

30<sup>th</sup> April, 2009 No. 12-516

Vilnius

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 DVARČIONIŲ KERAMIKA, AB Marek Ungier and Chief Financial Officer of DVARČIONIŲ KERAMIKA, AB Vanda Kalpokiene, hereby confirm that, to the best of our knowledge, the attached DVARČIONIŲ KERAMIKA, AB not audited Interim Financial Statements for the first three months of 2009 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 DVARČIONIŲ KERAMIKA, AB undertakings.

Enclosed: DVARČIONIŲ KERAMIKA, AB Interim Financial Statements for the first three months of 2009.

President



Marek Ungier

Chief Financial Officer



Vanda Kalpokiene



**Interim Financial Statements  
for the twelve months of 2009**

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

FEBRUARY, 2009

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The largest ceramic tiles manufacturer in the Baltic States AB Dvarcionių Keramika (Hereinafter the Company) exports about 50 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 – March, 2009 were not audited; financial statements for the year ended 31 December 2008 were audited by auditor UAB “Mokesčių ekspertų biuras” accordingly.

### BALANCE SHEET (LTL THOUSAND)

<b>ASSETS</b>	<b>31 03 2009</b>	<b>31 03 2008</b>
<b>NON CURRENT ASSETS</b>	<b>40.487</b>	<b>41.586</b>
INTANGIBLE ASSETS	39	53
TANGIBLE ASSETS		41.233
Land	-	-
Buildings	22.235	22.721
Other tangible assets	17.913	18.512
Construction in progress	-	-
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
<b>CURRENT ASSETS</b>	<b>29.726</b>	<b>33.349</b>
INVENTORIES	21.074	24.878
STOCK	21.019	24.798
PREPAYMENTS	55	80
NOT COMPLETED WORKS	-	-
CURRENT RECEIVABLES	8.534	8.255
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	118	216
<b>TOTAL ASSETS</b>	<b>70.213</b>	<b>74.935</b>

**BALANCE SHEET (LTL THOUSAND) (continued)**

<b>EQUITY AND LIABILITIES</b>	<b>31 03 2009</b>	<b>31 03 2008</b>
<b>CAPITAL AND RESERVES</b>	<b>20.802</b>	<b>22.779</b>
<b>SHARE CAPITAL</b>	19.811	19.811
Authorized	19.811	19.811
Subscribed uncalled share capital	-	-
<b>SHARE PREMIUM</b>	-	-
<b>REVALUATION RESERVE</b>	3.594	3.594
<b>OTHER RESERVES</b>	125	125
<b>RETAINED EARNINGS</b>	<b>-2.728</b>	<b>-751</b>
Previous years	-751	-824
Current year	-1.977	73
<b>GRANTS AND SUBSIDIES</b>	-	-
<b>DEFERRED TAX &amp; ACCRUED LIABILITIES</b>	<b>907</b>	<b>907</b>
Accrued expenses	-	-
Deferred tax liability	907	907
<b>LIABILITIES</b>	<b>48.504</b>	<b>51.249</b>
<b>NON CURRENT LIABILITIES</b>	23.924	23.425
Financial liabilities	23.528	23.029
Trade payables	-	-
Advances received	-	-
Other non current payables	396	396
<b>CURRENT LIABILITIES</b>	24.580	27.824
Current part of long term financial liabilities	9.480	10.749
Other financial liabilities	211	260
Trade payables	12.663	14.097
Advances received	195	260
Taxes and salaries payable	1.058	991
Other payables	973	1.467
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>70.213</b>	<b>74.935</b>

President



Marek Ungier

Chief Financial Officer



Vanda Kalpokiene

**PROFIT AND LOSS STATEMENT (LTL THOUSAND)**

	01 01 2009- 31 03 2009	01 01 2008- 31 03 2008
<b>SALES INCOME</b>	<b>10.237</b>	<b>16.826</b>
<b>COST OF SALES</b>	<b>-8.249</b>	<b>-12.070</b>
<b>GROSS PROFIT</b>	<b>1.988</b>	<b>4.756</b>
Operating expenses	-2.546	-3.732
<b>OPERATING PROFIT (LOSS)</b>	<b>-558</b>	<b>1.024</b>
<b>OTHER ACTIVITIES</b>	<b>-1.006</b>	<b>198</b>
Income	82	205
Expenses	-1.088	-7
<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>-413</b>	<b>-590</b>
Income	14	-
Expenses	-427	-590
<b>PROFIT (LOSS) BEFORE PROFIT TAX</b>	<b>-1.977</b>	<b>632</b>
Profit tax	-	47
<b>NET PROFIT (LOSS)</b>	<b>-1.977</b>	<b>679</b>

President



Marek Ungier

Chief Financial Officer



Vanda Kalpokiene

**CASH FLOW STATEMENT (LTL THOUSAND)**

	<b>01 01 2009- 31 03 2008</b>	<b>01 01 2008- 31 03 2008</b>
<b>Cash flows from operating activities</b>		
Net profit	-1.977	679
Adjustments for:		
Depreciation and amortization	1.087	1.851
(Gain)/ losses on foreign exchange	-6	6
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-4	-2
Net interest	418	584
Change in deferred taxes	-	-47
Increase/(decrease) in inventory valuation allowance	-	-
Other	6	-
<b>Operating profit before working capital changes</b>	<b>-476</b>	<b>3.071</b>
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	-215	-644
(Increase)/decrease in inventories	3.779	-1.737
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	-1.948	914
<b>Cash generated from operations</b>	<b>1.140</b>	<b>1.604</b>
Interest paid	-395	-584
Profit tax paid	-39	-
Interest received	-	-
<b>Net cash from operating activities</b>	<b>706</b>	<b>1.020</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	-147	-146
Sales of property, plant and equipment	162	10
Other items	-	-
<b>Net cash from investing activities</b>	<b>15</b>	<b>-136</b>
<b>Cash flows from financing activities</b>		
Repayment/receipt of loans	-770	-974
Financial lease payments	-33	-6
(Decrease)increase in other financing payments	-16	-14
<b>Net cash from financing activities</b>	<b>-819</b>	<b>-994</b>
<b>Net change in cash and cash equivalents</b>	<b>-98</b>	<b>-110</b>
Cash and cash equivalents at the beginning of period	216	311
<b>Cash and cash equivalents at the end of period</b>	<b>118</b>	<b>201</b>

**CASH FLOW STATEMENT (LTL THOUSAND) (Continued)**

President



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Chief Financial Officer



Vanda Kalpokiene



**STATEMENT OF CHANGES IN EQUITY (LTL THOUSAND)**

	Share capital	Revaluation reserve	Reserve capital	Retained earnings	Total Equity
<b>As at 31 December 2006</b>	<b>19.811</b>	<b>4.357</b>	<b>125</b>	<b>(62)</b>	<b>24.231</b>
Result for the period	-	-	-	(1.525)	(1.525)
Depreciation of revaluation reserve	-	(412)	-	412	-
<b>As at 31 December 2007</b>	<b>19.811</b>	<b>3.945</b>	<b>125</b>	<b>(1.175)</b>	<b>22.706</b>
Result for the period				679	679
<b>As at 31 March 2008</b>	<b>19.811</b>	<b>3.945</b>	<b>125</b>	<b>(496)</b>	<b>23.385</b>
Result for the period				(606)	(606)
Depreciation of revaluation reserve		(351)		351	-
<b>As at 31 December 2008</b>	<b>19.811</b>	<b>3.594</b>	<b>125</b>	<b>(751)</b>	<b>22.779</b>
Result for the period				(1.977)	(1.977)
<b>As at 31 March 2009</b>	<b>19.811</b>	<b>3.594</b>	<b>125</b>	<b>(2.728)</b>	<b>20.802</b>

President



Marek Ungier

Chief Financial Officer



Vanda Kalpokiene

## 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).

92,25 percent of the Company's shares belongs to the Polish company Cersanit SA, the largest tiles manufacturer in Poland.

Accounting of the shares of the company procedures FMI Finasta.

### Major Financial Indicators of the Company

Financial Indicators	2009 IQ	2008 I Q	Change (percent)
Income (thousand Lt)	10.237	16.826	-39,2
EBITDA (thousand Lt)	-477	3.073	-115,5
EBITDA margin (percent)	-4,4	18,3	
Profit (loss) from operations (thousand Lt)	-558	1.024	-154,5
Operational profit margin (percent)	-5,4	6,1	
Profit before taxes (thousand Lt)	-1.977	632	-412,8
Net profit (loss) (thousand Lt)	-1.977	679	-391,2
Net profit margin (percent)	-19,5	4,0	
Earnings per share (in Litas)	-0,20	0,06	
Debt to equity ratio	2,3	2,2	
Liquidity ratio (percent)	1,21	1,20	
Earnings to asset ratio (percent)	29,6	30,4	

### Sales income and EBITDA

Company revenue fell 39.2 percent comparing with the first quarter of 2008. Production revenue was 33,1 percent lower than in the previous reporting period.

The main reason for the reduction of income - reduced consumption in the strategic markets, the general economic downturn although the company continues the installation of new collections, sales and marketing policy. The company sells its products in the biggest Lithuanian commercial networks, the thirteen own brand shops, situated in major cities. It is also about 50% of production is exported to Latvia, Estonia, Kaliningrad, Scandinavia, Belgium, Czech Republic, Russia.

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

<b>Sales</b>	<b>January – December 2008</b>	<b>January – December 2007</b>	<b>Change</b>
Lithuania	4,920	9,351	-47%
Latvia and Estonia	2,288	3,916	-42%
Russia	725	842	-14%
Poland	51	52	-3%
Ukraine	98	1,088	-91%
Scandinavia	502	497	1%
Czech Republic	312	242	29%
Uzbekistan	187	195	-4%
Other countries	1,156	642	80%
<b>Total sales</b>	<b>10,237</b>	<b>16,826</b>	<b>-39%</b>

The gross profit for the reporting period decreased by 58% and reached 1.988 thousand Litass (for the comparing period of the year 2008 – 4.756 thousand Litass).

The company refused to part manufacturing capabilities. Since January 2009, halted the production line "Nassetti" activities. The Board adopted the decision to dismiss 97 workers.

The decrease of gross profit was because the decreased revenue and lower sell prices.

Operating expenses also declined by 32,7 percent during the reporting period compared with the year 2008 the same period. Operating expenses were 24,9 percent from total income during the reporting period, while during the previous year's first quarter operating expenses amounted to 22,2 percent of income. Operating profit margin during the reporting period was negative. Company's operating expenses decreased by 1.186 thousand litass during, the reporting period. The decrease was due to payroll reduction of 15 percent, other cost savings. There was growth of other operating expenses – to 1.088 thousand Litass, because of payment of severance compensation to employees, reducing production capacity.

During the reporting period, EBITDA decreased by 115, 5 percent. (-447 thousand Lt.). The net profit decreased by 391,2 percent. (-1.977 thousand Lt.). EBITDA and net result for the reporting period, were mostly affected of the decreasing revenue (39.2 per cent.) and the gross profit (58.2 per cent.).

#### **Further operational efficiency**

Rising resource prices, the company is constantly looking for opportunities to improve their internal processes and internal controls. In order to mitigate the cost growth, the company tries to make the best use of available capacity.

#### **Company Loans (LTL thousand)**

<b>The grantor</b>	<b>Currency</b>	<b>Balance at 31 03 2009</b>
AB Bankas Hansa bankas	Litas	32.509.572,05