

Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, May 13, 2011

STATEMENT BY PERSONS RESPONSIBLE FOR THE COMPILATION OF THE REPORT FOR I-III 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 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, May 13, 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 - VARTEKS GROUP
for the time period from January 1 – March 31, 2011**

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

In the first quarter of 2011, Varteks Group marked progress in overall business results in comparison to the same time period last year, despite the still unresolved liquidity problem and the continuation of negative trends in the Croatian economy and markets in the region.

The drop in personal spending, higher illiquidity and an extremely negative trend on the real estate market have led to significant difficulties in the implementation of activities in relation to stabilizing the Group's liquidity, which directly led to the impossibility to procure in a timely manner raw materials and production materials and to procure and deliver products and merchandise to the retail network, which significantly affected the Group's business results in the end.

Despite the problems in its surroundings, the business results of Varteks Group in the first quarter of 2011 were HRK 2 million better than in the same time period last year. In the first three months of the year, the Group operated with a loss of HRK 15.2 million, while a loss of HRK 17.2 million had been realized in the same time period last year. Sales revenues amounted to HRK 84.2 million, i.e. to 23 percent more than in the same time period last year.

Overall revenues in the first quarter of 2011 amounted to HRK 87.3 million, i.e. 9.2 percent more than the revenues realized in the first quarter of 2010, while overall expenditures amounted to HRK 102.5 million or 5.6 percent more than the year before.

In the cost structure, gross payroll expenses amounted to 3.3 percent less, while financial expenditures marked a 12.9 percent increase due to current liquidity problems.

On the foreign market, exports worth HRK 36 million were realized, which marks an increase of 9.3 percent in relation to the same time period last year. The majority of exports continue to be realized in countries in the European Union.

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

Due to the problems in the economy and the effects of the crisis, certain risks are arising on the basis of a potential further illiquidity increase, which could additionally hamper the timely procurement of merchandise and business activity financing. There is also a risk of a further drop in personal spending, the development of which directly affects revenues, as well as a risk of higher costs on the basis of further energy price increases.

The Group continues to focus all of its activities towards eliminating potential negative effects on the basis of market developments, and in line with current market conditions, it is actively developing new sales aspects. Significant growth in business revenues and results is continuously present in the segment dealing with the production and sale of specialized clothing and corporate clothing.

In line with the Integral Business and Financial Restructuring Plan, operating costs were further cut in the first quarter, with an emphasis on the Group's further financial consolidation through activities that focus on the utilization of its own assets as an additional financing source.

The closure of unprofitable parts of the system within certain parts of the Group is currently underway, as well as the implementation of activities aimed towards further administrative cost cuts. The reorganization which was initiated in 2010 is being continued, and in line with this, we will detach our production facilities in Croatia to three separate legal entities in the second quarter of 2011. These new legal entities will continue to operate within Varteks Group as new companies. The aim is to simplify management structure, to increase the operating efficiency of responsibility centers, and thus to increase the competitiveness of the business operations of the entire Group.

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

Varteks d.d. Management Board President

Zoran Košćec



VARTEKS d. d.

/ Zagrebačka 94 / HR-42000 VARAŽDIN / 3

ATTACHMENT 1

Reporting period:

1.1.2011

to

31.3.2011

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 (quarter end): 2.413

Consolidated report: YES

NKD code: 1.413

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

BURGRTRADE G.m.b.h.	Eisenstadt, Austrija	00128280Y
VARTEKS TRADE d.o.o.	Ljubljana, Slovenija	5351944
VARTEKS PLUS d.o.o.	Beograd, Srbija	100824354
VARTEKS LOGISTIC d.o.o.	Varaždin, Hrvatska	01038133
VARTEKS TRGOVINA d.o.o.	Široki Brijeg, Bosna i Hercegovina	
VARTEKS TRGOVINA d.o.o.	Varaždin, Hrvatska	1280511
VARTEKS ESOP d.o.o.	Varaždin, Hrvatska	070092385

Bookkeeping service: [redacted]

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

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

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)

VARTEKS d. d.
/ Zagrebačka 94 / HR-42000 VARAŽDIN / 3

Balance Sheet
as of 31.03.2011.

Varteks GROUP -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	434.246.587	430.609.092
I. INTANGIBLE ASSETS (004 do 009)	003	9.392.192	8.586.701
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	9.246.966	8.586.701
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008	145.226	
6. Other intangible assets	009		
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	397.189.543	394.499.149
1. Land	011	54.753.233	54.753.233
2. Buildings	012	266.509.862	265.700.200
3. Plant and equipment	013	62.745.404	61.257.510
4. Tools, working inventory and transportation assets	014	11.762.520	11.016.637
5. Biological assets	015		
6. Advances for purchase of tangible assets	016		
7. Tangible assets in progress	017	1.186.476	1.539.521
8. Other tangible assets	018	232.048	232.048
9. Investment in real-estate	019		
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	23.728.640	23.670.257
1. Share in related parties	021		60.000
2. Loans to related parties	022		
3. Participating interests (shares)	023	165.900	
4. Loans to companies with participating interest	024		0
5. Investments in securities	025		
6. Loans, deposits, etc.	026	730.375	730.376
7. Other non-current financial assets	027	22.832.365	22.879.881
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 do 032)	029	3.936.212	3.852.985
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031		
3. Other receivables	032	3.936.212	3.852.985
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	221.155.823	206.491.689
I. INVENTORIES (036 do 042)	035	156.463.146	155.980.091
1. Raw materials and supplies	036	24.903.638	30.911.124
2. Production in progress	037	7.701.697	7.786.312
3. Finished products	038	33.470.720	29.322.677
4. Merchandise	039	44.165.052	42.531.628
5. Advances for inventories	040	899.706	106.017
6. Long term assets held for sale	041	45.322.333	45.322.333
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	55.811.648	43.815.160
1. Receivables from related parties	044		
2. Receivables from end-customers	045	47.941.993	31.240.271
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	566.906	2.920.275
5. Receivables from government and other institutions	048	6.733.485	9.653.316
6. Other receivables	049	569.264	1.298
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	5.874.930	4.923.645
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	
6. Loans, deposits, etc.	056	2.293.581	3.025.664
7. Other financial assets	057		1.897.981
IV. CASH AND CASH EQUIVALENTS	058	3.006.099	1.772.793
D) PREPAYMENTS AND ACCRUED INCOME	059	1.013.523	204.965
E) TOTAL ASSETS (001+002+034+059)	060	656.415.933	637.305.745
F) OFF BALANCE SHEET ITEMS	061	48.637.632	47.341.322

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	110.624.206	93.544.064
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	10.827.457
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	1.544.995
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-181.079.603	-286.251.410
1. Retained earnings	073		
2. Loss carried forward	074	181.079.603	286.251.410
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	-102.885.962	-15.193.383
1. Net profit for the period	076		
2. Net loss for the period	077	102.885.962	15.193.383
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	744.081	327.290
1. Provisions for pensions, severance pay and similar liabilities	080	436.458	
2. Provisions for tax liabilities	081		
3. Other provisions	082	307.623	327.290
C) NON-CURRENT LIABILITIES (084 do 092)	083	153.450.111	152.141.187
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085	172.282	
3. Liabilities to banks and other financial institutions	086	153.163.252	152.118.687
4. Liabilities for advances	087		
5. Trade payables	088	114.577	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	391.046.349	390.735.373
1. Liabilities to related parties	094		16.986
2. Liabilities for loans, deposits, etc.	095	13.878.442	11.435.095
3. Liabilities to banks and other financial institutions	096	152.019.557	152.504.236
4. Liabilities for advances	097	2.724.304	1.579.635
5. Trade payables	098	119.683.137	109.211.600
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	14.781.997	42.734.980
9. Taxes, contributions and similar liabilities	102	80.207.967	65.504.799
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	7.748.043
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	551.186	557.831
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	656.415.933	637.305.745
G) OFF BALANCE SHEET ITEMS	108	48.637.632	47.341.322
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	110.624.206	93.544.064
2. Attributable to minority interest	110		

Income statement
period 01.01.2011. to 31.03.2011.

Varteks Group - Varaždin

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	79.747.631	79.747.631	87.189.269	87.189.269
1. Rendering of services	112	68.438.800	68.438.800	84.129.392	84.129.392
2. Other operating income	113	11.308.831	11.308.831	3.059.877	3.059.877
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	92.649.230	92.649.230	97.478.955	97.478.955
1. Change in inventories of work in progress	115	6.574.604	6.574.604	-729.622	-729.622
2. Material expenses (117 do 119)	116	40.692.658	40.692.658	54.613.022	54.613.022
a) Costs of raw materials	117	10.364.011	10.364.011	14.099.843	14.099.843
b) Cost of goods sold	118	18.528.336	18.528.336	28.234.537	28.234.537
c) Other material expenses	119	11.800.311	11.800.311	12.278.642	12.278.642
3. Employee benefits expenses (121 do 123)	120	32.064.411	32.064.411	30.995.558	30.995.558
a) Net salaries	121	20.653.726	20.653.726	19.965.243	19.965.243
b) Tax and contributions from salary expenses	122	6.670.261	6.670.261	6.447.911	6.447.911
c) Contributions on salary	123	4.740.424	4.740.424	4.582.404	4.582.404
4. Depreciation and amortisation	124	3.425.938	3.425.938	3.461.631	3.461.631
5. Other expenses	125	8.961.866	8.961.866	8.349.872	8.349.872
6. Write down of assets (127+128)	126	0	0	233	233
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128			233	233
7. Provisions	129				
8. Other operating costs	130	929.753	929.753	788.261	788.261
III. FINANCIAL INCOME (132 do 136)	131	175.672	175.672	110.857	110.857
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	175.672	175.672	110.857	110.857
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	4.431.878	4.431.878	5.002.735	5.002.735
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	4.401.361	4.401.361	4.969.812	4.969.812
3. Unrealised losses (expenses) from financial assets	140				
4. Other financial expenses	141	30.517	30.517	32.923	32.923
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	79.923.303	79.923.303	87.300.126	87.300.126
X. TOTAL EXPENSES (114+137+143+145)	147	97.081.108	97.081.108	102.481.690	102.481.690
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	-17.157.805	-17.157.805	-15.181.564	-15.181.564
1. Profit before taxes (146-147)	149	0	0	0	0
2. Loss before taxes (147-146)	150	17.157.805	17.157.805	15.181.564	15.181.564
XII. TAXATION	151	7.254	7.254	11.819	11.819
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-17.165.059	-17.165.059	-15.193.383	-15.193.383
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	17.165.059	17.165.059	15.193.383	15.193.383
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	-17.165.059	-17.165.059	-15.193.383	-15.193.383
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	0	0	0	0
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-valuation 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				
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	0	0	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-17.165.059	-17.165.059	-15.193.383	-15.193.383
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 31.3.2011

HRK

Position	AOP oznaka	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-17.157.804	-15.181.564
2. Depreciation and amortisation	074	3.425.938	3.461.631
3. Increase of current liabilities	075		1.645.312
4. Decrease of current receivables	076		12.148.547
5. Decrease of inventories	077	14.795.128	444.053
6. Other cash flow increases	078	215.283	1.521.464
I. Total increase of cash flow from operating activities	079	1.278.545	4.039.443
1. Decrease of current liabilities	080	16.413.844	
2. Increase of current receivables	081	9.905.922	
3. Increase of inventories	082		
4. Other cash flow decreases	083		
II. Total decrease of cash flow from operating activities	084	26.319.766	0
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	0	4.039.443
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086	25.041.221	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	15.447.245	34.256
2. Proceeds from sale of non-current financial assets	088		0
3. Interest received	089		0
4. Dividend received	090		0
5. Other proceeds from investing activities	091	59.044	83.226
III. Total cash inflows from investing activities	092	15.506.289	117.482
1. Purchase of non-current assets	093		0
2. Purchase of non-current financial assets	094		60.000
3. Other cash outflows from investing activities	095		2.216.659
IV. Total cash outflows from investing activities	096	0	2.276.659
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097	15.506.289	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	0	2.159.178
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099		
2. Proceeds from loans and borrowings	100	9.051.202	
3. Other proceeds from financing activities	101		
V. Total cash inflows from financing activities	102	9.051.202	0
1. Repayment of loans and bonds	103	0	3.282.208
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	
VI. Total cash outflows from financing activities	108	0	3.282.208
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	9.051.202	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	0	3.282.208
Total increases of cash flows	111	0	0
Total decreases of cash flows	112	483.730	1.401.942
Cash and cash equivalents at the beginning of period	113	5.407.628	3.174.734
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	483.730	1.401.942
Cash and cash equivalents at the end of period	116	4.923.898	1.772.793

STATEMENT OF CHANGES IN EQUITY

period 1.1.2011 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	10.827.457
4. Retained earnings or loss carried forward	004	-181.079.603	-286.251.410
5. Net profit or loss for the period	005	-102.885.962	-15.193.383
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	110.624.206	93.544.064
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	110.624.206	93.544.064
17 b. Attributable to minority interest	019		

