

Varaždin, July 30th, 2021

In accordance with the provisions of the Capital Market Act, the Management Board of Varteks d.d. based in Varaždin submits:

MANAGEMENT INTERIM REPORT

For the second quarter of the year 2021 (cumulative period 01.01. – 30.06.2021/unaudited)

Indications of significant events that occurred during the reporting period and the impact of these events on the condensed set of financial statements

In the first six months of 2021, the Varteks Group had revenue of HRK 44.95 million, which is HRK 15 million or 25% less than in the comparable period last year, which is a direct consequence of the impact of the crisis due to the coronavirus pandemic. The main reasons for the significant reduction in total revenues is the suspension of orders from our largest foreign partners (Hugo Boss, J. Lindeberg), which resulted in a reduction in revenues in the Contract manufacturing segment by as much as 54%. However, in the same period, at the cumulative level, revenue growth of 13% was recorded in the Retail segment compared to the same period last year.

Revenues in the Retail segment in the second quarter of 2021 increased by approximately 12% compared to the first quarter of 2021, which is a consequence of additional investment in retail and its own fashion brand. In the first half of 2021, we opened three new stores in Croatia - in the Lumini Shopping Center in Varaždin, in the Mall of Split and Outlet in Horvaćanska Street in Zagreb, and we plan to renovate one store in the coming months and open a new store in Ljubljana in July. Also, in July, it is planned to open a sales area in Zagreb, where a tailoring service will be offered, and in this way the existing offer will be further strengthened.

In the Special Clothing segment, in the second quarter of 2021, we recorded an increase in revenue of HRK 3.4 million compared to the first quarter. Also, in the first six months, revenue decreased by 50% compared to the same period last year, primarily due to changes in the dynamics of orders and deliveries, given that this is a business model that is largely related to public procurement.

In an effort to preserve jobs, due to the adverse effects of the crisis, the cost of unfilled production capacity was partially amortized by state aid for employee salaries in the total amount of HRK 6.35 million.

VARTEKS

The impact of the coronavirus pandemic is visible through the Group's normalized EBITDA result. The normalized EBITDA of the Group for the first six months is negative and amounts to HRK 23.9 million, which is HRK 12.8 million worse than in the same period last year.

<i>Varteks Group</i>	30 June 2020	30 June 2021
	HRK '000	HRK '000
Loss from operating activities	(1.010)	(22.254)
Depreciation	2.194	2.073
Depreciation of right of use assets (IFRS 16)	2.683	2.637
Depreciation in total	4.878	4.710
Impact of IFRS 16 - Invoiced rent	(2.126)	(3.027)
EBITDA before IFRS 16 impact	1.742	(20.571)
<i>One-off items:</i>	-	-
Revenues from cancellation of provisions	-	-
Revenues from one-off supports	(15.122)	(6.358)
Severance	93	-
Other	-	-
Inventory value adjustment	-	-
Settlement cost - CERP	-	-
Value adjustment of receivables	-	-
Normalised EBITDA before IFRS 16 impact	(13.287)	(26.929)
Impact of IFRS 16 - invoiced rent	2.126	3.027
Normalised EBITDA after IFRS 16 impact	(11.161)	(23.902)

In the second quarter of 2021, the net cost of financial operations amounted to HRK 3 million, which is HRK 3 million less than in the same period last year and HRK 0.9 million more than in the first quarter. The reason for the decrease in the net financial cost of operations is primarily due to the strengthening of the HRK exchange rate against the EUR, which is evident from the positive unrealized exchange rate differences in the amount of HRK 1.9 million.

The most significant risks and expectations for the future

Illiquidity remains the most significant risk of the Group's operations in the short term, therefore activities aimed at improving liquidity and reducing such risks have been undertaken. Liquidity was continuously monitored through the movement of cash flow at the level of planned values and operationally at the level of realized and estimated daily, weekly and monthly values. Based on that, additional activities are undertaken in order to provide the necessary financial resources. All deviations are regularly monitored and, as needed, efforts are made to provide additional resources necessary to balance inflows and liabilities, but problems remain.

The Company continues to monetize non-operating real estate at prices higher than estimates, which improves the liquidity and capital position of the Company and the Group in the short term, and stabilizes operations and reduces debt in the medium and long term, and further restructuring (which should result in increased revenues and reduced costs). The Management Board is in

continuous talks with banks regarding obtaining additional funds and / or prolongation of existing banking arrangements, and based on these talks has positive expectations that the financing that will be necessary in the current conditions to support the Company and the Group will be adequately addressed.

The following is a chronology of important events caused by a coronavirus pandemic and other important events in 2021:

- *23th February – The Commission for Evaluation and Determination of Strategic Project Proposals unanimously accepted the Varteks District-Urban Regeneration Project Proposal and the Commission will send the Decision on the Proclamation of the Strategic Investment Project to the Government of the Republic of Croatia for adoption.*
- *1st March – Varteks founded a subsidiary in the Republic of Slovenia, called Varteks.si d.o.o. The company was founded with the intention of expanding Varteks' business to the Slovenian market.*
- *31st March – Concluded Annex to the Club Loan Agreement with HBOR and Erste & Steiermarkische Bank d.d. according to the risk-sharing model. The Annex in question extended the loan repayment period for an additional year, until March 31st, 2022.*
- *16th April – Notification on the release of treasury shares in accordance with the provisions of Article 474 of the Capital Market Act. 234,780 treasury shares of VART-R-1 were disposed of. After the said release, the balance of the Company's treasury account amounts to 0 treasury shares or 0% of the Company's share capital.*
- *9th June – Notice of concluding the Preliminary Agreement on the purchase and sale of land - part of the real estate in Varaždin, Zagrebačka 94. The subject of the sale is a part of the real estate registered in the land register, street 15393 k.o. Varaždin.*
- *14th June – Notice of share capital increase. By the decision of the Management Board of the Company with the prior consent of the Supervisory Board of 13 May 2021, a decision was made to increase the share capital from the amount of HRK 41,066,860.00 by the amount of HRK 5,000,000.00 to the amount of HRK 46,066,860.00 by issuing 500,000 ordinary shares marked VART-R-3 with an individual nominal amount of HRK 10.00.*
- *24th June – Government Decision on declaring the "Varteks kvart – urban regeneration" Project a strategic investment project of the Republic of Croatia.*
- *30th June – Decision of the Supervisory Board on the increase of the share capital from June 29, 2021. Consent is given to the Management Board to, based on Articles 323, paragraph 3, 325, paragraphs 1 and 326, paragraph 2 of the Companies Act and the statutory powers referred to in Article 15 of the Company's Articles of Association make a decision to increase the share capital by investing rights - cash receivables in the amount of HRK 4,200,000.00 held by Mr. Stjepan Čajić and the issuance of 420,000 New Ordinary Shares, each with a nominal value of HRK 10.00, which will be allocated to Mr. Stjepan Čajić.*

R&D activities

Research and development activities are mainly related to the development of new collections, the launch of a project to restructure the production process and investment in a new ERP system, as well as the implementation of the process for personalized online ordering of suits.

Information on redemption of own shares

In the reporting period, the parent company did not repurchase its own shares.

Information on existing subsidiaries of the parent company

As at 30th June 2021, the Parent Company has the following active subsidiaries:

- Varteks Pro d.o.o.
- Varteks Si d.o.o., Republic of Slovenia

Varteks Pro d.o.o.

Company Varteks Pro d.o.o. is 100% owned by the Company.

Company Varteks Pro d.o.o. specializes in sewing special purpose clothing for special customers (most notably the police and military).

In the first half of 2021, the Company generated HRK 7.3 million in revenue (first half of 2019: HRK 13 million). The Company made a loss of HRK 1.7 million (first half of 2019: profit of HRK 0.3 million). The Company's assets as at 30th June 2021 amounted to HRK 16.7 million (31st December 2019: HRK 7.9 million). Net capital as at 30th June 2021 amounted to HRK 2.2 million (31st December 2019: HRK 2.1 million). The Company employed 33 people as of June 30th, 2021 (December 31st, 2019: 32). The director of the Company is Mrs. Natalija Vnućec.

Varteks Si d.o.o.

Company Varteks Si d.o.o. is 100% owned by the Company. The main activity of the Company is the sale of clothing.

In the first six months of 2021, the Company made a loss of HRK 393 thousand. The company's assets as at 30th June 2021 amounted to HRK 1.38 million. The Company has five employees. The director of the Company is Mrs. Marjana Cedilnik.

Description of the financial risk management policies and exposure of the Group and the Company to those risks

The Group's annual financial statements for 2020 contain the necessary disclosures regarding the Group's management and exposure to financial risks.

Tomislav Babić
President of the
Management Board

Denis Smolar
Member of the
Management Board

Annex 1

ISSUER'S GENERAL DATA

Reporting period:

01.01.2021

to

30.06.2021

Year:

2021

Quarter:

2.

Quarterly financial statements

Registration number (MB):

03747034

Issuer's home Member

State code:

HR

Entity's registration
number (MBS):

070004039

Personal identification
number (OIB):

00872098033

LEI:

74780000Q0LH0TDGEO80

Institution
code:

1420

Name of the issuer: VARTEKS d.d.

Postcode and town:

42000

Varaždin

Street and house number: Zagrebačka 94

E-mail address: info@varteks.com

Web address: www.varteks.com

Number of employees
(end of the reporting

978

Consolidated report:

KD

(KN-not consolidated/KD-consolidated)

Audited:

RN

(RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS):

Registered office:

MB:

VARTEKS PRO d.o.o.

Varaždin, Hrvatska

1280511

VARTEKS.SI d.o.o.

Selnik, Slovenija

8816484000

Bookkeeping firm:

No

(Yes/No)

(name of the bookkeeping firm)

Contact person: Smolar Denia

(only name and surname of the contact person)

Telephone: 042 377105

E-mail address: dsmolar@varteks.com

Audit firm: PwC

(name of the audit firm)

Certified auditor:

(name and surname)

BALANCE SHEET
balance as at 30.06.2021.

in HRK

Submitter: Varteks Group			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	202.737.580	205.690.966
I INTANGIBLE ASSETS (ADP 004 to 009)	003	1.837.223	1.271.146
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	1.337.223	1.271.146
3 Goodwill	006	0	0
4 Advances for the purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	0	0
6 Other intangible assets	009	0	0
II TANGIBLE ASSETS (ADP 011 to 019)	010	196.216.601	199.717.389
1 Land	011	52.230.555	52.230.555
2 Buildings	012	56.445.629	60.365.400
3 Plant and equipment	013	17.188.780	16.390.635
4 Tools, working inventory and transportation assets	014	1.329.903	1.701.997
5 Biological assets	015	0	0
6 Advances for the purchase of tangible assets	016	0	0
7 Tangible assets in preparation	017	0	101.844
8 Other tangible assets	018	230.722	136.046
9 Investment property	019	68.790.912	68.790.912
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	4.986.315	4.578.800
1 Investments in holdings (shares) of undertakings within the group	021	0	0
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interests	024	0	0
5 Investment in other securities of companies linked by virtue of participating interests	025	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	026	0	0
7 Investments in securities	027	0	0
8 Loans, deposits, etc. given	028	4.989.415	4.572.800
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	5.900	5.900
IV RECEIVABLES (ADP 032 to 035)	031	188.641	123.631
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	188.641	123.631
V DEFERRED TAX ASSETS	036	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	037	62.115.680	58.729.334
I INVENTORIES (ADP 039 to 045)	038	50.315.682	46.181.139
1 Raw materials and consumables	039	10.594.092	13.730.468
2 Work in progress	040	1.398.072	292.813
3 Finished goods	041	32.380.937	26.680.066
4 Merchandise	042	5.860.012	4.089.435
5 Advances for inventories	043	84.569	1.388.357
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
II RECEIVABLES (ADP 047 to 052)	046	10.355.492	9.294.284
1 Receivables from undertakings within the group	047	0	0
2 Receivables from companies linked by virtue of participating interests	048	0	0
3 Customer receivables	049	7.108.880	5.093.556
4 Receivables from employees and members of the undertaking	050	46.786	41.899
5 Receivables from government and other institutions	051	2.671.403	2.818.935
6 Other receivables	052	528.423	1.339.894
III CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	742.106	811.286
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057	0	0
5 Investment in other securities of companies linked by virtue of participating interests	058	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	742.106	811.286
9 Other financial assets	062	0	0
IV CASH AT BANK AND IN HAND	063	702.400	2.442.625
D) PREPAID EXPENSES AND ACCRUED INCOME	064	302.962	206.218
E) TOTAL ASSETS (ADP 001+002+037+064)	065	265.156.222	264.626.518
OFF-BALANCE SHEET ITEMS	066	4.944.190	4.402.117

LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to	067	15,858,768	2,034,505
I INITIAL (SUBSCRIBED) CAPITAL	068	41,066,860	46,066,860
II CAPITAL RESERVES	069	655,664	386,446
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	-2,442,365	174,653
1 Legal reserves	071	0	0
2 Reserves for treasury shares	072	754,460	0
3 Treasury shares and holdings (deductible item)	073	-3,371,478	0
4 Statutory reserves	074	0	0
5 Other reserves	075	174,653	174,653
IV REVALUATION RESERVES	076	77,593,753	77,112,422
V FAIR VALUE RESERVES AND OTHER (ADP 078 to 082)	077	0	0
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
4 Other fair value reserves	081	0	0
5 Exchange differences arising from the translation of foreign operations (consolidation)	082	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 084-085)	083	-70,168,215	-100,533,812
1 Retained profit	084	0	0
2 Loss brought forward	085	70,168,215	100,533,812
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 087-088)	086	-30,846,929	-25,241,074
1 Profit for the business year	087	0	0
2 Loss for the business year	088	30,846,929	25,241,074
VIII MINORITY (NON-CONTROLLING) INTEREST	089	0	0
B) PROVISIONS (ADP 091 to 096)	090	5,854,642	5,841,932
1 Provisions for pensions, termination benefits and similar obligations	091	3,425,070	3,425,070
2 Provisions for tax liabilities	092	0	0
3 Provisions for ongoing legal cases	093	0	0
4 Provisions for renewal of natural resources	094	0	0
5 Provisions for warranty obligations	095	0	0
6 Other provisions	096	2,429,572	2,416,862
C) LONG-TERM LIABILITIES (ADP 098 to 109)	097	101,580,956	99,692,358
1 Liabilities to undertakings within the group	098	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	099	0	0
3 Liabilities to companies linked by virtue of participating interests	100	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	101	0	0
5 Liabilities for loans, deposits etc.	102	165,621	158,561
6 Liabilities to banks and other financial institutions	103	73,303,556	67,910,025
7 Liabilities for advance payments	104	0	0
8 Liabilities to suppliers	105	0	0
9 Liabilities for securities	106	0	0
10 Other long-term liabilities	107	11,079,004	14,596,652
11 Deferred tax liability	108	17,032,775	16,927,117
D) SHORT-TERM LIABILITIES (ADP 110 to 123)	109	138,608,411	156,155,140
1 Liabilities to undertakings within the group	110	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	111	0	0
3 Liabilities to companies linked by virtue of participating interests	112	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	113	0	0
5 Liabilities for loans, deposits etc.	114	58,811,395	64,476,351
6 Liabilities to banks and other financial institutions	115	28,010,695	40,804,874
7 Liabilities for advance payments	116	314,866	421,686
8 Liabilities to suppliers	117	26,745,924	28,736,626
9 Liabilities for securities	118	0	0
10 Liabilities to employees	119	4,385,753	4,498,882
11 Taxes, contributions and similar liabilities	120	11,271,570	9,594,731
12 Liabilities arising from the share in the result	121	0	0
13 Liabilities arising from fixed assets held for sale	122	0	0
14 Other short-term liabilities	123	9,068,208	9,622,010
E) ACCRUALS AND DEFERRED INCOME	124	3,253,445	3,071,596
F) TOTAL = LIABILITIES (ADP 067+090+097+109+124)	125	265,158,222	264,626,518
G) OFF-BALANCE SHEET ITEMS	126	4,944,190	4,402,117

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2021. to 30.06.2021.

in HRK

Submitter: Varteks Group

Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I OPERATING INCOME (ADP 002 to 006)	001	59.984.830	30.569.012	44.947.634	24.296.947
1 Income from sales with undertakings within the group	002	0	0	0	0
2 Income from sales (outside group)	003	58.636.182	29.420.723	44.061.840	23.956.835
3 Income from the use of own products, goods and services	004	25.256	46	6	0
4 Other operating income with undertakings within the group	005	0	0	0	0
5 Other operating income (outside the group)	006	1.323.392	1.148.243	885.788	340.112
II OPERATING EXPENSES (ADP 008+009+013+017+018+019+022+029)	007	60.994.822	27.891.470	67.201.977	35.745.167
1 Changes in inventories of work in progress and finished goods	008	-11.841.858	-5.927.595	5.534.001	3.276.179
2 Material costs (ADP 010 to 012)	009	36.680.398	18.266.715	22.093.205	11.588.869
a) Costs of raw materials and consumables	010	24.285.038	12.087.615	11.886.892	6.207.520
b) Costs of goods sold	011	5.047.802	1.308.746	4.240.563	1.968.633
c) Other external costs	012	7.347.558	4.870.354	5.965.750	3.412.706
3 Staff costs (ADP 014 to 016)	013	19.014.211	5.838.895	26.304.939	14.112.787
a) Net salaries and wages	014	12.550.742	4.411.755	17.485.148	9.385.776
b) Tax and contributions from salary costs	015	4.024.734	862.199	5.181.450	2.782.344
c) Contributions on salaries	016	2.438.735	364.941	3.638.341	1.944.667
4 Depreciation	017	4.877.595	2.383.703	4.709.978	2.410.511
5 Other costs	018	8.349.914	3.683.862	8.145.325	4.202.996
6 Value adjustments (ADP 020+021)	019	0	0	0	0
a) fixed assets other than financial assets	020	0	0	0	0
b) current assets other than financial assets	021	0	0	0	0
7 Provisions (ADP 023 to 028)	022	0	0	0	0
a) Provisions for pensions, termination benefits and similar obligations	023	0	0	0	0
b) Provisions for tax liabilities	024	0	0	0	0
c) Provisions for ongoing legal cases	025	0	0	0	0
d) Provisions for renewal of natural resources	026	0	0	0	0
e) Provisions for warranty obligations	027	0	0	0	0
f) Other provisions	028	0	0	0	0
8 Other operating expenses	029	3.914.362	3.845.890	414.529	153.835
III FINANCIAL INCOME (ADP 031 to 040)	030	2.537.443	1.548.029	1.880.673	1.494.547
1 Income from investments in holdings (shares) of undertakings within the group	031	0	0	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	032	0	0	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	033	0	0	0	0
4 Other interest income from operations with undertakings within the group	034	0	0	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	035	0	0	0	0
6 Income from other long-term financial investments and loans	036	0	0	0	0
7 Other interest income	037	13.081	599	10.061	4.976
8 Exchange rate differences and other financial income	038	2.524.362	1.547.430	1.870.612	1.489.571
9 Unrealised gains (income) from financial assets	039	0	0	0	0
10 Other financial income	040	0	0	0	0
IV FINANCIAL EXPENSES (ADP 042 to 048)	041	7.760.792	2.488.840	4.973.062	2.363.206
1 Interest expenses and similar expenses with undertakings within the group	042	0	0	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	043	0	0	0	0
3 Interest expenses and similar expenses	044	3.474.441	1.666.664	3.638.697	1.907.410
4 Exchange rate differences and other expenses	045	4.286.248	822.155	1.326.253	447.684
5 Unrealised losses (expenses) from financial assets	046	0	0	0	0
6 Value adjustments of financial assets (net)	047	0	0	0	0
7 Other financial expenses	048	103	21	8.112	8.112
V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS	049	0	0	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	050	0	0	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	051	0	0	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	052	0	0	0	0
IX TOTAL INCOME (ADP 001+030+049+050)	053	62.522.273	32.117.041	46.828.307	25.791.494
X TOTAL EXPENDITURE (ADP 007+041+051+052)	054	68.755.414	30.380.310	72.175.039	38.108.373
XI PRE-TAX PROFIT OR LOSS (ADP 053-054)	055	-6.233.141	1.736.731	-25.346.732	-12.316.879
1 Pre-tax profit (ADP 053-054)	056	0	1.736.731	0	0
2 Pre-tax loss (ADP 054-055)	057	-6.233.141	0	-25.346.732	-12.316.879
	058	0	0	-105.658	-47.590
XII INCOME TAX					
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 055-059)	059	-6.233.141	1.736.731	-25.241.074	-12.269.289
1 Profit for the period (ADP 055-059)	060	0	1.736.731	0	0
2 Loss for the period (ADP 059-055)	061	-6.233.141	0	-25.241.074	-12.269.289

DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)					
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 063-064)	062	0	0	0	0
1 Pre-tax profit from discontinued operations	063	0	0	0	0
2 Pre-tax loss on discontinued operations	064	0	0	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	065	0	0	0	0
1 Discontinued operations profit for the period (ADP 062-065)	066	0	0	0	0
2 Discontinued operations loss for the period (ADP 065-062)	067	0	0	0	0
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)					
XVI PRE-TAX PROFIT OR LOSS (ADP 055-+062)	068				
1 Pre-tax profit (ADP 068)	069	0	0	0	0
2 Pre-tax loss (ADP 068)	070	0	0	0	0
XVII INCOME TAX (ADP 058+065)	071	0	0	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 068-071)	072	0	0	0	0
1 Profit for the period (ADP 068-071)	073	0	0	0	0
2 Loss for the period (ADP 071-068)	074	0	0	0	0
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)					
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 076+077)	075	-6.233.141	1.736.731	-25.241.074	-12.269.289
1 Attributable to owners of the parent	076	-6.233.141	1.736.731	-25.241.074	-12.269.289
2 Attributable to minority (non-controlling) interest	077	0	0	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)					
I PROFIT OR LOSS FOR THE PERIOD	078	-6.233.141	1.736.731	-25.241.074	-12.269.289
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 080+ 87)	079	423.242	211.621	0	0
III Items that will not be reclassified to profit or loss (ADP 081 to 085)	080	486.054	234.385	0	0
1 Changes in revaluation reserves of fixed tangible and intangible assets	081	423.242	211.621	0	0
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	082	0	0	0	0
3 Fair value changes of financial liabilities at fair value through statement of profit or loss, attributable to changes in their credit risk	083	0	0	0	0
4 Actuarial gains/losses on the defined benefit obligation	084	0	0	0	0
5 Other items that will not be reclassified	085	62.812	22.764	0	0
6 Income tax relating to items that will not be reclassified	086	0	0	0	0
IV Items that may be reclassified to profit or loss (ADP 088 to 095)	087	0	0	0	0
1 Exchange rate differences from translation of foreign operations	088	0	0	0	0
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	089	0	0	0	0
3 Profit or loss arising from effective cash flow hedging	090	0	0	0	0
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	091	0	0	0	0
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	092	0	0	0	0
6 Changes in fair value of the time value of option	093	0	0	0	0
7 Changes in fair value of forward elements of forward contracts	094	0	0	0	0
8 Other items that may be reclassified to profit or loss	095	0	0	0	0
9 Income tax relating to items that may be reclassified to profit or loss	096	0	0	0	0
V NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 080+087-086 - 096)	097	486.054	234.385	0	0
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 078+097)	098	-5.747.087	1.971.116	-25.241.074	-12.269.289
APPENDIX to the Statement on comprehensive income (to be filled in by undertakings that draw up consolidated statements)					
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 100+101)	099	-5.747.087	1.971.116	-25.241.074	-12.269.289
1 Attributable to owners of the parent	100	-5.747.087	1.971.116	-25.241.074	-12.269.289
2 Attributable to minority (non-controlling) interest	101	0	0	0	0

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2021. to 30.06.2021.

in HRK

Submitter: Varteks Group			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	001	-6.233.141	-25.346.732
2 Adjustments (ADP 003 to 010):	002	14.220.839	7.262.420
a) Depreciation	003	4.877.595	4.718.456
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-7.447	143.774
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	763.117	0
d) Interest and dividend income	006	0	0
e) Interest expenses	007	3.297.707	2.936.715
f) Provisions	008	48.897	-12.710
g) Exchange rate differences (unrealised)	009	1.434.817	-523.815
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	3.806.153	0
I Cash flow increase or decrease before changes in working capital (ADP 001+002)	011	7.987.898	-18.084.312
3 Changes in the working capital (ADP 013 to 016)	012	-6.733.672	-4.478.541
a) Increase or decrease in short-term liabilities	013	1.441.158	1.705.009
b) Increase or decrease in short-term receivables	014	4.873.633	-8.043.072
c) Increase or decrease in inventories	015	-13.857.385	4.134.543
d) Other increase or decrease in working capital	016	808.922	-2.275.021
II Cash from operations (ADP 011+012)	017	1.254.028	-22.562.853
4 Interest paid	018	-907.202	-1.474.182
5 Income tax paid	019	0	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	346.824	-24.037.035
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	7.447	24.187
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	0	0
4 Dividends received	024	0	0
5 Cash receipts from repayment of loans and deposits	025	3.229.275	4.044.450
6 Other cash receipts from investment activities	026	0	0
III Total cash receipts from investment activities (ADP 021 to 026)	027	3.236.722	4.068.617
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-937.365	-8.321.208
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	-3.003.459	-3.665.186
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	0	0
IV Total cash payments from investment activities (ADP 028 to 032)	033	-3.940.824	-11.986.394
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	-704.102	-7.917.777
Cash flow from financing activities			
1 Cash receipts from the increase in initial (subscribed) capital	035	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036	0	2.347.800
3 Cash receipts from credit principals, loans and other borrowings	037	22.659.961	32.594.338
4 Other cash receipts from financing activities	038	0	4.887.474
V Total cash receipts from financing activities (ADP 035 to 038)	039	22.659.961	39.829.612
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-21.553.724	-6.134.575
2 Cash payments for dividends	041	0	0
3 Cash payments for finance lease	042	0	0
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	0	0
5 Other cash payments from financing activities	044	-1.558.035	0
VI Total cash payments from financing activities (ADP 040 to 044)	045	-23.111.759	-6.134.575
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	-451.798	33.895.037
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047	0	0
D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)	048	-809.076	1.740.225
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	049	1.305.783	702.400
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	050	496.707	2.442.625

STATEMENT OF CASH FLOWS - direct method
for the period ____ to ____

in HRK

Submitter:			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Cash receipts from customers	001	0	0
2 Cash receipts from royalties, fees, commissions and other revenue	002	0	0
3 Cash receipts from insurance premiums	003	0	0
4 Cash receipts from tax refund	004	0	0
5 Other cash receipts from operating activities	005	0	0
I Total cash receipts from operating activities (ADP 001 to 005)	006	0	0
1 Cash payments to suppliers	007	0	0
2 Cash payments to employees	008	0	0
3 Cash payments for insurance premiums	009	0	0
4 Interest paid	010	0	0
5 Income tax paid	011	0	0
6 Other cash payments from operating activities	012	0	0
II Total cash payments from operating activities (ADP 007 to 012)	013	0	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 006 + 013)	014	0	0
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	015	0	0
2 Cash receipts from sales of financial instruments	016	0	0
3 Interest received	017	0	0
4 Dividends received	018	0	0
5 Cash receipts from the repayment of loans and deposits	019	0	0
6 Other cash receipts from investment activities	020	0	0
III Total cash receipts from investment activities (ADP 015 to 020)	021	0	0
1 Cash payments for the purchase of fixed tangible and intangible assets	022	0	0
2 Cash payments for the acquisition of financial instruments	023	0	0
3 Cash payments for loans and deposits	024	0	0
4 Acquisition of a subsidiary, net of cash acquired	025	0	0
5 Other cash payments from investment activities	026	0	0
IV Total cash payments from investment activities (ADP 022 to 026)	027	0	0
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 021 + 027)	028	0	0
Cash flow from financing activities			
1 Cash receipts from the increase in initial (subscribed) capital	029	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	030	0	0
3 Cash receipts from credit principals, loans and other borrowings	031	0	0
4 Other cash receipts from financing activities	032	0	0
V Total cash receipts from financing activities (ADP 029 to 032)	033	0	0
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	034	0	0
2 Cash payments for dividends	035	0	0
3 Cash payments for finance lease	036	0	0
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	037	0	0
5 Other cash payments from financing activities	038	0	0
VI Total cash payments from financing activities (ADP 034 to 038)	039	0	0
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 033 + 039)	040	0	0
1 Unrealised exchange rate differences in respect of cash and cash equivalents	041	0	0
D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 014 + 028 + 040 + 041)	042	0	0
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	043	0	0
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (042+043)	044	0	0

NOTES TO FINANCIAL STATEMENTS - TFI
(drawn up for quarterly reporting periods)

Name of the issuer: Varteks d.d.

Personal identification number (OIB): 00872098033

Reporting period: 01.01. -30.06.2021.

Notes to financial statements for quarterly periods include:

a) explanation of business events relevant to understanding changes in the statement of financial position and financial performance for the reporting semi-annual period of the issuer with respect to the last business year: information is provided regarding these events and relevant information published in the last annual financial statement is updated (items 15 to 15C IAS 34 - Interim financial reporting)
There are no major changes in this quarter compared to the last business year. Business was hampered by the pandemic.

b) information on the access to the latest annual financial statements, for the purpose of understanding information published in the notes to financial statements drawn up for the semi-annual reporting period
Access to all information and financial reports is at www.zse.hr

c) a statement explaining that the same accounting policies are applied while drawing up financial statements for the semi-annual reporting period as in the latest annual financial statements or, in the case where the accounting policies have changed, a description of the nature and effect of the changes (item 16.A (a) IAS 34 - Interim financial reporting)
Accounting policies have not changed since the last annual report.

d) a description of the financial performance in the case of the issuer whose business is seasonal (items 37 and 38 IAS 34 - Interim financial reporting)
We do not perform activities of a seasonal nature.

e) other comments prescribed by IAS 34 - Interim financial reporting

f) in the notes to quarterly periods financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:

1. undertaking's name, registered office (address), legal form, country of establishment, entity's registration number and, if applicable, the indication whether the undertaking is undergoing liquidation, bankruptcy proceedings, shortened termination proceedings or extraordinary
Varteks d.d. - Varaždin, Zagrebačka 94, joint stock company, RH, Mat. no. 03747034, OIB 00872098033, Entrepreneur operates regularly

2. adopted accounting policies (only an indication of whether there has been a change from the previous period)
There were no changes

3. the total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any valuable security which has been provided; any commitments concerning pensions of the undertaking within the group or company linked by virtue of participating interest shall be disclosed separately
All financial liabilities are included in the balance sheet.

4. the amount and nature of individual items of income or expenditure which are of exceptional size or incidence
There are no major discrepancies in individual items of income and expenditure.

5. amounts owed by the undertaking and falling due after more than five years, as well as the total debts of the undertaking covered by valuable security furnished by the undertaking, specifying the type and form of security
HRK 67.910.025 long-term loans, real estate mortgage payment insurance.

6. average number of employees during the financial year
988 employees

7. where, in accordance with the regulations, the undertaking capitalised on the cost of salaries in part or in full, information on the amount of the total cost of employees during the year broken down into the amount directly debiting the costs of the period and the amount capitalised on the value of the assets during the period, showing separately the total amount of net salaries and the amount of taxes, contributions from salaries and contributions on salaries
No

8. where a provision for deferred tax is recognised in the balance sheet, the deferred tax balances at the end of the financial year, and the movement in those balances during the financial year
There were no provisions in the reporting period

9. the name and registered office of each of the undertakings in which the undertaking, either itself or through a person acting in their own name but on the undertaking's behalf, holds a participating interest, showing the proportion of the capital held, the amount of capital and reserves, and the profit or loss for the latest financial year of the undertaking concerned for which financial statements have been adopted; the information concerning capital and reserves and the profit or loss may be omitted where the undertaking concerned does not publish its balance sheet and is not controlled by another undertaking

VARTEKS PRO d.o.o., the last adopted financial report is for 2019.

10. the number and the nominal value or, in the absence of a nominal value, the accounting par value of the shares subscribed during the financial year within the limits of the authorised capital

By the decision of the Management Board of the Company with the prior consent of the Supervisory Board of 13 May 2021, a decision was made to increase the share capital from the amount of HRK 41,066,860.00 by the amount of HRK 5,000,000.00 to the amount of HRK 46,066,860.00 by issuing 500,000 ordinary shares marked VART-R-3 with an individual nominal amount of HRK 10.00.

June 30 - Decision of the Supervisory Board on the increase of the share capital from June 29, 2021. Consent is given to the Management Board to, based on Articles 323, paragraph 3, 325, paragraphs 1 and 326, paragraph 2 of the Companies Act and the statutory powers referred to in Article 15 of the Company's Articles of Association, make a decision to increase share capital by investing rights - cash receivables in the amount of HRK 4,200,000.00 held by Mr. Stjepan Čajić and the issuance of 420,000 New Ordinary Shares, each with a nominal value of HRK 10.00 which will be allocated to Mr. Stjepan Čajić

11. the existence of any participation certificates, convertible debentures, warrants, options or similar securities or rights, with an indication of their number and the rights they confer

There is not

12. the name, registered office and legal form of each of the undertakings of which the undertaking is a member having unlimited liability

13. the name and registered office of the undertaking which draws up the consolidated financial statements of the largest group of undertakings of which the undertaking forms part as a controlled group member

14. the name and registered office of the undertaking which draws up the consolidated financial statements of the smallest group of undertakings of which the undertaking forms part as a controlled group member and which is also included in the group of undertakings

15. the place where copies of the consolidated financial statements referred to in points 13 and 14 may be obtained, provided that they are

16. the nature and business purpose of the undertaking's arrangements that are not included in the balance sheet and the financial impact on the undertaking of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for the purposes of assessing the financial position of the undertaking

17. the nature and the financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet

February 23 - At the session of the Commission for Evaluation and Determination of Strategic Project Proposals, the Varteks Quarter-Urban Regeneration project proposal was unanimously accepted and the Commission will send the Decision on declaring a strategic investment project to the Government of the Republic of Croatia for adoption.

March 1 - Varteks founded a subsidiary in the Republic of Slovenia, called Varteks.si d.o.o. The company was established with the intention of expanding Varteks' business to the Slovenian market.

March 31 - Annex to the Club Loan Agreement concluded with HBOR and Erste & Steiermarkische Bank d.d. according to the risk-sharing model. The Annex in question extended the loan repayment period for an additional year, ie until March 31, 2022.

April 16 - Notification on the release of treasury shares in accordance with the provisions of Article 474 of the Capital Market Act. 234,780 treasury shares of VART-R-1 were disposed of. After the said release, the balance of the Company's treasury account amounts to 0 treasury shares, ie 0% of the Company's share capital.

June 9 - Notice of concluding the Preliminary Agreement on the purchase and sale of land - part of the real estate in Varaždin, Zagrebačka 94. The subject of the sale is a part of the real estate registered in the land register, street 15393 k.o. Varaždin.

June 14 - Notice of share capital increase. By the decision of the Management Board of the Company with the prior consent of the Supervisory Board of 13 May 2021, a decision was made to increase the share capital from the amount of HRK 41,066,860.00 by the amount of HRK 5,000,000.00 to the amount of HRK 46,066,860.00 by issuing 500,000 ordinary shares marked VART-R-3 with an individual nominal amount of

June 24 - Government decision on declaring the "Varteks kvart-urbana regeneracija" Project a strategic investment project of the Republic of

June 30 - Decision of the Supervisory Board on the increase of the share capital from June 29, 2021. Consent is given to the Management Board to, based on Articles 323, paragraph 3, 325, paragraphs 1 and 326, paragraph 2 of the Companies Act and the statutory powers referred to in Article 15 of the Company's Articles of Association, make a decision to increase share capital by investing rights - cash receivables in the amount of HRK 4,200,000.00 held by Mr. Stjepan Čajić and the issuance of 420,000 New Ordinary Shares, each with a nominal value of HRK 10.00, which will be allocated to Mr. Stjepan Čajić.

Varaždin, July 30th 2021

STATEMENT OF LIABILITY FOR PREPARING FINANCIAL STATEMENTS OF ISSUER

Second quarter of 2021 (unaudited, consolidated)

With this statement, in accordance with the Capital Market Act, we declare that to the best of our knowledge:

- set of financial statements of the Varteks Group (hereinafter: the Group) for the 2st quarter of 2021 (unaudited, consolidated), have been prepared in accordance with International Financial Reporting Standards, and in accordance with the Croatian Accounting Law, provide a complete and fair view of the Group's assets and liabilities, profit and loss, financial position and operations, except for the correction of prior period errors the effects of which are described in the management interim report.
- The management interim report contains a fair presentation of development and results of the operations and position of the Group, with a description of most significant risks and uncertainties to which the Group is exposed.

Tomislav Babić
/President of the Management Board/

/
IBAN račun:

HR19 2360 0001 1013 3948 3
Zagrebačka banka d.d.
Zagreb

HR62 2340 0091 1001 1083 9
Privredna banka d.d.
Zagreb

HR47 2484 0081 1004 1765 2
Raiffeisenbank Austria d.d.
Zagreb

/ VARTEKS d.d. / Zagrebačka 94 / HR-42000 VARAŽDIN / tel. + 385 42 377 105 / fax. + 385 42 377 395 / P.P. 32 / info@varteks.com
/ Temeljni kapital 50.266.860,00 kn, uplaćen u cijelosti i podijeljen na 5.026.686 redovnih dionica, svaka nominalne vrijednosti 10,00 kn.
/ Društvo je upisano u registar Trgovačkog suda u Varaždinu, poslovni broj iz upisnika Tt: 95/463-2 (MBS) 070004039 / M.B.3747034
/ OIB:00872098033 / VAT:HR00872098033 / predsjednik Nadzornog odbora Nenad Bakić / predsjednik Uprave Tomislav Babić
/ član Uprave Denis Smolar