

28<sup>th</sup> May, 2013 No. 1-722

Vilnius

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

CONFIRMATION OF RESPONSIBLE PERSONS

In behalf DVARCIONIU 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 three months of 2013 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: DVARCIONIU KERAMIKA AB Interim Report for the three months of 2013.

General manager



Remigijus Šeris

Chief accountant



Elona Suveizdienė



**DVARČIONIŲ KERAMIKA AB**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS OF 2013**

MAY, 2013, Vilnius

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The largest ceramic tiles manufacturer in the Baltic States, DVAR2IONIŲ KERAMIKA, AB (hereinafter the Company) exports the production to Latvia, Estonia, Byelorussia, Ukraine, Russia, Scamdinavia and Western Europe countires.

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, 2013 were not audited. Financial statements for the year ended 31 December 2012 were audited accordingly.

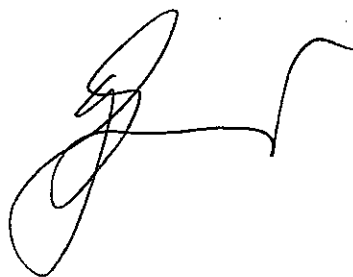
#### STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

<b>ASSETS</b>	<b>2013 03 31</b>	<b>2012 12 31</b>
<b>NON CURRENT ASSETS</b>	<b>27 580</b>	<b>28 559</b>
INTANGIBLE ASSETS	2	2
TANGIBLE ASSETS	27 258	28 235
Land	-	-
Buildings	20 935	21 431
Other tangible assets	6 323	6 804
INVESTMENTS PROPERTY	20	22
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
<b>CURRENT ASSETS</b>	<b>10 939</b>	<b>14 411</b>
INVENTORIES	7 302	10 802
STOCK	6 771	10 504
PREPAYMENTS	529	296
NOT COMPLETED WORKS	2	2
CURRENT RECEIVABLES	3 564	3 552
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	73	57
<b>TOTAL ASSETS</b>	<b>38 519</b>	<b>42 970</b>

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)

<b>EQUITY AND LIABILITIES</b>	<b>2013 03 31</b>	<b>2012 12 31</b>
<b>CAPITAL AND RESERVES</b>	<b>8 280</b>	<b>10 767</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>	10 186	10 186
<b>OTHER RESERVES</b>	125	125
<b>RETAINED EARNINGS</b>	<b>(21 842)</b>	<b>(19 355)</b>
Previous years	(19 355)	(14 721)
Current year	(2 487)	(4 634)
<b>GRANTS AND SUBSIDIES</b>		
<b>DEFERRED TAX &amp; ACCRUED LIABILITIES</b>	<b>1 950</b>	<b>1 950</b>
Accrued expenses	-	-
Deferred tax liability	1 950	1 950
<b>LIABILITIES</b>	<b>28 289</b>	<b>30 253</b>
<b>NON CURRENT LIABILITIES</b>		
Financial liabilities		
Trade payables	-	-
Advances received	1698	1698
Other non current payables	-	-
<b>CURRENT LIABILITIES</b>	<b>26 591</b>	<b>28 555</b>
Current part of long term financial liabilities	-	-
Other financial liabilities	19 068	19 123
Trade payables	5 912	7 035
Advances received	121	178
Taxes and salaries payable	505	829
Other payables	985	1 390
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>38 519</b>	<b>42 970</b>

General manager



Remigijus Šeris

Chief accountant



Elona Surveizdienė

**STATEMENT OF COMPREHENSIVE INCOME (LTL THOUSAND)**

	<b>2013.01.01- 2013.03.31</b>	<b>2012.01.01- 2012.03.31</b>
<b>SALES INCOME</b>	<b>5 280</b>	<b>6 167</b>
<b>COST OF SALES</b>	<b>-4 423</b>	<b>-4 864</b>
<b>GROSS PROFIT</b>	<b>857</b>	<b>1 303</b>
Operating expenses	-3.444	-2 145
<b>OPERATING PROFIT (LOSS)</b>	<b>-2 587</b>	<b>-842</b>
<b>OTHER ACTIVITIES</b>	<b>145</b>	<b>153</b>
Income	145	159
Expenses	-	-6
<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>-45</b>	<b>-57</b>
Income	2	12
Expenses	-47	-69
<b>PROFIT (LOSS) BEFORE PROFIT TAX</b>	<b>-2 487</b>	<b>-746</b>
Profit tax	-	-
<b>NET PROFIT (LOSS)</b>	<b>-2 487</b>	<b>-746</b>

General manager



Remigijus Šeris

Chief accountant



Elona Suveizdiene

## CASH FLOW STATEMENT (LTL THOUSAND)

	2013.03.31	2012.03.31
<b>Cash flows from operating activities</b>		
Net profit	-2 487	-746
Adjustments for:		
Income tax benefit	-	-
Depreciation and amortization	979	1 048
(Gain)/ losses on foreign exchange	-	22
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-	-
Net interest	-	42
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	-320	-
Other	-	-
<b>Operating profit before working capital changes</b>	<b>-1828</b>	<b>366</b>
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	-245	-898
(Increase)/decrease in inventories	3 733	513
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	-1589	44
<b>Cash generated from operations</b>	<b>71</b>	<b>25</b>
Interest paid	-	-42
Profit tax paid	-	-
Interest received	-	-
<b>Net cash from operating activities</b>	<b>71</b>	<b>-17</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	-	-
Sales of property, plant and equipment	-	3
Other items	-	-
<b>Net cash from investing activities</b>	<b>-</b>	<b>3</b>
<b>Cash flows from financing activities</b>		
Repayment/receipt of loans	-55	-18
Financial lease payments	-	-
(Decrease)increase in factoring financing	-	-
<b>Net cash from financing activities</b>	<b>-55</b>	<b>-18</b>
<b>Net change in cash and cash equivalents</b>	<b>16</b>	<b>-32</b>
Cash and cash equivalents at the beginning of period	57	120
<b>Cash and cash equivalents at the end of period</b>	<b>73</b>	<b>89</b>

General manager



Remigijus Šeris

Chief accountant



Elona Suveizdienė

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

	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
<b>Balance at 31 December 2011</b>	19.811	10.855	125	-14.721	16.070
Profit (loss)				-746	-746
Decrease in revaluation reserve due to depreciation or write-off of revalued asset	-				-
<b>Balance at 31 March 2012</b>	19.811	10.855	125	-15 467	15 324
Profit (loss)				-3 888	-3 888
Decrease in revaluation reserve due to depreciation or write-off of revalued assets		-669			-669
<b>Balance at 31 December 2012</b>	19.811	10.186	125	-19.355	10 767
Profit (loss)				-2487	-2487
Decrease in revaluation reserve due to depreciation or write-off of revalued assets	-	-			-
<b>Balance at 31 March 2013</b>	19.811	10.186	125	-21 842	8 280

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 – March, 2013	January – March, 2012	Change (percent)
Income (thousand Lt)	5 280	6 167	-14.4
EBITDA (thousand Lt)	-1 463	358	-409
EBITDA margin (percent)	-28	6	
Profit (loss) from operations (thousand Lt)	-2 587	-842	-307
Operational profit margin (percent)	-49	-13,7	
Profit before taxes (thousand Lt)	-2 487	-758	-328
Net profit (loss) (thousand Lt)	-2 487	-758	-328
Net profit margin (percent)	-47	-12,3	
Ernings per share (in Litas)	-0,27	-0,08	
Debt to equity ratio	3.4	2,1	
Liquidity ratio (percent)	0,38	0,5	
Earnings to asset ratio (percent)	21.5	32.4	

### Sales income and EBITDA

Company revenue for the first quarter of 2013 was 5.280 thousand LTL. Revenue for the three month of 2012 was 6.167 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 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 – March, 2013	January – March, 2012	Change
Lithuania	2 939	3 126	-6
Latvia and Estonia	524	776	-32
Ukraine	130	177	-27
Russia	985	929	22.7
Belarus	115	79	6
Poland	48	76	-37
Czech, Slovakia	227	332	-32
Other countries	312	672	-54
<b>Total sales</b>	<b>5 280</b>	<b>6 167</b>	<b>-14</b>

The Gross profit for the reporting period was 857 thousand Litas. During the same period of 2012 – 1.303 thousand Litas.

Operating expenses during the first quarter of 2013 was 3.444 thousand Litas, compared with the same period of 2012 increased 1.299 thousand Litas.

Operating profit margin during the reporting period was negative -49%, the first quarter of 2012 – negative -14% .

During the three month of this year Company has earned 145 thousand Litas of profit from other activities. The profit was earned renting premises. During the same period of the last year Company has earned 153 thousand Litas of profit from other activities.

During the reporting period, EBITDA was -1 463 thousand Lt. Year ago (the first quarter) EBITDA reached 358 thousand LTL. EBITDA margin was negative – 28 percent (During the three month of 2012 – positive 6 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