



Varteks Group reduced its loss and realized higher sales revenues in the first nine months of 2011.

Varaždin, November 22, 2011. – Varteks Group realized sales revenues of HRK 231.7 million in the first nine months of 2011, which constitutes an increase of HRK 5.7 million or 2.5 percent in relation to the same time period last year.

On foreign markets HRK 112.4 million exports has been realized, which constitutes 48.5 percent of sales revenues. The majority of exports were realized in the European Union.

Total revenues amounted to HRK 255.5 million, i.e. 1.8 percent less in relation to the revenues realized in the same time period last year. The difference is evident in the item "other business revenues" and is not related to the group's regular business activities, but stems mostly from revenues generated through asset sales.

Total expenditures amounted to HRK 293 million in the first nine months of 2011 and were 4.2 percent lower than the total expenditures realized in the same time period in 2010.

The group operated with a loss of HRK 37.5 million in the first nine months of this year, while a loss of HRK 45.6 million had been realized in the same time period last year. The positive difference for the time period from I-IX 2011 of HRK 8.1 million results from higher sales revenues and reduced overall operating costs, which indicates an increase in the efficiency of regular business activities. If we exclude the effects of asset sales not in the sphere of regular business activities, the positive difference in the time period from I-IX 2011 rose to HRK 12.5 million in relation to the same time period in 2010.

In line with the elements of the Integral Business and Financial Restructuring Plan, the production part of Varteks d.d. has been operating through three separate limited liability companies, i.e. new group members, since May 2011.

After the first quarter of 2010, the B2B segment (sales segment connected to corporate clothing and the manufacturing of special-purpose clothing), which marked significant revenue growth and positive results, was detached through an affiliated company owned by Varteks d.d. The revenues realized in the examined time period amounted to HRK 12 million more in relation to the same time period last year.

The results of Varteks Group's operations as seen through regular business activities show positive signs despite the fact that the overall business result is negative. Significant negative effects from a drop in personal spending and general illiquidity in the economy continue to be present, and they are particularly prominent in business operations in relation to the domestic market and markets in the wider region.

The negative trend on the real estate market led to additional difficulties in the implementation of activities related to stabilizing the group's liquidity, which directly led to the impossibility of the timely procurement of raw materials and production materials and the procurement and delivery of products and merchandise to the retail network and amongst group members, which significantly affected Varteks Group's overall business result.

Given the economic problems and the further impact of the crisis, certain risks arise from a potential further illiquidity increase which could further complicate the timely procurement of goods and the funding of business activities within the overall group. There is also a risk of a



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VARTEKS

further drop in personal spending, which directly affects revenues, as well as a risk of higher costs due to new energy price increases.

In line with the given market circumstances Varteks Groups continues to implement activities in certain sales aspects and market segments aimed at targeted sales development and growth. Significant growth in business revenues and results is continuously present in the segment pertaining to the manufacturing and sale of special-purpose clothing and corporate clothing, while growth is also continuously present in revenues realized through exports. In the retail business, development focuses on higher sales efficiency through the reorganization of the retail network's operations. The aim is to alleviate risks from the drop in personal spending through a redefined brand assortment, with a focus on the development of the company's own brands while reducing accompanying costs in retail units, stabilizing revenues and ultimately a better result through greater price difference.

In accordance with the Integral Business and Financial Restructuring Plan, the company continues to carry out cost-cutting activities through the closure of unprofitable parts of the system and by further cutting administrative costs with an unfortunately slowed down dynamic due to the illiquidity problem. The implementation of the Restructuring Plan is also aimed at the group's financial consolidation through the use of its own assets as an additional source of funding and at activities directed at the use of Government measures for economic recovery and development. Given the current situation and the problems on the real estate market as well as the management of measures for economic recovery and development, the realization of the planned dynamic has unfortunately been slowed down and become more difficult.

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



ATTACHMENT 1

Reporting period:

1.1.2011.

to

30.9.2011

Quarterly financial statement of the entrepreneur-TFI-POD

Tax number (MB): 3747034

Company registration number (MBS): 070004039

Personal identification number (OIB): 872098033

Issuing company: VARTEKS d.d. VARAŽDIN

Postal code and place: 42000

VARAŽDIN

Street and house number: ZAGREBAČKA 94

E-mail address: info@varteks.com

Internet address: www.varteks.com

Municipality/city code and name: 472 VARAŽDIN

County code and name: 5 VARAŽDINSKA

Number of employees: 2.292

(quarter end)

Consolidated report: YES

NKD code: 1.413

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

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

Bookkeeping service:

Contact person: Bolšec Vlado

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

Telephone: 042/377-005

Facsimile: 042/377-089

E-mail address: vbolsec@varteks.com

Family name and name: Davidović Nenad

(person authorized to represent the company)

Documents to be published.

1. Financial statements (balance sheet, profit and loss statement, cash flow statement, statement of changes in equity, and notes to financial statements)
2. Statement of persons responsible for the drawing-up of financial statements
3. Report of the Management Board on the Company Status



(signature of the person authorized to represent the company)

Balance Sheet
as of 30.09.2011.

Varteks GROUP -Varaždin			
Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	434.246.587	420.916.478
I. INTANGIBLE ASSETS (004 do 009)	003	9.392.192	8.507.687
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	9.392.192	8.507.687
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008		
6. Other intangible assets	009		
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	397.189.543	386.983.559
1. Land	011	54.753.233	54.753.233
2. Buildings	012	266.509.863	261.967.402
3. Plant and equipment	013	62.745.404	58.118.084
4. Tools, working inventory and transportation assets	014	11.762.520	9.850.716
5. Biological assets	015		
6. Advances for purchase of tangible assets	016		
7. Tangible assets in progress	017	1.186.476	2.062.076
8. Other tangible assets	018	232.048	232.048
9. Investment in real-estate	019		
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	23.728.640	21.687.994
1. Share in related parties	021		
2. Loans to related parties	022		
3. Participating interests (shares)	023		
4. Loans to companies with participating interest	024		
5. Investments in securities	025		
6. Loans, deposits, etc.	026	730.375	730.376
7. Other non-current financial assets	027	22.998.265	20.957.618
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 do 032)	029	3.936.212	3.737.238
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031		
3. Other receivables	032	3.936.212	3.737.238
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	221.155.823	202.829.922
I. INVENTORIES (036 do 042)	035	156.463.146	142.981.567
1. Raw materials and supplies	036	32.563.013	34.623.088
2. Production in progress	037	6.980.120	3.386.049
3. Finished products	038	28.678.781	25.540.953
4. Merchandise	039	41.264.425	34.200.387
5. Advances for inventories	040	1.654.475	188.949
6. Long term assets held for sale	041	45.322.333	45.042.141
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	55.811.648	53.317.666
1. Receivables from related parties	044	0	0
2. Receivables from end-customers	045	47.941.993	40.271.889
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	1.136.170	1.105.372
5. Receivables from government and other institutions	048	6.733.485	11.896.147
6. Other receivables	049	0	44.258
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	5.874.930	4.913.651
1. Share in related parties	051		
2. Loans to related parties	052		
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055	3.581.349	3.002.239
6. Loans, deposits, etc.	056	2.293.581	1.911.412
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	3.006.099	1.617.038
D) PREPAYMENTS AND ACCRUED INCOME	059	1.013.523	249.915
E) TOTAL ASSETS (001+002+034+059)	060	656.415.933	623.996.315
F) OFF BALANCE SHEET ITEMS	061	48.637.632	50.564.590

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	110.624.206	72.219.721
I. SUBSCRIBED SHARE CAPITAL	063	384.161.400	384.161.400
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	10.428.371	11.046.376
1. Legal reserves	066		
2. Reserve for own shares	067	46.013.062	46.013.062
3. Treasury shares and shares (deductible items)	068	36.730.600	36.730.600
4. Statutory reserves	069		
5. Other reserves	070	1.145.909	1.763.914
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-181.079.603	-285.499.593
1. Retained earnings	073		
2. Loss carried forward	074	181.079.603	285.499.593
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	-102.885.962	-37.488.462
1. Net profit for the period	076		
2. Net loss for the period	077	102.885.962	37.488.462
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	744.081	276.696
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081		
3. Other provisions	082	744.081	276.696
C) NON-CURRENT LIABILITIES (084 do 092)	083	153.450.111	130.517.217
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	153.427.611	130.494.717
4. Liabilities for advances	087		
5. Trade payables	088	22.500	22.500
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		
9. Deferred tax liabilities	092		
D) CURRENT LIABILITIES (094 do 105)	093	391.046.349	420.422.104
1. Liabilities to related parties	094	16.986	17.036
2. Liabilities for loans, deposits, etc.	095	13.878.442	10.434.075
3. Liabilities to banks and other financial institutions	096	152.019.557	166.212.348
4. Liabilities for advances	097	2.724.304	2.691.893
5. Trade payables	098	119.666.151	102.608.626
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	14.781.997	15.562.733
9. Taxes, contributions and similar liabilities	102	80.207.967	115.102.420
10. Liabilities arising from share in the result	103		
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	7.750.945	7.792.973
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	551.186	560.577
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	656.415.933	623.996.315
G) OFF BALANCE SHEET ITEMS	108	48.637.632	50.564.590
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	110.624.206	72.219.721
2. Attributable to minority interest	110		

Income statement
period 01.01.2011. to 30.09.2011.

Varteks Group - Varaždin

Position	AOP	Previous period	Previous period	Current period	Current period
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	256.565.001	89.543.627	255.000.687	89.841.001
1. Rendering of services	112	225.995.840	87.432.872	231.725.594	72.785.526
2. Other operating income	113	30.569.161	2.110.755	23.275.093	17.055.475
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	287.047.632	111.074.322	275.372.748	91.101.519
1. Change in inventories of work in progress	115	19.119.714	9.007.416	7.376.420	4.779.810
2. Material expenses (117 do 119)	116	130.462.971	56.640.560	136.167.804	41.676.579
a) Costs of raw materials	117				
b) Cost of goods sold	118				
c) Other material expenses	119				
3. Employee benefits expenses (121 do 123)	120	95.478.885	31.860.830	91.053.852	29.864.342
a) Net salaries	121				
b) Tax and contributions from salary expenses	122				
c) Contributions on salary	123				
4. Depreciation and amortisation	124	10.185.130	3.389.495	10.745.449	3.815.620
5. Other expenses	125	27.380.693	9.266.504	26.275.373	8.866.044
6. Write down of assets (127+128)	126	0	0	467.676	467.657
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128				
7. Provisions	129				
8. Other operating costs	130	4.420.239	909.517	3.286.174	1.631.467
III. FINANCIAL INCOME (132 do 136)	131	3.546.245	-66.684	530.460	-214.952
1. Interest, foreign exchange differences, dividends and similar income from related parties	132				0
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	3.434.044	-64.646	427.464	-255.852
3. Income from investments in associates and joint ventures	134				0
4. Unrealised gains (income) from financial assets	135				0
5. Other financial income	136	112.201	-2.038	102.996	40.901
IV. FINANCIAL EXPENSES (138 do 141)	137	18.651.319	7.634.296	17.629.887	5.909.883
1. Interest, foreign exchange differences, dividends and similar income from related parties	138				
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	18.607.968	7.634.268	15.707.625	4.151.700
3. Unrealised losses (expenses) from financial assets	140				0
4. Other financial expenses	141	43.351	28	1.922.262	1.758.183
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142				
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+144)	146	260.111.246	89.476.943	255.531.147	89.626.049
X. TOTAL EXPENSES (114+137+143+145)	147	305.698.951	118.708.618	293.002.635	97.011.402
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	-45.587.705	-29.231.675	-37.471.488	-7.385.353
1. Profit before taxes (146-147)	149	0	0	0	0
2. Loss before taxes (147-146)	150	45.587.705	29.231.675	37.471.488	7.385.353
XII. TAXATION	151	35.412	-830	16.974	5.807
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-45.623.117	-29.230.845	-37.488.462	-7.391.160
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	45.623.117	29.230.845	37.488.462	7.391.160
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	-45.623.117	-29.230.845	-37.488.462	-7.391.160
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	0	0	0	0
1. Exchange differences from international settlement	159				
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161				
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	0	0	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-45.623.117	-29.230.845	-37.488.462	-7.391.160
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

CASH FLOW STATEMENT - Indirect method

period

1.1.2011

to

30.9.2011

HRK

Position	AOP oznaka	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	001	-45.587.704	-37.471.488
2. Depreciation and amortisation	002	10.185.130	10.745.449
3. Increase of current liabilities	003	25.807.755	18.627.330
4. Decrease of current receivables	004	0	2.493.983
5. Decrease of inventories	005	21.853.692	13.481.579
6. Other cash flow increases	006	0	1.734.278
I. Total increase of cash flow from operating activities	007	12.258.873	9.611.131
1. Decrease of current liabilities	008	0	
2. Increase of current receivables	009	30.737.082	
3. Increase of inventories	010	0	
4. Other cash flow decreases	011	1.912.432	
II. Total decrease of cash flow from operating activities	012	32.649.514	0
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	0	9.611.131
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	20.390.641	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	015	32.666.952	345.040
2. Proceeds from sale of non-current financial assets	016	0	0
3. Interest received	017	0	0
4. Dividend received	018	0	0
5. Other proceeds from investing activities	019	162.957	2.239.620
III. Total cash inflows from investing activities	020	32.829.909	2.584.660
1. Purchase of non-current assets	021	0	
2. Purchase of non-current financial assets	022	20.000	0
3. Other cash outflows from investing activities	023		1.400.383
IV. Total cash outflows from investing activities	024	20.000	1.400.383
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	32.809.909	1.184.277
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	0	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	027	0	0
2. Proceeds from loans and borrowings	028	0	0
3. Other proceeds from financing activities	029	2.656.017	0
V. Total cash inflows from financing activities	030	2.656.017	0
1. Repayment of loans and bonds	031	16.190.955	12.184.470
2. Dividends paid	032	0	0
3. Repayment of finance lease	033	0	0
4. Purchase of treasury shares	034	0	0
5. Other cash outflows from financing activities	035	0	0
VI. Total cash outflows from financing activities	036	16.190.955	12.184.470
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	13.534.938	12.184.470
Total increases of cash flows	039	0	0
Total decreases of cash flows	040	1.115.670	1.389.062
Cash and cash equivalents at the beginning of period	041	5.407.628	3.006.099
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	1.115.669	1.389.061
Cash and cash equivalents at the end of period	044	4.291.959	1.617.038

STATEMENT OF CHANGES IN EQUITY

period 1.1.2011 to 30.9.2011.

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	384.161.400	384.161.400
2. Capital reserves	002		
3. Reserves from profit	003	10.428.371	11.046.376
4. Retained earnings or loss carried forward	004	-181.079.603	-285.499.593
5. Net profit or loss for the period	005	-102.885.962	-37.488.462
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008		
9. Other revaluation	009		
10. Total equity and reserves (AOP 001 to 009)	010	110.624.206	72.219.721
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016		
17. Total increase or decrease of equity (AOP 011 to 016)	017	0	0
17 a. Attributable to majority owners	018	110.624.206	72.219.721
17 b. Attributable to minority interest	019		

Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, November 16, 2011

STATEMENT BY PERSONS RESPONSIBLE FOR THE COMPILATION OF THE REPORT FOR I-IX 2011

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

- the set of financial reports for Varteks Group for 1 – 9 / 2011 (hereinafter: Group) which was compiled according to International Financial Reporting Standards and pursuant to the Croatian Accounting Act offers a comprehensive and truthful account of the assets and liabilities, losses and profits, the financial position and business activities of the Group.
- The management report contains the truthful account of the development of the Group's operations and position, along with a description of the most significant risks and uncertainties the Group is exposed to.

PERSON RESPONSIBLE:



Nenad Davidović

Board member responsible for finances

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

Varaždin, November 15, 2011

Varteks d.d.
Zagrebačka 94
42000 Varaždin

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

INTERIM MANAGEMENT REPORT
for the time period from January 1 to September 30, 2011
VARTEKS GROUP – consolidated

Outline of significant events which took place during the business year's reporting period and the impact of these events on the abridged set of Varteks Group's financial statements

In the first nine months of 2011, Varteks Group realized sales revenues of HRK 231.7 million, which constitutes an increase of HRK 5.7 million or 2.5 percent in relation to the same time period last year.

In the revenues structure, HRK 112.4 million was realized in exports, which constitutes 48.5 percent of sales revenues. The majority of exports were realized in the European Union.

Total revenues amounted to HRK 255.5 million, i.e. 1.8 percent less in relation to the revenues realized in the same time period last year. The difference is evident in the item "other business revenues" and is not related to the group's regular business activities, but stems mostly from revenues generated through asset sales.

Total expenditures amounted to HRK 293 million in the first nine months of 2011 and were 4.2 percent lower than the total expenditures realized in the same time period in 2010.

The group operated with a loss of HRK 37.5 million in the first nine months of this year, while a loss of HRK 45.6 million had been realized in the same time period last year. The positive difference for the time period from I-IX 2011 of HRK 8.1 million results from higher sales revenues and reduced overall operating costs, which indicates an increase in the efficiency of regular business activities. If we exclude the effects of asset sales not in the sphere of regular business activities, the positive difference in the time period from I-IX 2011 rose to HRK 12.5 million in relation to the same time period in 2010.

In line with the elements of the Integral Business and Financial Restructuring Plan, the production part of Varteks d.d. has been operating through three separate limited liability companies, i.e. new group members, since May 2011.

After the first quarter of 2010, the B2B segment (sales segment connected to corporate clothing and the manufacturing of special-purpose clothing), which marked significant revenue growth and positive results, was detached through an affiliated company owned by

Varteks d.d. The revenues realized in the examined time period amounted to HRK 12 million more in relation to the same time period last year.

The results of Varteks Group's operations as seen through regular business activities show positive signs despite the fact that the overall business result is negative. Significant negative effects from a drop in personal spending and general illiquidity in the economy continue to be present, and they are particularly prominent in business operations in relation to the domestic market and markets in the wider region.

The negative trend on the real estate market led to additional difficulties in the implementation of activities related to stabilizing the group's liquidity, which directly led to the impossibility of the timely procurement of raw materials and production materials and the procurement and delivery of products and merchandise to the retail network and amongst group members, which significantly affected Varteks Group's overall business result.

Most significant risks and developments in the remaining business year

Given the economic problems and the further impact of the crisis, certain risks arise from a potential further illiquidity increase which could further complicate the timely procurement of goods and the funding of business activities within the overall group. There is also a risk of a further drop in personal spending, which directly affects revenues, as well as a risk of higher costs due to new energy price increases.

In line with the given market circumstances Varteks Groups continues to implement activities in certain sales aspects and market segments aimed at targeted sales development and growth. Significant growth in business revenues and results is continuously present in the segment pertaining to the manufacturing and sale of special-purpose clothing and corporate clothing, while growth is also continuously present in revenues realized through exports. In the retail business, development focuses on higher sales efficiency through the reorganization of the retail network's operations. The aim is to alleviate risks from the drop in personal spending through a redefined brand assortment, with a focus on the development of the company's own brands while reducing accompanying costs in retail units, stabilizing revenues and ultimately a better result through greater price difference.

In accordance with the Integral Business and Financial Restructuring Plan, the company continues to carry out cost-cutting activities through the closure of unprofitable parts of the system and by further cutting administrative costs with an unfortunately slowed down dynamic due to the illiquidity problem. The implementation of the Restructuring Plan is also aimed at the group's financial consolidation through the use of its own assets as an additional source of funding and at activities directed at the use of Government measures for economic recovery and development. Given the current situation and the problems on the real estate market as well as the management of measures for economic recovery and development, the realization of the planned dynamic has unfortunately been slowed down and become more difficult.

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

Board President of Varteks d.d.

Zoran Košćec

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