

Varaždin, April 30<sup>th</sup>, 2020

*In accordance with the provisions of the Capital Market Act, the Management Board of Varteks d.d. based in Varaždin submits:*

## **MANAGEMENT INTERIM REPORT**

***For the first quarter of the year 2020 (cumulative period 01.01. – 31.03.2020/unaudited)***

### ***Indications of significant events that occurred during the reporting period and the impact of these events on the condensed set of financial statements***

In the first quarter of 2020 Varteks Group had revenue of HRK 29.4 million which is 5.3% less than first quarter of 2019. Varteks d.d. had revenue of HRK 28.9 million which is 2.3% less than first quarter of 2019.

However, it is important to note that in March 2020, the Group and the Company were hit hard by the crisis caused by the coronavirus pandemic. The following is a chronology of important events caused by a coronavirus pandemic:

- March 9<sup>th</sup> – as of this date revenue in the Retail segment is plummeting in comparison to the week before by 32%, and it continues to fall from 50% to 80%
- March 19<sup>th</sup> – we are forced to close all stores with the exception of web-shop
- Mid-March and End-March – negotiation for the new credit facilities to finance working capital, which was in the late stage of realization, had not been concluded due to the financial market crisis caused by the coronavirus epidemic
- March 23<sup>rd</sup> – an online application was sent for Government grant in the form subsidy for 3 minimum monthly salaries for each employee for months of March, April and May. Getting this measure was crucial to the survival the Company. On March 31<sup>st</sup> we were granted the measure to protect jobs in the amount of HRK 9.2 million for Varteks d.d. and HRK 0.3 million for Varteks Pro d.o.o.
- Mid-March and beginning of April – the largest customers in the Contract manufacturing segment are reducing orders by 50% and there are announcements that reduced demand may continue until the end of the year
- March 24<sup>th</sup> – Contract manufacturing has been halted for safety reasons and from this day until April 1<sup>st</sup> only washable face masks are being produced with significantly reduced number of production workers. First 70.000 produced masks valued at more than HRK 700 thousands were donated to the Civil protection of the Republic of Croatia and Ministry of the Interior of the Republic of Croatia
- April 1<sup>st</sup> – Contract manufacturing production was restarted with limited capacity for safety reasons; however with significantly reduced orders

IBAN račun:

HR19 2360 0001 1013 3948 3  
Zagrebačka banka d.d.  
Zagreb

HR62 2340 0091 1001 1083 9  
Privredna banka d.d.  
Zagreb

HR47 2484 0091 1004 1765 2  
Raiffeisenbank Austria d.d.  
Zagreb

/ VARTEKS d.d. / Zagrebačka 94 / HR-42000 VARAŽDIN / tel. + 385 42 377 105 / fax. + 385 42 377 395 / P.P. 32 / info@varteks.com  
/ Temeljni kapital 41.066.860,00 kn, uplaćen u cijelosti i podijeljen na 4.106.686 redovnih dionica, svaka nominalne vrijednosti 10 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 / VAT:HR00872098033 / predsjednik Nadzornog odbora Nenad Bakić / predsjednik Uprave Tomislav Babić  
/ član Uprave Damir Radmilović

# VARTEKS

For the above reasons, the Group's operating income was down HRK 7.1m in March (HRK 5.3m compared to last year's HRK 12.4m) which is a drop of 57.2%, while the Company's revenue was down HRK 5.5m which is a drop of 53.5%. Additionally, during January and February, the Varteks Group recorded a revenue growth of HRK 4.1m or 21.3%, while Varteks d.d. had a revenue growth of HRK 4.6m, or 24.3%. The performance in January and February was in line with our ambitious business development plan for 2020 before the impact of the corona-crisis.

The extent of the impact of the coronavirus pandemic on our most profitable Retail segment (dominated by our own brand retail) is also quite pronounced. In January and February, we achieved growth of 50% over the previous year, which was even higher than the budget by 1%, while in March it dropped by 47% compared to March last year and 60% compared to the budget.

Regarding Contract manufacturing segment, revenue drop in March was 70% as compared to the same period last year, while cumulatively in the first quarter it decreased by 18% compared to the previous quarter.

In the business of the Varteks Group, the EBITDA movement is highly seasonal in nature and the budgeted EBITDA for the first quarter of 2020 was at the level of negative HRK 1m, while a positive HRK 11.2 million is budgeted for 2020 full year. The table below shows that the normalized EBITDA of the Varteks Group in the first quarter of 2020 was negative HRK 5.8 million which is below budget by HRK 4.8 million. Entire variation came from March as a result of the coronavirus pandemic.

	2020 Q1 Actual HRK thousand	2020 Q1 Budget HRK thousand	2019. Q1 Actual HRK thousand
Loss from operating activities	(3.687)	(2.218)	(4.117)
Depreciation	1.137	1.138	1.922
Depreciation of right of use (IFRS 16)*	1.357	1.357	-
Total depreciation	2.494	2.495	1.922
Invoiced rentals (not expense under IFRS 16 adopted as of 1 January 2019)	(1.487)	(1.487)	-
EBITDA excluding the effect of IFRS 16	(2.680)	(1.210)	(2.195)
One-off items:			
Income from reversal of provisions	-	-	(209)
Income from one-off grants	(3.150)	-	-
Termination benefits	-	125	739
Impairment of inventories	-	125	-
<b>Normalised EBITDA before effects of IFRS 16</b>	<b>(5.830)</b>	<b>(960)</b>	<b>(1.665)</b>
Effects of IFRS 16*	1.487	1.487	-
<b>Normalised EBITDA after effects of IFRS 16</b>	<b>(4.343)</b>	<b>527</b>	<b>(1.665)</b>

\* IFRS 16 effects were not reported in the financial statements for Q1 2019

With regard to financial activities, in the first quarter of 2020 a net cost was HRK 4.3m which is HRK 3.6m more than in the same period last year. There are three reasons for this change. Firstly the increase in the negative unrealized foreign exchange differences arising on long-term bank loans in the amount of HRK 2.4m (an increase in the exchange rate from March 31<sup>st</sup> as compared to December 31<sup>st</sup>), secondly an increase in the financial cost of HRK 0.6m as a result of change in the accounting for revised club loan (restatement of misclassification corrected in the 2019 annual statements) and thirdly application of IFRS 16 and the posting of a financial expense of HRK 0.3m that had not yet been applied in the first quarter of 2019.

### *The most significant risks and expectations for the future*

In 2019, the full effects of the restructuring activities were achieved and the extraordinary revenue growth in the Retail segment was an important step in further development and stabilization of the business. In March and April 2020, the business of the Company and the Group was severely affected by the coronavirus pandemic.

Several possible scenarios have been made for business development in 2020. According to the optimistic scenario (shorter pandemic period and faster recovery of the economy), the Company is capable of operating from its own business, using the Government's measures for protecting jobs and expected sale of inactive real estate by the end of 2020. According to the pessimistic scenario (longer pandemic period and slower economic recovery), additional liquid funds will be needed to maintain business liquidity, which is why we expect to have HBOR and commercial bank loans available as part of the Government's "April" measures.

In optimistic scenario Management is considering following facts:

- although our retail sale is temporarily suspended, we received significant compensation measures of HRK 9.5m (granted salary payment measure for March, April and May; write-offs and granted delayed rent payments by some lessors, etc.);
- although orders by foreign customers decreased, at the same time we focused on the production of washable cotton face masks, for which there is great demand and our capacities are currently fully used;
- currently web-shop sales as the only working store (in the period after March 19th to April 27th 2020) is performing significantly better than last year and we believe that this will strengthen our online position in the period after the crisis caused by the coronavirus pandemic;
- potential customers are still very interested in purchasing non-operating real estate, at values which are not lower than initially estimated, whose sale will help stabilize the company in the medium and long term; and
- although the post-crisis crisis is likely to make the fashion industry one of the more affected, since Varteks is one of the few vertically integrated fashion houses (with its own production, both within the EU), in the long run, we believe that the megatrend bringing back production to the EU is conducive to our further development.

### *R&D activities*

R&D activities mainly relate to the development of new collections.

### *Information on redemption of own shares*

In the reporting period, the parent company did not repurchase its own shares.

## *Information on existing subsidiaries of the parent company*

*As at March 31, 2020, the Parent Company has the following active subsidiaries:*

- *Varteks Pro d.o.o.*
- *V-projekt d.o.o.*

### **Varteks Pro d.o.o.**

Company Varteks Pro d.o.o. is 100% owned by the Company.

Company Varteks Pro d.o.o. specializes in sewing special purpose clothing for special customers (most notably the police and military).

In Q1 2020 the Company generated revenue of HRK 2.2 million (Q1 2019: HRK 2.5 million). The Company generated net loss of HRK 0.8 million (Q1 2019: loss of HRK 0.8 million). The Company's assets as of March 31st 2020 were HRK 17.7 million (December 31st 2019: HRK 7.3 million). Net capital as of March 31st 2020 was HRK 1.3 million (December 31st 2019: HRK 2.1 million). The number of employees was 33 as of March 31st 2020 (December 31st 2019: 32). The director of the company is Ms. Natalija Vnucec.

### **V-projekt d.o.o.**

Company V-projekt d.o.o. is 100% owned by the Company.

Company V-projekt d.o.o. has no operational activities.

In Q1 2020 the Company generated revenue of HRK 19 thousand (Q1 2019: HRK 25 thousand). The Company generated net profit of HRK 13 thousand (Q1 2019: net profit of HRK 20 thousand). The Company's assets as of March 31st 2020 were HRK 4.6 million (December 31st 2019: HRK 4.5 million). Net capital as of March 31st 2020 was HRK 4.5 million (December 31st 2019: HRK 4.5 million). The Company has no employees (2019: 0). The director of the company is Mr. Damir Rizman.

## *Description of the financial risk management policies and exposure of the Group and the Company to those risks*

The Group's 2019 annual financial statements contain the required disclosures regarding the Group's management and exposure to financial risks. The management of liquidity risk and cash flow risk is described in the consolidated financial statements for 2019 in Note 38 b).

In this interim report, we would like to highlight liquidity risk as still the most significant business risk which is now being further impacted by the management of the coronavirus crisis. As of March 31<sup>st</sup> 2020, the Group and the Company continue to have a significant amount of overdue liabilities. The Management is undertaking financial restructuring measures to provide the means to meet these arrears. We expect that additional cash inflows could be generated during 2020 from the sale of the Company's PPE (not used in production operations), some of which should be used to reduce outstanding trade payables and financial debt.

**Tomislav Babić**  
*President of the Management Board*

**Damir Radmilović**  
*Member of the Management Board*

**Annex 1**

**ISSUER'S GENERAL DATA**

Reporting period:  to   
 Year:   
 Quarter:

**Quarterly financial statements**

Registration number (MB):  Issuer's home Member State code:   
 Entity's registration number (MBS):   
 Personal identification number (OIB):  LEI:   
 Institution code:

Name of the issuer:

Postcode and town:

Street and house number:

E-mail address:

Web address:

Number of employees (end of the reporting):

Consolidated report:  (KN-not consolidated/KD-consolidated)

Audited:  (RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS): Registered office: MB:

Names of subsidiaries (according to IFRS):	Registered office:	MB:

Bookkeeping firm:  (Yes/No)  (name of the bookkeeping firm)

Contact person:  (only name and surname of the contact person)

Telephone:

E-mail address:

Audit firm:  (name of the audit firm)

Certified auditor:  (name and surname)

**BALANCE SHEET**  
balance as at 31.03.2020.

in HRK

Submitter: Varteks d.d.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>	<b>0</b>	<b>0</b>
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>227.022.796</b>	<b>226.231.937</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>1.767.667</b>	<b>1.690.544</b>
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	1.657.667	1.580.544
3 Goodwill	006	0	0
4 Advances for the purchase of Intangible assets	007	110.000	110.000
5 Intangible assets in preparation	008	0	0
6 Other intangible assets	009	0	0
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>213.411.503</b>	<b>211.984.785</b>
1 Land	011	52.075.281	52.075.281
2 Buildings	012	60.907.780	59.937.733
3 Plant and equipment	013	22.768.943	22.269.258
4 Tools, working inventory and transportation assets	014	1.749.400	1.676.860
5 Biological assets	015	0	0
6 Advances for the purchase of tangible assets	016	0	0
7 Tangible assets in preparation	017	0	115.554
8 Other tangible assets	018	232.048	232.048
9 Investment property	019	75.678.051	75.678.051
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>12.221.930</b>	<b>12.327.047</b>
1 Investments in holdings (shares) of undertakings within the group	021	4.530.600	4.530.600
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interests	024	0	0
5 Investment in other securities of companies linked by virtue of participating interests	025	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	026	0	0
7 Investments in securities	027	0	0
8 Loans, deposits, etc. given	028	7.685.430	7.790.547
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	5.900	5.900
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	<b>221.696</b>	<b>229.561</b>
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	221.696	229.561
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>0</b>	<b>0</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>54.384.355</b>	<b>54.034.401</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>40.121.637</b>	<b>43.787.348</b>
1 Raw materials and consumables	039	11.675.401	13.271.461
2 Work in progress	040	2.617.102	472.930
3 Finished goods	041	18.157.381	23.195.130
4 Merchandise	042	7.293.126	6.643.929
5 Advances for inventories	043	378.627	203.896
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>12.814.588</b>	<b>9.347.367</b>
1 Receivables from undertakings within the group	047	2.600.528	753.115
2 Receivables from companies linked by virtue of participating interests	048	0	0
3 Customer receivables	049	9.557.317	4.743.257
4 Receivables from employees and members of the undertaking	050	46.096	40.584
5 Receivables from government and other institutions	051	382.359	3.478.763
6 Other receivables	052	228.288	331.648
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>168.731</b>	<b>174.122</b>
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	0	37.370
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057	0	0
5 Investment in other securities of companies linked by virtue of participating interests	058	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	168.731	136.752
9 Other financial assets	062	0	0
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>1.279.399</b>	<b>725.564</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>407.607</b>	<b>599.248</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>282.414.758</b>	<b>280.865.586</b>
<b>OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>6.952.409</b>	<b>7.461.176</b>

<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to</b>	<b>067</b>	<b>43.713.599</b>	<b>36.629.085</b>
I INITIAL (SUBSCRIBED) CAPITAL	068	41.066.860	41.066.860
II CAPITAL RESERVES	069	655.664	655.664
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	-2.453.565	-2.413.517
1 Legal reserves	071	0	0
2 Reserves for treasury shares	072	754.460	754.460
3 Treasury shares and holdings (deductible item)	073	-3.371.478	-3.371.478
4 Statutory reserves	074	0	0
5 Other reserves	075	163.453	203.501
IV REVALUATION RESERVES	076	78.638.521	78.464.992
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	63.134.681	73.982.260
1 Retained profit	082	0	0
2 Loss brought forward	083	63.134.681	73.982.260
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	-11.059.200	-7.162.654
1 Profit for the business year	085	0	0
2 Loss for the business year	086	11.059.200	7.162.654
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
<b>B) PROVISIONS (ADP 089 to 094)</b>	<b>088</b>	<b>5.458.556</b>	<b>5.480.475</b>
1 Provisions for pensions, termination benefits and similar obligations	089	2.216.861	2.216.861
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	0	0
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	3.241.695	3.263.614
<b>C) LONG-TERM LIABILITIES (ADP 096 to 106)</b>	<b>095</b>	<b>109.524.129</b>	<b>111.057.372</b>
1 Liabilities to undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	097	0	0
3 Liabilities to companies linked by virtue of participating interests	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099	0	0
5 Liabilities for loans, deposits etc.	100	0	0
6 Liabilities to banks and other financial institutions	101	76.314.657	79.308.458
7 Liabilities for advance payments	102	0	0
8 Liabilities to suppliers	103	416.301	283.142
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	15.531.057	14.241.749
11 Deferred tax liability	106	17.262.114	17.224.023
<b>D) SHORT-TERM LIABILITIES (ADP 108 to 121)</b>	<b>107</b>	<b>121.432.926</b>	<b>125.480.588</b>
1 Liabilities to undertakings within the group	108	0	205.256
2 Liabilities for loans, deposits, etc. of undertakings within the group	109	2.896.815	9.744.940
3 Liabilities to companies linked by virtue of participating interests	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	111	0	0
5 Liabilities for loans, deposits etc.	112	48.987.900	48.852.679
6 Liabilities to banks and other financial institutions	113	14.601.078	13.037.808
7 Liabilities for advance payments	114	248.218	195.704
8 Liabilities to suppliers	115	30.536.461	29.994.758
9 Liabilities for securities	116	0	0
10 Liabilities to employees	117	4.507.486	4.213.959
11 Taxes, contributions and similar liabilities	118	10.239.272	9.914.282
12 Liabilities arising from the share in the result	119	0	0
13 Liabilities arising from fixed assets held for sale	120	0	0
14 Other short-term liabilities	121	9.415.696	9.321.202
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>2.285.548</b>	<b>2.218.066</b>
<b>F) TOTAL - LIABILITIES (ADP 067+088+095+107+122)</b>	<b>123</b>	<b>282.414.758</b>	<b>280.865.586</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>6.952.409</b>	<b>7.461.176</b>

**STATEMENT OF PROFIT OR LOSS**  
for the period 01.01.2020. to 31.03.2020.

in HRK

Submitter: Varteks d.d.

Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
<b>I OPERATING INCOME (ADP 126 to 130)</b>	<b>126</b>	<b>29.565.009</b>	<b>29.565.009</b>	<b>28.886.450</b>	<b>28.886.450</b>
1 Income from sales with undertakings within the group	126	677.124	677.124	1.466.288	1.466.288
2 Income from sales (outside group)	127	28.280.684	28.280.684	27.192.264	27.192.264
3 Income from the use of own products, goods and services	128	38.627	38.627	25.211	25.211
4 Other operating income with undertakings within the group	129	34.111	34.111	32.228	32.228
5 Other operating income (outside the group)	130	534.463	534.463	170.459	170.459
<b>II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)</b>	<b>131</b>	<b>32.954.893</b>	<b>32.954.893</b>	<b>31.829.688</b>	<b>31.829.688</b>
1 Changes in inventories of work in progress and finished goods	132	-5.563.846	-5.563.846	-4.757.741	-4.757.741
2 Material costs (ADP 134 to 136)	133	16.885.799	16.885.799	16.747.656	16.747.656
a) Costs of raw materials and consumables	134	10.186.658	10.186.658	11.148.513	11.148.513
b) Costs of goods sold	135	2.630.901	2.630.901	3.435.853	3.435.853
c) Other external costs	136	4.068.240	4.068.240	2.163.290	2.163.290
3 Staff costs (ADP 138 to 140)	137	15.251.946	15.251.946	12.814.457	12.814.457
a) Net salaries and wages	138	10.389.002	10.389.002	7.806.977	7.806.977
b) Tax and contributions from salary costs	139	3.108.851	3.108.851	3.019.730	3.019.730
c) Contributions on salaries	140	1.754.093	1.754.093	1.987.750	1.987.750
4 Depreciation	141	1.907.445	1.907.445	2.487.703	2.487.703
5 Other costs	142	4.405.905	4.405.905	4.469.141	4.469.141
6 Value adjustments (ADP 144+145)	143	0	0	0	0
a) fixed assets other than financial assets	144	0	0	0	0
b) current assets other than financial assets	145	0	0	0	0
7 Provisions (ADP 147 to 152)	146	0	0	0	0
a) Provisions for pensions, termination benefits and similar obligations	147	0	0	0	0
b) Provisions for tax liabilities	148	0	0	0	0
c) Provisions for ongoing legal cases	149	0	0	0	0
d) Provisions for renewal of natural resources	150	0	0	0	0
e) Provisions for warranty obligations	151	0	0	0	0
f) Other provisions	152	0	0	0	0
8 Other operating expenses	153	67.644	67.644	68.472	68.472
<b>III FINANCIAL INCOME (ADP 155 to 164)</b>	<b>154</b>	<b>73.796</b>	<b>73.796</b>	<b>1.507.767</b>	<b>1.507.767</b>
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	156	0	0	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	0	0	37.370	37.370
4 Other interest income from operations with undertakings within the group	158	0	0	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	0	0	482.702	482.702
6 Income from other long-term financial investments and loans	160	0	0	0	0
7 Other interest income	161	0	0	21.884	21.884
8 Exchange rate differences and other financial income	162	66.529	66.529	965.811	965.811
9 Unrealised gains (income) from financial assets	163	0	0	0	0
10 Other financial income	164	7.267	7.267	0	0
<b>IV FINANCIAL EXPENSES (ADP 166 to 172)</b>	<b>165</b>	<b>674.625</b>	<b>674.625</b>	<b>5.727.183</b>	<b>5.727.183</b>
1 Interest expenses and similar expenses with undertakings within the group	166	24.600	24.600	19.425	19.425
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	0	0	482.702	482.702
3 Interest expenses and similar expenses	168	476.653	476.653	1.762.051	1.762.051
4 Exchange rate differences and other expenses	169	163.132	163.132	3.463.005	3.463.005
5 Unrealised losses (expenses) from financial assets	170	0	0	0	0
6 Value adjustments of financial assets (net)	171	0	0	0	0
7 Other financial expenses	172	10.240	10.240	0	0
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>174</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>175</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>176</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IX TOTAL INCOME (ADP 126+154+173+174)</b>	<b>177</b>	<b>29.638.805</b>	<b>29.638.805</b>	<b>30.394.217</b>	<b>30.394.217</b>
<b>X TOTAL EXPENDITURE (ADP 131+165+175+176)</b>	<b>178</b>	<b>33.629.518</b>	<b>33.629.518</b>	<b>37.556.871</b>	<b>37.556.871</b>
<b>XI PRE-TAX PROFIT OR LOSS (ADP 177-178)</b>	<b>179</b>	<b>-3.990.713</b>	<b>-3.990.713</b>	<b>-7.162.654</b>	<b>-7.162.654</b>
1 Pre-tax profit (ADP 177-178)	180	0	0	0	0
2 Pre-tax loss (ADP 178-177)	181	-3.990.713	-3.990.713	-7.162.654	-7.162.654
<b>XII INCOME TAX</b>	<b>182</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)</b>	<b>183</b>	<b>-3.990.713</b>	<b>-3.990.713</b>	<b>-7.162.654</b>	<b>-7.162.654</b>
1 Profit for the period (ADP 179-182)	184	0	0	0	0
2 Loss for the period (ADP 182-179)	185	-3.990.713	-3.990.713	-7.162.654	-7.162.654



DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)					
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	188	0	0	0	0
1 Pre-tax profit from discontinued operations	187	0	0	0	0
2 Pre-tax loss on discontinued operations	188	0	0	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	189	0	0	0	0
1 Discontinued operations profit for the period (ADP 186-189)	190	0	0	0	0
2 Discontinued operations loss for the period (ADP 189-186)	191	0	0	0	0
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)					
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192	0	0	0	0
1 Pre-tax profit (ADP 192)	193	0	0	0	0
2 Pre-tax loss (ADP 192)	194	0	0	0	0
XVII INCOME TAX (ADP 182+189)	195	0	0	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196	0	0	0	0
1 Profit for the period (ADP 192-195)	197	0	0	0	0
2 Loss for the period (ADP 195-192)	198	0	0	0	0
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)					
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	0	0	0	0
1 Attributable to owners of the parent	200	0	0	0	0
2 Attributable to minority (non-controlling) interest	201	0	0	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)					
I PROFIT OR LOSS FOR THE PERIOD	202	-3.990.713	-3.990.713	-7.162.654	-7.162.654
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 204 to 211)	203	701.938	701.938	251.669	251.669
1 Exchange rate differences from translation of foreign operations	204	0	0	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	205	0	0	0	0
3 Profit or loss arising from subsequent measurement of financial assets available for sale	206	701.938	701.938	211.621	211.621
4 Profit or loss arising from effective cash flow hedging	207	0	0	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208	0	0	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interests	209	0	0	0	0
7 Actuarial gains/losses on the defined benefit obligation	210	0	0	0	0
8 Other changes in equity unrelated to owners	211	0	0	40.048	40.048
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212	0	0	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213	701.938	701.938	251.669	251.669
V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	-3.288.775	-3.288.775	-6.910.985	-6.910.985
APPENDIX to the Statement on comprehensive income (to be filled in by undertakings that draw up consolidated statements)					
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215	-3.288.775	-3.288.775	-6.910.985	-6.910.985
1 Attributable to owners of the parent	216	-3.288.775	-3.288.775	-6.910.985	-6.910.985
2 Attributable to minority (non-controlling) interest	217	0	0	0	0

**STATEMENT OF CASH FLOWS - indirect method**  
for the period 01.01.2020. to 31.03.2020.

in HRK

Submitter: Varteks d.d.				
Item	ADP code	Same period of the previous year	Current period	
1	2	3	4	
<b>Cash flow from operating activities</b>				
1 Pre-tax profit	001	-3.990.713	-7.162.654	
2 Adjustments (ADP 003 to 010):	002	2.607.257	6.690.285	
a) Depreciation	003	1.907.445	2.487.703	
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-5.620	9.709	
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	0	0	
d) Interest and dividend income	008	0	-59.254	
e) Interest expenses	007	501.253	1.762.052	
f) Provisions	008	0	0	
g) Exchange rate differences (unrealised)	009	104.179	2.497.194	
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	0	-7.119	
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>-1.483.456</b>	<b>-472.369</b>	
3 Changes in the working capital (ADP 013 to 016)	012	-8.034.929	-3.534.835	
a) Increase or decrease in short-term liabilities	013	4.845.958	-2.392.577	
b) Increase or decrease in short-term receivables	014	-423.301	2.970.513	
c) Increase or decrease in inventories	015	-8.701.136	-3.658.592	
d) Other increase or decrease in working capital	016	-3.756.450	-454.179	
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>-9.518.385</b>	<b>-4.007.204</b>	
4 Interest paid	018	398.038	-185.971	
5 Income tax paid	019	0	0	
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>-9.120.347</b>	<b>-4.193.175</b>	
<b>Cash flow from investment activities</b>				
1 Cash receipts from sales of fixed tangible and intangible assets	021	0	44.362	
2 Cash receipts from sales of financial instruments	022	0	0	
3 Interest received	023	205	12.265	
4 Dividends received	024	0	0	
5 Cash receipts from repayment of loans and deposits	025	0	0	
6 Other cash receipts from investment activities	026	7.311	0	
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>7.516</b>	<b>56.627</b>	
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-984.806	-997.885	
2 Cash payments for the acquisition of financial instruments	029	0	0	
3 Cash payments for loans and deposits for the period	030	0	10.740	
4 Acquisition of a subsidiary, net of cash acquired	031	0	0	
5 Other cash payments from investment activities	032	-38.662	0	
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-1.023.468</b>	<b>-987.145</b>	
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)</b>	<b>034</b>	<b>-1.015.952</b>	<b>-930.518</b>	
<b>Cash flow from financing activities</b>				
1 Cash receipts from the increase in initial (subscribed) capital	035	0	0	
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036	0	0	
3 Cash receipts from credit principals, loans and other borrowings	037	14.968.586	17.283.603	
4 Other cash receipts from financing activities	038	0	0	
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>14.968.586</b>	<b>17.283.603</b>	
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-5.892.790	-12.713.745	
2 Cash payments for dividends	041	0	0	
3 Cash payments for finance lease	042	0	0	
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	0	0	
5 Other cash payments from financing activities	044	0	0	
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-5.892.790</b>	<b>-12.713.745</b>	
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)</b>	<b>046</b>	<b>9.075.796</b>	<b>4.589.858</b>	
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047	0	0	
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>-1.060.503</b>	<b>-563.835</b>	
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>1.959.023</b>	<b>1.279.399</b>	
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>898.520</b>	<b>725.564</b>	

**STATEMENT OF CASH FLOWS - direct method**  
for the period 01.01.2020. to 31.03.2020.

in HRK

Submitter:			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>Cash flow from operating activities</b>			
1 Cash receipts from customers	001	0	0
2 Cash receipts from royalties, fees, commissions and other revenue	002	0	0
3 Cash receipts from insurance premiums	003	0	0
4 Cash receipts from tax refund	004	0	0
5 Cash payments to suppliers	005	0	0
6 Cash payments to employees	006	0	0
7 Cash payments for insurance premiums	007	0	0
8 Other cash receipts and payments	008	0	0
<b>I Cash from operations (ADP 001 to 008)</b>	<b>009</b>	<b>0</b>	<b>0</b>
9 Interest paid	010	0	0
10 Income tax paid	011	0	0
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 009 to 011)</b>	<b>012</b>	<b>0</b>	<b>0</b>
<b>Cash flow from investment activities</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	013	0	0
2 Cash receipts from sales of financial instruments	014	0	0
3 Interest received	015	0	0
4 Dividends received	016	0	0
5 Cash receipts from the repayment of loans and deposits	017	0	0
6 Other cash receipts from investment activities	018	0	0
<b>II Total cash receipts from investment activities (ADP 013 to 018)</b>	<b>019</b>	<b>0</b>	<b>0</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	020	0	0
2 Cash payments for the acquisition of financial instruments	021	0	0
3 Cash payments for loans and deposits	022	0	0
4 Acquisition of a subsidiary, net of cash acquired	023	0	0
5 Other cash payments from investment activities	024	0	0
<b>III Total cash payments from investment activities (ADP 020 to 024)</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 019 + 025)</b>	<b>026</b>	<b>0</b>	<b>0</b>
<b>Cash flow from financing activities</b>			
1 Cash receipts from the increase in initial (subscribed) capital	027	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	028	0	0
3 Cash receipts from credit principals, loans and other borrowings	029	0	0
4 Other cash receipts from financing activities	030	0	0
<b>IV Total cash receipts from financing activities (ADP 027 to 030)</b>	<b>031</b>	<b>0</b>	<b>0</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	032	0	0
2 Cash payments for dividends	033	0	0
3 Cash payments for finance lease	034	0	0
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	035	0	0
5 Other cash payments from financing activities	036	0	0
<b>V Total cash payments from financing activities (ADP 032 to 036)</b>	<b>037</b>	<b>0</b>	<b>0</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 031 + 037)</b>	<b>038</b>	<b>0</b>	<b>0</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	039	0	0
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 012+026+038+039)</b>	<b>040</b>	<b>0</b>	<b>0</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>041</b>	<b>0</b>	<b>0</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(ADP 040+041)</b>	<b>042</b>	<b>0</b>	<b>0</b>





NOTES TO FINANCIAL STATEMENTS - TFI  
(drawn up for quarterly reporting periods)

Name of the issuer: Varteks d.d. -Varaždin

Personal identification number (OIB): 00872098033

Reporting period: 01.01.2020. - 31.03.2020.

Notes to financial statements for quarterly periods include:

- a) an explanation of business events relevant to understanding changes in the statement of financial position and financial performance for the quarterly reporting period of the issuer with respect to the last business year: information is provided regarding these events and relevant information published in the last annual financial statement is updated
- b) information on the access to the latest annual financial statements, for the purpose of understanding information published in the notes to financial statements drawn up for the quarterly reporting period
- c) a statement explaining that the same accounting policies are applied while drawing up financial statements for the quarterly reporting period as in the latest annual financial statements or, in the case where the accounting policies have changed, a description of the nature and effect of the changes
- d) a description of the financial performance in the case of the issuer whose business is seasonal.

Varaždin, April 30<sup>th</sup> 2020

## STATEMENT OF LIABILITY FOR PREPARING FINANCIAL STATEMENTS OF ISSUER

### First quarter of 2020 (unaudited, unconsolidated)

With this statement, in accordance with the Capital Market Act, we declare that to the best of our knowledge:

- set of financial statements of the Varteks d.d. (hereinafter: the Company) for the 1<sup>st</sup> quarter of 2020 (unaudited, unconsolidated), have been prepared in accordance with International Financial Reporting Standards, and in accordance with the Croatian Accounting Law, provide a complete and fair view of the Company's assets and liabilities, profit and loss, financial position and operations, except for the correction of prior period errors the effects of which are described in the management interim report.
- The management interim report contains a fair presentation of development and results of the operations and position of the Company, with a description of most significant risks and uncertainties to which the Company is exposed.

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Tomislav Babić  
/President of the Management Board/

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Damir Radmilović  
/Member of the  
Management Board/

Contact person:

Duje Jurenić

Tel. 042 / 377-230

IBAN račun:

HR19 2360 0001 1013 3948 3  
Zagrebačka banka d.d.  
Zagreb

HR62 2340 0091 1001 1083 9  
Privredna banka d.d.  
Zagreb

HR47 2484 0081 1004 1765 2  
Raiffeisenbank Austria d.d.  
Zagreb

/ VARTEKS d.d. / Zagrebačka 94 / HR-42000 VARAŽDIN / tel. + 385 42 377 105 / fax.+ 385 42 377 395 / P.P. 32 / info@varteks.com  
/ Temeljni kapital 41.066.860,00 kn, uplaćen u cijelosti i podijeljen na 4.106.686 redovnih dionica, svaka nominalne vrijednosti 10 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 / VAT:HR00872098033 / predsjednik Nadzornog odbora Nenad Bakić / predsjednik Uprave Tomislav Babić  
/ član Uprave Damir Radmilović