



DVARČIONIŲ KERAMIKA, AB
INTERIM REPORT FOR THE SIX MONTHS OF 2007

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

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1. Reporting period for which this report has been prepared

January – June, 2007

2. Issuer and its contact details

Name of the Issuer: Dvarcioniu Keramika, Joint-stock company (thereinafter- Company or Issuer).
Registered office: Keramikų str. 2, Vilnius, Republic of Lithuania
Phone: (8-5) 2317021;
Fax: (8-5) 2317061.
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 ceramics, import and sales of sanitary equipment and construction materials.

4. Agreements with intermediaries of public trading in securities

The Company has signed an agreement with Financial Brokerage Company Finasta, with registered main offices Konstitucijos av. 23, 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 2007 amounted to 32.03 million LTL, and compared to the six month of 2006, increased by 32.6 per cent (last year revenues amounted to 24.16 million LTL).

EBITDA for six month of 2007 increased by 62.11 per cent – up to 5.22 million LTL, last year EBITDA amounted to 3.22 million LTL. EBITDA margin was 16.3 per cent (for the six month of 2006 amounted – 13.3 per cent)

Profit for the January – June 2007, without corporate profit tax, amounted 445 thousand LTL, results for the same period of 2006 – 1.4 million LTL loss.

Net profit for the reporting six month period reached 379 thousand LTL, compared with the same period of last year Company suffered 1.060 thousand LTL loss.

Additional information about Company's activity and financial results for the six month of 2007 is provided in AB Dvarcioniu Keramika Interim financial statements for the six month of 2007.

7. Information about own shares of the Issuer

Issuer has not acquired its own shares.

8. Information about subsidiaries of the Issuer

30th June, 2007 Company investment to daughter company SIA Dvarcioniu Keramika (Melužu g.1, Riga, Latvia), part of property – 100 per cent. SIA Dvarcioniu Keramika has started liquidation procedures and the investment value in the subsidiary was written off.

The Company holds 31 per cent of JSC „Baltijos keramika“ (Družių vil., Širvintų reg., Lithuania) of total share capital.

9. Essential events of reporting period

On 15th of January, 2007 Sales and marketing director Vigintas Bartaševičius resigned of the member of the Management Board.

On 18th of April 2007 at 10.00 General meeting of shareholders took place, and made the following decisions:

1. Approved Annual report for 2006
2. Approved Company's annual financial statement for the year ended 31 December 2006
3. Approved 2006 profit (loss) distribution project of the Company.
4. Deposed the Supervisory Board members Piotr Żehaluk, Bogusław Korneta, Dariusz Wijata
5. Elect Mirosław Jędrzejczyk, Robert Oskard, Grzegorz Saniawa, Jerzy Karney of the members of Supervisory Board
6. Changed in the Company's Article 5.22:
“5.22. The Supervisory Board consisting of 3 (three) members, shall be elected by the General meeting of shareholders for a period of four years. Quantity of Supervisory Board member's cadence is unlimited. Chairman of Supervisory board shall elect Supervisory Board from own members.”

Jerzy Karney was elected as chairman of Supervisory Board on 18th of April, 2007.

Financial director Geraldas Kudrevičius resign of member of the Board on 30th of April 2007.

Alanas Levinas started as a Financial director of AB Dvarcioniu Keramika on 7th of June 2007.

10. Activity plans and forecasts of the Issuer

Company strives to increase the sales geographically and present 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:

Full name of shareholder (company name), personal number (number of company register)	Number of shares held (pcs.)	Part of capital held, %
Opoczno SA, company No. 57075, Przemyslowa 5, Opoczno	5.968.317	60.25
Raiselis Juozas, Moliakalnio str. 10, Vilnius	1.779.860	17.97

Persons acting jointly – managers of the issuer:

Name, last name	Number of shares (pcs.)	Part of capital held, %
Raiselis Juozas, Moliakalnio str. 10, Vilnius	1.779.860	17.97
Liudmila Suboc, Keramiku str. 6 – 35, Vilnius	193	0.002
Total:	1.780.053	17.97

13. Employees

Total number of employees was 302 on 30th of June, 2007, less by one employee in comparison to the previous reporting period.

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.

Confirmation of responsible persons

DVARCIONIU KERAMIKA, AB

22nd August, 2007 No. 1-1001

Lithuanian Securities Commission
Konstitucijos ave. 23
LT-08105 Vilnius

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 and Chairman of the Board and Finance Director of DVARCIONIU KERAMIKA, AB Juozas Raišelis and Chief Financial Officer of DVARCIONIU KERAMIKA, AB Alan Levin, hereby confirm that, to the best of our knowledge, the attached DVARCIONIU KERAMIKA, AB Interim Report for the six months of 2007 includes a fair review of the development and performance of the business.

Enclosed: DVARCIONIU KERAMIKA, AB Interim Report for the six months of 2007.

President
Chairman of the Board



Juozas Raišelis

Chief Financial Officer



Alan Levin



**Interim Financial Statements
for the six months of 2007**

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

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BALANCE SHEET (LTL THOUSAND)

ASSETS	30 06 2007	31 12 2006
NON CURRENT ASSETS	50.260	53.299
INTANGIBLE ASSETS	97	110
TANGIBLE ASSETS	49.863	52.889
Land	-	-
Buildings	25.379	26.338
Other tangible assets	24.484	26.551
Construction in progress	-	-
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
CURRENT ASSETS	30.892	28.076
INVENTORIES	22.116	19.963
STOCK	21.784	19.792
PREPAYMENTS	332	171
NOT COMPLETED WORKS	-	-
CURRENT RECEIVABLES	8.017	6.764
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	759	1.349
TOTAL ASSETS	81.152	81.375

BALANCE SHEET (LTL THOUSAND) (continued)

EQUITY AND LIABILITIES	30 06 2007	31 12 2006
CAPITAL AND RESERVES	24.985	24.606
SHARE CAPITAL	19.811	19.811
Authorized	19.811	19.811
Subscribed uncalled share capital	-	-
SHARE PREMIUM	-	-
REVALUATION RESERVE	4.216	4.357
OTHER RESERVES	125	125
RETAINED EARNINGS	833	313
Previous years	313	-
Current year	520	313
GRANTS AND SUBSIDIES	-	-
DEFERRED TAX & ACCRUED LIABILITIES	977	1.219
Accrued expenses	-	-
Deferred tax liability	977	1.219
LIABILITIES	55.190	55.550
NON CURRENT LIABILITIES	35.405	35.311
Financial liabilities	35.405	35.311
Trade payables	-	-
Advances received	-	-
Other non current payables	-	-
CURRENT LIABILITIES	19.785	20.239
Current part of long term financial liabilities	3.071	5.123
Other financial liabilities	56	206
Trade payables	13.534	12.768
Advances received	188	165
Taxes and salaries payable	1.084	1.152
Other payables	1.852	825
TOTAL EQUITY AND LIABILITIES	81.152	81.375

Temporary acting President,
Purchase and logistics director

Audris Imbrasas

Chief Financial Officer

Alan Levin

INCOME STATEMENT (LTL THOUSAND)

	01.01.2007- 30.06.2007	01.01.2006- 30.06.2006
SALES INCOME	32.028	24.155
COST OF SALES	-23.154	-18.673
GROSS PROFIT	8.874	5.482
Operating expenses	-7.457	-6.619
OPERATING PROFIT (LOSS)	1.417	-1.137
OTHER ACTIVITIES	145	710
Income	155	712
Expenses	-10	-2
FINANCIAL AND INVESTING ACTIVITIES	-1.117	-963
Income	5	9
Expenses	-1.122	-972
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEM	445	-1.390
Extraordinary income	-	-
Extraordinary expenses	-	-
PROFIT (LOSS) BEFORE PROFIT TAX	445	-1.390
Profit tax	-66	330
NET PROFIT (LOSS)	379	-1.060

Temporary acting President,
Purchase and logistics director

Audris Imbrasas

Chief Financial Officer

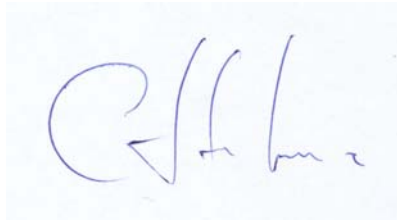
Alan Levin

CASH FLOW STATEMENT (LTL THOUSAND)

	01.01.2007- 30.06.2007	01.01.2006- 30.06.2006
Cash flows from operating activities		
Net profit	445	-1.390
Adjustments for:		
Depreciation and amortization	3.658	3.647
(Gain)/ losses on foreign exchange	7	28
(Gain)/ losses on investment activity	-	9
(Gain)/ losses on disposals (sales) of fixed assets	8	-
Net interest	1.115	940
Change in deferred taxes	-242	-330
Increase/(decrease) in inventory valuation allowance	-19	-173
Other	-52	146
Operating profit before working capital changes	4.920	2.877
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	-1.414	-1.134
(Increase)/decrease in inventories	-1.992	-2.085
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	1.746	3.029
Cash generated from operations	3.260	2.687
Interest paid	-1.115	-940
Profit tax paid	-8	-
Interest received	5	-
Net cash from operating activities	2.142	1.747
Cash flows from investing activities		
Purchases of property, plant and equipment	-619	-584
Sales of property, plant and equipment	17	12
Other items	-	55
Net cash from investing activities	-602	-517
Cash flows from financing activities		
Receipt of outstanding share capital contributions	-	-
Repayment/receipt of loans	-2.052	-167
Repayment/issue of promissory notes	-	-60
Financial lease payments	-94	-73
(Decrease)increase in factoring financing	16	-310
Net cash from financing activities	-2.130	-610
Net change in cash and cash equivalents	-590	620
Cash and cash equivalents at the beginning of period	1.349	587
Cash and cash equivalents at the end of period	759	1.207

CASH FLOW STATEMENT (LTL THOUSAND) (continued)

Temporary acting President,
Purchase and logistics director

A handwritten signature in blue ink, appearing to read "A. Imbrasas", written on a light blue background.

Audris Imbrasas

Chief Financial Officer

A handwritten signature in blue ink, appearing to read "Alan Levin", written on a light blue background.

Alan Levin

STATEMENT OF CHANGES IN EQUITY (LTL THOUSAND)

	Share capital	Revaluation reserve	Reserve capital	Retained earnings	Total Equity
As at 31 December 2005	49.527	4.864	125	-30.009	24.507
Reduction of share capital	-29.716			29.716	
Result for the period				99	99
Depreciation of revaluation reserve		-507		507	0
As at 31 December 2006	19.811	4.357	125	313	24.606
Result for the period				379	379
Depreciation of revaluation reserve		-141		141	0
As at 30 June 2007	19.811	4.216	125	833	24.985

Temporary acting President,
Purchase and logistics director

Audris Imbrasas

Chief Financial Officer

Alan Levin

NOTES TO FINANCIAL STATEMENTS

Within the first half of the year 2007 the income of the largest ceramic tiles manufacturer in the Baltic States JSC “Dvarčionių keramika” exceeded 32 million Litass and, in comparison with the same period last year, increased more than 32 percent (first half of the year 2006 – 24.2 mln. Lt). Within the first half of the year 2007 the Company’s net profit was more than 379 thousand Litass.

60.25 percent of the Company’s shares belong to the Polish company JSC OPOCZNO, the largest tiles manufacturer in Poland.

Major Financial Indicators of the Company

Financial Indicators	2007 I Half	2006 I Half	Change (percent)
Income (thousand Lt)	32.028	24.155	32,6
EBITDA (thousand Lt)	5.220	3.220	62,11
EBITDA margin (percent)	16,30	13,33	
Profit (loss) from operations (thousand Lt)	1.417	(1.137)	
Operational profit margin (percent)	4,42	(4,71)	
Profit before taxes (thousand Lt)	445	(1.390)	
Net profit (loss) (thousand Lt)	379	(1.060)	
Net profit margin (percent)	1,18	(4,39)	
Earnings per share (in Litass)	0,04	(0,11)	
Debt to equity ratio	2,21	2,26	
Liquidity ratio (percent)	1,56	1,39	
Earnings to asset ratio (percent)	30,79	30,24	

Consecutive Increase of Sales

Since 2005 the Company’s income continues increasing in a steady tempo. Comparing the accounting period income with the first half of the last year reveals that income increased almost one-third.

The major reason for the income increase is presentation of new collections and constant improvement of already existing ones.

The Company income distribution according to the geographical segments is as follows (Thous. Lt):

	2007 I Half	2006 I Half
Sales in Lithuania	18.235	12.821
Sales in Latvia and Estonia	7.090	5.810
Sales in Belgium	1.252	731
Sales in other countries	5.451	4.793
Total sales	32.028	24.155

In the course of the accounting period the gross profit was also increasing and reached nearly 8.9 million Litas (first half of the year 2006 – 5.5 mln. Lt). The growth of the gross profitability (it reached almost 62 percent) was stipulated by the higher margins of the new tiles collections and efficient control of the cost growth. The gross profitability of the comparative period reached nearly 23 percent while during the accounting period the gross profitability increased to nearly 28 percent. The income increase and growth of the gross profitability directly affected the Company's gross and net margins.

JSC "Dvarčionių keramika" continues holding the leading position at the Baltic States tiles market.

During the accounting period EBITDA increased more than 62 percent and reached 5.22 million Litas. Although the general and administration expenses (excluding depreciation and amortization expenses assigned to the sales, general and administrative expenses) increased, the relative general and administration expense growth as a percentage of income was lower. The general and administration expenses as a percentage of income for the accounting period was more than 23 percent whereas during the first half of the last year it reached more than 27 percent. Almost no depreciation and amortization expenses arose during the accounting period. Higher total profitability and efficient control of the general and administrative expenses directly affected EBITDA and EBITDA margin increase.

This half of the year both the operational margin and net profit margins were positive. As during the previous accounting period, depreciation and amortization expenses reached approximately 3.6 million Litas. The result of the financial investment activity was slightly worse than the corresponding result of the previous period and reached 1.1 million Litas. The basic interest rate has increased in Lithuania and the worsened financial investment activity results are the direct consequence of this.

The Company's relative financial indicators have also improved. Due to the decrease of the amount of short-term obligations and achieved results the debt to equity ratio, liquidity ratio, and earnings to assets ratio became positive.

The Company's cash flows were positive within both the comparative and the accounting period. Within this half of the year more funds were assigned to pay off the interest and bank loans. In the course of the accounting period the cash flow of the Company operational activity increased almost 23 percent and reached more than 2.2 million Litas. The reason for the cash flow increase is the growth of the net profitability.

Further Increase in Activity Efficiency

With the resources prices growing, the Company constantly searches for the possibilities to improve its internal processes and internal control. In order to reduce the increasing cost, the Company seeks to use its current potentials as efficiently as possible.

At the beginning of the year 2007 one of the manufacturing lines was modernized. It allowed to increase the line's manufacturing flexibility. As a result, the mentioned line is used to produce new product formats that were not produced before.

Also, we actively search for the possibilities to use our energy (gas and electricity) resources with maximum efficiency.

Currently the warehouse management modernization is carried out in the area of logistics that is necessary to enable smooth growth of the increasing turnover. The goods scanning system is in the process of being installed. The Company constantly improves its business management system.

Company Loan

JSC Bank Hansa Bankas has granted a long-term loan. Its redemption date is September 7, 2013.

(In LTL thousand)

The grantor	Currency	Balance at 30-06-2007
AB Bankas Hansa bankas	Litas	38.382

DVARCIONIU KERAMIKA, AB

30th July, 2007 Nr. 23-891

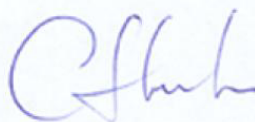
Lithuanian Securities Commission
Konstitucijos ave. 23
LT-08105 Vilnius

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, temporary acting as President and Purchase and Logistics Director of DVARCIONIU KERAMIKA, AB Audris Imbrasas and Chief Financial Officer of DVARCIONIU KERAMIKA, AB Alan Levin, hereby confirm that, to the best of our knowledge, the attached not audited DVARCIONIU KERAMIKA, AB Interim Financial Statements for the six months of 2007, prepared in accordance to International Financial Reporting Standards, represents fairly the assets, liabilities, financial position and profit and loss of DVARCIONIU KERAMIKA, AB.

Enclosed: DVARCIONIU KERAMIKA, AB Interim Financial Statements for the six months of 2007.

Temporary acting President,
Purchase and logistics director



Audris Imbrasas

Chief Financial Officer



Alan Levin