

3<sup>th</sup> August, 2011 No. 23-1255

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, general manager of DVARČIONIŲ KERAMIKA, AB Audris Imbrasas and finance manager of DVARČIONIŲ KERAMIKA, AB Rūta Zinkevičienė, hereby confirm that, to the best of our knowledge, the attached DVARČIONIŲ KERAMIKA, AB Interim Report for the six months of the year 2011 contains a fair review of the development and performance of the business.

Enclosure: DVARČIONIŲ KERAMIKA AB Interim Report for the six months of 2011.

General manager



Audris Imbrasas

Finance manager



Rūta Zinkevičienė



DVARČIONIŲ KERAMIKA, AB  
INTERIM REPORT FOR THE SIX MONTHS OF 2011

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

AUGUST, 2011

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

January – June, 2011

## **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 2011 was 12,9 million LTL. 2010 six month revenue amounted to 11,7 million LTL.

Loss before taxes for January – June 2011 amounted to 1,5 million LTL, the same period of 2010 profit before taxes was 2,3 million LTL.

Net loss for the reporting six month period reached 1,5 million LTL, compared to the same period of last year net profit totaled 2,2 million LTL.

Additional information on Company's activity and financial results for the six month of 2011 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, 2011.

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 29<sup>th</sup> April, 2011. An annual report of the company was presented to the Meeting on activities for the year of 2010, the auditors opinion on financial statements for the year of 2010 was announced, the financial statements of the company for the year of 2010 were presented for the approval, was also announced the Company's profit distribution project for the year ended in 2010. The shareholders Meeting participants approved all the agenda questions presented.

## **10. Activity plans and forecasts of the Issuer**

Company does not announce its plans and forecasts.

## **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:

<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>9.206.028</b>	<b>92,93</b>

## **13. Employees**

Total number of employees was 164 on 30<sup>th</sup> of June, 2011. 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 Keramika, AB the managing body of the Company is a General meeting of shareholders, Management Board and a Head of Administration.

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

Name, position	Service term	Company shares hold	Activities in other entities	Shares hold of the other entities
Juozas Raišelis (Chairman of Management Board)	09 02 2010 – 13 07 2013	--	UAB „Raico group”, President	UAB “Raico group” 35,4% of voting in shareholders meeting
Audris Imbrasas (Member of Management Board)	13 07 2009 - 13 07 2013	--	--	
Giedrius Kolesnikovas (Member of Management Board)	13 07 2009 - 13 07 2013	--	Lawyer of „Motieka ir Audzevičius“	
Liudmila Suboč (Member of Management Board)	13 07 2009 - 13 07 2013	--	--	UAB “Baltijos keramika” 7,5% of voting in shareholders meeting
Mindaugas Bučas (Member of Management Board)	13 07 2009 - 13 07 2013	--	--	UAB “Dvarų keramika” 50% of voting in shareholders meeting

15.2 Additional information on the Head of administration, the Chief financial officer: position, education:

At the end of the reporting period – 30 06 2011:

- **Audris Imbrasas** – General manager of AB Dvarcioniu Keramika, member of the Management Board 13 07 2009 – 13 07 2013. Education – University degree.
- **Rūta Zinkevičienė** – Finance manager since 02 11 2010. 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 158 thousand LTL for the six months of 2011; an average remuneration amount per capita totaled 9 thousand LTL for the same period.

3<sup>th</sup> August, 2011 No. 23-1255

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Enclosure: DVARCIONIU KERAMIKA AB Interim Financial Statements for the six months of 2011.

General manager



Audris Imbrasas

Finance manager



Rūta Zinkevičienė





**Interim Financial Statements  
for the six months of 2011**

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

AUGUST, 2011

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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, 2011 were not audited; financial statements for the year ended 31 December 2010 were audited accordingly.

#### STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

<b>ASSETS</b>	<b>2011 06 30</b>	<b>2010 12 31</b>
<b>NON CURRENT ASSETS</b>	<b>34 892</b>	<b>37 152</b>
INTANGIBLE ASSETS	1	3
TANGIBLE ASSETS	34 552	36 807
Land	-	-
Buildings	24 437	25 395
Other tangible assets	10 115	11 412
INVESTMENTS PROPERTY	39	42
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
<b>CURRENT ASSETS</b>	<b>14 510</b>	<b>14 714</b>
INVENTORIES	9 417	10 153
STOCK	9 005	10 049
PREPAYMENTS	412	104
NOT COMPLETED WORKS	-	-
CURRENT RECEIVABLES	4 945	4 454
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	148	107
<b>TOTAL ASSETS</b>	<b>49 402</b>	<b>51 866</b>

**STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)**

<b>EQUITY AND LIABILITIES</b>	<b>2011 06 30</b>	<b>2010 12 31</b>
<b>CAPITAL AND RESERVES</b>	<b>19 553</b>	<b>21 055</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>	11 606	12 043
<b>OTHER RESERVES</b>	125	125
<b>RETAINED EARNINGS</b>	<b>(11 989)</b>	<b>(10 924)</b>
Previous years	(10 924)	(6 101)
Current year	(1 065)	(4 823)
<b>GRANTS AND SUBSIDIES</b>	-	-
<b>DEFERRED TAX &amp; ACCRUED LIABILITIES</b>	<b>1 978</b>	<b>1 978</b>
Accrued expenses	-	-
Deferred tax liability	1 978	1 978
<b>LIABILITIES</b>	<b>27 871</b>	<b>28 833</b>
<b>NON CURRENT LIABILITIES</b>	10 907	10 907
Financial liabilities	10 747	10 747
Trade payables	-	-
Advances received	-	-
Other non current payables	160	160
<b>CURRENT LIABILITIES</b>	16 964	17 926
Current part of long term financial liabilities	6 653	8 053
Other financial liabilities	1 136	109
Trade payables	4 909	7 374
Advances received	-	657
Taxes and salaries payable	1 056	1165
Other payables	3 210	568
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>49 402</b>	<b>51 866</b>

General manager

Audris Imbrasas

Finance manager

Rūta Zinkevičienė

**STATEMENT OF COMPREHENSIVE INCOME (LTL THOUSAND)**

	<b>2011.04.01- 2011.06.30</b>	<b>2010.04.01- 2010.06.30</b>	<b>2011.01.01 -2011.06.30</b>	<b>2010.01.01 -2010.06.30</b>
<b>SALES INCOME</b>	<b>7.076</b>	<b>6.415</b>	<b>12.907</b>	<b>11.723</b>
<b>COST OF SALES</b>	<b>-5.552</b>	<b>-5.346</b>	<b>-9.989</b>	<b>-9.445</b>
<b>GROSS PROFIT</b>	<b>1.524</b>	<b>1.069</b>	<b>2.918</b>	<b>2.278</b>
Operating expenses	-2.152	-2.070	-4.340	-4.584
<b>OPERATING PROFIT (LOSS)</b>	<b>-628</b>	<b>-1.001</b>	<b>-1.422</b>	<b>-2.306</b>
<b>OTHER ACTIVITIES</b>	<b>109</b>	<b>111</b>	<b>182</b>	<b>197</b>
Income	111	107	196	203
Expenses	-2	-4	-14	-6
<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>-98</b>	<b>-135</b>	<b>-262</b>	<b>-262</b>
Income	76	5	76	5
Expenses	-174	-140	-338	-267
<b>PROFIT (LOSS) BEFORE PROFIT TAX</b>	<b>-617</b>	<b>-1.025</b>	<b>-1.502</b>	<b>-2.371</b>
Profit tax	-	-131	-	-131
<b>NET PROFIT (LOSS)</b>	<b>-617</b>	<b>-894</b>	<b>-1.502</b>	<b>-2.240</b>

General manager

Audris Imbrasas

Finance manager

Rūta Zinkevičienė

## CASH FLOW STATEMENT (LTL THOUSAND)

2011.06.30 2010.06.30

<b>Cash flows from operating activities</b>		
Net profit	-1.502	-2.240
Adjustments for:		
Income tax benefit	-	-131
Depreciation and amortization	2.260	2.436
(Gain)/ losses on foreign exchange	-	-
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-	-1
Net interest	132	187
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	-	-22
Other	-	-
<b>Operating profit before working capital changes</b>	<b>890</b>	<b>229</b>
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	-799	779
(Increase)/decrease in inventories	1.044	-61
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	-589	1.356
<b>Cash generated from operations</b>	<b>546</b>	<b>2.303</b>
Interest paid	-132	-187
Profit tax paid	-	-10
Interest received		
<b>Net cash from operating activities</b>	<b>-132</b>	<b>-197</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	-	-2
Sales of property, plant and equipment	-	3
Other items	-	-
<b>Net cash from investing activities</b>	<b>-</b>	<b>1</b>
<b>Cash flows from financing activities</b>		
Repayment/receipt of loans	-324	-2.036
Financial lease payments	-49	-62
(Decrease)increase in factoring financing	-	-
<b>Net cash from financing activities</b>	<b>-373</b>	<b>-2.098</b>
<b>Net change in cash and cash equivalents</b>	<b>41</b>	<b>9</b>
Cash and cash equivalents at the beginning of period	107	108
<b>Cash and cash equivalents at the end of period</b>	<b>148</b>	<b>117</b>

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

General manager



Audris Imbrasas

Finance manager



Rūta Zinkevičienė

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

	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
<b>Balance at 1 January 2008</b>	<b>19.811</b>	<b>3.945</b>	<b>125</b>	<b>-1.175</b>	<b>22.706</b>
Profit (loss)	-	-	-	815	815
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-	-	-	-
Correction	-	-213	-	213	-
	-	-	-	111	111
<b>Balance at 30 June 2008</b>	<b>19.811</b>	<b>3.732</b>	<b>125</b>	<b>-751</b>	<b>22.779</b>
Profit (loss)	-	-	-	-853	-853
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-	-	-	-
	-	-138	-	138	-
<b>Balance at 31 December 2008</b>	<b>19.811</b>	<b>3.594</b>	<b>125</b>	<b>-751</b>	<b>22.779</b>
Profit (loss)	-	-	-	-2.405	-2.405
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-	-	-	-
	-	-92	-	-92	-
<b>Balance at 30 June 2009</b>	<b>19.811</b>	<b>3.502</b>	<b>125</b>	<b>-3.064</b>	<b>20.374</b>
Profit (loss)	-	-	-	-3.637	-3.637
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-	-	-	-
	-	-600	-	-600	-
<b>Balance at 31 December 2009</b>	<b>19.811</b>	<b>2.902</b>	<b>125</b>	<b>-6.101</b>	<b>16.737</b>
Profit (loss)	-	-	-	-2.240	-2.240
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-	-	-	-
	-	-301	-	301	-
<b>Balance at 30 June 2010</b>	<b>19.811</b>	<b>2.601</b>	<b>125</b>	<b>-8.040</b>	<b>14.497</b>
Profit (loss)	-	-	-	-3.113	-3.113
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-	-	-	-
Increase in revaluation reserve on revaluation	-	9.903	-	229	9.903
<b>Balance at 31 December 2010</b>	<b>19.811</b>	<b>12.043</b>	<b>125</b>	<b>-10.924</b>	<b>21.055</b>
Profit (loss)	-	-	-	-1.065	-1.065
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-	-	-	-
	-	-437	-	-	-437
<b>Balance at 30 June 2011</b>	<b>19.811</b>	<b>11.606</b>	<b>125</b>	<b>-11.989</b>	<b>19.553</b>

General manager



Audris Imbrasas

Finance manager



Rūta Zinkevičienė



## 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	2011 06 30	2010 06 30	Change (percent)
Income (thousand Lt)	12.907	11.723	10,10
EBITDA (thousand Lt)	1.083	327	231
EBITDA margin (percent)	8,39	2,8	
Profit (loss) from operations (thousand Lt)	-1.422	-2.306	-62
Operational profit margin (percent)	-11,02	-19,7	
Profit before taxes (thousand Lt)	-1.502	-2.371	-58
Net profit (loss) (thousand Lt)	-1.502	-2.240	-49
Net profit margin (percent)	-11,64	-19,1	
Earnings per share (in Litas)	-0,16	-0,22	-38
Debt to equity ratio	1,53	2,08	-36
Liquidity ratio (percent)	0,52	1,02	-96
Earnings to asset ratio (percent)	40	32,3	-24

### Sales income and EBITDA

Company revenue on 2011 I Half were 12.907 thousand LTL. Revenue on I Half of 2010 were 11.723 thousand LTL.

The main cause of income growth – the market recovery in Lithuania.

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 and Russia.

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

<b>Sales</b>	<b>January – June, 2010</b>	<b>January – June, 2010</b>	<b>Change</b>
Lithuania	6.903	6.012	14,82%
Latvia and Estonia	1.412	1.047	34,86 %
Ukraine	436	244	78,69%
Russia	1.653	1.300	27,15%
Belgium	687	967	-40,76%
Poland	133	177	-33,08%
Czech, Slovakia	710	760	-7,04%
Other countries	973	1.216	-24,97%
<b>Total sales</b>	<b>12.907</b>	<b>11.723</b>	<b>10,10%</b>

The gross profit for the reporting period reached 2.918 thousand Litass. For the comparing period of the year 2010 – 2.278 thousand Litass.

General growth in profitability due to intensified sales in Lithuania.

Operating expenses decreased by 6 per cent compared with the year 2010 the same period. Operating profit margin during the reporting period was negative.

During the first six month of this year Company has earned 182 thousand Litass of profit from other activities. The profit was earned renting premises.

During the reporting period, EBITDA was 1.083 thousand Lt. Year ago EBITDA reached 327 thousand LTL, but EBITDA margin reached 8,39 per cent (During the first six month of 2010 – 2,8 per cent) .

#### **Company Loans (LTL thousand)**

<b>The grantor</b>	<b>Currency</b>	<b>Balance at 30-06-2011</b>	<b>Balance at 30-06-2010</b>
AB Swedbank	Litas	17.400	20.471