



DVARČIONIŲ KERAMIKA, AB
INTERIM FINANCIAL STATEMENTS FOR THE FIRST THREE MONTHS OF 2008

*PREPARED IN ACCORDANCE TO THE RULES ON PREPARATION AND SUBMISSION OF PERIODIC AND
ADDITIONAL INFORMATION OF THE LITHUANIAN SECURITIES COMMISSION*

MAY, 2008

Lithuanian Securities Commission
Konstitucijos ave. 23
LT-08105 Vilnius
LITHUANIA

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, President of DVARČIONIŲ KERAMIKA, AB Marek Ungier and Chief Financial Officer of DVARČIONIŲ KERAMIKA, AB Alan Levin, hereby confirm that, to the best of our knowledge, the attached DVARČIONIŲ KERAMIKA, AB not audited Interim Financial Statements for the first three months of 2008 prepared in accordance to International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of DVARČIONIŲ KERAMIKA, AB undertakings.

Enclosed: DVARČIONIŲ KERAMIKA, AB Interim Financial Statements for the first three months of 2008.

President



Marek Ungier

Chief Financial Officer



Alan Levin

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The largest ceramic tiles manufacturer in the Baltic States AB Dvarčionių Keramika (hereinafter the Company) exports about 45 per cent of 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 – March, 2008 were not audited; financial statements for the year ended 31 December 2007 were audited accordingly.

BALANCE SHEET (LTL THOUSAND)

ASSETS	2008 03 31	2007 12 31
NON CURRENT ASSETS	46.029	47.748
INTANGIBLE ASSETS	85	88
TANGIBLE ASSETS	45.533	47.249
Land	-	-
Buildings	24.177	24.663
Other tangible assets	21.356	22.586
Construction in progress	-	-
NON CURRENT FINANCIAL ASSETS	411	411
LONG TERM RECEIVABLES	-	-
DEFERRED TAXES	-	-
CURRENT ASSETS	28.497	26.226
INVENTORIES	20.745	19.016
STOCK	20.602	18.865
PREPAYMENTS	143	151
NOT COMPLETED WORKS	-	-
CURRENT RECEIVABLES	7.551	6.899
INVESTMENTS AND TERM DEPOSITS	-	-
CASH	201	311
TOTAL ASSETS	74.526	73.974

BALANCE SHEET (LTL THOUSAND) (continued)

EQUITY AND LIABILITIES	2008 03 31	2007 12 31
CAPITAL AND RESERVES	23.496	22.817
SHARE CAPITAL	19.811	19.811
Authorized	19.811	19.811
Subscribed uncalled share capital	-	-
SHARE PREMIUM	-	-
REVALUATION RESERVE	3.945	3.945
OTHER RESERVES	125	125
RETAINED EARNINGS	-385	-1.064
Previous years	-1.064	54
Current year	679	-1.118
GRANTS AND SUBSIDIES	-	-
DEFERRED TAX & ACCRUED LIABILITIES	1.187	1.233
Accrued expenses	-	-
Deferred tax liability	1.187	1.233
LIABILITIES	49.843	49.924
NON CURRENT LIABILITIES	30.731	31.706
Financial liabilities	30.663	31.638
Trade payables	-	-
Advances received	-	-
Other non current payables	68	68
CURRENT LIABILITIES	19.112	18.218
Current part of long term financial liabilities	3.188	3.188
Other financial liabilities	90	110
Trade payables	12.828	12.315
Advances received	196	313
Taxes and salaries payable	1.583	1.315
Other payables	1.227	977
TOTAL EQUITY AND LIABILITIES	74.526	73.974

President



Marek Ungier

Chief Financial Officer



Alan Levin

INCOME STATEMENT (LTL THOUSAND)

	2008.01.01- 2008.03.31	2007.01.01- 2007.03.31
SALES INCOME	16.826	15.074
COST OF SALES	-12.070	-10.937
GROSS PROFIT	4.756	4.137
Operating expenses	-3.732	-3.577
OPERATING PROFIT (LOSS)	1.024	560
OTHER ACTIVITIES	198	96
Income	205	97
Expenses	-7	-1
FINANCIAL AND INVESTING ACTIVITIES	-590	-522
Income	-	3
Expenses	-590	-525
PROFIT (LOSS) BEFORE PROFIT TAX	632	134
Profit tax	47	-32
NET PROFIT (LOSS)	679	102

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Alan Levin

STATEMENT OF CASH FLOW (LTL THOUSAND)

	2008.01.01- 2008.03.31	2007.01.01- 2007.03.31
Cash flows from operating activities		
Net profit	679	102
Adjustments for:		
Depreciation and amortization	1.851	1.828
(Gain)/ losses on foreign exchange	6	-
(Gain)/ losses on investment activity	-	-
(Gain)/ losses on disposals (sales) of fixed assets	-2	-1
Net interest	584	525
Change in deferred taxes	-47	-
Increase/(decrease) in inventory valuation allowance	-	-
Other	-	-
Operating profit before working capital changes	3.071	2.454
(Increase)/decrease in trade and other receivables excluding receivables connected with selling fixed assets	-644	-890
(Increase)/decrease in inventories	-1.737	-645
Increase/(decrease) in payables excluding borrowings and loans and payables connected with purchasing fixed assets	914	779
Cash generated from operations	1.604	1.698
Interest paid	-584	-525
Profit tax paid	-	-
Interest received	-	-
Net cash from operating activities	1.020	1.173
Cash flows from investing activities		
Purchases of property, plant and equipment	-146	-541
Sales of property, plant and equipment	10	-1
Other items	-	-
Net cash from investing activities	-136	-540
Cash flows from financing activities		
Repayment/receipt of loans	-974	-1.028
Financial lease payments	-6	-36
(Decrease)increase in other financing payments	-14	5
Net cash from financing activities	-994	-1.059
Net change in cash and cash equivalents	-110	-426
Cash and cash equivalents at the beginning of period	311	1.349
Cash and cash equivalents at the end of period	201	923

STATEMENT OF CASH FLOW (LTL THOUSAND) (continued)

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Chief Financial Officer



Alan Levin

STATEMENT OF CHANGES IN EQUITY (LTL THOUSAND)

	Share capital	Revaluation reserve	Reserve capital	Retained earnings	Total Equity
At 31 December 2005	49.527	4.864	125	(30.009)	24.507
Restatement				(47)	(47)
At 31 December 2005 (Restated)	49.527	4.864	125	(30.056)	24.460
Reduction in share capital	(29.716)	-	-	29.716	-
Net loss for the year				(113)	(113)
Depreciation of revaluated assets	-	(507)	-	507	-
At 31 December 2006	19.811	4.357	125	54	24.347
Net loss for the year	-	-	-	(1.530)	(1.530)
Depreciation of revaluated assets	-	(412)	-	412	-
At 31 December 2007	19.811	3.945	125	(1.064)	22.817
Net profit for the period				679	679
At 31 March 2008	19.811	3.945	125	(385)	23.496

President



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Chief Financial Officer



Alan Levin

EXPLANATORY NOTES

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).

78.22 percent of the Company's shares (60.25 per cent of voting rights) and starting January 24th 2008 - 78.22 per cent of voting rights belongs to the Polish company Opoczno SA, the largest tiles manufacturer in Poland.

Major Financial Indicators of the Company

Financial Indicators	2008 I Q	Comparable period	Change (percent)
Income (thousand LTL)	16.826	15.074	11,6
EBITDA (thousand LTL)	3.073	2.484	23,7
EBITDA margin (percent)	18,3	16,5	
Profit (loss) from operations (thousand LTL)	1.024	560	82,8
Operational profit margin (percent)	6,1	3,7	
Profit before taxes (thousand LTL)	632	134	371,6
Net profit (loss) (thousand LTL)	679	102	565,7
Net profit margin (percent)	4	0.7	
Earnings per share (in LTL)	0.07	0.01	600
Debt to equity ratio	2.12	2.19	
Current ratio	1.49	1.44	

Income

Since 2007 the Company's income continues increasing in a steady growth. Income for the reporting period of 2008, increased by 11,6 per cent, compared to the 2007.

The major reason for the income increase is presentation of new collections, extensive marketing and sale policy and constant improvement of already existing ones.

The Company's income distribution according to geographical segments was as follows (Thousand, LTL):

Sales	January – March 2008	January – March 2007	Change
Lithuania	9.208	8.408	800
Latvia and Estonia	3.902	3.448	454
Ukraine	1.088	638	450
Russia	842	716	126
Belgium	596	823	-227
Poland	102	94	8
Uzbekistan	195	305	-110
Other countries	893	642	251
Total sales	16.826	15.074	1.752

The gross profit for the reporting period increased and reached 4.756 thousand Litas (in the comparing period of the year 2007 – 4.137 thousand Litas). The growth of the gross profitability (it reached almost 15 percent) was stipulated by the higher sales in Lithuania, Latvia and Estonia and Ukraine.

Dvarčionių Keramika AB continues holding the leading position at the Baltic States tiles market.

EBIDTA increased by 23,7 percent this reporting year and reached 3.073 thousand Litas. Though operational expenses (excluding depreciation expenses) increased, it was accompanied by lower pace of increase in operational expense as percentage from the total income: the gross profit increased by 14,9 percent in reporting period, while operational expenses rose less and reached 4,3 percent.

Operational expenses from the total sales was 22,2 percent in reporting period, while for the same period of the prior year operational expenses totaled 23,7 percent from the total sales. There was no change in depreciation and amortization expenses. An increased sales, gross profit and an effective control of operational expenses has a direct influence on EBITDA growth.

Operational and net margins were positive in the reporting period. Depreciation and amortization expenses, the same as in the prior period, totaled about 1,8 million Litas. The result from financial and investment activities was worse than in prior period and reached – 590 thousand Litas (-522 thousand Litas in 2007). The result from financial and investment an activity was influenced by increase in interbanks offered interest rates in Lithuania.

The balance sheet indicators have also improved. Due to decrease in current liabilities and increase in profit earned, debt to equity ratio and the current ratio has changed positively.

Net change in cash and cash equivalents was negative and totaled -110 thousand Litas (-426 thousand Litas in the same period 2007). Net cash from operating activities was 1.020 thousand Litas in reporting period (1.173 thousand Litas in I Q 2007). The Company has paid part of it's loan

to financial institution 974 thousand Litas in total (1.028 thousand Litas during the prior reporting period)

An increase in operational performance

The Company is in constant search for the new opportunities to increase its internal process and controls due to growth in resource prices. The Company strives to utilize its full manufacturing capabilities and minimize an increase in manufacturing cost.

Company Loans (LTL thousand)

The grantor	Currency	Balance at 2008-03-31
AB Bankas Hansabankas	Litas	33.919

Information about significant events and transactions

Opoczno S.A. NIP 000057075, Przemyslowa 5, Opoczno, Poland has increased its share in the Company's voting rights from 60,25 percent to 78,22 percent on 24th January, 2008.