

29 August, 2014 No. 1-658
Vilnius

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

CONFIRMATION OF RESPONSIBLE PERSONS

In behalf DVARČIONIŲ KERAMIKA, RAB 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 2014 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.

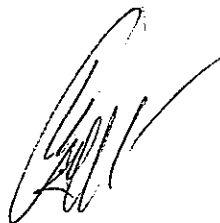
The six-month interim report of the year 2014 includes a fair business development and activities.

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė



DVARČIONIŲ KERAMIKA, RAB
INTERIM REPORT FOR THE SIX MONTHS OF 2014

AUGUST, 2014, Vilnius

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1. Reporting period for which this report has been prepared

January – June, 2014

2. Issuer and its contact details

Name of the Issuer: Dvarčionių Keramika, Joint-stock company (hereinafter- Company or Issuer).
The company received restructuring status from 23 of December, 2013.

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 FINASTA 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 2014 was 1,7 million LTL. 2013 six month revenue amounted to 9,7 million LTL.

Loss before taxes for January – June 2014 amounted to 2,7 million LTL, the same period of 2013 loss before taxes was 3,2 million LTL.

Net loss for the reporting six month period reached 2,7 million LTL, compared to the same period of last year net loss totaled 3,2 million LTL.

Additional information on Company's activity and financial results for the six month of 2014 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 has made changes to the Articles of Association: instead of the six members of the Board by the five in 29 of January of 2014

The general meeting of shareholders took place on 4th April, 2014. An annual report of the company was presented to the Meeting on activities for the year of 2013, the auditors opinion on financial statements for the year of 2013 was announced, the financial statements of the company for the year of 2013 were presented for the approval, was also announced the Company's profit distribution project for the year ended in 2013. The shareholders Meeting participants approved all the agenda questions presented.

The general meeting of shareholders approved the RAB Dvarčionių keramika restructuring plan in 25 of June 2014.

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 41 on 30th of June, 2014. 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” 69.3% of voting in shareholders meeting
Mindaugas Bučas (Member of Management Board)	13 07 2009 - 28 02 2013	--	UAB“Dvarų keramika“general manager	UAB “Dvarų keramika” 50% of voting in shareholders meeting

Ernestas Šližys (Member of Management Board)	26 06 214- 13 07 2017	-	UAB“Dvarčionių prekyba“general manager	-
Paulius Linčius (Member of Management Board)	26 06 214- 13 07 2017		UAB“Misota „, general manager	

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.
- **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 130 thousand LTL for the six months of 2014, an average remuneration amount per capital totaled 8,4 thousand LTL for the same period.



**DVARČIONIŲ KERAMIKA RAB
INTERIM FINANCIAL STATEMENTS
FOR 1 HALF YEARS OF 2014**

AUGUST, 2014, Vilnius

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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, 2014 were not audited.

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

ASSETS	2014 06 30	2013 12 31
NON CURRENT ASSETS	23 986	25 232
INTANGIBLE ASSETS	-	-
TANGIBLE ASSETS	23 678	24 919
Land	-	-
Buildings	18 461	19 450
Other tangible assets	217	5 469
INVESTMENTS PROPERTY	8	13
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES		
CURRENT ASSETS	5 324	7 113
INVENTORIES	2 330	3 493
STOCK	2 280	3 413
PREPAYMENTS	31	76
NOT COMPLETED WORKS	19	4
CURRENT RECEIVABLES	1 012	2 492
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	1 982	1 128
TOTAL ASSETS	29 310	32 345

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)

EQUITY AND LIABILITIES	2014 06 30	2013 12 31
CAPITAL AND RESERVES	2 734	5 494
SHARE CAPITAL	19 811	19 811
Authorized	19 811	19 811
Subscribed uncalled share capital	-	-
SHARE PREMIUM	-	-
REVALUATION RESERVE	9 581	9 581
OTHER RESERVES	125	125
RETAINED EARNINGS	(26 783)	(24 023)
Previous years	(24 023)	(19 355)
Current year	(2 760)	(4 668)
GRANTS AND SUBSIDIES	-	-
DEFERRED TAX & ACCRUED LIABILITIES	-	-
Accrued expenses	-	-
Deferred tax liability	-	-
LIABILITIES	26 576	26 851
NON CURRENT LIABILITIES	-	-
Financial liabilities	2 692	2 692
Trade payables	-	-
Advances received	-	-
Other non current payables	-	-
CURRENT LIABILITIES	23 884	24 159
Current part of long term financial liabilities	-	-
Other financial liabilities	18 208	18 208
Trade payables	5 122	5 081
Advances received	28	35
Taxes and salaries payable	142	201
Other payables	384	634
TOTAL EQUITY AND LIABILITIES	29 310	32 345

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

STATEMENT OF COMPREHENSIVE INCOME (LTL THOUSAND)

	2014.01.01 2014.06.30	2013.01.01 2013.06.30	2014.04.01 -2014.06.30	2013.04.01- 2013.06.30
SALES INCOME	1 733	9 748	605	4 468
	-1 404	-8 002	-428	-3 579
COST OF SALES				
GROSS PROFIT	329	1 746	177	889
Operating expenses	-3 462	-5 165	-1 549	-1 721
OPERATING PROFIT (LOSS)	-3 133	-3 419	-1 372	-832
OTHER ACTIVITIES	380	353	156	208
Income	380	354	156	209
Expenses	-	-1	-	-1
FINANCIAL AND INVESTING ACTIVITIES	-7	-110	-1	-65
Income	1	2	-	-
Expenses	-8	-112	1	-65
PROFIT (LOSS) BEFORE PROFIT TAX	-2760	-3 176	-1 215	-689
Profit tax	-	-	-	-
NET PROFIT (LOSS)	-2760	-3 176	-1 215	-689

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

CASH FLOW STATEMENT (LTL THOUSAND)

2014.06.30 2013.06.30


Cash flows from operating activities		
Net profit	-2 760	-3 176
Adjustments for:		
Income tax benefit	-	-
Depreciation and amortization	1 246	1 839
(Gain)/ losses on foreign exchange	-	-
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-	-
Net interest	-	-
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	-39	-139
Other	-	-
Operating profit before working capital changes	-1 553	-1476
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	1 525	224
(Increase)/decrease in inventories	1 133	2638
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	-251	-1277
Cash generated from operations	854	109
Interest paid	-	-
Profit tax paid	-	-
Interest received	-	-
Net cash from operating activities	854	109
Cash flows from investing activities		
Purchases of property, plant and equipment	-	-
Sales of property, plant and equipment	-	-
Other items	-	-
Net cash from investing activities	-	-
Cash flows from financing activities		
Repayment/receipt of loans	-	-
Financial lease payments	-	-60
(Decrease)increase in factoring financing	-	-30
Net cash from financing activities	-	-90
Net change in cash and cash equivalents	854	19
Cash and cash equivalents at the beginning of period	1 128	57
Cash and cash equivalents at the end of period	1 982	76

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 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
Profit (loss)				-1.492	-1.492
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-605			-605
Balance at 31 December 2013	19.811	9.581	125	-24.023	5.494
Profit (loss)				-2.760	-2.760
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-				
Balance at 30 June 2014	19.811	9.581	125	-26.783	2.734

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

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	2014 06 30	2013 06 30	Change (percent)
Income (thousand Lt)	1.733	9 748	-82
EBITDA (thousand Lt)	-1.514	-1 227	-23
EBITDA margin (percent)	-87.4	-12.6	
Profit (loss) from operations (thousand Lt)	-3.133	-3.419	-8
Operational profit margin (percent)	-180	-35	
Profit before taxes (thousand Lt)	-2.760	-3.176	-13
Net profit (loss) (thousand Lt)	-2.760	-3.176	-13
Net profit margin (percent)	-159	-32	
Earnings per share (in Litas)	-0,28	-0,32	
Debt to equity ratio	9,7	3.8	
Liquidity ratio (percent)	0,22	0,40	
Earnings to asset ratio (percent)	9	20	

Sales income and EBITDA

Company revenue on 2014 I Half was 1.733 thousand LTL. Revenue on I Half of 2013 was 9.748 thousand LTL.

The main reason of the fall in revenue – the production line stopped from August 2013. It was difficulties to complete the required tiles assortment.

The company sells its products in the biggest Lithuanian commercial networks and the own brand shops.

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

Sales	January – June, 2014	January – June, 2013
Lithuania	1.733	5.053
Other countries	-	4.695
Total sales	1.733	9.748

The gross profit for the reporting period reached 329 thousand Litass. Compare with the year 2013 – 1.746 thousand Litass.

Gross profit fell down, because decreased sales income.

Operating expenses decreased by 33 percent compared with the year 2013 the same period. Operating profit margin during the reporting period was negative.

During the first six month of this year Company has earned 380 thousand Litass of profit from other activities. The profit was earned renting premises.

During the reporting period, EBITDA was negative -1.514 thousand Lt. Year ago EBITDA was negative -1.227 thousand LTL. EBITDA margin – 87,2 percent (During the first six month of 2013 – 12,6 percent) .

Company Loans (LTL thousand)

The grantor	Currency	Balance at 30-06-2014
AB Swedbank	Litas	17.400
UAB Misota	Litas	460
Juozas Raišelis	Litas	985
UAB Raico Group	Litas	1.238