



DVARČIONIŲ KERAMIKA

*Interim financial statements
for the 1st quarter of 2007*

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Balance Sheet (LTL)

Prepared according International Financial Reporting Standards

No.	ASSETS	2007 03 31	2006 12 31
		LTL'000	LTL'000
A.	NON CURRENT ASSETS	52.012	53.299
I.	INTNAGIBLE ASSETS	108	110
II.	TANGIBLE ASSETS	51.604	52.889
II.1.	land	-	-
II.2.	Buildings	25.859	26.338
II.3.	Other fixed assets	25.745	26.551
II.4.	Construction in progress	-	-
III.	NON CURRENT FINANCIAL ASSETS	300	300
IV.	LONG TERM RECEIVABLES	-	-
V.	DEFERRED TAXES	-	-
B.	CURRENT ASSETS	27.516	28.076
I.	INVENTORIES	20.607	19.963
I.1.	STOCK	20.437	19.792
I.2.	PREPAYMENTS	170	171
I.3.	NOT COMPLETED WORKS	-	-
II.	CURRENT RECEIVABLES	5.986	6.764
III.	INVESTMENTS AND TERM DEPOSITS	-	-
IV.	CASH	923	1.349
	ASSETS TOTAL	79.528	81.375

Balance Sheet (LTL) (continued)

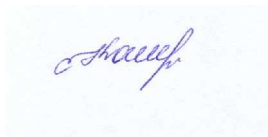
No.	EQUITY AND LIABILITIES	2007 03 31	2006 12 31
		LTL'000	LTL'000
A.	CAPITAL AND RESERVES	24.708	24.606
I.	SHARE CAPITAL	19.811	19.811
I.1.	PAID IN	19.811	19.811
I.2.	UNPAID	0	-
II.	SHARE PREMIUM	0	-
III.	REVALUATION RESERVE	4.357	4.357
IV.	OTHER RESERVES	125	125
V.	RETAINED EARNINGS	415	313
V.I	Previous years	313	-
V.II	current year	102	313
B.	DOTATIONS AND SUBSIDIES	0	-
C.	DEFERRED TAX & ACCRUED LIABILITIES	1.131	1.219
I.	Accrued expenses	0	-
II.	Deferred tax liability	1.131	1.219
D.	LIABILITIES	53.689	55.550
I.	NON CURRENT LIABILITIES	35.405	35.311
I.1.	Financial liabilities	35.311	35.311
I.2.	trade payables	0	-
I.3.	advances received	0	-
I.4.	other non current payables	94	-
II.	CURRENT LIABILITIES	18.284	20.239
II.1.	Current part of long term financial liabilities	4.095	5.123
II.2.	Other financial liabilities	81	206
II.3.	trade payables	11.586	12.768
II.4.	advances received	177	165
II.5.	taxes and salaries payable	1.348	1.152
II.6.	other payables	997	825
	EQUITY AND LIABILITIES	79.528	81.375

Temporary acting President,
Purchase and logistics director



Audris Imbrasas

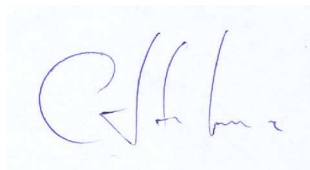
Chief Accountant



Vanda Kalpokienė

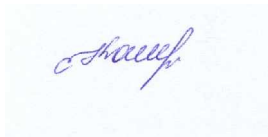
No.	INCOME STATEMENT	2007.01.01 – 2007.03.31	2006.01.01 – 2006.03.31
		LTL'000	LTL'000
I.	SALES	15.074	11.246
II.	COST OF SALES	-10.937	-8.811
III.	GROSS PROFIT	4.137	2.435
IV.	Operating expenses	-3.577	-3.012
V.	OPERATING RESULT (EBIT 1)	560	-577
VI.	OTHER ACTIVITY, NET	96	46
VI.1.	Income	97	48
VI.2.	Expenses	-1	-2
VII.	FINANCIAL ACTIVITY, NET	-522	-444
VII.1.	Income	3	8
VII.2.	Expenses	-525	-452
VIII.	ORDINARY ACTIVITY RESULT	134	-975
IX.	Extraordinary income	0	
X.	Extraordinary expenses	0	
XI.	RESULT BEFORE PROFIT TAX	134	-975
XII.	Profit taxes	-32	123
XIII.	NET RESULT	102	-852

Temporary acting President,
Purchase and logistics director



Audris Imbrasas

Chief Accountant



Vanda Kalpokienė

JSC DVARČIONIŲ KERAMIKA
Company Code 110628481

Report for 1Q of 2007

STATEMENT OF CASH FLOWS

	2007.01.01- 2007.03.31	2006.01.01- 2006.03.31
	LTL'000	LTL'000
Cash flows from operating activities		
Net result for the period	102	-852
Adjustments for:		
Depreciation and amortization	1.828	1.851
(Gain)/ losses on foreign exchange	-	-
(Gain)/ losses on investment activity	0	0
(Gain)/ losses on disposals (sales) of fixed assets	-1	-11
Net interest	525	452
Change in deferred taxes	0	-123
Increase/(decrease) in inventory valuation allowance	0	0
Other		-5
Operating profit before working capital changes	2.454	1.312
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	-890	-807
(Increase)/decrease in inventories	-645	-873
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	779	1.556
Cash generated from operations	1.698	1.199
Interest paid	-525	-452
Net cash from operating activities	1.173	736
Cash flows from investing activities		
Purchases of property, plant and equipment	-541	-198
Sales of property, plant and equipment	1	23
Other items	0	8
Net cash utilized in investing activities	-540	-167
Cash flows from financing activities		
Receipt of outstanding share capital contributions	-	-
Repayment/receipt of loans	-1.028	-
Repayment/issue of promissory notes	0	-60
Financial lease payments	-36	-40
(Decrease)increase in factoring financing	5	-337
Net cash from financing activities	-1.059	-437
Net change in cash and cash equivalents	-426	132
Cash and cash equivalents at the beginning of period	1.349	587
Cash and cash equivalents at the end of period	923	719

Temporary acting President,
Purchase and logistics director





Audris Imbrasas

Chief Accountant

Vanda Kalpokienė

STATEMENT OF CHANGES IN EQUITY

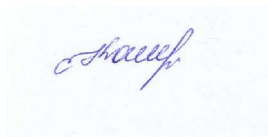
LTL'000	Share capital	Revaluation reserve	Reserve capital	Retained earnings	Total Equity
As at 31 December 2005	49.527	4.864	125	-30.009	24.507
Result for the period				-852	-852
Adjustments				3	3
As at 31 March 2006	49.527	4.864	125	-30.858	23.658
Reduction of share capital	-29,716			29,716	0
Result for the period				948	948
Depreciation of revaluation reserve		-507		507	0
As at 31 December 2006	19.811	4.357	125	313	24.606
Result for the period				102	102
Depreciation of revaluation reserve		-127		127	0
As at 31 March 2007	19.811	4.230	125	542	24.708

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 Purchase and logistics director



Audris Imbrasas

Chief Accountant



Vanda Kalpokienė

EXPLANATORY NOTE

The biggest ceramic tiles producer 'Dvarčionių keramika' turnover for the 1st quarter of 2007 amounted to 15,1 mLTL and compared to the same period of last year increased by 34% (1st quarter of 2006: 11,2 mLTL). The Company has generated net profit exceeding 100 thousand LTL and compared to the same period of last year the net profit increased by almost a million (1st quarter of 2006: loss 852 thousand LTL).

Constant growth of sales

After the breakthrough in 2005, the Company's sales constantly grow and what is also important that growth pace remains the same. 'Dvarčionių keramika' sales income for the 1st quarter of 2007 amounted to 15,1 mLTL and compared to the same period of last year increased by 34% (1st quarter of 2006: 11,2 mLTL).

The main income growth source is development of product portfolio, introducing new ceramic tile collections and developing existing ones.

'Dvarčionių keramika' finishes to become a leader in the Baltic states for distribution of ceramic tiles. Next steps in respect of strategic market development are strengthening of niche in geographically close markets, i.e. Russia, Ukraine, Belarus and Scandinavia.

Further improvements in operating efficiency

With the growth of resource prices, the Company constantly looks for the opportunities to improve internal processes. In order to amortize the prices increase, the Company seeks to utilize the capacities in the best possible way. The utilization of capacities in this year should reach optimal level – app. 2.5 square meters (after elimination of time needed for technical maintenance).

In the beginning of 2007, one of the production lines was modernized, enabling higher production flexibility of the line. As a result, new products are already produced on this line.

Also, considerable efforts are dedicated for search of alternatives allowing more efficient utilization of energy resources (electricity and gas).

In the logistic area, currently modernization of warehousing system takes place. This step is necessary to facilitate fluent growth of constantly increasing turnover.

Positive dynamics of profitability

The main source on increase in profitability is sales income growth which allows better utilization of existing capacities and higher coverage of fixed costs. The sales increase for the 1st quarter of 2007, resulting in 1,7 mLTL growth of gross profit. If compared with growth of sales by 34%, gross profit increased even by 70%. Gross profit margin also increased from 22% for the 1st quarter of 2006 to 27% for the 1st quarter of 2007.

Operating expenses for the 1st quarter of 2007 increased by 0,6mLTL if compared to prior period, however the increase is only 19% and lower than increase in sales and gross profit.

Operating profit reached 0,7 mLTL or 4% and compared to the same period of last year increased by 1,2 mLTL (2006 IQ: loss of 0,5 mLTL or -5%).

Net profit exceeded 0,1 mLTL and compared to the same period of last year increased by 1 mLTL (2006 IQ: loss of 0,9 mLTL).

EBIDTA reached 2,5 mLTL (2006 IQ: 1,3 mLTL).



DVARCIONIU KERAMIKA, AB

4th September, 2007 No 23-1069

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 three 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 three months of 2007.

Temporary acting President,
Purchase and logistics director

Audris Imbrasas

Chief Financial Officer

Alan Levin