



**Balance Sheet**  
as of 30.06.2012.

Varteks d.d. -Varaždin			
Position	AOP	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	804.779.368	796.460.868
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	6.561.023	6.076.270
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	6.561.023	6.076.270
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008		
6. Other intangible assets	009		
<b>II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)</b>	<b>010</b>	770.487.589	762.703.485
1. Land	011	187.556.077	187.556.077
2. Buildings	012	516.916.998	512.894.733
3. Plant and equipment	013	55.961.564	53.308.611
4. Tools, working inventory and transportation assets	014	8.996.790	7.903.685
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	231.298	231.298
9. Investment in real-estate	019		
<b>III. NON-CURRENT FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	24.122.545	24.109.306
1. Share in related parties	021	2.434.551	2.435.851
2. Loans to related parties	022		
3. Participating interests (shares)	023	165.900	165.900
4. Loans to companies with participating interest	024		
5. Investments in securities	025		
6. Loans, deposits, etc.	026	730.375	715.836
7. Other non-current financial assets	027	4.365.453	4.365.453
8. Equity-accounted investments	028	16.426.266	16.426.266
<b>IV. RECEIVABLES (030 do 032)</b>	<b>029</b>	3.608.211	3.571.807
1. Receivables from related parties	030	2.710.458	2.710.458
2. Receivables arising from sales on credit	031		
3. Other receivables	032	897.753	861.349
<b>V. DEFERRED TAX ASSET</b>	<b>033</b>	0	
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	145.199.498	147.964.953
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	82.166.314	75.762.150
1. Raw materials and supplies	036	33.291.404	29.483.102
2. Production in progress	037	2.554.909	3.083.277
3. Finished products	038	23.482.387	21.993.514
4. Merchandise	039	22.388.018	21.202.257
5. Advances for inventories	040	449.596	
6. Long term assets held for sale	041		
7. Biological assets	042		
<b>II. RECEIVABLES (044 do 049)</b>	<b>043</b>	53.282.373	66.917.243
1. Receivables from related parties	044	21.215.471	33.489.872
2. Receivables from end-customers	045	21.195.449	18.336.257
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	434.180	424.756
5. Receivables from government and other institutions	048	10.424.361	14.664.262
6. Other receivables	049	12.912	2.096
<b>III. CURRENT FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	8.656.751	4.276.429
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	6.800.926	2.900.983
6. Loans, deposits, etc.	056	1.855.825	1.375.446
7. Other financial assets	057		
<b>IV. CASH AND CASH EQUIVALENTS</b>	<b>058</b>	1.094.060	1.009.131
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	376.361	113.201
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	950.355.227	944.539.022
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	47.197.141	46.552.874

<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	331.962.607	302.576.168
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	534.013
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	534.013
IV. REVALUATION RESERVES	071	278.255.370	278.255.370
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	0	-60.328.044
1. Retained earnings	073		
2. Loss carried forward	074		60.328.044
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	-60.328.044	-29.673.752
1. Net profit for the period	076		
2. Net loss for the period	077	60.328.044	29.673.752
VII. MINORITY INTEREST	078		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	239.775	239.775
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081		
3. Other provisions	082	239.775	239.775
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	204.324.407	186.208.868
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085	4.702.795	4.702.795
3. Liabilities to banks and other financial institutions	086	130.057.769	111.942.230
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
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	413.352.366	455.041.319
1. Liabilities to related parties	094	29.854.553	58.543.843
2. Liabilities for loans, deposits, etc.	095	5.404.955	4.549.786
3. Liabilities to banks and other financial institutions	096	157.873.666	169.955.961
4. Liabilities for advances	097	1.948.936	1.250.994
5. Trade payables	098	93.373.151	84.347.861
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	5.482.194	6.503.953
9. Taxes, contributions and similar liabilities	102	111.549.535	122.032.524
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	7.865.376	7.856.397
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	476.072	472.892
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	950.355.227	944.539.022
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	47.197.141	46.552.874
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110		

**Income statement**

period 01.01.2012. to 30.06.2012.

Varteks d.d. -Varaždin

Position	AOP	Previous period	Previous period	Current period	Current period
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112 do 113)</b>	111	144.542.035	76.083.459	129.932.684	65.988.972
1. Rendering of services	112	136.758.235	71.720.829	118.665.686	60.958.884
2. Other operating income	113	7.783.800	4.362.630	11.266.998	5.030.088
<b>II. OPERATING COSTS (115+116+120+124+125+126+129+130)</b>	114	164.442.073	85.942.755	147.885.389	72.104.082
1. Change in inventories of work in progress	115	4.129.091	4.858.713	935.441	772.240
2. Material expenses (117 do 119)	116	90.136.109	51.884.482	103.845.393	50.124.704
a) Costs of raw materials	117	32.808.631	13.029.199	21.758.050	10.430.713
b) Cost of goods sold	118	25.519.615	12.014.380	24.364.406	13.017.592
c) Other material expenses	119	31.807.863	25.940.883	57.662.937	26.676.399
3. Employee benefits expenses (121 do 123)	120	46.847.718	17.573.863	22.819.910	11.296.843
a) Net salaries	121	30.055.113	11.168.650	14.364.254	7.162.546
b) Tax and contributions from salary expenses	122	9.895.877	3.821.112	5.190.150	2.572.637
c) Contributions on salary	123	6.896.728	2.586.101	3.265.506	1.561.660
4. Depreciation and amortisation	124	6.444.729	3.220.753	8.212.796	4.093.381
5. Other expenses	125	15.368.211	7.580.825	8.518.369	4.488.454
6. Write down of assets (127+128)	126	0	0	9.133	0
a) non-current assets (except financial assets)	127	0	0	9.133	0
b) current assets (except financial assets)	128	0	0	0	0
7. Provisions	129	0	0	0	0
8. Other operating costs	130	1.516.215	824.139	3.544.347	1.328.460
<b>III. FINANCIAL INCOME (132 do 136)</b>	131	264.742	148.181	311.292	148.968
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	8.703	517	2.385	567
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	256.039	147.664	308.907	148.389
3. Income from investments in associates and joint ventures	134	0	0	0	0
4. Unrealised gains (income) from financial assets	135	0	0	0	0
5. Other financial income	136	0	0	0	0
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	137	11.545.839	6.581.662	12.032.339	7.851.643
1. Interest, foreign exchange differences, dividends and similar income from related parties	138	28.000	28.000	206.058	206.058
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	11.517.839	6.553.662	11.826.281	7.645.585
3. Unrealised losses (expenses) from financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	142	0	0	0	0
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	143	0	0	0	0
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	144	0	0	0	0
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	145	0	0	0	0
<b>IX. TOTAL INCOME (111+131+144)</b>	146	144.806.777	76.231.640	130.243.976	66.137.928
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	147	175.987.912	92.524.417	159.917.728	79.955.725
<b>XI. PROFIT OR LOSS BEFORE TAXES (146-147)</b>	148	-31.181.135	-16.292.777	-29.673.752	-13.817.797
1. Profit before taxes (146-147)	149	0	0	0	0
2. Loss before taxes (147-146)	150	31.181.135	16.292.777	29.673.752	13.817.797
<b>XII. TAXATION</b>	151	0	0	0	0
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	152	-31.181.135	-16.292.777	-29.673.752	-13.817.797
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	31.181.135	16.292.777	29.673.752	13.817.797
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	157	-31.181.135	-16.292.777	-29.673.752	-13.817.797
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)</b>	158	198.559	50.441	287.314	145.859
1. Exchange differences from international settlement	159	0	0	0	0
2. Changes in revaluation reserves of long-term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from re-evaluation of financial assets held for sale	161	0	0	0	0
4. Profit or loss from cash flow hedging	162	198.559	50.441	287.314	145.859
5. Profit or loss from hedging of foreign investments	163	0	0	0	0
6. Share of other comprehensive income/loss from associated companies	164	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	165	0	0	0	0
<b>III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	166	0	0	0	0
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)</b>	167	198.559	50.441	287.314	145.859
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	168	-30.982.576	-16.242.336	-29.386.438	-13.671.938
<b>ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

## CASH FLOW STATEMENT - Indirect method

period 1.1.2012 to 30.6.2012

HRK

Position	AOP oznaka	Previous period	Current period
1	2	3	4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	073	-31.181.135	-29.673.752
2. Depreciation and amortisation	074	6.444.729	8.212.796
3. Increase of current liabilities	075	31.776.728	30.461.827
4. Decrease of current receivables	076	0	0
5. Decrease of inventories	077	1.552.283	6.404.164
6. Other cash flow increases	078	295.690	4.640.302
<b>I. Total increase of cash flow from operating activities</b>	<b>079</b>	<b>8.888.295</b>	<b>20.045.337</b>
1. Decrease of current liabilities	080	0	0
2. Increase of current receivables	081	2.407.154	13.634.870
3. Increase of inventories	082	0	0
4. Other cash flow decreases	083	0	0
<b>II. Total decrease of cash flow from operating activities</b>	<b>084</b>	<b>2.407.154</b>	<b>13.634.870</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>085</b>	<b>6.481.141</b>	<b>6.410.467</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>086</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	087	-319.045	56.061
2. Proceeds from sale of non-current financial assets	088	0	0
3. Interest received	089	0	0
4. Dividend received	090	0	0
5. Other proceeds from investing activities	091	190.050	50.943
<b>III. Total cash inflows from investing activities</b>	<b>092</b>	<b>-128.995</b>	<b>107.004</b>
1. Purchase of non-current assets	093	0	0
2. Purchase of non-current financial assets	094	60.000	1.300
3. Other cash outflows from investing activities	095	0	0
<b>IV. Total cash outflows from investing activities</b>	<b>096</b>	<b>60.000</b>	<b>1.300</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>097</b>	<b>0</b>	<b>105.704</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>098</b>	<b>188.995</b>	<b>0</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	099	0	0
2. Proceeds from loans and borrowings	100	0	0
3. Other proceeds from financing activities	101	0	287.313
<b>V. Total cash inflows from financing activities</b>	<b>102</b>	<b>0</b>	<b>287.313</b>
1. Repayment of loans and bonds	103	6.980.071	6.888.413
2. Dividends paid	104	0	0
3. Repayment of finance lease	105	0	0
4. Purchase of treasury shares	106	0	0
5. Other cash outflows from financing activities	107	237.898	0
<b>VI. Total cash outflows from financing activities</b>	<b>108</b>	<b>7.217.969</b>	<b>6.888.413</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>109</b>	<b>0</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>110</b>	<b>7.217.969</b>	<b>6.601.100</b>
Total increases of cash flows	111	0	0
Total decreases of cash flows	112	925.823	84.929
Cash and cash equivalents at the beginning of period	113	2.269.232	1.094.060
Increase of cash and cash equivalents	114	0	0
Decrease of cash and cash equivalents	115	925.823	84.929
Cash and cash equivalents at the end of period	116	1.343.409	1.009.131

## STATEMENT OF CHANGES IN EQUITY

period 1.1.2012 to 30.6.2012

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	534.013
4. Retained earnings or loss carried forward	004	0	-60.328.044
5. Net profit or loss for the period	005	-60.328.044	-29.673.752
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		
<b>10. Total equity and reserves (AOP 001 to 009)</b>	<b>010</b>	331.962.607	302.576.168
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		
<b>17. Total increase or decrease of equity (AOP 011 to 016)</b>	<b>017</b>	0	0
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		

Varazdin, July 27, 2012

Varteks d.d.  
Zagrebacka 94  
42000 Varazdin

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

## **INTERIM MANAGEMENT REPORT for the time period from January 1 to June 30, 2012**

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

The business operations of Varteks continued to take place under negative trends in its surroundings in the second quarter of 2012. The continuation of the economic crisis, a further decline in personal spending and growing illiquidity continue to mark the Croatian economy.

The results realized in the monitored period were significantly impacted by dropping sales as a result of difficulties caused by illiquidity and market conditions which are extremely difficult for the textile, clothing and leather industry sector.

Despite above negative influences on business operations, Varteks managed to maintain a positive direction in its operations in the first half of 2012.

Although operating with losses, the result was better by HRK 1.5 million in relation to the same time period last year, and when looking at the company's business activities, the result is better by close to HRK 2 million. The loss in the examined time period amounted to HRK 29.7 million.

Total revenues amounted to HRK 130.2 million and were 10 percent lower than last year. In certain sales aspects, some of the activities planned for the first half of the year were prolonged to the second half, which will affect revenues by the end of the year. Total expenditures were 9.1 percent lower.

For Varteks's business results to be comparable to last year's results in the same time period, it should be taken into consideration that the company operated as a complete entity with its own production facilities in the first four months of 2011; these facilities are currently operating as independent companies. Looking at the results while bearing this in mind, the loss in the examined time period is higher by HRK 3.3 million in relation to the same time period last year. Given the illiquidity problems and market conditions, as well as the previously mentioned prolongation of some of the planned activities, it was a lot more difficult to fill production capacities, which directly affected the total result.

Export revenues were partially realized through the production companies, and a total of HRK 56.1 million was realized in exports.

The further implementation of restructuring activities partially mitigated the negative effects of the crisis on the expenditure side, which did not suffice to lead to positive results in the current, difficult economic conditions.

The negative trends on the real estate market, where additional sources to finance business activities had been planned, failed to yield results in the first half year and to thus stabilize the company's liquidity. This led to difficulties in the procurement of raw materials, production materials and merchandise and rendered impossible the timely delivery of goods and merchandise to the retail network and wholesale distribution channels. The inability to finance the season on time and the decline in personal spending primarily affected the realized revenues.

Tax burdens, higher unemployment and higher basic living costs further adversely affected customer demand for clothing and textile products, and this economic branch has proven to be extremely sensitive to any additional burden.

### **Most significant risks and expectations for the remainder of the business year**

In the second half of the business year, risks related to general illiquidity, a decline in personal spending and additional burdens on the economy through higher costs, especially energy costs, and the continued implementation of a strict national fiscal policy will continue to be present.

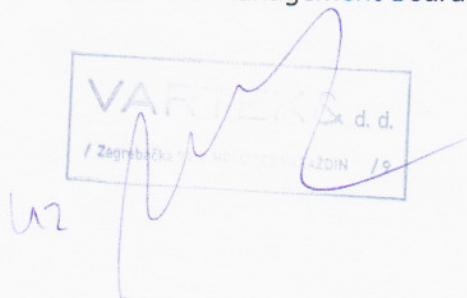
Unless the state initiates the announced intervention measures in the textile industry in such conditions, parallel with the implementation of the fiscal policy as well as other essential measures in relation to maintaining competitiveness in the overall processing industry, the continuation of negative trends in the real sector can be expected.

In the remainder of 2012, Varteks will continue implementing the set objectives of the Integral Business and Financial Restructuring Plan. The company's financial consolidation is an essential prerequisite for stabilizing overall business operations. On this basis, activities aimed at the use of the company's own property as an additional financing source and activities for the company's inclusion in the Government's anti-recession measures aimed at economic recovery and development are being carried out.

Zoran Košćec

Chairman of the Management Board of Varteks d.d.

WZ



The stamp contains the following text: VARTEKSI d. d., Zagrebačka ulica 12, 10000 Zagreb, HRVATSKA, OIB: 6301234567890, IBAN: HR1030300511011234567890, ZDIN: 1/9



Varteks d.d.  
Zagrebačka 94  
42000 Varaždin

Varazdin, July 27, 2012

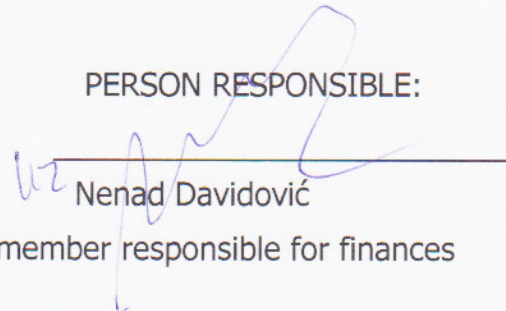
**STATEMENT BY PERSONS RESPONSIBLE FOR  
THE COMPILATION OF THE REPORT FOR I-VI 2012**

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

- the set of financial reports for Varteks d.d. for 2012 (hereinafter: Company) which was compiled according to International Financial Reporting Standards and pursuant to the Croatian Accounting Act offers a comprehensive and truthful account of the assets and liabilities, losses and profits, the financial position and business activities of the company.
- The management report contains the truthful account of the development of the business and the position of the company, along with a description of the most significant risks and uncertainties the Company is exposed to.



PERSON RESPONSIBLE:

  
Nenad Davidović

Board member responsible for finances

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