



VARTEKS GROUP

ANNUAL REPORT OF VARTEKS GROUP FOR 2011

Varaždin, June 2012

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1. GENERAL INFORMATION ABOUT VARTEKS GROUP

Varteks Group (hereinafter: Group) consists of affiliated companies which are majority-owned by Varteks d.d. (hereinafter: Company), which originated from the company *Varaždinska tekstilna industrija d.d. Varaždin* and came about pursuant to the Decision on the Transformation of the Social Enterprise Varteks Holding into a Stock Company of June 17, 1992, pursuant to Resolution No. 01-01-02/92-06/94 of the Croatian Agency for Restructuring and Development of April 9, 1993 and the Decision on Transferring Shares of the Stock Company Varteks Varaždin to Funds of July 16, 1993

Core business

The company's core business is:

- clothing production, fur processing and dyeing
- textile production
- purchase and sale of merchandise
- trade mediation on the domestic and foreign market

Company headquarters

The company is located in Varaždin, Zagrebačka 94.

Supervisory Board and Management Board

Supervisory Board

<i>Milan Horvat</i>	<i>President</i>
<i>Stjepan Igrac</i>	<i>Vice president</i>
<i>Artur Gedike</i>	<i>Board member</i>
<i>Neven Maruševac</i>	<i>Board member</i>
<i>Božica Čiček-Mutavdžić</i>	<i>Board member</i>
<i>Krešimir Dragić</i>	<i>Board member</i>
<i>Marijan Mitrović</i>	<i>Board member</i>

Management Board

<i>Zoran Koščec</i>	<i>Chairman of the Board</i>
<i>Nenad Davidović</i>	<i>Board member responsible for finances</i>
<i>Miljenko Vidaček</i>	<i>Board member responsible for production</i>

Affiliated companies

The Company is the founder of and holds a 100 percent ownership share in the following affiliated companies which constitute Varteks Group:

- *Varteks odjeća d.o.o., Varaždin, Croatia*
- *Varteks Ludbreg d.o.o., Ludbreg, Croatia*
- *Varteks Bednja d.o.o., Bednja, Croatia*
- *Varteks Logistic d.o.o., Varaždin, Croatia*
- *Varteks Trgovina d.o.o., Varaždin, Croatia*
- *Varteks ESOP d.o.o., Varaždin, Croatia*
- *Varteks Plus d.o.o. Beograd, Serbia*
- *Varteks Trade d.o.o., Ljubljana, Slovenia*
- *Varteks Trgovina d.o.o., Široki Brijeg, Bosnia-Herzegovina*
- *Varteks D.o.o.e.l., Skopje, Macedonia*
- *Varteks Mont d.o.o., Podgorica, Montenegro*
- *Burgtrade Eisenstadt, Austria*
- *Varteks Textiles Limited, Bristol, Great Britain*

The Company also holds a 50 percent ownership share in the company Corrodo nekretnine d.o.o. Rijeka.

The companies Varteks D.o.o.e.l, Skopje, Macedonia, and Varteks Mont d.o.o. Podgorica, Montenegro, are currently inactive in terms of business operations.

2. BASIC BUSINESS ASPECTS IN 2011

In 2011, Varteks Group reduced its loss by HRK 32.2 million in relation to 2010. The Group operated with a loss before tax of HRK 70.5 million in 2011, while the loss had amounted to HRK 102.8 million in 2010.

Business results are linked to economic developments, primarily on the Croatian market, which is still significantly affected by the negative effects of the global crisis, but also to markets in the region, where negative effects of the crisis are pronounced as well.

Despite the adverse conditions in its surroundings, the loss was reduced by 31.4 percent in relation to 2010 through the implementation of activities related to business and financial restructuring. In terms of regular business activities, business results marked further progress since the loss from core activities amounted to HRK 33.3 million in 2011, while it had amounted to HRK 69.4 million in 2010, which constitutes a reduction of 51.9 percent.

Total revenues amounted to HRK 350.7 million, which constitutes a reduction of 7.4 percent in relation to the revenues realized in the same time period in 2010. Total expenditures amounted to HRK 421.2 million, which constitutes a reduction of 12.6 percent in relation to 2010. Export revenues amounted to HRK 123.6 million, which constitutes 35.2 percent of the total revenues. The majority of exports were realized on markets in the European Union.

Pursuant to the elements of the Integral Business and Financial Restructuring Plan, the Group continued to implement objectives in 2011 aimed at raising business and management efficiency and the implementation of defined savings measures. On this basis, the Group's production segment started operating through three separate limited liability companies in May 2011, while the B2B segment (sales aspect associated with corporate clothing and the production of special purpose clothing) was detached through the affiliated company Varteks Trgovina d.o.o., which is owned by Varteks d.d., after the first quarter of 2010.

In order to mitigate the negative impact of the crisis on liquidity, additional financing sources were planned through the sale of property, but given the negative trend on the real estate market, we were not able to realize the planned property sales and thus significantly affect the stabilization of the Group's liquidity. Given above business circumstances, the timely acquisition of raw materials, production materials and merchandise was not possible. The delays caused problems in the supply of production facilities and in the timely supply of the retail and wholesale networks, with partial cancellations. Under such circumstances, above delays, i.e. process disturbances, further negatively impacted business efficiency. The negative results continued to be significantly affected by high financing costs

Special measures continue to be aimed at financial consolidation through the use of the Group's own assets as a financing source. For a clearer view of the Company's balance sheet items, and thus also the Group's, a simplified share capital reduction was carried out in 2011 on the basis of a General Assembly decision, and in order to cover the total carried-over losses and the 2010 loss, reserves were used as well as share capital, which was reduced to HRK 113.8 million, and by rounding the value of shares, a share capital of HRK 96.1 million was established and capital reserves of HRK 17.7 million. For a clearer and more realistic balance sheet view with an emphasis on the total assets value, an asset reevaluation was carried out as of December 31, 2011 through the determination of the fair market value of land and property owned by the Company, with a net positive effect of HRK 347 million.

Regardless of the continuation of the crisis, the business indicated positive trends in 2011, although the realization of the set objectives is made more difficult through the slow implementation of property sales and measures announced by the Croatian Government to strengthen the competitiveness of labor-intensive processing industries.

3. MOST SIGNIFICANT BUSINESS RISKS IN 2011

The most significant business risks in 2011 were related to the general illiquidity. The main causes of the increased illiquidity which continued to be present in economies in the region and Europe, and thus also in the Group, are related to: the continued economic crisis, significant delays in the implementation and a lack of anti-recession measures by the Government, a further decline in private consumption and changed consumer habits, expensive financing sources, a lack of new investment and growth in outstanding liabilities.

The risks were particularly related to additional tax burdens and higher energy prices.

4. EXPECTED FUTURE DEVELOPMENT

The negative effects of the crisis continue to strongly affect the Croatian economy and economies in the region, and they carry further risks arising from growing illiquidity. The timely procurement of merchandise and the financing of business activities continue to remain a priority issue for the Group.

The Group is continuing the further implementation of activities pursuant to the Integral Business and Financial Restructuring Plan. Consequently, set activities are carried out in order to:

- raise the efficiency of all existing sales aspects and thus to raise overall business efficiency and results;
- implement new sales aspects;
- maximize the use of own available resources primarily in order to stabilize liquidity;
- further reduce administrative costs and more efficient variable cost management;
- carry out further restructuring in order to manage business processes and to measure the efficiency of certain parts of the system more transparently

In 2012, it is expected that the Group's own assets will have a larger share in the Group's financial consolidation as well as the quicker resolution of packages of measures announced by the new Government which are primarily related to stabilization, recovery and increasing the competitiveness of the processing industry. Aforementioned measures have a positive effect on the business operations of the entire Group given than the timely procurement of production materials, merchandise and goods in the parent Company are directly linked to the timely supply of other Group companies.

The Management Board holds that the Group owns significant resources and that under above circumstances it is successfully implementing the set objective of the business restructuring and development strategy. Support by the Croatian Government and banks is of great significance for the full implementation of the Group's Integral Business and Financial Restructuring Plan. The activities which are carried out or are planned to be carried out in order to reduce risks are sufficient to stabilize business operations, while creating the preconditions for raising overall business efficiency.

Chairman of the Board of Varteks d.d.

Zoran Košćec



Annex 1

Reporting period:

01.01.2011.

to

31.12.2011.

Annual financial report of GFI-POD

Registration number (MB): 3747034

Subject's registration number (MRS): 070004039

Personal identification number (OIB): 00872098033

Issuing company: VARTEKS D.D.

Postal code and place: 42000 VARAŽDIN

Street and house number: ZAGREBAČKA 94

E-mail address: info@varteks.com

website: www.varteks.com

District/twon code and name: 472 VARAŽDIN

County code and name: 5 VARAŽDINSKA

Number of employees: 2.337
(at year end)

Consolidated report: yes

NKD code: 1413

Companies of consolidation subjects (according to IFRS):

Seat:

Reg.No.:

BURGRTRADE G.m.b.h.	Eisenstadt, Austrija	00128280Y
VARTEKS (TEXTILES) Ltd.	Bristol, Velika Britanija	00970382
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 BiH d.o.o.	Široki Brijeg, Bosna i Hercegovina	
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

Accounting service:

Contact person: Bolšec Vlado

(only last name and name of contact person is entered)

Phone: 042/377-005

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E-mail address: vbolsec@varteks.com

Last name and name: Davidović Nenad

(person authorized for representation)

Documentation for publication:

1. Revised annual financial reports
2. Statement by persons responsible for the making of financial reports
3. Management report



(Signature of person authorized for representation)

BALANCE SHEET

Varteks Group - Varaždin

as of

31.12.2011.

Position 1	AOP mark 2	Previous year 3	Current year 4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT UNPAID CAPITAL	001		
B) LONGTERM ASSETS (003+010+020+028+032)	002	434.246.587	805.664.625
I. INTANGIBLE ASSETS (004 to 009)	003	9.392.192	7.942.676
1. Development expenses	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	9.246.966	7.942.676
3. Goodwill	006		
4. Advance payments for the procurement of intangible assets	007		
5. Intangible assets in preparation	008	145.226	
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	397.189.543	772.690.389
1. Property	011	54.753.233	187.556.145
2. Buildings	012	266.509.862	517.868.425
3. Machinery and equipment	013	62.745.404	57.169.175
4. Tools, facility inventory and transportation assets	014	11.762.520	9.039.734
5. Biological assets	015		
6. Advance payments for tangible assets	016		
7. Tangible assets in preparation	017	1.186.476	824.862
8. Other tangible assets	018	232.048	232.048
9. Investments in real estate	019		
III. LONGTERM FINANCIAL ASSETS (021 to 027)	020	23.728.640	21.423.349
1. Shares (stocks) in affiliated businesses	021		
2. Loans granted to affiliated businesses	022		
3. Participating interests (shares)	023	165.900	165.900
4. Investments in securities	024		
5. Loans, deposits and the like	025	730.375	730.375
6. Own stocks and shares	026		
7. Other longterm financial assets	027	22.832.365	20.527.074
IV. RECEIVABLES (029 to 031)	028	3.936.212	3.608.211
1. Receivables from affiliated undertakings	029		
2. Receivables arising from sales on credit	030	3.936.212	3.608.211
3. Other receivables	031		
V. DEFERRED TAX ASSETS	032		
C) CURRENT ASSETS (034+042+049+057)	033	221.155.823	142.611.105
I. INVENTORY (035 to 041)	034	156.463.146	91.311.157
1. Raw materials and supplies	035	24.903.638	33.330.637
2. Production in progress	036	7.701.697	3.416.655
3. Unfinished and intermediate products	037		
4. Finished products	038	33.470.720	23.482.388
5. Merchandise	039	44.165.052	30.631.843
6. Advances for inventory	040	899.706	449.634
7. Other assets intended for sale	041	45.322.333	0
II. RECEIVABLES (043 to 048)	042	55.811.648	40.069.367
1. Receivables from affiliated undertakings	043		
2. Receivables from buyers	044	47.941.993	26.483.372
3. Receivables from participating businesses	045		
4. Receivables from employees and members of the entrepreneur	046	566.906	558.491
5. Receivables from the state and other institutions	047	6.733.485	12.497.085
6. Other receivables	048	569.264	530.419
III. CURRENT FINANCIAL ASSETS (050 to 056)	049	5.874.930	9.298.507
1. Shares (stocks) in associated undertakings	050		
2. Loans to associated undertakings	051		
3. Participating interests (shares)	052	2.293.581	1.978.131
4. Investments in securities	053	3.581.349	7.320.376
5. Loans, deposits and the like	054		
6. Own stocks and shares	055		
7. Other financial assets	056		
IV. CASH AT BANK AND IN HAND	057	3.006.099	1.932.074
D) PREPAID EXPENSES AND COMPUTED INCOME	058	1.013.523	445.538
E) LOSS OVER CAPITAL	059		
F) TOTAL ASSETS (001+002+033+058+059)	060	656.415.933	948.721.268
G) OFF-BALANCE SHEET ITEMS	061	48.637.632	49.071.687

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	062	110.624.206	316.703.078
I. BASIC (REGISTERED) CAPITAL	063	384.161.400	96.040.350
II. CAPITAL RESERVES	064		17.748.231
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	10.428.371	246.700
1. Legal reserves	066		
2. Reserves for own shares	067	46.013.062	9.182.650
3. Own stocks and shares (deductible item)	068	36.730.600	9.182.650
4. Statutory reserves	069		
5. Other reserves	070	1.145.909	246.700
IV. REVALUATION RESERVES	071		278.255.370
V. RETAINED EARNINGS	072		
VI. LOSS CARRIED FORWARD	073	181.079.603	4.906.751
VII. FISCAL YEAR PROFIT	074		
VIII. FISCAL YEAR LOSS	075	102.885.962	70.680.822
IX. MINORITY INTEREST	076		
B) PROVISIONS (078 to 080)	077	744.081	239.775
1. Provisions for pensions, severance pays and similar obligations	078	436.458	
2. Provisions for tax liabilities	079		
3. Other provisions	080	307.623	239.775
C) LONGTERM LIABILITIES (082 to 089)	081	153.450.111	204.431.050
1. Amounts due to related undertakings	082		
2. Commitments for loans, deposits, etc.	083	0	4.802.795
3. Liabilities to banks and other financial institutions	084	153.427.611	130.064.412
4. Liabilities for advances	085		
5. Trade payables	086	22.500	
6. Commitments on securities	087		
7. Other longterm liabilities	088		
8. Deferred tax liabilities	089		69.563.843
D) CURRENT LIABILITIES (091 to 101)	090	391.046.349	426.721.970
1. Amounts due to related undertakings	091	16.986	17.320
2. Commitments for loans, deposits, etc.	092	13.878.442	6.414.281
3. Liabilities to banks and other financial institutions	093	152.019.557	158.923.445
4. Liabilities for advances	094	2.724.304	1.948.936
5. Trade payables	095	119.666.151	102.701.466
6. Commitments on securities	096		
7. Employment benefit obligations	097	14.781.997	11.998.383
8. Taxes, contributions and similar charges	098	80.207.967	136.546.089
9. Liabilities arising from share in the result	099		
10. Liabilities arising from non-current assets held for sale	100		
11. Other shortterm liabilities	101	7.750.945	8.172.050
E) ACCRUED CHARGES AND DEFERRED REVENUE	102	551.186	625.395
F) TOTAL -LIABILITIES (062+077+081+090+102)	103	656.415.933	948.721.268
G) OFF-BALANCE SHEET ITEMS	104	48.637.632	49.071.687
APPENDIX TO BALANCE SHEET (filled out by the person who puts together the consolidated annual financial report)			
CAPITAL AND RESERVES			
1. Attributed to parent company equity holders	105	110.624.206	316.703.078
2. Attributed to minority interests	106		

PROFIT AND LOSS ACCOUNT

Varteks Group - Varaždin

time period from

1.1.2011

to

31.12.2011.

Position	AOP mark	Previous year	Current year
1	2	3	4
I. OPERATING INCOME (108 to 110)	107	372.398.846	347.698.221
1. Revenues from sales	108	350.290.016	319.332.947
3. Other operating income	110	22.108.830	28.365.274
II. OPERATING EXPENSES (112-113+114+118+122+123+124+127+128)	111	441.773.362	381.047.224
1. Decrease in value of intermediate production inventory	112	17.669.188	6.829.921
2. Increase in value of intermediate production inventory	113		
3. Material costs (115 to 117)	114	212.894.948	191.825.024
a) Costs of raw materials and supplies	115	66.746.974	68.840.040
b) Costs of goods sold	116	108.838.739	87.625.732
c) Other external costs	117	37.309.235	35.359.252
4. Payroll costs (119 to 121)	118	127.918.847	120.241.111
a) Net wages and salaries	119	84.817.857	78.067.266
b) Costs of taxes and contributions paid	120	25.429.982	24.882.958
c) Contributions on salaries	121	17.671.008	17.290.887
5. Amortization	122	15.026.236	16.303.323
6. Other expenses	123	39.003.907	32.281.939
7. Revaluation (125+126)	124	8.530.842	7.087.985
a) of longterm assets (except financial assets)	125		
b) of current assets (except financial assets)	126	8.530.842	7.087.985
8. Provisions	127	436.459	
9. Other operating expenses	128	20.292.935	6.477.921
III. FINANCIAL INCOME (130 to 134)	129	6.522.531	3.041.561
1. Interest, exchange rate differences, dividends and similar income from relations	130		
2. Interest, exchange rate differences, similar income from relations with unaffiliated	131	6.404.147	3.041.561
3. Part of income from affiliated businesses and participating interests	132		
4. Unrealized gains (income)	133		
5. Other financial income	134	118.384	
IV. FINANCIAL EXPENSES (136 to 139)	135	39.982.643	40.142.716
1. Interest, exchange rate differences and other expenses from affiliated businesses	136		
2. Interest, exchange rate differences and other expenses from relations with unaffiliated	137	39.869.241	40.142.716
3. Unrealized losses (expenses) of financial assets	138		
4. Other financial expenses	139	113.402	
V. EXTRAORDINARY - OTHER INCOME	140		
VI. EXTRAORDINARY - OTHER EXPENSES	141		
VII. TOTAL INCOME (107+129+140)	142	378.921.377	350.739.782
VIII. TOTAL EXPENSES (111+135+141)	143	481.756.005	421.189.940
IX. PROFIT BEFORE TAXATION (142-143)	144	0	0
X. LOSS BEFORE TAXATION (143-142)	145	102.834.628	70.450.158
XI. INCOME TAX	146	51.334	230.664
XII. PROFIT FOR THE PERIOD (144-146)	147	0	0
XIII. LOSS OF THE PERIOD (145+146) or (146-144)	148	102.885.962	70.680.822
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)			
XIV.*PROFIT ASSIGNED TO PARENT COMPANY EQUITY HOLDERS	149		
XV.* PROFIT ASSIGNED TO MINORITY INTEREST	150		
XVI.* LOSS ASSIGNED TO PARENT COMPANY EQUITY HOLDERS	151	102.885.962	70.680.822
XVII.*LOSS ASSIGNED TO MINORITY INTEREST	152		

CASH FLOW STATEMENT - Indirect method

Varteks Group - Varaždin

time period from

1.1.2011

to

31.12.2011.

Position	AOP mark	Previous year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	-102.885.962	-70.450.158
2. Amortization	002	15.026.236	16.303.323
3. Increase in current liabilities	003	84.374.735	68.691.071
4. Decrease in shortterm receivables	004	29.656.010	16.310.266
5. Decrease in inventories	005	23.173.329	19.829.656
6. Other increases in cash flow	006	6.469.985	3.073.843
I. Total increase in cash flow from operating activities (001 to 006)	007	55.814.333	53.758.001
1. Decrease in current liabilities	008	1.793.317	
2. Increase in shortterm receivables	009	30.146.846	32.111.362
3. Increase in inventories	010		
4. Other decreases in cash flow	011	5.928.821	504.306
II. Total decrease in cash flow from operating activities (008 to 011)	012	37.868.984	32.615.668
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	17.945.349	21.142.333
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from the sale of longterm tangible and intangible assets	015	35.774.534	5.676.031
2. Proceeds from the sale of equity and debt instruments	016		
3. Proceeds from interest	017		
4. Proceeds from dividends	018		
5. Other proceeds from investing activities	019	24.584	2.633.292
III. Total proceeds from investing activities (015 to 019)	020	35.799.118	8.309.323
1. Cash expenditures for the purchase of longterm tangible and intangible assets	021	7.246.063	3.566.911
2. Cash expenditures for the acquisition of equity and debt instruments	022	18.466.912	3.739.027
3. Other cash expenditures from investing activities	023	19.000.655	1.120
IV. Total cash expenditures from investing activities (021 to 023)	024	44.713.630	7.307.058
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	1.002.265
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	8.914.512	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issuance of equity and debt instruments	027	41.595.538	27.757.671
2. Proceeds from equity loans, debentures, loans and other borrowings	028		
3. Other proceeds from financing activities	029	6.938.085	
V. Total proceeds from financing activities (027 to 029)	030	48.533.623	27.757.671
1. Cash expenditures for principal repayments of loans and bonds	031	56.290.684	45.920.417
2. Cash expenditures for the payment of dividends	032		0
3. Cash expenditures on finance leases	033		0
4. Cash expenditures for the purchase of own shares	034	3.216.364	0
5. Other cash expenditures from financing activities	035	458.941	5.055.877
VI. Total cash expenditures from financing activities (031 to 035)	036	59.965.989	50.976.294
C1) NET INCREASE IN CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE IN CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	11.432.366	23.218.623
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	2.401.529	1.074.025
Cash and cash equivalents at beginning of period	041	5.407.628	3.006.099
Increase in cash and cash equivalents	042	0	
Decrease in cash and cash equivalents	043	2.401.529	1.074.025
Cash and cash equivalents at end of period	044	3.006.099	1.932.074

STATEMENT OF CHANGES IN EQUITY

Varteks Group - Varaždin for period from 1.1.2011 to 31.12.2011.

Position	AOP mark	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	384.161.400	96.040.350
2. Capital reserves	002		17.748.231
3. Reserves from profit	003	10.428.371	246.700
4. Retained profit or loss carried forward	004	-181.079.603	-4.906.751
5. Profit or loss of current year	005	-102.885.962	-70.680.822
6. Revaluation of longterm tangible assets	006		278.255.370
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluations	009		
10. Total equity and reserves (AOP 001 to 009)	010	110.624.206	316.703.078
11. Foreign exchange differences arising from the titles of net investment in foreign operations	011		
12. Current and deferred taxes (part)	012		
13. Cash flow protection	013		
14. Changes in accounting policies	014		
15. Correction of significant errors in the previous period	015		
16. Other changes in equity	016		
17. Total increase or decrease in equity (AOP 011 to 016)	017	0	0
17 a. Attributed to parent company equity holders	018	110.624.206	316.703.078
17 b. Attributed to minority interest	019		

Positions that decrease equity are entered with a negativesign. Data under AOP marks 001 to 009 are entered as the balance as of the balance sheet date.



Revizija, računovodstveno i porezno savjetovanje

*VARTEKS D.D. VARAŽDIN
GROUP*

*CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT FOR 2011*

VARAŽDIN, MAY 2012

**REPORT ON PERFORMED AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS FOR 2011**

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RESPONSIBILITY OF MANAGEMENT FOR FINANCIAL STATEMENTS

In accordance with the Accounting Act of the Republic of Croatia, Management of Varteks d.d. Varaždin shall make sure that financial statements of of Varteks d.d. Varaždin (hereinafter: the Company) and the Varteks Group Varaždin (hereinafter: the Group) for each fiscal year be prepared in accordance with International Financial Reporting Standards (IFRS) as published by the Financial Reporting Standards Board, and present a true and fair insight into the Company and Group financial and business results for the above period.

After the performed research, the Management realistically expects that the Group companies shall have the necessary assets to continue with its business for the foreseeable future. Therefore, the Management still accepts the principle of continuation of business for the preparation of financial statements.

Regarding the preparation of financial statements, the Management Board shall be responsible for the following:

- Choice and consistent application of appropriate accounting policies;
- Reasonable and cautious deliberations and estimates;
- Application of valid accounting standards, and reporting and explaining of all significant deviations in the financial statements;
- Preparation of financial statements based on the principle of indefinite duration of business, unless it should be inappropriate to assume that the Group companies will continue with their business.

The Management Board shall be responsible for correct management of accounting records, which shall at any moment with acceptable accuracy show the financial position of the Company and the Group, as well as their conformance with the Croatian Accounting Act. The Management Board shall bear the general responsibility for undertaking steps for the purpose of preserving the assets of the Company and the Group and preventing and determining and wrongdoing/illegalities.

The attached financial statements presented on pages 4-76 have been approved by the Management on 16 May 2011 and are signed by:

For and in behalf of the Management:

Zoran Košćec

Nenad Davidović

Chairman of the
Management Board

Board Member for Financial
Transactions

Varteks d.d. Varaždin
Zagrebačka 94
42000 Varaždin
Republic of Croatia





Revizija, računovodstveno i porezno savjetovanje

TO SHAREHOLDERS OF VARTEKS d.d. VARAŽDIN

INDEPENDENT AUDITOR'S REPORT

We have performed the audit of attached consolidated financial statements of VARTEKS d.d. Varaždin (hereinafter: the Company) and its dependent companies (hereinafter jointly: the Group), as follows: Consolidated Financial Position Report as at 31 December 2011, Consolidated All-inclusive Profit Account for 2011, Consolidated Cash Flow Report for 2011, Consolidated Changes in Capital for 2011 and Notes to consolidated financial statements, including significant accounting policies.

Management Board responsibilities

The Management bears the responsibility for preparation and objective account of these financial statements in accordance with International Financial Reporting Standards and Croatian law. Management responsibilities include: determination, introduction and maintenance of internal controls relevant for preparation and fair presentation of financial statements in which there will not be any significant erroneous representations caused by mistake or deliberate deceit, choice and use of applicable accounting policies and making reasonable accounting estimates in given circumstances.

Responsibility of the auditor

Our responsibility is to give our opinion on these financial statements based on the published audit. Except in part where we stated the Facts influencing our opinion, we have conducted the audit in accordance with International Auditing Standards. These standards demand from the auditor adherence to ethical rules and planning and conducting of the audit in order to gain reasonable conviction on financial statements not having significant erroneous accounts.

Audit includes performing activities and obtaining auditing proof on amounts and releases in financial statements. Choice of activities, including the risk assessment for significant erroneous accounts in financial statements due to errors or fraud lies exclusively with the auditor. When assessing risk, the auditor takes into consideration the internal controls relevant for preparation and fair presentation of financial statements in order to determine auditing activities applicable under the circumstances, but not also for giving opinion on effectiveness of the Group's internal controls. The audit also includes assessment of pertinence of accounting policies used and of prudence of accounting estimates/assessments of the Management, as well as the assessment of the total presentation of financial statements. We believe that obtained proof is sufficient and appropriate for ensuring the basis for stating our opinion.

Opinion

According to our opinion, except the effects and possible effects of facts above, the attached financial statements are a true and fair representation, in all significant determinants, of the financial position of VARTEKS Group Varaždin as at 31 December 2011, business results, cash flow report and changes in capital in 2011, in accordance with the International Financial Reporting Standards.


Special considerations

Without qualifying our opinion, we turn your attention to the fact that Varteks Group realised a business loss for 2011 in the amount of HRK 70,680,822 (HRK 102,885,962 the previous year), and that the total short-term liabilities of the Group as at 31 December 2011 are higher than total short-term assets for HRK 284,530,497.

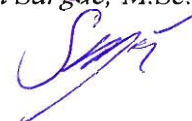
The above circumstances point toward uncertainty, which placed doubt in the ability of the Group to continue with indefinite duration of business (via Note 1.v.).

These financial statements do not contain and adjustments tied to evaluation and classification of assets and liabilities which would be necessary in case the Group should not be able to continue with indefinite duration of business.

*Authorized auditor:
Grozdana Šimović - Brlek,
M.Sc. (Econ.)*



*Managing Director:
Stjepan Šargač, M.Sc. (Econ.)*



Varaždin, 16 May 2012

*HLB Revidicon d.o.o.
42000 Varaždin
Ankice Opolski 2
Republic of Croatia*

Facts qualifying the opinion

Consolidated financial statements do not include the dependent companies Varteks D.o.o.e.l. Skopje and Varteks Mont d.o.o. Podgorica although the Company has a controlling interest in those companies. Financial statements of those companies are not presented; therefore, we are not able to estimate the effect of the same on the financial statements of Varteks Group.

The parent company Varteks d.d. declares investments in dependent companies using the fair value model, in accordance with the IFRS 27- Consolidated and Individual Financial Statements. As is noted in Notes 3.3.: - Stakes in associated companies represent investments in Corrado Nekretnine d.o.o. Rijeka in the amount of HRK 16,141,621. We could not ascertain the factual state of declared investments in the financial statements based on investment fair value calculations.

As is stated in Note 3.8. - Inventory, the Group as at 31 December 2011 declared the value of inventory in the amount of HRK 91,311,157. Value adjustment (in percentages) of inventory of finished products and trade goods has been defined and processed, while for other inventory values the net saleable value has not been ascertained. Due to the above we are unable to determine the possible difference in view of the above, nor the effect the above may have on the financial statements for 2011.

The Group has certain contractual conditions for a part of their credit liabilities, whereby the non-fulfilment of those conditions means the credit becomes due at request. Since as at 31 December 2011 all set conditions have not been fulfilled, the Group does not have the right to declare deferred liabilities for at least 12 months from the end of the reporting period; such liabilities must be declared as short-term liabilities.

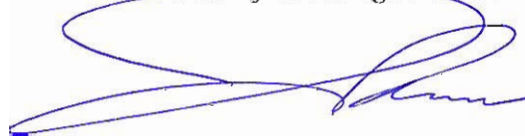
Note 3.30. contains potential liabilities which were determined through a tax inspection of the parent company by the Ministry of Finance – Tax Administration. The inspection encompassed the period from 2006 to 2009. We feel that the Company Varteks d.d. Varaždin, pursuant to the performed tax inspection, should have calculated penalty interest for the above liabilities up to the financial position report date and declare provisions for said liabilities in the amount of HRK 7,712,545. In accordance with the above, Varteks d.d. Varaždin and the Group declared a smaller loss of the current year for the amount of interest, i.e. HRK 926,079, and losses carried forward for 6,786,466 less.

The Group must present some data in accordance with the IFRS 7 - Financial Instruments: Reporting and the IFRS 8 - Business Segments which as at 31 December 2011 the Group failed to publish.

CONSOLIDATED FINANCIAL STATEMENTS**ALL-INCLUSIVE PROFIT STATEMENT
for the period from 1 January to 31 December 2011**

	Note	2010 <i>(in HRK)</i>	2011 <i>(in HRK)</i>
Income from sales	2.1.1.1.	350,290,016	319,332,947
Other income	2.1.1.2.	22,108,830	28,365,274
Total income from main activities	1.f.,2.1.1.	372,398,846	347,698,221
Value adjustment / change of inventory of current production and finished products		(17,669,188)	(6,829,921)
Purchase value of sold goods		(108,838,739)	(87,625,732)
Raw material, material and energy expenses	2.2.1.1.	(61,593,818)	(65,597,830)
Other material expenses	2.2.1.2.	(5,153,156)	(3,242,210)
Depreciation	2.2.1.3.	(15,026,236)	(16,303,323)
Non-material expenses	2.2.1.4.	(96,606,077)	(74,119,112)
Employee/staff expenses	2.2.1.5.	(127,918,847)	(120,241,111)
Value adjustment of long-term assets	2.2.1.6.	-	(773,840)
Value-adjustment of short-term assets	2.2.1.7.	(8,530,842)	(6,314,145)
Provision costs	1.s.,3.20.	(436,459)	-
Total liabilities from main Company activity	1.g.,2.2.1.	(441,773,362)	(381,047,224)
Profit / (loss) from general activities		(69,374,516)	(33,349,003)
Financial income	2.1.2.	6,522,531	3,041,561
Financial expenses/liabilities	2.2.2.	(39,982,643)	(40,142,716)
Net profit / (loss) from financial activities		(33,460,112)	(37,101,155)
TOTAL INCOME	2.1.	378,921,377	350,739,782
TOTAL LIABILITIES	2.2.	(481,756,005)	(421,189,940)
Profit/(loss) before taxation		(102,834,628)	(70,450,158)
Profit/company tax	1.i.,2.4.	(51,334)	(230,664)
Profit / (loss) of current period	2.3.	(102,885,962)	(70,680,822)
Loss per share		(59,23)	(36,80)
Other all-inclusive profit			
Currency rate differentials		(998,821)	(1,742,376)
Revaluation reserves based on revaluation of flats		231,881	246,700
TOTAL ALL-INCLUSIVE PROFIT / (LOSS) OF PERIOD		(103,652,902)	(72,176,498)

Signed for and on behalf the Group on 16 May 2012:

Zoran Košćec
Chairman of the Management BoardNenad Davidović
Board Member for Financial Transactions




The following notes are an integral part of these financial statements

**FINANCIAL POSITION REPORT
AS AT 31 DECEMBER 2011**

ASSETS

	<i>Notes</i>	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
LONG-TERM ASSETS		434,246,587	805,664,625
<i>INTANGIBLE ASSETS</i>	<i>1.j., 1.l., 3.1.</i>	9,392,192	7,942,676
<i>Concessions, licences, patents, trademarks, software and other rights</i>		9,392,192	7,942,676
<i>TANGIBLE ASSETS</i>		397,189,543	772,690,389
<i>Real estate, plants and equipment</i>	<i>1.k, 1.l., 3.2.</i>	397,189,543	772,690,389
<i>LONG-TERM FINANCIAL ASSETS</i>	<i>1.n.</i>	23,728,640	21,423,349
<i>Stakes (shares) in associated companies</i>	<i>3.3.</i>	18,466,912	16,161,621
<i>Participating interests (stakes)</i>	<i>3.4.</i>	165,900	165,900
<i>Placed loans, deposits, etc.</i>	<i>3.5.</i>	730,375	730,375
<i>Other long-term financial assets</i>	<i>3.6.</i>	4,365,453	4,365,453
<i>RECEIVABLES</i>		3,936,212	3,608,211
<i>Other receivables</i>	<i>3.7.</i>	3,936,212	3,608,211
SHORT-TERM ASSETS		221,155,823	142,611,105
<i>INVENTORY</i>	<i>1.n., 3.8.</i>	111,140,813	91,311,157
<i>LONG-TERM ASSETS FOR SALE</i>	<i>1.m., 3.9.</i>	45,322,333	-
<i>RECEIVABLES</i>	<i>1.m.</i>	55,811,648	40,069,367
<i>Accounts receivable</i>	<i>3.10.</i>	47,941,993	26,483,372
<i>Other receivables</i>	<i>3.11.</i>	7,869,655	13,585,995
<i>SHORT-TERM FINANCIAL ASSETS</i>	<i>1.n.</i>	5,874,930	9,298,507
<i>Investments in securities</i>	<i>3.12.</i>	3,581,349	7,320,376
<i>Placed loans, deposits, etc.</i>	<i>3.13.</i>	2,293,581	1,978,131
<i>CASH ON ACCOUNTS AND IN HAND</i>	<i>1.o., 3.14.</i>	3,006,099	1,932,074
PAID EXPENSES OF FUTURE PERIOD AND CALCULATED INCOME	<i>3.15.</i>	1,013,523	445,538
TOTAL ASSETS		656,415,933	948,721,268

The following notes are an integral part of these financial statements

FINANCIAL POSITION REPORT
AS AT 31 DECEMBER 2011
- Continued

CAPITAL AND LIABILITIES

	Notes	2010 (in HRK)	2011 (in HRK)
CAPITAL AND RESERVES	3.16.	110,624,206	316,703,078
ISSUED (NOMINAL) CAPITAL		384,161,400	96,040,350
CAPITAL RESERVES		-	17,748,231
RESERVES FROM REVENUE		10,428,371	246,700
Reserves for own shares		46,013,062	9,182,650
Own shares and stakes		(36,730,600)	(9,182,650)
Other reserves		1,145,909	246,700
REVALUATION RESERVES		-	278,255,370
LOSS CARRIED FORWARD		(181,079,603)	(4,906,751)
LOSS OF FISCAL YEAR		(102,885,962)	(70,680,822)
PROVISIONING	1.s.,3.17.	744,081	239,775
Provisions for retirement, severance pay and similar liabilities		436,458	-
Other provisions		307,623	239,775
LONG-TERM LIABILITIES	1.p.,3.18.	153,450,111	204,431,050
Liabilities for loans/credits, deposits, etc.	3.18.1.	-	4,802,795
Liabilities toward banks and other financial institutions	3.18.2.	153,427,611	130,064,412
Accounts payable	3.18.3.	22,500	-
Deferred tax obligation	3.18.4.	-	69,563,843
SHORT-TERM LIABILITIES		391,046,349	426,721,970
Liabilities toward associated companies	3.19.	16,986	17,320
Liabilities for loans/credits, deposits, etc.	1.p.,3.20.1.	13,878,442	6,414,281
Liabilities toward banks and other financial institutions	1.p.,3.20.2.	152,019,557	158,923,445
Liabilities for advance payments	3.21.	2,724,304	1,948,936
Accounts payable	3.22.	119,666,151	102,701,466
Liabilities toward employees	3.23.	14,781,997	11,998,383
Taxes, contributions and similar fees	3.24.	80,207,967	136,546,089
Other short-term liabilities	3.25.	7,750,945	8,172,050
DEFERRED PAYMENT OF EXPENSES AND INCOME OF FUTURE PERIOD	3.26.	551,186	625,395
TOTAL CAPITAL AND LIABILITIES		656,415,933	948,721,268

Signed for and on behalf the Group on 16 May 2012:

Zoran Košćec
Chairman of the Management Board

Nenad Davidović
Board Member for Financial Transactions

The following notes are an integral part of these financial statements



REPORT ON CHANGES IN CAPITAL FOR 2011

2010
(in HRK)

	Initial capital	Own (treasury) shares	Reserves for own shares	Other reserves	Loss carried forward	Loss of current year	TOTAL
Position as at 1 January 2010	384.161,400	(97,716,600)	103,037,818	914,028	(183,740,256)		206,656,390
Adjustments					1,661,832		1,661,832
Buyout of shares in ESOP d.o.o.	-	61,001,000	(57,035,740)	-	-	-	3,965,260
Adjustment of shares	-	(15,000)	10,984	-	-	-	(4,016)
Current year loss	-	-	-	-	-	(102,885,962)	(102,885,962)
Other all-inclusive profit	-	-	-	231,881	-	-	231,881
Currency rate differentials					998,821	-	998,821
Position as at 31 Dec. 2010	384.161.400	(36,730,600)	46,013,062	1.145,909	(181.079.603)	(102,885,962)	110,624,206

2011
(in HRK)

	Initial capital	Capital reserves	Own (treasury) shares	Reserves for own shares	Other reserves	Revalu. reserves	Loss carried forward	Loss of business year	TOTAL
Position as at 31 Dec 2010	384,161,400	-	(36,730,600)	46,013,062	1,145,909	-	(181,079,603)	(102,885,962)	110,624,206
Transfers	-	-	-	-	-	-	(102,885,962)	102,885,962	-
Decision of the Assembly - simplified capital decrease	(288,121,050)	17,748,231	-	-	-	-	270,372,819	-	-
Allocation of other reserves	-	-	27,547,950	(36,830,412)	(1,145,909)	-	10,428,371	-	-
Loss of fiscal year	-	-	-	-	-	-	-	(70,680,822)	(70,680,822)
Revaluation of tangible assets	-	-	-	-	-	278,255,370	-	-	278,255,370
Other all-inclusive profit	-	-	-	-	246,700	-	-	-	246,700
Currency rate differentials	-	-	-	-	-	-	(1,742,376)	-	(1,742,376)
Pos. as at 31 Dec. 2011	96,040,350	17,748,231	(9,182,650)	9,182,650	246,700	278,255,370	(4,906,751)	(70,680,822)	316,703,078

Signed for and on behalf the Group on 16 May 2012:

Zoran Koščec
Chairman of the Management Board

Nenad Davidović
Board Member for Financial Transactions



The following notes are an integral part of these financial statements

**CASH FLOW REPORT
FOR 2011
Indirect method**

	2010 <i>(in HRK)</i>	2011 <i>(in HRK)</i>
<i>Cash flow from business activities</i>		
<i>Loss before taxes</i>	(102,885,962)	(70,680,822)
<i>Depreciation</i>	15,026,236	16,303,323
<i>Increase of short-term liabilities</i>	84,374,735	68,691,071
<i>Decrease of short-term receivables</i>	29,656,010	16,310,266
<i>Decrease of inventory</i>	23,173,329	19,829,656
<i>Currency rate differentials</i>	3,599,180	2,827,143
<i>Other increases of cash flow</i>	2,870,805	246,700
<i>Total increase of cash flow from business activities</i>	55,814,333	53,527,337
<i>Decrease of short-term liabilities</i>	(1,793,317)	-
<i>Paid interest</i>	(30,146,846)	(32,111,362)
<i>Other decreases of cash flow</i>	(5,928,821)	(504,306)
<i>Total decrease of cash flow from business activities</i>	(37,868,984)	(32,615,668)
<i>NET INCREASE OF CASH FLOW FROM BUSINESS ACTIVITIES</i>	17,945,349	20,911,669
<i>CASH FLOW FROM INVESTMENT ACTIVITIES</i>		
<i>Cash receivables from the sale of long-term tangible and intangible assets</i>	35,774,534	5,676,031
<i>Other cash receivables from investment activities</i>	24,584	2,633,292
<i>Total cash receivables from investment activities</i>	35,799,118	8,309,323
<i>Cash liabilities/expenses for purchase of long-term tangible and intangible assets</i>	(7,246,063)	(3,566,911)
<i>Cash liabilities/expenses for acquisition of equity (owner) and debt financial instruments</i>	(18,466,912)	(3,739,027)
<i>Other cash liabilities/expenses from investment activities</i>	(19,000,655)	(1,120)
<i>Total cash liabilities from investment activities</i>	(44,713,630)	(7,307,058)
<i>NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES</i>	-	1,002,265
<i>NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES</i>	(8,914,512)	-

**CASH FLOW REPORT
FOR 2011
Indirect method
- Continued**

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
CASH FLOW FROM FINANCIAL ACTIVITIES		
Cash receivables from credit equity, debenture notes, loans, etc.	41,595,538	27,757,671
Other receivables from financial activities	6,938,085	-
Total cash receivables from financial activities	48,533,623	27,757,671
Cash liabilities/expenses for payment of credit equity and bonds	(56,290,684)	(45,920,417)
Cash liabilities/expenses for purchase of own shares	(3,216,364)	-
Other cash liabilities/expenses from financial activities	(458,941)	(4,825,213)
Total cash liabilities from financial activities	(59,965,989)	(50,745,630)
NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES		
	(11,432,366)	(22,987,959)
Total decrease of cash flow	(2,401,529)	(1,074,025)
Cash and cash equivalents at the beginning of period	5,407,628	3,006,099
Decrease of cash and cash equivalents	(2,401,529)	(1,074,025)
Cash and cash equivalents at the end of period	3,006,099	1,932,074

Signed for and on behalf the Group on 16 May 2012:

Zoran Košćet
Chairman of the Management Board

Nenad Davidović
Board Member for Financial
Transactions



The following notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

GENERAL COMPANY AND GROUP INFORMATION

VARTEKS, Varaždinska tekstilna industrija d.d. Varaždin (hereinafter: the Company) is a majority owner of all the associated companies comprising the Varteks Group (hereinafter: the Group), and it was established through transformation of the public company Varteks Holding Varaždin into Joint-Stock Company as of 17 June 1992, and in accordance with the Resolution of the Restructuring and Development Agency of the Republic of Croatia No.: 01-01-02/92-06/94 as of 9 April 1993 and the Decision on Transfer of Shares of Varteks Varaždin Joint-Stock Company to Funds as of 16 July 1993. The abbreviated name of the Company is VARTEKS d.d., and the seat of the Company is in the Republic of Croatia, Varaždin, Zagrebačka 94.

The Company is entered with the Commercial Court in Varaždin under tax No. (MBS) 070004039, nat. ID No. (OIB) 00872098033.

Main activities

The core activities of the Group are:

- Manufacture/production of clothes, fur processing and colouring;*
- Manufacture of textiles;*
- Purchase and sale of goods;*
- Trade intermediation on the domestic and foreign markets;*
- Leather processing, manufacture of accessories and footwear*

The number of employees in the Group as at 31 December 2011 was 2,249 (2,419 in 2010).

Company bodies

Supervisory Board of VARTEKS d.d. Varaždin

<i>Milan Horvat</i>	<i>Chairman</i>
<i>Stjepan Igrac</i>	<i>Vice-chairman</i>
<i>Artur Gedike</i>	<i>Member</i>
<i>Neven Maruševac</i>	<i>Member</i>
<i>Božica Čiček – Mutavdžić</i>	<i>Member</i>
<i>Krešimir Dragić</i>	<i>Member</i>
<i>Marijan Mitrović</i>	<i>Member</i>

Management Board (or: the Management; or: the Board) of VARTEKS d.d. Varaždin

<i>Zoran Košćec</i>	<i>Chairman of the Management Board</i>
<i>Nenad Davidović</i>	<i>Board Member for Financial Transactions</i>
<i>Miljenko Vidaček</i>	<i>Board Member for Manufacture/Production</i>

General Assembly Chairman

Stjepan Igrac

NOTES TO FINANCIAL STATEMENTS (continued)

Management of dependent companies

<i>Varteks Odjeća d.o.o. Varaždin</i>	<i>Miljenko Vidaček</i>
<i>Varteks Bednja d.o.o. Bednja</i>	<i>Miljenko Vidaček</i>
<i>Varteks Ludbreg d.o.o. Ludbreg</i>	<i>Miljenko Vidaček</i>
<i>Burgtrade G.m.b.h. Eisenstadt</i>	<i>Damir Rizman</i>
<i>Vartex Textiles Limited London</i>	<i>Karen Tanner</i>
<i>Varteks Trade d.o.o. Ljubljana</i>	<i>Tihomir Škoda</i>
<i>Varteks Plus d.o.o. Belgrade</i>	<i>Jasmina Žerađanin</i>
<i>Varteks Logistic d.o.o. Varaždin</i>	<i>Josip Posavec</i>
<i>Varteks Trgovina d.o.o. Varaždin</i>	<i>Natalija Vnučec</i>
<i>Varteks Trgovina d.o.o. Široki Brijeg</i>	
<i>Varteks ESOP d.o.o. Varaždin</i>	<i>Jelena Stankus - Tkalec</i>
<i>Varteks D.o.o.e.l. Skopje</i>	
<i>Varteks Mont d.o.o. Podgorica</i>	

NOTES TO FINANCIAL STATEMENTS (continued)

The parent company VARTEKS d.d. Varaždin is the owner of the following dependent companies:

Name or dependent company / affiliate	Country of establishment	Stake in ownership (%)		Stake in voting rights		Core activity
		2010	2011	2010	2011	
Varteks Odjeća d.o.o. Varaždin	Croatia	100%		100%		Production of clothing
Varteks Bednja d.o.o. Bednja	Croatia	100%		100%		Production of clothing
Varteks Ludbreg d.o.o. Ludbreg	Croatia	100%		100%		Production of clothing
Burgtrade G.m.b.h. Eisenstadt	Austria	100%	100%	100%	100%	Trade, mediation and representation
Vartex Textiles Limited, London	Great Britain	100%	100%	100%	100%	Trade, mediation and representation
Varteks Trade d.o.o. Ljubljana	Slovenia	100%	100%	100%	100%	Trade, mediation and representation
Varteks Plus d.o.o., Belgrade	Serbia	100%	100%	100%	100%	Trade, mediation and representation
Varteks Logistic d.o.o. Varaždin	Croatia	100%	100%	100%	100%	International forwarding
Varteks Trgovina d.o.o. Varaždin	Croatia	100%	100%	100%	100%	Trade, mediation and clothes manufacture
Varteks Trgovina d.o.o., Široki Brijeg	Bosnia and Herzegovina	100%	100%	100%	100%	Trade and trade mediation
Varteks ESOP d.o.o. Varaždin	Croatia	100%	100%	100%	100%	Business and management consulting
Varteks D.o.o.e.l. Skopje	Macedonia	100%	100%	100%	100%	Trade and trade mediation
Varteks Mont d.o.o. Podgorica	Montenegro	100%	100%	100%	100%	Trade and trade mediation

Varteks d.d. is the owner of 50% stake and has 50% voting rights in Corrado nekretnine d.o.o. Rijeka.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is the overview of significant accounting policies adopted for the preparation of the financial statements for 2011.

1a. Conformance statement

The consolidated financial statements were drafted in accordance with the International Financial Reporting Standards - IFRS. For needs of these financial statements i.e. preparation of this Report, the prescribed financial statements of Group companies were re-classified, and contents and the form adjusted to better represent reporting according to the IFRS.

1.b. Basis for preparation of financial statements

Consolidated financial statements of the Group have been prepared using the principle of historical expense, except certain long-term tangible and financial assets, which were declared at revalued amounts in accordance with the IFRS and Croatian law.

The preparation of these financial statements, in accordance with the IFRS, demanded certain reclassifications of positions in the financial statements for 2010, but this had no effect on the net loss of the Group or the amount of assets, capital or liabilities.

The Group's accounting is done in Croatian language, in Kuna (HRK) and in accordance with the Croatian laws and regulations and accounting principles and practices which Croatian companies adhere to. Accounting records of dependent companies in Croatia and abroad are kept in accordance with valid regulations in pertinent countries. Preparation of the consolidated financial statements have been drafted using same accounting policies for same transactions and other business events for all Group members. Regardless of the varied legal framework of financial reporting for the parent company Varteks d.d. Varaždin and other Group members that applied Croatian Financial Reporting Standards (CFRS) and foreign members doing business in accordance with regulations of valid accounting policies did not have a material effect on consolidated amounts declared for the current year and the previous year. When necessary, adjustments of financial statements of dependent companies have been made in order to conform the accounting policies of dependent companies to that of the parent company.

Preparation of consolidated financial statements in accordance with the IFRS demands the use of certain key accounting estimates. It is also requested from the Management to use their judgement during the process of the application of the Group's accounting policies.

The Group prepared these consolidated financial statements in accordance with Croatian laws and regulations and in accordance with the IFRS, which have been approved by the Management on 16 May 2012.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.c. Other regulatory demands

Pursuant to the Regulations on Structure and Contents of Annual Financial Statements (OG RC Nos. 38/2008, 12/2009 and 130/2010) enacted by the Ministry of Finance of the Republic of Croatia, the Management Board of Varteks d.d. drafted the annual financial statements, which contain the financial position report as at 31 December 2011, the all-inclusive profit account, the cash flow report and the report on changes in capital for 2011. Financial information in the forms were extracted from the consolidated financial statements of the Company shown on pages 4-9 in accordance with the Accounting Act of the RC and the IFRS.

1.d. Consolidation basis

Due to the need of users of financial reports in the parent company for information on the financial position, business results and changes in financial position of the parent company and the dependant companies (i.e. the Group), the consolidated financial reports were made based on the International Accounting Standard 27 – Consolidated and Separate Financial Reports, offering information on the mother company and the associated companies as one entity (i.e. as the Group), and the amounts pertaining to receivables, liabilities, income, expenses, profit and loss mirror transaction values and positions of certain positions in the balance which are a result of external changes only.

The consolidation comprises the parent company Varteks d.d. Varaždin and dependent companies owned by Varteks d.d. Varaždin.

- Varteks Trgovina d.o.o. Varaždin, Republic of Croatia
- Varteks Logistic d.o.o. Varaždin, Republic of Croatia
- Varteks ESOP d.o.o. Varaždin, Republic of Croatia
- Varteks Trade d.o.o. Ljubljana, Republic of Slovenia
- Varteks Plus d.o.o., Belgrade, Republic of Serbia
- Vartex Tekstiles Limited, London, Great Britain
- Varteks Odjeća d.o.o. Varaždin, Republic of Croatia
- Varteks Ludbreg d.o.o. Ludbreg, Republic of Croatia
- Varteks Bednja d.o.o. Bednja, Republic of Croatia
- Varteks Trgovina d.o.o., Široki Brijeg, Federation of Bosnia and Herzegovina
- Burgrade G.m.b.H. Eisenstadt, Republic of Austria

The consolidation also includes the associated company Corrodo Nekretnine d.o.o. Rijeka, which is 50% owned by the parent company Varteks d.d. Varaždin

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidation of separate financial reports of the parent Varteks d.d. Varaždin company and the dependent companies was performed through:

- Elimination of the book amount of the investment of the parent company in each dependent company and the stake of the parent company in their equity;
- Elimination within group accounts of receivables and liabilities;
- Elimination of in-Group transactions including income and expenses. As the internal goods transactions are performed using the principal in which the income amount is equal to the purchase cost, without burdening inventory of such transactions, the above has no materially significant unrealized profit or losses within the Group.

1.e. Report currency

Individual financial statements of each subject within the Group shall be presented in the currency of the primary economic environment the subject is doing business in – its functional currency. Consolidated financial statements contain the results and the financial position of each subject within the Group in Croatian Kuna (HRK), which is the functional currency of the company and presentational currency for the consolidated financial statements.

Transactions in foreign currencies not nominated in the functional currency of the subject shall initially be declared using the currency rate valid on the transaction date. Monetary assets and liabilities declared in foreign currencies shall be re-calculated at the end of every reporting period using the valid exchange rates on that date. Profits and losses stemming from the re-calculation shall be burdened or approved in the PLA for the period which they were made.

For being declared in the consolidated financial statements, assets and liabilities of the foreign currency business of the Group is recalculated into HRK using currency rates valid at the end of the reporting period. The items of income and liabilities are recalculated using the mean exchange rate for the period, unless there were significant fluctuations of the currency exchange rate, in which case the exchange rate valid on the transaction date shall be used. Possible currency rate differentials from the recalculation shall be recognised as other all-inclusive profit and accumulated in the equity. Sale of the foreign part of business transfers the cumulative currency exchange rate differentials pertaining to that part of foreign business belonging to the Group into profit or loss.

The currency rate of Kuna (HRK) as at 31 December was, in relation to other currencies:

31 December 2010	1 EUR = HRK 7.385173	1 USD = HRK 5.568252	1 CHF = HRK 5.929961
31 December 2011	1 EUR = HRK 7.530420	1 USD = HRK 5.819940	1 CHF = HRK 6.194817

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.f. Recognition of income

Income shall be recognised when it is probable that economic-based benefits will flow to the Group, and when the income amount can be measured with certainty. Income from sales shall be recognised, less taxes and discounts, when the goods have been delivered or services rendered, and when a significant portion of the risk and benefits has been transferred.

Income from interest shall be calculated based on non-settled principal and applicable interest rate, and shall be declared in the all-inclusive profit account as financial income.

1.g. Liabilities

Manufacturing/production costs

Production costs contained in realised products and services contain used raw materials and additional materials and costs of inventory conversion.

Non-manufacturing/non-production costs

Non-production costs contain costs of common and general purpose departments and all other costs.

Loan expenses

Loan expenses made based on current business obligations and loans/credits burden the all-inclusive profit account for the period in which they were made.

1.h. Staff salaries

Defined contributions to retirement plans with defined income shall be recognised as liabilities when the employees have rendered services based on which they realised their right to said contributions.

Liability for pensions declared in the financial position report represents the current value of the liability based on defined salaries.

The severance pay liability is made when the working relationship with the employee is severed before the regularly scheduled retirement date and shall be adopted as an expense when the Group has accepted, without realistic chance of retraction, a formal detailed plan, or when the employee should accept voluntary retirement in return for the severance pay.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.i. Taxation

Taxes and contributions and other legal obligations are paid according to valid regulations of the country in which the companies do business, and the base of the payment is usually the amount of product, goods and services realization, that of paid-out salaries and profit.

Tax liabilities based on the profit/company tax is the sum of current tax obligation and deferred taxes.

Current tax

Current tax liabilities are based on taxable profit for the year. Taxable profit differs from net profit before taxation shown in the all-inclusive profit account because it does not contain the items of income and expenses which are taxable or non-taxable in other years, nor does it contains items which are never taxable nor deductible. The current tax liability of the Group is calculated using interest rates in force, or those interest rates valid on the date of the financial position report.

Deferred tax

Deferred tax is the amount expected to result in liability or return, based on the difference between the asset book value and liabilities in financial statements and the linked tax basis used to calculate the taxable income, and shall be calculated using the balance liability method. Deferred tax liabilities are recognized for all taxable temporary differentials, and deferred tax assets is recognized in so far it is probable that the taxable profit will be available based on which rebatable temporary differentials could be used. Deferred tax liabilities and tax assets shall not be recognised based on temporary differences stemming from goodwill, or through initial recognition of other assets and liabilities, except in business mergers, in transactions not influencing taxable or accounting profit.

The book amount of deferred tax assets is checked every date of the financial position report and is decreased to the extent in which it is no longer probable that the necessary amount of taxable profit for return of the entire or partial tax assets would be available.

Deferred tax shall be calculated using those tax rates in force for which it is expected that they shall be used in the period in which the liability shall be settled or asset realised (and tax laws), or which are in the process of being enacted until the date of the financial position report. Calculation of deferred tax liabilities and assets reflects the amount which is expected to bring about the liability or return, as at the reporting date.

Deferred tax liabilities and assets shall be offset if there should exist a legal right allowing coverage of current tax liabilities using current tax assets, and when they pertain to tax income determined by the same tax office, and the Group intends to adjust (equate) its current tax assets with its tax liabilities/obligations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred taxes for the period

Deferred taxes shall be declared as burden or benefit in the all-inclusive profit account, unless it pertains to items being recorded/declared directly for the benefit or burdening the equity, in which case deferred taxes shall also be declared within the equity amount, or when the tax stems from the initial account management concerning business merger.

1.j. Real estate, plants and equipment

Real estate (real property), plants and equipment are declared in the financial position report at purchase cost or at revaluated value less each subsequent value correction and subsequent accumulated losses from value decrease. The effect of realised revaluation of real property is declared directly in the principal amount, the position of revaluated reserves and deferred tax liability. Acquisition cost includes all expenses which can directly be attributed to bringing the assets to the location and in the state necessary for intended use

Expenses which arose after putting real property, plants and equipment to use, such as repairs and maintenance, shall be recognised as liabilities in the all-inclusive profit account for the period in which they were made.

Depreciation is calculated by writing-off the purchase value of real property, except land and buildings in construction, during the estimated useful life of assets using the straight-line method and the following rates:

	<u>%</u>
<i>Structures/buildings</i>	<i>1 – 4</i>
<i>Equipment</i>	<i>1 – 20</i>
<i>Vehicles</i>	<i>25</i>
<i>Office equipment</i>	<i>10</i>

Gains or losses made through abandonment or write-off of a certain asset are calculated as a difference between sales income and the book amount of that asset and shall be declared as income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.k. Intangible assets

Intangible assets are initially declared at purchase cost.

Intangible assets are depreciated using the straight line method during the estimated useful life at the rate of 20%.

1.l. Inventory

Inventory of raw materials and spare parts is entered under purchase cost or net realized value, whichever is lower. Expense shall be determined using the FIFO method. Net realisable value represents the estimate of the sale price during regular business less variable sales costs.

The expense of current production and finished products includes raw materials, direct work costs, other direct expenses and the pertinent part of general production costs (based on regular production capacity).

Trade goods are declared at sales price less taxes and margins.

Small inventory and equipment are fully written off when being placed into service/use.

1.m. Accounts receivable and advance payments

Accounts receivable and advance payments are declared at nominal value less pertaining value correction for estimated non-coverable amounts. The Management is conducting the adjustment of suspect and debatable receivables based on the overview of the total age structure of all receivables and significant individual receivable amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.n. Financial assets

Financial assets shall be recognised in the financial position report when the Company becomes one of the contractual sides on which the contractual conditions of the instrument apply.

At initial recognition, the Management allocates financial assets into one of the following categories:

- 1. Financial assets whose adjustment of fair value shall be recognised in the all-inclusive profit account*
- 2. Investments held to maturity*
- 3. Credits/loans and receivables, or*
- 4. Financial assets available for sale.*

Financial assets shall initially be measured at fair value (purchase cost) increased for transaction costs, except assets whose adjustment of fair value is declared in the all-inclusive profit account. Initial calculation of this asset does not include transaction costs; they are included in current period liabilities.

Financial assets whose adjustment of fair value shall be recognised in the all-inclusive profit account are those that fulfil one of the following conditions:

- Classified as assets intended for sale*
- The Group classified it into this item/group at initial recognition.*

These financial assets are measured at fair value as at the date of the financial position report, without a decrease for the amount of transaction costs. The change in fair value is recognised as financial income or liability in the all-inclusive profit account.

Investments held to maturity represent non-derivative financial assets with fixed or determinable payment amount and fixed maturity for which the Group intends and has the ability to keep to the maturity date, and shall be declared at depreciated amount using the effective interest rate method. Effects realised through consequent calculation of these assets shall be declared in the AIPA.

Credits and receivables represent non-derivative financial assets with fixed or determined payment not quoted on the active market. As at the date of the financial position report, they shall be measured at depreciation cost using the effective interest rate method. Effects realised through consequent calculation of these assets shall be declared in the AIPA.

Financial assets available for sale represent financial investments which cannot be declared within one of the previously noted groups. These financial assets are measured at fair value as at the date of the financial position report, without a decrease for the amount of transaction costs. The change in fair value is recognised directly as capital, i.e. as revaluation reserve.

Investments in owner securities whose price is not quoted on an active market and whose fair value cannot be ascertained with a good degree of certainty shall be declared at purchase cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value decrease shall be estimated for all financial assets measured at purchase cost or depreciated expense on each date of the financial position report. If there is any objective proof of value decrease, the loss from decrease shall be recognised as financial liability in the AIPA.

The Group ceases to recognise a financial asset only if the contractual right to that asset cash flow has expired, if the financial asset is transferred, and if all the risks and rewards linked to the ownership over that asset are in majority transferred to another subject. If the Group should not transfer nor keep the risks and awards linked to ownership, and if it still has control over the transferred asset, it shall declare its retained stake in the asset and its linked liability in the amounts it must eventually pay. If the Group should keep the majority of all the risks and awards linked to ownership over the transferred financial asset, that asset shall keep being recognised, along with the recognition of the loan for which collateral was given, for income received.

1.o. Cash and cash equivalents

Cash and cash equivalents contain the positions on bank accounts and cash on hand and sight deposits and term deposits with up to three-month maturity.

1.p. Financial liabilities

Financial liabilities, including loan and credit liabilities, shall initially be measured at fair value less transaction costs.

Other financial liabilities shall later be measured at depreciated cost using the effective interest method, where the interest expenses shall be recognised as effective yield.

The effective interest method is the method used to calculate depreciated cost of financial liability and interest expenses during the relevant period. The effective interest rate is the rate used to discount the estimated future cash outflow during the expected life expectancy of the financial liability, or shorter, if applicable.

The Group shall cease to recognise financial liabilities only when the obligations of the Group have been settled, retracted or have expired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.r. Leasing/rent

Rent/lease is classified as financial rent/lease when, according to the lease, virtually all risks and rewards tied to the ownership of the asset are transferred to the tenant. All other rents/leases are considered business rent/lease.

Assets being the subject of financial lease shall be recognised as Group assets at fair value at the start of the lease, or at current value of minimal lease/rent payment if that amount is smaller. Linked obligation toward the lessor shall be declared in the financial position report as liability of financial lease.

Fees paid within business leases shall be recognised as liabilities using the a straight-line method during the entire lease, unless some other basis should better serve the time-dynamic of expenditure of economic benefits presented by the leased asset. Unforeseen rent/lease amounts based on business leases shall be recognised as liabilities for the period in which they were made.

1.s. Provisions

Provisioning shall be recognised only when the Group has a current liability (legal or derivative) as a result of previous event, if it is probable (i.e. more probable that it will happen than not) that the settlement of the liability shall demand an outflow of resources with economic benefits and when the amount of the liability may be correctly ascertained. Provisions shall be checked on every date of the financial position report and shall be changed in order to reflect the best current estimate. When the effect of time-value of money is significant, the amount of provisions is the current value of expected expenditures which will be necessary in order to cover the liabilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1. Associated parties

In accordance with the IAC 24 – Publishing associated parties, an associated party is an entity/person/party associated with the subject of the report. A person or a member of the immediate family is considered an associated party to the subject of the report if he/she:

- i) Has control or joint control over the subject of the report*
- ii) Has significant influence over the subject of the report*
- iii) Is a member of key managerial staff of the subject or its parent company*

An entity/party is associated with the subject of the report if any of the following is true:

- i) The party and the subject of the report belong to the same Group*
- ii) One of these parties/entities is dependent on the other or a joint entity of another entity*
- iii) Both entities are joint ventures of the same third party*
- iv) One entity is a joint venture of a third party, and the other entity is a joined entity to the third party*
- v) The party is an employee pension fund in the subject of the report or in an entity associated with the subject of the report*
- vi) The entity is controlled or jointly controlled by a person or a member of the immediate family of the person/entity who/which is associated with the subject of the report*
- vii) A person or a member of the immediate family of the person controlling or jointly controlling the subject of the report has significant influence in the subject or is a member of key management of the subject or his parent company.*

Transaction between associated parties is a transfer of resources, services or liabilities between the subject of the report and the associated party, regardless of whether the price has been charged.

1.u. Potential liabilities

Potential liabilities are not recognised in the financial statements because it is not probable that settling these liabilities will demand outflow of resources. They shall be reported in Notes.

Potential assets are not recognised in financial statements, but shall be published when the inflow of economic benefits is favourable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.v. The Management Board's assessment of business conditions in 2011 and the use of assumed unlimited duration of business in the preparation of financial statements

Varteks Group has decreased its losses in 2011 by HRK 32.3 million in relation to 2010. In 2011 the Group posted losses of HRK 70.5 million, while in 2010 the loss was HRK 102.8 million. Business results are linked to economy, predominately on the domestic market, which is still being significantly influenced by negative effects of the global crisis, but also the markets in the region where the negative effects of the crisis were also significant.

The main contributors to the rise of insolvency/non-liquidity in 2011, both in the Group and in all of Croatia's economy:

- Continuation of the economic crisis*
- Significant delay in and lack of anti-recession measures*
- Further drop in personal spending and change in consumer spending habits*
- Expensive financing sources*
- Lack of new investments*
- Increase of unpaid liabilities*

Despite the negative climate, through activities of business and financial restructuring we managed to decrease the losses for 31.5 compared to 2010. Business results, viewed through regular business activities, show additional positive movement, since the loss from main activities in 2011 amounts to HRK 33.3 million, while in 2010 it was HRK 69.4 million - representing a decrease in losses for 51.9%.

In accordance with the elements of the Integral plan of business and financial restructuring, the Group during 2011 worked to realize set goals aimed at raising the efficiency of its business and management, and to realize set savings measures. Pursuant to the above, from May 2011 the production portion of the parent company (the Company) began to function through three separate limited liability companies (d.o.o.); in fact, the B2B segment (sales in connection with corporate clothing and special purpose clothing) was singled out through the daughter-company Varteks Trgovina d.o.o. (owned by Varteks d.d.) after the first quarter of 2010.

In order to soften the negative effects of the crisis on liquidity, additional financing sources are planned through the sale of one part of real property; however, taking in consideration the negative trend on the real property market, we were not able to realize the planned sale of our property and thus have a more significant bearing on the liquidity/solvency of the Group. Due to the above, we could not purchase raw materials, production materials and trade goods on time. These delays further caused problems in production (capacity-wise), as well as in our retail and wholesale efforts in view of on-time supply of stores. These delays and deviations from our business process had a further negative effect on our business efficiency. Another significant negative effect was high financing costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The assessment of the possibility of the Group continuing its unlimited duration of business is based on resources the Group has at its disposal, the measures that it is actualizing through its business activities in connection with stabilizing its business, and through its development strategy. Regardless of the continuation of the crisis, The Group is regularly posting better business results, although the goals it set are being hampered by slower sale of real property in the parent company and the proclaimed measures of the government of Croatia regarding strengthening competitiveness of work-intensive processing industries. The assessment includes all estimated significant external and internal risk factors and all the measures and activities being put into place in order to eliminate said risks.

Negative effects of the crisis are still having a strong effect on Croatian economy and countries in the region, and bring forth additional risks in view of rampant non-liquidity. Priority problem for the Group is still timely acquisition of trade goods and financing business activities.

The main risks of continued business are defined through elements of external influences:

- Continuation of the economic crisis in 2012*
- Further spending decrease*
- Increase of non-liquidity*
- Insufficient state activity in the segment of executing anti-recession measures*
- Additional taxes and other state contributions*
- Further price hike of energy sources*
- Lack of investments*

The above may have a bearing on internal financial and other business factors in the Group business through:

- Income decrease*
- Liquidity/solvency problems*
- Increase of financing costs*
- Increase of certain expense groups*
- Negative cash flow*
- Negative key financial indicators*

In 2012 the Group shall continue to perform all its activities in accordance with the Integral plan for business and financial restructuring. The planned activities are thus being realized with the following goals:

- Raising efficiency of all sales through raising the total business efficiency and business results*
- Implementation of new sales solutions*
- Maximum use of own resources at hand, primarily to stabilize liquidity*
- Further decrease administrative costs and more efficient variable expenses management*
- Further reorganization in order to better manage business processes and to achieve better transparency of measuring work efficiency of individual parts of the system*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In 2011, in order to clearly show the parent Company's balance sheet positions, the General Assembly made a decision on simplifying the decrease of capital stock, and reserves and capital stock were used to cover the total amount of losses carried forward and current losses from 2010; the capital stock was thus decreased to HRK 113.8 million.

In order to make the Company Balance even more clear and realistic, especially concerning the value of total assets, revaluation of asset value was performed as at 31 December 2011 through the determination of market fair value of land and properties owned by the Company, with net positive effect in the amount of HRK 347 million.

In 2012 we expect a larger portion of own assets to play a part, aimed at financial consolidation of the Group, as well as quicker realization of government-announced measures in connection with stabilization, recovery and higher competitiveness in the processing industry. The above measures have a positive effect on the business of the entire Group, since timely acquisition of consumables, goods and products in the parent Company are directly tied to timely supply of other companies in the Group.

The Management estimates that the Group owns significant resources, and that, in the given circumstances, it is successfully realizing set goals for business restructuring. The support of the state and banks is of great importance to complete execution of the Integral plan of business and financial restructuring of the Group. Activities being undertaken or planned to be undertaken with the goal being the decrease of risk are sufficient for stabilization of the Company's business and for making a foundation for increasing total business efficiency and ensuring the continuation of unlimited duration of Group business.

1.z. Events after the date of the financial position report

Events after the date of the financial position report are those events which have positive or negative effects and which emerged between the financial position report date and the date of approving the issue of the financial statements.

The Group shall adjust the amounts which it recognised (declared) in its financial statements with events after the financial position report date which confirm the circumstances existing on the financial position report date (i.e. which need adjusting).

Amounts recognised in the financial statements are not adjusted with events after the financial position report date confirming the circumstances emerging after the financial position report date (i.e. which do not need adjusting). Such events, if significant, shall be presented in Notes.

2. NOTES TO THE ALL-INCLUSIVE PROFIT ACCOUNT

2.1. Income

Total income in 2011:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Income from main activities</i>	372,398,846	347,698,221
<i>Financial income</i>	<u>6,522,531</u>	<u>3,041,561</u>
TOTAL:	<u><u>378,921,377</u></u>	<u><u>350,739,782</u></u>

2.1.1. Structure of income from general activities

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Income from sales</i>	350,290,016	319,332,947
<i>Other income</i>	<u>22,108,830</u>	<u>28,365,274</u>
TOTAL:	<u><u>372,398,846</u></u>	<u><u>347,698,221</u></u>

2.1.1.1. Income from sales

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
<i>Income from product sales</i>		
<i>Domestic market</i>	126,322,287	104,926,476
- wholesale	74,664,801	61,801,134
- retail	51,657,486	43,125,342
<i>Income from sales of goods</i>		
<i>Domestic market</i>	68,524,130	79,478,968
- wholesale	7,383,826	18,183,244
- retail	61,140,304	61,295,724
<i>Income from sales of products and services on the foreign market</i>	77,773,739	65,780,563
TOTAL PRODUCTS AND GOODS	<u>272,620,156</u>	<u>250,186,007</u>
<i>Domestic market</i>	194,846,417	184,405,444
<i>Foreign market</i>	77,773,739	65,780,563
<i>Income from services</i>		
<i>Domestic market</i>	14,167,543	11,375,573
<i>Foreign market</i>	63,502,317	57,771,367
TOTAL:	<u>77,669,860</u>	<u>69,146,940</u>
GRAND TOTAL:	<u>350,290,016</u>	<u>319,332,947</u>
<i>Domestic market</i>	209,013,960	195,781,017
<i>Foreign market</i>	141,276,056	123,551,930

2.1.1.2. Other income

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Net income from sale of long-term assets</i>	-	8,490,576
<i>Income from lease</i>	8,885,895	7,311,101
<i>Surplus</i>	1,155,552	1,501,414
<i>Income from collection of written-off receivables</i>	178,710	391,066
<i>Income from subsequently approved discounts</i>	115,365	35,691
<i>Income from collection of damages</i>	156,071	332,686
<i>Income from sale of materials, spare parts</i>	162,040	260,040
<i>Income from write-off of liabilities toward suppliers</i>	704,434	6,465,837
<i>Income from cancelling provisions</i>	6,321,025	436,459
<i>Other income</i>	4,429,738	3,140,404
<i>TOTAL:</i>	<u>22,108,830</u>	<u>28,365,274</u>

2.1.2. Structure of financial income

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Positive currency exchange rate differentials</i>	6,123,215	2,982,746
<i>Income from interest</i>	280,932	58,815
<i>Other income</i>	118,384	-
<i>TOTAL:</i>	<u>6,522,531</u>	<u>3,041,561</u>

2.2. Liabilities*Total liabilities in 2011:*

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Liabilities/expenses from main activities</i>	441,773,362	381,047,224
<i>Financial expenses/liabilities</i>	<u>39,982,643</u>	<u>40,142,716</u>
TOTAL:	<u><u>481,756,005</u></u>	<u><u>421,189,940</u></u>

2.2.1. Structure of liabilities from main activities

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Value adjustment / change of inventory of current production and finished products</i>	17,669,188	6,829,921
<i>Purchase value of sold goods</i>	108,838,739	87,625,732
<i>Raw material, material and energy expenses</i>	61,593,818	65,597,830
<i>Other material expenses</i>	5,153,156	3,242,210
<i>Depreciation</i>	15,026,236	16,303,323
<i>Non-material expenses</i>	96,606,077	74,119,112
<i>Employee/staff expenses</i>	127,918,847	120,241,111
<i>Value adjustment of long-term assets</i>	-	773,840
<i>Value-adjustment of short-term assets</i>	8,530,842	6,314,145
<i>Provision costs</i>	436,459	-
TOTAL:	<u><u>441,773,362</u></u>	<u><u>381,047,224</u></u>

2.2.1.1. Raw material and material expenses*These expenses include:*

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Raw material and material expenses</i>	47,665,161	51,798,648
<i>Energy</i>	<u>13,928,657</u>	<u>13,799,182</u>
TOTAL:	<u><u>61,593,818</u></u>	<u><u>65,597,830</u></u>

2.2.1.2. Other material expenses

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Other materials used</i>	2,780,116	1,339,603
<i>Vehicle expenses</i>	1,197,808	1,348,426
<i>Office materials used</i>	515,546	358,645
<i>Spare parts used</i>	565,683	130,326
<i>Write-off of small inventory</i>	94,003	65,210
 <i>TOTAL:</i>	 <u>5,153,156</u>	 <u>3,242,210</u>

2.2.1.3. Depreciation

Depreciation of long-term assets is performed individually for each asset.

Depreciation costs in 2011 amount to HRK 16,303,323 (HRK 15,026,236 the previous year).

Notes 1.j. and 1.k. contain the overview of rates used and calculated depreciation per asset group.

2.2.1.4. Non-material expenses

	2010	2011
	<i>(in HRK)</i>	<i>(in HRK)</i>
<i>Value of disposed and sold assets not written off</i>	13,165,941	-
<i>Employee transport</i>	12,252,112	11,754,143
<i>Rent</i>	18,902,782	17,506,964
<i>Severance pay and anniversary awards</i>	6,250,073	6,098,145
<i>Non-production services</i>	9,162,286	5,319,575
<i>Advertising and sponsorships</i>	3,889,582	3,917,272
<i>Taxes and contributions not depending on result</i>	4,010,369	3,510,625
<i>Other material rights</i>	2,629,306	2,573,916
<i>Banking services</i>	4,250,314	2,539,860
<i>Shortages</i>	1,690,697	2,198,258
<i>Maintenance services</i>	2,579,458	2,703,982
<i>Transport and forwarding</i>	818,798	1,674,898
<i>Credit card fees</i>	1,724,517	1,741,319
<i>Public, graphical and external trade services</i>	2,806,511	1,958,167
<i>Insurance premiums</i>	1,567,172	1,657,813
<i>Production services</i>	1,219,866	690,533
<i>Write-off of short-term assets</i>	75,552	261,967
<i>Other production services</i>	744,086	965,031
<i>Representation costs</i>	553,119	568,723
<i>Other expenses</i>	8,313,536	6,477,921
 <i>TOTAL:</i>	 <u>96,606,077</u>	 <u>74,119,112</u>

2.2.1.5. Employee/staff expenses

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
Net salaries	84,817,857	78,067,266
Taxes and contributions on salaries and other staff expenses	<u>43,100,990</u>	<u>42,173,845</u>
TOTAL:	<u><u>127,918,847</u></u>	<u><u>120,241,111</u></u>

At the end of the year the Group had 2,249 employees (2,419 the previous year).

2.2.1.6. Value adjustment of long-term assets

In the current year, pursuant to the new calculation of long-term assets, the Group determined (for each asset type) values lower than accounting values, declaring a loss from decreased value in the amount of HRK 773,840.

2.2.1.7. Value-adjustment of short-term assets

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
Expense of inventory value adjustment	4,780,831	4,150,473
Expense of value adjustment of accounts receivable and consumer loans	<u>3,750,011</u>	<u>2,163,672</u>
TOTAL:	<u><u>8,530,842</u></u>	<u><u>6,314,145</u></u>

2.2.2. Structure of financial expenses

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
Credit/loan Interest liabilities	20,953,851	18,504,360
Other interest liabilities/expenses	9,192,995	13,607,002
Negative currency exchange rate differentials	9,722,395	5,809,889
Other financial liabilities	<u>113,402</u>	<u>2,221,465</u>
TOTAL:	<u><u>39,982,643</u></u>	<u><u>40,142,716</u></u>

2.3. Loss of fiscal year

Current year loss for Varteks Group amounts to HRK 70,680,822 (HRK 102,885,962 the previous year).

Group profit/loss after taxation, by company, amounts to:

	HRK	
	2010	2011
<i>Varteks d.d. Varaždin</i>	(94,343,173)	(59,147,266)
<i>Varteks Odjeća d.o.o. Varaždin</i>	-	414,604
<i>Varteks Bednja d.o.o. Bednja</i>	-	(2,878,761)
<i>Varteks Ludbreg d.o.o. Ludbreg</i>	-	(2,247,077)
<i>Varteks ESOP d.o.o. Varaždin</i>	-	(2,029)
<i>Varteks Trgovina d.o.o. Varaždin</i>	191,457	403,539
<i>Burgtrade G.m.b.h. Eisenstadt</i>	(337,974)	(184,857)
<i>Vartex Textiles Limited, London</i>	(1,969,203)	(3,259,184)
<i>Varteks Trade d.o.o. Ljubljana</i>	(1,555,004)	(1,278,195)
<i>Varteks Plus d.o.o., Belgrade</i>	(4,884,147)	(2,132,926)
<i>Varteks Logistic d.o.o. Varaždin</i>	26,683	14,039
<i>Varteks Trgovina d.o.o., Široki Brijeg</i>	(132,985)	(98,064)
<i>Corrado Nekretnine d.o.o. Rijeka</i>	118,384	(284,645)
TOTAL:	<u>(102,885,962)</u>	<u>(70,680,822)</u>

2.4. Profit/company tax

Varteks d.d. is a profit/company tax payer for the amount being legally taxed in the Republic of Croatia. Profit tax is 20% of the taxable Company profit (same as the previous year). Foreign dependent companies are also profit tax payers in their respective countries.

Total tax liability (obligation) amounts to HRK 230,664 (HRK 51,334 the previous year), of which HRK 217,654 in the Republic of Croatia and HRK 13,010 abroad.

Overview of parent company (Company) tax losses that can be used in future periods:

Year	Amount	Cumulative
2013	9,235,842	9,235,842
2014	58,634,313	67,870,155
2015	89,025,665	156,895,820
2016	48,897,074	205,792,894

The amount of deferred tax assets as at 31 December 2011 was calculated using the 20% rate, as shown below:

	2010. (in HRK)	2011. (in HRK)
Deferred tax assets from tax losses carried over (20%)	31,379,164	41,158,579
Position as at 31 December	31,379,164	41,158,579

Deferred tax assets were not declared in the financial position report because it is not certain that sufficient taxable profit tax will be achieved in order to use the deferred tax assets.

3. FINANCIAL POSITION REPORT

3.1. Intangible assets

						2010 (in HRK)
	Goodwill	Software	Investments in third party assets	Rights to model and trademark	Assets in preparation	Total
<u>PURCHASE VALUE</u>						
Position as at 1 Jan. 2010	504,663	1,197,670	14,067,581	151,083	-	15,920,997
Direct increase (purchase)	-	46,605	2,793,767	-	145,226	2,985,598
Currency rate differentials	-	-	(133,505)	-	-	(133,505)
Liabilities and sale	-	-	(858,209)	-	-	(858,209)
Position as at 31 December 2010	504,663	1,244,275	15,869,634	151,083	145,226	17,914,881
<u>VALUE ADJUSTMENT</u>						
Position as at 1 Jan. 2010	(504,663)	(732,608)	(6,781,924)	(45,361)	-	(8,064,556)
Current year depreciation	-	(128,332)	(1,159,171)	(30,217)	-	(1,317,720)
Currency rate differentials	-	-	68,564	-	-	68,564
Liabilities and sale	-	-	791,023	-	-	791,023
Position as at 31 December 2010	(504,663)	(860,940)	(7,081,508)	(75,578)	-	(8,522,689)
<u>CURRENT VALUE</u>						
of intangible assets as at 31 Dec. 2010	-	383,335	8,788,126	75,505	145,226	9,392,192
<u>CURRENT VALUE</u>						
of intangible assets as at 1 Jan. 2010	-	465,062	7,285,657	105,722	-	7,856,441

3.1. Intangible assets - continued

						2011 (in HRK)
	Goodwill	Software	Investments in third party assets	Rights to model and trademark	Assets in preparation	Total
<u>PURCHASE VALUE</u>						
Position as at 1 Jan. 2011	504,663	1,244,275	15,869,634	151,083	145,226	17,914,881
Direct increase (purchase)	-	12,278	2,141,674	-	-	2,153,952
Increase by preparatory transfer	-	-	145,226	-	(145,226)	-
Currency rate differentials	-	-	104,186	-	-	104,186
Liabilities and sale	-	-	(2,494,507)	-	-	(2,494,507)
Position as at 31 December 2011	504,663	1,256,553	15,766,213	151,083	-	17,678,512
<u>VALUE ADJUSTMENT</u>						
Position as at 1 Jan. 2011	(504,663)	(860,940)	(7,081,508)	(75,578)	-	(8,522,689)
Current year depreciation	-	(97,534)	(1,952,350)	(30,216)	-	(2,080,100)
Currency rate differentials	-	-	(66,630)	-	-	(66,630)
Liabilities and sale	-	-	933,583	-	-	933,583
Position as at 31 December 2011	(504,663)	(958,474)	(8,166,905)	(105,794)	-	(9,735,836)
<u>CURRENT VALUE</u>						
of intangible assets as at 31 Dec. 2011	-	298,079	7,599,308	45,289	-	7,942,676
<u>CURRENT VALUE</u>						
of intangible assets as at 1 Jan. 2011	-	383,335	8,788,126	75,505	145,226	9,392,192

3.2. Real estate, plants and equipment

2010
(in HRK)

	Land	Structures/buildings	Plants and equipment	Tools, inv. and means of transport	Tangible assets in preparation	Other assets	Total
<u>PURCHASE VALUE</u>							
Position as at 1 Jan. 2010	49,123,233	344,670,374	264,689,568	33,631,333	19,458,716	232,048	711,805,272
Direct increase (purchase)	-	679,025	53,532	-	3,081,054	-	3,813,611
Increase by preparatory transfer	-	1,399,285	1,636,340	2,145,144	(5,180,769)	-	-
Termination of sales agreement	8,700,000	38,593,786	-	-	-	-	47,293,786
Currency rate differentials	-	7,098	(68,552)	-	-	-	(61,454)
Liabilities and sale	(3,070,000)	(15,490,015)	(9,630,483)	(178,360)	(16,172,525)	-	(44,541,383)
Position as at 31 December 2010	54,753,233	369,859,553	256,680,405	35,598,117	1,186,476	232,048	718,309,832
<u>VALUE ADJUSTMENT</u>							
Position as at 1 Jan. 2010	-	(96,575,898)	(193,225,973)	(21,633,169)	-	-	(311,435,040)
Current year depreciation	-	(3,838,686)	(7,308,539)	(2,561,291)	-	-	(13,708,516)
Currency rate differentials	-	(2,294)	(10,448)	-	-	-	(12,742)
Termination of sales agreement	-	(5,278,604)	-	-	-	-	(5,278,604)
Liabilities and sale	-	2,345,791	6,609,959	358,863	-	-	9,314,613
Position as at 31 December 2010	-	(103,349,691)	(193,935,001)	(23,835,597)	-	-	(321,120,289)
<u>CURRENT VALUE</u>							
o real estate, plants and equipment as at 31 Dec. 2010	54,753,233	266,509,862	62,745,404	11,762,520	1,186,476	232,048	397,189,543
<u>CURRENT VALUE</u>							
o real estate, plants and equipment as at 1 Jan. 2010	49,123,233	248,094,476	71,463,595	11,998,164	19,458,716	232,048	400,370,232

Group assets pledged as at 31 Dec. 2010 has the book value of HRK 301,961,995.

3.2. Real property, plants and equipment - continued

	2011 (in HRK)						
	Land	Structures/buildings	Plants and equipment	Tools, inv. and means of transport	Tangible assets in preparation	Other assets	Total
<u>PURCHASE VALUE</u>							
Position as at 1 Jan. 2011	54,753,233	369,859,553	256,519,613	35,758,909	1,186,476	232,048	718,309,832
Reclassification of assets	-	45,322,333	-	-	-	-	45,322,333
Direct increase (purchase)	669,174	139,281	570,036	34,468	-	-	1,412,959
Increase by preparatory transfer	-	-	147,584	-	(147,584)	-	-
Adjustments	-	1,120	305,667	(305,667)	-	-	1,120
Revaluation	132,852,307	396,978,002	-	-	-	-	529,830,309
Currency rate differentials	-	31,858	111,755	-	-	-	143,613
Liabilities and sale	(718,637)	(4,872,305)	(9,914,931)	(678,245)	(214,030)	-	(16,398,148)
Position as at 31 December 2011	187,556,077	807,459,842	247,739,724	34,809,465	824,862	232,048	1,278,622,018
<u>VALUE ADJUSTMENT</u>							
Position as at 1 Jan. 2011	-	(103,349,691)	(193,776,929)	(23,993,669)	-	-	(321,120,289)
Current year depreciation	-	(5,367,172)	(6,416,147)	(2,439,904)	-	-	(14,223,223)
Currency rate differentials	-	(4,509)	(81,713)	-	-	-	(86,222)
Revaluation	-	(182,784,936)	-	-	-	-	(182,784,936)
Liabilities and sale	-	1,914,891	9,714,676	653,474	-	-	12,283,041
Position as at 31 December 2011	-	(289,591,417)	(190,560,113)	(25,780,099)	-	-	(505,931,629)
<u>CURRENT VALUE</u>							
o real estate, plants and equipment as at 31 Dec. 2011	187,556,077	517,868,425	57,179,611	9,029,366	824,862	232,048	772,690,389
<u>CURRENT VALUE</u>							
o real estate, plants and equipment as at 1 Jan. 2011	54,753,233	266,509,862	62,742,684	11,765,240	1,186,476	232,048	397,189,543

As at 31 December 2011, Group assets (land and structures) were mortgaged to creditors as insurance for coverage of liabilities in the book amount of HRK 630,673,481 (via Notes 3.18., 3.20., 3.22.).

In 2011 the Group performed reclassification of assets for sale into assets in use, and treated these as all other assets in use.

3.2. Real property, plants and equipment - continued

As at 31 December 2011 the Group recorded the estimate of the value of long-term tangible assets (land and structures) as calculated by official estimators, and declared:

- Increase of the value of assets whose estimated (fair) value is higher than the book value, revaluation reserves in the amount of HRK 278,255,370 and deferred tax liabilities in the amount of HRK 69,563,843 (Notes 3.16., 3.18.),
- Decrease of the value of assets whose estimated (fair) value is lower than the book value, and burdened current year liabilities with these losses from the decrease in the amount of HRK 773,840 (Note 2.2.1.6.).

3.3. Stakes (shares) in associated companies

Investments in stakes declared by the following companies:

	<u>(in HRK)</u>
Varteks d.d. Varaždin	16,141,621
Varteks Trgovina d.o.o. Varaždin	<u>20,000</u>
TOTAL:	<u><u>16,161,621</u></u>

Investments were performed in stakes of the following companies:

	Ownership %	2010 <u>(in HRK)</u>	2011 <u>(in HRK)</u>
Corrado Nekretnine d.o.o. Rijeka	50	18,348,528	16,426,266
Pothodnik d.o.o. Varaždin	100	-	20,000
TOTAL:		<u>18,348,528</u>	<u>16,446,266</u>
Results taken over - profit / (loss)		<u>118,384</u>	<u>(284,645)</u>
TOTAL:		<u><u>18,466,912</u></u>	<u><u>16,161,621</u></u>

Changes during the year:

	<u>2011</u> (in HRK)
Position as at 1 January	18,348,528
Increase:	
- Transfer of business stake of Corrodo Nekretnine to Varteks d.d. Varaždin	16,426,266
- Establishing Pothodnik d.o.o.	20,000
Decrease:	
- Transfer of business stake in Corrodo Nekretnine from Varteks Trgovina d.o.o.	(18,348,528)
Position as at 31 December	16,446,266

3.4. Participating interests (stakes)

Position declared in the parent company Varteks d.d. includes investments in:

	<u>2010</u> (in HRK)	<u>2011</u> (in HRK)
Stake:		
Luvar d.o.o. Varaždin	205,810	205,810
Radio Varaždin	140,000	140,000
NAMA Zagreb d.o.o.	20,000	20,000
Investment value adjustment	(205,810)	(205,810)
TOTAL:	<u>160,000</u>	<u>160,000</u>
	<u>2010</u> (in HRK)	<u>2011</u> (in HRK)
Shares (stocks):		
Croatia Airlines d.d. Zagreb	560,730	560,730
Hrvatska gospodarska banka	22,951	22,951
Coning Holding	5,900	5,900
Value adjustment of shares	(583,681)	(583,681)
TOTAL:	<u>5,900</u>	<u>5,900</u>
GRAND TOTAL:	<u>165,900</u>	<u>165,900</u>

3.5. Placed loans, deposits, etc.

Placed loans and deposits are declared in the parent company Varteks d.d. and include:

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
<i>Pledge/rent deposits</i>	595,543	595,543
<i>Deposit in Privredna bank</i>	116,702	116,702
<i>Lease deposits</i>		
<i>- Hypo Leasing</i>	15,980	15,980
<i>- Volksbank leasing</i>	<u>2,150</u>	<u>2,150</u>
 <i>TOTAL:</i>	 <u>730,375</u>	 <u>730,375</u>

3.6. Other long-term financial assets

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
<i>Receivables from the state based on old foreign currency savings – takeover of flats</i>	<u>4,365,453</u>	<u>4,365,453</u>
 <i>TOTAL:</i>	 <u>4,365,453</u>	 <u>4,365,453</u>

3.7. Other long-term receivables

Other long-term receivables declared toward the following companies:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
Varteks ESOP d.o.o. Varaždin	3,216,364	2,710,458
Varteks d.d. Varaždin	<u>719,848</u>	<u>897,753</u>
TOTAL:	<u><u>3,936,212</u></u>	<u><u>3,608,211</u></u>

3.7.1. Long-term receivables based on sale of own shares

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
Long-term receivables based on sale of own shares	<u>3,216,364</u>	<u>2,710,458</u>
TOTAL:	<u><u>3,216,364</u></u>	<u><u>2,710,458</u></u>

Pursuant to the Decision of the government of the Republic of Croatia dated 14 February 2008, Varteks d.d. realised in 2010 the first (of 3 planned) entry-sale share (stock) emission in accordance with the Esop programme (worker shareholding). In order to realise the programme, in 2010 the Company established Varteks Esop d.o.o. Varaždin. In accordance with the Agreement on the sale and transfer of shares of Varteks d.d. to Varteks Esop d.o.o. as of 21 October 2010, 305,005 Varteks d.d. shares of HRK 200 per-share nominal value (total nominal value HRK 61,001,000) were sold and transferred.

In the first entry-sale cycle, 155,937 shares were realised at the initial market price of HRK 16.92 per share, i.e. total sale value after discount of HRK 1,443,029.

Receivables based on the sale and transfer of shares (stocks) were declared in Varteks Esop d.o.o. as follows:

2010.

	<u>Number of shares</u>	<u>Amount (in HRK)</u>
Shares sold in the first cycle of the programme	155,937	1,443,029
- collected		(341,345)
TOTAL - uncollected		1,101,684
- Long-term receivables from employees		694,133
- Short-term receivables from employees		407,551
Shares for sale (2 nd and 3 rd cycle)	<u>149,068</u>	<u>2,522,231</u>
GRAND TOTAL:	<u>305,005</u>	<u>3,623,915</u>
Long-term receivables		3,216,364
Short-term receivables		407,551

2011.

	<u>Number of shares</u>	<u>Amount (in HRK)</u>
- collected		(400,777)
GRAND TOTAL as at 31 December 2011	<u>305,005</u>	<u>3,223,138</u>
Long-term receivables		2,710,458
Short-term receivables		512,680

3.7.2. *Other long-term receivables*

Other long-term receivables were declared in Varteks d.d. and include:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Receivables based on:</i>		
- <i>Sold flats</i>	175,311	376,471
- <i>Placed property loans/credits</i>	369,878	377,130
<i>Other long-term receivables – Tiskara d.o.o.</i>	<u>174,659</u>	<u>174,659</u>
<i>TOTAL:</i>	<u>719,848</u>	<u>928,260</u>
 <i>Current maturity of long-term receivables based on sold flats</i>		
	<u>-</u>	<u>(30,507)</u>
<i>TOTAL:</i>	<u>719,848</u>	<u>897,753</u>

3.8. *Inventory**Inventory, per company:*

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Varteks d.d. Varaždin</i>	96,526,775	82,166,314
<i>Varteks Odjeća d.o.o. Varaždin</i>	-	579,527
<i>Varteks Bednja d.o.o. Bednja</i>	-	92,058
<i>Varteks Ludbreg d.o.o. Ludbreg</i>	-	190,161
<i>Vartex Textiles Limited, London</i>	3,667,727	-
<i>Varteks Plus d.o.o., Belgrade</i>	7,113,443	5,900,685
<i>Varteks Trade d.o.o. Ljubljana</i>	3,832,868	2,382,412
<i>TOTAL:</i>	<u>111,140,813</u>	<u>91,311,157</u>

Inventory includes:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Raw materials and materials</i>	30,216,420	30,846,044
<i>Spare parts</i>	3,135,692	3,097,046
<i>Current production</i>	7,701,697	3,416,655
<i>Finished products</i>	33,470,720	27,533,883
<i>Trade goods</i>	44,165,052	33,397,045
<i>TOTAL:</i>	<u>118,689,581</u>	<u>98,290,673</u>
<i>Adjustment of inventory value</i>	<u>(8,448,474)</u>	<u>(7,468,380)</u>
<i>TOTAL:</i>	<u>110,241,107</u>	<u>90,822,293</u>
<i>Advance payments for inventory</i>	<u>899,706</u>	<u>488,864</u>
<i>GRAND TOTAL:</i>	<u>111,140,813</u>	<u>91,311,157</u>

Value adjustment changes:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Position as at 1 January</i>	(15,051,058)	(8,448,474)
<i>New value adjustments</i>	(4,780,831)	(5,057,854)
<i>Cancellation of value adjustment Adjustments</i>	11,451,275	6,112,739
	<u>(67,860)</u>	<u>(74,791)</u>
<i>Position as at 31 December</i>	<u>(8,448,474)</u>	<u>(7,468,380)</u>

3.9. *Assets intended for sale*

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Assets intended for sale</i>	45,322,333	-
<i>TOTAL:</i>	<u>45,322,333</u>	<u>-</u>

Assets intended for sale includes real property in Serbia, Montenegro and Bosnia and Herzegovina, entered in the Company books through recapitalisation (see Note 3.16.). Reclassification of the above assets into long-term tangible assets – real property in use (Note 3.2.) was made in 2011.

Changes during the year:

	<u><i>(in HRK)</i></u>
<i>Position as at 1 Jan. 2011</i>	45,322,333
<i>Increase</i>	
<i>- Adjustment</i>	1,120
<i>- Revaluation</i>	3,010,497
<i>Decrease</i>	
<i>- Depreciation for 2011</i>	(1,681,813)
<i>- Sales - net</i>	(281,312)
<i>- Reclassification of assets</i>	(46,370,825)
<i>Position as at 31 December 2011</i>	-

3.10. Accounts receivable

Accounts receivable (receivables from clients) per company:

	2010	2011
	(in HRK)	(in HRK)
Varteks d.d. Varaždin	29,331,251	21,195,449
Varteks Odjeća d.o.o. Varaždin	-	5,598
Varteks Bednja d.o.o. Bednja	-	23,285
Varteks Trgovina d.o.o. Varaždin	14,873,210	3,734,940
Varteks Logistic d.o.o. Varaždin	254,990	415,471
Vartex Textiles Limited, London	1,765,860	268,910
Burgtrade G.m.b.h. Eisenstadt	3,120	-
Varteks Plus d.o.o., Belgrade	1,573,485	767,476
Varteks Trade d.o.o. Ljubljana	140,055	72,221
Varteks Trgovina d.o.o., Široki Brijeg	22	22
TOTAL:	47,941,993	26,483,372

Accounts receivable include:

	2010	2011
	(in HRK)	(in HRK)
Domestic accounts receivable		
- for goods and services	62,869,335	47,146,183
- for interest	3,092,838	3,092,838
Foreign accounts receivable	26,673,868	23,347,584
TOTAL:	92,636,041	73,586,605
Value adjustment of suspect and disputed accounts receivable		
- for goods and services, domestic	(32,536,126)	(34,635,122)
- for interest	(3,092,262)	(3,092,262)
- foreign	(9,065,660)	(9,375,849)
TOTAL:	44,694,048	(47,103,233)
GRAND TOTAL:	47,941,993	26,483,372

Changes in value adjustment during the year:

	2010	2011
	(in HRK)	(in HRK)
Position as at 1 January	(41,822,138)	(44,694,048)
Value adjustment increase	(3,112,668)	(2,370,316)
Cancellation of value adjustment	147,411	404,336
Other	93,347	(443,205)
Position as at 31 December	(44,694,048)	(47,103,233)

3.11. Other receivables

Other receivables declared in the companies:

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
Varteks d.d. Varaždin	5,906,204	10,871,453
Varteks Odjeća d.o.o. Varaždin	-	250,084
Varteks Bednja d.o.o. Bednja	-	82,947
Varteks Ludbreg d.o.o. Ludbreg	-	49,049
Varteks Trgovina d.o.o. Varaždin	1,000,902	1,413,756
Varteks Logistic d.o.o. Varaždin	3,004	1,890
Varteks ESOP d.o.o. Varaždin	407,551	512,680
Varteks Plus d.o.o., Belgrade	505,920	365,968
Varteks Trade d.o.o. Ljubljana	40,439	32,859
Varteks Trgovina d.o.o., Široki Brijeg	5,635	5,309
TOTAL:	<u>7,869,655</u>	<u>13,585,995</u>

Position/item contains:

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
Receivables from the state	6,733,485	12,497,085
Receivables from employees	566,906	558,491
Other receivables	569,264	530,419
TOTAL:	<u>7,869,655</u>	<u>13,585,995</u>

3.11.1. Receivables from the state

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
VAT receivables	6,195,902	11,892,034
Receivables from the state for other compensations	537,583	605,051
TOTAL:	<u>6,733,485</u>	<u>12,497,085</u>

3.12. *Investments in securities*

Investments in securities are declared in the companies as follows:

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
<i>Varteks d.d. Varaždin</i>	3,235,314	6,800,926
<i>Varteks Logistic d.o.o. Varaždin</i>	150	100
<i>Burgtrade G.m.b.h. Eisenstadt</i>	4,923	2,840
<i>Varteks Plus d.o.o., Belgrade</i>	208,898	335,841
<i>Varteks Trade d.o.o. Ljubljana</i>	<u>132,064</u>	<u>180,669</u>
<i>TOTAL:</i>	<u>3,581,349</u>	<u>7,320,376</u>

Position/item contains:

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
<i>Retail checks</i>	1,908,013	1,902,892
<i>Value adjustment – retail checks</i>	(1,553,378)	(1,553,378)
<i>Credit card receivables</i>	3,220,902	6,967,169
<i>Other</i>	<u>5,812</u>	<u>3,693</u>
<i>TOTAL:</i>	<u>3,581,349</u>	<u>7,320,376</u>

3.13. *Placed loans, deposits, etc.*

Placed loans and deposits are declared in the companies as follows:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Varteks d.d. Varaždin</i>	2,156,709	1,855,825
<i>Varteks Plus d.o.o., Belgrade</i>	121,378	106,507
<i>Varteks Trgovina d.o.o., Široki Brijeg</i>	15,494	15,799
TOTAL:	<u>2,293,581</u>	<u>1,978,131</u>

Position/item contains:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Placed deposits</i>	191,407	176,536
<i>Placed credits/loans:</i>		
- <i>consumer</i>	3,718,067	3,557,330
- <i>financial</i>	511,218	511,218
TOTAL:	<u>4,420,692</u>	<u>4,245,084</u>
<i>Value adjustment</i>	<u>(2,135,454)</u>	<u>(2,275,296)</u>
TOTAL:	<u>2,285,238</u>	<u>1,969,788</u>
<i>Credit interest receivables</i>	288,052	288,052
<i>Value adjustment of credit interest receivables</i>	<u>(279,709)</u>	<u>(279,709)</u>
TOTAL:	<u>2,293,581</u>	<u>1,978,131</u>

Changes in value adjustment of credit/loan principal:

	<u><i>(in HRK)</i></u>
<i>Position as at 1 Jan. 2011</i>	(2,135,454)
<i>Increase</i>	
- <i>new adjustment burdening business liabilities</i>	(144,301)
<i>Decrease</i>	
- <i>cancellation of value adjustment recog. as income</i>	<u>4,459</u>
<i>Position as at 31 December 2011</i>	<u>2,275,296</u>

3.14. Cash on accounts and in hand

The following cash positions in the following companies are declared as at 31 Dec. 2011:

	<u>2010</u> (in HRK)	<u>2011</u> (in HRK)
<i>Varteks d.d. Varaždin</i>	2,269,232	1,094,060
<i>Varteks Odjeća d.o.o. Varaždin</i>	-	34,093
<i>Varteks Bednja d.o.o. Bednja</i>	-	11,260
<i>Varteks Ludbreg d.o.o. Ludbreg</i>	-	1,907
<i>Varteks Trgovina d.o.o. Varaždin</i>	154,454	30,393
<i>Varteks Logistic d.o.o. Varaždin</i>	89,709	95,348
<i>Varteks ESOP d.o.o. Varaždin</i>	20,000	18,796
<i>Vartex Textiles Limited, London</i>	345,873	11,053
<i>Burgtrade G.m.b.h. Eisenstadt</i>	1,004	1,159
<i>Varteks Plus d.o.o., Belgrade</i>	63,391	168,109
<i>Varteks Trade d.o.o. Ljubljana</i>	62,333	465,188
<i>Varteks Trgovina d.o.o., Široki Brijeg</i>	103	708
TOTAL:	<u>3,006,099</u>	<u>1,932,074</u>

Cash (money) includes:

	<u>2010</u> (in HRK)	<u>2011</u> (in HRK)
<i>Business account</i>	1,482,907	1,297,972
<i>On hand</i>	39,246	77,311
<i>Foreign currency account</i>	129,264	131,247
<i>Other cash assets</i>	972,570	31,665
<i>Transfer account</i>	382,112	393,879
TOTAL:	<u>3,006,099</u>	<u>1,932,074</u>

During 2011, the following companies had their business accounts blocked:

Varteks d.d.

- From 24 February to 1 March and 26 to 30 May (for these instances the Company asked for returns due to FINA's double processing of payment orders)
- From 9 to 14 June

Varteks Odjeća d.o.o. Varaždin, 29-30 November.

Varteks Ludbreg d.o.o. Ludbreg, 30 August to 7 September.

3.15. Paid expenses of future period and calculated income

The position, declared in the companies:

	<u>2010</u> (in HRK)	<u>2011</u> (in HRK)
Varteks d.d. Varaždin	971,279	376,361
Varteks Plus d.o.o., Belgrade	28,890	46,775
Varteks Trade d.o.o. Ljubljana	<u>13,354</u>	<u>22,402</u>
TOTAL:	<u><u>1,013,523</u></u>	<u><u>445,538</u></u>

Position/item contains:

	<u>2010</u> (in HRK)	<u>2011</u> (in HRK)
<i>Calculated in advance:</i>		
- Rent	763,841	376,293
- Credit/loan interest	207,376	-
Other	<u>42,306</u>	<u>69,245</u>
TOTAL:	<u><u>1,013,523</u></u>	<u><u>445,538</u></u>

3.16. Capital and reserves

- i) *Varteks d.d. Varaždin entered into the Court Register the adjustment of general Acts with the Companies Act on 20 November 1995. Capital stock on that date was DEM 153,576,300 divided into 1,535,763 ordinary shares of DEM 100 nominal value each.*
- ii) *Pursuant to the Decision of the General Assembly dated 5 June 1998, capital stock of Varteks d.d. Varaždin in the amount of DEM 153,576,300 shall be adjusted for subsequently found and assessed public assets in the amount of DEM 153,809,700 or HRK 540,487,286, and shall be decreased using a simple method for HRK 232,867,886 to HRK 307,619,400. Decrease of capital stock shall be performed by decreasing the nominal amount of 1,538,097 issued ordinary name shares from DEM 100, i.e. HRK 351.40 to HRK 200.*
- iii) *Pursuant to the Decision of the General Assembly of the issuer dated 28 June 2001, capital stock of the issuer was increased for HRK 1,552,400, or 7,762 shares of HRK 200 per-share nominal value, all pursuant to the Decision of the Croatian Privatisation Fund dated 25 September 2001, representing the last change of capital stock.*
- iv) *As at 31 December 2007 the capital stock of Varteks d.d. Varaždin amounted to HRK 309,171,800 divided into 1,545,859 ordinary shares of HRK 200 per-share nominal value.*
- v) *In 2008, recapitalisation of Varteks d.d. Varaždin was performed in accordance with Decisions of the CPF dated 30 October 2006 and the Decision of the General Assembly of the Company dated 13 July 2007. Capital stock was increased from HRK 309,171,800 (1,545,859 shares of HRK 200 per-share nominal value) to the amount of HRK 384,161,400 (1,920,807 shares of HRK 200 per-share nominal value). The recapitalisation decision was enacted based on the return of assets/property in Serbia, Montenegro, B&H and Croatia. Recapitalisation was performed by entering the above assets to the Company in the amount of HRK 51 million and by cancelling the liability for sale of the remaining part of the above assets during previous periods in the amount of HRK 24 million.*
- vi) *On 9 September 2011 the General Assembly reached the Decision on simplified decrease of capital stock, by which the nominal share value was decreased from HRK 200 for HRK 150, i.e. issued capital stock of Varteks d.d. Varaždin was decreased from HRK 384,161,400 to HRK 96,040,350. Pursuant to the above, the capital stock was divided into 1,920,807 shares of HRK 50 nominal per-share value.*

3.16. Capital and reserves - continued

The effects arising from the decrease of issued capital stock, own shares and reserves for own shares and the use of other reserves on the Group level:

	<u>HRK</u>
Coverage of:	
- Losses	280,801,190
Forming of:	
- Capital reserves	17,748,231

As at 31 December 2011, the total portfolio of own shares was 9.56% of capital stock, or 183,653 shares of HRK 50 nominal per-share value (in 2010 it was 183,653 and HRK 200).

As at 31 December 2011, the parent company Varteks d.d. Varaždin estimated the increased value of tangible assets (land and structures) and declared the effects of revaluation within revaluation reserves (Note 3.2.).

Changes in revaluation reserves during the year:

	<u>2011</u> (in HRK)
Position as at 1 January	-
Increase	
- Asset revaluation	347,819,213
Decrease	
- Deferred tax obligation (rate = 20%)	<u>(69,563,843)</u>
Position as at 31 December	<u><u>278,255,370</u></u>

3.16. Capital and reserves - continued

Total capital and reserves as at 31 Dec. 2011 amounts to HRK 316,703,078 (HRK 110,624,206 the previous year).

	2010	2011
	(in HRK)	(in HRK)
- Capital stock (initial capital)	384,161,400	96,040,350
- Capital reserves	-	17,748,231
- Reserves from profit	10,428,371	246,700
- Reserves for own shares	46,013,062	9,182,650
- Treasury/own shares	(36,730,600)	(9,182,650)
- Other reserves	1,145,909	246,700
- Revaluation reserves	-	278,255,370
- Loss carried forward	(181,079,603)	(4,906,751)
- Loss of fiscal year	(102,885,962)	(70,680,822)
TOTAL:	110,624,206	316,703,078

Company ownership structure:

	2010		2011	
	% stake in ownership	Number of shares	% stake in ownership	Number of shares
Karlovačka banka d.d.	9.19	176,566	9.19	176,566
Custodial bank – Raiffeisenbank	9.08	174,516	9.08	174,516
Custodial bank – Splitska bank	8.48	162,746	8.48	162,746
Varteks Esop d.o.o.	7.76	149,068	7.76	149,068
Bakić Nenad	-	-	7.09	136,181
Stjepan Igrec	7.03	134,944	7.03	134,944
Validus d.d.	6.04	116,076	6.04	116,076
Custodial account of Zagrebačka bank	5.73	110,000	1.14	21,869
Custodial bank – PBZ	3.32	63,771	3.20	61,714
Zoran Košćec	2.55	48,897	2.55	48,897
Dražen Košćec	2.05	39,467	2.05	39,467
Vladimir Košćec	1.34	25,835	1.34	25,835
Custodial bank – Erste&Steiermarkische bank	0.43	8,164	0.43	8,164
Custodial bank – HPB	0.38	7,453	0.38	7,453
Avorato d.o.o.	0.37	7,000	0.42	8,000
Other companies	0.27	5,129	0.25	4,650
State Property Management Agency	0.18	3,430	0.18	3,515
FIMA vrijednosnice d.o.o.	0.16	2,990	0.16	2,990
Other custodial banks	0.13	2,607	0.11	1,947
Foreign persons	0.08	1,595	0.08	1,595
Custodial bank – Hypo Alpe-Adria	0.08	1,546	0.08	1,546
Stog d.o.o.	0.05	1,000	0.05	1,000
Other domestic private entities (individuals)	25.74	494,354	23.35	448,415
Own/treasury shares	9.56	183,653	9.56	183,653
TOTAL:	100.00	1,920,807	100.00	1,920,807

3.17. Provisions

Provisions are declared in the parent company Varteks d.d. and include:

	<u>2010</u> (in HRK)	<u>2011</u> (in HRK)
Provisioning for:		
- Severance pay	436,458	-
- Court disputes	<u>307,623</u>	<u>239,775</u>
TOTAL:	<u><u>744,081</u></u>	<u><u>239,775</u></u>

Changes during the year

	(in HRK)		
	<u>Severance pay</u>	<u>Court disputes</u>	<u>Total</u>
Position as at 1 Jan. 2011	<u>436,458</u>	<u>307,623</u>	<u>744,081</u>
Elimination – completed disputes	-	(67,848)	(67,848)
Elimination benefiting income	<u>(436,458)</u>	<u>-</u>	<u>(436,458)</u>
Position as at 31 December 2011	<u>-</u>	<u>239,775</u>	<u>239,775</u>

In the current year the parent company Varteks d.d. eliminated provisions for employee pension severance pay benefiting income in the amount of HRK 436,458, and there were no additional reservations made on that basis.

Provisions based on the risk estimate were made for each dispute initiated against the Group and each dispute which the Group initiated.

3.18. Long-term liabilities

Other long-term liabilities declared in the companies:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
Varteks d.d. Varaždin	153,402,629	204,324,407
Varteks Logistic d.o.o. Varaždin	-	106,643
Varteks Plus d.o.o., Belgrade	47,482	-
TOTAL:	<u>153,450,111</u>	<u>204,431,050</u>

Position/item contains:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
Liabilities for loans/credits, deposits, etc.	172,282	6,592,692
Liabilities toward banks and other financial institutions	186,052,501	181,272,188
Accounts payable	114,577	9,487
Deferred tax liabilities	-	69,563,843
TOTAL:	<u>186,339,360</u>	<u>257,438,210</u>
Current maturity of long-term liabilities		
- loan/credit	(172,282)	(1,789,897)
- bank credits/loans	(31,775,809)	(50,944,731)
- leasing	(849,081)	(263,045)
- suppliers (accounts payable)	(92,077)	(9,487)
TOTAL:	<u>(32,889,249)</u>	<u>(53,007,160)</u>
TOTAL LONG-TERM PORTION:	<u>153,450,111</u>	<u>204,431,050</u>

Current matured payables include:

	<i>Unpaid matured liabilities as at 31 Dec. 2011</i>	<i>Maturing in 2012</i>	<i>TOTAL</i>
- Loans	509,635	1,280,262	1,789,897
- Bank loans	15,861,247	35,083,484	50,944,731
- Leasing	-	263,045	263,045
- Suppliers	-	9,487	9,487
TOTAL:	<u>16,370,882</u>	<u>36,636,278</u>	<u>53,007,160</u>

3.18.1. Long-term liabilities for loans/credits, deposits and other*(in HRK)*

<i>Lender</i>	<i>Purpose</i>	<i>Interest at the end of year (annual %)</i>	<i>2010</i>	<i>2011</i>
<i>Croatia osiguranje d.d. Varaždin</i>	<i>reprogramming</i>	<i>10.00</i>	<i>-</i>	<i>6,480,000</i>
<i>Hrvatske vode Zagreb</i>	<i>co-financing</i>	<i>2.95</i>	<i>172,282</i>	<i>12,692</i>
<i>TOTAL:</i>			<i>172,282</i>	<i>6,492,692</i>
<i>Current maturity</i>			<i>(172,282)</i>	<i>(1,789,897)</i>
<i>Deposits</i>			<i>-</i>	<i>100,000</i>
<i>TOTAL LONG-TERM PORTION:</i>			<i>-</i>	<i>4,802,795</i>

2011
(in HRK)

<i>Changes during the year:</i>	<i>172,282</i>
<i>Position as at 1 January</i>	
<i>Increase</i>	
<i>- Reprogramming of short-term liabilities into long-term liabilities</i>	<i>6,480,000</i>
<i>Decrease</i>	
<i>- Paid</i>	<i>(159,590)</i>
<i>Position as at 31 December</i>	<i>6,492,692</i>

Remaining maturity, per annum:

	<i>(in HRK)</i>
<i>Matured as at 31 Dec. 2011</i>	<i>509,635</i>
<i>2012</i>	<i>1,280,262</i>
<i>2013</i>	<i>1,414,334</i>
<i>2014</i>	<i>1,562,427</i>
<i>2015</i>	<i>1,726,034</i>
<i>TOTAL:</i>	<i>6,492,692</i>

3.18.2. Long-term liabilities toward banks and other financial institutions

		(in HRK)		
		Interest at the end of year (ann. %)	2010	2011
Creditor - banks	<i>Purpose</i>			
VABA d.d. Banka Varaždin	<i>refinancing</i>	11.00	-	10,077,498
Croatian Reconstruction and Development Bank, Zagreb	<i>investments</i>	3.00-4.00	81,532,766	82,933,027
CRDB, Development and Employment Fund, Zagreb	<i>investments</i>	4.60	19,033,591	18,546,548
Zagrebačka banka d.d. Zagreb	<i>refinancing</i>	8.89	50,805,208	41,082,401
Privredna banka Zagreb d.d.	<i>reprogram.</i>	4.15	8,360,840	5,954,560
Raiffeisenbank Austria d.d.	<i>reprogram.</i>	7.65	9,658,368	8,208,533
Hrvatska poštanska banka d.d., Zagreb	<i>refinancing</i>	11.00	5,000,000	3,333,333
Suspended credits/loans			<u>10,589,124</u>	<u>10,754,504</u>
TOTAL:			<u>184,979,897</u>	<u>180,890,404</u>
Creditor - other financial institutions				
Raiffeisen Leasing d.o.o. Zagreb	<i>vehicles</i>	9.38	97,542	159,500
OTP Leasing d.d. Zagreb	<i>vehicle</i>	8.75	58,787	49,372
Hypo-Leasing Kroatien d.o.o. Varaždin	<i>machinery</i>		812,905	126,137
Others			<u>103,370</u>	<u>46,775</u>
TOTAL:			<u>1,072,604</u>	<u>381,784</u>
TOTAL CREDIT LIABILITIES			<u>186,052,501</u>	<u>181,272,188</u>
<i>Current maturity of long-term banking liab.</i>			(31,775,809)	(50,944,731)
<i>Current maturity of long-term leasing liab.</i>			<u>(849,081)</u>	<u>(263,045)</u>
TOTAL LONG-TERM PORTION OF LIABILITIES			<u>153,427,611</u>	<u>130,064,412</u>

Creditors, in the name of securing the repayment of credits/loans, entered in the land registry ledgers pledges/mortgage on assets owned by the parent company (via Note 3.2.) and contracted other means of security (co-debtors – associated companies, bonds, promissory noted, guarantees).

Currency structure of these liabilities

	2010	2011
HRK	24,033,591	31,957,379
EUR	<u>162,018,910</u>	<u>149,314,809</u>
TOTAL:	<u>186,052,501</u>	<u>181,272,188</u>

Changes in principal during the year:

	(in HRK)		
	Bank	2011 Leasing companies	Total
Position as at 1 January	184,979,897	1,072,604	186,052,501
<i>Increase</i>			
- New debt	-	186,913	186,913
- Reprogramming of matured liabilities into long-term	9,956,889	-	9,956,889
- Net currency differentials	2,582,514	50	2,582,564
<i>Decrease</i>			
- Payments during the year	(16,262,463)	(877,783)	(17,140,246)
- Transfer of the short-term part of liabilities	(366,433)	-	(366,433)
Position as at 31 December	180,890,404	381,784	181,272,188

	(in HRK)		
	Bank	2010 Leasing companies	Total
Position as at 1 January	200,412,845	1,572,239	201,985,084
<i>Increase</i>			
- New debt	5,000,000	214,030	5,214,030
- Reprogramming of matured liabilities into long-term	19,908,292	-	19,908,292
- Net currency differentials	1,642,435	894	1,643,329
<i>Decrease</i>			
- Payments during the year	(14,742,082)	(714,559)	(15,456,641)
- Collection from the Ministry of Finance of the RC guarantees	(8,752,366)	-	(8,752,366)
- Transfer of the short-term part of liabilities	(18,489,227)	-	(18,489,227)
Position as at 31 December	184,979,897	1,072,604	186,052,501

Remaining maturity, per annum:

	<u>Kuna</u>
Matured as at 31 Dec. 2011	15,861,247
2012	35,346,529
2013	34,937,494
2014	35,341,528
2015	25,096,435
2016	11,874,296
2017	5,436,394
2018	2,649,508
2019	2,649,508
2020	1,324,745
Suspended	<u>10,754,504</u>
TOTAL:	<u><u>181,272,188</u></u>

3.18.3. Long-term accounts payable

Creditor	<u>Purpose</u>	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
IBM Hrvatska d.o.o. Zagreb	IBM equipment	20,077	9,487
Ivanka Braz, Slatina	Rent of facilities	<u>94,500</u>	<u>-</u>
TOTAL:		<u>114,577</u>	<u>9,487</u>
Current maturity		<u>(92,077)</u>	<u>(9,487)</u>
TOTAL:		<u><u>22,500</u></u>	<u><u>-</u></u>

Changes during the year

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
Position as at 1 January	812,465	114,577
Increase		
- Net currency differentials	179,683	-
Decrease		
- Payments	(877,571)	(55,590)
- Transfers	-	(49,500)
Position as at 31 December	114,577	9,487

3.18.4. Deferred tax obligation

In the current year the parent company, based on the Official Estimation, recorded increased revaluation of long-term tangible assets (land and structures) and effect of revaluation in the amount of HRK 347,819,213 and declared this as revaluation reserves. Using the current tax rate of 20% on this principal amount, the Company singled out deferred tax obligation in the amount of HRK 69,563,843 (Notes 3.2., 3.16.vi.).

3.19. Liabilities toward associated companies

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Varteks Mont d.o.o., Podgorica</i>	<u>16,986</u>	<u>17,320</u>
TOTAL:	<u><u>16,986</u></u>	<u><u>17,320</u></u>

3.20. Short-term liabilities for loans, credits and deposits

Per company:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
Varteks d.d. Varaždin	160,047,572	163,278,621
Varteks Trgovina d.o.o. Varaždin	5,794,539	1,956,388
Varteks Plus d.o.o., Belgrade	55,888	46,775
Varteks Logistic d.o.o. Varaždin	-	55,942
TOTAL:	<u>165,897,999</u>	<u>165,337,726</u>

Short-term liabilities by credit/loan include:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
Liabilities for loans/credits, deposits, etc.	13,210,852	4,116,834
Liabilities toward banks and other financial institutions	<u>114,874,296</u>	<u>102,317,737</u>
TOTAL PRINCIPAL AMOUNT	<u>128,085,148</u>	<u>106,434,571</u>
Interest liabilities	4,923,602	5,895,995
Current maturity of long-term liabilities	<u>32,889,249</u>	<u>53,007,160</u>
TOTAL SHORT-TERM PORTION:	<u>165,897,999</u>	<u>165,337,726</u>

Currency structure of equity/principal amount

	<u>2010</u>	<u>2011</u>
EUR	28,881,909	18,767,509
HRK	<u>99,203,239</u>	<u>87,667,062</u>
TOTAL PRINCIPAL AMOUNT:	<u>128,085,148</u>	<u>106,434,571</u>

Changes in principal during the year:

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
<i>Position as at 1 January</i>	124,405,258	128,085,148
<i>Increase</i>		
- <i>New debt</i>	34,962,443	27,155,308
- <i>Net currency differentials</i>	-	605,275
<i>Decrease</i>		
- <i>Payments</i>	(31,159,106)	(28,149,058)
- <i>Reprogramming into long-term liabilities</i>	-	(16,436,889)
- <i>Net currency differentials</i>	(123,447)	-
- <i>Write-off of receivables</i>	-	(4,825,213)
<i>Position as at 31 December</i>	128,085,148	106,434,571

Maturity of total short-term credit liabilities in 2012, including interest liabilities:

	<u><i>(in HRK)</i></u>
<i>Matured as at 31 Dec. 2011</i>	78,248,514
- <i>Up to 1 month</i>	3,591,686
- <i>Up to 2 months</i>	2,337,458
- <i>Up to 3 months</i>	6,000,225
- <i>Up to 4 months</i>	2,018,446
- <i>Up to 5 months</i>	31,268,298
- <i>Up to 6 months</i>	8,156,572
- <i>Up to 7 months</i>	2,850,463
- <i>Up to 8 months</i>	1,870,955
- <i>Up to 9 months</i>	5,907,655
- <i>Up to 10 months</i>	1,743,119
- <i>Up to 11 months</i>	12,421,539
- <i>Up to 12 months</i>	8,922,796
<i>TOTAL:</i>	<u>165,337,726</u>

3.20.1. Short-term liabilities for loans/credits, deposits, etc.

Lender	<u>Interest rate at the end of year (annual %)</u>	<u>2010 (in HRK)</u>	<u>2011 (in HRK)</u>
Croatia osiguranje d.d. Varaždin	10.00	8,000,000	1,520,000
Erste Card Club d.d. Zagreb	10.00	3,139,931	604,073
City of Varaždin	discount	1,137,925	887,924
Other		897,485	969,326
TOTAL:		<u>13,175,341</u>	<u>3,981,323</u>
Liabilities for received deposits		35,511	135,511
Interest liabilities		403,231	498,063
Current maturity of long-term liabilities		264,359	1,799,384
GRAND TOTAL:		<u>13,878,442</u>	<u>6,414,281</u>

3.20.2. Short-term liabilities toward banks and other financial institutions

Creditor	<u>Interest rate at the end of year</u>	<u>2010 (in HRK)</u>	<u>2011 (in HRK)</u>
Privredna banka d.d. Zagreb	8.00-8.50	10,486,944	14,314,179
Zagrebačka banka d.d. Zagreb	6.90	76,239,051	74,736,869
VABA Banka Varaždin	-	10,043,835	-
Hrvatska poštanska banka d.d.	10.00	2,951,930	3,011,207
Ministry of Finance of the Rep. of Croatia		10,255,482	10,255,482
Others		4,897,054	-
TOTAL:		<u>114,874,296</u>	<u>102,317,737</u>
Interest liabilities		4,520,371	5,397,932
Current maturity		32,624,890	51,207,776
GRAND TOTAL:		<u>152,019,557</u>	<u>158,923,445</u>

As at 31 December 2011, the parent company Varteks d.d. has remaining rights to unused credit lines – revolving credits/loans in Privredna banka Zagreb d.d. up to EUR 74,919, with contracted final repayment date of 31 May 2012.

3.21. *Liabilities for advance payments*

Liabilities for advance payments declared in the companies:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Varteks d.d. Varaždin</i>	2,484,304	1,948,936
<i>Varteks Logistic d.o.o. Varaždin</i>	240,000	-
TOTAL:	<u>2,724,304</u>	<u>1,948,936</u>

Position/item contains:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>- Advance payments from clients</i>		
<i>- domestic</i>	253,898	31,985
<i>- foreign</i>	2,470,406	1,916,951
TOTAL:	<u>2,724,304</u>	<u>1,948,936</u>

Declared liabilities for advance payments were mostly closed through deliveries made during the first quarter of 2012.

3.22. *Accounts payable*

Liabilities for accounts payable declared in the companies:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Varteks d.d. Varaždin</i>	101,187,371	93,373,150
<i>Varteks Odjeća d.o.o. Varaždin</i>	-	1,993,705
<i>Varteks Bednja d.o.o. Bednja</i>	-	401,423
<i>Varteks Ludbreg d.o.o. Ludbreg</i>	-	491,077
<i>Varteks ESOP d.o.o. Varaždin</i>	-	825
<i>Varteks Trgovina d.o.o. Varaždin</i>	13,830,427	2,274,858
<i>Varteks Logistic d.o.o. Varaždin</i>	68,220	41,146
<i>Burgtrade G.m.b.h. Eisenstadt</i>	-	126,675
<i>Varteks Plus d.o.o., Belgrade</i>	1,405,592	1,416,726
<i>Varteks Trade d.o.o. Ljubljana</i>	2,662,195	2,176,120
<i>Varteks Trgovina d.o.o., Široki Brijeg</i>	17,835	18,159
<i>Vartex Textiles Limited, London</i>	494,511	387,602
TOTAL:	<u>119,666,151</u>	<u>102,701,466</u>

Position/item contains:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Accounts payable</i>		
- domestic	78,716,835	69,068,649
- foreign	38,688,079	30,398,056
<i>Liabilities for non-invoiced goods</i>	51,941	36,542
<i>Interest liabilities(suppliers)</i>	2,209,296	3,198,219
TOTAL:	<u>119,666,151</u>	<u>102,701,466</u>

The parent company Varteks d.d. has entered into agreements with business banks (ZABA and PBZ) on the issuing of payment guarantees (in HRK and foreign currencies) in the name of securing the payment of obligations toward individual suppliers, valid as of 31 Dec. 2011, up to the amount of approx. HRK 10,300,000 and open letters of credit up to HRK 3,667,000. The Company also obligated itself (via the same agreements) to giving banks other security instruments (co-debtors – associated companies, mortgages, bonds, promissory notes).

3.23. *Liabilities toward employees*

Liabilities toward employees declared in the companies:

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
<i>Varteks d.d. Varaždin</i>	14,328,878	5,482,194
<i>Varteks Odjeća d.o.o. Varaždin</i>	-	3,664,293
<i>Varteks Bednja d.o.o. Bednja</i>	-	959,757
<i>Varteks Ludbreg d.o.o. Ludbreg</i>	-	1,385,553
<i>Varteks Trgovina d.o.o. Varaždin</i>	99,264	198,384
<i>Varteks Logistic d.o.o. Varaždin</i>	56,382	50,817
<i>Burgtrade G.m.b.h. Eisenstadt</i>	7,628	5,045
<i>Varteks Plus d.o.o., Belgrade</i>	81,543	91,834
<i>Varteks Trade d.o.o. Ljubljana</i>	186,826	138,608
<i>Varteks Trgovina d.o.o., Široki Brijeg</i>	21,476	21,898
TOTAL:	<u>14,781,997</u>	<u>11,998,383</u>

Position/item contains:

	<u>2010</u>	<u>2011</u>
	<i>(in HRK)</i>	<i>(in HRK)</i>
<i>- Net salary and fee liabilities</i>	9,492,590	9,823,545
<i>- Severance pay liabilities</i>	4,625,912	857,934
<i>- Other liabilities toward employees</i>	662,975	1,316,384
<i>- Crisis tax</i>	520	520
TOTAL:	<u>14,781,997</u>	<u>11,998,383</u>

<i>Number of employees at the end of the year</i>	2,419	2,249
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Net salary liabilities pertain to liabilities for Nov. and Dec. 2011 and have been covered in Jan. and Feb. 2012.

Liabilities for severance pay for conditional termination of employment and retirement declared in the parent company Varteks d.d. pertain to the period 2009-2011.

3.24. Taxes, contributions and similar fees

Liabilities for taxes and contributions per company:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Varteks d.d. Varaždin</i>	79,146,173	111,549,535
<i>Varteks Odjeća d.o.o. Varaždin</i>	-	17,872,701
<i>Varteks Bednja d.o.o. Bednja</i>	-	2,365,449
<i>Varteks Ludbreg d.o.o. Ludbreg</i>	-	3,683,776
<i>Varteks Trgovina d.o.o. Varaždin</i>	564,872	308,021
<i>Varteks Logistic d.o.o. Varaždin</i>	34,601	197,774
<i>Burgtrade G.m.b.h. Eisenstadt</i>	6,793	10,681
<i>Varteks Plus d.o.o., Belgrade</i>	51,123	93,140
<i>Varteks Trade d.o.o. Ljubljana</i>	398,608	463,491
<i>Varteks Trgovina d.o.o., Široki Brijeg</i>	5,797	1,521
TOTAL:	<u>80,207,967</u>	<u>136,546,089</u>

These liabilities include:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Profit tax liabilities</i>	-	193,264
<i>VAT liabilities</i>	15,695,495	25,040,978
<i>Liabilities for taxes and contributions from and on salaries</i>	53,857,200	86,012,249
<i>Forest contributions</i>	3,282,316	2,221,481
<i>Customs liabilities (customs and VAT)</i>	1,053,179	7,318,189
<i>Other taxes and contributions</i>	899,209	1,209,772
<i>Taxes and contributions - interest</i>	5,420,568	14,550,156
TOTAL:	<u>80,207,967</u>	<u>136,546,089</u>

3.25. *Other short-term liabilities**Other short-term liabilities per company:*

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
<i>Varteks d.d. Varaždin</i>	7,415,624	7,865,376
<i>Varteks Trgovina d.o.o. Varaždin</i>	262,476	262,476
<i>Varteks Logistic d.o.o. Varaždin</i>	549	-
<i>Burgtrade G.m.b.h. Eisenstadt</i>	5,080	3,579
<i>Varteks Plus d.o.o., Belgrade</i>	5,421	607
<i>Varteks Trade d.o.o. Ljubljana</i>	47,601	18,604
<i>Varteks Trgovina d.o.o., Široki Brijeg</i>	14,194	21,408
TOTAL:	<u><u>7,750,945</u></u>	<u><u>8,172,050</u></u>

Position/item contains:

	<u>2010</u> <i>(in HRK)</i>	<u>2011</u> <i>(in HRK)</i>
- <i>Liabilities toward the Republic of Croatia based on sold flats</i>	7,221,574	7,663,853
- <i>Supervisory Board member fees and temporary service contracts</i>	192,346	199,792
- <i>Other liabilities</i>	337,025	308,405
TOTAL:	<u><u>7,750,945</u></u>	<u><u>8,172,050</u></u>

3.26. Deferred payment of expenses and income of future periods

The position, declared in the companies:

	<u>2010</u> (in HRK)	<u>2011</u> (in HRK)
Varteks d.d. Varaždin	403,544	476,072
Varteks Plus d.o.o., Belgrade	<u>147,642</u>	<u>149,323</u>
TOTAL:	<u>551,186</u>	<u>625,395</u>

Position/item contains:

	<u>2010</u> (in HRK)	<u>2011</u> (in HRK)
Deferred recognition of income		
- Inventory shortages	397,230	397,230
Other deferred income	<u>153,956</u>	<u>228,165</u>
TOTAL:	<u>551,186</u>	<u>625,395</u>

3.27. Liabilities taken over

As at the date of the financial position report, the parent company Varteks d.d. has several concluded operative leasing agreements/contracts, from which stem non-matured liabilities in the amount of HRK 889,209.

Maturity of these liabilities:

	<u>(in HRK)</u>
- Up to 1 year	796,940
- Over 1 year	92,269

3.28. Position and transactions with associated companies

Receivables	Position as at 1 Jan. 2011	Current transaction amount		(in HRK) Position as at 31 Dec. 2011
		Owing	Claiming	
Forma d.o.o. Varaždin	-	42,107	39,338	2,769
TOTAL:	-	42,107	39,338	2,769
Liabilities				
Stari orah d.o.o. Varaždin	1,023	7,061	6,417	379
Forma d.o.o. Varaždin	858,160	1,211,944	1,100,800	747,016
TOTAL:	859,183	1,219,005	1,107,217	747,395

Management and Supervisory Board member compensations/fees

Calculated fees for members of the Management Board and the Supervisory Board were as follows:

	2010 (in HRK)	2011 (in HRK)
Management (Board)		
Net salaries	1,129,785	1,123,048
Taxes and contributions	1,380,065	1,390,666
TOTAL:	2,509,850	2,513,714
Supervisory Board		
Net fees	226,316	190,287
Taxes and contributions	226,331	185,353
TOTAL:	452,647	375,640
GRAND TOTAL:	2,962,497	2,889,354

3.29. Significant court cases/proceedings

The Group is involved in a number of court disputes, some as the plaintiff and some as the defendant. The most significant court cases which the parent company Varteks d.d. is involved in are as follows:

Varteks d.d. as the defendant:

- Plaintiff Ateks Belgrade, damage compensation, claims in the amount of HRK 3,171,076.04, probability of success for the Company is high
- Plaintiff Hrvatske šume d.o.o. Zagreb, claims in the amount of HRK 1,573,218.66, probability of success for the Company is partial/medium
- Plaintiff Varkom d.d. Varaždin, claims in the amount of HRK 1,100,211.68, probability of success for the Company is small
- Plaintiff Nagob Aziri Osijek, determination of invalidity of the real property exchange agreement in the amount of HRK 800,000.00, probability of success for the Company is high

Varteks as the plaintiff:

- Defendant Kroko International d.o.o. Zagreb, for damage compensation, claims in the amount of HRK 5,260,161, probability of success for the Company is partial/medium
- Defendant Luje d.o.o. Rijeka, claim for unlawful use of bank guarantee and promissory notes, amount of HRK 1,561,899.82, probability of success for the Company is partial/medium

3.30. Potential liabilities

On 29 September 2011 the parent company Varteks d.d. received the Minutes of performed tax inspection of calculation, registering, filing and paying taxes and other public liabilities for the taxpayer VARTEKS d.d. Varaždin, Zagrebačka ulica 94, MB 3747034, OIB: 00872098033, as issued by the Republic of Croatia, Ministry of Finance, Tax Administration, Varaždin Branch Office.

The inspection encompassed the period from 2006 to 2009.

The newly-determined tax obligations including calculated penalty interest up to 26 September 2011 amount to:

	<u>HRK</u>
Tax liability	7,128,195
Penalty interest	<u>3,595,780</u>
TOTAL:	<u>10,723,975</u>

Of the total newly determined tax liability, HRK 3,236,408 pertains to the category of tax being recognized as rebate after the payment (i.e. for the next account period)..

Decrease of tax loss 2006-2009	12,484,219
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The Company filed a complaint against the tax decision to the competent body of the second instance, which was refused pursuant to the Decision as at 27 March 2012, and the Management Board on 7 May 2012 made the decision on initiating an administrative dispute in this case.

3.31. Events after the date of the financial position report

After the financial position report date, for the purpose of unburdening the liquidity of matured liabilities, the companies Varteks d.d. Varaždin, Varteks Odjeća d.o.o. Varaždin, Varteks Ludbreg d.o.o. Ludbreg and Varteks Bednja d.o.o. Bednja filed a formal request to the Ministry of Finance – Tax Administration for the reprogramming of the tax debt, in accordance with the provisions of the Special Measure of Collecting Tax Debt Caused By Economic Crisis Act (O.G. 25/2012).

After the financial position report date, the business account of the parent company was blocked from 23 January to 17 February 2012 and from 6 April to 11 April 2012, and to Varteks Trgovina d.o.o. Varaždin from 27 January to 13 February 2012.

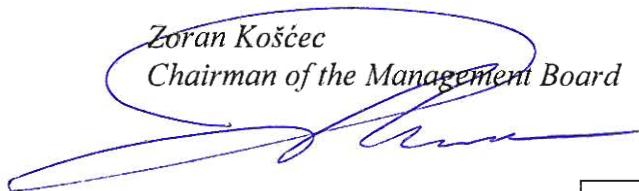
3.32. Approval of financial statements

The Company Management Board adopted and approved the issue of these financial statements on 16 May 2012.

Signed for and on behalf the Company on 16 May 2012:

Zoran Košćec
Chairman of the Management Board

Nenad Davidović
Board Member for Financial
Transactions



Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, May 14, 2012

STATEMENT BY THE PERSON RESPONSIBLE FOR THE COMPILATION OF THE REPORT FOR 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