

Lithuanian Securities Commission
Konstitucijos ave. 23
LT-08105 Vilnius
LITHUANIA

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 of DVARCIONIU KERAMIKA, AB Marek Ungier and Chief Financial Officer of DVARCIONIU KERAMIKA, AB Alan Levin, hereby confirm that, to the best of our knowledge, the attached DVARCIONIU KERAMIKA, AB not audited Interim Financial Statements for the twelve months of 2007 prepared in accordance to International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of DVARCIONIU KERAMIKA, AB undertakings.

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

President



Marek Ungier

Chief Financial Officer



Alan Levin



Interim Financial Statements
for the twelve months of 2007

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

FEBRUARY, 2008

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The largest ceramic tiles manufacturer in the Baltic States AB Dvarčionių Keramika (Hereinafter the Company) exports about 44 per cent of 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 – December, 2007 were not audited; financial statements for the year ended 31 December 2006 were audited accordingly.

BALANCE SHEET (LTL THOUSAND)

ASSETS	2007 12 31	31 12 2006
NON CURRENT ASSETS	47,637	53,299
INTANGIBLE ASSETS	88	110
TANGIBLE ASSETS	47,249	52,889
Land	-	-
Buildings	24,663	26,338
Other tangible assets	22,586	26,551
Construction in progress	-	-
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
CURRENT ASSETS	26,171	28,076
INVENTORIES	19,130	19,963
STOCK	18,979	19,792
PREPAYMENTS	151	171
NOT COMPLETED WORKS	-	-
CURRENT RECEIVABLES	6,730	6,764
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	311	1,349
TOTAL ASSETS	73,808	81,375

BALANCE SHEET (LTL THOUSAND) (continued)

EQUITY AND LIABILITIES	31 12 2007	31 12 2006
CAPITAL AND RESERVES	23,180	24,606
SHARE CAPITAL	19,811	19,811
Authorized	19,811	19,811
Subscribed uncalled share capital	-	-
SHARE PREMIUM	-	-
REVALUATION RESERVE	3,788	4,357
OTHER RESERVES	125	125
RETAINED EARNINGS	-544	313
Previous years	882	-
Current year	-1,426	313
GRANTS AND SUBSIDIES	-	-
DEFERRED TAX & ACCRUED LIABILITIES	883	1,219
Accrued expenses	-	-
Deferred tax liability	883	1,219
LIABILITIES	49,745	55,550
NON CURRENT LIABILITIES	31,638	35,311
Financial liabilities	31,638	35,311
Trade payables	-	-
Advances received	-	-
Other non current payables	-	-
CURRENT LIABILITIES	18,107	20,239
Current part of long term financial liabilities	3,188	5,123
Other financial liabilities	179	206
Trade payables	12,314	12,768
Advances received	144	165
Taxes and salaries payable	1,315	1,152
Other payables	967	825
TOTAL EQUITY AND LIABILITIES	73,808	81,375

President



Marek Ungier

CFO



Alan Levin

PROFIT AND LOSS STATEMENT (LTL THOUSAND)

	01.01.2007- 31.12.2007	01.01.2006- 31.12.2006
SALES INCOME	69,469	56,923
COST OF SALES	-52,307	-41,370
GROSS PROFIT	17,162	15,553
Operating expenses	-16,937	-14,205
OPERATING PROFIT (LOSS)	225	1,348
OTHER ACTIVITIES	469	532
Income	498	532
Expenses	-29	
FINANCIAL AND INVESTING ACTIVITIES	-2,327	-2,082
Income	6	9
Expenses	-2,333	-2,091
PROFIT (LOSS) BEFORE PROFIT TAX	-1,633	-202
Profit tax	207	301
NET PROFIT (LOSS)	-1,426	99

President



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CASH FLOW STATEMENT (LTL THOUSAND)

	01.01.2007- 31.12.2007	01.01.2006- 31.12.2006
Cash flows from operating activities		
Net profit	-1,426	99
Adjustments for:		
Depreciation and amortization	7,349	7,353
(Gain)/ losses on foreign exchange	17	50
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	29	-359
Net interest	2,313	2,037
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	-302	-24
Other	-223	-310
Operating profit before working capital changes	7,757	8,846
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	403	-2,034
(Increase)/decrease in inventories	766	-3,129
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	-285	3,721
Cash generated from operations	8,641	7,404
Interest paid	-2,313	-2,040
Profit tax paid	-24	-45
Interest received	6	-
Net cash from operating activities	6,310	5,319
Cash flows from investing activities		
Purchases of property, plant and equipment	-1,820	-1,012
Sales of property, plant and equipment	202	404
Other items	-	9
Net cash from investing activities	-1,618	-599
Cash flows from financing activities		
Receipt of outstanding share capital contributions	-	-
Repayment/receipt of loans	-5,608	-3,416
Financial lease payments	-	-60
(Decrease)increase in other financing payments	-178	-173
Net cash from financing activities	56	-309
Net change in cash and cash equivalents	-5,730	-3,958
Cash and cash equivalents at the beginning of period	-1,038	762
Cash and cash equivalents at the end of period	1,349	587

CASH FLOW STATEMENT (LTL THOUSAND) (Continued)

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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				-1,426	-1,426
Depreciation of revaluation reserve		-569		569	0
As at 31 December 2007	19,811	3,788	125	-544	23,180

President



Marek Ungier

CFO



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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).

78.22 percent of the Company's shares (60.25 per cent of voting rights) and starting January 24th 2008 78.22 per cent of voting rights, belongs to the Polish company Opoczno SA, the largest tiles manufacturer in Poland.

Major Financial Indicators of the Company

Financial Indicators	2007 I-IV Q	2006 I-IV Q	Change (percent)
Income (thousand Lt)	69,469	56,923	22.0
EBITDA (thousand Lt)	8,043	9,233	(12.9)
EBITDA margin (percent)	11.6	16.2	
Profit (loss) from operations (thousand Lt)	225	1,348	(83.3)
Operational profit margin (percent)	0,3	2.4	
Profit before taxes (thousand Lt)	(1,633)	(202)	
Net profit (loss) (thousand Lt)	(1,426)	99	
Net profit margin (percent)	(2.05)	0.17	
Earnings per share (in Litas)	(0.14)	0.01	
Debt to equity ratio	2.15	2.26	
Liquidity ratio (percent)	1.44	1.39	
Earnings to asset ratio (percent)	31.41	30.24	

Sales income and EBITDA

Since 2005 the Company's income continues increasing in a steady growth. Income for the reporting period of 2007, increased by 22 per cent, compared to the 2006. Income from goods manufactured for sale went up by 26 per cent, compared to sales in 2006.

The major reason for the income increase is presentation of new collections, extensive marketing and sale policy and constant improvement of already existing ones.

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

Sales	January – December 2007	January – December 2006	Change
Lithuania	38,693	30,445	27.1%
Latvia and Estonia	14,577	12,574	15.9%
Ukraine	3,679	3,632	1.3%
Russia	3,235	2,977	8.7%
Belgium	2,460	1,517	62.2%
Poland	1,813	2,525	-28.2%
Uzbekistan	1,602	1,284	24.8%
Other countries	3,410	1,969	73.2%
Total sales	69,469	56,923	22.0%

The gross profit for the reporting period increased and reached 17.2 million Litass (for the comparing period of the year 2006 – 15,6 million, Lt). The growth of the gross profitability (it reached more than 10 per cent) was stipulated by the higher sales in Lithuania, Latvia and Estonia.

Dvarčionių Keramika AB continues holding the leading position at the Baltic States tiles market.

EBIDTA decreased by almost 13 per cent this reporting year, compared to the 2006, due to compensation payments for retired two board members and the head of the administration. EBITDA reached 8.043 million litas.

Company Loans (LTL thousand)

The grantor	Currency	Balance at 31-12-2007
AB Bankas Hansa bankas	Litas	34,826