

07th May, 2010 No.23-302
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 DVARCIONIU KERAMIKA, AB Audris Imbrasas and Chief Financial Officer of DVARCIONIU KERAMIKA, AB Vanda Kalpokienė, hereby confirm that, to the best of our knowledge, the attached DVARCIONIU KERAMIKA, AB not audited Interim Financial Statements for the first three months of 2010 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 first three months of 2010.

President



Audris Imbrasas

Chief Financial Officer



Vanda Kalpokienė



**Interim Financial Statements
for the first three months of 2010**

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

MAY, 2010

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DVARČIONIŲ KERAMIKA, AB is the largest ceramic tiles manufacturer in the Baltic States, (Hereinafter the Company). It 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, 2010 were not audited; financial statements for the year ended 31 December 2009 were audited by auditor UAB “KPMG Baltics” accordingly.

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

ASSETS	31 03 2010	31 12 2009
NON CURRENT ASSETS	29.878	31.378
INTANGIBLE ASSETS	12	17
TANGIBLE ASSETS	28.484	29.872
Land	-	-
Buildings	18.208	18.594
Other tangible assets	10.276	11.278
INVESTMENTS PROPERTY	1.077	1.183
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	5	6
DEFERRED TAXES	-	-
CURRENT ASSETS	16.819	16.678
INVENTORIES	12.198	11.309
STOCK	12.147	11.258
PREPAYMENTS	51	51
NOT COMPLETED WORKS	-	-
CURRENT RECEIVABLES	4.417	5.261
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	204	108
TOTAL ASSETS	46.697	48.056

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)

EQUITY AND LIABILITIES	31 03 2010	31 12 2009
CAPITAL AND RESERVES	15.391	16.737
SHARE CAPITAL	19.811	19.811
Authorized	19.811	19.811
Subscribed uncalled share capital	-	-
SHARE PREMIUM	-	-
REVALUATION RESERVE	2.902	2.902
OTHER RESERVES	125	125
RETAINED EARNINGS	(7.447)	(6.101)
Previous years	(6.101)	(59)
Current year	(1.346)	(6.042)
GRANTS AND SUBSIDIES	-	-
DEFERRED TAX & ACCRUED LIABILITIES	311	311
Accrued expenses	-	-
Deferred tax liability	311	311
LIABILITIES	30.995	31.008
NON CURRENT LIABILITIES	16.069	17.157
Financial liabilities	15.826	16.888
Trade payables	-	-
Advances received	-	-
Other non current payables	243	269
CURRENT LIABILITIES	14.926	13.851
Current part of long term financial liabilities	7.142	6.636
Other financial liabilities	120	125
Trade payables	5.740	5.040
Advances received	142	126
Taxes and salaries payable	727	1.058
Other payables	1.055	866
TOTAL EQUITY AND LIABILITIES	46.697	48.056

President



Audris Imbrasas

Chief Financial Officer



Vanda Kalpokienė

STATEMENT OF COMPREHENSIVE INCOME (LTL THOUSAND)

	01 01 2010- 31 03 2010	01 01 2009- 31 03 2009
SALES INCOME	5.308	10.237
COST OF SALES	(4.099)	(8.249)
GROSS PROFIT	1.209	1.988
Operating expenses	(2.514)	(2.546)
OPERATING PROFIT (LOSS)	(1.305)	(558)
OTHER ACTIVITIES	86	(1.006)
Income	96	82
Expenses	(10)	(1.088)
FINANCIAL AND INVESTING ACTIVITIES	(127)	(413)
Income	-	14
Expenses	(127)	(427)
PROFIT (LOSS) BEFORE PROFIT TAX	(1.346)	(1.977)
Profit tax	-	-
NET PROFIT (LOSS)	(1.346)	(1.977)

President



Audris Imbrasas

Chief Financial Officer



Vanda Kalpokienė

CASH FLOW STATEMENT (LTL THOUSAND)

	01 01 2010- 31 03 2010	01 01 2009- 31 03 2009
Cash flows from operating activities		
Net profit	(1.346)	(1.977)
Adjustments for:		
Depreciation and amortization	1.497	1.087
(Gain)/ losses on foreign exchange	3	(6)
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-	(4)
Net interest	111	418
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	-	-
Other	-	6
Operating profit before working capital changes	265	(476)
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	844	(215)
(Increase)/decrease in inventories	(889)	3.779
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	582	(1.948)
Cash generated from operations	802	1.140
Interest paid	(111)	(395)
Profit tax paid	(10)	(39)
Interest received	-	-
Net cash from operating activities	681	706
Cash flows from investing activities		
Purchases of property, plant and equipment	-	(147)
Sales of property, plant and equipment	2	162
Other items	-	-
Net cash from investing activities	2	15
Cash flows from financing activities		
Repayment/receipt of loans	(1.062)	(770)
Financial lease payments	(31)	(33)
(Decrease)increase in other financing payments	506	(16)
Net cash from financing activities	(587)	(819)
Net change in cash and cash equivalents	96	(98)
Cash and cash equivalents at the beginning of period	108	216
Cash and cash equivalents at the end of period	204	118

CASH FLOW STATEMENT (LTL THOUSAND) (Continued)

President



Audris Imbrasas

Chief Financial Officer



Vanda Kalpokienė

STATEMENT OF CHANGES IN EQUITY (LTL THOUSAND)

	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2008	19.811	125	3.945	(1.175)	22.706
Profit (loss)				73	73
Decrease in revaluation reserve due to depreciation or write-off of revalued assets			(351)	351	-
Balance at 31 December 2008	19.811	125	3.594	(751)	22.779
Profit (loss)				(1.977)	(1.977)
Decrease in revaluation reserve due to depreciation or write-off of revalued assets			-	-	-
Balance at 31 March 2009	19.811	125	3.594	(2.728)	20.802
Profit (loss)				(4.065)	(4.065)
Decrease in revaluation reserve due to depreciation or write-off of revalued assets			(692)	692	-
Balance at 31 December 2009	19.811	125	2.902	(6.101)	16.737
Profit (loss)				(1.346)	(1.346)
Decrease in revaluation reserve due to depreciation or write-off of revalued assets					
Balance at 31 March 2010	19.811	125	2.902	(7.447)	15.391

President



Audris Imbrasas

Chief Financial Officer



Vanda Kalpokienė

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).

92,93 percent of the Company's shares belongs to the Lithuanian company UAB "MISOTA", company code 301232691.

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, 2010 were not audited; financial statements for the year ended 31 December 2009 were audited accordingly.

Major Financial Indicators of the Company

Financial Indicators	2010 IQ	2009 IQ	Change (percent)
Income (thousand Lt)	5.308	10.237	-48,1
EBITDA (thousand Lt)	278	-477	158,3
EBITDA margin (percent)	5,2	-4,7	
Profit (loss) from operations (thousand Lt)	-1.305	-558	-133,9
Operational profit margin (percent)	-24,6	-5,5	
Profit before taxes (thousand Lt)	-1.346	-1.977	31,9
Net profit (loss) (thousand Lt)	-1.346	-1.977	31,9
Net profit margin (percent)	-25,4	-19,3	
Earnings per share (in Litas)	-0,14	-0,20	
Debt to equity ratio	2,0	1,9	
Liquidity ratio (percent)	1,1	1,2	
Earnings to asset ratio (percent)	33,0	34,8	

Sales income

During the first quarter of 2010 year sales revenue decreased by 48.1 percent comparing with the first quarter of 2009 and reached 5.308 thousand Litas. The main reason for the reduction of income is reduced consumption in the strategic markets, the general economic downturn. The company sells its products in the biggest Lithuanian commercial networks, twelve own brand shops, situated in major cities. It is also more than 50 percent of production exported to Latvia, Estonia, Kaliningrad, Scandinavia, Belgium, Czech Republic, Russia.

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

	January – March 2010	January – March 2009	Change
Lithuania	2.562	4.920	-47,9
Latvia and Estonia	463	2.288	-79,8
Russia	637	725	-12,1
Poland	125	51	145,1
Ukraine	76	98	-22,4
Scandinavia	425	502	-15,3
Czech Republic	320	312	2,6
Uzbekistan	0	187	-100
Other countries	700	1.156	-39,4
Total sales	5.308	10.237	-48,1

The gross profit for the reporting period decreased by 39.2 percent and reached 1.209 thousand Litass. For the comparing period of the year 2009 gross profit was 1.988 thousand Litass.

The decrease of gross profit was because the decreased sales revenue.

Operating expenses declined by 1,3 percent during the reporting period compared with the year 2009 the same period. Operating profit margin during the reporting period was negative.

During the first three month of this year Company has earned 86 thousand Litass of profit from other activities. The profit was earned renting unused premise.

During the reporting period, EBITDA increased by 158,3 percent. (278 thousand Litass), the net profit increased by 31,9 percent. (-1.346 thousand Litass).

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)

The grantor	Currency	Balance at 31 03 2010
AB Swedbank	Litas	21.966.799