

23 May, 2012 No. *23-1017*
Vilnius

Bank of Lithuania
Žirmūnų str. 151
LT-09128 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, General manager of DVARČIONIŲ KERAMIKA, AB Audris Imbrasas and Chief accountant of DVARČIONIŲ KERAMIKA, AB Lilia Pliust, 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 2012 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 2012.

General Manager



Audris Imbrasas

Chief Accountant



Lilia Pliust



**Interim Financial Statements
for the first three months of 2012**

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

May, 2012

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DVARČIONIŲ KERAMIKA AB, (Hereinafter the Company)- the largest ceramic tiles manufacturer in the Baltic States, exports about 50 percent 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, 2012 were not audited; financial statements for the year ended 31 December 2011 were audited by auditor UAB "Deloitte Lietuva" accordingly.


STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

ASSETS	31 03 2012	31 12 2011
NON CURRENT ASSETS	31 600	32 655
INTANGIBLE ASSETS	2	2
TANGIBLE ASSETS	31 298	32 353
Land	-	-
Buildings	22 916	23 414
Other tangible assets	8 382	8 939
INVESTMENTS PROPERTY	31	32
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
CURRENT ASSETS	15 645	15 292
INVENTORIES	11 257	11 770
STOCK	11 096	11 525
PREPAYMENTS	161	245
NOT COMPLETED WORKS	-	-
CURRENT RECEIVABLES	4 299	3 401
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	89	121
TOTAL ASSETS	47 245	47 947

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)

EQUITY AND LIABILITIES	31 03 2012	31 12 2011
CAPITAL AND RESERVES	15 324	16 070
SHARE CAPITAL	19.811	19 811
Authorized	19.811	19 811
Subscribed uncalled share capital	-	-
SHARE PREMIUM	-	-
REVALUATION RESERVE	10 855	10 855
OTHER RESERVES	125	125
RETAINED EARNINGS	(15 467)	(14 721)
Previous years	(14 721)	(10 924)
Current year	(746)	(3 797)
GRANTS AND SUBSIDIES	-	-
DEFERRED TAX & ACCRUED LIABILITIES	2 080	2 080
Accrued expenses	-	-
Deferred tax liability	2 080	2 080
LIABILITIES	29 841	29 797
NON CURRENT LIABILITIES	59	1 708
Financial liabilities	59	59
Trade payables	-	-
Advances received	-	-
Other non current payables	-	1 649
CURRENT LIABILITIES	29 782	28 089
Current part of long term financial liabilities	-	-
Other financial liabilities	18 911	18 929
Trade payables	6 599	6 661
Advances received	2 027	271
Taxes and salaries payable	948	1 206
Other payables	1 297	1 022
TOTAL EQUITY AND LIABILITIES	47 245	47 947

General manager



Audris Imbrasas

Chief Accountant

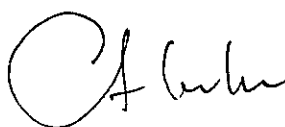


Lilia Pliust

STATEMENT OF COMPREHENSIVE INCOME (LTL THOUSAND)

	01 01 2012- 31 03 2012	01 01 2011- 31 03 2011
SALES INCOME	6 167	5 831
COST OF SALES	(4 864)	(4 437)
GROSS PROFIT	1 303	1 394
Operating expenses	(2 145)	(2 188)
OPERATING PROFIT (LOSS)	(842)	(794)
OTHER ACTIVITIES	153	73
Income	159	85
Expenses	(6)	(12)
FINANCIAL AND INVESTING ACTIVITIES	(57)	(164)
Income	12	-
Expenses	(69)	(164)
PROFIT (LOSS) BEFORE PROFIT TAX	(746)	(885)
Profit tax	-	-
NET PROFIT (LOSS)	(746)	(885)

General manager



Audris Imbrasas

Chief Accountant



Lilia Pliust

CASH FLOW STATEMENT (LTL THOUSAND)

	01 01 2012- 31 03 2012	01 01 2011- 31 03 2011
Cash flows from operating activities		
Net profit	(746)	(885)
Adjustments for:		
Depreciation and amortization	1 048	1 266
(Gain)/ losses on foreign exchange	22	164
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-	-
Net interest	42	233
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	-	-
Other	-	-
Operating profit before working capital changes	366	778
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	(898)	393
(Increase)/decrease in inventories	513	680
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	44	(663)
Cash generated from operations	25	1188
Interest paid	(42)	(233)
Profit tax paid	-	-
Interest received	-	-
Net cash from operating activities	(17)	955
Cash flows from investing activities		
Purchases of property, plant and equipment	-	-
Sales of property, plant and equipment	3	-
Other items	-	-
Net cash from investing activities	3	-
Cash flows from financing activities		
Repayment/receipt of loans	(18)	(251)
Financial lease payments	-	(31)
(Decrease)increase in other financing payments	-	(660)
Net cash from financing activities	(18)	(942)
Net change in cash and cash equivalents	(32)	13
Cash and cash equivalents at the beginning of period	120	107
Cash and cash equivalents at the end of period	89	120

CASH FLOW STATEMENT (LTL THOUSAND) (Continued)

General Manager



Audris Imbrasas

Chief Accountant



Lilia Pliust

STATEMENT OF CHANGES IN EQUITY (LTL THOUSAND)


	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total equity
Balance at 31 December 2010	19 811	125	12 043	(10 924)	21055
Profit (loss)				(885)	(885)
Decrease in revaluation reserve due to depreciation or write-off of revalued assets			(325)		(325)
Balance at 31 March 2011	19 811	125	11 718	(11 809)	19 845
Profit (loss)				(4 100)	(4 100)
Decrease in revaluation reserve due to depreciation or write-off of revalued assets			(863)		(863)
Balance at 31 December 2011	19 811	125	10 855	1 188	1 188
Profit (loss)				(14 721)	16 070
Decrease in revaluation reserve due to depreciation or write-off of revalued assets				(746)	(746)
Balance at 31 March 2012	19 811	125	10 855	(15 467)	15 324

General manager



Audris Imbrasas

Chief Accountant



Lilia Pliust

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 belong to the Lithuania company UAB "Misota".

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, 2012 were not audited; financial statements for the year ended 31 December 2011 were audited by auditor UAB "Deloitte Lietuva" accordingly.

Major Financial Indicators of the Company

Finansiniai rodikliai	2012 IQ.	2011 IQ.	Change (percent)
Income (thousand Lt)	6 167	5 831	5,76
EBITDA (thousand Lt)	344	381	-9,7
EBITDA margin (percent)	5,5	6,5	-1
Profit (loss) from operations (thousand Lt)	-842	-794	6,04
Operational profit margin (percent)	-13,7	-13,6	0
Profit before taxes (thousand Lt)	-746	-885	-15,7
Net profit (loss) (thousand Lt)	-746	-885	-15,7
Net profit margin (percent)	-12,1	-15,2	-20
Earnings per share (in Litas)	-0,09	-0,09	
Debt to equity ratio	2,1	1,5	
Liquidity ratio (percent)	0,5	0,8	
Earnings to asset ratio (percent)	32,0	40	

Sales income

During the first quarter of 2012 year sales revenue increased by 5,8 percent comparing with the first quarter of 2011 and reached 6.167 thousand Litas. The main reason for increased revenue is recovering market in the Baltic countries, the overall economic growth. The company sells its products in the biggest Lithuanian commercial networks, seven 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 2012	January – March 2011	Change
Lithuania	3 122	2 813	11
Latvia and Estonia	777	706	10
Russia	928	590	57
Poland	77	65	18
Ukraine	177	157	13
Scandinavia	303	275	10
Czech Republic	333	420	-21
Other countries	450	805	-44
Total sales	3 122	2 813	11

The gross profit for the reporting period decreased by 6,5 percent and reached 1.303 thousand Litass. For the comparing period of the year 2011 gross profit was 1.394 thousand Litass.

The gross profit was decrease because the cost was increased of goods and services.

Operating expenses declined by 2 percent during the reporting period compared with the year 2011 the same period. Operating profit margin during the reporting period was negative.

During the first three month of this year Company has earned 153 thousand Litass of profit from other activities. The profit was earned renting premise.

During the reporting period, EBITDA decreased by 9.7 percent (344 thousand Litass), the net loss decreased by 15.7 percent (-746 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 2012	Balance at 31 03 2011
AB "Swedbank"	Litas	17 713 048	17 486 472