JOINT STOCK COMPANY
“ROKIŠKIO SŪRIS”

FIRST QUARTER REPORT FOR THE YEAR 2006

ROKIŠKIS, APRIL 2006

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I. GENERAL INFORMATION

1. Reporting term of the prepared report

The report is prepared for the first 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 "Registrų 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 Direcotrs.
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 First 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 April 2006

Report prepared by AB "Rokiškio sūris"

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

6. Shareholders.

As on 31st March 2006 the total number of shareholders was 5 242.

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	989.700	20,85	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	647.253	13,64	14,86	-	-
Skandinaviska Enskilda Banken AB clients	Sergels Torg 2, 10640 Stockholm, Sweden	511.977	10,79	11,76	-	-

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

Nerijus Dagilis - chairman of the Board of Directors, no AB "Rokiškio sūris" shares in possession.

Dalius Trumpa – vice chairman of the Board of Directors, having 1,60% of AB "Rokiškio sūris" authorised capital and 1,74% of votes.

Antanas Kavaliauskas – member of the Board of Directors, no AB "Rokiškio sūris" shares in possession.

Linas Strėlis – member of the Board of Directors, no AB “Rokiškio sūris“ shares in possession.

Andrius Trumpa– member of the Board of Directors, having 0,32% of AB “Rokiškio sūris“ authorised capital and 0,34% of votes.

Antanas Trumpa - the company manager (Chief Executive Officer), having 23,11% of AB “Rokiškio sūris“ authorised capital and 25,19 % of votes.

Antanas Kavaliauskas – Chief Financial Officer, no AB “Rokiškio sūris“ shares in possession.

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

Nerijus Dagilis - member of UAB ”Hermis Capital” Board of Directors of, having 17,52% of UAB ”Hermis Capital” shares;
shareholder of UAB ”Baltijos polistirenas”, having 40% of UAB ”Baltijos polistirenas” shares;
shareholder of UAB ”Ežerų pasaulis”, having 25% of UAB ”Ežerų pasaulis” shares;
chief executive director of UAB ”Hermis fondų valdymas”;
chief executive director of UAB ”Survesta”;
member of the Board of Directors of AB “Kelmės pieninė”;
member of the Board of Directors of AB ”Snaigė”;
shareholder of UAB “Gulbinų turizmas“, having 20% of shares;
member of the Board of Directors of KITRON ASA.

Dalius Trumpa – shareholder of UAB ”Pieno pramonės investicijų valdymas”, having 3,91% of UAB ”Pieno pramonės investicijų valdymas” shares.

Antanas Kavaliauskas – chief financial officer of AB ”Rokiškio sūris“. Shareholder of UAB ”Pieno pramonės investicijų valdymas”, having 3,91% of UAB ”Pieno pramonės investicijų valdymas” shares.

Linas Strėlis – chairman of the Board of Directors of AB ”Kelmės pieninė”, having 10,97% of AB ”Kelmės pieninė” shares;
shareholder of UAB ”Hermis Capital”, having 13,02% of UAB ”Hermis Capital” shares;
chief executive director advisor of UAB ”Gintarinis amžius”, having 25% of UAB ”Gintarinis amžius” shares;
chief executive officer of UAB ”Biglis”, having 100% of UAB ”Biglis” shares;

shareholder of UAB "Somera" – 50% of shares,
stakeholder of ŽŪK „Džiaugsmelis", having 80 % of shares.

Andrius Trumpa – not participating in the company's activities and capital.

Antanas Trumpa – shareholder of UAB "Pieno pramonės investicijų valdymas", having 74,86% of UAB "Pieno pramonės investicijų valdymas" shares.

Chief Financial Director:
Antanas Kavaliauskas – shareholder of UAB "Pieno pramonės investicijų valdymas", having 3,91 % of UAB" Pieno pramonės investicijų valdymas" shares.

III. FINANCIAL STATE

8. Consolidated Balance Sheet

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

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

	31st March 2005		31st December 2005		31st March 2006	
PROPERTY						
Non-current assets						
Long-term tangible assets	138,513		128,901		125,647	
Intangible assets (with prestige)	584		1,135		973	
Other receivables in a year	14,364		13,277		12,405	
		153,461		143,313		139,025
Current assets						
Inventories	44,871		71,115		62,454	
Receivables and advance payments	67,447		81,840		80,766	
Short-term investments	428		-		-	
Cash and cash equivalents	1,978		3,184		4,712	
		114,724		156,139		147,932
Total assets		**268,185**		**299,452**		**286,957**
EQUITY AND LIABILITIES						
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	44,058		41,900		44,651	
		196,574		194,416		197,167
Minority interests	1,468		-		-	
		1,468				
Non-current liabilities						
Non-current liabilities	9,151		4,253		4,253	
Deferred income	10,199		8,730		8,239	
		19,350		12,983		12,492
Current liabilities						
Trade and other payables	30,875		41,352		30,312	
Borrowings	19,918		50,701		46,986	
		50,793		92,053		77,298
Total equity and liabilities		**268,185**		**299,452**		**286,957**

9. Consolidated Income Statement

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

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

	Year ended 31st March 2005	Year ended 31st March 2006
Sales	92,114	113,602
Cost of sales	(78,686)	(101,133)
Gross profit	13,428	12,469
Selling and marketing expenses	(9,518)	(9,221)
Operating profit	3,910	3,248
Finance costs	(1,305)	(11)
Profit before tax	2,605	3,237
Income tax	(391)	(486)
Operating activity income	2,214	2,751
Minority interests		
Net profit	**2,214**	**2,751**

Consolidated Cash Flow Statement (thousand LTL)

	Three-month period ended on 31st March	
Operating activities	**2005**	**2006**
Profit before tax and minority interest	2,605	3,237
Corrections:		
– depreciation	4,878	4,968
– depreciation (negative prestige not included)	140	193
– written off long-term tangible assets	957	267
– loss in long-term tangible asset sales	677	12
– loss in investment sales	230	-
– profit in fair investment value change	-	-
– interest expenses	325	502
– interest income	(74)	(76)
– prestige change	-	-
– putting off for receivables and written off bad debts	-	-
– putting off for inventories and written off inventories	-	-
– premium accumulation	-	-
– vacation reserve accumulation	-	-
– net unrealized currency exchange profit	(11)	(15)
– income in fair value change of derivative financial means	-	-
– export subsidies received	(1,822)	(216)
– depreciation of long-term tangible asset support	(491)	(491)
Circulating capital changes:		
- inventories	8,147	8,968
- payables	(4,593)	(11,342)
- receivables and advance payments	(2,351)	2,633
Cash flows generated from operating activities	8,617	8,640
Interest paid	(325)	(502)
Income tax paid	(974)	(1,842)
Cash flows from operating activities	7,318	6,296
Investing activities		
Purchase of long-term tangible assets	(4,033)	(1,471)
Purchase of intangible assets	-	-
Purchase of investments	-	-
Loans granted to farmers and employees	(2,615)	(118)
Proceeds from long-term tangible asset sales	570	14
Repayments of loans granted to farmers and employees	466	792
Interest received	74	76
Subsidies for long-term tangible assets	-	-
Net cash flows from investing activities	(5,538)	(707)
Financing activities		
Acquisition of treasury shares	-	-
Finance lease principal payments	(74)	(74)
Loans granted	73,566	75,730
Loan repayments received	(82,032)	(79,717)
Dividends paid	-	-
Proceeds from sale of property, plant and equipment	4,426	-
Net cash flows from financing activities	(4,114)	(4,061)
Net increase in cash and cash equivalents	(2,334)	1,528
Cash and cash equivalents at the beginning of the period	4,312	3,184
Cash and cash equivalents at the end of the period	1,978	4,712

Consolidated Own Capital Change Statement (thousand LTL)

	Attributed to Company Owners								
	Share capital	**Share premium**	**Reserve for acquisition of treasury shares**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Minority interest**	**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	-	-	-		-	-		-	
Divideds paid for year 2005	-	-	-	-	-	-	-	-	-
Net profit	-	-	-	-	-	2,751	2,751		2,751
Net book amount at 31 st March 2006	**47,462**	**41,473**	**10,000**	**(16,224)**	**69,805**	**44,651**	**197,167**	**-**	**197,167**

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 three of its subsidiary companies (in the year 2005 – three subsidiary companies and four daughter enterprises). The subsidiary companies and daughter enterprises, registered in the consolidated financial account, are as follows:

Filialai	Vykdantys veiklą kovo 31 d. 2006	2005
Ukmergės pieninė	Taip	Taip
Utenos pienas	Taip	Taip
Eišiškių pieninė	Taip	Taip

Dukterinės įmonės	Grupės dalis (%) kovo 31 d. 2006	2005
AB „Švenčionių pieninė"	-	90,60
AB „Varėnos pieninė"	-	49,94
AB „Ignalinos pieninė"	-	49,91
UAB „Kalora"	-	100,00

In the months of June, July and October 2005 the mother enterprise sold its daughter enterprises, namely AB "Ignalinos pieninė", AB "Varėnos pieninė" and UAB "Kalora", whereas in May 2005 it closed the daughter enterprise AB "Švenčionių pieninė".
All the above-mentioned daughter enterprises and subsidiary companies were established in Lithuania.
The Group's main performance is production of fermented cheese and other dairy products. On 31st March 2006 1 832 employees were working in the Group (compared to 1 971 employees as on 31st March 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 accordigly. 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	
	First quarter 2006	First quarter 2005
Lithuania	56,378	40,427
European Union countries	32,944	33,565
Commonwealth of Independent States	22,957	16,943
Other (including the United States and Japan)	1,323	1,179
	113,602	92,114

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

Income analysis according to groups

	First quarter 2006	First quarter 2005
Product Sales	108,788	87,255
Export subsidies	4,449	4,643
Provided services	365	216
	113,602	92,114

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 03 31	2005 03 31
Long-term loans granted to farmers	11,350	13,378
Long-term loans granted to employees	1,041	971
Other	15	15
	12,405	14,364

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

	31 03 2006	31 03 2005
Raw material	9,488	10,141
Production in progress	6,788	5,832
Ready production	46,178	28,898
	62,454	44,871

Selling and Other Receivables

	31 03 2006	31 03 2005
Selling receivables	49,354	40,736
Receivable export subsidies (Note 5)	11,642	11,288
Other receivables	15,436	14,222
Advance payments and future period expenses	4,334	1,201
	80,766	67,447

Cash and cash equivalents

	2006 03 31	2005 03 31
Bank and cash-register money	4,712	1,978
	4,712	1,978

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

	31 03 2006	31 03 2005
Current		
Short-term bank borrowings	43,227	14,302
Current portion of long-term bank borrowings	3,409	5,377
Finance lease liabilities	350	239
	46,986	19,918
Non-current		
Long-term bank borrowings	4, 253	9,151
	4, 253	9,151
Total borrowings	51,239	29,069

IV. SIGNIFICANT DEVELOPMENTS IN THE ISSUER'S PERFORMANCE

11. Significant developments in the Issuer's performance

1. On 1st February 2006 the company declared that the preliminary consolidated non-audited net profit for the year 2005 of AB "Rokiškio sūris" Group was 23,5 million LTL (6,81 million EUR). The preliminary consolidated revenue was 464,3 million LTL (134,47 million EUR).

2. On 6th March 2006 the company announced that it separated cheese production business oriented to export from fresh dairy product business oriented to the local market. This way AB "Rokiškio sūris" board of directors wished to achieve more effective fresh dairy production performance. A new daughter company – a limited joint stock company – was established to achieve this objective.

3. On 24th March 2006 the company's managing directors decided to call an ordinary general meeting of AB "Rokiškio sūris" shareholders. The following questions were discussed:

1. Confirmation of AB "Rokiškio sūris" performance report for the fiscal year 2005
2. The audit report
3. Confirmation of the company's financial report for the fiscal year 2005
4. Confirmation of the company's profit distribution for the year 2005
5. Concerning investing, transfer, lease or mortgage of the company's long-term assets, having the balance sheet value superior to 1/20 of the authorised capital.
6. Selection of the audit company and determination of its payment conditions.
7. Recall of the board of directors.
8. Election of the board of directors.

AB "Rokiškio sūris" Board of directors offered to pay dividends to shareholders.

4. On 7th April 2006, after AB "Rokiškio sūris" subsidiary enterprise "Eišiškių pieninė" has terminated its activity, the subsidiary company was signed out from the Legal Persons' Registry of the Republic of Lithuania.

5. On 13th April 2006 the company announced the decision projects of AB "Rokiškio sūris" general shareholders meeting as follows:

1. Confirmation of AB "Rokiškio sūris" performance statement for the fiscal year 2005.
2. Confirmation of the audit report.
3. Confirmation of the financial account for the year 2005.
4. Confirmation of the profit distribution.

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, lease or hypothecate AB "Rokiškio sūris" long-term assets with the balance value of more than 1/20 of the company's authorised 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 authorised to sign a contract with the audit company.

7. The Board was recalled

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

Following the regulations of the law on joint stock companies, other members of the board were to be suggested during the general meeting of shareholders.

6. On 24th April 2006, following the decision of the board of directors, the company declared that it separated fresh dairy production business from cheese production business; as a consequence, on 21st April 2006 a daughter company called UAB "Rokiškio pienas" was registered into the Registry of Legal Persons.

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.