

Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, July 30, 2010

**STATEMENT BY PERSONS RESPONSIBLE FOR
THE MAKING OF THE VARTEKS GROUP REPORT FOR I-VI 2010**

With this statement, in congruence with the Capital Market Act, we state that to our best knowledge,

- the set of financial reports of Varteks Group for I-VI 2010 (hereafter: Group) that was put together according to International Financial Reporting Standards and in accordance with the Croatian Accounting Act gives a comprehensive and truthful account of the assets and liabilities, losses and profits, the financial position and business activities of the Group.
- The interim management report contains a truthful account of the development of operations and the position of the company, along with a description of the most significant risks and uncertainties the Group is exposed to.

RESPONSIBLE PERSON:

Nenad Davidović

Board member responsible for finances

Contact person:
Marina Bradarić
Tel. 042 / 377-230

Varaždin, July 30, 2010

Varteks d.d.
Zagrebačka 94
42000 Varaždin

Congruent with the provisions of the Capital Market Act, the Management of Varteks d.d. with headquarters in Varaždin submits the following:

INTERIM MANAGEMENT REPORT
for the consolidated business results of Varteks Group
for the time period from January 1 to June 30, 2010

Outline of significant events that took place during the business year's reporting period and the effects of these events on the abridged set of financial reports

In the first six months of 2010, Varteks Group operated with a loss of HRK 16.4 million, while a loss of HRK 15.1 million had been realized in the same time period last year. The business results indicate the continuation of negative trends, particularly in the Croatian economy, but also in markets in the region, and further negative fluctuations in markets in the European Union.

The group realized total revenues of HRK 188.3 million in the first half of 2010, which represents an increase of 1.4% in relation to the revenues realized in the same time period last year, while total expenditures amounted to HRK 204.6 million.

Most significant risks and uncertainties for the remainder of the business year

In light of the problems evident in economies throughout the region and in markets in the European Union, certain risks still exist on the basis of reduced personal spending, which affects revenues, as well as a risk of higher expenditures on the basis of further increases in energy prices and risks on the basis of the financing of business activities and liquidity in general.

The activities of the Group continue to be aimed at stabilizing the system and liquid position, and through the planned making of new and the expansion of existing deals at a gradual increase in revenues in the second half of the year in line with the conditions in the markets in which it does business.

The reorganization of the Group and the implementation of crisis measures through the implementation of the Integral Business and Financial Restructuring Plan are being continued in 2010. The plan includes further activities in regards to the closure of unprofitable parts of the system, cuts in operating costs and the creation of preconditions to halt the drop in revenues in the second half of the year through the reorganization of the retail segment and the assortment offer on the domestic market, as well as development activities in markets in countries in the region.

Along with all of the above, a brand strategy that is based on the development and strengthening of the Group's own brands but also on the selection and standardization of other brands in the sales portfolio is being carried out simultaneously.

Apart from above-mentioned programs, the Group's development projects also include the strengthening of the B2B program that focuses on corporate agreements, but also the development of a special clothing assortment specialized for the needs of public procurement, as well as export projects that have been dynamically extended to the second half of the year.

Problems in the realization of business revenues are expected in the second half of the year as well, but the aim is to reduce the drop in revenues on an annual level, to keep operating costs under control and to lower them in accordance with the continued implementation of crisis measures, and to realize better business results in the second half of the year in relation to the previous year.

Varteks d.d. Board Chairman

Zoran Košćec

ATTACHMENT 1

Reporting period:

1.1.2010

to

30.6.2010

Quarterly financial statement of the entrepreneur-TFI-POD

Tax number (MB): 3747034

Company registration number (MBS): 070004039

Personal identification number (OIB): 00872098033

Issuing company: VARTEKS d.d. VARAŽDIN

Postal code and place: 42000 VARAŽDIN

Street and house number: ZAGREBAČKA 94

E-mail address: info@varteks.comInternet address: www.varteks.com

Municipality/city code and name: 472 VARAŽDIN

County code and name: 5 VARAŽDINSKA

Number of employees: 2.482
(quarter end)

Consolidated report: YES NKD code: 1413

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

BURGTRADE G.m.b.h.	Eisenstadt, Austrija	00128280Y
VARTEKS (TEXTILES) Ltd.	London, Velika Britanija	00970382
VARTEKS TRADE d.o.o.	Ljubljana, Slovenija	5351944
VARTEKS PLUS d.o.o.	Beograd, Srbija	100824354
VARTEKS LOGISTIC d.o.o.	Varaždin, Hrvatska	70027955
VARTEKS TRGOVINA d.o.o.	Varaždin, Hrvatska	1280511
VARTEKS BiH d.o.o.	Široki Brijeg, Bosna i Hercegovina	

Bookkeeping service:

Contact person: Bolšec Vlado
(please enter only contact person's family name and name)

Telephone: 042 377 005 Facsimile: 042/377-205

E-mail address: vbolsec@varteks.comFamily name and name: Davidović Nenad
(person authorized to represent the company)

Documents to be published.

1. Financial statements (balance sheet, profit and loss statement, cash flow statement, statement of changes in equity, and notes to financial statements)
2. Statement of persons responsible for the drawing-up of financial statements
3. Report of the Management Board on the Company Status

L.S.

(signature of the person authorized to represent the company)

BALANCE SHEET

as of

30.6.2010

thousands HRK

Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS	002	507.709	397.581
I. INTANGIBLE ASSETS	003	11.114	8.228
II. PROPERTY, PLANT AND EQUIPMENT	004	491.114	360.842
III. NON-CURRENT FINANCIAL ASSETS	005	4.686	4.780
IV. RECEIVABLES	006	795	23.731
V. DEFERRED TAX ASSET	007		
C) CURRENT ASSETS	008	249.572	285.258
I. INVENTORIES	009	172.843	165.843
II. RECEIVABLES	010	64.636	106.644
III. CURRENT FINANCIAL ASSETS	011	7.290	9.020
IV. CASH AND CASH EQUIVALENTS	012	4.803	3.751
D) PREPAYMENTS AND ACCRUED INCOME	013	4.176	2.816
E) LOSS ABOVE SUBSCRIBED CAPITAL	014		
F) TOTAL ASSETS	015	761.457	685.655
G) OFF BALANCE SHEET ITEMS	016	49.464	49.049
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES	017	276.585	192.582
I. SUBSCRIBED SHARE CAPITAL	018	384.161	384.161
II. CAPITAL RESERVES	019		
III. LEGAL RESERVES	020	6.388	6.768
IV. REVALUATION RESERVES	021		
V. RETAINED EARNINGS	022		
VI. LOSS CARRIED FORWARD	023	98.850	181.914
VII. NET PROFIT FOR THE PERIOD	024		
VIII. LOSS FOR THE PERIOD	025	15.114	16.433
IX. MINORITY INTEREST	026		
B) PROVISIONS	027	139	44
C) NON-CURRENT LIABILITIES	028	204.858	141.626
D) CURRENT LIABILITIES	029	277.352	348.776
E) ACCRUED EXPENSES AND DEFERRED INCOME	030	2.523	2.627
F) TOTAL EQUITY AND LIABILITIES	031	761.457	685.655
G) OFF BALANCE SHEET ITEMS	032	49.464	49.049
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	033		
2. Attributable to minority interest	034		

PROFIT AND LOSS STATEMENT

for period

1.1.2010

to

30.6.2010

thousands HRK

Position	AOP oznaka	Previous period		Current period	
		Cumulative	Periodical	Cumulative	Periodical
1	2	3	4	5	6
I. OPERATING INCOME	035	195.584	95.059	184.655	104.907
1. Rendering of services	036	186.103	92.208	138.563	70.124
2. Income from usage of own products, merchandise and services	037	178	79	264	140
3. Other operating income	038	9.303	2.772	45.828	34.643
II. OPERATING COSTS	039	203.263	98.681	193.607	100.957
1. Decrease of work in progress and merchandise	040		2.683	10.112	3.537
2. Increase of work in progress and merchandise	041	2.963			
3. Material expenses	042	96.282	43.363	73.822	33.129
4. Employee benefits expenses	043	73.887	36.174	63.618	31.554
5. Depreciation and amortisation	044	7.701	3.829	6.796	3.370
6. Other expenses	045	862	325	18.114	9.152
7. Write down of assets	046				
8. Provisions	047				
9. Other operating costs	048	27.494	12.307	21.145	20.215
III. FINANCIAL INCOME	049	3.269	2.783	3.613	3.438
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	050				
2. Interest, foreign exchange differences, dividends and similar income from third parties	051	3.268	2.783	3.499	3.324
3. Income from investments in associates and joint ventures	052				
4. Unrealised gains (income)	053				
5. Other financial income	054	1	0	114	114
IV. FINANCIAL EXPENSES	055	10.692	7.103	11.017	6.585
1. Interest, foreign exchange differences and similar expenses from subsidiaries	056				
2. Interest, foreign exchange differences and similar expenses from third parties	057	8.696	6.179	10.974	6.573
3. Unrealised losses (expenses) from financial assets	058				
4. Other financial expenses	059	1.996	924	43	12
V. EXTRAORDINARY - OTHER INCOME	060				
VI. EXTRAORDINARY - OTHER EXPENSES	061				
VII. TOTAL INCOME	062	198.853	97.842	188.268	108.345
VIII. TOTAL EXPENSES	063	213.955	105.784	204.624	107.542
IX. PROFIT BEFORE TAXES	064				803
X. LOSS BEFORE TAXES	065	15.102	7.942	16.356	
XI. TAXATION	066	12	7	36	29
XII. NET PROFIT FOR THE PERIOD	067				774
XIII. LOSS FOR THE PERIOD	068	15.114	7.949	16.392	
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV.* NET PROFIT ATTRIBUTABLE TO MAJORITY OWNERS	069				774
XV.* NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	070				
XVI.* LOSS ATTRIBUTABLE TO MAJORITY OWNERS	071	15.114	7.949	16.392	
XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST	072				



CASH FLOW STATEMENT - Indirect method

period 1.1.2010 to 30.6.2010

thousands HRK

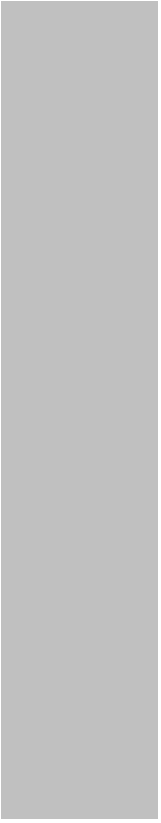
Position	AOP oznaka	Previous period	Current period
1	2	ž	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-15.114	-16.356
2. Depreciation and amortisation	074	7.704	6.796
3. Increase of current liabilities	075	0	
4. Decrease of current receivables	076	5.188	
5. Decrease of inventories	077	6.838	13.422
6. Other cash flow increases	078	5.226	0
I. Total increase of cash flow from operating activities	079	9.842	3.862
1. Decrease of current liabilities	080	2.929	6.884
2. Increase of current receivables	081		20.664
3. Increase of inventories	082		
4. Other cash flow decreases	083		818
II. Total decrease of cash flow from operating activities	084	2.929	28.366
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	6.913	-24.504
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086		
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087		32.361
2. Proceeds from sale of non-current financial assets	088		
3. Interest received	089		
4. Dividend received	090		
5. Other proceeds from investing activities	091		71
III. Total cash inflows from investing activities	092	0	32.432
1. Purchase of non-current assets	093	2.544	
2. Purchase of non-current financial assets	094		20
3. Other cash outflows from investing activities	095		
IV. Total cash outflows from investing activities	096	2.544	20
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	2.544	-32.412
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099		
2. Proceeds from loans and borrowings	100	54.692	0
3. Other proceeds from financing activities	101		2.280
V. Total cash inflows from financing activities	102	54.692	2.280
1. Repayment of loans and bonds	103	2.964	11.845
2. Dividends paid	104		
3. Repayment of finance lease	105		
4. Purchase of treasury shares	106		
5. Other cash outflows from financing activities	107	50.000	
VI. Total cash outflows from financing activities	108	52.964	11.845
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	1.728	
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110		9.565
Total increases of cash flows	111	6.097	
Total decreases of cash flows	112		1.657
Cash and cash equivalents at the beginning of period	113	-1.294	5.408
Increase of cash and cash equivalents	114	6.097	
Decrease of cash and cash equivalents	115		1.657
Cash and cash equivalents at the end of period	116	4.803	3.751

STATEMENT OF CHANGES IN EQUITY

from 1.1.2010 to 30.6.2010

thousands HRK

Position	AOP	Previous period	Increase	Decrease	Current period
ž	2	31.12. previous year		3	4
1. Subscribed share capital	117	384.161			384.161
2. Capital reserves	118				0
3. Net income reserves	119	6.235	533		6.768
4. Retained earnings or loss carried forward	120	-98.983	-83.085		-182.068
5. Net profit (loss) for the period	121	-84.757		-68.324	-16.433
6. Revaluation of property, plant and equipment	122				
7. Revaluation of intangible assets	123				
8. Revaluation of available for sale financial assets	124				
9. Other revaluation	125				
10. Foreign exchange differences from investments abroad	126				
11. Current and deferred taxes (part)	127				
12. Hedging	128				
13. Change of accounting policies	129				
14. Change of prior period error	130				
15. Other changes in equity	131				
16. Total increase or decrease of equity	132	206.656	-82.552	-68.324	192.428
16a. Attributable to majority owners	133	206.656	-82.552	-68.324	192.428
16b. Attributable to minority interest	134				



Notes to financial reports