

Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, April 30, 2011

STATEMENT BY PERSONS RESPONSIBLE FOR THE COMPILATION OF REPORTS FOR 2010

With this statement, pursuant to the Capital Market Act, we state that to our best knowledge,

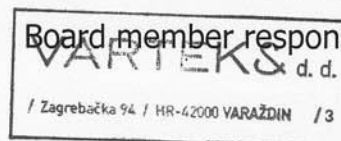
- the set of interim financial reports for Varteks Group for 2010 (hereinafter: Group) which was compiled according to International Financial Reporting Standards and pursuant to the Croatian Accounting Act gives a comprehensive and truthful account of the assets and liabilities, losses and profits,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

PERSON RESPONSIBLE:



Nenad Davidović

Board member responsible for finances



Contact person:
Marina Bradarić - Šlujo
Phone 042 / 377-230

Varaždin, April 30, 2011

Varteks Group
Zagrebačka 94
42000 Varaždin

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

INTERIM MANAGEMENT REPORT

**on the business results of Varteks Group (consolidated) for the time period from
01.01. – 31.12.2010**

Outline of significant events that took place during the reporting period in the business year 2010 and the effect of these events on the abridged set of financial reports

Varteks Group's business results for 2010 are linked to general economic trends on the domestic and global markets. The continuation of the crisis and the drop in personal spending in 2010 caused additional liquidity problems and led to further slowdowns in investment activities, which was also reflected in the Group's business operations.

In such negative conditions, the Group operated in the twelve months of 2010 with a loss of HRK 102.8 million, while a loss of HRK 84.6 million had been realized in the same time period in 2009. The negative difference in 2010 primarily emerged from the cost structure of value corrections in 2009, which mainly pertained to affiliated companies, which reduced the loss in 2009 on the level of the Group.

The realized sales revenues of HRK 350.3 million were 3.5 percent higher in relation to the previous year. Overall revenues amounted to HRK 378.9 million, which constitutes a drop of 2.5 percent in relation to the revenues that had been realized in the same time period in 2009. If we exclude from the overall revenues in 2009 the revenues of HRK 21.7 million that were realized on the basis of real estate sales, which does not constitute the Group's regular business activity, the Group's overall revenues were HRK 11.9 million or 3.3 percent higher in relation to 2009. Overall expenditures amounted to HRK 481.8 million. On the foreign market, revenues of HRK 141.3 million were realized, which constitutes 40.3 percent of the Group's sales revenues. The majority of exports was realized in countries in the European Union.

Within the Group, a significant increase is evident in the business activities of the affiliated company Varteks Trgovina, to which the B2B segment (sales aspect linked to corporate clothing and specialized clothing) was detached in line with the restructuring and reorganization plan and activities related to it, so that the affiliated company partakes in the overall consolidated revenues in 2010 with 11.5 percent.

In the Group's cost structure, almost all costs from business activities marked a drop in relation to 2009. This development is primarily the result of the carried-out restructuring measures. Personnel expenses (net wages, tax and contribution expenses) were cut by HRK 17.7 million or 12.2 percent.

Žiro račun:

2360000-1101339483

Zagrebačka banka d.d.

Zagreb

2340009-1100110839

Privredna banka d.d.

Zagreb

2484008-1100417652

Raiffeisenbank Austria d.d.

Zagreb

VARTEKS d.d. / Zagrebačka 94 / HR-42000 VARAŽDIN / tel.+385 42 377 105 / fax.+385 42 377 284 / P.P. 32 / info@varteks.com / www.varteks.com

/ Temeljni kapital 384.161.400 kn, uplaćen u cijelosti i podjeljen na 1.920.807 redovnih dionica, svaka nominalne vrijednosti 200 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.

Uprava: predsjednik Zoran Koščec, članovi Miljenko Vidaček, Nenad Davidović. Predsjednik Nadzornog odbora: Milan Horvat.

The overall reduction in stock, which was reduced by 12.7 percent since the beginning of the year, is significant. This reduction is the result of activities aimed towards a more rational utilization of the company's own stock and the targeted optimization of all stock types.

Higher financing costs in 2010 also contributed significantly to the negative result, and expenditures on the basis of interest and other financing expenditures went up 28 percent in relation to 2009.

From the business elements overview for 2010 it is evident that progress has been achieved in regular business activities. On this basis, the Group already marked better business results in 2010 through revenue growth (particularly in the second half of the year), and particularly when excluding results in relation to extraordinary activities on the basis of real estate sales, which had led to a positive effect amounting to HRK 21.7 million in 2009, and a negative effect amounting to HRK 13.2 million in 2010.

Most significant business risks in 2010

Market developments in 2010 cumulated certain risks in the Group's business operations, so that risks on the basis of reduced personal spending which directly affected revenues and liquidity are still present. In terms of costs, the most significant risks were related to higher costs on the basis of further increases in energy prices and other production costs in relation to production and sales activities (raw materials, production materials, services, etc.). Risks on the basis of business activity financing and liquidity in general were extremely present throughout the year.

The basic direction of the business policy in 2010 was the implementation of the Integral Business and Financial Restructuring Plan, which relies on the company's own resources and thus also includes the sale of certain real estate assets. Considering the extremely negative trends on the real estate market, sales have largely not been realized, which significantly affected not only the implementation of activities from the Integral plan, but also liquidity and the efficiency of the Group's overall business operations.

During the business year, activities were also aimed towards reducing operating costs, shutting down unprofitable segments within the Group, increasing certain sales aspects (particularly in the B2B segment) and reorganizing retail as one of the key sales aspects. In doing so, one-time restructuring costs were cumulated and unavoidable, which constituted an additional liquidity and expenditure strain to the Group's business operations, but when looking at the upcoming period, they create the prerequisites for the realization of development goals.

The prerequisites for business stabilization and development are primarily based on stabilizing liquidity as a key precondition for the implementation of all activities in relation to restructuring, the further reorganization of the Group and strengthening strategic sales aspects.

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Varteks d.d. Management Board President

Zoran Koščec



VARTEKS d.d. / Zagrebačka 94 / HR-42000 VARAŽDIN / tel. +385 42 377 105 / fax. +385 42 377 284 / P.P. 32 / info@varteks.com / www.varteks.com

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ATTACHMENT 1

Reporting period:

1.1.2010.

to

31.12.2010

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.com

Internet address: www.varteks.com

Municipality/city code and name: 472 VARAŽDIN

County code and name: 5 VARAŽDINSKA Number of employees: 2.326
(quarter end)

Consolidated report: YES NKD code: 1413

Companies of the consolidation subject (according to IFRS)	Seat:	MB:
<u>VARTEX (TEXTILES) Ltd.</u>	<u>Bristol, Velika Britanija</u>	<u>00970382</u>
<u>BURGTRADE G.m.b.h.</u>	<u>Eisenstadt, Austrija</u>	<u>00128280Y</u>
<u>VARTEKS TRADE d.o.o.</u>	<u>Ljubljana, Slovenija</u>	<u>5351944</u>
<u>VARTEKS PLUS d.o.o.</u>	<u>Beograd, Srbija</u>	<u>100824354</u>
<u>VARTEKS LOGISTIC d.o.o.</u>	<u>Varaždin, Hrvatska</u>	<u>01038133</u>
<u>VARTEKS BIH d.o.o.</u>	<u>Široki Brijeg, Bosna i Hercegovina</u>	
<u>VARTEKS TRGOVINA d.o.o.</u>	<u>Varaždin, Hrvatska</u>	<u>1280511</u>
<u>VARTEKS ESOP d.o.o.</u>	<u>Varaždin, Hrvatska</u>	<u>070092385</u>

Bookkeeping service: _____

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

Telephone: 042/377-005 Facsimile: 042/377-089

E-mail address: vbolsec@varteks.com

Family 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

31.12. 2010.

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	436.788.419	434.246.587
I. INTANGIBLE ASSETS	003	7.856.441	9.392.192
II. PROPERTY, PLANT AND EQUIPMENT	004	400.370.232	397.189.543
III. NON-CURRENT FINANCIAL ASSETS	005	4.802.787	23.728.640
IV. RECEIVABLES	006	23.758.959	3.936.212
V. DEFERRED TAX ASSET	007	0	
C) CURRENT ASSETS	008	279.165.375	221.155.823
I. INVENTORIES	009	179.670.199	156.463.146
II. RECEIVABLES	010	85.467.658	55.811.648
III. CURRENT FINANCIAL ASSETS	011	8.619.890	5.874.930
IV. CASH AND CASH EQUIVALENTS	012	5.407.628	3.006.099
D) PREPAYMENTS AND ACCRUED INCOME	013	2.222.496	1.013.523
E) LOSS ABOVE SUBSCRIBED CAPITAL	014	0	
F) TOTAL ASSETS	015	718.176.290	656.415.933
G) OFF BALANCE SHEET ITEMS	016	49.950.242	48.637.632
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES	017	206.656.390	110.624.206
I. SUBSCRIBED SHARE CAPITAL	018	384.161.400	384.161.400
II. CAPITAL RESERVES	019		
III. LEGAL RESERVES	020	6.235.246	10.428.371
IV. REVALUATION RESERVES	021		
V. RETAINED EARNINGS	022		
VI. LOSS CARRIED FORWARD	023	98.983.092	181.079.603
VII. NET PROFIT FOR THE PERIOD	024		
VIII. LOSS FOR THE PERIOD	025	84.757.164	102.885.962
IX. MINORITY INTEREST	026		
B) PROVISIONS	027	6.672.902	744.081
C) NON-CURRENT LIABILITIES	028	157.971.096	153.450.111
D) CURRENT LIABILITIES	029	344.531.399	391.046.349
E) ACCRUED EXPENSES AND DEFERRED INCOME	030	2.344.503	551.186
F) TOTAL EQUITY AND LIABILITIES	031	718.176.290	656.415.933
G) OFF BALANCE SHEET ITEMS	032	49.950.242	48.637.632
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	033	206.656.390	110.624.206
2. Attributable to minority interest	034		

CASH FLOW STATEMENT - NEWBANK

PROFIT AND LOSS STATEMENT

for period

1.1.2010

to

31.12.2010.

HRK

Position	AOP oznaka	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
I. OPERATING INCOME					
1. Rendering of services	035	384.229.199	0	372.398.846	0
2. Income from usage of own products, merchandise and services	036	338.372.007		350.290.016	
3. Other operating income	037				
II. OPERATING COSTS					
1. Decrease of work in progress and merchandise	038	45.857.192		22.108.830	
2. Increase of work in progress and merchandise	039	447.222.830	0	441.773.362	0
3. Material expenses	040	9.007.248		17.669.188	
4. Employee benefits expenses	041				
5. Depreciation and amortisation	042	155.047.732		175.585.713	
6. Other expenses	043	145.632.240		127.918.847	
7. Write down of assets	044	14.156.309		15.026.236	
8. Provisions	045	100.287.924		96.606.077	
9. Other operating costs	046	16.770.352		8.530.842	
III. FINANCIAL INCOME					
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	047	6.321.025		436.459	
2. Interest, foreign exchange differences, dividends and similar income from third parties	048				
3. Income from investments in associates and joint ventures	049	4.463.105	0	6.522.531	0
4. Unrealised gains (income)	050				
5. Other financial income	051	4.445.528		6.404.147	
IV. FINANCIAL EXPENSES					
1. Interest, foreign exchange differences and similar expenses from subsidiaries	052			118.384	
2. Interest, foreign exchange differences and similar expenses from third parties	053				
3. Unrealised losses (expenses) from financial assets	054	17.577			
4. Other financial expenses	055	26.203.438	0	39.982.643	0
V. EXTRAORDINARY - OTHER INCOME	056				
VI. EXTRAORDINARY - OTHER EXPENSES	057				
VII. TOTAL INCOME	058				
VIII. TOTAL EXPENSES	059	2.055.068		113.402	
IX. PROFIT BEFORE TAXES	060				
X. LOSS BEFORE TAXES	061				
XI. TAXATION	062	388.692.304	0	378.921.377	0
XII. NET PROFIT FOR THE PERIOD	063	473.426.268	0	481.756.005	0
XIII. LOSS FOR THE PERIOD	064				
XIV. NET PROFIT FOR THE PERIOD	065	84.733.964	0	102.834.628	0
XV. LOSS FOR THE PERIOD	066	23.200	0	51.334	0
XVI. NET PROFIT FOR THE PERIOD	067	0	0	0	0
XVII. LOSS FOR THE PERIOD	068	84.757.164	0	102.885.962	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	84.757.164		102.885.962	
XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST	072				

CASH FLOW STATEMENT - Indirect method

period 1.1.2010 to 31.12.2010

HRK

Position	AOP oznaka	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-84.733.964	-102.885.962
2. Depreciation and amortisation	074	14.156.309	15.026.236
3. Increase of current liabilities	075	11.340.021	57.039.204
4. Decrease of current receivables	076		29.656.010
5. Decrease of inventories	077	46.167.794	23.207.053
6. Other cash flow increases	078	4.070.059	2.160.616
I. Total increase of cash flow from operating activities	079	-8.999.781	24.203.157
1. Decrease of current liabilities	080		
2. Increase of current receivables	081	16.154.043	
3. Increase of inventories	082		
4. Other cash flow decreases	083		
II. Total decrease of cash flow from operating activities	084	16.154.043	0
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	0	24.203.157
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086	25.153.824	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	36.344.994	-13.381.298
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		896.894
III. Total cash inflows from investing activities	092	36.344.994	-12.484.404
1. Purchase of non-current assets	093		
2. Purchase of non-current financial assets	094		
3. Other cash outflows from investing activities	095	21.568.010	
IV. Total cash outflows from investing activities	096	21.568.010	0
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097	14.776.984	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	0	12.484.404
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099		
2. Proceeds from loans and borrowings	100	9.688.120	
3. Other proceeds from financing activities	101		924.957
V. Total cash inflows from financing activities	102	9.688.120	924.957
1. Repayment of loans and bonds	103		15.045.239
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	0	15.045.239
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	9.688.120	
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	0	14.120.282
Total increases of cash flows	111		
Total decreases of cash flows	112	688.720	2.401.529
Cash and cash equivalents at the beginning of period	113	6.096.348	5.407.628
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	688.720	2.401.529
Cash and cash equivalents at the end of period	116	5.407.628	3.006.099

STATEMENT OF CHANGES IN EQUITY

from 1.1.2010 to 31.12.2010

HRK

Position	AOP	Previous period	Increase	Decrease	Current period
ž	2	31.12. previous year		3	4
1. Subscribed share capital	117	384.161.400			384.161.400
2. Capital reserves	118				
3. Net income reserves	119	6.235.246	4.193.125		10.428.371
4. Retained earnings or loss carried forward	120	-98.983.092	-82.096.511		-181.079.603
5. Net profit (loss) for the period	121	-84.757.164	-18.128.798		-102.885.962
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	206.656.390	-96.032.184	0	110.624.206
16a. Attributable to majority owners	133	206.656.390	-96.032.184		110.624.206
16b. Attributable to minority interest	134				

Notes to financial reports

(1) Notes to the financial statements contain additional and complementary information that is not presented in the balance sheet, income statement, cash flow statement and statement of changes in equity in accordance with the provisions of the relevant financial reporting standards. (2) Notes to the financial statements are published in full in accordance with the contents of the relevant provisions of International Financial Reporting Standards. (3) Assuming that the notes to the last annual financial report publicly available, notes the report for the period during the year with only explanations of business events that are important for understanding changes in financial position and business performance of the issuer's last annual report.

VARTEKS LLC
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