

ATTACHMENT 1

Reporting period:

1.1.2013

to

30.6.2013

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. VARAZDIN

Postal code and place: 42000 VARAZDIN

Street and house number: ZAGREBAČKA 94

E-mail address: info@varteks.com

Internet address: www.varteks.com

Municipality/city code and name: 472 VARAZDIN

County code and name: 5 VARAZDINSKA

Number of employees: 1.882

(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 LOGISTIC d.o.o.	Varaždin, Hrvatska	01038133
VARTEKS PRO d.o.o.	Varaždin, Hrvatska	1280511
VARTEKS ESOP d.o.o.	Varaždin, Hrvatska	070092385

Bookkeeping service:

Contact person: Bolšec Vlado
(please enter only contact person's family name and name)

Telephone: 042/377-005 Facsimile: 042/377-005

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 30.06.2013.

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	781.778.733	772.408.389
I. INTANGIBLE ASSETS (004 do 009)	003	6.796.816	4.956.823
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	6.796.816	4.956.823
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	751.711.415	742.609.870
1. Land	011	185.830.699	185.830.699
2. Buildings	012	506.321.128	501.539.575
3. Plant and equipment	013	51.492.499	47.999.062
4. Tools, working inventory and transportation assets	014	6.992.292	6.168.525
5. Biological assets	015		0
6. Advances for purchase of tangible assets	016	33.657	0
7. Tangible assets in progress	017	809.082	839.961
8. Other tangible assets	018	232.058	232.048
9. Investment in real-estate	019		0
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	20.136.826	21.743.828
1. Share in related parties	021	14.822.645	14.822.645
2. Loans to related parties	022		0
3. Participating interests (shares)	023	165.900	165.900
4. Loans to companies with participating interest	024		0
5. Investments in securities	025		810.131
6. Loans, deposits, etc.	026	782.828	0
7. Other non-current financial assets	027	4.365.453	5.945.152
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 do 032)	029	3.133.676	3.097.868
1. Receivables from related parties	030		0
2. Receivables arising from sales on credit	031		0
3. Other receivables	032	3.133.676	3.097.868
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	92.868.091	76.117.311
I. INVENTORIES (036 do 042)	035	44.339.905	32.261.796
1. Raw materials and supplies	036	14.782.748	13.307.147
2. Production in progress	037	1.112.161	1.382.323
3. Finished products	038	12.466.999	10.416.841
4. Merchandise	039	15.443.737	6.677.194
5. Advances for inventories	040	534.260	478.291
6. Long term assets held for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	40.675.078	40.737.884
1. Receivables from related parties	044		1.383.248
2. Receivables from end-customers	045	21.927.121	20.117.199
3. Receivables from participating parties	046		0
4. Receivables from employees and members of the company	047	175.158	187.879
5. Receivables from government and other institutions	048	17.899.925	18.574.003
6. Other receivables	049	672.874	475.555
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	2.729.327	2.276.054
1. Share in related parties	051		0
2. Loans to related parties	052		0
3. Participating interests (shares)	053		0
4. Loans to companies with participating interest	054		
5. Investments in securities	055	1.630.215	1.595.152
6. Loans, deposits, etc.	056	1.099.112	680.902
7. Other financial assets	057		0
IV. CASH AND CASH EQUIVALENTS	058	5.123.781	841.577
D) PREPAYMENTS AND ACCRUED INCOME	059	1.727.943	171.037
E) TOTAL ASSETS (001+002+034+059)	060	876.374.767	848.696.737
F) OFF BALANCE SHEET ITEMS	061	16.125.523	4.365.655

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	181.976.069	135.279.587
I. SUBSCRIBED SHARE CAPITAL	063	96.040.350	96.040.350
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	475.381	1.168.324
1. Legal reserves	066		0
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		0
5. Other reserves	070	475.381	1.168.324
IV. REVALUATION RESERVES	071	273.081.818	271.496.540
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-45.942.412	-192.340.841
1. Retained earnings	073		
2. Loss carried forward	074	45.942.412	192.340.841
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	-141.679.068	-41.084.786
1. Net profit for the period	076		
2. Net loss for the period	077	141.679.068	41.084.786
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	86.622	97.426
1. Provisions for pensions, severance pay and similar liabilities	080		0
2. Provisions for tax liabilities	081		0
3. Other provisions	082	86.622	97.426
C) NON-CURRENT LIABILITIES (084 do 092)	083	174.631.076	157.789.828
1. Liabilities to related parties	084		0
2. Liabilities for loans, deposits, etc.	085	3.388.461	3.383.819
3. Liabilities to banks and other financial institutions	086	102.895.660	86.455.373
4. Liabilities for advances	087		0
5. Trade payables	088	76.500	76.500
6. Commitments on securities	089		0
7. Liabilities to companies with participating interest	090		0
8. Other non-current liabilities	091		0
9. Deferred tax liabilities	092	68.270.455	67.874.136
D) CURRENT LIABILITIES (094 do 105)	093	518.792.298	554.679.299
1. Liabilities to related parties	094	17.714	594.916
2. Liabilities for loans, deposits, etc.	095	6.896.145	6.491.300
3. Liabilities to banks and other financial institutions	096	181.130.167	212.013.184
4. Liabilities for advances	097	1.920.580	2.562.271
5. Trade payables	098	102.563.036	100.543.587
6. Commitments on securities	099		0
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	21.494.231	23.000.216
9. Taxes, contributions and similar liabilities	102	190.212.916	194.629.102
10. Liabilities arising from share in the result	103		0
11. Liabilities arising from non-current assets held for sale	104		0
12. Other current liabilities	105	14.557.509	14.844.723
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	888.702	850.597
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	876.374.767	848.696.737
G) OFF BALANCE SHEET ITEMS	108	16.125.523	4.365.655
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	181.976.069	135.279.587
2. Attributable to minority interest	110		

Income statement

period 01.01.2013. to 30.06.2013.

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	130.869.453	65.696.866	84.329.388	37.812.322
1. Rendering of services	112	125.022.101	63.173.820	78.369.763	35.635.567
2. Other operating income	113	5.847.352	2.523.046	5.959.625	2.176.755
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	149.387.550	74.575.246	111.789.146	50.701.126
1. Change in inventories of work in progress	115	1.067.614	504.619	1.805.982	916.551
2. Material expenses (117 do 119)	116	66.043.099	33.651.889	40.963.258	15.920.602
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	55.923.641	27.560.494	47.540.516	23.230.879
a) Net salaries	121				
b) Tax and contributions from salary expenses	122				
c) Contributions on salary	123				
4. Depreciation and amortisation	124	8.615.920	4.274.378	7.696.306	3.748.467
5. Other expenses	125	13.988.647	7.353.874	11.812.173	5.472.534
6. Write down of assets (127+128)	126	11.559	2.425	13.847	0
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128				
7. Provisions	129				
8. Other operating costs	130	3.737.070	1.227.567	1.957.065	1.412.093
III. FINANCIAL INCOME (132 do 136)	131	475.804	312.159	1.183.525	238.165
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	318.568	155.157	1.183.525	238.893
3. Income from investments in associates and joint ventures	134		0	0	0
4. Unrealised gains (income) from financial assets	135		0	0	0
5. Other financial income	136	157.236	157.002	0	-728
IV. FINANCIAL EXPENSES (138 do 141)	137	12.710.619	7.085.757	14.802.568	5.091.899
1. Interest, foreign exchange differences, dividends and similar income from related parties	138	0	0	0	0
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	12.708.151	7.083.289	14.707.211	5.341.593
3. Unrealised losses (expenses) from financial assets	140		0		0
4. Other financial expenses	141	2.468	2.468	95.357	-249.694
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+142+144)	146	131.345.257	66.009.025	85.512.913	38.050.487
X. TOTAL EXPENSES (114+137+143+145)	147	162.098.169	81.661.003	126.591.714	55.793.025
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	-30.752.912	-15.651.978	-41.078.801	-17.742.538
1. Profit before taxes (146-147)	149	0	0	0	0
2. Loss before taxes (147-146)	150	30.752.912	15.651.978	41.078.801	17.742.538
XII. TAXATION	151	11.369	5.517	5.985	133
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-30.764.281	-15.657.495	-41.084.786	-17.742.671
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	30.764.281	15.657.495	41.084.786	17.742.671
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	-30.764.281	-15.657.495	-41.084.786	-17.742.671
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	287.314	145.859	278.136	139.186
1. Exchange differences from international settlement	159		0		0
2. Changes in revaluation reserves of long-term tangible and intangible assets	160		0		0
3. Profit or loss from re-evaluation of financial assets held for sale	161		0		0
4. Profit or loss from cash flow hedging	162	287.314	145.859	278.136	139.186
5. Profit or loss from hedging of foreign investments	163		0		0
6. Share of other comprehensive income/loss from associated companies	164		0		0
7. Actuarial gains/losses from defined benefit plans	165		0		0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	287.314	145.859	278.136	139.186
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-30.476.967	-15.511.636	-40.806.650	-17.603.485
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	-30.476.967	-15.511.636	-40.806.650	-17.603.485
2. Attributable to minority interest	170				

CASH FLOW STATEMENT - Indirect method

period 1.1.2013. to 30.6.2013.

HRK

Position	AOP oznaka	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-30.752.912	-41.078.801
2. Depreciation and amortisation	074	8.615.920	7.696.306
3. Increase of current liabilities	075	20.970.601	5.246.174
4. Decrease of current receivables	076	0	0
5. Decrease of inventories	077	6.760.640	12.078.109
6. Other cash flow increases	078	5.085.260	1.972.073
I. Total increase of cash flow from operating activities	079	10.679.509	-14.086.139
1. Decrease of current liabilities	080		0
2. Increase of current receivables	081	12.841.788	62.806
3. Increase of inventories	082		0
4. Other cash flow decreases	083		0
II. Total decrease of cash flow from operating activities	084	12.841.788	62.806
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086	2.162.279	14.148.946
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	65.693	3.245.233
2. Proceeds from sale of non-current financial assets	088		0
3. Interest received	089		0
4. Dividend received	090		0
5. Other proceeds from investing activities	091	0	0
III. Total cash inflows from investing activities	092	65.693	3.245.233
1. Purchase of non-current assets	093		0
2. Purchase of non-current financial assets	094		0
3. Other cash outflows from investing activities	095	739.607	1.571.194
IV. Total cash outflows from investing activities	096	739.607	1.571.194
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097	0	1.674.039
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	098	673.914	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099		0
2. Proceeds from loans and borrowings	100	1.767.229	13.799.579
3. Other proceeds from financing activities	101	717.504	0
V. Total cash inflows from financing activities	102	2.484.733	13.799.579
1. Repayment of loans and bonds	103		0
2. Dividends paid	104		0
3. Repayment of finance lease	105		0
4. Purchase of treasury shares	106		0
5. Other cash outflows from financing activities	107		5.606.876
VI. Total cash outflows from financing activities	108	0	5.606.876
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	2.484.733	8.192.703
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	0	0
Total increases of cash flows	111	0	0
Total decreases of cash flows	112	351.460	4.282.204
Cash and cash equivalents at the beginning of period	113	1.932.074	5.123.781
Increase of cash and cash equivalents	114		
Decrease of cash and cash equivalents	115	351.460	4.282.204
Cash and cash equivalents at the end of period	116	1.580.614	841.577

STATEMENT OF CHANGES IN EQUITY

period **1.1.2013** to **30.06.2013.**

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		
3. Reserves from profit	003	475.381	1.168.324
4. Retained earnings or loss carried forward	004	-45.942.412	-192.340.841
5. Net profit or loss for the period	005	-141.679.068	-41.084.786
6. Revaluation of tangible assets	006	273.081.818	271.496.540
7. Revaluation of intangible assets	007	0	
8. Revaluation of available for sale assets	008	0	
9. Other revaluation	009	0	
10. Total equity and reserves (AOP 001 to 009)	010	181.976.069	135.279.587
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	181.976.069	135.279.587
17 b. Attributable to minority interest	019		

Notes to the Financial Reports

During the reporting period, on 5 February 2013 started a pre-bankruptcy settlement over Varteks d.d.

The settlement was used as a base for the Plan of financial restructuring of the company, and the pre-bankruptcy settlement was reached on 11 July 2013 at the Commercial Court in Varaždin.

On 7 February 2013 three affiliates owned by Varteks d.d. in amount of 100% merged with the parent company.

Varteks d.d. merged: Varteks odjeća d.o.o. Varaždin, Varteks Ludbreg d.o.o. Ludbreg and Varteks Bednja d.o.o. Bednja.

In the reporting period, business was presented together with data of the merged companies.

For Varteks Trade d.o.o. Slovenia, which was owned by the Varteks d.d. in amount of 100% a pre-bankruptcy settlement started on 19 March 2013, and the business of affiliate Varteks Plus d.o.o. in Serbia, also owned by the Varteks d.d. in amount of 100%, was put on hold.

In Varaždin, 16th October 2013.

In accordance with regulations of the Capital Market Act, Varteks d.d. Management Board headquartered in Varaždin submitted:

MANAGEMENT INTERIM REPORT FOR VARTEKS GROUP

For the period of 1st January to 30th June 2013.

Indication of important events that have occurred during the reporting period of the business year and the impact of these events on the abridged set of financial statements

Varteks d.d., as the parent company, submitted at the end of 2012 pursuant to the Financial Transactions and Pre-Bankruptcy Settlement Act and based on the criterion of insolvency a request for the initiation of pre-bankruptcy settlement proceedings, which were officially initiated on February 5, 2013. The illiquidity accumulated during years of economic crisis significantly affected the Group's business conditions and results, both in 2012 and in the first half of 2013. It is important to note that the following three affiliated production companies were integrated into the parent company Varteks d.d. at the beginning of 2013: Varteks odjeća d.o.o., Varteks Ludbreg d.o.o. and Varteks Bednja d.o.o.

Operating revenues realized in Q2 2013 were 35.6 percent lower than in the same time period in 2012. In terms of operating revenue structure, 42 percent was realized in exports. Illiquidity particularly impacted revenues due to the inability to procure new goods, raw materials and production materials, which affected production and the sale of the company's own products, as well as the overall funding of the season for the sale of products and goods in retail and wholesale networks on the domestic market and markets of countries of the former Yugoslavia.

The Group operated in the examined period with a loss of HRK 41.1 million, while the loss in the same time period in 2012 had amounted to HRK 30.8 million. A significant item which affected loss in that time period are interest costs of HRK 12.5 million and severance pays as part of the restructuring costs amounting to HRK 1.5 million.

Given that operations of affiliated companies in Slovenia and Serbia were largely linked to the sale of Levi's products, the inability to continue business operations with Levi Strauss & Co. led to the closure of subsidiaries in Slovenia and the suspension of business activities in a subsidiary in Serbia at the beginning of 2013.

Most significant risks and expectations for the remaining business year

The Financial Restructuring Plan for Varteks was adopted at the beginning of June, while a pre-bankruptcy settlement was concluded in line with the adopted plan on July 11, 2013 before the Commercial Court in Varaždin. The plan defines a comprehensive solution and the consolidation of company operations and thus of the entire Group. The drafting of an agreement to govern mutual relations with creditors holding separate satisfaction rights as part of the adopted Financial Restructuring Plan is in the final stage. Apart from obligation settlement options, the plan also defines a new credit line of EUR 10 million necessary to establish liquidity, stabilize business processes and continue company operations.

By the end of the year, part of the measures provided for in the pre-bankruptcy settlement will have to be implemented, which will not affect the reporting period for Group operations in the first half of 2013.

Varteks d.d.
Zoran Koščec
Board Chairman

VARTEKS d. d.

/ Zagrebačka 94 / HR-42000 VARAŽDIN / 9



Varteks d.d.
Zagrebačka 94
42000 Varaždin

VARAZDIN, 10/16/2013.

STATEMENT BY PERSONS RESPONSIBLE FOR THE COMPILATION OF THE REPORT FOR I-VI 2013

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 2013 (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