andrius Trumpa** – Board member, having 0,32% of the Authorised capital of AB "Rokiškio sūris" and 0,34% votes.

**Antanas Trumpa** - head of the company, having 23,11 % of the Authorised capital of AB "Rokiškio sūris" and 25,19 % votes.

**Antanas Kavaliauskas** – Chief Financial Officer, having no shares of AB "Rokiškio sūris".

#### 42.2.

**Nerijus Dagilis** – Board Chairman.

Education: Vytautas Magnus University – Bachelor degree in economics, Central European University - Master degree in economics, studies at USA universities.

Until 2000, worked at AB "Hermis" bank. Currently is a director of UAB "Hermis fondų valdymas" and Board member of UAB "Hermis Capital".

**Antanas Trumpa** – director of the company. University education, speciality – engineer mechanic. In 1979, defended a candidate dissertation and obtained a Doctor degree in technical science. Works at the company since 1966, and in 1971 was appointed as a director.

**Antanas Kavaliauskas** – finance director, university education. Has a Bachelor degree in Production management, and a Master degree in finance management. Since 1997 until 2002, worked at UAB "PricewaterhouseCoopers" as a senior auditor. As from May 2002, finance director of AB "Rokiškio sūris".

In April 2002, after a 4 year course, obtained a certificate and was inducted as a member of ACCA.

#### 42.3.

**Nerijus Dagilis** - UAB "Hermis Capital" Board member, owning 17,52% of shares of UAB "Hermis Capital";  
Shareholder of UAB "Baltijos polistirenas", owning 40% of shares of UAB "Baltijos polistirenas";  
Shareholder of UAB "Ežerų pasaulis", owning 25% of shares of UAB "Ežerų pasaulis".  
Director of UAB "Hermis fondų valdymas";  
Director of UAB "Survesta";  
Board member of AB "Kelmės pieninė";  
Board member of AB "Snaigė";  
Owns 20% of shares of UAB "Gulbinų turizmas";  
Board member of KITRON ASA.

**Dalius Trumpa** – shareholder of UAB "Pieno pramonės investicijų valdymas", owning 3,91 % of shares of UAB "Pieno pramonės investicijų valdymas".

**Antanas Kavaliauskas** – CFO of AB "Rokiškio sūris". Shareholder of UAB "Pieno pramonės investicijų valdymas", owning 3,91 % of shares of UAB "Pieno pramonės investicijų valdymas".

**Linas Strėlis** – Board Chairman of AB "Kelmės pieninė", owning 10,97% of shares of AB "Kelmės pieninė";  
Shareholder of UAB "Hermis Capital", owning 13,02% of shares of UAB "Hermis Capital";  
Director consultant of UAB "Gintarinis amžius", owning 25% of shares of UAB "Gintarinis amžius";  
Director of UAB "Biglis", owning 100% of shares of UAB "Biglis",  
Shareholder of UAB "Somera" – 50% of shares,  
Stakeholder of ŽŪK „Džiaugsmelis“, owning 80 % of shares.

**Andrius Trumpa** – not participate in operations of any other companies and capital.

**Antanas Trumpa** – Shareholder of UAB "Pieno pramonės investicijų valdymas", owning 74,86 % of shares of UAB "Pieno pramonės investicijų valdymas".

#### Chief Financial Officer:

**Antanas Kavaliauskas** – Shareholder of UAB "Pieno pramonės investicijų valdymas", owning 3,91 % of shares of UAB "Pieno pramonės investicijų valdymas".

#### 42.4. -

#### 42.5. Information on the initiation and termination of cadence of Board of Directors.

Board members: Nerijus Dagilis, Dalius Trumpa, Antanas Kavaliauskas and Dalius Trumpa elected by the 29<sup>th</sup> April 2005 General meeting of shareholders and recalled by the 28<sup>th</sup> April 2006 General meeting of shareholders.

## 42. Members of management

(Elected by the 28<sup>th</sup> April 2006 General meeting of shareholders of AB „Rokiškio sūris“ for the cadence of 4 years)

### 42.1. Board of Directors:



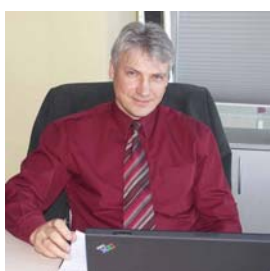
**Nerijus Dagilis** - Board Chairman; also Board Chairman and shareholder of UAB „Hermis Capital“.



**Dalius Trumpa** - Deputy Board Chairman, Operations director of AB „Rokiškio sūris“.



**Antanas Kavaliauskas** – Board member, CFO of AB „Rokiškio sūris“.



**Ramūnas Vanagas** – Board member, Development and audit director of AB „Rokiškio sūris“.



**Andrius Trumpa** – Board member, Lecturer at Vilnius Gediminas Technical University.



**Antanas Trumpa** - CEO of AB „Rokiškio sūris“.

#### 42.1. Board of Directors:

**Nerijus Dagilis** - Board Chairman, not owning shares of AB "Rokiškio sūris".

**Dalius Trumpa** - Deputy Board Chairman, owning 1,60% of shares of AB "Rokiškio sūris" and 1,74% votes.

**Antanas Kavaliauskas** – Board member, not owning shares of AB "Rokiškio sūris".

**Ramūnas Vanagas** – Board member, not owning shares of AB "Rokiškio sūris".

**Andrius Trumpa** – Board member, owning 0,32% of shares of AB "Rokiškio sūris" and 0,34% votes.

**Antanas Trumpa** - CEO, owning 23,11 % of shares of AB "Rokiškio sūris" and 25,19 % votes.

#### 42.2.

**Nerijus Dagilis** – Board Chairman.

Education: Vytautas Magnus University – Bachelor degree in economics, Central European University - Master degree in economics.

Summary of qualifications and work experience related with finance or equivalent institutions:  
AB bank Hermis, bank analyst. Commenced July 1997 until 2<sup>nd</sup> June 1998.

UAB IVKĮ Hermis Finansai, investment analyst, later – customer treasury manager. Commenced 2<sup>nd</sup> June 1998 until 8<sup>th</sup> February 2000.

**Antanas Trumpa** – director of the company. University education, speciality – engineer mechanic. In 1979, defended a candidate dissertation and obtained a Doctor degree in technical science. Works at the company since 1966, and in 1971 was appointed as a director.

**Antanas Kavaliauskas** – finance director, university education. Has a Bachelor degree in Production management, and a Master degree in finance management. Since 1997 until 2002, worked at UAB "PricewaterhouseCoopers" as a senior auditor. As from May 2002, finance director of AB "Rokiškio sūris".

In April 2002, after a 4 year course, obtained a certificate and was inducted as a member of ACCA.

#### 42.3.

**Nerijus Dagilis** - UAB "Hermis Capital" Board member, owning 17,52% of shares of UAB "Hermis Capital";  
 Shareholder of UAB "Baltijos polistirenas", owning 40% of shares of UAB "Baltijos polistirenas";  
 Shareholder of UAB "Ežerų pasaulis", owning 25% of shares of UAB "Ežerų pasaulis".  
 Director of UAB "Hermis fondų valdymas";  
 Director of UAB "Survesta";  
 Board member of AB "Kelmės pieninė";  
 Board member of AB "Snaigė";  
 Owns 20% of shares of UAB "Gulbinų turizmas";  
 Board member of KITRON ASA.

**Dalius Trumpa** – shareholder of UAB "Pieno pramonės investicijų valdymas", owning 3,91 % of shares of UAB "Pieno pramonės investicijų valdymas".

**Antanas Kavaliauskas** – CFO of AB "Rokiškio sūris". Shareholder of UAB "Pieno pramonės investicijų valdymas", owning 3,91 % of shares of UAB "Pieno pramonės investicijų valdymas".

**Andrius Trumpa** – not participate in operations of any other companies and capital.

**Ramūnas Vanagas** – not participate in operations of any other companies and capital.

**Antanas Trumpa** – Shareholder of UAB "Pieno pramonės investicijų valdymas", owning 74,86 % of shares of UAB "Pieno pramonės investicijų valdymas".

#### Chief Financial Officer:

**Antanas Kavaliauskas** – Shareholder of UAB "Pieno pramonės investicijų valdymas", owning 3,91 % of shares of UAB "Pieno pramonės investicijų valdymas".

#### 42.4. -

#### 42.5. Information on the initiation and termination of cadence of Board of Directors.

Board members: Nerijus Dagilis, Dalius Trumpa, Antanas Kavaliauskas, Ramūnas Vanagas and Andrius Trumpa elected by the 28<sup>th</sup> April 2006 General meeting of shareholders. End of cadence 28<sup>th</sup> April 2010

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**43. Information on payments and loans to members of management:**

**43.1.** within the reporting period it was paid to the Board of Directors LTL 2 550 000 as tantjemes. Average amount per person – LTL 510 thou. In form of salaries it was paid to the Board members – LTL 260 934. Average amount per person – LTL 52 187. Total sum (CEO and CFO) paid within the reporting period - LTL 308 508 Lt. Average amount per person – (CEO and CFO) – LTL 154 254.

**43.2.** within the reporting period there were no payments to the Board of Directors and Management Board, in form of tantjemes or other kinds of payments from profit, received from other companies in which AB "Rokiškio sūris" has over 20 % of share.

**43.3.** within the reporting period there were no loans allotted to the management, as well as other guarantees and warrant.

**44. Contracts with interested parties**

within the reporting period AB "Rokiškio sūris" has not made any unrepresentative contracts with interested parties.

## VII. UP-TO-DATE AND SIGNIFICANT DEVELOPMENTS IN THE ISSUER'S PERFORMANCE, ITS PERSPECTIVES

### 45. Up-to-date Developments in the Issuer's Performance

The year 2005 was profitable for AB "Rokiškio sūris". Following the international financial reporting standards, the profit counted for 2005 amounted to 21 000 thousand litas. In the year 2005 AB "Rokiškio sūris" return increased 4,7 per cent, in comparison with 2004, and it amounted to 473 118 thousand litas, that is, 21 305 thousand litas more than in 2004.

In the year 2005 sales marketing expenditure decreased. In 2004 it amounted to 30 421 thousand litas, whereas in the fiscal year reported it reached 25 920 thousand litas. The financial performance net expenditure in 2005 also decreased - from 2 627 thousand litas in 2004 to 2 020 thousand litas in 2005.

In 2006 the Group's objective is to reach 502 million litas sales, which would be 6% higher than in the year 2005. Export sales planned – 328 million litas. The main presumption for a higher return are higher European Union market prices for fermented cheese, butter, cream and other dairy products. These prices rose as soon as Lithuania became the member of the European Union. Thus, the main exporting will be oriented to the EU countries. Subsidies are received for exported products, which make the major part of income. In the local market the company plans to maintain around 25% of the market share and obtain 174 million litas of annual return. It is planned to produce over 25 thousand tons of cheese.

In March, 2006 a daughter enterprise was created – joint-stock company "Rokiškio pienas" ltd. This enterprise was established in order to secure a more effective fresh dairy production business, oriented to the local market. AB "Rokiškio sūris" will pursue cheese production business oriented to mass production and export.

In the year 2005 the most significant events in AB "Rokiškio sūris" Group's activities were as follows: reorganization of the logistics group by connecting transport of the main company with its subsidiary companies. Accounting was started to be performed in one location, which allowed prompt data receiving and noticing both advantages and disadvantages. The resources saved were invested in new technologies.

In August, 2005 a record quantity of fermented cheese was produced - 2 839 tons - in all of the company's history.

In October, 2005 the company first participated in the worldwide exposition called 'Anuga', which took place in the German city of Cologne.

The geography of raw milk procurement was increased. The company started buying raw milk from Latvian cooperative societies. AB "Rokiškio sūris" was one of the first to procure and process ecological milk.

The Group filed an application for a 15,5 million litas project called "AB "Rokiškio sūris": Whey Collection and Processing' in order to receive the EU structural fund support for whey collection and processing. Having introduced modern technologies, there will be no products released to purification equipment in the process of lactose production. It will be possible to produce



animal forage from the waste material received. It is planned to receive 3,450 million litas of financial support.

## 46. Significant Developments in the Issuer's Performance

On 29<sup>th</sup> of April, 2005 an ordinary general meeting of AB "Rokiškio sūris" shareholders took place.

At the general meeting of shareholders the following decisions were made:

1. AB "Rokiškio sūris" performance report for the year 2004 was confirmed.
2. The audit report was approved.
3. The financial reporting for the year 2004 was confirmed.
4. The 2004 profit distribution was confirmed.
  - 4.1. The profit share attributed for dividends amounted to 21,771 million litas.
  - 4.2. 5 litas of dividends were assigned for one 10 litas face value AB "Rokiškio sūris" registered share.
5. Up to 10 per cent of the company's shares were bought, including those proper shares which have been bought earlier.
  - 5.1. Purchasing its proper shares serves maintaining and increasing the company's share price.
  - 5.2. The period during which the company can purchase its own shares – 18 months starting from the day the decision is made.
  - 5.3. 116 litas is the maximum one share price determined for proper shares, whereas the minimum one share price is 10 litas.
  - 5.4. 10 million litas reserve for purchase of proper shares was formed.
  - 5.5. The minimum proper share sale price has to be the same as the purchase price of acquired shares. Own shares have to be sold as follows: after the company announces the sale of proper shares, the shareholders are able to purchase the shares in proportion to the shares they already have. In case any unsold shares remain, they are sold according to the Board's decision.
6. UAB "PriceWaterhouseCoopers" was assigned to be the auditor of AB "Rokiškio sūris". The Board was delegated to determine the payment amount for the auditors' work. The head of the company was authorized to sign a contract with the audit company.
7. The Board was recalled.
8. Nerijus Dagilis, Dalius Trumpa, Antanas Kavaliauskas, Andrius Trumpa and Linas Strelis were elected to the new AB "Rokiškio sūris" Board.

On 29<sup>th</sup> of April, 2005 during AB "Rokiškio sūris" Board session Nerijus Dagilis was elected chairman of the Board.

On 18<sup>th</sup> of February, 2005 legal proceedings, without the court process, were taken against AB "Švenčionių pieninė", considered unable to pay the creditors. On 29<sup>th</sup> of April, 2005 due to its bankruptcy AB "Švenčionių pieninė" was signed out from the Enterprises' Register.

On 1<sup>st</sup> of June, 2005 AB "Rokiškio sūris" sold all of its 1 498 508 units of AB "Varėnos pieninė" registered equity, as well as all of its 387 008 units of AB "Ignalinos pieninė" registered equity.

On 14<sup>th</sup> of June, 2005 AB "Rokiškio sūris" sold 11,63% of AB "Žemaitijos pieno investicija" portfolio.

On 5<sup>th</sup> of October, 2005 AB "Rokiškio sūris" sold 100% UAB 'Kalora' portfolio.

On 29<sup>th</sup> of October, 2005 the Board of AB "Rokiškio sūris" decided to terminate the activities of the subsidiary company "Eišiškių pieninė" and to sign out the enterprise from the Enterprises' Register.

On 28<sup>th</sup> of December, 2005 AB "Rokiškio sūris" Board confirmed the Group's budget for the year 2006, according to which the Group plans to reach 502 million litas (145 million EUR) return and gain 30,5 million litas (8,8 million EUR) of net profit. For the year 2005 AB "Rokiškio sūris" Group aims to reach 460 million litas (133,2 million EUR) return, as well as receive 23,5 million litas (6,8 million EUR) of consolidated net profit.

On 6<sup>th</sup> of March, 2006, to obtain more effective fresh dairy product production performance, AB "Rokiškio sūris" Board took up a decision to separate export-oriented cheese production business from the business of fresh dairy products, oriented to the local market. For this purpose the company decided to establish a daughter company – a limited joint stock company. Following the Board's decision to separate the two businesses, on 21<sup>st</sup> of April, 2006 a daughter company called UAB "Rokiškio pienas" was registered into the Enterprises' Register.

On 5<sup>th</sup> of April, 2006, after AB "Rokiškio sūris" subsidiary enterprise "Eišiškių pieninė" has terminated its activity, the subsidiary company was signed out from the Enterprises' Register of the Republic of Lithuania.

On 28<sup>th</sup> of April, 2006 an ordinary general meeting of AB "Rokiškio sūris" shareholders took place.

On 28<sup>th</sup> of April, 2006, at the general meeting of AB "Rokiškio sūris" shareholders the following decisions were made:

1. AB "Rokiškio sūris" performance report for the fiscal year 2005 was confirmed.
2. The audit report was confirmed.
3. The financial reporting for the year 2005 was confirmed.
4. Profit distribution was confirmed.

10 276 thousand litas (2 976 thousand EUR) from the company's distributable profit were attributed for dividends. 2,36 litas (0,684 EUR) were attributed for one 10 litas face value AB "Rokiškio sūris" share.

5. The Board was allowed to invest, transfer, loan or hypothecate AB "Rokiškio sūris" long-term property, whose balance value was more than 1/20 of the company's authorized capital.

6. UAB "PriceWaterhouseCoopers" was assigned to be the auditor of AB "Rokiškio sūris". The Board was delegated to determine the payment amount for the auditors' work. The head of the company was authorized to sign a contract with the audit company.

7. The Board was recalled.

8. Nerijus Dagilis, Antanas Kavaliauskas, Andrius Trumpa, Dalius Trumpa and Ramunas Vanagas were elected to AB "Rokiškio sūris" Board.

On 28<sup>th</sup> of April, 2006, during AB "Rokiškio sūris" Board session, Nerijus Dagilis was elected chairman of the Board.

Following the order determined in the company's regulations and according to the Law on Securities Market of the Republic of Lithuania, as well as in accordance with the rules on information disclosure on the Issuer's significant developments, AB "Rokiškio sūris" informed the Security Commission, Vilnius Bourse and the media (daily newspapers 'Lietuvos rytas' and 'Verslo žinios') on all significant developments.

## **47. Performance Strategy and Prospective Changes during the Forthcoming Fiscal Year**

### **Fundamental Values**

- Best satisfaction of the client needs and professionalism among competitors
- Respect for every employee
- Constant product and service quality development and efficiency improvement
- Offering the best possible service to the biggest business partners, milk producers, clients, shareholders and competitors

### **Mission**

- AB "Rokiškio sūris" wishes to become and remain the dairy production leader in Lithuania and the leading cheese producer in the Baltic States. Following this direction, the company seeks that all dairy production in Lithuania met the best EU standards.
- AB "Rokiškio sūris" wishes to be a powerful, financially strong and technically modern enterprise, which creates and maximises its value to shareholders.

### **Long-term Objectives**

- Creation of a solid and profitable EU market for AB "Rokiškio sūris" products and services
- Consolidation, creation and safeguarding of a safe long-term market for the company's cheese in the EU countries
- Development of cheese assortment with the help of new product creation and effective marketing activities, satisfaction of the EU and the world market needs
- Becoming and remaining the dairy production leader in the Baltic States
- Modernisation and rationalisation of agricultural product processing and marketing, improvement of their competitive ability and the surplus value increase.
- Ensuring of a stable and coordinated waste-free production programme.

### **The Group's Main Objectives**

- Sales and marketing area – preservation of the market share and penetration into new profitable markets, development of new products and services;
- Production area – preservation of the highest quality, production of new dairy products and assortment renewal, complete use of present production capacities and implementation of the newest technologies;
- Raw milk purchase – status preservation of the biggest and most reliable raw milk purchaser in Lithuania and milk acquisition in neighbouring countries;
- Finances – securing desirable profitability and liquidity, maximising shareholders' property value;
- Management – improving the functional management system by implementing both management and new products.