

28th February, 2013 No. 1-425
Vilnius

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

CONFIRMATION OF RESPONSIBLE PERSONS

In behalf DVARČIONIŲ KERAMIKA, AB General manager Remigijus Šeris and Chief accountant Elona Suveizdienė hereby confirm that to the best of our knowledge the unaudited Financial Statements for the twelve months of 2012 prepared in accordance to International Financial Reporting Standards give a true and fair view of the assets liabilities financial position profit or loss and cash flow.

Enclosure: DVARČIONIŲ KERAMIKA AB Interim Report for the twelve months of 2012.

General manager



Remigijus Šeris

Chief accountant



Elona Suveizdienė



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

FEBRUARY, 2013, 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, Estonia, Byelorussia, Ukraine, 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, 2012 were not audited. Financial statements for the year ended 31 December 2011 were audited accordingly.

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

ASSETS	2012 12 31	2011 12 31
NON CURRENT ASSETS	28 559	32 655
INTANGIBLE ASSETS	2	2
TANGIBLE ASSETS	28 232	32 321
Land	-	-
Buildings	21 428	23 414
Other tangible assets	6 804	8 907
INVESTMENTS PROPERTY	25	32
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
CURRENT ASSETS	14 681	15 292
INVENTORIES	10 965	11 770
STOCK	10 667	11 525
PREPAYMENTS	296	245
NOT COMPLETED WORKS	2	-
CURRENT RECEIVABLES	3 659	3 401
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	57	121
TOTAL ASSETS	43 240	47 947

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)

EQUITY AND LIABILITIES	2012 12 31	2011 12 31
CAPITAL AND RESERVES	11 166	16 070
SHARE CAPITAL	19 811	19 811
Authorized	19 811	19 811
Subscribed uncalled share capital	-	-
SHARE PREMIUM	-	-
REVALUATION RESERVE	10 854	10 855
OTHER RESERVES	125	125
RETAINED EARNINGS	(19 624)	(14 721)
Previous years	(14 721)	(10 924)
Current year	(4 903)	(3 797)
GRANTS AND SUBSIDIES	-	-
DEFERRED TAX & ACCRUED LIABILITIES	2 080	2080
Accrued expenses	-	-
Deferred tax liability	2 080	2080
LIABILITIES	29 994	29 797
NON CURRENT LIABILITIES	1 698	1 708
Financial liabilities	-	59
Trade payables	-	-
Advances received	1 698	1 649
Other non current payables	-	-
CURRENT LIABILITIES	28 296	28 089
Current part of long term financial liabilities	-	-
Other financial liabilities	18 832	18 929
Trade payables	7 035	6 661
Advances received	178	271
Taxes and salaries payable	829	1 206
Other payables	1 422	1 022
TOTAL EQUITY AND LIABILITIES	43 240	47 947

General manager

Remigijus Šeris

Chief accountant

Elona Suveizdiene

STATEMENT OF COMPREHENSIVE INCOME (LTL THOUSAND)

	2012.10.01- 2012.12.31	2011.10.01 2011.12.31	2012.01.01 -2012.12.31	2011.01.01 -2011.12.31
SALES INCOME	5.771	5.068	24.358	25.127
COST OF SALES	-5.198	-4.215	-20.548	-20.773
GROSS PROFIT	572	853	3.810	4.354
Operating expenses	-1.995	-2.614	-8.966	-9.050
OPERATING PROFIT (LOSS)	-1.422	-1.761	-5.156	-4.696
OTHER ACTIVITIES	140	162	533	410
Income	145	162	592	443
Expenses	-5	-	-59	-33
FINANCIAL AND INVESTING ACTIVITIES	-97	-298	-280	-596
Income	8	132	32	221
Expenses	-105	-430	-312	-817
PROFIT (LOSS) BEFORE PROFIT TAX	-1.379	-1.897	-4.903	-4.882
Profit tax	-	-22	-	-103
NET PROFIT (LOSS)	-1.379	-1.919	-4.903	-4,985

General manager

Remigijus Šeris

Chief accountant

Elona Suveizdiene

CASH FLOW STATEMENT (LTL THOUSAND)

2012.12.31 2011.12.31

Cash flows from operating activities		
Net profit	-4.903	-4.985
Adjustments for:		
Income tax benefit	-	-
Depreciation and amortization	4.105	4.557
(Gain)/ losses on foreign exchange	-	-
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	4	-
Net interest	-	138
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	249	-
Other	-	-
Operating profit before working capital changes	-542	568
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	-312	-910
(Increase)/decrease in inventories	852	928
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	104	-31
Cash generated from operations	102	555
Interest paid	-	-178
Profit tax paid	-	-
Interest received	-	-
Net cash from operating activities	102	487
Cash flows from investing activities		
Purchases of property, plant and equipment	-	-74
Sales of property, plant and equipment	-9	13
Other items	-	4
Net cash from investing activities	-9	-57
Cash flows from financing activities		
Repayment/receipt of loans	-157	-320
Financial lease payments	-	-96
(Decrease)increase in factoring financing	-	-
Net cash from financing activities	-157	-416
Net change in cash and cash equivalents	-64	14
Cash and cash equivalents at the beginning of period	121	107
Cash and cash equivalents at the end of period	57	121

General manager

Remigijus Šeris

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 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 31 December 2011	19.811	10.855	125	-14.721	16.070
Profit (loss)				-4.903	-4.903
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-1			-1
Balance at 31 December 2012	19.811	10.854	125	-19.624	11.166

General manager

Remigijus Šeris

Chief accountant

Elona Suveizdienė

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 – December, 2012	January – December, 2011	Change (percent)
Income (thousand Lt)	24.358	25.127	-3,0
EBITDA (thousand Lt)	-518	258	-200,8
EBITDA margin (percent)	-2,1	1,0	
Profit (loss) from operations (thousand Lt)	-4.903	-4.985	-1,6
Operational profit margin (percent)	-20,1	-19,8	
Profit before taxes (thousand Lt)	-4.903	-4.985	-1,6
Net profit (loss) (thousand Lt)	-4.903	-4.985	-1,6
Net profit margin (percent)	-20,1	-19,8	
Ernings per share (in Litas)	-0,50	-0,50	
Debt to equity ratio	2,7	1,9	52
Liquidity ratio (percent)	0,48	0,50	
Earnings to asset ratio (percent)	25,8	33,5	

Sales income and EBITDA

Company revenue for the twelve month of 2012 was 24.358 thousand LTL. Revenue for the twelve month of 2011 was 25.127 thousand LTL.

The main reason for the fall in revenue - reduced consumption in strategic markets, reduced consumption in strategic markets, general economic recession

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, Scandinavia, Belgium, Czech Republic, Russia, Ukraine and Byelorussia.

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

Sales	January – December, 2012	January – December, 2011	Change
Lithuania	12.170	12.979	-6.2
Latvia and Estonia	2.881	2.744	5
Ukraine	1.073	991	8.3
Russia	4.481	3.652	22.7
Belarus	386	600	-35.6
Poland	294	254	15.7
Czech, Slovakia	1.274	1.513	-15.8
Belgium	952	1.261	-24.5
Other countries	847	1.133	-25.2
Total sales	24.358	25.127	-3

The low for the reporting period reached 4.903 thousand Litass. Compare with the year 2011 – 4.985 thousand Litass.

Operating expenses during the twelve month of 2012 were like the year 2011 the same period. Operating profit margin during the reporting period was negative.

During the twelve month of this year Company has earned 533 thousand Litass of profit from other activities. The profit was earned renting premises.

During the reporting period, EBITDA was -518 thousand Lt. Year ago EBITDA reached 258 thousand LTL. EBITDA margin was negative – 2,1 percent (During the twelve month of 2011 – positive 1 percent).

Company Loans (LTL thousand)

The grantor	Currency	Balance at 31-12-2012	Balance at 31-12-2011
AB Swedbank	Litas	17.400	17.400