

28th August, 2012 No. 23-1651
Vilnius

Supervision service of Bank of Lithuania
Zirmonu str. 151
LT-09128 Vilnius
LITHUANIA

CONFIRMATION OF RESPONSIBLE PERSONS

In behalf DVARČIONIŲ KERAMIKA, AB we, General manager Audris Imbrasas and Chief accountant Elona Suveizdienė, hereby confirm that, to the best of our knowledge, the unaudited Financial Statements for the 1 half year of 2012 prepared in accordance to International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss , cash flow.

The six-month interim report of the year 2012 includes a fair business development and activities.

General manager



Audris Imbrasas

Chief accountant



Elona Suveizdienė



DVARČIONIŲ KERAMIKA, AB
INTERIM REPORT FOR THE SIX MONTHS OF 2012

AUGUST, 2012, Vilnius

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1. Reporting period for which this report has been prepared

January – June, 2012

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:	www.keramika.lt
E-mail:	info@keramika.lt
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 2012 was 12,1 million LTL. 2011 six month revenue amounted to 12,9 million LTL.

Loss before taxes for January – June 2012 amounted to 2,5 million LTL, the same period of 2011 loss before taxes was 1,5 million LTL.

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

Additional information on Company's activity and financial results for the six month of 2012 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 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 26th April, 2012. An annual report of the company was presented to the Meeting on activities for the year of 2011, the auditors opinion on financial statements for the year of 2011 was announced, the financial statements of the company for the year of 2011 were presented for the approval, was also announced the Company's profit distribution project for the year ended in 2011. 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:

Full name of shareholder (company name), personal number (number of company register)	Number of shares held (pcs.)	Part of capital held, %
UAB „MISOTA“ Smolensko str. 10, Vilnius Lithuania. KRS 301232691	9.206.028	92,93

13. Employees

Total number of employees was 144 on 30th of June, 2012. 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 Dvarčionių 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 Dvarčionių 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:

- **Audris Imbrasas** – General manager of Dvarčionių Keramika AB, member of the Management Board 13 07 2009 – 13 07 2013. Education – University degree.
- **Elona Suveizdienė** – Chief accountant since 27 06 2012. 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 2012, an average remuneration amount per capital totaled 8,8 thousand LTL for the same period.



DVARČIONIŲ KERAMIKA AB
INTERIM FINANCIAL STATEMENTS
FOR 1 HALF YEARS OF 2012

AUGUST, 2012, Vilnius

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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, 2012 were not audited. Financial statements for the year ended 31 December 2011 were audited accordingly.

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

ASSETS	2012 06 30	2011 12 31
NON CURRENT ASSETS	30 568	32 655
INTANGIBLE ASSETS	4	2
TANGIBLE ASSETS	30 234	32 321
Land	-	-
Buildings	22 419	23 382
Other tangible assets	7 815	8 939
INVESTMENTS PROPERTY	30	32
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
CURRENT ASSETS	14 021	15 292
INVENTORIES	9 355	11 770
STOCK	8 988	11 519
PREPAYMENTS	412	104
NOT COMPLETED WORKS	2	6
CURRENT RECEIVABLES	4 523	3 401
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	143	121
TOTAL ASSETS	44 589	47 947

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)

EQUITY AND LIABILITIES	2012 06 30	2011 12 31
CAPITAL AND RESERVES	13 516	16 070
SHARE CAPITAL	19 811	19 811
Authorized	19 811	19 811
Subscribed uncalled share capital	-	-
SHARE PREMIUM	-	-
REVALUATION RESERVE	10 855	10 855
OTHER RESERVES	125	125
RETAINED EARNINGS	(17 275)	(14 721)
Previous years	(14 721)	(10 924)
Current year	(2 554)	(3 797)
GRANTS AND SUBSIDIES	-	-
DEFERRED TAX & ACCRUED LIABILITIES	1 978	1 978
Accrued expenses	-	-
Deferred tax liability	1 978	1 978
LIABILITIES	31 073	31 877
NON CURRENT LIABILITIES	59	1 708
Financial liabilities	59	59
Trade payables	-	-
Advances received	-	1 649
Other non current payables	-	-
CURRENT LIABILITIES	31 014	30 169
Current part of long term financial liabilities	-	-
Other financial liabilities	18 870	18 929
Trade payables	5 888	6 661
Advances received	1 743	271
Taxes and salaries payable	846	1 206
Other payables	3 667	3 102
TOTAL EQUITY AND LIABILITIES	44 589	47 947

General manager



Audris Imbrasas

Chief accountant

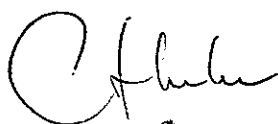


Elona Suveizdienē

STATEMENT OF COMPREHENSIVE INCOME (LTL THOUSAND)

	2012.04.01- 2012.06.30	2011.04.01- 2011.06.30	2012.01.01 -2012.06.30	2011.01.01 -2011.06.30
SALES INCOME	5.962	7.076	12.129	12.907
COST OF SALES	-4.921	-5.552	-9.785	-9.989
GROSS PROFIT	1.041	1.524	2.344	2.918
Operating expenses	-2.892	-2.152	-5.037	-4.340
OPERATING PROFIT (LOSS)	-1.851	-628	-2.693	-1.422
OTHER ACTIVITIES	121	109	274	182
Income	168	111	327	196
Expenses	-47	-2	-53	-14
FINANCIAL AND INVESTING ACTIVITIES	-78	-98	-135	-262
Income	9	76	21	76
Expenses	-87	-174	-156	-2338
PROFIT (LOSS) BEFORE PROFIT TAX	-1,808	-617	-2.554	-1.502
Profit tax	-	-	-	-
NET PROFIT (LOSS)	-1,808	-617	-2.554	-1.502

General manager



Audris Imbrasas

Chief accountant



Elona Suveizdienne

CASH FLOW STATEMENT (LTL THOUSAND)

2012.06.30 2011.06.30


Cash flows from operating activities		
Net profit	-2.554	-1.502
Adjustments for:		
Income tax benefit	-	-
Depreciation and amortization	2.079	2.260
(Gain)/ losses on foreign exchange	-	-
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-	-
Net interest	-	132
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	-	-
Other	368	-
Operating profit before working capital changes	-107	890
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	7	-799
(Increase)/decrease in inventories	2.531	1.044
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	-2.358	-589
Cash generated from operations	-180	546
Interest paid	-	-132
Profit tax paid	-	-
Interest received	-	-
Net cash from operating activities	-	-132
Cash flows from investing activities		
Purchases of property, plant and equipment	-	-
Sales of property, plant and equipment	8	-
Other items	-	-
Net cash from investing activities	8	-
Cash flows from financing activities		
Repayment/receipt of loans	-	-324
Financial lease payments	-59	-49
(Decrease)increase in factoring financing	-	-
Net cash from financing activities	-59	-373
Net change in cash and cash equivalents	22	41
Cash and cash equivalents at the beginning of period	121	108
Cash and cash equivalents at the end of period	143	148

General manager



Audris Imbrasas

Chief accountant

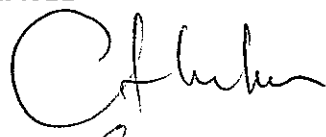


Elona Suveizdienē

STATEMENT OF CHANGES IN EQUITY (LTL THOUSAND)

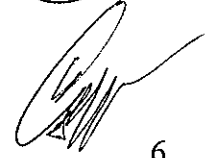
	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2009	19.811	3.945	125	-751	22.779
Profit (loss)	-	-	-	-2.405	-2.405
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-92	-	92	-
Correction	-	-	-	-	-
Balance at 30 June 2009	19.811	3.502	125	-3.064	20.374
Profit (loss)	-	-	-	-3.637	-3.637
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-600	-	-600	-
Balance at 31 December 2009	19.811	2.902	125	-6.101	16.737
Profit (loss)	-	-	-	-2.240	-2.240
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-301	-	-301	-
Balance at 30 June 2010	19.811	2.601	125	-8.040	14.497
Profit (loss)	-	-	-	-3.113	-3.113
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-461	-	229	-232
Balance at 31 December 2010	19.811	12.043	125	-10.924	21.055
Profit (loss)	-	-	-	-1.065	-1.065
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-437	-	-	-437
Balance at 30 June 2011	19.811	11.606	125	-11.989	19.553
Profit (loss)	-	-	-	-3.920	-3.920
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-751	-	-	-751
Increase in revaluation reserve on revaluation	-	-	-	1.118	1.118
Balance at 31 December 2011	19.811	10.855	125	-14.721	16.070
Profit (loss)	-	-	-	-2.554	-2.554
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-	-	-	-
Balance at 30 June 2012	19.811	10.855	125	-17.275	13.516

General manager



Audris Imbrasas

Chief accountant



Elona Suveizdienē

NOTES TO FINANCIAL STATEMENTS

Dvarčionių 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	2012 06 30	2011 06 30	Change (percent)
Income (thousand Lt)	12.129	12.907	-6
EBITDA (thousand Lt)	-334	1.083	-131
EBITDA margin (percent)	-2.75	8,39	
Profit (loss) from operations (thousand Lt)	-2.693	-1.422	-89
Operational profit margin (percent)	-22.03	-11.02	
Profit before taxes (thousand Lt)	-2.554	-1.502	-70
Net profit (loss) (thousand Lt)	-2.554	-1.502	-70
Net profit margin (percent)	-21.06	-11.64	
Ernings per share (in Litas)	-0.26	-0.16	-62
Debt to equity ratio	2.30	1.53	50
Liquidity ratio (percent)	0.45	0.52	-16
Earnings to asset ratio (percent)	30	40	-33

Sales income and EBITDA

Company revenue on 2012 I Half was 12.129 thousand LTL. Revenue on I Half of 2011 was 12.907 thousand LTL.

The company sells its products in the biggest Lithuanian commercial networks, the seven 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):

Sales	January – June, 2012	January – June, 2011	Change
Lithuania	6.054	6.903	-12,3%
Latvia and Estonia	1.389	1.412	-1,62%
Ukraine	440	436	0,92%
Russia	2.252	1.653	36,24%
Belgium	564	687	-17,90%
Poland	145	133	9,02%
Czech, Slovakia	645	710	-9,15%
Other countries	640	973	-34,22%
Total sales	12.129	12.907	-6,03%

The gross profit for the reporting period reached 2.344 thousand Litass. Compare with the year 2011 – 2.918 thousand Litass.

Gross profit fell down, because decreased sales income.

Operating expenses decreased by 16 percent compared with the year 2011 the same period. Operating profit margin during the reporting period was negative.

During the first six month of this year Company has earned 274 thousand Litass of profit from other activities. The profit was earned renting premises.

During the reporting period, EBITDA was -334 thousand Lt. Year ago EBITDA reached 1028 thousand LTL. EBITDA margin - 2,75 percent (During the first six month of 2011 – 8,39 percent)

Company Loans (LTL thousand)

The grantor	Currency	Balance at 30-06-2012	Balance at 30-06-2011
AB Swedbank	Litas	17.400	17.400