ORION SECURITIES

BUY

Rokiškio Sūris

Ticker: VL.RSU1L

Target: LTL 72,90
Price: LTL 62,01

February 15th, 2007

Most attractive case in Vilnius Stock Exchange

Rokiškio Sūris

Sector:	**Consumer Staples**
Industry:	**Food Products**
Market cap.:	**265**
Recommendation:	**BUY**
Risk:	**MEDIUM**

LTLm	2006E	2007E	2008E
Revenues	518	594	627
EBITDA	49	56	58
EBIT	26	29	31
EPS (LTL)	4,44	5,30	5,89

Ratios	2006E	2007E	2008E
P/E	12,4	11,7	10,5
EV/NOPLAT	14,0	12,6	11,4
EV/EBITDA	6,1	5,3	5,2
EV/EBIT	11,4	10,3	9,7
P/B	1,2	1,2	1,1
P/Sales	0,5	0,4	0,4

All key figures adjusted for non-recurring items
Book value does not include goodwill

- Rokiškio Sūris has announced its preliminary Q4 sales of LTL 140,1 mill, which were in line with our estimate of LTL 139,6 mill. As expected, the company has delivered strong Q4 exports, especially to Russia.
- Reported net profit before adjustments landed at LTL 3,0 mill versus our estimate of LTL 3,4 mill. We expect some one-off costs to be announced in the full version of 2006 report, and thus the net profit after adjustments should be stronger compared to the current one.
- Rokiškio Sūris is guiding very solid 2007 turnover of LTL 610 mill on the back of continuous strong exports, as well as attractive current whey product pricing. However, we see the risk that whey pricing can strongly fluctuate in the foreseeable future, and thus keep our revenue estimates slightly below the company's guidance at LTL 594 mill for 2007.
- The company expects to deliver net margin of at least 4,2% in 2007, but we stick to a more conservative estimate of 4,0%. We take this as a realistic figure on the back of expected strong turnover growth, a slightly lower tax rate, as well as attractive whey product margins.
- According to the company, Rokiškio Sūris has an acquisition target of a dairy company in Latvia. The purpose of this acquisition is an access to Latvian raw milk market. Rokiškio Sūris does not disclose any further details regarding possible time and price of the acquisition. However, we think that the target company should not be large in size.
- Based on our estimates, the company is currently trading at a very attractive EV/EBITDA multiple of 5,3 for 2007. Rokiškio Sūris was historically valued at a median EV/EBITDA of 6,7, meanwhile its peer group is currently trading at a median EV/EBITDA of 6,0 for 2007. Bearing in mind that, currently, most peers in our universe are Hold candidates, we see a very strong upside in the share price of Rokiškio Sūris.
- We think that a dairy company like Rokiškio Sūris, experiencing solid exports, an attractive dividend yield of 4,3% and a strong balance sheet with possible acquisition targets in the foreign markets, is fairly valued at a EV/EBITDA multiple of 6,7 for 2007. This translates into an increase in the target price from LTL 59,00 to LTL 72,90 per share. This implies an upside of 18% from the current share price, turning into one of the most attractive cases in Vilnius Stock Exchange. We therefore reiterate our previous Buy recommendation.

Conclusion

Rokiškio Sūris has announced a strong preliminary Q4 top line. We think that a dairy company like Rokiškio Sūris, experiencing solid exports, an attractive dividend yield of 4,3% and a strong balance sheet with possible acquisition targets in the foreign markets, is fairly valued at the new target price of LTL 72,90 per share. This implies an upside of 18% from the current share price, turning into one of the most attractive cases in Vilnius Stock Exchange. We therefore reiterate our previous Buy recommendation.

Analyst

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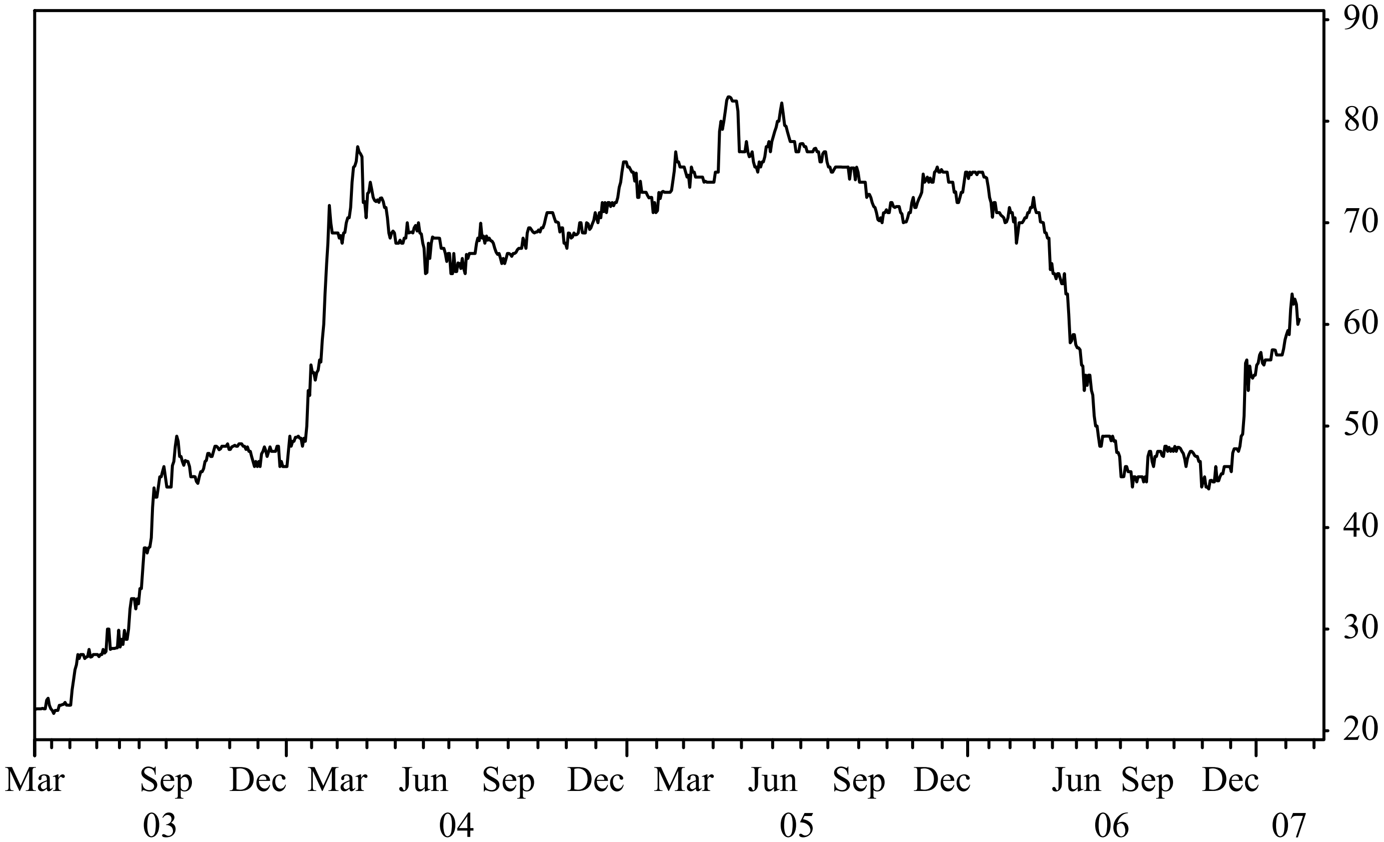
Please see disclosures at the end of this report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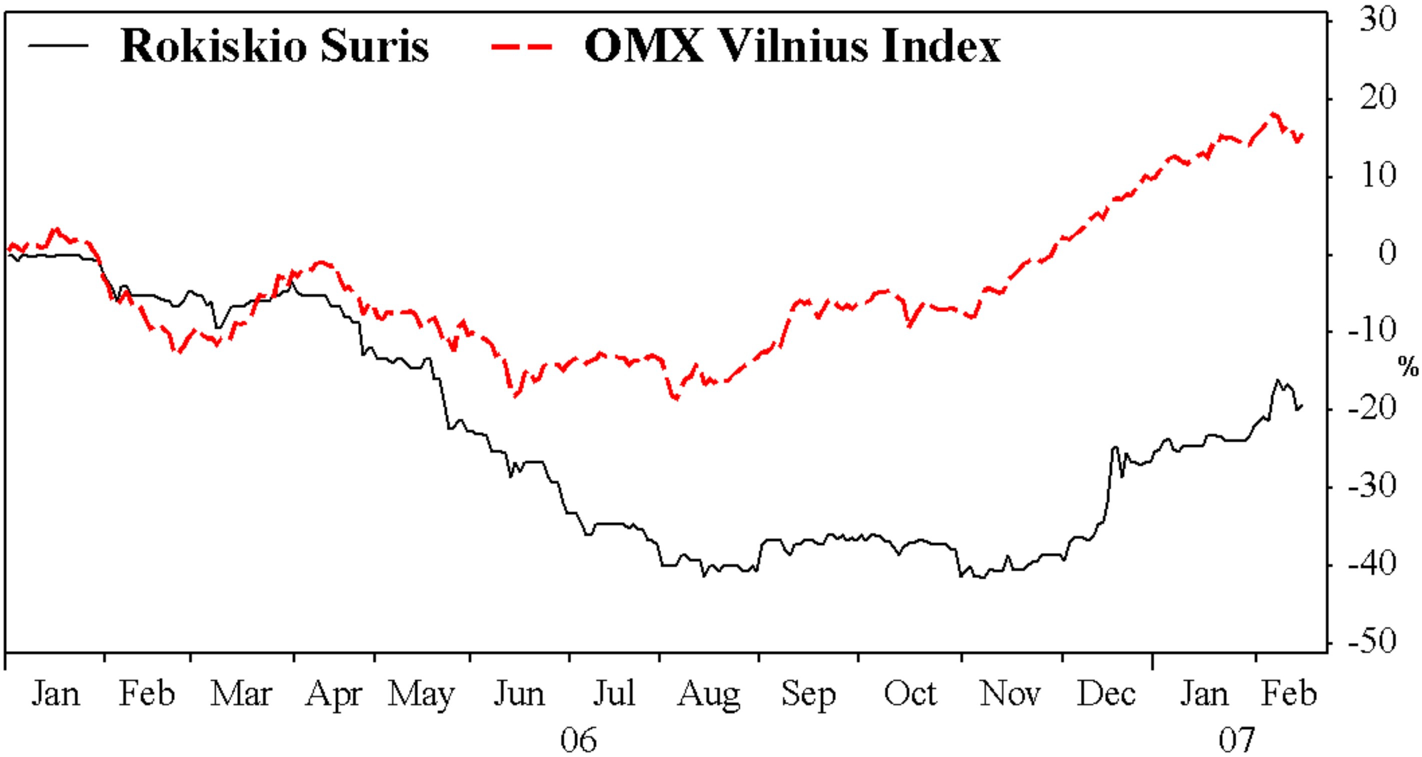
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Description of the company

Rokiškio Sūris is one of the largest dairy and most advanced cheese manufacturers both, in Lithuania and throughout the Baltic States.

Rokiškio Sūris comprises of Utena and Ukmergė dairies, as well as Rokiškis cheese making plant.

Rokiškio Sūris produces fermented cheeses and milk sugar (lactose), Utena branch produces fresh dairy products, butter and dry milk products, while Ukmergė dairy manufactures curd and curd cheeses.

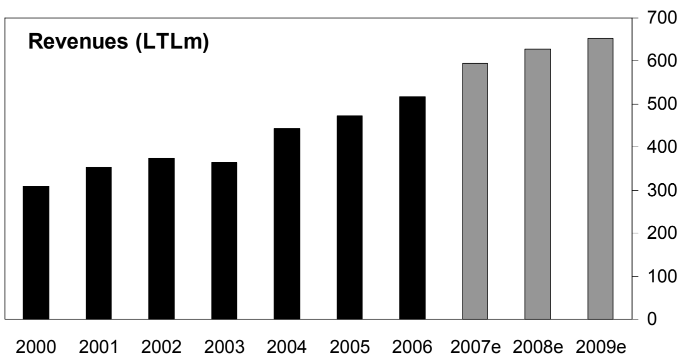
Rokiškio Sūris is established in 1964.

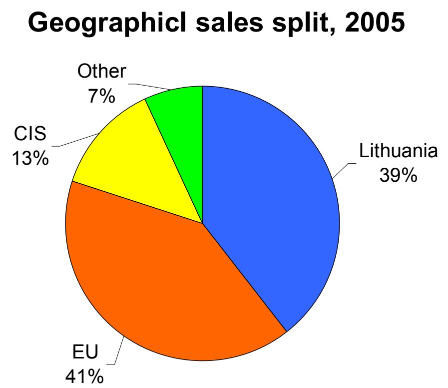
Company data

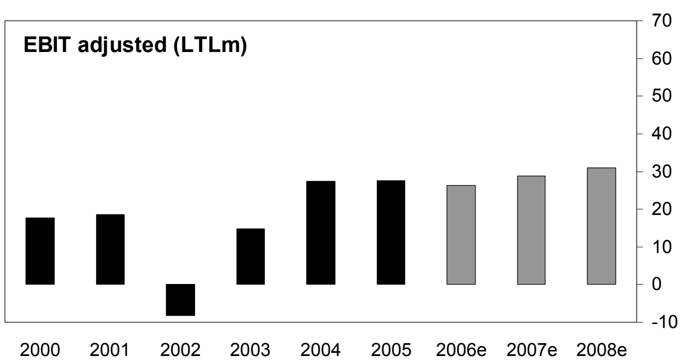
Chief Executive Officer:	Antanas Trumpa
Chief Financial Officer:	Antanas Kavaliauskas
Web:	www.rokiskio.com
Telephone:	+370 458 55200
Address	Pramonės st. 3, LT-42150, Rokiškis Lithuania
Listing:	Vilnius Stock Exchange
Number of shares:	4.746.270

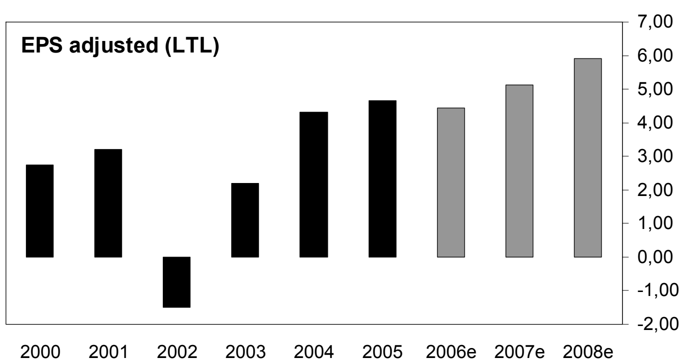
News flow

Date	Event
05.03.2007	February sales announcement
05.04.2007	March sales announcement
17.04.2007	2006 report
27.04.2007	Q1 report









TOP 5 INVESTORS		30.09.2006		30.06.2006		Change
No.	Investor	Ownership*	No. of shares	Ownership*	No. of shares	No. of shares
1.	Antanas Trumpa	23,11%	1.096.837	23,11%	1.096.837	0
2.	UAB Pieno pramonės investicijų valdymas	20,79%	986.890	20,86%	989.890	-3.000
3.	Hansabank clients	13,22%	627.607	13,55%	642.913	-15.306
4.	Rokiškio Sūris	10,00%	474.617	—	—	—
5.	Skandinaviska Enskilda Banken AB clients	9,38%	445.427	10,69%	507.302	-61.875

*Based on data from Company.

Rokiškio Sūris						VL.RSU
Price	LTL	62,01	Risk:	*Medium*	Last report	30.09.2006
Capitalisation	LTL	265	Investment potential:	*High*	Last update	15.02.2007

		1999	2000	2001	2002	2003	2004	2005	2006e	2007e	2008e	2009e
Sales	LTL	225	309	353	374	365	443	473	518	594	627	652
Gross profit	LTL	38	52	58	35	78	86	99	91	110	116	121
EBITDA	LTL	15	24	27	-4	24	37	53	49	56	58	60
EBIT adjusted	LTL	9	18	19	-8	15	27	28	26	29	31	33
Operating earnings (EBIT)	LTL	9	18	19	-8	15	27	28	19	29	31	33
Pretax profits (EBT)	LTL	9	17	18	-9	12	24	26	16	28	30	32
Net profit	LTL	10	15	17	-8	8	18	21	13	23	25	27
Net debt (cash)	LTL	7	-3	11	-2	69	31	45	63	33	36	23
Enterprise value	LTL	na	93	151	109	282	311	392	298	298	300	288
Book value of equity	LTL	164	180	188	182	197	196	200	193	216	241	268
Equity percentage		79%	88%	72%	63%	65%	70%	62%	58%	64%	66%	68%
Sales per share	LTL	na	66,78	76,42	80,93	78,93	95,76	102,34	121,19	139,06	146,85	152,72
Cash flow per share	LTL	na	4,72	5,66	-0,80	3,75	6,08	9,97	8,34	11,63	12,19	12,64
EPS	LTL	na	3,31	3,78	-1,80	1,70	3,95	4,50	3,04	5,30	5,89	6,35
EPS (adjusted)	**LTL**	**na**	**2,75**	**3,20**	**-1,50**	**2,19**	**4,32**	**4,66**	**4,44**	**5,30**	**5,89**	**6,35**
Dividends per share	LTL	na	0,45	0,00	0,00	4,46	5,00	2,36	2,34	2,58	2,81	3,04
Book value per share	LTL	na	38,87	40,72	39,30	42,56	42,30	43,24	45,19	50,49	56,38	62,72
Net debt (cash) per share	LTL	na	-0,67	2,31	-0,51	14,94	6,77	9,80	14,78	7,69	8,32	5,45
P/E		na	6,3	8,1	neg	27,0	15,3	16,7	18,1	11,7	10,5	9,8
P/E (adjusted)		**na**	**7,6**	**9,5**	**neg**	**21,0**	**14,0**	**16,1**	**12,4**	**11,7**	**10,5**	**9,8**
P/CF		na	4,4	5,4	neg	12,3	10,0	7,5	6,6	5,3	5,1	4,9
P/Sales		na	0,3	0,4	0,3	0,6	0,6	0,7	0,5	0,4	0,4	0,4
P/Book value		na	0,5	0,7	0,6	1,1	1,4	1,7	1,2	1,2	1,1	1,0
Dividend yield		na	2%	0%	0%	10%	8,3%	3,1%	4,3%	4,2%	4,5%	4,9%
EV/EBITDA*		na	3,9	5,5	neg	11,6	8,4	7,4	6,1	5,3	5,2	4,8
EV/EBIT*		na	5,3	8,1	neg	18,9	11,4	14,2	11,4	10,3	9,7	8,7
EV/NOPLAT*		**na**	**6,2**	**9,5**	**neg**	**22,3**	**13,4**	**16,7**	**14,0**	**12,6**	**11,4**	**10,2**
EV/Sales		na	0,3	0,4	0,3	0,8	0,7	0,8	0,6	0,5	0,5	0,4
Gross margin		17%	17%	16%	9%	21%	20%	21%	18%	19%	18%	18%
EBITDA* margin		7%	8%	8%	-1%	7%	8%	11%	9%	9%	9%	9%
EBIT* margin		4%	6%	5%	-2%	4%	6%	6%	5%	5%	5%	5%
Growth of Sales		-15%	37%	14%	6%	-3%	22%	7%	9%	15%	6%	4%
Growth of EBITDA*		-50%	65%	13%	nm	nm	53%	42%	-8%	14%	4%	4%
EPS* growth		na	nm	17%	nm	nm	98%	8%	-5%	19%	11%	8%

Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs
Book value does not include goodwill

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Recommendation history for VL.RSU1L

Date	Recommendation	Target price (LTL)
15.02.2006	BUY	72,90
14.11.2006	BUY	59,00
07.09.2006	BUY	71,40
10.05.2006	BUY	100,00
06.02.2006	HOLD	76,00

The table above shows current and previous recommendations given in company reports.

Planned updates

Orion Securities plans to update the recommendation on the company: 1) when new accounting figures are released, 2) if any material news on the company or industry are released, 3) other important instances.

Was the company report presented to the issuer?

The company report was not presented to the issuer before dissemination.

Price target methodology and risks

The price target is calculated by applying EV/EBITDA multiple of 6,7 for 2007. The main risk is increased raw milk price, as well as failure to materialize the strategy in CIS markets.

Critical assumptions

Critical assumptions in our model are margins. We also do not expect sharp rise in raw milk prices.

Information sources

Quarterly and annual report from the company, Reuters Ecowin, Agriculture and Food Market Information System.

Potential conflict of interest

Investors should assume that Orion Securities is seeking or will seek Corporate Finance or other business relationships with the company in this report. Responsible analyst has not provided investment banking services for the company during the last 12 months. Orion Securities is in an advisory relationship with the company. Complete lists of corporate clients and updated share positions are available at www.analyse.no/viktig.htm

Share positions in the Company:

Responsible analyst(s)	0
Employees	3
Orion Securities	0

Analysts never hold shares in companies they analyze. Positions of employees are based on lists gathered at the end of each week. Holdings as part of Orion Securities' investment services activity such as market making are not included.

Recommendation structure and risk classification

Orion Securities' recommendations are based on a six month time horizon and are based on absolute performance adjusted for risk. The table below shows our general guidelines for determining recommendations:

Risk	Buy	Hold	Sell
Low	>8%	3%-8%	<3%
Medium	>10%	5%-10%	<5%
High	>15%	8%-15%	<8%

The percentages are defined as upside to our price target. Our risk assessments range from high risk to medium risk and low risk and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in share, 3) strength of balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Recommendation distribution as of December 5

Børsblikk	Buy	Hold	Sell
Total	87	44	71
Per cent of total	43 %	22 %	35 %
Corporate clients	6	6	0
Per cent of total	50%	50%	0%

The recommendation distribution above is based on Orion-rating in Børsblikk. Orion-rating above +1 is defined as buy. Orion-rating below -1 is defined as sell and everything in between (-1, 0 and +1) as hold.

Recommendation distribution as of December 5

Company reports	Buy	Hold	Sell
Total	80	47	48
Per cent of total	46 %	27 %	27 %
Corporate clients	8	1	0
Per cent of total	89 %	11 %	0 %

The table above shows recommendation distribution for all company reports issued during the last three months.

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