

ATTACHMENT 1

Reporting period:

1.1.2013

to

31.12.2013

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

Locality/city code and name: 472 VARAŽDIN

County code and name: 5 VARAŽDINSKA

Number of employees: 1.757
(quarter end)

Consolidated report: NO

NKD code: 1413

Companies of the consolidation subject (according to I

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 31.12.2013.

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	780.973.966	401.154.737
I. INTANGIBLE ASSETS (004 do 009)	003	5.611.683	2.946.418
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	5.611.683	2.946.418
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	750.079.612	388.610.256
1. Land	011	185.830.699	72.089.888
2. Buildings	012	505.420.384	278.421.058
3. Plant and equipment	013	50.788.026	32.905.419
4. Tools, working inventory and transportation assets	014	6.966.466	4.962.593
5. Biological assets	015		0
6. Advances for purchase of tangible assets	016	33.657	0
7. Tangible assets in progress	017	809.082	0
8. Other tangible assets	018	231.298	231.298
9. Investment in real-estate	019		0
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	22.148.995	6.451.020
1. Share in related parties	021	16.834.814	348.548
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	782.828	1.571.119
7. Other non-current financial assets	027	4.365.453	4.365.453
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 do 032)	029	3.133.676	3.147.043
1. Receivables from related parties	030	2.579.386	2.623.073
2. Receivables arising from sales on credit	031		
3. Other receivables	032	554.290	523.970
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	94.441.932	181.746.895
I. INVENTORIES (036 do 042)	035	38.686.495	29.896.453
1. Raw materials and supplies	036	14.190.529	14.214.647
2. Production in progress	037	545.413	656.376
3. Finished products	038	12.362.516	8.615.253
4. Merchandise	039	11.054.563	5.215.505
5. Advances for inventories	040	533.474	1.194.672
6. Long term assets held for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	51.452.392	144.272.119
1. Receivables from related parties	044	19.442.740	5.251.302
2. Receivables from end-customers	045	15.241.025	132.900.219
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	202.127	157.629
5. Receivables from government and other institutions	048	16.218.825	5.749.249
6. Other receivables	049	347.675	213.720
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	2.772.605	2.837.001
1. Share in related parties	051		
2. Loans to related parties	052	713.808	
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055	1.057.888	2.294.913
6. Loans, deposits, etc.	056	1.000.909	542.088
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	1.530.440	4.741.322
D) PREPAYMENTS AND ACCRUED INCOME	059	507.369	222.307
E) TOTAL ASSETS (001+002+034+059)	060	875.923.267	583.123.939
F) OFF BALANCE SHEET ITEMS	061	15.056.729	4.793.702

Varteks d.d. -Varaždin

Position	AOP	Previous period	Current period
1	2	3	4
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	200.008.698	270.113.132
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	1.070.176
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	475.381	1.070.176
IV. REVALUATION RESERVES	071	273.081.818	174.015.099
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-42.975.527	-66.929.299
1. Retained earnings	073		
2. Loss carried forward	074	42.975.527	66.929.299
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	-126.613.324	65.916.806
1. Net profit for the period	076		65.916.806
2. Net loss for the period	077	126.613.324	
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	86.622	9.086.622
1. Provisions for pensions, severance pay and similar liabilities	080		9.000.000
2. Provisions for tax liabilities	081		
3. Other provisions	082	86.622	86.622
C) NON-CURRENT LIABILITIES (084 do 092)	083	174.473.856	80.683.660
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085	3.288.461	1.588.671
3. Liabilities to banks and other financial institutions	086	102.838.440	81.970
4. Liabilities for advances	087		
5. Trade payables	088	76.500	33.731.499
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		1.777.745
9. Deferred tax liabilities	092	68.270.455	43.503.775
D) CURRENT LIABILITIES (094 do 105)	093	500.614.490	222.389.827
1. Liabilities to related parties	094	56.767.277	295.795
2. Liabilities for loans, deposits, etc.	095	6.784.305	151.244
3. Liabilities to banks and other financial institutions	096	179.177.310	133.687.765
4. Liabilities for advances	097	1.919.672	1.176.082
5. Trade payables	098	91.711.020	40.388.508
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	9.402.771	18.705.959
9. Taxes, contributions and similar liabilities	102	140.584.102	7.966.930
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	14.268.033	20.017.544
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	739.601	850.698
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	875.923.267	583.123.939
G) OFF BALANCE SHEET ITEMS	108	15.056.729	4.793.702
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 01.01.2013. to 31.12.2013.

Varteks d.d. -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	258.762.289	64.953.477	369.496.334	257.554.295
1. Rendering of services	112	227.135.540	52.597.755	146.124.774	43.950.294
2. Other operating income	113	31.626.749	12.355.722	223.371.560	213.604.001
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	336.080.935	84.051.578	278.632.594	123.756.823
1. Change in inventories of work in progress	115	5.135.625	1.842.201	3.785.249	3.986.104
2. Material expenses (117 do 119)	116	198.046.806	45.196.809	66.482.010	16.479.478
a) Costs of raw materials	117	44.765.815	13.270.912	37.984.201	10.025.430
b) Cost of goods sold	118	43.747.968	8.012.447	13.061.326	3.103.699
c) Other material expenses	119	109.533.023	23.913.450	15.436.483	3.350.349
3. Employee benefits expenses (121 do 123)	120	44.707.046	10.899.715	91.875.578	22.460.268
a) Net salaries	121	28.298.442	6.931.127	60.712.907	14.819.730
b) Tax and contributions from salary expenses	122	10.218.940	2.513.279	18.993.549	4.669.002
c) Contributions on salary	123	6.189.664	1.455.309	12.169.122	2.971.536
4. Depreciation and amortisation	124	16.245.632	3.983.420	14.800.116	3.576.710
5. Other expenses	125	19.142.803	5.657.377	23.037.476	6.004.994
6. Write down of assets (127+128)	126	37.544.419	7.045.271	5.314.761	3.615.939
a) non-current assets (except financial assets)	127	183.793	0	0	
b) current assets (except financial assets)	128	37.360.626	7.045.271	5.314.761	3.615.939
7. Provisions	129		-160.000	9.000.000	9.000.000
8. Other operating costs	130	15.258.604	9.586.785	64.337.404	58.633.330
III. FINANCIAL INCOME (132 do 136)	131	3.321.466	1.020.754	2.453.346	1.004.821
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	448.253	445.619	1.768.484	824.754
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	2.841.352	543.274	682.796	178.001
3. Income from investm. in associates and joint vent.	134			0	0
4. Unrealised gains (income) from financial assets	135			0	0
5. Other financial income	136	31.861	31.861	2.066	2.066
IV. FINANCIAL EXPENSES (138 do 141)	137	52.616.144	19.221.522	27.400.280	4.657.132
1. Interest, foreign exchange differences, dividends and similar income from related parties	138	658.627	441.179	2.026.842	831.054
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	49.916.366	18.780.343	23.655.983	3.783.681
3. Unrealised losses (expenses) from financial assets	140	2.041.151	0	1.579.701	0
4. Other financial expenses	141			137.754	42.397
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142		0		0
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143		0		0
VII. EXTRAORDINARY - OTHER INCOME	144		0		0
VIII. EXTRAORDINARY - OTHER EXPENSES	145		0		0
IX. TOTAL INCOME (111+131+144)	146	262.083.755	65.974.231	371.949.680	258.559.116
X. TOTAL EXPENSES (114+137+143+145)	147	388.697.079	103.273.100	306.032.874	128.413.955
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	-126.613.324	-37.298.869	65.916.806	130.145.161
1. Profit before taxes (146-147)	149	0	0	65.916.806	130.145.161
2. Loss before taxes (147-146)	150	126.613.324	37.298.869	0	0
XII. TAXATION	151				
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-126.613.324	-37.298.869	65.916.806	130.145.161
1. Profit for the period (149-151)	153	0	0	65.916.806	130.145.161
2. Loss for the period (151-148)	154	126.613.324	37.298.869	0	0
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	-126.613.324	-37.298.869	65.916.806	130.145.161
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	6.695.621	3.575.630	124.013.635	124.013.635
1. Exchange differences from international settlement	159		0		0
2. Changes in revaluation reserves of long-term tangible and intangible assets	160	6.466.940	3.482.559	123.833.399	123.833.399
3. Profit or loss from re-valuation of financial assets held for sale	161		0		0
4. Profit or loss from cash flow hedging	162	228.681	93.071	180.236	180.236

Varteks d.d. -Varaždin

Position	AOP	Previous period	Previous period	Current period	Current period
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
5. Profit or loss from hedging of foreign investments	163		0		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	6.695.621	3.575.630	124.013.635	124.013.635
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-119.917.703	-33.723.239	189.930.441	254.158.796
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated VI. COMPREHENSIVE INCOME OR LOSS FOR THE					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

CASH FLOW STATEMENT - Indirect method

period 1.1.2013 to 31.12.2013

HRK

Position 1	AOP oznaka 2	Previous period 3	Current period 4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	073	-126.613.324	65.916.806
2. Depreciation and amortisation	074	16.245.632	14.800.116
3. Increase of current liabilities	075	93.594.052	0
4. Decrease of current receivables	076	1.829.981	0
5. Decrease of inventories	077	43.479.819	8.790.042
6. Other cash flow increases	078	2.268.161	331.763
I. Total increase of cash flow from operating activities	079	30.804.321	89.838.727
1. Decrease of current liabilities	080	0	226.102.057
2. Increase of current receivables	081	0	92.819.727
3. Increase of inventories	082	0	0
4. Other cash flow decreases	083	32.805.603	0
II. Total decrease of cash flow from operating activities	084	32.805.603	318.921.784
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING	086	2.001.282	229.083.057
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	087	5.462.691	349.334.505
2. Proceeds from sale of non-current financial assets	088	0	16.486.266
3. Interest received	089	0	0
4. Dividend received	090	0	0
5. Other proceeds from investing activities	091	2.500.538	0
III. Total cash inflows from investing activities	092	7.963.229	365.820.771
1. Purchase of non-current assets	093	326.482	0
2. Purchase of non-current financial assets	094	0	0
3. Other cash outflows from investing activities	095	76.977	801.658
IV. Total cash outflows from investing activities	096	403.459	801.658
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	097	7.559.770	365.019.113
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	22.264.449	0
3. Other proceeds from financing activities	101	5.884.146	13.187.628
V. Total cash inflows from financing activities	102	28.148.595	13.187.628
1. Repayment of loans and bonds	103	33.270.703	145.912.802
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	0	0
VI. Total cash outflows from financing activities	108	33.270.703	145.912.802
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	5.122.108	132.725.174
Total increases of cash flows	111	436.380	3.210.882
Total decreases of cash flows	112	0	0
Cash and cash equivalents at the beginning of period	113	1.094.060	1.530.440
Increase of cash and cash equivalents	114	436.380	3.210.882
Decrease of cash and cash equivalents	115	0	0
Cash and cash equivalents at the end of period	116	1.530.440	4.741.322

STATEMENT OF CHANGES IN EQUITY

period 1.1.2013 to 31.12.2013

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	1.070.176
4. Retained earnings or loss carried forward	004	-42.975.527	-66.929.299
5. Net profit or loss for the period	005	-126.613.324	65.916.806
6. Revaluation of tangible assets	006	273.081.818	174.015.099
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	200.008.698	270.113.132
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, February 18, 2014

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 January 1 – December 31, 2013/Q4
unaudited/unconsolidated**

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

In line with the Act on Financing and Pre-Bankruptcy Settlement, Varteks applied for pre-bankruptcy settlement on the basis of the illiquidity criterion at the end of 2012 and procedure was officially initiated on February 5, 2013. The illiquidity which accumulated during years of economic crisis significantly affected Varteks's business conditions and results, both in previous years and in 2013. At the beginning of 2013, three affiliated manufacturing companies were annexed to Varteks d.d.: Varteks odjeća d.o.o., Varteks Ludbreg d.o.o. and Varteks Bednja d.o.o. On this basis, certain items for 2013 relating to business revenues and expenditures are not comparable to data from 2012.

In the fourth quarter of 2013, the Pre-Bankruptcy Settlement was implemented pursuant to a Commercial Court decision, with the exception of a recapitalization of 15 million HRK in favor of the Croatian Finance Ministry. This Commercial Court decision was received at the end of 2013, so that the recapitalization will be entered into the company's business books in 2014. In the fourth quarter of 2013, the Agreement on Mutual Relations and Additional Funding for Varteks was concluded between Varteks and creditors holding separate satisfaction rights as part of the company's adopted Financial Restructuring Plan. Apart from the manner of settlement of liabilities towards creditors holding separate satisfaction rights, it also defines a new credit line of 10.9 million EUR, which is essential to establish liquidity, to stabilize business processes and to continue company operations. The agreement on the new credit line was concluded at the beginning of 2014.

The effects of the implementation of the Pre-Bankruptcy Settlement and the agreement with creditors holding separate satisfaction rights significantly impacted the company's overall business results, so that on this basis certain items for 2013 relating to business revenues and expenditures cannot be compared to data from 2012. This pertains in particular to the fourth quarter of 2013 since both the Pre-Bankruptcy Settlement and the agreement with creditors holding separate satisfaction rights were implemented in this time period.

Sales revenues for the period 1-12/2013 of 146.1 million HRK marked a decrease of 30 percent in relation to the same time period in 2012, taking into account the fact that the data for 2012 was consolidated with affiliated companies. In the sales revenue structure, 98.4 million HRK or 67 percent were realized through exports. Illiquidity negatively affected all sales aspects, with drops in retail and wholesale revenues due to the impossibility to procure new goods, raw materials and production materials, which affected production and the sale of the company's own products. The cancellation of the distribution agreement with Levi's had a significant impact on sales revenues in 2013.

Under the influence of the implementation of financial restructuring measures the company operated with a profit of 65.9 million HRK in the examined time period, while it had operated with a loss of 126.6 million HRK in the same time period in 2012.

Most significant risks and expectations for the coming period

The Financial Restructuring Plan of Varteks was adopted at the beginning of June 2013, while the pre-bankruptcy settlement was concluded in line with the adopted plan on July 11, 2013 before the Commercial Court in Varaždin. The financial restructuring measures established under the plan were realized in 2013, except for recapitalization, the reduction of borrowings in relation to the sale of the City Center in Zagreb and the conclusion of an agreement on a new credit line. At the beginning of 2014, the Commercial Court passed a decision on the company's recapitalization, the remaining borrowings were settled, and an agreement on a new credit line was concluded. The plan defines a comprehensive solution and the consolidation of the company's operations, which will be largely realized in 2014. Implementation measures also include further one-off restructuring costs which are included in the adopted plan, so that the positive effects will be fully evident in the business results for 2015.

Given that the Financial Restructuring Plan was implemented with a certain time delay, a delay is also expected in implementation effects, but still within the framework of set objectives in relation to the successful restructuring and financial and operational consolidation of the company.

Varteks d.d.

Board Chairman

Zoran Košćec



A handwritten signature in blue ink, appearing to be "Zoran Košćec".



Varaždin, 02/18/2014.

STATEMENT BY PERSONS RESPONSIBLE FOR THE COMPILATION OF THE REPORT FOR 1 - 12th 2013th YEAR / (fourth quarter / unaudited, unconsolidated)

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. (hereinafter: the Company) for the 1st to 12th 2013th year (fourth quarter / unaudited, unconsolidated) 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.

VARTEKS D.D.

Board member responsible for finances

Nenad Davidović

Contact person:

Marina Bradarić - Šlujo

Žiro račun:
2360000-1101339483
Zagrebačka banka d.d.
Zagreb
2340009-1100110839
Privredna banka d.d.
Zagreb
2484008-1100417652
Raiffeisenbank Austria d.d.
Zagreb

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/ Temeljni kapital 96.040.350,00 kn, uplaćen u cijelosti i podjeljen na 1.920.807 redovnih dionica, svaka nominalne vrijednosti 50 kn.

Društvo je upisano u registar Trgovačkog suda u Varaždinu, poslovni broj iz upisnika Tt: 95/463-2 (MBS) 070004039, M.B. 3747034, OIB: 00872098033.

Uprava: predsjednik Zoran Koščec, članovi Miljenko Vidaček, Nenad Davidović. Predsjednik Nadzornog odbora: Milan Horvat.