

4<sup>th</sup> August, 2009 No.12-859

Vilnius

Lithuanian Securities Commission  
Konstitucijos ave. 23  
LT-08105 Vilnius  
LITHUANIA

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, President of DVARČIONIŲ KERAMIKA, AB Audris Imbrasas and Chief Financial Officer of DVARČIONIŲ KERAMIKA, AB Vanda Kalpokienė, hereby confirm that, to the best of our knowledge, the attached DVARČIONIŲ KERAMIKA, AB Interim Report for the six months of the year 2008 contains a fair review of the development and performance of the business.

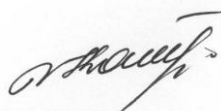
Enclosure: DVARČIONIŲ KERAMIKA AB Interim Report for the six months of 2009.

President



Audris Imbrasas

Chief Financial Officer



Vanda Kalpokienė



DVARČIONIŲ KERAMIKA, AB  
INTERIM REPORT FOR THE SIX MONTHS OF 2009

*PREPARED IN ACCORDANCE WITH THE RULES ON PREPARATION AND SUBMISSION OF PERIODIC AND  
ADDITIONAL INFORMATION OF THE LITHUANIAN SECURITIES COMMISSION*

## Table of contents

1. Reporting period for which this report has been prepared .....	2
2. Issuer and its contact details .....	2
3. Nature of Issues core activity .....	2
4. Agreements with intermediaries of public trading in securities .....	2
5. Data about securities traded on regulated market.....	2
6. Information about results on Issuer's activities.....	2
7. Information about own shares of the Issuer.....	3
8. Information about subsidiaries of the Issuer .....	3
9. Essential events of reporting period .....	3
10. Activity plans and forecasts of the Issuer.....	4
11. Structure of the Issuer's share capital.....	4
12. Shareholders .....	4
13. Employees .....	4
14. Procedure of amendment of the Issuer's By-laws .....	4
15. Managing body of the Issuer .....	5
16. Information on remuneration and loans to the member of the Management body.....	6

## **1. Reporting period for which this report has been prepared**

January – June, 2009

## **2. Issuer and its contact details**

Name of the Issuer:	Dvarčionių Keramika, Joint-stock company (hereinafter- Company or Issuer).
Registered office:	Keramikų str. 2, Vilnius, Republic of Lithuania
Phone:	+370 52317021
Fax:	+370 52317061
Web page:	<a href="http://www.keramika.lt">www.keramika.lt</a>
E-mail:	<a href="mailto:info@keramika.lt">info@keramika.lt</a>
Legal form:	Legal entity, Joint-stock Company.
Authorized capital:	19.810.920 LTL
Place of registration:	Ministry of Economy of the Republic of Lithuania;
Date of registration:	10 June 1994; Re-registered as AB (Joint-stock company) 27 February 1997
Code of Enterprise:	110628481

## **3. Nature of Issues core activity**

Production and sales of ceramic and gres tiles, wholesale and retail trade.

## **4. Agreements with intermediaries of public trading in securities**

The Company has signed an agreement with Financial Brokerage Company Finasta, with registered main offices Maironio str. 11, Vilnius. Under this agreement, FBC Finasta is responsible for accounting of securities of the Company.

## **5. Data about securities traded on regulated market**

AB Dvarcioniu Keramika securities are included in to the Secondary list of Vilnius stock Exchange (Ticker of Vilnius stock Exchange- DKR1L):

Type of shares:	Ordinary registered shares
Number of shares (pcs.):	9.905.460
Nominal value (LTL):	2,00
ISIN number:	LT0000122319

## **6. Information about results on Issuer's activities**

Company revenue for the six month of 2009 was 30,0 million LTL, and compared to the six month of 2008, decreased by 13,6 per cent (last year revenues amounted to 34,8 million LTL).

EBITDA for six month of 2009 decreased by 92,2 per cent – up to 332 thousand LTL, last year EBITDA amounted to 5,759 million LTL. EBITDA margin was 1,1 per cent (for the six month of 2008 amounted to 16.6 per cent)

Loss before taxes for January – June 2009 amounted to 2,5 million LTL, the same period of 2008 profit before taxes was 892 thousand LTL..

Net loss for the reporting six month period reached 2,4 million LTL, compared to the same period of last year net profit totaled 815 thousand LTL.

Additional information on Company's activity and financial results for the six month of 2009 is provided in AB Dvarčionių Keramika Interim financial statements.

#### **7. Information about own shares of the Issuer**

Issuer has not acquired its own shares.

#### **8. Information about subsidiaries of the Issuer**

The Company holdings in totally controlled entity SIA Dvarcioniu Keramika (Melužu st.1, Riga, Latvia), amounts to 100 per cent. SIA Dvarcioniu Keramika has started liquidation procedure and the investment value in the subsidiary was written off as of 30<sup>th</sup> June, 2009.

The Company also holds 30,6 per cent of JSC „Baltijos keramika“ (Družių vil., Širvintų reg., Lithuania) of total share capital.

#### **9. Essential events of reporting period**

The general meeting of shareholders took place on 28<sup>th</sup> April, 2009. An annual report of the company was presented to the Meeting on activities for the year of 2008, the auditors opinion on financial statements for the year of 2008 was announced, the financial statements of the company for the year of 2008 were presented for the approval, was also announced the Company's profit distribution project for the year ended in 2008. The shareholders Meeting participants approved all the agenda questions presented.

The financial statements of the Company for the year of 2008, an annual report and auditor's opinion were issued and announced on 28<sup>th</sup> April, 2008.

The interim financial statements for the first quarter of 2009 were issued and announced on 30<sup>th</sup> April, 2008.

Marek Ungier resigned from the Company president and Chairman of the Board on 9<sup>th</sup> of June, 2009.

Amadeusz Kowalski resigned from the Company Board members on 9<sup>th</sup> of June, 2009.

Liudmila Suboč appointed us the President and Chairman of the Board of the Company on 10<sup>th</sup> of June.

On 23rd of June, 2009 main AB Dvarčionių ceramic shareholder, Cersanit S.A., 9 137 525 shares transferred to a related company Nusinco Holdings Limited, registered in Cyprus.

On 29th of June, 2009 main AB Dvarčionių Ceramics "shareholder Nusinco Holdings Limited, registered in Cyprus 9 137 525 shares, sold to unrelated company Lorton Investment Ltd., registered in the British Virgin Islands.

## 10. Activity plans and forecasts of the Issuer

Company has plans stable the sales presenting new exclusive design tile collections.

## 11. Structure of the Issuer's share capital

Authorized and registered capital – 19 810 920 LTL

Capital is divided into 9 905 460 ordinary registered shares

Nominal value each - 2 LTL

All shares of the Company are fully paid for.

## 12. Shareholders

Shareholders, who held or controlled more than 5 % of authorized capital of the Company:

At the end of the reporting period 30 06 2009:

<b>Full name of shareholder (company name), personal number (number of company register)</b>	<b>Number of shares held (pcs.)</b>	<b>Part of capital held, %</b>
Lorton Investment Ltd. Mill Mall Tower, 2nd Floor, Wickhams Cay 1, P.O. Box 4406, Road Town, Tortola, British Virgin Islands, Great Britain	<b>9.137.525</b>	<b>92,25</b>

Since 13<sup>th</sup> of July, 2009:

<b>Full name of shareholder (company name), personal number (number of company register)</b>	<b>Number of shares held (pcs.)</b>	<b>Part of capital held, %</b>
UAB „MISOTA“ Smolensko str. 10, Vilnius Lithuania. KRS 301232691	<b>9.137.525</b>	<b>92,25</b>

## 13. Employees

Total number of employees was 183 on 30<sup>th</sup> of June, 2009. The Company has active trade-unions as well as collective agreement between employees and employer, covering remuneration, work organization, work safety, work and leisure schedules and other economical and social activities.

Advanced training for the employees is constantly in progress under the program of quality management system ISO. All Company employees are covered by the insurance policy against accidents at work.

## 14. Procedure of amendment of the Issuer's By-laws

Articles of Dvarcioniu Keramika, AB provide that only a general meeting of shareholders of the Company has an exclusive right to modify and supplement the articles of the Company, except cases provided by the Law on Companies of the Republic of Lithuania. A qualified majority of 2/3 of votes present during the General Meeting shall be required at the General Meeting to adopt decisions concerning the amendment of the By-laws.

## 15. Managing body of the Issuer

According to the articles of Dvarcioniu Kermika, AB the managing body of the Company is a General meeting of shareholders, Supervisory Council, Board of Directors and a President.

15.1 Information on AB Dvarcioniu Keramika Supervisory Council: position, names, data on ownership of the Company's capital (share capital and per cent hold):

At the end of the reporting period – 30 06 2009:

Name, position	Service term	Company shares hold	Activities in other entities	Shares hold of the other entities
Artur Kloczko (Chairman of Supervisory Council)	09 01 2009 - 18 04 2011	--	Cersanit S.A. Chairman of Supervisory Council	
Mirosław Jędrzejczyk (Member of Supervisory Council)	18 04 2007 – 18 04 2011	--	Cersanit S.A. President	
Grzegorz Saniawa (Member of Supervisory Council)	18 04 2007 – 18 04 2011	--	Cersanit S.A. Sales and Marketing director	

15.2 Information on the Management Board: position, names, data on ownership of the Company's capital (share capital and per cent hold):

At the end of the reporting period – 30 06 2009:

Name, position	Service term	Company shares hold	Activities in other entities	Shares hold of the other entities
Liudmila Suboč (Chairman of Management Board)	08 12 2008 – 08 12 2012	--	AB „Dvarčionių keramika“ President	
Algirdas Krupavičius (Member of Management Board)	18 04 2007 – 18 04 2011	--	AB „Dvarčionių keramika“ Sales and Marketing director	
Mindaugas Bučas (Member of Management Board)	26 07 2006 – 26 07 2010	--	AB „Dvarčionių keramika“ Production and Technical director	
Michał Jasiński (Member of Management Board)	10 06 2009 – 10 06 2013	--	Magelan Pro-Equity Fund teisininkas	

Since 13th of July, 2009 Management Board consists of:

- **Audris Imbrasas** – President. Chairman of Management Board since 13 07 2009, end of the service term as the member of the Board 13 07 2013. Education – University degree.
- **Giedrius Kolesnikovas** – Member of Management Board since 13 07 2009, end of the service term as the member of the Board 13 07 2013. Education – University degree. Lawyer of „Motieka ir Audzevičius“.
- **Algirdas Krupavičius** – AB AB „Dvarčionių keramika“ Sales and Marketing director. Member of Management Board since 13 07 2009, end of the service term as the member of the Board 13 07 2013. Education – University degree.
- **Mindaugas Bučas** - AB „Dvarčionių keramika“ Production and Technical director. Member of Management Board since 13 07 2009, end of the service term as the member of the Board 13 07 2013. Education – University degree.
- **Liudmila Suboč** - AB “Dvarčionių keramika“ Administration and Personnel Director. Member of Management Board since 13 07 2009, end of the service term as the member of the Board 13 07 2013. Education – University degree.

15.3 Additional information on the Chairman of the Supervisory Council, the Head of Administration, the chief Financial Officer: education, profession, employment during the last 10 financial years:

At the end of the reporting period – 30 06 2009:

- **Artur Kloczko** - AB Dvarčionių Keramika Chairman of the Supervisory Council since 09 01 07 2009, end of the service term as the member of the Board 18 04 2011. Cersanit S.A. Chairman of Supervisory Council. Education – University degree.
- **Liudmila Suboč** – President of AB Dvarcioniu Keramika, the Chairman of the Management Board. Service term as the Chairman of the Management Board 10 06 2009 – 10 06 2013. Education – University degree.

Since 13th of July, 2009:

- **Audris Imbrasas** – President of AB Dvarcioniu Keramika, the Chairman of the Management Board. Service term as the Chairman of the Management Board 13 07 2009 – 13 07 2013. Education – University degree.

## **16. Information on remuneration and loans to the member of the Management body:**

The total amount paid to the Members of the Management body was 152 thousand LTL for the six months of 2008; an average remuneration amount per capita totaled 51 thousand LTL for the same period.



4<sup>th</sup> August, 2009 No.12-860

Vilnius

Lithuanian Securities Commission  
Konstitucijos ave. 23  
LT-08105 Vilnius  
LITHUANIA

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, President of DVARCIONIU KERAMIKA, AB Audris Imbrasas and Chief Financial Officer of DVARCIONIU KERAMIKA, AB Vanda Kalpokiene, hereby confirm that, to the best of our knowledge, the attached DVARCIONIU KERAMIKA, AB Interim Financial Statements for the six months of the year 2009 prepared in accordance to International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of DVARCIONIU KERAMIKA, AB undertakings.

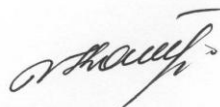
Enclosure: DVARCIONIU KERAMIKA AB Interim Financial Statements for the six months of 2009.

President



Audris Imbrasas

Chief Financial Officer



Vanda Kalpokienė



**Interim Financial Statements  
for the six months of 2009**

Prepared in accordance to the rules on preparation and submission of periodic and additional information of the Lithuanian Securities Commission

## Table of Content

1. Balance Sheet .....	2
2. Income Statement .....	4
3. Cash Flow Statement .....	5
4. Statement of Changes in Equity .....	7
5. Notes to Financial Statements .....	8

The largest ceramic tiles manufacturer in the Baltic States, **DVARČIONIŲ KERAMIKA, AB** (hereinafter the Company) exports the production to Latvia and Estonia, Scandinavia, Western Europe countries, Russia.

The Company's financial statements were prepared in accordance to International Financial Reporting Standards.

The Company's interim financial statements for the period January – June, 2009 were not audited; financial statements for the year ended 31 December 2008 were audited accordingly.

#### **BALANCE SHEET (LTL THOUSAND)**

<b>ASSETS</b>	<b>30 06 2009</b>	<b>31 12 2008</b>
<b>NON CURRENT ASSETS</b>	<b>39.412</b>	<b>41.586</b>
INTANGIBLE ASSETS	28	53
TANGIBLE ASSETS	39.084	41.233
Land	-	-
Buildings	21.750	22.721
Other tangible assets	17.325	18.502
Construction in progress	9	10
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
<b>CURRENT ASSETS</b>	<b>21.469</b>	<b>33.349</b>
INVENTORIES	12.640	24.885
STOCK	12.585	24.798
PREPAYMENTS	55	87
NOT COMPLETED WORKS	-	-
CURRENT RECEIVABLES	8.290	8.248
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	539	216
<b>TOTAL ASSETS</b>	<b>60.881</b>	<b>74.935</b>

**BALANCE SHEET (LTL THOUSAND) (continued)**

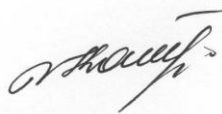
<b>EQUITY AND LIABILITIES</b>	<b>30 06 2009</b>	<b>31 12 2008</b>
<b>CAPITAL AND RESERVES</b>	<b>20.374</b>	<b>22.779</b>
<b>SHARE CAPITAL</b>	19.811	19.811
Authorized	19.811	19.811
Subscribed uncalled share capital	-	-
<b>SHARE PREMIUM</b>	-	-
<b>REVALUATION RESERVE</b>	3.502	3.594
<b>OTHER RESERVES</b>	125	125
<b>RETAINED EARNINGS</b>	<b>-3.064</b>	<b>-751</b>
Previous years	-659	-824
Current year	-2.405	73
<b>GRANTS AND SUBSIDIES</b>	-	-
<b>DEFERRED TAX &amp; ACCRUED LIABILITIES</b>	<b>821</b>	<b>907</b>
Accrued expenses	-	-
Deferred tax liability	821	907
<b>LIABILITIES</b>	<b>39.686</b>	<b>51.249</b>
<b>NON CURRENT LIABILITIES</b>		
	20.295	23.425
Financial liabilities	19.959	23.029
Trade payables	-	-
Advances received	-	-
Other non current payables	336	396
	-	-
<b>CURRENT LIABILITIES</b>	19.391	27.824
Current part of long term financial liabilities	10.809	10.749
Other financial liabilities	129	420
Trade payables	4.578	14.097
Advances received	188	259
Taxes and salaries payable	1.046	1.030
Other payables	2.641	1.269
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>60.881</b>	<b>74.935</b>

President



Audris Imbrasas

Chief Financial Officer



Vanda Kalpokienė

**INCOME STATEMENT (LTL THOUSAND)**

	<b>31.03.2009- 30.06.2009</b>	<b>31.03.2008- 30.06.2008</b>	<b>01.01.2009 -30.06.30</b>	<b>01.01.2008 -30.06.2008</b>
<b>SALES INCOME</b>	<b>19.809</b>	<b>17.933</b>	<b>30.046</b>	<b>34.759</b>
<b>COST OF SALES</b>	<b>-15.931</b>	<b>-13.361</b>	<b>-24.180</b>	<b>-25.431</b>
<b>GROSS PROFIT</b>	<b>3.878</b>	<b>4.572</b>	<b>5.866</b>	<b>9.328</b>
Operating expenses	-3.395	-3.922	-5.941	-7.654
<b>OPERATING PROFIT (LOSS)</b>	<b>483</b>	<b>650</b>	<b>-75</b>	<b>1.674</b>
<b>OTHER ACTIVITIES</b>	<b>-749</b>	<b>201</b>	<b>-1.755</b>	<b>399</b>
Income	512	213	594	418
Expenses	-1.261	-12	-2.349	-19
<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>-248</b>	<b>-591</b>	<b>-661</b>	<b>-1.181</b>
Income	-9	1	5	1
Expenses	-239	-592	-666	-1.182
<b>PROFIT (LOSS) BEFORE PROFIT TAX</b>	<b>-514</b>	<b>260</b>	<b>-2.491</b>	<b>892</b>
Profit tax	-86	-124	-86	-77
<b>NET PROFIT (LOSS)</b>	<b>-428</b>	<b>136</b>	<b>-2.405</b>	<b>815</b>

President

Audris Imbrasas

Chief Financial Officer

Vanda Kalpokienė

## CASH FLOW STATEMENT (LTL THOUSAND)

	30.06.2009	31.12.2008
<b>Cash flows from operating activities</b>		
Net profit	-2.405	73
Adjustments for:		
Income tax benefit	-86	145
Depreciation and amortization	2.162	7.387
(Gain)/ losses on foreign exchange	1	-10
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-7	83
Net interest	641	2.384
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	-393	-143
Other	-1	-
<b>Operating profit before working capital changes</b>	<b>-88</b>	<b>9.919</b>
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	345	-1.391
(Increase)/decrease in inventories	12.328	-5.694
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	-8.403	1.644
<b>Cash generated from operations</b>	<b>4.182</b>	<b>4.478</b>
Interest paid	-641	-2.304
Profit tax paid	-77	-181
Interest received	-	-
<b>Net cash from operating activities</b>	<b>-718</b>	<b>1.993</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	-152	-1.440
Sales of property, plant and equipment	172	637
Other items	-	-
<b>Net cash from investing activities</b>	<b>20</b>	<b>-803</b>
<b>Cash flows from financing activities</b>		
Repayment/receipt of loans	-3.006	-1.048
Financial lease payments	-155	-200
(Decrease)increase in factoring financing	-	-37
<b>Net cash from financing activities</b>	<b>-3.161</b>	<b>-1.285</b>
<b>Net change in cash and cash equivalents</b>	<b>323</b>	<b>-95</b>
Cash and cash equivalents at the beginning of period	216	311
<b>Cash and cash equivalents at the end of period</b>	<b>539</b>	<b>216</b>

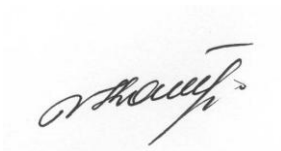
**CASH FLOW STATEMENT (LTL THOUSAND) (continued)**

President,



Audris Imbrasas

Chief Financial Officer



Vanda Kalpokienė



**STATEMENT OF CHANGES IN EQUITY (LTL THOUSAND)**

	<b>Share capital</b>	<b>Revaluation reserve</b>	<b>Reserve capital</b>	<b>Retained earnings</b>	<b>Total Equity</b>
<b>At 31 December 2006</b>	<b>19.811</b>	<b>4.357</b>	<b>125</b>	<b>-62</b>	<b>24.231</b>
Net loss	-	-	-	379	379
Depreciation of revaluated assets	-	-141	-	141	-
<b>At 30 June 2007</b>	<b>19.811</b>	<b>4.216</b>	<b>125</b>	<b>574</b>	<b>24.726</b>
Net loss	-	-	-	-2.020	-2.020
Depreciation of revaluated assets	-	-271	-	271	-
<b>At 31 December 2007</b>	<b>19.811</b>	<b>3.945</b>	<b>125</b>	<b>-1.175</b>	<b>22.706</b>
Net loss	-	-	-	815	815
Depreciation of revaluated assets	-	-213	-	213	-
Correction	-	-	-	111	111
<b>At 30 June 2008</b>	<b>19.811</b>	<b>3.732</b>	<b>125</b>	<b>-36</b>	<b>23.632</b>
Net loss	-	-	-	-853	-853
Depreciation of revaluated assets	-	-138	-	138	-
<b>At 31 December 2008</b>	<b>19.811</b>	<b>3.594</b>	<b>125</b>	<b>-751</b>	<b>22.779</b>
Net loss	-	-	-	-2.405	-2.405
Depreciation of revaluated assets	-	-92	-	92	-
<b>At 31 December 2008</b>	<b>19.811</b>	<b>3.502</b>	<b>125</b>	<b>-3.064</b>	<b>20.374</b>

President

Audris Imbrasas

Chief Financial Officer

Vanda Kalpokienė

## NOTES TO FINANCIAL STATEMENTS

Dvarcioniu Keramika, AB - the largest ceramic tiles manufacturer in the Baltic States. Company's shares are listed on Vilnius stock exchange secondary list (ticker: DKR1L).

### Major Financial Indicators of the Company

Financial Indicators	2009 I Half	2008 I Half	Change (percent)
Income (thousand Lt)	30.046	34.759	-13,6
EBITDA (thousand Lt)	332	5.759	-94,2
EBITDA margin (percent)	1,1	16,6	
Profit (loss) from operations (thousand Lt)	-75	1.674	-104,5
Operational profit margin (percent)	-0,2	4,8	
Profit before taxes (thousand Lt)	-2.491	892	-379,3
Net profit (loss) (thousand Lt)	-2.405	815	-395,1
Net profit margin (percent)	-8,0	2,3	
Ernings per share (in Litas)	-0,24	0,08	-400
Debt to equity ratio	1,95	2,23	-13,0
Liquidity ratio (percent)	1,11	1,41	-21,3
Earnings to asset ratio (percent)	34	30	13

### Sales income and EBITDA

Company revenue on 2009 I Half fell 13,6 per cent comparing with the first six months of 2008.

The main reason for the reduction of income - reduced consumption in the strategic markets, the total economic downturn.

The company sells its products in the biggest Lithuanian commercial networks, the twelve own brand shops, situated in major cities. It is also production exported to Latvia, Estonia, Kaliningrad, Scandinavia, Belgium, Czech Republic, Russia

The Company income distribution according to the geographical segments is as follows (Thousand LTL):

<b>Sales</b>	<b>January – June, 2009</b>	<b>January – June, 2008</b>	<b>Change</b>
Lithuania	11,868	17,563	-32.4%
Latvia and Estonia	3,870	7,725	-49.9%
Ukraine	424	2,233	-81.0%
Russia	1,581	2,219	-28.8%
Belgium	972	1,227	-20.8%
Poland	8,574	1,142	650.8%
Uzbekistan	373	590	-36.8%
Other countries	2,384	2,060	15.7%
<b>Total sales</b>	<b>30,046</b>	<b>34,759</b>	<b>-13.6%</b>

The gross profit for the reporting period decreased by 37% and reached 5.866 thousand Litass (for the comparing period of the year 2008 – 9.328 thousand Litass).

The company refused to part manufacturing capabilities. Since January 2009, halted the production line "Nassetti" activities. The Board adopted the decision to dismiss 97 workers.

The decrease of gross profit was because the decreased revenue and lower sell prices.

Operating expenses were purposepaly decreasing and for the reporting period decreased by 22,4 per cent compared with the year 2008 the same period. Operating expenses were 19,8 per cent from total income during the reporting period, while during the previous year's first quarter operating expenses amounted to 22,2 percent of income. Operating profit margin during the reporting period was negative. Company's operating expenses decreased by 1.713 thousand litass during, the reporting period. The decrease was due to payroll reduction of 15 per cent, other cost savings. There was growth of other operating expenses – to 2.349 thousand Litass, because of payment of severance compensation to employees, reducing production capacity, suspension of production line for maintenance.

During the reporting period, EBITDA decreased by 94,2 per cent. (332 thousand Lt.). The net profit decreased by 395,1 per cent. (-2.405 thousand Lt.). EBITDA and net result for the reporting period, were mostly affected of the decreasing revenue (-13,6 per cent.) and the gross profit (31,7 per cent.).

#### **Further operational efficiency**

Rising resource prices, the company is constantly looking for opportunities to improve their internal processes and internal controls. In order to mitigate the cost growth, the company tries to make the best use of available capacity.

**Company Loans (LTL thousand)**

<b>The grantor</b>	<b>Currency</b>	<b>Balance at 2008-06-30</b>
AB Bankas Hansabankas	Litas	35.980