

**JOINT STOCK COMPANY
“ROKIŠKIO SŪRIS”**



**THIRD QUARTER REPORT FOR
THE YEAR 2006**

ROKIŠKIS, OCTOBER 2006

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I. GENERAL INFORMATION

1. Reporting term of the prepared report

The report is prepared for the third quarter of the year 2006.

2. Main data of the issuer:

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

Juridical organisational form – 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. It was registered on 28th February 1992 at the Directorate of Rokiskis region. Reregistered 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 where and when to find the report and documents according to which the report was prepared (financial accounts, audit conclusion and so on), 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 15pm. or visiting the company's website www.rokiskio.com. The name of organ of public opinion – daily "Lietuvos rytas".

4. People responsible for the information provided:

4.1.

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

Tel: +370 458 55200 , Fax +370 458 55300

Antanas Kavaliauskas – Chief Financial Officer of AB "Rokiškio sūris", Member of the Board of Directors.

Tel.:+370 5 2102717 , Fax +370 5 2102718

4.2.

Consultant services were not necessary.

5. Approval of members of the issuer's managing bodies responsible for report preparation, as well as approval of employees and the company manager.

The Board of joint stock company "Rokiškio sūris", the company manager and chief financial officer approve that the information provided by the third Quarter report for the year 2006 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

Antanas Kavaliauskas

27th October 2006

Report prepared by AB "Rokiškio sūris"

II. INFORMATION ON THE BIGGEST SHAREHOLDERS AND MEMBERS OF THE MANAGING BODIES

6. Shareholders.

As on 30st September 2006 the total number of shareholders was 5 264.

The biggest shareholders (shareholders having or owing over 5 per cent of the issuer's authorised capital):

| First name, last name Company name | Address | Proprietary rights | | | With associated persons | |
|--|---|--------------------|----------------|--------------|-------------------------|-------------|
| | | Shares | Capital share% | Vote share % | Capital share % | Vote share% |
| UAB "Pieno pramonės investicijų valdymas" | Pramonės str. 3, Rokiškis | 989.890 | 20,85 | 23,17 | 47,95 | 53,28 |
| Antanas Trumpa | Sodų 41a, Rokiškis | 1.096.837 | 23,11 | 25,68 | 47,95 | 53,28 |
| Hansabank clients | Liivalaia 8, Tallinn 15040 Estonia | 627.607 | 13,22 | 14,69 | - | - |
| Skandinaviska Enskilda Banken AB clients | Sergels Torg 2, 10640 Stockholm, Sweden | 445.427 | 9,38 | 10,43 | - | - |
| AB "Rokiškio sūris" | Pramonės str.3, Rokiškis | 474.617 | 10,00 | - | - | - |

7. Members of the Managing Bodies

AB "Rokiškio sūris" managing bodies are the general meeting of shareholders, the Board of Directors and the Chief Executive Officer.

7.1. Managing Bodies

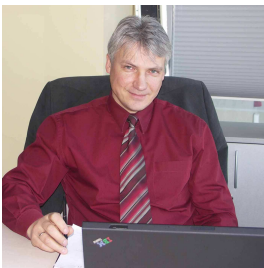
7.1. Board of Directors



Dalius Trumpa - Chairman of the Board of Directors, having 1,60% of AB “Rokiškio sūris“ authorised capital and 1,78% of 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 0,35% votes.



Antanas Trumpa - Chief Executive Officer of AB „Rokiškio sūris“, holding 23,11 % in the authorised capital of AB “Rokiškio sūris“ and 25,68 % votes.

7.2. Participation data in the activities of other companies, enterprises and organisations with more than 5 per cent of other enterprise capital and vote share

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.

Chief Financial Director:

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

III. FINANCIAL STATE

8. Consolidated Balance Sheet

**AB "ROKIŠKIO SŪRIS"
CONSOLIDATED FINANCIAL ACCOUNT**

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

| | 30st September 2005 | 31st December 2005 | 30st September 2006 |
|--|---------------------|--------------------|---------------------|
| PROPERTY | | | |
| Non-current assets | | | |
| Long-term tangible assets | 131,527 | 128,901 | 128,097 |
| Intangible assets (with prestige) | 466 | 1,135 | 656 |
| Other receivables in a year | 10,350 | 13,277 | 10,801 |
| | 142,343 | 143,313 | 139,554 |
| Current assets | | | |
| Inventories | 71,128 | 71,115 | 83,262 |
| Receivables and advance payments | 86,055 | 81,840 | 88,868 |
| Short-term investments | 1,700 | - | - |
| Cash and cash equivalents | 661 | 3,184 | 551 |
| | 159,544 | 156,139 | 172,681 |
| Total assets | 301,887 | 299,452 | 312,235 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Ordinary shares | 47,462 | 47,462 | 47,462 |
| Share premium | 41,474 | 41,473 | 41,473 |
| Reserve for acquisition of treasury shares | 10,000 | 10,000 | 10,000 |
| Treasury shares | (16,224) | (16,224) | (20,352) |
| Other reserves | 69,805 | 69,805 | 69,805 |
| Retained earnings | 35,213 | 41,900 | 41,674 |
| | 187,730 | 194,416 | 190,062 |
| Minority interests | 1,468 | - | - |
| | 1,468 | - | - |
| Non-current liabilities | | | |
| Non-current liabilities | 9,206 | 4,253 | 4,253 |
| Deferred income | 9,218 | 8,730 | 7,554 |
| | 18,424 | 12,983 | 11,807 |
| Current liabilities | | | |
| Trade and other payables | 45,365 | 41,352 | 45,017 |
| Borrowings | 48,900 | 50,701 | 45,349 |
| | 94,265 | 92,053 | 110,366 |
| Total equity and liabilities | 301,887 | 299,452 | 312,235 |

9. Consolidated Income Statement

**AB "ROKIŠKIO SŪRIS"
CONSOLIDATED FINANCIAL ACCOUNT
31ST MARCH 2006**

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

| | 9 Month period ended 30th September | 9 Month period ended 30th September |
|--------------------------------|---|---|
| | 2005 | 2006 |
| Sales | 332,357 | 377,586 |
| Cost of sales | (280,156) | (330,024) |
| Gross profit | 52,201 | 47,562 |
| Selling and marketing expenses | (32,439) | (33,068) |
| Operating profit | 19,762 | 14,494 |
| Finance costs | (1,669) | (1,644) |
| Profit before tax | 18,093 | 12,850 |
| Income tax | (2,951) | (2,797) |
| Operating activity income | 15,142 | 10,053 |
| Minority interests | | |
| Net profit | 15,142 | 10,053 |

Consolidated Cash Flow Statement (thousand LTL)

| | 9 Month period ended 30th September | |
|---|---|-----------------|
| | 2005 | 2006 |
| Operating activities | | |
| Profit before tax and minority interest | 15,142 | 10,053 |
| <i>Corrections:</i> | | |
| ◆ depreciation | 14,864 | 15,050 |
| ◆ depreciation (negative prestige not included) | 418 | 574 |
| ◆ written off long-term tangible assets | 116 | 1,867 |
| ◆ loss in long-term tangible asset sales | 951 | 12 |
| ◆ loss in investment sales | 202 | - |
| ◆ profit in fair investment value change | - | - |
| ◆ interest expenses | 1,239 | 1,636 |
| ◆ interest income | (208) | (218) |
| ◆ prestige change | (92) | - |
| ◆ putting off for receivables and written off bad debts | - | - |
| ◆ putting off for inventories and written off inventories | - | - |
| ◆ premium accumulation | 1,584 | 1,000 |
| ◆ vacation reserve accumulation | | |
| ◆ net unrealized currency exchange profit | (138) | (209) |
| ◆ income in fair value change of derivative financial means | - | - |
| ◆ export subsidies received | (10,519) | (13,272) |
| ◆ depreciation of long-term tangible asset support | (1,471) | (1,475) |
| <i>Circulating capital changes:</i> | | |
| - inventories | (16,598) | (12,147) |
| - payables | 8,226 | 3,666 |
| - receivables and advance payments | (11,767) | 7,786 |
| Cash flows generated from operating activities | 1,949 | 14,323 |
| Interest paid | (1,239) | (1,636) |
| Income tax paid | (2,916) | (5,505) |
| Cash flows from operating activities | (2,206) | 7,182 |
| Investing activities | | |
| Purchase of long-term tangible assets | (9,245) | (12,405) |
| Purchase of intangible assets | (27) | - |
| Purchase of investments | - | - |
| Loans granted to farmers and employees | (3,429) | (487) |
| Proceeds from long-term tangible asset sales | 1,891 | 212 |
| Repayments of loans granted to farmers and employees | 3,926 | 2,066 |
| Interest received | 208 | 218 |
| Subsidies for long-term tangible assets | - | - |
| Net cash flows from investing activities | (6,676) | (10,396) |
| Financing activities | | |
| Acquisition of treasury shares | - | (4,128) |
| Finance lease principal payments | (225) | (157) |
| Loans granted | 406,375 | 241,701 |
| Loan repayments received | (386,132) | (226,793) |
| Dividends paid | (21,771) | (10,042) |
| Proceeds from sale of property, plant and equipment | 6,984 | - |
| Net cash flows from financing activities | 5,231 | 581 |
| Net increase in cash and cash equivalents | (3,651) | (2,633) |
| Cash and cash equivalents at the beginning of the period | 4,312 | 3,184 |
| Cash and cash equivalents at the end of the period | 661 | 551 |

Consolidated Own Capital Change Statement (thousand LTL)

| | Attributed to Company Owners | | | | | | | Total | Minority interest | Total |
|---|------------------------------|---------------|--|-----------------|----------------|-------------------|----------------|-------|-------------------|-------|
| | Share capital | Share premium | Reserve for acquisition of treasury shares | Treasury shares | Other reserves | Retained earnings | | | | |
| 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 | - | - | - | (4 128) | - | - | (4 128) | - | (4 128) | |
| Dividends paid for year 2005 | - | - | - | - | - | (10 279) | (10 279) | - | (10 279) | |
| Net profit | - | - | - | - | - | 10 053 | 10 053 | - | 10 053 | |
| Net book amount at 30th September, 2006 | 47 462 | 41 473 | 10 000 | (20 352) | 69 805 | 41 674 | 190 062 | - | 190 062 | |

10. Commentary on the Report

General information

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 of its subsidiary companies. They are: Utenos pienas and Ukmerges pienine. All subsidiaries are situated in Lithuania.

The Group's main performance is production of fermented cheese and other dairy products. On 30th September 2006 there were 1 826 employees working in the Group (compared to 1 907 employees as on 30th September 2005).

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.

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.

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).

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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 09 30 | 2005 09 30 |
| Lithuania | | |
| European Union countries | 140,579 | 124,977 |
| Commonwealth of Independent States | 149,425 | 156,272 |
| Other (including the United States and Japan) | 83,977 | 46,547 |
| | 3,605 | 4,561 |
| | 377,586 | 332,357 |

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

Income analysis according to groups

| | 2006 09 30 | 2005 09 30 |
|------------------|------------|------------|
| Product Sales | 359,214 | 320,718 |
| Export subsidies | 16,894 | 10,186 |

| | | |
|-------------------|---------|---------|
| Provided services | 1,478 | 1,453 |
| | 377,586 | 332,357 |

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.

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.

Other receivables

| | 2006 09 30 | 2005 09 30 |
|--------------------------------------|-------------------|-------------------|
| Long-term loans granted to farmers | 9,729 | 9,592 |
| Long-term loans granted to employees | 1,041 | 743 |
| Other | 31 | 15 |
| | 10,801 | 10,350 |

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 09 30 | 2005 09 30 |
|------------------------|-------------------|-------------------|
| Raw material | 10,894 | 9,013 |
| Production in progress | 13,911 | 15,344 |
| Ready production | 58,457 | 46,771 |
| | 83,262 | 71,128 |

Selling and Other Receivables

| | 2006 09 30 | 2005 09 30 |
|--------------------------------------|-------------------|-------------------|
| Selling receivables | 53,400 | 54,701 |
| Receivable export subsidies (Note 5) | 11,029 | 8,490 |
| Other receivables | 20,206 | 22,167 |

| | | |
|---|-------------------|-------------------|
| Advance payments and future period expenses | 4,233 | 697 |
| | 88,868 | 86,055 |
| Cash and cash equivalents | | |
| | 2006 09 30 | 2005 09 30 |
| Bank and cash-register money | 551 | 661 |
| | 551 | 661 |

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.

Borrowings

| | 2006 09 30 | 2005 09 30 |
|--|-------------------|-------------------|
| Current | | |
| Short-term bank borrowings | 64,755 | 46,697 |
| Current portion of long-term bank borrowings | 593 | 1,863 |
| Finance lease liabilities | - | 340 |
| | 65,349 | 48,900 |
| Non-current | | |
| Long-term bank borrowings | 4,253 | 9,206 |
| | 4,253 | 9,206 |
| Total borrowings | 69,602 | 58,106 |

IV. SIGNIFICANT DEVELOPMENTS IN THE ISSUER’S PERFORMANCE

11. Significant developments in the Issuer’s performance

Election of the Board Chairman of AB „Rokiškio sūris“:

Upon resignation of the Board Chairman of AB „Rokiškio sūris“ Nerijus Dagilis, Dalius Trumpa is appointed as the new Board Chairman as from 5th July 2006.

Regarding purchase of own shares:

Pursuing the resolution of general meeting of shareholders the Board of Directors of AB „Rokiškio sūris“ resolved to announce a voluntary tender to buy back the company’s shares and pay LTL 50 per share of AB „Rokiškio sūris“.

REPORT ON THE IMPLEMENTATION OF VOLUNTARY NON-COMPETITIVE TENDER

Name, surname or company name, company code, address, telephone numbers of tender provider – AB „Rokiškio sūris”, company code 173057512, registered residence Pramonės str. 3, Rokiškis, Telephone 8 458 55200, fax 8 458 55300.

Name, address, telephone and fax numbers of the company to whose shares the tender is supplied– AB „Rokiškio sūris”, company code 173057512, registered residence Pramonės str. 3, Rokiškis, Telephone 8 458 55200, fax 8 458 55300.

Date and number of the Securities Commission’s Resolution to approve the tender’s circular and to change its conditions – 3rd August 2006. No. 3R-456 (AB-7).

Opening and closing dates of the tender – 10th August 2006 – 8th September 2006.

Type, class, ISIN code, nominal value of the securities to be tendered – ordinary registered shares of AB „Rokiškio sūris“ with LTL 10 (ten) par value per share. ISIN code LT 0000100372.

Share (units) and number of votes (%) of the securities to be tendered in the authorized capital of the company – 82 750 shares. Share in the authorized capital – 1,74%. The shares without voting right.

Number of the treasury shares to be tendered according to ISIN codes, their share in the authorized capital of the company and number of votes (%) – 82 750 ordinary registered shares of AB „Rokiškio sūris“. ISIN code LT 0000100372. Share in the authorized capital – 1,74%. The shares without voting right.

Number of the securities purchased by the company whose shares are subject to the tender for which it has been paid de facto– 82 750 shares.

Increase of block of treasury shares:

Upon implementation of the tender, AB „Rokiškio sūris“ increased the number of purchased own shares up to 10 per cent. AB „Rokiškio sūris“ has purchased 474 617 ordinary registered shares.

Preliminary sales of the group of AB „Rokiškio sūris“ within 8 months of the year 2006:

Preliminary sales of the group of AB „Rokiškio sūris“ within 8 months of the year 2006 made LTL 327, 811 million (EUR 94, 941 million), i.e. more by 16,2 per cent compared to the same period last year.

In August 2006, the sales of AB „Rokiškio sūris“ group made LTL 47,652 million (EUR 13,801 million). Compared to the same period last year the income on sales increased by 15,7 per cent. Export sales in August 2006 made LTL 33,975 million (EUR 9,840 million), whilst sales in Lithuania made LTL 13,677 million (EUR 3,961 million). Income on sales matches the ones to be planned.

Preliminary sales of AB „Rokiškio sūris“ group within 9 months of the year 2006:

Preliminary sales of AB „Rokiškio sūris“ group within 9 months of the year 2006 made LTL 377,314 million (EUR 109, 278 million) i.e. more by 13,5 per cent compared to the same period

last year.

In September 2006 the sales of AB „Rokiškio sūris“ group made LTL 49,241 million (EUR 14,261 million). Compared to the same period last year the income on sales increased by 8,9 per cent.

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.