

29th November , 2012 No. *1 - 2260*
Vilnius

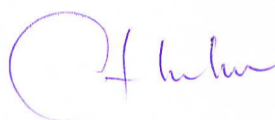
Supervision service of Bank of Lithuania
Zirmunu str. 151
LT-09128 Vilnius
LITHUANIA

CONFIRMATION OF RESPONSIBLE PERSONS

In behalf DVARCIONIU KERAMIKA, AB we, General manager Audris Imbrasas and Chief accountant Elona Suveizdienė, hereby confirm that, to the best of our knowledge, the unaudited Financial Statements for the nine 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 , cash flow.

Enclosure: DVARCIONIU KERAMIKA AB Interim Report for the nine months of 2012.

General manager



Audris Imbrasas

Chief accountant



Elona Suveizdienė



DVARČIONIŲ KERAMIKA AB
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS OF 2012

NOVEMBER, 2012, Vilnius

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The largest ceramic tiles manufacturer in the Baltic States, **DVARČIONIŲ KERAMIKA, AB** (hereinafter the Company) exports 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 – September, 2012 were not audited. Financial statements for the year ended 31 December 2011 were audited accordingly.

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

ASSETS	2012 09 30	2011 12 31
NON CURRENT ASSETS	29 545	32 655
INTANGIBLE ASSETS	3	2
TANGIBLE ASSETS	29 214	32 321
Land	-	-
Buildings	21 923	23 414
Other tangible assets	7 291	8 907
INVESTMENTS PROPERTY	28	32
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
CURRENT ASSETS	14 107	15 292
INVENTORIES	10 029	11 770
STOCK	9 760	11 525
PREPAYMENTS	267	245
NOT COMPLETED WORKS	2	-
CURRENT RECEIVABLES	3 960	3 401
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	118	121
TOTAL ASSETS	43 652	47 947

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)

EQUITY AND LIABILITIES	2012 09 30	2011 12 31
CAPITAL AND RESERVES	12 546	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	(18 245)	(14 721)
Previous years	(14 721)	(10 924)
Current year	(3 524)	(3 797)
GRANTS AND SUBSIDIES		-
DEFERRED TAX & ACCRUED LIABILITIES	2 080	2080
Accrued expenses	-	-
Deferred tax liability	2 080	2080
LIABILITIES	29 026	29 797
NON CURRENT LIABILITIES	59	1 708
Financial liabilities	59	59
Trade payables	-	-
Advances received	-	1 649
Other non current payables	-	-
CURRENT LIABILITIES	28 967	28 089
Current part of long term financial liabilities	-	-
Other financial liabilities	18 836	18 929
Trade payables	6 193	6 661
Advances received	1 729	271
Taxes and salaries payable	854	1 206
Other payables	1 355	1 022
TOTAL EQUITY AND LIABILITIES	43 652	47947

General manager

Audris Imbrasas

Chief accountant

Elona Suveizdienne

STATEMENT OF COMPREHENSIVE INCOME (LTL THOUSAND)

	2012.06.01- 2012.09.30	2011.06.01- 2011.09.30	2012.01.01 -2012.09.30	2011.01.01 -2011.09.30
SALES INCOME	6.458	7.152	18.587	20.059
	-5.565	-6.569	-15.350	-16.558
COST OF SALES				
GROSS PROFIT	893	583	3.237	3.501
Operating expenses	-1.934	2.096	-6.971	-6.436
OPERATING PROFIT (LOSS)	-1.041	-1.513	-3.734	-2.935
OTHER ACTIVITIES	119	85	393	253
Income	120	111	447	293
Expenses	-1	-26	-54	-40
FINANCIAL AND INVESTING ACTIVITIES	-48	-36	-183	-298
Income	3	13	24	89
Expenses	-51	-49	-207	-387
PROFIT (LOSS) BEFORE PROFIT TAX	-970	-1.464	-3.524	-2.980
Profit tax	-	-	-	-
NET PROFIT (LOSS)	-970	-1.464	-3.524	-2,980

General manager

Audris Imbrasas

Chief accountant

Elona Suveizdiene

CASH FLOW STATEMENT (LTL THOUSAND)

2012.09.30 2011.09.30

Cash flows from operating activities		
Net profit	-3.524	-2.980
Adjustments for:		
Income tax benefit	-	-
Depreciation and amortization	2.079	3.410
(Gain)/ losses on foreign exchange	-	-
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-	-
Net interest	-	138
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	357	-
Other	-	-
Operating profit before working capital changes	-1088	568
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	-577	-910
(Increase)/decrease in inventories	1.759	928
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	-1.035	-31
Cash generated from operations	-941	555
Interest paid	-	-138
Profit tax paid	-	-
Interest received		
Net cash from operating activities	-941	417
Cash flows from investing activities		
Purchases of property, plant and equipment	-	-
Sales of property, plant and equipment	1031	-28
Other items	-	-
Net cash from investing activities	1031	-28
Cash flows from financing activities		
Repayment/receipt of loans	-93	-324
Financial lease payments		-80
(Decrease)increase in factoring financing	-	-
Net cash from financing activities	-93	-404
Net change in cash and cash equivalents	-3	-15
Cash and cash equivalents at the beginning of period	121	107
Cash and cash equivalents at the end of period	118	92

General manager

Audris Imbrasas

Chief accountant

Elona Suveizdienē

STATEMENT OF CHANGES IN EQUITY (LTL THOUSAND)

	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
Balance at 31 December 2009	19.811	2.902	125	-6.101	16.737
Profit (loss)				-2.610	-2.610
Decrease in revaluation reserve due to depreciation or write-off of revalued asset	-	-310	-	310	-
Balance at 30 September 2010	19.811	2.592	125	-8.401	14.127
Profit (loss)				-2.743	-2.743
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-452	-	220	-232
Increase in revaluation reserve on revaluation		9.903			9.903
Balance at 31 December 2010	19.811	12.043	125	-10.924	21.055
Profit (loss)				-2.443	-2.443
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-537	-		-537
Balance at 30 September 2011	19.811	11.506	125	-13.367	18.075
Profit (loss)				-2.542	-2.542
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-651			-651
Increase in revaluation reserve on revaluation				1.188	1.188
Balance at 31 December 2011	19.811	10.855	125	-14.721	16.070
Profit (loss)				-3.524	-3.524
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-				-
Balance at 30 September 2012	19.811	10.855	125	-18.245	12.546

General manager

Audris Imbrasas

Chief accountant

Elona Suveizdiene

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).

Major Financial Indicators of the Company

Financial Indicators	January – September, 2012	January – September, 2011	Change (percent)
Income (thousand Lt)	18.589	20.059	-7,3
EBITDA (thousand Lt)	-238	431	-155,2
EBITDA margin (percent)	-1.3	2,1	
Profit (loss) from operations (thousand Lt)	-3.734	-2.935	-27.2
Operational profit margin (percent)	-20.1	-14,6	
Profit before taxes (thousand Lt)	-3.524	-2.980	-27.2
Net profit (loss) (thousand Lt)	-3.524	-2.980	-27.2
Net profit margin (percent)	-19.0	-14,9	
Earnings per share (in Litas)	-0,36	-0,30	-20
Debt to equity ratio	2.5	1,7	47
Liquidity ratio (percent)	0,45	0,52	-10
Earnings to asset ratio (percent)	28	37,3	

Sales income and EBITDA

Company revenue for the nine month of 2012 was 18.589 thousand LTL. Revenue for the nine month of 2011 was 20.059 thousand LTL.

The company sells its products in the biggest Lithuanian commercial networks, the seven own brand shops, situated in major cities. It is also production exported to Latvia, Estonia, Kaliningrad, Scandinavia, Belgium, Czech Republic and Russia.

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

Sales	January – September, 2012	January – September, 2011	Change
Lithuania	9.369	9.984	-6,2%
Latvia and Estonia	2.321	2.118	-9,6%
Ukraine	771	826	-6,6%
Russia	3.211	2.855	12,5%
Belgium	785	1.028	-23,6%
Poland	201	172	-16,9%
Czech, Slovakia	1.010	764	32,2%
Other countries	919	2.312	-60,3%
Total sales	18.587	20.059	-7,3%

The gross profit for the reporting period reached 3.237 thousand Litass. Compare with the year 2011 – 3.501 thousand Litass.

Gross profit fell down, because decreased sales income.

Operating expenses during the nine month of 2012 year increased by 8 percent compared with the year 2011 the same period. Operating profit margin during the reporting period was negative.

During the nine month of this year Company has earned 393 thousand Litass of profit from other activities. The profit was earned renting premises.

During the reporting period, EBITDA was -238 thousand Lt. Year ago EBITDA reached 431 thousand LTL. EBITDA margin was negative – 1.3 percent (During the nine month of 2011 – 2,1 percent).

Company Loans (LTL thousand)

The grantor	Currency	Balance at 30-06-2012	Balance at 30-06-2011
AB Swedbank	Litas	17.400	17.400