

Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, July 30, 2010

STATEMENT BY PERSONS RESPONSIBLE FOR THE MAKING OF THE 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 d.d. for I-VI 2010 (hereafter: Company) that was made 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 Company.
- The interim management report contains the 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 Company 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 business results of Varteks d.d.
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 half of 2010, Varteks d.d. operated with a loss of HRK 17.9 million, while a loss of HRK 12 million had been realized in the same time period last year. The business results for the first half of the year show that negative trends have continued and that the crisis in Croatia's economy has deepened. The negative business results are the result of lower general spending, lower revenues and increased illiquidity.

Varteks realized total revenues of HRK 174 million, which represents a drop of 4.3% in relation to the revenues realized in the same time period last year, while total expenditures amounted to HRK 191.9 million. On foreign markets, exports worth HRK 59 million were realized, while the majority of exports continued to go to countries in the European Union.

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

Certain risks in current market conditions continue to exist. Until the end of the year, risks on the basis of reduced personal spending which directly affects revenues will be particularly pronounced, as well as cost increases on the basis of potential further price increases for energy sources, and risks on the basis of the financing of business operations and liquidity in general.

Varteks's activities continue to focus on stabilizing the system and liquid position, and through the planned making of new and the expansion of existing deals primarily related to foreign markets, a gradual increase in revenues in the second half of the year, in accordance with the recovery of certain markets.

The reorganization of the system and the implementation of crisis measures through the implementation of the Integral Business and Financial Restructuring Plan will continue in 2010. The plan includes further activities in regards to the closing of unprofitable parts of the system, cuts in operating costs and the creation of preconditions to stop 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 the region.

Along with all of the above, the company is working on a brands strategy that is based on the development and the strengthening of its own brands, but also on the selection and standardization of other brands in its sales portfolio.

Apart from above-mentioned programs, Varteks's development programs also include the strengthening of the B2B program which focuses on corporate agreements, but also the development of an 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 part of the year in relation to the previous year.

Varteks d.d. Board Chairman

Zoran Koščec

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): 872098033

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: 2.446
(quarter end)

Consolidated report: NOT NKD code: 1413

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

Companies of the consolidation subject (according to IFRS)	Seat:	MB:

Bookkeeping service:

Contact person: Zvonimir Svetec
(please enter only contact person's family name and name)

Telephone: 042/377-124 Facsimile: 042/377-089

E-mail address: zsvetec@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	416.212	393.601
I. INTANGIBLE ASSETS	003	5.928	6.589
II. PROPERTY, PLANT AND EQUIPMENT	004	381.395	358.174
III. NON-CURRENT FINANCIAL ASSETS	005	5.130	5.107
IV. RECEIVABLES	006	23.759	23.731
V. DEFERRED TAX ASSET	007		
C) CURRENT ASSETS	008	287.151	275.587
I. INVENTORIES	009	159.870	148.061
II. RECEIVABLES	010	110.537	111.944
III. CURRENT FINANCIAL ASSETS	011	12.764	12.701
IV. CASH AND CASH EQUIVALENTS	012	3.980	2.881
D) PREPAYMENTS AND ACCRUED INCOME	013	997	1.675
E) LOSS ABOVE SUBSCRIBED CAPITAL	014		
F) TOTAL ASSETS	015	704.360	670.863
G) OFF BALANCE SHEET ITEMS	016	49.950	49.049
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES	017	207.927	190.350
I. SUBSCRIBED SHARE CAPITAL	018	384.161	384.161
II. CAPITAL RESERVES	019		
III. LEGAL RESERVES	020	6.235	6.526
IV. REVALUATION RESERVES	021		
V. RETAINED EARNINGS	022		
VI. LOSS CARRIED FORWARD	023	83.565	182.469
VII. NET PROFIT FOR THE PERIOD	024		
VIII. LOSS FOR THE PERIOD	025	98.904	17.868
IX. MINORITY INTEREST	026		
B) PROVISIONS	027		
C) NON-CURRENT LIABILITIES	028	157.971	141.626
D) CURRENT LIABILITIES	029	335.745	336.403
E) ACCRUED EXPENSES AND DEFERRED INCOME	030	2.717	2.484
F) TOTAL EQUITY AND LIABILITIES	031	704.360	670.863
G) OFF BALANCE SHEET ITEMS	032	49.950	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	184.211	89.667	171.066	99.452
1. Rendering of services	036	178.735	87.146	127.407	64.272
2. Income from usage of own products, merchandise and services	037	162	99	249	125
3. Other operating income	038	5.314	2.422	43.410	35.055
II. OPERATING COSTS	039	186.982	91.746	180.919	94.904
1. Decrease of work in progress and merchandise	040		2.683	10.112	3.539
2. Increase of work in progress and merchandise	041	2.963			
3. Material expenses	042	91.382	40.251	65.762	29.802
4. Employee benefits expenses	043	71.065	34.848	60.652	29.942
5. Depreciation and amortisation	044	7.227	3.585	6.335	3.145
6. Other expenses	045	19.189	9.812	17.016	8.388
7. Write down of assets	046	18	18	0	0
8. Provisions	047	0	0	0	0
9. Other operating costs	048	1.064	549	21.042	20.088
III. FINANCIAL INCOME	049	1.489	1.159	2.975	2.773
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	050	58	5	54	27
2. Interest, foreign exchange differences, dividends and similar income from third parties	051	1.431	1.154	2.921	2.746
3. Income from investments in associates and joint ventures	052	0	0	0	0
4. Unrealised gains (income)	053	0	0	0	0
5. Other financial income	054	0	0	0	0
IV. FINANCIAL EXPENSES	055	10.742	7.272	10.990	6.571
1. Interest, foreign exchange differences and similar expenses from subsidiaries	056	75	75	6	6
2. Interest, foreign exchange differences and similar expenses from third parties	057	8.671	6.199	10.942	6.549
3. Unrealised losses (expenses) from financial assets	058	0	0	0	0
4. Other financial expenses	059	1.996	998	42	16
V. EXTRAORDINARY - OTHER INCOME	060				
VI. EXTRAORDINARY - OTHER EXPENSES	061				
VII. TOTAL INCOME	062	185.700	90.826	174.041	102.225
VIII. TOTAL EXPENSES	063	197.724	99.018	191.909	101.475
IX. PROFIT BEFORE TAXES	064				
X. LOSS BEFORE TAXES	065	12.024	8.192	17.868	
XI. TAXATION	066				
XII. NET PROFIT FOR THE PERIOD	067				750
XIII. LOSS FOR THE PERIOD	068	12.024	8.192	17.868	0
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV.* NET PROFIT ATTRIBUTABLE TO MAJORITY OWNERS	069				
XV.* NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	070				
XVI.* LOSS ATTRIBUTABLE TO MAJORITY OWNERS	071				
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	-12.023	-17.868
2. Depreciation and amortisation	074	7.227	6.334
3. Increase of current liabilities	075	0	0
4. Decrease of current receivables	076	0	0
5. Decrease of inventories	077	55.162	11.809
6. Other cash flow increases	078	9.277	
I. Total increase of cash flow from operating activities	079	59.643	275
1. Decrease of current liabilities	080	822	3.720
2. Increase of current receivables	081	4.664	1.407
3. Increase of inventories	082		0
4. Other cash flow decreases	083	0	847
II. Total decrease of cash flow from operating activities	084	5.486	5.974
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	54.157	
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086		5.699
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	0	16.227
2. Proceeds from sale of non-current financial assets	088	0	0
3. Interest received	089	0	0
4. Dividend received	090	0	0
5. Other proceeds from investing activities	091	254	71
III. Total cash inflows from investing activities	092	254	16.298
1. Purchase of non-current assets	093	53.284	0
2. Purchase of non-current financial assets	094	0	20
3. Other cash outflows from investing activities	095		
IV. Total cash outflows from investing activities	096	53.284	20
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	53.030	-16.278
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099	0	0
2. Proceeds from loans and borrowings	100	0	0
3. Other proceeds from financing activities	101	303	291
V. Total cash inflows from financing activities	102	303	291
1. Repayment of loans and bonds	103	2.670	11.968
2. Dividends paid	104	0	0
3. Repayment of finance lease	105	0	0
4. Purchase of treasury shares	106	0	0
5. Other cash outflows from financing activities	107		
VI. Total cash outflows from financing activities	108	2.670	11.968
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	-2.367	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110		11.677
Total increases of cash flows	111		
Total decreases of cash flows	112	1.240	1.098
Cash and cash equivalents at the beginning of period	113	5.117	3.980
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	1.240	1.098
Cash and cash equivalents at the end of period	116	3.877	2.882

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	0	0	384.161
2. Capital reserves	118				
3. Net income reserves	119	6.235	291		6.526
4. Retained earnings or loss carried forward	120	-83.565			-83.565
5. Net profit (loss) for the period	121	-98.904	-17.868	0	-116.772
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	207.927	-17.577	0	190.350
16a. Attributable to majority owners	133				0
16b. Attributable to minority interest	134				

Notes to financial reports