



**Varteks Group realizes close to 15 percent higher sales revenues  
and 16.4 percent more exports in the first six months of 2011**

**Varaždin, August 18, 2011** – In the first six months of 2011, Varteks Group realized HRK 20.4 million or close to 15 percent higher sales revenues in relation to the same time period last year.

On the foreign market, exports of HRK 75.1 million were realized, which constitutes an increase of 16.4 percent in relation to the result realized in the same time period last year. The majority of exports continue to be realized in the European Union, while results from export activities show a slight recovery in the negative trends in Europe's economy.

Total revenues amounted to HRK 165.9 million, which is 2.8 percent less in relation to the total revenues realized in the same time period last year. The difference is evident in the item "other business revenues" and is not related to the Group's regular business activities, but largely to revenues from real estate sales, which had amounted to HRK 15 million in the same time period last year.

In the observed time period, total expenditures amounted to HRK 196 million, which is 4.8 percent more than the total expenditures realized in the same time period in 2010.

In the first six months of this year, the Group operated with a loss of HRK 30.1 million, while a loss of HRK 16.4 million had been realized in the same time period last year. This negative difference in relation to the same time period last year is the result of impacts from aforementioned real estate sales last year. If we exclude the impact of revenues from asset sales, Varteks Group's total result from regular business activities was HRK 1.4 million higher in relation to the same time period in 2010.

In line with the guidelines of the Integral Business and Financial Restructuring Plan, the manufacturing segment of Varteks d.d. was divided into three separate limited liability companies as new Group members through a business reorganization in May 2011: Varteks odjeća d.o.o., Varteks Bednja d.o.o. and Varteks Ludbreg d.o.o.

In regards to the implementation of the Integral Plan and the reorganization as well as revenue realization it is important to point out that the B2B segment (sales aspect related to corporate clothing and the manufacturing of special-purpose clothing), which marks significant revenue growth and positive business effects, was detached after the first quarter of 2010 to the affiliated company Varteks trgovina, which is owned by Varteks d.d. Within Varteks Group, this sales aspect partakes in sales revenues with 16.4 percent, while the revenues realized in the observed time period were HRK 23 million higher compared to the same time period last year.



## PRESS RELEASE

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When examining the business results of Varteks Group in terms of regular business activities, they exhibit positive indications despite the fact that the total business result is negative. A significant negative effect from the drop in personal spending and general economic illiquidity, which is particularly prominent in business operations related to the domestic market, continues to be present.

The negative trend on the real estate market has led to more difficulties in the implementation of activities in relation to stabilizing the Group's liquidity, which directly led to the inability to procure raw materials and production materials on time, to procure and deliver products and merchandise to the retail network and to Group members abroad, which significantly affected the total business result of Varteks Group.

Given the economic problems and the continued impact of the crisis, certain risks arise on the basis of a potential further increase in illiquidity, which could additionally obstruct the timely procurement of merchandise and the financing of business activities within the entire Group. There is also a risk of a further drop in personal spending, which directly affects revenues, as well as a risk of higher costs on the basis of higher energy prices.

In accordance with current market conditions, Varteks Group continues to aim for targeted development and higher sales in certain sales aspects and market segments. In the segment pertaining to the manufacturing and sale of special-purpose and corporate clothing, significant growth is present in business revenues and results, while continuous growth is also present in export revenues.

In line with the Integral Business and Financial Restructuring Plan, cost-cutting measures have been carried out through the closure of unprofitable segments and by further cutting administrative costs. The implementation of the plan also focuses on the Group's financial consolidation through the utilization of its own assets as additional financial sources and on activities for the utilization of Government measures for economic recovery and development.

The stabilization and development of Varteks Group's operations is primarily based on financial business consolidation and liquidity stabilization as key prerequisites for the implementation of all activities in relation to restructuring, the further reorganization of the Group and the development of strategic sales aspects in line with the characteristics and needs of the market.

## ATTACHMENT 1

Reporting period:

1.1.2011.

to

30.06.2011

## 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: 1.413

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

BURGTRADE G.m.b.h.	Eisenstadt, Austrija	00128280Y
VARTEKS TRADE d.o.o.	Ljubljana, Slovenija	5351944
VARTEKS PLUS d.o.o.	Beograd, Srbija	100824354
VARTEKS TRGOVINA d.o.o.	Široki Brijeg, Bosna i Hercegovina	
VARTEKS (TEXTILES) Ltd.	Bristol, Velika Britanija	00970382
VARTEKS LOGISTIC d.o.o.	Varaždin, Hrvatska	01038133
VARTEKS TRGOVINA d.o.o.	Varaždin, Hrvatska	1280511
VARTEKS ESOP d.o.o.	Varaždin, Hrvatska	070092385
VARTEKS ODJEĆA VARAŽDIN d.o.o.	Varaždin, Hrvatska	16891232411
VARTEKS LUDBREG d.o.o.	Ludbreg, Hrvatska	20533712419
VARTEKS BEDNJA d.o.o.	Bednja, Hrvatska	71501150619

Bookkeeping service:

Contact person: Bolšec Vlado

(please enter only contact person's family name and name)

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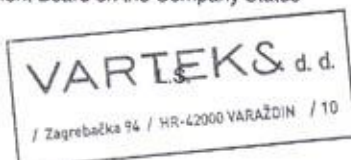
E-mail address: vbolsec@varteks.com

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



(signature of the person authorized to represent the company)



**Balance Sheet**  
as of 30.06.2011.

Varteks GROUP -Varaždin			
Position	AOP	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	434.246.587	427.566.629
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	9.392.192	8.808.968
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	9.392.192	8.808.968
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008		
6. Other intangible assets	009		
<b>II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)</b>	<b>010</b>	397.189.543	391.381.244
1. Land	011	54.753.233	54.753.233
2. Buildings	012	266.509.863	264.871.519
3. Plant and equipment	013	62.745.404	59.684.963
4. Tools, working inventory and transportation assets	014	11.762.520	10.505.652
5. Biological assets	015		
6. Advances for purchase of tangible assets	016		
7. Tangible assets in progress	017	1.186.476	1.333.828
8. Other tangible assets	018	232.048	232.048
9. Investment in real-estate	019		
<b>III. NON-CURRENT FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	23.728.640	23.630.256
1. Share in related parties	021		
2. Loans to related parties	022		
3. Participating interests (shares)	023		
4. Loans to companies with participating interest	024		
5. Investments in securities	025		
6. Loans, deposits, etc.	026	730.375	730.376
7. Other non-current financial assets	027	22.998.265	22.899.880
8. Equity-accounted investments	028		
<b>IV. RECEIVABLES (030 do 032)</b>	<b>029</b>	3.936.212	3.746.162
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031		
3. Other receivables	032	3.936.212	3.746.162
<b>V. DEFERRED TAX ASSET</b>	<b>033</b>		
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	221.155.823	202.256.709
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	156.463.146	153.064.753
1. Raw materials and supplies	036	32.563.013	33.705.496
2. Production in progress	037	6.980.120	3.890.140
3. Finished products	038	28.678.781	29.854.759
4. Merchandise	039	41.264.425	40.169.355
5. Advances for inventories	040	1.654.475	403.982
6. Long term assets held for sale	041	45.322.333	45.041.021
7. Biological assets	042		
<b>II. RECEIVABLES (044 do 049)</b>	<b>043</b>	55.811.648	41.286.146
1. Receivables from related parties	044	0	0
2. Receivables from end-customers	045	47.941.993	29.771.272
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	1.136.170	1.422.293
5. Receivables from government and other institutions	048	6.733.485	10.092.581
6. Other receivables	049	0	0
<b>III. CURRENT FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	5.874.930	5.826.934
1. Share in related parties	051		
2. Loans to related parties	052		
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055	3.581.349	3.844.131
6. Loans, deposits, etc.	056	2.293.581	1.982.803
7. Other financial assets	057		
<b>IV. CASH AND CASH EQUIVALENTS</b>	<b>058</b>	3.006.099	2.078.876
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	1.013.523	328.116
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	656.415.933	630.151.455
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	48.637.632	50.133.330

<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	110.624.206	80.503.264
<b>I. SUBSCRIBED SHARE CAPITAL</b>	<b>063</b>	384.161.400	384.161.400
<b>II. CAPITAL RESERVES</b>	<b>064</b>		
<b>III. RESERVES FROM PROFIT (066+067-068+069+070)</b>	<b>065</b>	10.428.371	10.878.108
1. Legal reserves	066		
2. Reserve for own shares	067	46.013.062	46.013.062
3. Treasury shares and shares (deductible items)	068	36.730.600	36.730.600
4. Statutory reserves	069		
5. Other reserves	070	1.145.909	1.595.646
<b>IV. REVALUATION RESERVES</b>	<b>071</b>		
<b>V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)</b>	<b>072</b>	-181.079.603	-284.450.110
1. Retained earnings	073		
2. Loss carried forward	074	181.079.603	284.450.110
<b>VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)</b>	<b>075</b>	-102.885.962	-30.086.134
1. Net profit for the period	076		
2. Net loss for the period	077	102.885.962	30.086.134
<b>VII. MINORITY INTEREST</b>	<b>078</b>		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	744.081	327.267
1. Provisions for pensions, severance pay and similar liabilities	080	436.458	
2. Provisions for tax liabilities	081		
3. Other provisions	082	307.623	327.267
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	153.450.111	143.698.936
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	153.427.611	143.676.436
4. Liabilities for advances	087		
5. Trade payables	088	22.500	22.500
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		
9. Deferred tax liabilities	092		
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	391.046.349	405.069.136
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits, etc.	095	13.878.442	11.432.420
3. Liabilities to banks and other financial institutions	096	152.019.557	157.245.406
4. Liabilities for advances	097	2.724.304	4.136.674
5. Trade payables	098	119.683.137	105.998.139
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	14.781.997	13.488.737
9. Taxes, contributions and similar liabilities	102	80.207.967	104.981.227
10. Liabilities arising from share in the result	103		
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	7.750.945	7.786.534
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	551.186	552.852
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	656.415.933	630.151.455
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	48.637.632	50.133.330
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	109	110.624.206	80.503.264
2. Attributable to minority interest	110		



# Income statement

period 01.01.2011. to 30.06.2011.

Varteks Group - Varaždin

Position	AOP	Previous period	Previous period	Current period	Current period
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112 do 113)</b>	<b>111</b>	<b>167.021.375</b>	<b>87.273.744</b>	<b>165.159.686</b>	<b>77.970.417</b>
1. Rendering of services	112	138.562.969	70.124.169	158.940.068	74.810.676
2. Other operating income	113	28.458.406	17.149.575	6.219.618	3.159.741
<b>II. OPERATING COSTS (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>175.973.309</b>	<b>83.324.080</b>	<b>184.271.229</b>	<b>85.333.030</b>
1. Change in inventories of work in progress	115	10.112.298	3.537.694	2.596.610	1.866.988
2. Material expenses (117 do 119)	116	73.822.411	42.282.077	94.491.225	39.878.203
a) Costs of raw materials	117				
b) Cost of goods sold	118				
c) Other material expenses	119				
3. Employee benefits expenses (121 do 123)	120	63.618.065	31.553.644	61.189.510	30.193.952
a) Net salaries	121				
b) Tax and contributions from salary expenses	122				
c) Contributions on salary	123				
4. Depreciation and amortisation	124	6.796.635	3.369.697	6.929.829	3.468.198
5. Other expenses	125	18.114.189	0	17.409.329	9.059.457
6. Write down of assets (127+128)	126	0	0	19	-214
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128			19	-214
7. Provisions	129				
8. Other operating costs	130	3.510.721	2.580.968	1.654.707	866.446
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	<b>3.612.929</b>	<b>3.437.257</b>	<b>745.412</b>	<b>634.555</b>
1. Interest, foreign exchange differences, dividends and similar income from related parties	132				
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	3.498.690	3.323.018	683.316	572.459
3. Income from investments in associates and joint ventures	134				0
4. Unrealised gains (income) from financial assets	135				0
5. Other financial income	136	114.239	114.239	62.096	62.096
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>11.017.023</b>	<b>6.585.145</b>	<b>11.720.004</b>	<b>6.717.269</b>
1. Interest, foreign exchange differences, dividends and similar income from related parties	138				
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	10.973.700	6.572.339	11.555.925	6.586.113
3. Unrealised losses (expenses) from financial assets	140				0
4. Other financial expenses	141	43.323	12.806	164.079	131.156
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+144)</b>	<b>146</b>	<b>170.634.304</b>	<b>90.711.001</b>	<b>165.905.098</b>	<b>78.604.972</b>
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	<b>147</b>	<b>186.990.332</b>	<b>89.909.225</b>	<b>195.991.233</b>	<b>92.050.299</b>
<b>XI. PROFIT OR LOSS BEFORE TAXES (146-147)</b>	<b>148</b>	<b>-16.356.028</b>	<b>801.776</b>	<b>-30.086.135</b>	<b>-13.445.327</b>
1. Profit before taxes (146-147)	149	0	801.776	0	0
2. Loss before taxes (147-146)	150	16.356.028	0	30.086.135	13.445.327
<b>XII. TAXATION</b>	<b>151</b>	<b>36.242</b>	<b>28.888</b>	<b>11.167</b>	<b>-652</b>
<b>XII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>-16.392.270</b>	<b>772.788</b>	<b>-30.097.302</b>	<b>-13.444.675</b>
1. Profit for the period (149-151)	153	0	772.788	0	0
2. Loss for the period (151-148)	154	16.392.270	0	30.097.302	13.444.675
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	<b>157</b>	<b>-16.392.270</b>	<b>772.788</b>	<b>-30.097.302</b>	<b>-13.444.675</b>
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)</b>	<b>158</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. Exchange differences from international settlement	159				
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161				
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
<b>III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>-16.392.270</b>	<b>772.788</b>	<b>-30.097.302</b>	<b>-13.444.675</b>
<b>ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				



# CASH FLOW STATEMENT - Indirect method

period

01.01.2011

to

30.06.2011

HRK

Position	AOP oznaka	Previous period	Current period
1	2	3	4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	-16.356.028	-30.086.135
2. Depreciation and amortisation	002	6.795.635	6.929.829
3. Increase of current liabilities	003		11.240.580
4. Decrease of current receivables	004		14.677.561
5. Decrease of inventories	005	13.422.666	3.359.392
6. Other cash flow increases	006	0	490.045
<b>I. Total increase of cash flow from operating activities</b>	<b>007</b>	<b>3.862.273</b>	<b>6.611.272</b>
1. Decrease of current liabilities	008	6.883.687	
2. Increase of current receivables	009	20.664.464	
3. Increase of inventories	010		
4. Other cash flow decreases	011	818.523	
<b>II. Total decrease of cash flow from operating activities</b>	<b>012</b>	<b>28.366.674</b>	<b>0</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>013</b>	<b>0</b>	<b>6.611.272</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>014</b>	<b>24.504.401</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	015	32.361.307	0
2. Proceeds from sale of non-current financial assets	016		0
3. Interest received	017		0
4. Dividend received	018		0
5. Other proceeds from investing activities	019	70.803	170.050
<b>III. Total cash inflows from investing activities</b>	<b>020</b>	<b>32.432.110</b>	<b>170.050</b>
1. Purchase of non-current assets	021		538.304
2. Purchase of non-current financial assets	022	20.000	0
3. Other cash outflows from investing activities	023		352.912
<b>IV. Total cash outflows from investing activities</b>	<b>024</b>	<b>20.000</b>	<b>891.216</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>025</b>	<b>32.412.110</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	<b>0</b>	<b>721.166</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	027		
2. Proceeds from loans and borrowings	028	0	
3. Other proceeds from financing activities	029	2.280.482	
<b>V. Total cash inflows from financing activities</b>	<b>030</b>	<b>2.280.482</b>	<b>0</b>
1. Repayment of loans and bonds	031	11.845.139	6.985.964
2. Dividends paid	032		0
3. Repayment of finance lease	033		0
4. Purchase of treasury shares	034		0
5. Other cash outflows from financing activities	035		0
<b>VI. Total cash outflows from financing activities</b>	<b>036</b>	<b>11.845.139</b>	<b>6.985.964</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>037</b>	<b>0</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>038</b>	<b>9.564.657</b>	<b>6.985.964</b>
Total increases of cash flows	039	0	0
Total decreases of cash flows	040	1.656.948	1.095.858
Cash and cash equivalents at the beginning of period	041	5.407.628	3.174.734
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	1.656.948	1.095.858
Cash and cash equivalents at the end of period	044	3.750.680	2.078.876

# STATEMENT OF CHANGES IN EQUITY

period 01.01.2011 to 31.3.2011.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	384.161.400	384.161.400
2. Capital reserves	002		
3. Reserves from profit	003	10.428.371	10.878.108
4. Retained earnings or loss carried forward	004	-181.079.603	-284.450.110
5. Net profit or loss for the period	005	-102.885.962	-30.086.134
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008		
9. Other revaluation	009		
<b>10. Total equity and reserves (AOP 001 to 009)</b>	<b>010</b>	<b>110.624.206</b>	<b>80.503.264</b>
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016		
<b>17. Total increase or decrease of equity (AOP 011 to 016)</b>	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Attributable to majority owners	018	110.624.206	80.503.264
17 b. Attributable to minority interest	019		



Varteks d.d.  
Zagrebačka 94  
42000 Varaždin


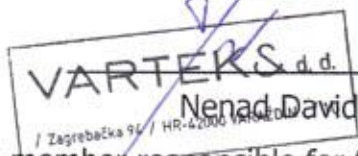
Varaždin, August 16, 2011

## **STATEMENT BY PERSONS RESPONSIBLE FOR THE COMPILATION OF THE REPORT FOR I-VI 2011**

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

- the set of financial reports for Varteks Group for 1 – 6 / 2011 (hereinafter: Group) which was compiled according to International Financial Reporting Standards and pursuant to the Croatian Accounting Act offers 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 Group's operations and position, 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, August 16, 2011

Varteks d.d.  
Zagrebačka 94  
42000 Varaždin

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

## **INTERIM MANAGEMENT REPORT** **for the time period from January 1 to June 30, 2011**

### **Most significant events that took place in the reporting period and the effects thereof on the abridged set of financial statement Varteks Group**

In the first six months of 2011, Varteks Group realized HRK 20.4 million or close to 15 percent higher sales revenues in relation to the same time period last year.

On the foreign market, exports of HRK 75.1 million were realized, which constitutes an increase of 16.4 percent in relation to the result realized in the same time period last year. The majority of exports continue to be realized in the European Union, while results from export activities show a slight recovery in the negative trends in Europe's economy.

Total revenues amounted to HRK 165.9 million, which is 2.8 percent less in relation to the total revenues realized in the same time period last year. The difference is evident in the item "other business revenues" and is not related to the Group's regular business activities, but largely to revenues from real estate sales, which had amounted to HRK 15 million in the same time period last year.

In the observed time period, total expenditures amounted to HRK 196 million, which is 4.8 percent more than the total expenditures realized in the same time period in 2010.

In the first six months of this year, the Group operated with a loss of HRK 30.1 million, while a loss of HRK 16.4 million had been realized in the same time period last year. This negative difference in relation to the same time period last year is the result of impacts from aforementioned real estate sales last year. If we exclude the impact of revenues from asset sales, Varteks Group's total result from regular business activities was HRK 1.4 million higher in relation to the same time period in 2010.

In line with the guidelines of the Integral Business and Financial Restructuring Plan, the manufacturing segment of Varteks d.d. was divided into three separate limited liability companies as new Group members through a business reorganization in May 2011: Varteks odjeća d.o.o., Varteks Bednja d.o.o. and Varteks Ludbreg d.o.o.

In regards to the implementation of the Integral Plan and the reorganization as well as revenue realization it is important to point out that the B2B segment (sales aspect related to corporate clothing and the manufacturing of special-purpose clothing), which marks significant revenue growth and positive business effects, was detached after the first quarter



of 2010 to the affiliated company Varteks trgovina, which is owned by Varteks d.d. Within Varteks Group, this sales aspect partakes in sales revenues with 16.4 percent, while the revenues realized in the observed time period were HRK 23 million higher compared to the same time period last year.

When examining the business results of Varteks Group in terms of regular business activities, they exhibit positive indications despite the fact that the total business result is negative. A significant negative effect from the drop in personal spending and general economic illiquidity, which is particularly prominent in business operations related to the domestic market, continues to be present.

The negative trend on the real estate market has led to more difficulties in the implementation of activities in relation to stabilizing the Group's liquidity, which directly led to the inability to procure raw materials and production materials on time, to procure and deliver products and merchandise to the retail network and to Group members abroad, which significantly affected the total business result of Varteks Group.

### **Most significant risks and developments for the remainder of the business year**

Given the economic problems and the continued impact of the crisis, certain risks arise on the basis of a potential further increase in illiquidity, which could additionally obstruct the timely procurement of merchandise and the financing of business activities within the entire Group. There is also a risk of a further drop in personal spending, which directly affects revenues, as well as a risk of higher costs on the basis of higher energy prices.

In accordance with current market conditions, Varteks Group continues to aim for targeted development and higher sales in certain sales aspects and market segments. In the segment pertaining to the manufacturing and sale of special-purpose and corporate clothing, significant growth is present in business revenues and results, while continuous growth is also present in export revenues.

In line with the Integral Business and Financial Restructuring Plan, cost-cutting measures have been carried out through the closure of unprofitable segments and by further cutting administrative costs. The implementation of the plan also focuses on the Group's financial consolidation through the utilization of its own assets as additional financial sources and on activities for the utilization of Government measures for economic recovery and development.

The stabilization and development of Varteks Group's operations is primarily based on financial business consolidation and liquidity stabilization as key prerequisites for the implementation of all activities in relation to restructuring, the further reorganization of the Group and the development of strategic sales aspects in line with the characteristics and needs of the market.

President of the Management Board of Varteks d.d.

Zoran Košćec

