

ATTACHMENT 1

Reporting period:

1.1.2012

to

31.3.2012

Quarterly financial statement of the entrepreneur-TFI-POD

Tax number (MB) 3747034

Company registration number (MBS) 070004039

Personal 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

Municipality/city code and name 472 VARAŽDIN

County code and name 5 VARAŽDINSKA

Number of employees 706

(quarter end)

Consolidated report NO

NKD code: 1413

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

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

Telephone: 042/377-124

Facsimile: 042/377-089

E-mail address: zsvetec@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 31.03.2012.

Varteks d.d. -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	804.779.368	800.490.501
I. INTANGIBLE ASSETS (004 do 009)	003	6.561.023	6.316.886
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	6.561.023	6.316.886
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	770.487.589	766.600.013
1. Land	011	187.556.077	187.556.077
2. Buildings	012	516.916.998	514.896.282
3. Plant and equipment	013	55.961.564	54.604.484
4. Tools, working inventory and transportation assets	014	8.996.790	8.469.825
5. Biological assets	015		
6. Advances for purchase of tangible assets	016		
7. Tangible assets in progress	017	824.862	842.047
8. Other tangible assets	018	231.298	231.298
9. Investment in real-estate	019		
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	24.122.545	24.007.143
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	613.673
7. Other non-current financial assets	027	4.365.453	4.365.453
8. Equity-accounted investments	028	16.426.266	16.426.266
IV. RECEIVABLES (030 do 032)	029	3.608.211	3.566.459
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	856.001
V. DEFERRED TAX ASSET	033	0	
C) CURRENT ASSETS (035+043+050+058)	034	145.199.498	140.434.416
I. INVENTORIES (036 do 042)	035	82.166.314	76.217.717
1. Raw materials and supplies	036	33.291.404	29.776.337
2. Production in progress	037	2.554.909	2.347.256
3. Finished products	038	23.482.387	23.519.492
4. Merchandise	039	22.388.018	20.574.632
5. Advances for inventories	040	449.596	
6. Long term assets held for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	53.282.373	57.944.253
1. Receivables from related parties	044	21.215.471	22.841.758
2. Receivables from end-customers	045	21.195.449	20.006.174
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	434.180	461.022
5. Receivables from government and other institutions	048	10.424.361	14.635.299
6. Other receivables	049	12.912	
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	8.656.751	5.452.303
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	3.986.702
6. Loans, deposits, etc.	056	1.855.825	1.465.601
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	1.094.060	820.143
D) PREPAYMENTS AND ACCRUED INCOME	059	376.361	3.856.494
E) TOTAL ASSETS (001+002+034+059)	060	950.355.227	944.781.411
F) OFF BALANCE SHEET ITEMS	061	47.197.141	46.512.198

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	331.962.607	316.252.510
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	392.558
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	392.558
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	-15.855.955
1. Net profit for the period	076		
2. Net loss for the period	077	60.328.044	15.855.955
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	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
C) NON-CURRENT LIABILITIES (084 do 092)	083	204.324.407	195.275.977
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	121.009.339
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	413.352.366	432.537.077
1. Liabilities to related parties	094	29.854.553	44.357.349
2. Liabilities for loans, deposits, etc.	095	5.404.955	4.944.903
3. Liabilities to banks and other financial institutions	096	157.873.666	160.035.465
4. Liabilities for advances	097	1.948.936	1.800.257
5. Trade payables	098	93.373.151	89.558.745
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	5.482.194	5.982.874
9. Taxes, contributions and similar liabilities	102	111.549.535	118.019.529
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	7.837.955
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	476.072	476.072
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	950.355.227	944.781.411
G) OFF BALANCE SHEET ITEMS	108	47.197.141	46.512.198
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110		

Income statement

period 01.01.2012. to 31.03.2012.

Varteks d.d. -Varaždin

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	68.458.576	68.458.576	63.943.712	63.943.712
1. Rendering of services	112	65.037.406	65.037.406	57.706.802	57.706.802
2. Other operating income	113	3.421.170	3.421.170	6.236.910	6.236.910
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	78.499.318	78.499.318	75.781.307	75.781.307
1. Change in inventories of work in progress	115	-729.622	-729.622	163.201	163.201
2. Material expenses (117 do 119)	116	38.251.647	38.251.647	53.720.689	53.720.689
a) Costs of raw materials	117	18.879.432	18.879.432	11.327.337	11.327.337
b) Cost of goods sold	118	13.505.235	13.505.235	11.376.814	11.376.814
c) Other material expenses	119	5.866.980	5.866.980	31.016.538	31.016.538
3. Employee benefits expenses (121 do 123)	120	29.273.855	29.273.855	11.523.067	11.523.067
a) Net salaries	121	18.888.463	18.888.463	7.201.708	7.201.708
b) Tax and contributions from salary expenses	122	6.074.765	6.074.765	2.617.513	2.617.513
c) Contributions on salary	123	4.310.627	4.310.627	1.703.846	1.703.846
4. Depreciation and amortisation	124	3.223.976	3.223.976	4.119.415	4.119.415
5. Other expenses	125	7.787.386	7.787.386	4.029.915	4.029.915
6. Write down of assets (127+128)	126	0	0	9.133	9.133
a) non-current assets (except financial assets)	127	0	0	9.133	9.133
b) current assets (except financial assets)	128	0	0	0	0
7. Provisions	129	0	0	0	0
8. Other operating costs	130	692.076	692.076	2.215.887	2.215.887
III. FINANCIAL INCOME (132 do 136)	131	116.561	116.561	162.336	162.336
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	8.186	8.186	1.818	1.818
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	108.375	108.375	160.518	160.518
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
IV. FINANCIAL EXPENSES (138 do 141)	137	4.964.177	4.964.177	4.180.696	4.180.696
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	4.964.177	4.964.177	4.180.696	4.180.696
3. Unrealised losses (expenses) from financial assets	140				0
4. Other financial expenses	141				0
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142				0
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143				0
VII. EXTRAORDINARY - OTHER INCOME	144				0
VIII. EXTRAORDINARY - OTHER EXPENSES	145				0
IX. TOTAL INCOME (111+131+144)	146	68.575.137	68.575.137	64.106.048	64.106.048
X. TOTAL EXPENSES (114+137+143+145)	147	83.463.495	83.463.495	79.962.003	79.962.003
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	-14.888.358	-14.888.358	-15.855.955	-15.855.955
1. Profit before taxes (146-147)	149	0	0	0	0
2. Loss before taxes (147-146)	150	14.888.358	14.888.358	15.855.955	15.855.955
XII. TAXATION	151				
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-14.888.358	-14.888.358	-15.855.955	-15.855.955
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	14.888.358	14.888.358	15.855.955	15.855.955
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	-14.888.358	-14.888.358	-15.855.955	-15.855.955
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	148.118	148.118	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	148.118	148.118		0
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	148.118	148.118	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-14.740.240	-14.740.240	-15.855.955	-15.855.955
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated)					
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 1.1.2012 to 31.3.2012

HRK

Position	AOP oznaka	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-14.888.358	-15.855.955
2. Depreciation and amortisation	074	3.223.976	4.119.415
3. Increase of current liabilities	075	11.857.714	17.482.964
4. Decrease of current receivables	076	1.596.303	0
5. Decrease of inventories	077	0	5.948.597
6. Other cash flow increases	078	1.517.200	0
I. Total increase of cash flow from operating activities	079	3.306.835	11.695.021
1. Decrease of current liabilities	080	0	0
2. Increase of current receivables	081	0	4.661.880
3. Increase of inventories	082	1.668.537	0
4. Other cash flow decreases	083	0	275.685
II. Total decrease of cash flow from operating activities	084	1.668.537	4.937.565
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	1.638.298	6.757.456
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	195.279	12.298
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	83.227	158.454
III. Total cash inflows from investing activities	092	278.506	170.752
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
IV. Total cash outflows from investing activities	096	60.000	1.300
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097	218.506	169.452
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	0	0
CASH FLOW FROM FINANCING ACTIVITIES			
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	145.858
V. Total cash inflows from financing activities	102	0	145.858
1. Repayment of loans and bonds	103	3.284.072	7.346.683
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	288.340	0
VI. Total cash outflows from financing activities	108	3.572.412	7.346.683
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	3.572.412	7.200.825
Total increases of cash flows	111	0	0
Total decreases of cash flows	112	1.715.608	273.917
Cash and cash equivalents at the beginning of period	113	2.269.232	1.094.060
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	1.715.608	273.917
Cash and cash equivalents at the end of period	116	553.624	820.143

STATEMENT OF CHANGES IN EQUITY

period **1.1.2012** to **31.3.2012**

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	392.558
4. Retained earnings or loss carried forward	004	0	-60.328.044
5. Net profit or loss for the period	005	-60.328.044	-15.855.955
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	331.962.607	316.252.510
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		
17 b. Attributable to minority interest	019		

Varaždin, April 30, 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 – March 31, 2012

Outline of significant events during the reporting period and the impact of these events on the abridged set of financial statements

The business operations of Varteks in the first three months of 2012 took place amidst negative trends in the environment. The continuation of the economic crisis, a further decline in personal consumption and rising insolvency marked the Croatian economy in the first quarter of this year.

For the business results of Varteks in the time period in question to be comparable with last year, it should be taken into account that the company operated as an integrated whole with its own production facilities in the first quarter of 2011 and that these facilities are currently operating as independent companies. When looking at the total business results of Varteks d.d. and its manufacturing companies in the first quarter of 2012, it is evident that the loss was reduced by HRK 0.5 million in relation to the same time period last year and that it amounted to HRK 14.4 million.

Export revenues were partly realized through the manufacturing companies, with total exports of HRK 31.5 million, which is HRK 2 million less in relation to the same time period in 2011. Problems in financing also led to the shift of contracted export deals to the second and third quarter.

The carried-out restructuring activities succeeded to partly mitigate the negative impact of the crisis on the expenditure side, which nevertheless did not suffice to lead to positive operations in the currently severe economic conditions.

If we look at the operations of Varteks d.d., the company operated with a loss of HRK 15.9 million in the first three months, which constitutes a loss increase by HRK 1 million in relation to the same time period last year. Total revenues amounted to HRK 64 million and were 6.6 percent lower than last year, while total expenditures decreased by 4.2 percent.

Under the influence of negative trends on the real estate market, which had been planned as an additional financing source for business activities, the company's liquidity did not stabilize in the first quarter. This led to difficulties in the procurement of raw materials, production materials and merchandise and the inability to supply the retail network and wholesale distribution channels with products and merchandise on time. With the decline in personal

consumption, the inability to finance the season on time further adversely affected the realized revenues.

Despite initial announcements of measure to stimulate the Croatian economy, the negative trends in the environment indicate the continuation of negative trends, i.e. a delay in the anticipated positive effects.

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

In the remaining business year, risks related to the general lack of liquidity, the decline in personal consumption and the additional burden on the economy due to additional cost increases, especially for energy, continue to be present.

The tax burden, the increase in unemployment and the increase in the basic cost of living have had a further negative impact on customer demand for clothing and textile products, and this economic branch proved extremely sensitive to every additional burden.

In such circumstances it is essential that the Government initiates as soon as possible intervention measures in the textile industry as well as other necessary measures in relation to maintaining competitiveness in the overall manufacturing industry to stop the negative trends.

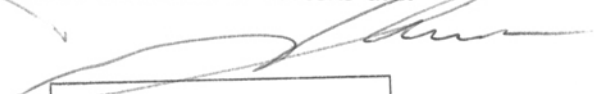
In 2012, Varteks is continuing with the objectives set by the Integral Business and Financial Restructuring Plan. Within the framework of the current crisis, activities are internally aimed at raising efficiency within the company and externally at an active adaptation to market trends. The maximum utilization and adaptation of the company's own resources along with the development and implementation of new approaches to sales and market conditions will constitute a priority in business activities until the end of the year. The aim is to stabilize liquidity, increase revenues and to continue cutting operating costs and thus to improve the efficiency of overall operations. In certain sales aspects, part of the activities planned for the beginning of the year was prolonged to the second and third quarter, which will certainly affect revenues.

Regarding the company's financial consolidation, activities are being carried out aimed at the use of the company's own assets as an additional financing source and the inclusion of the company in the Government's anti-recession measures aimed at economic recovery and development.

Varteks bases its suppositions for business stabilization and development primarily on stabilizing liquidity which is based, despite difficulties and unfortunately significant progress, on realistic possibilities and constitutes a key prerequisite for the implementation of further activities related to the system's restructuring, strengthening strategic sales aspects and raising the efficiency of overall operations.

Zoran Košćec

Board Chairman of Varteks d.d.



Varteks d.d.
Zagrebačka 94
42000 Varaždin

Varaždin, April 30, 2012


STATEMENT BY PERSONS RESPONSIBLE FOR THE COMPILATION OF THE REPORT FOR I-III 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