

2<sup>nd</sup> December, 2013 No. 1-1246  
Vilnius

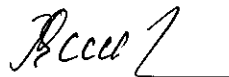
Supervision service of Bank of Lithuania  
Zirmunu str. 151  
LT-09128 Vilnius  
LITHUANIA

CONFIRMATION OF RESPONSIBLE PERSONS

In behalf DVARČIONIŲ KERAMIKA, AB General manager Liudmila Suboč and Chief accountant Elona Suveizdienė hereby confirm that to the best of our knowledge the unaudited Financial Statements for the nine 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: DVARČIONIŲ KERAMIKA, AB Interim Report for the nine months of 2013.

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė



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

NOVEMBER, 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, Russia, Scandinavia and Western Europe countries.

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

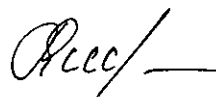
#### STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

<b>ASSETS</b>	<b>2013 09 30</b>	<b>2012 12 31</b>
<b>NON CURRENT ASSETS</b>	<b>25 874</b>	<b>28 559</b>
INTANGIBLE ASSETS	1	2
TANGIBLE ASSETS	25 558	28 235
Land	-	-
Buildings	19 945	21 431
Other tangible assets	5 613	6 804
INVESTMENTS PROPERTY	15	22
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
<b>CURRENT ASSETS</b>	<b>9 302</b>	<b>14 411</b>
INVENTORIES	5 600	10 802
STOCK	5 480	10 504
PREPAYMENTS	118	296
NOT COMPLETED WORKS	2	2
CURRENT RECEIVABLES	3 655	3 552
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	47	57
<b>TOTAL ASSETS</b>	<b>35 176</b>	<b>42 970</b>

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)

<b>EQUITY AND LIABILITIES</b>	<b>2013 09 30</b>	<b>2012 12 31</b>
<b>CAPITAL AND RESERVES</b>	<b>6 415</b>	<b>10 767</b>
<b>SHARE CAPITAL</b>	<b>19 811</b>	<b>19 811</b>
Authorized	19 811	19 811
Subscribed uncalled share capital	-	-
<b>SHARE PREMIUM</b>	<b>-</b>	<b>-</b>
<b>REVALUATION RESERVE</b>	<b>10 186</b>	<b>10 186</b>
<b>OTHER RESERVES</b>	<b>125</b>	<b>125</b>
<b>RETAINED EARNINGS</b>	<b>(23 707)</b>	<b>(19 355)</b>
Previous years	(19 355)	(14 721)
Current year	(4 352)	(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>26 811</b>	<b>30 253</b>
<b>NON CURRENT LIABILITIES</b>		
Financial liabilities	2 685	
Trade payables	-	-
Advances received	-	1 698
Other non current payables	-	-
<b>CURRENT LIABILITIES</b>	<b>24 126</b>	<b>28 555</b>
Current part of long term financial liabilities	-	-
Other financial liabilities	18 011	19 123
Trade payables	5 359	7 035
Advances received	69	178
Taxes and salaries payable	320	829
Other payables	367	1 390
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>35 176</b>	<b>42 970</b>

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

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

	2013.07.01- 2013.09.30	2012.07.01- 2012.09.30	2013.01.01- 2013.09.30	2012.01.01- 2012.09.30
<b>SALES INCOME</b>	4.384	6.458	14 132	18.587
<b>COST OF SALES</b>	-3.582	-5.565	-11 584	-15.350
<b>GROSS PROFIT</b>	802	893	2 548	3.237
Operating expenses	-2.207	-1.934	-7 372	-6.971
<b>OPERATING PROFIT (LOSS)</b>	<b>-1.405</b>	<b>-1.041</b>	<b>-4 824</b>	<b>-3.734</b>
<b>OTHER ACTIVITIES</b>	<b>354</b>	<b>119</b>	<b>707</b>	<b>393</b>
Income	365	120	719	447
Expenses	-11	-1	-12	-54
<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>-125</b>	<b>-48</b>	<b>-235</b>	<b>-183</b>
Income	-	3	2	24
Expenses	-125	-51	-237	-207
<b>PROFIT (LOSS) BEFORE PROFIT TAX</b>	<b>-1.176</b>	<b>-970</b>	<b>-4 352</b>	<b>-3.524</b>
Profit tax	-	-	-	-
<b>NET PROFIT (LOSS)</b>	<b>-1.176</b>	<b>-970</b>	<b>-4 352</b>	<b>-3.524</b>

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

## CASH FLOW STATEMENT (LTL THOUSAND)

2013.09.30 2012.09.30

<b>Cash flows from operating activities</b>		
Net profit	-4 352	-3.524
Adjustments for:		
Income tax benefit	-	-
Depreciation and amortization	2 759	2 079
(Gain)/ losses on foreign exchange	-	-
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-	-
Net interest	-	-
Change in deferred taxes	-	-
Increase/(decrease) in inventory valuation allowance	-695	357
Other	-	-
<b>Operating profit before working capital changes</b>	<b>-2 288</b>	<b>-1 088</b>
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	75	-577
(Increase)/decrease in inventories	5 024	1.759
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	-4 293	-1035
<b>Cash generated from operations</b>	<b>-1583</b>	<b>-941</b>
Interest paid	-	-
Profit tax paid	-	-
Interest received	-	-
<b>Net cash from operating activities</b>	<b>-1583</b>	<b>-941</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	-	-
Sales of property, plant and equipment	1 583	1 031
Other items	-	-
<b>Net cash from investing activities</b>	<b>1583</b>	<b>1 031</b>
<b>Cash flows from financing activities</b>		
Repayment/receipt of loans	1573	-93
Financial lease payments	-	-
(Decrease)increase in factoring financing	-	-
<b>Net cash from financing activities</b>	<b>1573</b>	<b>-93</b>
<b>Net change in cash and cash equivalents</b>	<b>-10</b>	<b>-3</b>
Cash and cash equivalents at the beginning of period	57	121
<b>Cash and cash equivalents at the end of period</b>	<b>47</b>	<b>118</b>

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

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

	<b>Share capital</b>	<b>Revaluation reserve</b>	<b>Legal reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at 31 December 2011</b>	<b>19.811</b>	<b>10.855</b>	<b>125</b>	<b>-14.721</b>	<b>16.070</b>
Profit (loss)				<b>-3.524</b>	<b>-3.524</b>
<b>Balance at 30 September 2012</b>	<b>19.811</b>	<b>11.506</b>	<b>125</b>	<b>-18.245</b>	<b>12.546</b>
Profit (loss)				<b>-1.110</b>	<b>-1.110</b>
Decrease in revaluation reserve due to depreciation or write-off of revalued assets		<b>-669</b>			<b>-669</b>
<b>Balance at 31 December 2012</b>	<b>19.811</b>	<b>10.186</b>	<b>125</b>	<b>-19.355</b>	<b>10 767</b>
Profit (loss)				<b>-4.352</b>	<b>-4.352</b>
<b>Balance at 30 September 2013</b>	<b>19.811</b>	<b>10.186</b>	<b>125</b>	<b>-23.707</b>	<b>6.415</b>

General manager



Liudmila Suboč

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 – September, 2013	January – September, 2012	Change (percent)
Income (thousand Lt)	14 132	18 587	-24
EBITDA (thousand Lt)	-1 359	-238	-510
EBITDA margin (percent)	-9,6	-1,3	
Profit (loss) from operations (thousand Lt)	-4 824	-3 734	-32
Operational profit margin (percent)	-34,1	-20,1	
Profit before taxes (thousand Lt)	-4 352	-3 524	-328
Net profit (loss) (thousand Lt)	-4 352	-3 524	-328
Net profit margin (percent)	-30	-19	
Earnings per share (in Litas)	-0,44	-0,36	
Debt to equity ratio	4,5	2,5	
Liquidity ratio (percent)	0,38	0,45	
Earnings to asset ratio (percent)	18	29	

### Sales income and EBITDA

Company revenue for the nine month of 2013 was 14 132 thousand LTL. Revenue for the nine month of 2012 was 18 587 thousand LTL.

The main reason of the fall in revenue - reduced number of warehouse equipment, high competition. In the beginning of 2013 the production line stopped to carry out prevention equipment and repairs. In July of 2013 the production was halted due to lack of working capital. This temporarily disrupted economic activity, had a negative impact on the financial position, reduced range of products, complicated relationships with raw material and service suppliers and customers.

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	7 638	9 369	-18
Latvia and Estonia	1 329	2 321	-43
Ukraine	513	771	-33
Russia	2 837	3 211	-12
Belarus	286	214	34
Poland	136	203	-33
West countries	1 393	2 498	-44
<b>Total sales</b>	<b>14 132</b>	<b>18 587</b>	<b>-24</b>

The Gross profit for the reporting period was 2 548 thousand Litass. During the same period of 2012 was 3 237 thousand Litass.

Operating expenses during the nine month of 2013 was 7 372 thousand Litass, compared with the same period of 2012 increased 401 thousand Litass.

Gross profit margin decreased due to decrease in the turnover.

Operating profit margin during the reporting period was negative -34,1%, the nine month of 2012 – negative -20,1% .

During the nine month of this year Company has earned 707 thousand Litass of profit from other activities. The profit was earned renting premises. During the same period of the last year Company has earned 393 thousand Litass of profit from other activities.

During the reporting period, EBITDA was -1 359 thousand Lt. Year ago (the nine month) EBITDA was negative 238 thousand LTL. EBITDA margin was negative – 9,6 percent (During the nine month of 2012 – negative 1,3 percent).

#### Company Loans (LTL thousand)

The grantor	Currency	Balance at 30-09-2013	Balance at 31-12-2012
AB Swedbank	Litas	17.400	17.400