

Varaždin, October 25, 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 September 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 nine months of 2010, Varteks d.d. operated with a loss of HRK 45.6 million, while a loss of HRK 38.2 million had been realized in the same time period the year before.

Total revenues of HRK 246.2 million were realized, which is 4% less than the revenues realized in the same time period last year. Total expenditures amounted to HRK 291.8 million. On the foreign market, exports worth HRK 90.6 million were realized, which constitutes 36.8 percent of the company's total revenues. The majority of exports continue to be realized in countries in the European Union.

The company's business result is directly linked to the worsening of the economic crisis which led to a further drop in general spending and increased insolvency, and to the company's restructuring that was continued in 2010 and one-time expenses that arose from the implementation of restructuring activities. In the first nine months of 2010 negative trends were particularly visible in the results related to the domestic market, which has not shown any signs of recovery so far.

However, looking at Q3 2010, a slowdown is noticeable in revenue drops as well as a partial compensation of revenues from the previous period, considering that the total revenues realized in Q3 mark an increase of 1.9 percent in relation to the revenues realized in the same time period last year.

In the company's cost structure, almost all costs are marking drops in relation to last year, which is largely the result of the implementation of crisis measures from the restructuring. On the basis of this, total labor costs were reduced by HRK 18.6 million or 15.3 percent.

All stock kinds have dropped significantly (excluding assets intended for sale) and they amount to 16.8 percent less than at the beginning of the year. This is the result of activities aimed towards the rational use of the company's existing own resources and stock optimization.

Higher financing costs in 2010 have contributed significantly to the negative result, and expenditures on the basis of this increased 30 percent in relation to last year.

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

In line with economic developments and within the framework of possible expectations within the framework of market developments, certain risks continue to exist. Until the end of the year, risks will continue to exist on the basis of reduced personal spending, which directly affects revenues. In terms of costs, potential cost increases on the bases of higher energy prices still pose a risk. Risks on the basis of business activity financing and liquidity generally have the tendency to increase by the end of the year.

Varteks continues to focus its activities on the implementation of the set objectives through restructuring plans with the aim of stabilizing the system and the liquidity position. The company's reorganization and the implementation of crisis measures through the implementation of the Integral Business and Financial Restructuring Plan will continue in 2010. Until the end of the year, further activities will continue in regards to the closure of unprofitable parts of the system, operating cost reductions, higher revenues and higher efficiency. Basic preconditions for revenue increases in upcoming periods will be created through the reorganization of the retail segment and the assortment offer on the domestic market and through development activities on markets in countries in the region.

The brand development strategy has already generated first positive results in Q3 2010 through the strengthening of the company's own brands, but also through the selection and standardization of other brands in the sales portfolio.

Varteks's remaining development projects are aimed towards strengthening activities in significant B2B segments through the signing of deals for corporate clothing, through the sale and development of specialized clothing, and through export deals that have been partially extended until the end of the business year. Development activities also aim towards the planned signing of new deals, the realization of agreed-on deals and the expansion of existing deals primarily in connection to foreign markets.

Problems in revenue realization in certain sales aspects are expected until the end of the year, particularly on the basis of a further drop in personal spending, but also stabilization and increases in revenues on the basis of the B2B program and sales on foreign markets. Significantly higher business revenues in relation to the same time period last year are expected in the last quarter of the current year through already agreed-on deals. In the cost segment, the objective is to continue reducing operating costs in line with planned crisis measures activities, and to realize better business results through all these activities in the last quarter in 2010 in relation to the previous year.

Varteks d.d. Board Chairman

Zoran Košćec

Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, October 25, 2010

STATEMENT BY PERSONS RESPONSIBLE FOR THE MAKING OF THE REPORT FOR I-IX 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-IX 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 the business 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

ATTACHMENT 1

Reporting period:

1.1.2010.

to

30.9.2010

Quarterly financial statement of the entrepreneur-TFI-POD

Tax number (MB): 3747034

Company registration number
(MBS): 070004039Personal 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: 2.418
(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: 042/377-005 Facsimile: 042/377-205

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

30.09.2010.

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	389.995
I. INTANGIBLE ASSETS	003	5.928	6.208
II. PROPERTY, PLANT AND EQUIPMENT	004	381.395	355.042
III. NON-CURRENT FINANCIAL ASSETS	005	5.130	5.123
IV. RECEIVABLES	006	23.759	23.622
V. DEFERRED TAX ASSET	007		
C) CURRENT ASSETS	008	287.151	270.553
I. INVENTORIES	009	159.870	140.591
II. RECEIVABLES	010	110.537	115.198
III. CURRENT FINANCIAL ASSETS	011	12.764	11.569
IV. CASH AND CASH EQUIVALENTS	012	3.980	3.195
D) PREPAYMENTS AND ACCRUED INCOME	013	997	3.361
E) LOSS ABOVE SUBSCRIBED CAPITAL	014		
F) TOTAL ASSETS	015	704.360	663.909
G) OFF BALANCE SHEET ITEMS	016	49.950	48.319
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES	017	207.927	162.675
I. SUBSCRIBED SHARE CAPITAL	018	384.161	384.161
II. CAPITAL RESERVES	019		
III. LEGAL RESERVES	020	6.235	6.576
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	45.593
IX. MINORITY INTEREST	026		
B) PROVISIONS	027		
C) NON-CURRENT LIABILITIES	028	157.971	132.220
D) CURRENT LIABILITIES	029	335.745	366.678
E) ACCRUED EXPENSES AND DEFERRED INCOME	030	2.717	2.336
F) TOTAL EQUITY AND LIABILITIES	031	704.360	663.909
G) OFF BALANCE SHEET ITEMS	032	49.950	48.319
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

30.9.2010

thousands HRK

Position	AOP oznaka	Previous period		Current period	
		Cumulative	Periodical	Cumulative	Periodical
1	2	3	4	5	6
I. OPERATING INCOME	035	254.176	69.965	242.884	71.818
1. Rendering of services	036	245.485	66.750	195.569	68.162
2. Income from usage of own products, merchandise and services	037	252	90	293	44
3. Other operating income	038	8.439	3.125	47.022	3.612
II. OPERATING COSTS	039	279.047	92.065	273.177	92.258
1. Decrease of work in progress and merchandise	040			19.120	9.008
2. Increase of work in progress and merchandise	041	3.787	824		
3. Material expenses	042	134.961	43.579	104.454	38.692
4. Employee benefits expenses	043	104.489	33.424	90.855	30.203
5. Depreciation and amortisation	044	10.826	3.599	9.499	3.164
6. Other expenses	045	30.145	10.956	25.700	8.684
7. Write down of assets	046	24	6	0	0
8. Provisions	047	0	0	0	0
9. Other operating costs	048	2.389	1.325	23.549	2.507
III. FINANCIAL INCOME	049	2.329	840	3.308	333
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	050	129	71	177	123
2. Interest, foreign exchange differences, dividends and similar income from third parties	051	2.200	769	3.131	210
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	15.695	4.953	18.608	7.618
1. Interest, foreign exchange differences and similar expenses from subsidiaries	056	190	115	10	4
2. Interest, foreign exchange differences and similar expenses from third parties	057	13.480	4.809	18.556	7.614
3. Unrealised losses (expenses) from financial assets	058	0	0	0	0
4. Other financial expenses	059	2.025	29	42	0
V. EXTRAORDINARY - OTHER INCOME	060				
VI. EXTRAORDINARY - OTHER EXPENSES	061				
VII. TOTAL INCOME	062	256.505	70.805	246.192	72.151
VIII. TOTAL EXPENSES	063	294.742	97.018	291.785	99.876
IX. PROFIT BEFORE TAXES	064				
X. LOSS BEFORE TAXES	065	38.237	26.213	45.593	27.725
XI. TAXATION	066				
XII. NET PROFIT FOR THE PERIOD	067	0	0	0	0
XIII. LOSS FOR THE PERIOD	068	38.237	26.213	45.593	27.725
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 30.9.2010

thousands HRK

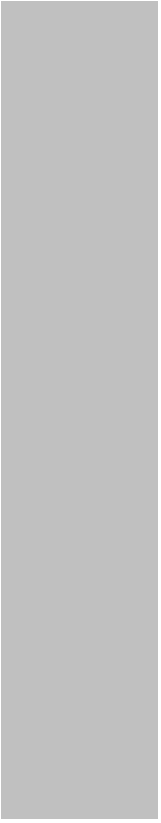
Position	AOP oznaka	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-38.237	-45.593
2. Depreciation and amortisation	074	10.826	9.499
3. Increase of current liabilities	075	9.252	21.479
4. Decrease of current receivables	076	0	0
5. Decrease of inventories	077	14.334	19.279
6. Other cash flow increases	078	12.279	
I. Total increase of cash flow from operating activities	079	8.454	4.664
1. Decrease of current liabilities	080	0	0
2. Increase of current receivables	081	833	4.661
3. Increase of inventories	082	0	0
4. Other cash flow decreases	083	0	1.550
II. Total decrease of cash flow from operating activities	084	833	6.211
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	7.621	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086		1.547
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	-6.328	16.576
2. Proceeds from sale of non-current financial assets	088	0	0
3. Interest received	089		0
4. Dividend received	090		0
5. Other proceeds from investing activities	091	180	163
III. Total cash inflows from investing activities	092	-6.148	16.739
1. Purchase of non-current assets	093		0
2. Purchase of non-current financial assets	094	0	0
3. Other cash outflows from investing activities	095	0	20
IV. Total cash outflows from investing activities	096	0	20
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097		
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	6.148	-16.719
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	453	341
V. Total cash inflows from financing activities	102	453	341
1. Repayment of loans and bonds	103	5.118	16.297
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	0	0
VI. Total cash outflows from financing activities	108	5.118	16.297
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	-4.665	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110		15.956
Total increases of cash flows	111		
Total decreases of cash flows	112	3.192	784
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	3.192	784
Cash and cash equivalents at the end of period	116	1.925	3.196

STATEMENT OF CHANGES IN EQUITY

from 1.1.2010 to 30.9.2010

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				
3. Net income reserves	119	6.235	341		6.576
4. Retained earnings or loss carried forward	120	-83.565			-83.565
5. Net profit (loss) for the period	121	-98.904	-45.593		-144.497
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	-45.252	0	162.675
16a. Attributable to majority owners	133				0
16b. Attributable to minority interest	134				



Notes to financial reports