

Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, June 24, 2010

STATEMENT BY PERSONS RESPONSIBLE FOR THE MAKING OF VARTEKS GROUP REPORTS FOR I-III 2010

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

- the set of financial reports for Varteks Group for I-III 2010 (hereafter: Group) 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 Group.
- The interim management report contains a truthful account of the development of the business and the position of the Group, 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, June 28, 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 March 31, 2010

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

In the first three months of this year, Varteks Group operated with a loss of HRK 17.2 million, while a loss of HRK 7.2 million had been realized in the same time period last year. The business results indicate a continuation of negative trends, particularly in Croatia's economy, but also on markets in the region, as well as further negative vacillations on markets in the European Union.

The negative business results are the result of a drop in general spending, reduced revenues and increased insolvency, which were also caused, apart from the crisis, by the introduction of the crisis tax and the increase in VAT in Croatia in 2009.

In the first three months of this year, the Group realized total revenues of HRK 79.9 million, which constitutes a drop of 20.1% in relation to the revenues realized in the same time period last year, while total expenditures amounted to HRK 97 million.

Most significant risks and uncertainties for the remaining business year

Considering the problems evident in economies throughout the region and on markets in the European Union, certain risks still exist on the bases of reduced personal spending which affects revenues, risks of higher expenditures on the bases of growing energy prices, and risks on the bases of business activity financing and liquidity in general.

The Group continues to direct all of its activities towards business and liquidity stabilization, and in accordance with the planned increase in existing agreements, towards gradual growth in revenues in the second half of the year in accordance with the market conditions in which it does business. The reorganization of the Group's business will continue in 2010 both through the implementation of crisis measures and the implementation of the Integral Business and Finance Restructuring Plan. The plan includes the closing of unprofitable segments, further cuts in most operating costs, the creation of prerequisites to stop revenues from dropping in the second half of the year through the reorganization of the

retail segment and the assortment offered on the domestic market, as well as development activities on markets in countries in the region.

Apart from all of the above, the Group will also work on a strategy for brands based on the development and strengthening of its own brands, but also the selection and standardization of commercial brands in its sales portfolio.

Apart from above-mentioned programs, the Group's development projects also include the strengthening of the B2B program which focuses on corporate agreements, but also the development of its assortment of specialized clothing items 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 for the second quarter as well, while gradual stabilization is expected from the third quarter onwards. Apart from this, the aim is to keep operating costs under control and to reduce them in accordance with the continued implementation of crisis measures, to eliminate those segments of the Group that cause losses, to stabilize the Group's liquidity position, to consolidate the overall business through above-mentioned elements in 2010 and to prepare it for development in the upcoming time period.

Varteks d.d. Board Chairman

Zoran Koščec

ATTACHMENT 1

Reporting period:

1.1.2010

to

31.3.2010

Quarterly financial statement of the entrepreneur-TFI-POD

Tax number (MB): 3747034

Company registration number
(MBS): 070004039Personal 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: 2.528
(quarter end)

Consolidated report: YES NKD code: 1413

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

BURGRTRADE 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
INTERMARKET ŠPEDIČIJA d.o.o.	Varaždin, Hrvatska	01038133
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

31.3.2010

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	436.788	417.856
I. INTANGIBLE ASSETS	003	7.856	8.345
II. PROPERTY, PLANT AND EQUIPMENT	004	400.370	381.008
III. NON-CURRENT FINANCIAL ASSETS	005	4.803	4.760
IV. RECEIVABLES	006	23.759	23.743
V. DEFERRED TAX ASSET	007		
C) CURRENT ASSETS	008	279.166	273.604
I. INVENTORIES	009	179.266	166.522
II. RECEIVABLES	010	85.979	95.885
III. CURRENT FINANCIAL ASSETS	011	8.513	6.264
IV. CASH AND CASH EQUIVALENTS	012	5.408	4.933
D) PREPAYMENTS AND ACCRUED INCOME	013	2.222	4.723
E) LOSS ABOVE SUBSCRIBED CAPITAL	014		
F) TOTAL ASSETS	015	718.176	696.183
G) OFF BALANCE SHEET ITEMS	016	49.950	49.605
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES	017	206.656	191.559
I. SUBSCRIBED SHARE CAPITAL	018	384.161	384.161
II. CAPITAL RESERVES	019		
III. LEGAL RESERVES	020	6.235	6.625
IV. REVALUATION RESERVES	021		
V. RETAINED EARNINGS	022		
VI. LOSS CARRIED FORWARD	023	98.983	182.068
VII. NET PROFIT FOR THE PERIOD	024		
VIII. LOSS FOR THE PERIOD	025	84.757	17.159
IX. MINORITY INTEREST	026		
B) PROVISIONS	027	44	44
C) NON-CURRENT LIABILITIES	028	157.971	152.740
D) CURRENT LIABILITIES	029	351.160	349.029
E) ACCRUED EXPENSES AND DEFERRED INCOME	030	2.345	2.811
F) TOTAL EQUITY AND LIABILITIES	031	718.176	696.183
G) OFF BALANCE SHEET ITEMS	032	49.950	49.605
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

31.3.2010

thousands HRK

Position	AOP oznaka	Previous period		Current period	
		Cumulative	Periodical	Cumulative	Periodical
1	2	3	4	5	6
I. OPERATING INCOME	035	100.524	100.524	79.748	79.748
1. Rendering of services	036	95.808	95.808	68.439	68.439
2. Income from usage of own products, merchandise and services	037	119	119	124	124
3. Other operating income	038	4.597	4.597	11.185	11.185
II. OPERATING COSTS	039	104.582	104.582	92.650	92.650
1. Decrease of work in progress and merchandise	040			6.575	6.575
2. Increase of work in progress and merchandise	041	5.646	5.646		
3. Material expenses	042	53.577	53.577	40.693	40.693
4. Employee benefits expenses	043	37.713	37.713	32.064	32.064
5. Depreciation and amortisation	044	3.872	3.872	3.426	3.426
6. Other expenses	045	10.086	10.086	8.962	8.962
7. Write down of assets	046	713	713		
8. Provisions	047				
9. Other operating costs	048	4.267	4.267	930	930
III. FINANCIAL INCOME	049	487	487	175	175
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	487	487	175	175
3. Income from investments in associates and joint ventures	052				
4. Unrealised gains (income)	053				
5. Other financial income	054				
IV. FINANCIAL EXPENSES	055	3.589	3.589	4.432	4.432
1. Interest, foreign exchange differences and similar expenses from subsidiaries	056				
2. Interest, foreign exchange differences and similar expenses from third parties	057	3.589	3.589	4.401	4.401
3. Unrealised losses (expenses) from financial assets	058				
4. Other financial expenses	059			31	31
V. EXTRAORDINARY - OTHER INCOME	060				
VI. EXTRAORDINARY - OTHER EXPENSES	061				
VII. TOTAL INCOME	062	101.011	101.011	79.923	79.923
VIII. TOTAL EXPENSES	063	108.171	108.171	97.082	97.082
IX. PROFIT BEFORE TAXES	064				
X. LOSS BEFORE TAXES	065	7.160	7.160	17.159	17.159
XI. TAXATION	066	5	5	7	7
XII. NET PROFIT FOR THE PERIOD	067				
XIII. LOSS FOR THE PERIOD	068	7.165	7.165	17.166	17.166
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	7.165	7.165	17.165	17.165
XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST	072				



CASH FLOW STATEMENT - Indirect method

period 1.1.2010 to 31.3.2010

thousands HRK

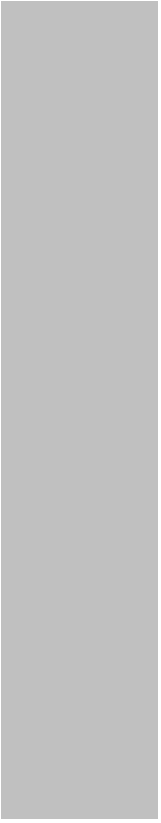
Position	AOP oznaka	Previous period	Current period
1	2	ž	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-7.165	-17.158
2. Depreciation and amortisation	074	3.872	3.426
3. Increase of current liabilities	075	0	
4. Decrease of current receivables	076	1.348	
5. Decrease of inventories	077	362	15.136
6. Other cash flow increases	078	273	215
I. Total increase of cash flow from operating activities	079	-1.310	1.619
1. Decrease of current liabilities	080	8.410	16.414
2. Increase of current receivables	081		9.906
3. Increase of inventories	082		
4. Other cash flow decreases	083		
II. Total decrease of cash flow from operating activities	084	8.410	26.320
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	-9.720	-24.701
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086		
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	1.085	15.447
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		59
III. Total cash inflows from investing activities	092	1.085	15.506
1. Purchase of non-current assets	093		
2. Purchase of non-current financial assets	094		
3. Other cash outflows from investing activities	095	382	332
IV. Total cash outflows from investing activities	096	382	332
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	-703	-15.174
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099		
2. Proceeds from loans and borrowings	100	8.054	9.051
3. Other proceeds from financing activities	101		
V. Total cash inflows from financing activities	102	8.054	9.051
1. Repayment of loans and bonds	103	1.245	
2. Dividends paid	104		
3. Repayment of finance lease	105		
4. Purchase of treasury shares	106		
5. Other cash outflows from financing activities	107		
VI. Total cash outflows from financing activities	108	1.245	0
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	6.809	
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110		-9.051
Total increases of cash flows	111		
Total decreases of cash flows	112	2.208	476
Cash and cash equivalents at the beginning of period	113	6.097	5.408
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	2.208	476
Cash and cash equivalents at the end of period	116	3.889	4.932

STATEMENT OF CHANGES IN EQUITY

from 1.1.2010 to 31.3.2010

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	390		6.625
4. Retained earnings or loss carried forward	120	-98.983	-83.085		-182.068
5. Net profit (loss) for the period	121	-84.757		-67.598	-17.159
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	-82.695	-67.598	191.559
16a. Attributable to majority owners	133	206.656	-82.695	-67.598	191.559
16b. Attributable to minority interest	134				



Notes to financial reports