

**JOINT STOCK COMPANY
“ROKIŠKIO SŪRIS”**



**REPORT FOR
THE FIRST HALF YEAR 2006**

**ROKIŠKIS,
AUGUST 2006**

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1. GENERAL INFORMATION

1. Accounting period for which the present Report has been prepared.

The report is prepared for the first half year 2006.

2. Key data on the issuer:

Joint stock company "Rokiškio sūris".

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

Website: www.rokiskio.com

AB "Rokiškio sūris" is a joint stock company. Registered on 28th February 1992 at the Directorate of Rokiskis region. Re-registered on 28th 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 19th July 1999 is LTL 47.462.700 (forty seven million four hundred sixty two thousand seven hundred litas).

3. Information as of where and when one can get acquainted with the Report and documents on which it was prepared and the name of the media

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. Also it can be collected from the company's website www.rokiskio.com The name of organ of public opinion – daily "Lietuvos rytas".

4. Persons responsible for the information presented in the Report

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

Tel: 8(458) 55 200 , Fax 8 (458) 55 300

Antanas Kavaliauskas – AB "Rokiškio sūris" Chief Financial Officer and member of the Board of Directors.

Tel.:8 5 2102 717 , Fax 8 5 2102718.

4.2. No consultants were employed.

5. Confirmation of the members of the Issuer's governing bodies, employees and head of the administration

The Board of Directors of AB Rokiskio sūris, the Chief Executive Officer and the Chief Financial Officer undersigned confirm that the information provided by the half year 2006 report 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

Antanas Kavaliauskas

25.08.2006

Report prepared by AB "Rokiškio sūris"

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

6. Authorized capital of the issuer:

6.1. The joint stock company "Rokiškio sūris" registered on 28th February 1992 at the Directory of Rokiskis region. The company was reregistered on 28th 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 **19th July 1999** is **LTL 47.462.700** (forty seven million four hundred sixty two thousand seven hundred litas).

As at 30th June 2006 the Authorised capital of AB "Rokiškio sūris" as follows:

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.

6.2. 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.

7.Shareholders.

Total number of shareholders as of 30th June 2006 was – 5.265 shareholders.

The shareholders holding by the right of ownership more than 5 percent of the issuer's authorized capital (as of 30.06.2006):

Name, surname Name of company	Address	Proprietary rights			With associated persons	
		Number of shares	Capital share %	Votes %	Capital share %	Votes %
UAB "Pieno pramonės investicijų valdymas"	Pramonės g. 3, Rokiškis	989.890	20,86	22,73	48,01	52,34
Antanas Trumpa	Sodų 41a, Rokiškis	1.096.837	23,11	25,19	48,01	52,34
Hansabank clients	Liivalaia 8, Tallinn 15040 Estonia	642.913	13,55	14,76	-	-

Skandinaviska Enskilda Banken AB clients	Sergels Torg 2, 10640 Stockholm, Sweden	507.302	10,69	11,65	-	-
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8. Securities non participating in the authorised capital but the ones whose turnover is reglamented by the Law on securities market

There are no securities issued that not participate in the authorised capital.

9. Secondary trade of the securities of the Issuer.

The securities of AB Rokiskio sūris are traded by Vilnius Stock Exchange (VVPB). The 4 746 270 ordinary registered shares of AB “Rokiškio sūris“ are listed on the official list of Vilnius Stock Exchange. (VVPB symbol RSU1L). Nominal value per share 10 (ten) litas.

Accounting period		Price (Lt)			Turnover (Lt)			Date of last session	Total turnover	
from	until	maks.	min.	Last session	maks.	min.	Last session		(units)	(Lt)
2006.01.01	2006.03.31	75,00	68,00	72,50	2 782 173,1	0	7 015,50	2006.03.31	194 218	14 016 378,97
2006.04.01	2006.06.30	71,50	50,00	50,00	1 746 561	0	156 447	2006.06.30	90 581	5 423 752,99

Securities capitalisation:

Accounting period	Capitalisation (Lt)
First quarter 2006	344 104 575
Second quarter 2006	237 313 500

10. Contracts with share trading brokers

AB “Rokiškio sūris“ has a service contract with UAB FMĮ “Baltijos vertybiniai popieriai” (Gedimino pr. 60, Vilnius) regarding handling of securities of AB “Rokiškio sūris”.

11. Members of Governing Bodies.



Dalius Trumpa - Board Chairman, Operations Director of AB „Rokiškio sūris“, holding 1,60% in the authorised capital of AB “Rokiškio sūris“ and 1,74% votes.



Antanas Kavaliauskas – Deputy Board Chairman, Chief Financial Officer of AB „Rokiškio sūris“, holding no shares in AB „Rokiškio sūris“.



Ramūnas Vanagas – Board Member, Development and Internal Audit Director of AB „Rokiškio sūris“, holding no shares in AB „Rokiškio sūris“.



Andrius Trumpa – Board Member, Lecturer in Vilnius Gedimino Technikos Universitetas, holding 0,32% in the authorised capital of AB “Rokiškio sūris“ and 0,34% votes.



Antanas Trumpa - Chief Executive Officer of AB „Rokiškio sūris“, holding 23,11 % in the authorised capital of AB “Rokiškio sūris“ and 25,19 % votes.

11.2.

Dalius Trumpa – shareholder in UAB "Pieno pramonės investicijų valdymas", holding 3,91 % of UAB "Pieno pramonės investicijų valdymas" shares and votes, Director of UAB „Rokvalda“, has no shares.

Antanas Kavaliauskas – shareholder in UAB "Pieno pramonės investicijų valdymas", holding 3,91 % UAB "Pieno pramonės investicijų valdymas" shares and votes.

Ramūnas Vanagas – does not participate in the activities and capital of other companies.

Andrius Trumpa – does not participate in the activities and capital of other companies.

Company representative:

Antanas Trumpa – shareholder in UAB "Pieno pramonės investicijų valdymas", holding 74,86 % UAB "Pieno pramonės investicijų valdymas" shares and votes.

Finansų direktorius:

Antanas Kavaliauskas – shareholder in UAB "Pieno pramonės investicijų valdymas", holding 3,91 % UAB "Pieno pramonės investicijų valdymas" shares and votes.

11.3. Data on the beginning and ending of Board Membership.

Board Members: Nerijus Dagilis, Dalius Trumpa, Antanas Kavaliauskas, Ramūnas Vanagas and Andrius Trumpa elected by the 28th April 2006 General meeting of shareholders. Cadence of Board Members– 4 years. Ending of cadence – 28th April 2010.

On 5th July 2006, the Board Chairman Nerijus Dagilis resigned. Dalius Trumpa was elected as the new Board Chairman.

III. FINANCIAL POSITION
(prepared according to International Accounting Standards)

Consolidated balance sheet (thou LTL)

	June 30th, 2005	December 31st, 2005	June 30th, 2006
ASSETS			
Non-current assets			
Property, plant and equipment	135,451	128,901	131,020
Intangible assets	299	1,135	811
Other receivables	13,549	13,277	11,935
	<u>149,299</u>	<u>143,313</u>	<u>143,766</u>
Current assets			
Inventories	46,622	71,115	61,174
Trade and other receivables	95,622	81,840	86,770
Financial assets at fair value through profit or loss	-	-	-
Cash and cash equivalents	1,263	3,184	806
	<u>143,507</u>	<u>156,139</u>	<u>148,750</u>
TOTAL ASSETS	<u>292,806</u>	<u>299,452</u>	<u>292,516</u>
EQUITY AND LIEBILITIES			
Capital and reserves			
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)	(16,224)
Other reserves	69,805	69,805	69,805
Retained earnings	24,575	41,900	36,318
	<u>177,091</u>	<u>194,416</u>	<u>188,834</u>
Minority interests	1,468	-	-
	<u>1,468</u>	<u>-</u>	<u>-</u>
Non-current liabilities			
Non-current loans	9,458	4,253	3,204
Deferred income	9,709	8,730	8,047
	<u>19,167</u>	<u>12,983</u>	<u>11,251</u>
Current liabilities			
Trade and other payables	42,595	41,352	42,875
Borrowings	52,485	50,701	49,556
	<u>95,080</u>	<u>92,053</u>	<u>92,431</u>
Total equity and liabilities	<u>292,806</u>	<u>299,452</u>	<u>292,516</u>

13. Consolidated profit (loss) report

	<u>Year ended 30th June</u>	<u>Year ended 30th June</u>
	2005	2006
Sales	210,043	238,355
Cost of sales	(182,425)	(214,374)
Gross profit	27,618	23,981
General and administrative expenses	(20,023)	(18,222)
Net change in goodwill		
Operating profit/(loss)	7,595	5,759
Gains from revaluation of derivative financial measures		
Finance costs	(1,282)	(1,063)
Profit before tax	6,313	4,696
Profit/(loss) from ordinary operations	6,313	4,696
Net profit/(loss)	6,313	4,696

Consolidated cash flow report

	As at June 30th ended the 6 month period	
	2005	2006
Operating activities		
Profit before tax and minority interest	6,313	4,696
<i>Corrections:</i>		
– depreciation	9,870	9,982
– depreciation (negative prestige not included)	280	386
– written off long-term tangible assets	73	1,643
– loss in long-term tangible asset sales	1,148	2
– loss in investment sales	637	-
– profit in fair investment value change	-	-
– interest expenses	888	721
– interest income	(140)	(142)
– prestige change	174	-
– putting off for receivables and written off bad debts	-	-
– putting off for inventories and written off inventories	-	-
– premium accumulation	1,038	-
– vacation reserve accumulation	-	-
– net unrealized currency exchange profit	97	(177)
– income in fair value change of derivative financial means	-	-
– export subsidies received	(9,884)	(530)
– depreciation of long-term tangible asset support	(981)	(983)
<i>Circulating capital changes:</i>		
- inventories	8,318	9,941
- payables	6,000	1,525
- receivables and advance payments	(24,309)	(29,715)
Cash flows generated from operating activities	(478)	(2,651)
Interest paid	(888)	(721)
Income tax paid	(1,948)	(3,672)
Cash flows from operating activities	(3,314)	(7,044)
Investing activities		
Purchase of long-term tangible assets	(5,504)	(10,753)
Purchase of intangible assets	(20)	-
Purchase of investments	-	-
Loans granted to farmers and employees	(2,841)	(162)
Proceeds from long-term tangible asset sales	1,150	186
Repayments of loans granted to farmers and employees	942	1,366
Interest received	144	142
Subsidies for long-term tangible assets	-	-
Net cash flows from investing activities	(6,129)	(9,221)
Financing activities		
Acquisition of treasury shares	-	-
Finance lease principal payments	(148)	(156)
Loans granted	233,094	241,344
Loan repayments received	(211,760)	(217,340)
Dividends paid	(21,771)	(9,961)
Proceeds from sale of property, plant and equipment	6,979	-
Net cash flows from financing activities	6,394	13,887
Net increase in cash and cash equivalents	(3,049)	(2,378)
Cash and cash equivalents at the beginning of the period	4,312	3,184
Cash and cash equivalents at the end of the period	1,263	806

Consolidated Own Capital Change Statement (thousand LTL)

	Attributed to Company Owners							Minority interest	Total
	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total		
Net book amount at 31 st December 2005.	47 462	41 473	10 000	(16 224)	69 805	41 900	194 416	-	194 416
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-
Dividends paid for year 2005	-	-	-	-	-	(10 278)	(10 278)	-	(10 278)
Net profit	-	-	-	-	-	4 696	4 696	-	4 696
Net book amount at 30th June 2006	47 462	41 473	10 000	(16 224)	69 805	36 318	188 834	-	188 834

14.Explanatory note

1. General background

The joint stock company “Rokiškio sūris” (henceforth – the company) is a listed joint stock company located in Rokiskis.

AB “Rokiškio sūris” shares are traded at the National Stock Exchange on the official trade list.

The Consolidated Group (henceforth – the Group) consists of the Company and two its subsidiaries: Utenos pienas and Ukmergės pieninė. All subsidiaries are established in Lithuania.

The main field of activities is production of fermented cheese and other dairy products. As at 30th June 2006, there were 1 842 employees in the Group (at 30th June 2005 – 1 959 employees).

Accounting Principles

Preparation Basis

This consolidated financial account has been prepared according to 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 1st 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.

The Group's report

(a) Daughter enterprises

Daughter enterprises are the enterprises where the Group has the right to control their finance and performance policy. Usually this kind of control is possible when the company has more than a half of shares with the right to vote. Complete consolidation of daughter enterprises begins from the day when the Group takes control over these enterprises, and, on the other hand, consolidation is stopped with the loss of such control.

To acquire daughter enterprises the Group applies the method of purchase. Acquisition at cost price is determined by adding fair transfer property value, treasury share value and liability value to direct acquisition costs on the day of purchase. In case of business mergers, identified acquired assets and liabilities, as well as undetermined liabilities, in the beginning are evaluated at fair prices on the day of purchase, regardless of any minority share size. Part of the purchase cost exceeding the fair value of the Group's purchased daughter enterprise net assets is counted as prestige. In case purchase costs are smaller than the fair value of the Group's purchased daughter enterprise net assets, the difference in price is directly acknowledged in the income statement.

Transactions among the Group's enterprises, residual values and retained transaction earnings between the Group's enterprises are eliminated. Unrealised loss is eliminated too; however, it is considered to be the sign of transfer asset value decrease. The accounting principles of daughter enterprises were changed where necessary in order to ensure their consistency with the accounting principles applied by the Group.

(b) Transactions and Minority Share

The Group considers transactions with minority shareholders to be the transactions with parties not belonging to the Group. The Group receives profit or loss from minority share sale and it is accounted in the income statement.

2.3. Foreign currency exchange

Functional and presentation currency

The financial report articles of any of the Group's enterprises are expressed in the currency of the first economic environment where the company performs its activities (henceforth called - functional currency). The consolidated financial report is presented in Lithuanian litas (LTL), which is the functional and presentation currency of both the company and any of the Group enterprises.

Litas is related to euro with 3,4528 litas/ 1 euro ratio.

Transactions and residual values

Foreign currency transactions are recalculated into functional currency with the help of currency exchange rates on the day of transaction. Currency exchange profit and loss in various transaction payments, as well as in recalculation of cash assets and liability residual values, expressed in foreign currency, are accounted in the income statement.

2.4. Long-term tangible assets

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

Subsequent costs are included into the asset's carrying amount or recognized as separate assets, as appropriate, only when it is likely that in future the Group will receive economic benefits associated with the item and the cost of the item will be measured accordingly. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they have been 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 asset 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, the carrying amount is immediately reduced to its recoverable amount (Note 2.6).

Interest costs of borrowings to finance long-term tangible asset constructions are capitalised till long-term tangible assets are prepared for their further use. Other borrowing costs are recognised as expenses once experienced.

Construction in progress is transferred into appropriate long-term tangible asset groups when it is completed and the assets are ready to be used as determined.

When long-term tangible assets are written off or otherwise transferred, their costs and related depreciation are no longer deducted in financial accounts. Meanwhile profit or loss, calculated as a difference between the income and the carrying amount of transferred long-term tangible assets, are reported under operating profit.

Intangible assets

The Group's software which is expected to bring the Group material benefit in future, is valued at cost price less accumulated depreciation. Depreciation is calculated using the straight-line method for the estimated useful life from 1 to 5 years.

Intangible asset value decrease

Assets with accumulated depreciation are reviewed in order to determine their lost value when certain events or circumstances testify that their carrying amount might not be recovered. The difference of the carrying amount from the recoverable amount is reported as the asset value decrease. The recoverable amount is the fair asset value less sale costs, or the working value, depending on which of them is higher. To determine the asset value decrease, assets are grouped into the smallest groups that help determine individual cash flows (units creating cash flows).

2.7. Financial assets

The Group classifies its financial assets into the following groups: 1) financial assets at fair value through profit or loss and 2) borrowings and receivables. Classification depends on financial asset destination. The managing bodies determine the classification of financial assets during their first financial statement, and later on they review it at each balance sheet date.

Financial assets are calculated at their fair value through profit or loss.

This group has two subgroups: financial assets for trade and financial assets at fair value through profit or loss once acquired. The financial assets are attributed to the latter subgroup when they are bought in order to be sold shortly after. The managing body seeks not to attribute its financial assets to the financial assets at fair value through profit or loss.

Borrowings and receivables

Borrowings and receivables are non-derivative financial assets which have fixed or determined payments and which are not quoted in the active market. They are reported as current assets when their term is no longer than 12 months from the balance sheet preparation date; otherwise, they are reported as non-current assets. In the balance sheet borrowings and receivables are reported under trade and other receivables.

Investment purchase and sale are acknowledged on the transaction day, namely, when the Group pledges to purchase or sell any property. Financial assets at fair value through profit or loss are first acknowledged at fair value, whereas transaction costs are reported under expenses in the income statement. Investments are no longer reported after the term to receive cash flows from investing activities is ended, or investments have been transferred together with the Group's assets, together with appropriate risks and benefits. Subsequently financial assets at fair value through profit or loss are acknowledged to be at fair value. Borrowings and receivables are counted at depreciation cost using effective interest rate method.

In the income statement profit or loss arising due to the fair value change in financial assets at fair value through loss or profit, including interest and dividend profit, are reported under other income (loss) net value, when necessary.

The fair value of quoted investments is based on actual market prices.

2.8. Inventories

Inventories are reported at their cost price or at their net sale value, depending on which of the values is smaller. The cost price is calculated using the method of FIFO. The cost of ready production or production in progress consists of raw material, direct labour and other direct or indirect production expenses less borrowing costs. Net sale value is a valuated sale price under usual business conditions less production completion and sale expenses.

2.9. Sale and other receivables

In the beginning receivable sums are reported at their fair value and subsequently at their depreciated cost less value decrease sum, using the method of effective interest rate. The value decrease of receivables is determined when there is objective evidence that the Group will fail in getting back all the sums during the terms determined in advance. Value decrease sum is the difference between the carrying amount and the actual value of evaluated future cash flows, discounted using the effective interest rate method. In the income statement the value decrease sum is reported under general and administrative expenses. Bad debts are written off in the year when they are determined as impossible to settle.

2.10. Cash and cash equivalents

Cash and cash equivalents are reported at their nominal value. In the cash flow statement cash and cash equivalents mean bank and cash-register money, as well as bank overdrafts. In the balance sheet bank overdrafts are reported under financial debts as current liabilities.

2.11. Share capital

a) Ordinary registered shares

Ordinary registered shares are reported at their nominal value. The sum received from sold shares exceeding their nominal value is reported as share premium. Additional expenses directly attributed to new share emission are reported by subtracting them from share premium.

b) Treasury shares

When the company or its daughter enterprises acquire the company shares, the sum paid for them, including all additional expenses, is subtracted from shareholder property as treasury shares until they are not sold, newly launched for sales or cancelled. When treasury shares are sold, launched for sales or cancelled no profit or loss are reported in the income statement. When such shares are subsequently sold or launched for sales again, the means received are reported as shareholders' own capital change in the consolidated balance sheet.

2.12. Reserves

Other reserves

Other reserves are formed following the general annual shareholder meeting decision concerning division of retained earnings. These reserves maybe used only for those objectives which are determined by the general annual shareholder meeting.

The reserve determined by law is reported under other reserves. Following the law regulations of the Republic of Lithuania, the latter reserve is obligatory. Annual transfer to the reserve determined by law makes 5 per cent of the net result. The reserve is obligatory until it reaches 10 per cent of the share capital. The reserve determined by law cannot be attributed to dividend payment, however, it maybe used to cover future losses.

Reserve for acquisition of treasury shares

This reserve is reported until the Group performs treasury share acquisition/sale. Following the law regulations of the Republic of Lithuania, the reserve is obligatory and it cannot be lower than the nominal value of treasury shares.

2.13. Liabilities

In the beginning liabilities are reported at their fair value without transaction costs. Subsequently the loans granted are reported at their depreciated cost, whereas the difference amount between the proceeds received (less transaction costs) and the loan repayments is reported in the income statement during the entire loan period using the method of effective interest rate.

2.14. Put off income tax

Income is taxed 15 per cent (in year 2005 - 15 per cent) of income tax rate according to the laws on taxes of the Republic of Lithuania.

Following the newly accepted provisional Social Tax Law of the Republic of Lithuania, social taxes applied for taxable income for years 2006 and 2007 make 4 and 3 per cent accordingly.

Put off income tax is counted using the method of liabilities for temporary differences, resulting between the assets and the taxable liability basis, as well as its balance sheet value in the consolidated financial account. It is not acknowledged in case it is accumulated due to the primary asset or liability acknowledgement in other than business merger types of transactions, where put off income tax has no influence both on the carrying and on the taxable profit or loss. Put off income tax is calculated using the tax rates (and laws) confirmed on the balance sheet preparation day. The latter tax rates are applied on the day when income tax assets are sold or tax liabilities are implemented.

Put off income tax assets are acknowledged in those amounts that are expected to be received in terms of taxable profit, sufficient to cover temporary differences.

Put off income tax is calculated for temporary differences due to investments made into daughter enterprises, except when the Group controls the temporary difference cover period and temporary differences are not likely to be covered shortly.

2.15. Leasing and leased assets, where the Group is a lessee

(a) Leasing

The use of long-term tangible assets, where the Group basically accepts all risks and benefits in relation to proprietary rights, is called leasing. In the beginning leasing is capitalised into the smaller of the two amounts, namely, either the fair value of leased long-term tangible assets or the current value of evaluated minimal lease payments. The lease payment is divided into liabilities and financing costs in order to form a constant interest rate for the remaining lease liability balance. Accordingly, lease payments less future financing costs are reported under long-term payables, except when payments are to be performed in 12 months; this way they are reported under current liabilities. Long-term tangible assets acquired in terms of leasing are depreciated during their functional working period or during the leasing period, depending on which of the two is shorter.

Leasing and leased assets, where the Group is a lessee (continued)

(b) Leasing

Leased assets where a lessee preserves a significant part of risk and leased asset benefit, are called leasing. In the income statement lease payments (less any of the lessee's received allowances) are acknowledged as expenses in proportion to the entire leasing period.

2.16. Payments to employees

Social insurance payments

For its employees the Group pays social income payments to the State Social Insurance Fund (henceforth – the fund), following a determined payment plan and in accordance to local legal act requirements. The determined payment plan is a plan, according to which the Group makes constant payments to the fund. In case the fund does not have enough property to provide all employees with payment related to their service in the actual or passed period, the Group has no more legal or constructive obligation to continue constant payments. Social insurance payments are considered to be expenses, following accumulation principle. They are reported under salary expenses.

Leave payouts

Leave payouts are paid to employees when they terminate their work relations with the employer before the usual pension leave or when an employee voluntarily takes a decision to leave work in exchange to such payments. The Group agrees to pay leave payouts when it is clearly obliged to terminate its work relations with actual employees, following detailed work relation termination conditions and without any possibility of refuse, or it is obliged to pay them in exchange for a voluntary leave from work. In case leave payouts are paid later than in 12 month period from the balance sheet date, they have to be discounted up to their current value.

Bonus scheme

The Group admit bonus obligation and expenses whereafter it is obliged according to contract or it has made a constructive obligation according to historical practice.

2.17. Income acknowledgement

Income from sale consists of the fair value of proceeds received or receivable for the goods sold and services provided during the Group's operating activities. It is received by subtracting the added value tax, returned goods and price allowances, and by removing the sales inside the Group. The income from production sale is counted only after the purchaser overtakes all the significant risks and benefits related to proprietary rights.

Interest income is acknowledged in proportion using the method of effective interest rate. When the amount of receivable sum is reduced the Group reduces its carrying amount accordingly up to the recoverable amount, consisting of evaluated future cash flows, discounted following the primary interest rate, and subsequently it counts the discount as the interest income. For decreased value loans the income interests are counted using effective primary interest rate.

2.18. Dividends paid

In the Group's financial report payment of dividends to the company's shareholders becomes obligatory only after it is confirmed by the company's shareholders.

2.19. Income per share

The general income per share is counted by dividing the shareholders' net profit by the weighted average of ordinary registered shares launched. The ordinary registered shares bought by the Group are not included since they are valued as treasury shares.

2.20. Information on segments

The Group's only business segment is production of cheese and dairy products; therefore, information on the main segment is not provided. In geographic segments goods or services are provided in special economic environment, where risk and profit differ from other component parts acting in another economic environment.

2.21. Government grants and subsidies

Governmental subsidies are counted at their fair value when there is enough evidence confirming that subsidies are to be received and the Group is in conformity with the conditions raised.

Export subsidies, paid by the Government for every ton of goods in conformity with requirements, are registered under income from sales.

In the balance sheet the government subsidies granted to finance the purchase of long-term tangible assets are reported under long-term future income. They are acknowledged as income using the straight-line method during the relative long-term tangible asset functional working period.

2.22. Putting off

Putting offs to cover restructure expenses and law suits are acknowledged when: 1) the Group has actual legal or constructive obligations related to past events, 2) it is more likely than unlikely that resources will be necessary to implement the obligation; 3) the amount of obligations maybe credibly evaluated. Putting offs are not acknowledged for future operating activity losses.

Putting offs are evaluated as the actual value of expected obligatory expenses, applying the pre-tax tariff which reflects actual market considerations concerning cash time value and appropriate obligation risks. Putting off increase due to period changes is acknowledged as interest costs.

3. Financial risk management

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 euro. The exchange rate of the euro and the litas is fixed by the Lithuanian National Bank.

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.

Fair value determination

The nominal value of receivables less the value decrease together with the nominal value of payables correspond to their fair values. To make financial statement objectives more clear, the fair value of financial obligations is determined by discounting future contractual cash flows using actual market interest rate, applied by the Group for similar financial means.

4. Significant accounting evaluations and decisions

Evaluation of the functional working periods of long-term tangible assets

The Group has old buildings and equipment whose functional working periods have been evaluated according to planned product life cycles. However, economic functional working periods may differ from actual evaluations due to technical innovations or competitor actions.

5. Information on segments

Primary segment – business segments

The Group's main business segment is production of cheese and dairy products.

Secondary segment – geographic segments

All the Group's assets are in Lithuania. Analysis of the Group's income from sales according to markets is as follows:

Sales

	2006 06 30	2005 06 30
Lithuania	98,954	88,731
European Union countries	82,471	85,781
Commonwealth of Independent States	54,343	32,012
Other (including the United States and Japan)	2,587	3,519
	238,355	210,043

Income from sales attributed to geographic segments according to the customer's location.

Income analysis according to groups

	2006 06 30	2005 06 30
Product Sales	227,172	202,098
Export subsidies	10,277	7,355
Provided services	906	590
	238,355	210,043

Following the European Commission's Regulation "Concerning covering export costs of milk and dairy products", starting from 1st May 2004 the company has the right to receive subsidies for the cheese exported to the countries determined by the latter Regulation. Export subsidies are paid for every ton of exported production which is in conformity with the Regulation requirements. Payable export subsidies are reported under trade and other payables.

6. Long-term tangible assets

In the income statement the depreciation charge of long-term tangible assets is reported in the following entries: selling and marketing expenses, general and administrative expenses and cost of sales, as well as in production in progress and ready production entries.

Software and intangible asset depreciation charge are accounted in the entry of general and administrative expenses.

7. Other receivables

	2006 06 30	2005 06 30
Long-term loans granted to farmers	10,863	12,563
Long-term loans granted to employees	1,041	971
Other	31	15
	11,935	13,549

The repayment terms of loans granted to farmers vary from 1 to 15 years, whereas the annual interest rate varies from 1 to 10 per cent. The weighted interest rate is 8,35 per cent.

The repayment terms of loans granted to employees vary from 5 to 25 years, whereas the interest rate for them is not calculated. The weighted interest rate is 10,32 per cent.

The company's managing bodies believe that the balance sheet values of long-term receivables are their fair values.

Inventories

	2006 06 30	2005 06 30
Raw material	10,367	9,613
Production in progress	14,030	14,672
Ready production	36,777	22,337
	<hr/>	<hr/>
	61,174	46,622
	<hr/>	<hr/>

9. Selling and Other Receivables

	2006 06 30	2005 06 30
Selling receivables	47,898	46,815
Receivable export subsidies (Note 5)	17,155	5,936
Other receivables	17,948	42,273
Advance payments and future period expenses	3,769	598
	<hr/>	<hr/>
	86,770	95,622
	<hr/>	<hr/>

10. Cash and cash equivalents

	2006 06 30	2005 06 30
Bank and cash-register money	806	1,263
	<hr/>	<hr/>
	806	1,263
	<hr/>	<hr/>

11. Share capital

On 31st December 2005 the share capital consisted of 4 746 270 (four million seven hundred forty six thousand two hundred seventy) ordinary registered shares. Nominal value of shares was 10 (ten) litas per share. During the first quarter of 2006 the share capital did not undergo any changes.

12. Borrowings

	2006 06 30	2005 06 30
Current		
Short-term bank borrowings	46,559	48,728
Current portion of long-term bank borrowings	2,997	3,593
Finance lease liabilities	-	164
	<hr/>	<hr/>
	49,556	52,485

Non-current		
Long-term bank borrowings	3,204	9,458
	<hr/>	<hr/>
	3,204	9,458
Total borrowings	<hr/>	<hr/>
	52,760	61,943

15. Information on audit

The first half year 2006 audit of AB "Rokiškio sūris" has not been made. The audit according to the International Accounting Standards shall be made for the year 2006.

IV. MATERIAL EVENTS IN THE ISSUER'S ACTIVITIES

16. Material events in the issuer's activities

In order to make the production of fresh dairy products even more effective, the 6th March 2006 Board meeting of AB „Rokiškio sūris“ resolved to separate the export orientated cheese production business from fresh dairy products business which is directed to the local market and consequently a daughter enterprise should be established.

In the course of implementation of the Board decision to separate cheese business from fresh dairy products, on 21st April 2006 the daughter company UAB „Rokiškio pienas“ was registered in the Juridical bodies register.

As a result of termination of AB „Rokiškio sūris“ subsidiary Eišiškių pieninė, on 5th April 2006 the subsidiary was registered out of the Juridical bodies register of the Republic of Lithuania.

On 28th April 2006 it was summoned the General meeting of shareholders.

The 28th April 2006 General meeting of shareholders of AB „Rokiškio sūris“ resolved:

1. Confirm the report on the Company's performance in the financial year 2005
2. Confirm the Audit report.
3. Confirm the financial accounting for the year 2005.
4. Confirm the Profit (loss) distribution.

As for dividends it shall be allocated from distributable profit LTL 10 276 thou (EUR 2 976 thou). It makes LTL 2.36 (EUR 0.684) per ordinary registered share LTL 10 per value of JSC Rokiskio suris.

5. Give permission to the Board of Directors to invest, transfer, rent, and pledge the Company's fixed assets whose balance value makes over 1/20 of the Company's Authorised Capital.
6. Appoint UAB “PriceWaterhouseCoopers“ as an Auditor of JSC Rokiskio suris.

The Board of Directors shall establish the fee for the auditor's work. The Company's Chief Executive Officer shall sign a contract with the auditor.

7. Recall the Board of Directors.
8. Elect the following members on the Board of Directors: Nerijus Dagilis, Andrius Trumpa, Dalius Trumpa, Antanas Kavaliauskas and Ramunas Vanagas.

The 28th April 2006 Board meeting of AB „Rokiškio sūris“ elected Nerijus Dagilis as the Board Chairman.

On 21st June 2006, a notification of the Board Chairman Nerijus Dagilis received regarding resignation from the Board of Directors of AB „Rokiškio sūris“ as a member and chairman commencing from 5th July 2006.

The 4th July 2006 Board meeting of AB „Rokiškio sūris“ elected Dalius Trumpa as the Board Chairman.

As at June 2006, sales of AB „Rokiškio sūris“ group made LTL 45,705 million (EUR 13,237 million).

Consolidated non-audited profit before tax for the first half year 2006 – LTL 4,696 million (EUR 1,360 million), sales of the first half year made LTL 238,687 million (EUR 69,128 million).

Following the order determined in the company's regulations and according to the Law on Securities Market of the Republic of Lithuania, AB "Rokiškio sūris" informed the Security Commission of the Republic of Lithuania, Vilnius Bourse and the media - daily newspapers "Lietuvos rytas" and "Verslo žinios" on all significant developments.

17. Judicial and third lawcourt (arbitrage) procedures

During the accounting period there have not been any judicial and third lawcourt (arbitrage) procedures.