

ATTACHMENT 1

Reporting period:

01.01.2012

to

30.06.2012

Quarterly financial statement of the entrepreneur-TFI-POD

Tax number (MB): 3747034

Company registration
number (MBS): 070004039Personal identification
number (OIB): 00872098033

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

City/city code and name: 472 VARAŽDIN

County code and name: 5 VARAŽDINSKA

Number of employees: 2.191

(quarter end)

Consolidated report: YES

NKD code: 1413

Companies of the consolidation subject (according to IF

Seat:

MB:

BURGTRADE 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

Contact person: Bolšec Vlado

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

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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

VARTEKS d. d.
/ Zagrebačka 94 / HR-42000 VARAŽDIN / 10

(signature of the person authorized to represent the company)

Balance Sheet
as of 30.06.2012.

Varteks group-Varazdin			
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	805.664.625	797.722.620
I. INTANGIBLE ASSETS (004 do 009)	003	7.942.676	7.353.412
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	7.942.676	7.353.412
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	772.690.389	764.598.040
1. Land	011	187.556.145	187.556.077
2. Buildings	012	517.868.425	513.795.407
3. Plant and equipment	013	57.169.175	54.264.523
4. Tools, working inventory and transportation assets	014	9.039.734	7.940.904
5. Biological assets	015		
6. Advances for purchase of tangible assets	016		
7. Tangible assets in progress	017	824.862	809.081
8. Other tangible assets	018	232.048	232.048
9. Investment in real-estate	019		
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	21.423.349	21.693.455
1. Share in related parties	021		
2. Loans to related parties	022		
3. Participating interests (shares)	023	165.900	165.900
4. Loans to companies with participating interest	024		
5. Investments in securities	025	730.375	715.836
6. Loans, deposits, etc.	026		
7. Other non-current financial assets	027	4.365.453	4.650.098
8. Equity-accounted investments	028	16.161.621	16.161.621
IV. RECEIVABLES (030 do 032)	029	3.608.211	4.077.713
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031		
3. Other receivables	032	3.608.211	4.077.713
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	142.611.105	143.848.515
I. INVENTORIES (036 do 042)	035	91.311.157	84.550.517
1. Raw materials and supplies	036	33.330.637	29.575.592
2. Production in progress	037	3.416.655	3.801.447
3. Finished products	038	23.482.388	22.004.917
4. Merchandise	039	30.631.843	29.163.551
5. Advances for inventories	040	449.634	5.009
6. Long term assets held for sale	041	0	0
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	40.069.367	52.911.155
1. Receivables from related parties	044	0	0
2. Receivables from end-customers	045	26.483.372	33.492.623
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	558.491	1.302.513
5. Receivables from government and other institutions	048	12.497.085	18.116.019
6. Other receivables	049	530.419	
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	9.298.507	4.806.229
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	7.320.376	3.319.062
6. Loans, deposits, etc.	056	1.978.131	1.487.167
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	1.932.074	1.580.614
D) PREPAYMENTS AND ACCRUED INCOME	059	445.538	1.563.610
E) TOTAL ASSETS (001+002+034+059)	060	948.721.268	943.134.745
F) OFF BALANCE SHEET ITEMS	061	49.071.687	47.453.015

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	316.703.078	286.482.114
I. SUBSCRIBED SHARE CAPITAL	063	96.040.350	96.040.350
II. CAPITAL RESERVES	064	17.748.231	17.748.231
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	246.700	790.017
1. Legal reserves	066		
2. Reserve for own shares	067	9.182.650	9.182.650
3. Treasury shares and shares (deductible items)	068	9.182.650	9.182.650
4. Statutory reserves	069		
5. Other reserves	070	246.700	790.017
IV. REVALUATION RESERVES	071	278.255.370	278.255.370
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-4.906.751	-75.587.573
1. Retained earnings	073		
2. Loss carried forward	074	4.906.751	75.587.573
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	-70.680.822	-30.764.281
1. Net profit for the period	076		
2. Net loss for the period	077	70.680.822	30.764.281
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	239.775	254.346
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081		
3. Other provisions	082	239.775	254.346
C) NON-CURRENT LIABILITIES (084 do 092)	083	204.431.050	186.208.868
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085	4.802.795	
3. Liabilities to banks and other financial institutions	086	130.064.412	116.645.025
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		
9. Deferred tax liabilities	092	69.563.843	69.563.843
D) CURRENT LIABILITIES (094 do 105)	093	426.721.970	467.681.982
1. Liabilities to related parties	094	17.320	
2. Liabilities for loans, deposits, etc.	095	6.414.281	5.208.618
3. Liabilities to banks and other financial institutions	096	158.923.445	180.683.722
4. Liabilities for advances	097	1.948.936	1.616.703
5. Trade payables	098	102.701.466	94.199.333
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	11.998.383	15.022.123
9. Taxes, contributions and similar liabilities	102	136.546.089	162.708.052
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	8.172.050	8.243.432
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	625.395	2.507.435
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	948.721.268	943.134.745
G) OFF BALANCE SHEET ITEMS	108	49.071.687	47.453.015
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	316.703.078	286.482.114
2. Attributable to minority interest	110		

Income statement

period 01.01.2012. to 30.06.2012.

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	165.159.686	77.970.417	130.869.453	65.696.866
1. Rendering of services	112	158.940.068	74.810.676	125.022.101	63.173.820
2. Other operating income	113	6.219.618	3.159.741	5.847.352	2.523.046
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	184.271.229	85.333.030	149.387.550	74.575.246
1. Change in inventories of work in progress	115	2.596.610	1.866.988	1.067.614	504.619
2. Material expenses (117 do 119)	116	94.491.225	39.878.203	66.043.099	33.651.889
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	61.189.510	30.193.952	55.923.641	27.560.494
a) Net salaries	121				
b) Tax and contributions from salary expenses	122				
c) Contributions on salary	123				
4. Depreciation and amortisation	124	6.929.829	3.468.198	8.615.920	4.274.378
5. Other expenses	125	17.409.329	9.059.457	13.988.647	7.353.874
6. Write down of assets (127+128)	126	19	-214	11.559	2.425
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128				
7. Provisions	129				
8. Other operating costs	130	1.654.707	866.446	3.737.070	1.227.567
III. FINANCIAL INCOME (132 do 136)	131	745.412	634.555	475.804	312.159
1. Interest, foreign exchange differences, dividends and similar income from related parties	132		0	0	0
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	683.316	572.459	318.568	155.157
3. Income from investments in associates and joint ventures	134		0		0
4. Unrealised gains (income) from financial assets	135		0		0
5. Other financial income	136	62.096	62.096	157.236	157.002
IV. FINANCIAL EXPENSES (138 do 141)	137	11.720.004	6.717.269	12.710.619	7.085.757
1. Interest, foreign exchange differences, dividends and similar income from related parties	138		0	0	0
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	11.555.925	6.586.113	12.708.151	7.083.289
3. Unrealised losses (expenses) from financial assets	140		0		0
4. Other financial expenses	141	164.079	131.156	2.468	2.468
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142		0		
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143		0		
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+144)	146	165.905.098	78.604.972	131.345.257	66.009.025
X. TOTAL EXPENSES (114+137+143+145)	147	195.991.233	92.050.299	162.098.169	81.661.003
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	-30.086.135	-13.445.327	-30.752.912	-15.651.978
1. Profit before taxes (146-147)	149	0	0	0	0
2. Loss before taxes (147-146)	150	30.086.135	13.445.327	30.752.912	15.651.978
XII. TAXATION	151	11.167	-652	11.369	5.517
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-30.097.302	-13.444.675	-30.764.281	-15.657.495
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	30.097.302	13.444.675	30.764.281	15.657.495

ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155	-30.097.302	-13.444.675	-30.764.281	-15.657.495
2. Attributable to minority interest	156				
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	-30.097.302	-13.444.675	-30.764.281	-15.657.495
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	0	0	0	0
1. Exchange differences from international settlement	159				0
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				0
3. Profit or loss from re-evaluation of financial assets held for sale	161				0
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				0
6. Share of other comprehensive income/loss from associated companies	164				0
7. Actuarial gains/losses from defined benefit plans	165				0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				0
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	-30.097.302	-13.444.675	-30.764.281	-15.657.495
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169	-30.097.302	-13.444.675	-30.764.281	-15.657.495
2. Attributable to minority interest	170				

CASH FLOW STATEMENT - Indirect method

period 01.01.2012 to 30.06.2012

HRK

Varteks group - Varazdin			
Position 1	AOP oznaka 2	Previous period 3	Current period 4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-30.086.134	-30.752.911
2. Depreciation and amortisation	074	6.929.829	8.615.920
3. Increase of current liabilities	075	11.242.960	20.970.601
4. Decrease of current receivables	076	14.525.502	0
5. Decrease of inventories	077	3.398.393	6.760.640
6. Other cash flow increases	078	735.069	5.085.259
I. Total increase of cash flow from operating activities	079	6.745.619	10.679.509
1. Decrease of current liabilities	080		
2. Increase of current receivables	081		12.841.788
3. Increase of inventories	082		
4. Other cash flow decreases	083		
II. Total decrease of cash flow from operating activities	084	0	12.841.788
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	6.745.619	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086	0	2.162.279
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	-538.306	65.693
2. Proceeds from sale of non-current financial assets	088		
3. Interest received	089		
4. Dividend received	090		
5. Other proceeds from investing activities	091	288.434	
III. Total cash inflows from investing activities	092	-249.872	65.693
1. Purchase of non-current assets	093		
2. Purchase of non-current financial assets	094		
3. Other cash outflows from investing activities	095	451.622	739.607
IV. Total cash outflows from investing activities	096	451.622	739.607
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	701.494	673.914
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099		
2. Proceeds from loans and borrowings	100		1.767.229
3. Other proceeds from financing activities	101		717.504
V. Total cash inflows from financing activities	102	0	2.484.733
1. Repayment of loans and bonds	103	6.971.348	
2. Dividends paid	104		
3. Repayment of finance lease	105		
4. Purchase of treasury shares	106		
5. Other cash outflows from financing activities	107		
VI. Total cash outflows from financing activities	108	6.971.348	0
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	0	2.484.733
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	6.971.348	0
Total increases of cash flows	111	0	0
Total decreases of cash flows	112	927.223	351.460
Cash and cash equivalents at the beginning of period	113	3.006.099	1.932.074
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	927.223	351.460
Cash and cash equivalents at the end of period	116	2.078.876	1.580.614

STATEMENT OF CHANGES IN EQUITY
period 01.01.2012 to 30.06.2012

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	96.040.350	96.040.350
2. Capital reserves	002	17.748.231	17.748.231
3. Reserves from profit	003	246.700	790.017
4. Retained earnings or loss carried forward	004	-4.906.751	-75.587.573
5. Net profit or loss for the period	005	-70.680.822	-30.764.281
6. Revaluation of tangible assets	006	278.255.370	278.255.370
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	316.703.078	286.482.114
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	316.703.078	286.482.114
17 b. Attributable to minority interest	019		

Varaždin, August 15, 2012

Varteks d.d.
Zagrebačka 94
42000 Varaždin

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

INTERIM MANAGEMENT REPORT

For the time period from January 1 to June 30, 2012

VARTEKS GROUP – consolidated

Outline of significant events which took place in the reporting period and their impact on the abbreviated set of financial statements

The business operations of Varteks Group continued to take place amidst negative trends in the surroundings in the second quarter of 2012. The continuation of the economic crisis, a further decline in personal consumption as well as growing illiquidity continue to characterize the Croatian economy, economies in the region and most of Europe.

Market conditions which are extremely difficult for the textile, clothing and leather industry sector and business operations under conditions of illiquidity significantly influenced the decline in sales and overall business results in the first half of 2012.

In the first six months of 2012, Varteks Group continued to implement defined restructuring activities to mitigate the negative effects of the crisis, which nevertheless did not suffice to lead to positive business results under the current, difficult economic conditions.

In the examined time period, the Group managed to maintain a positive trend in some of its business activities, so that the result from business activities was up HRK 0.6 million in relation to last year. The overall business result is a loss of HRK 30.8 million, which is HRK 0.7 million worse than the business result realized in the same time period in 2011. It should be noted that the negative difference emerged on the basis of financial expenditures, which were one million HRK higher in relation to the same time period in 2011.

Total revenues amounted to HRK 130.2 million and were 20.8 percent lower than last year. In some sales aspects, some of the activities planned for the first half year were prolonged to the second half year, which will affect revenues by the end of the year. Total expenditures were 17.3 percent lower.

Liquidity problems as well as above-mentioned prolongation of part of the planned activities made it difficult to fill the capacities of the producing limited liability companies, which directly impacted the Group's overall result.

Amidst the negative trends on the real estate market, progress was marked in the realization of property sales planned as an additional source of financing for business activities. Given that the Group's liquidity was not stabilized, the procurement of raw materials, production

materials and merchandise was extremely difficult in the first half year, while the delivery of products and merchandise to the retail network and wholesale distribution channels was not realized on time. The inability to finance the season on time and the decline in personal consumption primarily affected the realized revenues, and thus also the Group's overall business result.

Further adverse impacts are arising from tax burdens, growing unemployment, higher energy prices and growing other basic living costs.

Most significant risks and expectations for the remaining business year

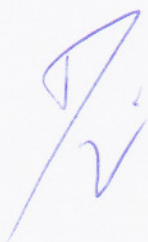
In the second half year, risks related to the crisis will continue to be present; illiquidity, reduced personal consumption and additional burdens on the economy due to further cost increases, especially energy costs.

Under such circumstances, it is essential that the state urgently initiates, parallel with the application of a strict fiscal policy, the announced intervention measures in the textile industry, as well as other indispensable measures related to maintaining competitiveness in the overall manufacturing industry to stop the negative trends.

In the remainder of the year, Varteks Group will continue with the set objectives of the Integral Business and Financial Restructuring Plan. The aim is to stabilize liquidity, increase revenues and to continue to further reduce operating costs and to thus improve the efficiency of overall operations. In terms of financial consolidation, activities initiated for the utilization of the company's own assets as an additional source of financing will be continued as well as activities to include the parent company in the Government's anti-recession measures aimed at economic recovery and development.

Zoran Košćec

Chairman of the Board of Varteks d.d.

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Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, AUGUST 15, 2012

STATEMENT BY PERSONS RESPONSIBLE FOR THE COMPILATION OF THE REPORT FOR I-VI 2012

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 2012 (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