

Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, July 30, 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 d.d. for 2011 (hereinafter: Company) 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 company.
- 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 Company is exposed to.



PERSON RESPONSIBLE:



Nenad Davidović

Board member responsible for finances

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

Varaždin, July 30, 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

In the first six months of 2011, Varteks d.d. marked HRK 9.4 million higher sales revenues in relation to the same time period last year.

On the foreign market, exports worth HRK 65.1 million were realized, which constitutes an increase of 10.3 percent in relation to the same time period last year. The majority of exports continue to be realized in the European Union, and the export activity results show a slight recovery in the negative trends in Europe's economy.

Total revenues amounted to HRK 144.5 million and are 7.4 percent lower in relation to the 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 Company's regular business activities, it largely emerged from revenues from real estate sales, which amounted to HRK 15 million in the same time period last year.

Total expenditures in the first six months of 2011 amounted to HRK 176 million, which is 1 percent more than the total expenditures realized in the same time period in 2010.

In the first six months of this year, the Company operated with a loss of HRK 31.2 million, while a loss of HRK 17.9 million had been realized in the same time period last year. The negative difference in relation to the same time period last year derived from the effects of aforementioned real estate sales realized last year. Excluding the effects of revenues from real estate sales, business operations for the time period from Jan.-Dec. 2011 exhibit a HRK 1.7 million better total result in relation to the same time period in 2010.

It is important to point out that as of May 2011, the Company's manufacturing part was detached through business reorganization into three separate limited liability companies in line with the elements of the Integral Business and Financial Restructuring Plan. In order to properly compare the total effects from business operations in relation to last year's operations (operations prior to aforementioned reorganization), the business results for the first six months of 2011 must be viewed jointly with the results of the newly founded limited liability companies, which results in a loss of HRK 28 million, while the total loss is HRK 3.2 million lower than the loss of Varteks d.d., i.e. excluding the effects from real estate sales, results from regular business activities were HRK 4.9 million higher in relation to the same time period last year.

In relation to the implementation of the Integral Plan and the reorganization and in connection to revenue realization it is also important to point out that the B2B segment

(sales aspect in relation to corporate clothing and the manufacturing of special-purpose clothing) was detached to an affiliated company owned by Varteks d.d. after the first quarter of 2011 in line with the restructuring and reorganization plan. If we compare the total revenues from this sales aspect for the time period Jan.-Dec. 2011, they amounted to HRK 23.1 million more in relation to the same time period last year, i.e. total sales revenues were 18 percent higher.

Također vezano uz provedbu Integralnog plana i reorganizaciju, te uz realizaciju prihoda, važno je napomenuti da je sukladno planu restrukturiranja i reorganizacije, kroz tvrtku kćer u vlasništvu Varteksa d.d., nakon prvog kvartala 2010. godine izdvojen segment B2B poslova (vid prodaje vezan uz područje korporativnog odijevanja i izradu odjeće za specijalne namjene).

Although business results exhibit positive characteristics when looking at regular business activities, the total business result continues to be negative. A significant negative influence emerges from the drop in personal spending and general insolvency on the market, which is particularly evident in operations in relation to the domestic market.

The negative trend on the real estate market has caused further difficulties in the implementation of activities in relation to stabilizing the company's liquidity, which directly resulted in the impossibility to procure raw materials and production materials on time, to procure and deliver products and merchandise to the retail network in a timely manner and which significantly affected the business result of Varteks d.d.

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

Due to the economic problems and the continuous effects from the crisis, certain risks appear on the basis of a potential further increase in insolvency, which could additionally impede the timely procurement of goods and the financing of business activities. There is also the risk of a further reduction in personal spending, which directly affects revenues, and the risk of cost increases on the basis of further energy price increases.

In accordance with current market conditions, Varteks continues to actively focus on targeted development and increasing sales in certain sales aspects. The business segment pertaining to the manufacturing and sale of special-purpose clothing and corporate clothing continuously exhibits significant growth in business revenues and results, while growth is also continuously present in revenues realized through exports.

In line with the Integral Business and Financial Restructuring Plan, cost cutting measures are carried out through the closure of unprofitable parts of the system and through further cuts in administration costs, as well as through measures directed towards the financial consolidation of the Company through the utilization of its own assets as an additional financing source and activities aimed towards the use of Government measures for economic recovery and development.

The Company's stabilization and the development of its business operations is primarily based on the financial consolidation of business operations and liquidity stabilization as key prerequisites for the implementation of all activities in relation to the restructuring, the further reorganization of the system and the strengthening of strategic sales aspects.

President of the Management Board of Varteks d.d.



ATTACHMENT 1

Reporting period:

1.1.2011.

to

30.6.2011

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: 744

(quarter end)

Consolidated report: NOT

NKD code: 1413

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

Bookkeeping service:

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

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

E-mail address: zsvetec@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 30.06.2011.

Varteks d.d. -Varaždin			
Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	413.403.383	407.147.649
I. INTANGIBLE ASSETS (004 do 009)	003	7.707.235	7.272.884
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	7.707.235	7.272.884
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008		
6. Other intangible assets	009		
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	394.123.657	388.432.324
1. Land	011	54.753.233	54.753.233
2. Buildings	012	265.285.847	263.643.471
3. Plant and equipment	013	61.118.313	58.234.005
4. Tools, working inventory and transportation assets	014	11.762.520	10.456.520
5. Biological assets	015		
6. Advances for purchase of tangible assets	016		
7. Tangible assets in progress	017	972.446	1.113.797
8. Other tangible assets	018	231.298	231.298
9. Investment in real-estate	019		
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	7.636.279	7.696.279
1. Share in related parties	021	2.374.551	2.434.551
2. Loans to related parties	022		
3. Participating interests (shares)	023	165.900	165.900
4. Loans to companies with participating interest	024		
5. Investments in securities	025		
6. Loans, deposits, etc.	026	730.375	730.375
7. Other non-current financial assets	027	4.365.453	4.365.453
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 do 032)	029	3.936.212	3.746.162
1. Receivables from related parties	030	3.216.364	3.216.364
2. Receivables arising from sales on credit	031		
3. Other receivables	032	719.848	529.798
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	220.151.828	220.481.884
I. INVENTORIES (036 do 042)	035	141.849.108	140.296.825
1. Raw materials and supplies	036	32.646.065	33.705.496
2. Production in progress	037	7.701.697	2.357.659
3. Finished products	038	28.678.781	29.854.759
4. Merchandise	039	26.745.463	29.337.890
5. Advances for inventories	040	754.769	
6. Long term assets held for sale	041	45.322.333	45.041.021
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	66.646.833	69.053.987
1. Receivables from related parties	044	31.409.378	37.930.510
2. Receivables from end-customers	045	29.331.251	22.650.352
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	466.308	446.512
5. Receivables from government and other institutions	048	5.295.879	7.848.869
6. Other receivables	049	144.017	177.744
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	9.386.655	9.787.663
1. Share in related parties	051		
2. Loans to related parties	052	3.994.632	4.225.132
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055	3.235.314	3.723.830
6. Loans, deposits, etc.	056	2.156.709	1.838.701
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	2.269.232	1.343.409
D) PREPAYMENTS AND ACCRUED INCOME	059	971.279	274.581
E) TOTAL ASSETS (001+002+034+059)	060	634.526.490	627.904.114
F) OFF BALANCE SHEET ITEMS	061	48.637.632	47.305.138

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	113.788.581	82.806.006
I. SUBSCRIBED SHARE CAPITAL	063	384.161.400	384.161.400
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	10.428.371	10.626.931
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	1.344.469
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-184.131.093	-280.801.190
1. Retained earnings	073		
2. Loss carried forward	074	184.131.093	280.801.190
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	-96.670.097	-31.181.135
1. Net profit for the period	076		
2. Net loss for the period	077	96.670.097	31.181.135
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	744.081	307.623
1. Provisions for pensions, severance pay and similar liabilities	080	436.458	
2. Provisions for tax liabilities	081		
3. Other provisions	082	307.623	307.623
C) NON-CURRENT LIABILITIES (084 do 092)	083	153.402.629	137.904.397
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	153.380.129	137.881.897
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		
D) CURRENT LIABILITIES (094 do 105)	093	366.187.655	406.482.544
1. Liabilities to related parties	094	1.577.733	25.444.682
2. Liabilities for loans, deposits, etc.	095	12.980.957	11.350.272
3. Liabilities to banks and other financial institutions	096	147.066.615	157.215.461
4. Liabilities for advances	097	2.484.304	3.957.712
5. Trade payables	098	101.187.371	99.373.422
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	14.328.878	8.230.083
9. Taxes, contributions and similar liabilities	102	79.146.173	93.470.631
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	7.415.624	7.440.281
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	403.544	403.544
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	634.526.490	627.904.114
G) OFF BALANCE SHEET ITEMS	108	48.637.632	47.305.138
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110		

Income statement
period 01.01.2011. to 30.06.2011.

Varteks d.d. - Varaždin

Position	AOP	Previous period	Previous period	Current period	Current period
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	153.432.808		144.542.035	
1. Rendering of services	112	127.407.016		136.758.235	
2. Other operating income	113	26.025.792		7.783.800	
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	163.285.322		164.442.073	
1. Change in inventories of work in progress	115	10.112.298		4.129.091	
2. Material expenses (117 do 119)	116	65.761.934		90.136.109	
a) Costs of raw materials	117	27.079.665		32.808.631	
b) Cost of goods sold	118	27.025.408		25.519.615	
c) Other material expenses	119	11.656.861		31.807.863	
3. Employee benefits expenses (121 do 123)	120	60.652.357		46.847.718	
a) Net salaries	121	38.875.145		30.055.113	
b) Tax and contributions from salary expenses	122	12.842.363		9.895.877	
c) Contributions on salary	123	8.934.849		6.896.728	
4. Depreciation and amortisation	124	6.334.421		6.444.729	
5. Other expenses	125	17.015.939		15.368.211	
6. Write down of assets (127+128)	126	0		0	
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128				
7. Provisions	129				
8. Other operating costs	130	3.408.373		1.516.215	
III. FINANCIAL INCOME (132 do 136)	131	2.974.763		264.742	
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	54.223		8.703	
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	2.920.540		256.039	
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135				
5. Other financial income	136				
IV. FINANCIAL EXPENSES (138 do 141)	137	10.990.270		11.545.839	
1. Interest, foreign exchange differences, dividends and similar income from related parties	138	5.981		28.000	
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	10.942.034		11.517.839	
3. Unrealised losses (expenses) from financial assets	140				
4. Other financial expenses	141	42.255			
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142				
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+144)	146	156.407.571		144.806.777	
X. TOTAL EXPENSES (114+137+143+145)	147	174.275.592		175.987.912	
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	17.868.021		31.181.135	
1. Profit before taxes (146-147)	149	0		0	
2. Loss before taxes (147-146)	150	17.868.021		31.181.135	
XII. TAXATION	151				
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	17.868.021		31.181.135	
1. Profit for the period (149-151)	153	0			
2. Loss for the period (151-148)	154	17.868.021		31.181.135	
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	-17.868.021		-31.181.135	
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	295.046		198.559	
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	295.046		198.559	
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				
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	295.046		198.559	
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-17.572.975		-30.982.576	
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

CASH FLOW STATEMENT - Indirect method

period 1.1.2011 to 30.6.2011

HRK

Position	AOP oznaka	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	001	-17.868.021	-31.181.135
2. Depreciation and amortisation	002	6.334.421	6.444.729
3. Increase of current liabilities	003	0	31.776.728
4. Decrease of current receivables	004	0	0
5. Decrease of inventories	005	11.808.463	1.552.283
6. Other cash flow increases	006	0	295.690
I. Total increase of cash flow from operating activities	007	274.863	8.888.295
1. Decrease of current liabilities	008	3.719.500	0
2. Increase of current receivables	009	1.406.910	2.407.154
3. Increase of inventories	010	0	0
4. Other cash flow decreases	011	847.471	0
II. Total decrease of cash flow from operating activities	012	5.973.881	2.407.154
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	0	6.481.141
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	5.699.018	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	015	16.226.863	-319.045
2. Proceeds from sale of non-current financial assets	016	0	0
3. Interest received	017	0	0
4. Dividend received	018	0	0
5. Other proceeds from investing activities	019	70.804	190.050
III. Total cash inflows from investing activities	020	16.297.667	-128.995
1. Purchase of non-current assets	021	0	0
2. Purchase of non-current financial assets	022	20.000	60.000
3. Other cash outflows from investing activities	023	0	0
IV. Total cash outflows from investing activities	024	20.000	60.000
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	16.277.667	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026		-168.995
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	027	0	0
2. Proceeds from loans and borrowings	028	0	0
3. Other proceeds from financing activities	029	291.028	0
V. Total cash inflows from financing activities	030	291.028	0
1. Repayment of loans and bonds	031	11.967.960	6.980.071
2. Dividends paid	032	0	0
3. Repayment of finance lease	033	0	0
4. Purchase of treasury shares	034	0	0
5. Other cash outflows from financing activities	035	0	237.898
VI. Total cash outflows from financing activities	036	11.967.960	7.217.969
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	11.967.960	7.217.969
Total increases of cash flows	039	0	0
Total decreases of cash flows	040	1.098.283	925.823
Cash and cash equivalents at the beginning of period	041	3.979.597	2.269.232
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	1.098.283	925.823
Cash and cash equivalents at the end of period	044	2.881.314	1.343.409

STATEMENT OF CHANGES IN EQUITY
period 1.1.2011 to 30.6.2011.

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	10.626.931
4. Retained earnings or loss carried forward	004	-184.131.093	-280.801.190
5. Net profit or loss for the period	005	-96.670.097	-31.181.135
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008		
9. Other revaluation	009		
10. Total equity and reserves (AOP 001 to 009)	010	113.788.581	82.806.006
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		
17. Total increase or decrease of equity (AOP 011 to 016)	017	0	0
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		