

2 August, 2013 No.
Vilnius

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

CONFIRMATION OF RESPONSIBLE PERSONS

In behalf DVARČIONIŲ KERAMIKA, AB we, General manager Liudmila Suboč and Chief accountant Elona Suveizdienė, hereby confirm that, to the best of our knowledge, the unaudited Financial Statements for the 1 half year of 2013 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 2013 includes a fair business development and activities.

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė



DVARČIONIŲ KERAMIKA, AB
INTERIM REPORT FOR THE SIX MONTHS OF 2013

AUGUST, 2013, Vilnius

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1. Reporting period for which this report has been prepared

January – June, 2013

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 a service agreement with AB NASDAQ Vilnius. Under this agreement, AB NASDAQ OMX 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 2013 was 9,7 million LTL. 2012 six month revenue amounted to 12,1 million LTL.

Loss before taxes for January – June 2013 amounted to 3,2 million LTL, the same period of 2012 loss before taxes was 2,5 million LTL.

Net loss for the reporting six month period reached 3,2 million LTL, compared to the same period of last year net loss totaled 2,5 million LTL.

Additional information on Company's activity and financial results for the six month of 2013 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 5th April, 2013. An annual report of the company was presented to the Meeting on activities for the year of 2012, the auditors opinion on financial statements for the year of 2012 was announced, the financial statements of the company for the year of 2012 were presented for the approval, was also announced the Company's profit distribution project for the year ended in 2012. 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 141 on 30th of June, 2013. 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) | 14 07 2013 – 13 07 2017 | -- | UAB „Raico group”, President | UAB “Raico group” 35,4% of voting in shareholders meeting |
| Marius Rumšas (Member of Management Board) | 14 07 2013 - 13 07 2017 | -- | Lawyer | |
| Rima Narkevičienė (Member of Management Board) | 14 07 2013 - 13 07 2017 | -- | -- | -- |
| Giedrius Kolesnikovas (Member of Management Board) | 14 07 2013 - 13 07 2017 | -- | Lawyer of „Motieka ir Audzevičius“ | |
| Liudmila Suboč (Member of Management Board) | 14 07 2013 - 13 07 2017 | -- | -- | 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:

- **Liudmila Suboč** – General manager of Dvarčionių Keramika AB since 23 07 2013. Member of the Management Board 14 07 2013 – 13 07 2017. Education – University degree.
- **Remigijus Šeris** - General manager of Dvarčionių Keramika AB since 18 02 2013 till 22 07 2013. Education – University degree
- **Audris Imbrasas** - General manager of Dvarčionių Keramika AB since 13 07 2009 till 15 02 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 160 thousand LTL for the six months of 2013, 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 2013

AUGUST, 2013, 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, 2013 were not audited. Financial statements for the year ended 31 December 2012 were audited accordingly.

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

| ASSETS | 2013 06 30 | 2012 12 31 |
|-------------------------------|-------------------|-------------------|
| NON CURRENT ASSETS | 26 719 | 28 559 |
| INTANGIBLE ASSETS | 1 | 2 |
| TANGIBLE ASSETS | 26 400 | 28 235 |
| Land | - | - |
| Buildings | 20 440 | 21 431 |
| Other tangible assets | 5 960 | 6 804 |
| INVESTMENTS PROPERTY | 18 | 22 |
| NON CURRENT FINANCIAL ASSETS | 300 | 300 |
| LONG TERM RECEIVABLES | - | - |
| DEFERRED TAXES | - | - |
| CURRENT ASSETS | 11 569 | 14 411 |
| INVENTORIES | 8 193 | 10 802 |
| STOCK | 7 868 | 10 504 |
| PREPAYMENTS | 325 | 296 |
| NOT COMPLETED WORKS | - | 2 |
| CURRENT RECEIVABLES | 3 300 | 3 552 |
| INVESTMENTS AND TERM DEPOSITS | - | - |
| CASH | 76 | 57 |
| TOTAL ASSETS | 38 288 | 42 970 |

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)

| EQUITY AND LIABILITIES | 2013 06 30 | 2012 12 31 |
|---|-------------------|-------------------|
| CAPITAL AND RESERVES | 7 591 | 10 767 |
| SHARE CAPITAL | 19 811 | 19 811 |
| Authorized | 19 811 | 19 811 |
| Subscribed uncalled share capital | - | - |
| SHARE PREMIUM | - | - |
| REVALUATION RESERVE | 10 186 | 10 186 |
| OTHER RESERVES | 125 | 125 |
| RETAINED EARNINGS | (22 531) | (19 355) |
| Previous years | (19 355) | (14 721) |
| Current year | (3 176) | (4 634) |
| GRANTS AND SUBSIDIES | - | - |
| DEFERRED TAX & ACCRUED LIABILITIES | 1 950 | 1 950 |
| Accrued expenses | - | - |
| Deferred tax liability | 1 950 | 1 950 |
| LIABILITIES | 28 747 | 30 253 |
| NON CURRENT LIABILITIES | - | - |
| Financial liabilities | - | - |
| Trade payables | - | - |
| Advances received | 1 698 | 1 698 |
| Other non current payables | - | - |
| CURRENT LIABILITIES | 27 049 | 28 555 |
| Current part of long term financial liabilities | - | - |
| Other financial liabilities | 19 033 | 19 123 |
| Trade payables | 6 228 | 7 035 |
| Advances received | 52 | 178 |
| Taxes and salaries payable | 902 | 829 |
| Other payables | 834 | 1 390 |
| TOTAL EQUITY AND LIABILITIES | 38 288 | 42 970 |

General manager



Liudmila Suboč

Chief accountant




Elona Suveizdienė

STATEMENT OF COMPREHENSIVE INCOME (LTL THOUSAND)

| | 2013.01.01 2013.06.30 | 2012.01.01 -2012.06.30 | 2013.04.01- 2013.06.30 | 2012.04.01- 2012.06.30 |
|---|--------------------------|---------------------------|---------------------------|---------------------------|
| SALES INCOME | 9 748 | 12 129 | 4.468 | 5.962 |
| | -8 002 | -9 785 | -3.579 | -4.921 |
| COST OF SALES | | | | |
| GROSS PROFIT | 1 746 | 2.344 | 889 | 1.041 |
| Operating expenses | -5 165 | -5 037 | -1.721 | -2.892 |
| OPERATING PROFIT (LOSS) | -3 419 | -2.693 | -832 | -1851 |
| OTHER ACTIVITIES | 353 | 274 | 208 | 121 |
| Income | 354 | 327 | 209 | 168 |
| Expenses | -1 | -53 | -1 | -47 |
| FINANCIAL AND INVESTING ACTIVITIES | -110 | -135 | -65 | -78 |
| Income | 2 | 21 | - | 9 |
| Expenses | -112 | -156 | -65 | -87 |
| PROFIT (LOSS) BEFORE PROFIT TAX | -3 176 | -2 554 | -689 | -1808 |
| Profit tax | - | - | - | - |
| NET PROFIT (LOSS) | -3 176 | -2 554 | -689 | -1808 |

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

CASH FLOW STATEMENT (LTL THOUSAND)

2013.06.30 2012.12.31

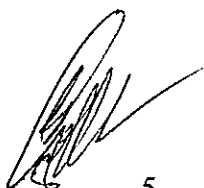
| | | |
|--|--------------|-------------|
| Cash flows from operating activities | | |
| Net profit | -3176 | -4.634 |
| Adjustments for: | | |
| Income tax benefit | - | - |
| Depreciation and amortization | 1839 | 4.105 |
| (Gain)/ losses on foreign exchange | - | - |
| (Gain)/ losses on investment activity | - | - |
| (Gain)/ losses on disposals (sales) of fixed assets | - | 4 |
| Net interest | - | - |
| Change in deferred taxes | - | - |
| Increase/(decrease) in inventory valuation allowance | -139 | 217 |
| Other | - | - |
| Operating profit before working capital changes | -1476 | -308 |
| (Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets | 224 | -63 |
| (Increase)/decrease in inventories | 2638 | 1015 |
| Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets | -1277 | 104 |
| Cash generated from operations | 109 | 748 |
| Interest paid | - | - |
| Profit tax paid | - | - |
| Interest received | - | - |
| Net cash from operating activities | 109 | 748 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | - | - |
| Sales of property, plant and equipment | - | -9 |
| Other items | - | - |
| Net cash from investing activities | - | -9 |
| Cash flows from financing activities | | |
| Repayment/receipt of loans | | |
| Financial lease payments | -60 | -134 |
| (Decrease)increase in factoring financing | -30 | -669 |
| Net cash from financing activities | -90 | -812 |
| Net change in cash and cash equivalents | 19 | -64 |
| Cash and cash equivalents at the beginning of period | 57 | 121 |
| Cash and cash equivalents at the end of period | 76 | 57 |

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

STATEMENT OF CHANGES IN EQUITY (LTL THOUSAND)


| | Share capital | Revaluation reserve | Legal reserve | Retained earnings | Total equity |
|---|----------------------|----------------------------|----------------------|--------------------------|---------------------|
| 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 |
| Profit (loss) | | | | -2.749 | -2.749 |
| Decrease in revaluation reserve due to depreciation or write-off of revalued assets | | -669 | | | -699 |
| Profit (loss) | | | | -1.065 | -1.065 |
| Balance at 31 December 2012 | 19.811 | 10.186 | 125 | -19.355 | 10 767 |
| Profit (loss) | | | | -3.176 | -3.176 |
| Decrease in revaluation reserve due to depreciation or write-off of revalued assets | - | - | | | - |
| Balance at 30 June 2013 | 19.811 | 10.186 | 125 | -22.531 | 7.591 |

General manager



Liudmila Suboč

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 | 2013 06 30 | 2012 06 30 | Change (percent) |
|---|------------|------------|------------------|
| Income (thousand Lt) | 9 748 | 12.129 | -20 |
| EBITDA (thousand Lt) | -1227 | -340 | -131 |
| EBITDA margin (percent) | -12.6 | -2.8 | |
| Profit (loss) from operations (thousand Lt) | -3.419 | -2.693 | -30 |
| Operational profit margin (percent) | -35 | -22 | |
| Profit before taxes (thousand Lt) | -3.176 | -2.554 | -24 |
| Net profit (loss) (thousand Lt) | -3.176 | -2.554 | -24 |
| Net profit margin (percent) | -32 | -21 | |
| Earnings per share (in Litas) | -0,32 | -0,26 | |
| Debt to equity ratio | 3.8 | 2.3 | |
| Liquidity ratio (percent) | 0,40 | 0,45 | |
| Earnings to asset ratio (percent) | 20 | 30 | |

Sales income and EBITDA

Company revenue on 2013 I Half was 9.748 thousand LTL. Revenue on I Half of 2012 was 12.129 thousand LTL.

The main reason for the fall in revenue-decreased consumption in the strategic markets, the general economic recession, stiff competition.

The company sells its products in the biggest Lithuanian commercial networks situated in major cities. It is also production exported to Latvia, Estonia, Scandinavia, Belgium, Czech Republic, Russia, Ukraine and Belorussia.

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

| Sales | January – June, 2013 | January – June, 2012 | Change |
|--------------------|---------------------------------|---------------------------------|---------------|
| Lithuania | 5.053 | 6.054 | -16 |
| Latvia and Estonia | 952 | 1.389 | -31 |
| Ukraine | 392 | 440 | -11 |
| Russia | 1.982 | 2.252 | -12 |
| Belgium | 189 | 564 | -66 |
| Poland | 88 | 145 | -39 |
| Czech, Slovakia | 487 | 645 | -24 |
| Other countries | 605 | 640 | -5 |
| Total sales | 9.748 | 12.129 | -20 |

The gross profit for the reporting period reached 1.746 thousand Litass. Compare with the year 2012 – 2.344 thousand Litass.

Gross profit fell down, because decreased sales income.

Operating expenses increased by 2,5 percent compared with the year 2012 the same period. Operating profit margin during the reporting period was negative.

During the first six month of this year Company has earned 353 thousand Litass of profit from other activities. The profit was earned renting premises.

During the reporting period, EBITDA was negative -1.227 thousand Lt. Year ago EBITDA was negative -340 thousand LTL. EBITDA margin – 12,6 percent (During the first six month of 2012 – 2,8 percent).

Company Loans (LTL thousand)

| The grantor | Currency | Balance at 30-06-2013 | Balance at 30-06-2012 |
|--------------------|-----------------|----------------------------------|----------------------------------|
| AB Swedbank | Litass | 17.400 | 17.400 |