

30th May, 2014 No.

Vilnius

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

CONFIRMATION OF RESPONSIBLE PERSONS

In behalf DVARCIONIU KERAMIKA, RAB General manager Liudmila Suboč and Chief accountant Elona Suveizdienė hereby confirm that to the best of our knowledge the unaudited Financial Statements for the three months of 2014 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 RAB Interim Report for the three months of 2014.

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė



DVARČIONIŲ KERAMIKA RAB
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS OF 2014

MAY, 2014, Vilnius

Table of Content

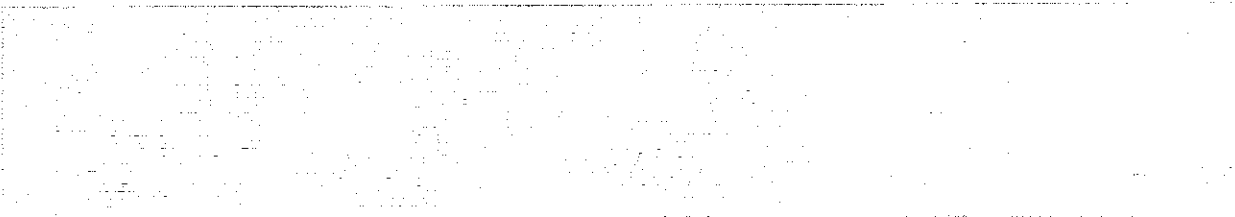
1. Balance Sheet 2

2. Income Statement 4

3. Cash Flow Statement 5

4. Statement of Changes in Equity 6

5. Notes to Financial Statements 7



DVARČIONIŲ KERAMIKA, RAB financial statements were prepared in accordance to International Financial Reporting Standards.

The Company's interim financial statements for the period January – March, 2014 were not audited. Financial statements for the year ended 31 December 2013 were audited accordingly.

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND)

ASSETS	2014 03 31	2013 12 31
NON CURRENT ASSETS	24 605	25 232
INTANGIBLE ASSETS	-	-
TANGIBLE ASSETS	24 295	24 919
Land	-	-
Buildings	18 955	19 450
Other tangible assets	5 340	5 469
INVESTMENTS PROPERTY	10	13
NON CURRENT FINANCIAL ASSETS	300	300
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
CURRENT ASSETS	5 949	7 113
INVENTORIES	2 719	3 493
STOCK	2 639	3 413
PREPAYMENTS	64	76
NOT COMPLETED WORKS	16	4
CURRENT RECEIVABLES	1 598	2 492
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	1 632	1 128
TOTAL ASSETS	30 554	32 345

STATEMENT OF FINANCIAL POSITION (LTL THOUSAND) (continued)

EQUITY AND LIABILITIES	2014 03 31	2013 12 31
CAPITAL AND RESERVES	3 949	5 494
SHARE CAPITAL	19 811	19 811
Authorized	19 811	19 811
Subscribed uncalled share capital	-	-
SHARE PREMIUM	-	-
REVALUATION RESERVE	9 581	9 581
OTHER RESERVES	125	125
RETAINED EARNINGS	(25 568)	(24 023)
Previous years	(24 023)	(19 355)
Current year	(1 545)	(4 668)
GRANTS AND SUBSIDIES		
DEFERRED TAX & ACCRUED LIABILITIES		
Accrued expenses	-	-
Deferred tax liability	-	-
LIABILITIES	26 605	26 851
NON CURRENT LIABILITIES		
Financial liabilities		
Trade payables	-	-
Advances received	2 692	2 692
Other non current payables	-	-
CURRENT LIABILITIES	23 913	24 159
Current part of long term financial liabilities	-	-
Other financial liabilities	18 208	18 208
Trade payables	5 085	5 081
Advances received	44	35
Taxes and salaries payable	160	201
Other payables	416	634
TOTAL EQUITY AND LIABILITIES	30 554	32 345

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

STATEMENT OF COMPREHENSIVE INCOME (LTL THOUSAND)

	2014.01.01- 2014.03.31	2013.01.01- 2013.03.31
SALES INCOME	1 128	5 280
COST OF SALES	-976	-4 423
GROSS PROFIT	152	857
Operating expenses	-1.913	-3.444
OPERATING PROFIT (LOSS)	-1 761	-2 587
OTHER ACTIVITIES	224	145
Income	224	145
Expenses	-	-
FINANCIAL AND INVESTING ACTIVITIES	-8	-45
Income	-	2
Expenses	-8	-47
PROFIT (LOSS) BEFORE PROFIT TAX	-1 545	-2 487
Profit tax	-	-
NET PROFIT (LOSS)	-1 545	-2 487

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdiene

CASH FLOW STATEMENT (LTL THOUSAND)

2014.03.31 2013.03.31

Cash flows from operating activities		
Net profit	-1.545	-2 487
Adjustments for:		
Income tax benefit	-	-
Depreciation and amortization	627	979
(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	-26	-320
Other	-	-
Operating profit before working capital changes	-944	-1828
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	906	-245
(Increase)/decrease in inventories	774	3 733
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	-232	-1589
Cash generated from operations	504	71
Interest paid	-	-
Profit tax paid	-	-
Interest received	-	-
Net cash from operating activities	504	71
Cash flows from investing activities		
Purchases of property, plant and equipment		
Sales of property, plant and equipment		
Other items		
Net cash from investing activities		
Cash flows from financing activities		
Repayment/receipt of loans	-	-55
Financial lease payments		
(Decrease)increase in factoring financing	-	-
Net cash from financing activities	-	-55
Net change in cash and cash equivalents	504	16
Cash and cash equivalents at the beginning of period	1 128	57
Cash and cash equivalents at the end of period	1 632	73

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

STATEMENT OF CHANGES IN EQUITY (LTL THOUSAND)

	Share capital	Revaluation reserve	Legal reserve	Retained earnings	Total equity
Balance at 31 December 2012	19.811	10.186	125	-19.355	10.767
Profit (loss)				-2.487	-2.487
Decrease in revaluation reserve due to depreciation	-	-		-	-
Balance at 31 March 2013	19.811	10.186	125	-21.842	8.280
Profit (loss)				-2.181	-2.181
Decrease in revaluation reserve due to depreciation		-605			605
Balance at 31 December 2013	19.811	9.581	125	-24.023	5.494
Profit (loss)				-1.545	-1.545
Decrease in revaluation reserve due to depreciation	-	-			-
Balance at 31 March 2014	19.811	9.581	125	-25.568	-3.949

General manager



Liudmila Suboč

Chief accountant



Elona Suveizdienė

NOTES TO FINANCIAL STATEMENTS

Dvarčionių Keramika, RAB - 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, 2014	January – March, 2013	Change (percent)
Income (thousand Lt)	1 128	5 280	-78,6
EBITDA (thousand Lt)	-947	-1 463	35,3
EBITDA margin (percent)	-84	-28	
Profit (loss) from operations (thousand Lt)	-1 761	-2 587	31,9
Operational profit margin (percent)	-156	-49	
Profit before taxes (thousand Lt)	-1 545	-2 487	37,9
Net profit (loss) (thousand Lt)	-1 545	-2 487	37,9
Net profit margin (percent)	-137	-47	
Earnings per share (in Litas)	-0,16	-0,27	
Debt to equity ratio	6,74	3,4	
Liquidity ratio (percent)	0,25	0,38	
Earnings to asset ratio (percent)	0,13	21,5	

Sales income and EBITDA

Company revenue for the first quarter of 2014 was 1.128 thousand LTL. Revenue for the three month of 2013 was 5.280 thousand LTL.

The main reason of the fall in revenue – the production line stopped from August 2013. It was difficulties to complete the required tiles assortment.

The company sells its products in the biggest Lithuanian commercial networks, the own brand shops, situated in major cities. Production exported to Baltic, Scandinavian countries, Czech Republic during this period.

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

Sales	January – March, 2014	January – March, 2013
Lithuania	824	2 939
Latvia and Estonia	279	524
Ukraine	-	130
Russia	-	985
Belarus	-	115
Poland	-	48
Other countries	25	539
Total sales	1 128	5 280

The Gross profit for the reporting period was 857 thousand Litas. During the same period of 2013 – 857 thousand Litas.

Operating expenses during the first quarter of 2014 was 1.914 thousand Litas, compared with the same period of 2013 increased 3.444 thousand Litas.

Operating profit margin during the reporting period was negative -156%, the first quarter of 2013 – negative - 49% .

During the three month of this year Company has earned 224 thousand Litas of profit from other activities. The profit was earned renting premises. During the same period of the last year Company has earned 145 thousand Litas of profit from other activities.

During the reporting period, EBITDA was - 947 thousand Lt. Year ago (the first quarter) EBITDA reached -1.463 thousand LTL. EBITDA margin was negative – 84 percent (During the three month of 2013 – positive 28 percent).

Company Loans (LTL thousand)

The grantor	Currency	Balance at 31-03-2014	Balance at 31-12-2013
AB Swedbank	Litas	17.400	17.400
UAB Misota	Litas	460	460
Juozas Raišelis	Litas	985	985
UAB Raico	Litas	1.238	1.238