

Varaždin, July 31st, 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 second quarter of the year 2020 (cumulative period 01.01. – 30.06.2020/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 second quarter of 2020 Varteks Group had revenue of HRK 30.6 million which is 42% less than second quarter of 2019 Varteks d.d. had revenue of HRK 20.5 million which is 53% less than second quarter of 2019.

The mentioned decline in revenues of the Group and the Company is a direct consequence of the impact of the crisis due to the coronavirus pandemic. In the Retail and Wholesale segment all stores were closed except the web shop in the period from March 9th to April 27th, which resulted in a sharp decline in revenues. In the Production for Others segment, orders from key foreign customers were reduced by 50% and additional price increase opportunity was missed out.

Adverse impact of the crisis was partly amortized by state grant for employees' salaries from March to May in the total amount of HRK 15.1 million, whereby the Company achieved positive normalized H1 EBITDA including grants of HRK 5.1 million. State grants at the Group level amount to HRK 15.6 million. The Group achieved positive normalized H1 EBITDA including grants of HRK 5.5 million. Actual performance was still below budget for 2020 which was set ambitiously after achieving excellent results in 2019 (2019: achieved growth of Retail and Wholesale segment of 59% and an increase of EBITDA by HRK 10.6 million).

In June, revenues in the most significant Retail and Wholesale segment were increased by 36% compared to the previous month and are higher by 17% than projected revenues as compared to the crisis business plan of the Group and the Company. In July, the recovery trend slowed down somewhat and retail revenues were lower by 17% compared to 2019, which, given the new wave of the corona crisis, confirms the strength of the Varteks brand and the potential for rapid recovery after the crisis. Web shop sales in the first half of 2020 reached 13% of retail revenue, which is at the level of established global brands and the further strengthening of omni-channel sales. The realized normalized gross margin in the Retail and Wholesale segment in the first 6 months is 30%, primarily due to significant discounts, which is fully expected and at the level of the crisis plan, but compared to the first 6 months of 2019 there was a decrease of 23 percentage points.

VARTEKS

In the segment of Contract manufacturing, the decline in revenues in the second quarter of 2020 compared to the same period last year amounted to HRK 8.4 million, which is a drop of 60%, while at the level of the first 6 months there was a drop of HRK 11 million, which is a drop of 39%. Given the current orders, by the end of the year we expect a total drop in revenue of 55% compared to 2019. Taking into account that in 2019 the segment of Contract manufacturing engaged 51% of available production capacity and due to expected reduced orders from foreign customers by the end of the year, the Management Board of the Company decided to use the grants for preserving jobs by shortening working hours. This measure is expected to provide an additional grant inflow in the amount of HRK 5.8 million by the end of the year, which will allow the flexibility to increase production capacity during the recovery of domestic and foreign markets.

In the segment of Special-purpose clothing, in the second quarter, net income grew by 6% compared to the same period last year, and a positive normalized EBITDA of HRK 0.8 million was achieved. Given that the business model of the segment is based in part on public procurement contracts, the conclusion of contracts ensures short-term and medium-term capacity utilization and business stability.

The impact of the coronavirus pandemic is visible through the normalized EBITDA result of the Group. The drop in gross profit in the first 6 months of 2020 of HRK 14.9 million compared to last year was partly mitigated by good control over operating expenses and reduced investments in marketing and promotion in the amount of HRK 2 million. The inclusion of incentives in the calculation of EBITDA fully offsets the operational loss caused by the crisis due to the coronavirus pandemic.

<i>Varteks Group</i>	YTD June 2019 HRK '000	YTD June 2020 HRK '000
Loss from operating activities	(1.498)	(6.233)
PROFIT TAX	-	-
NET PROFIT/(LOSS)	(1.498)	(6.233)
EBT	(1.498)	(6.233)
DEPRECIATION AND AMORTIZATION	3.838	2.186
DEPRECIATION OF RIGHT OF USE ASSET (IFRS 16)*	-	2.683
(PROFIT)/LOSS FROM EXCHANGE RATE DIFFERENCES	(273)	1.754
INTEREST (REVENUE)/EXPENSE	1.782	3.500
NORMALIZATION OF ONE-OFF ITEMS	(1.478)	(13.964)
GRANTS	(1.478)	(15.574)
IMPACT OF IFRS 16 - INVOICED RENT *	-	(2.126)
SEVERANCES	-	139
COMPENSATION OF DAMAGES OF PREVIOUS PERIODS	-	31
(PROFIT)/LOSS FROM SALE OF WRITTEN OFF EQUIPMENT	-	3.566
NORMALISED EBITDA	2.372	(10.075)
NORMALISED EBITDA with grants	3.850	5.500

* IFRS 16 effects were not reported in the financial statements for Q2 2019

With regards to financial activities of the Varteks Group, in the second quarter of 2020 a net expense was HRK 0.9 million which is HRK 0.2 million more than the same period last year. The increase in interest expense from HRK 0.5 million to HRK 1.7 million compared to the same period last year is the result of the use of the correct accounting treatment of the club loan (the correction is described in detail in the annual reports for 2019) which resulted in an increase in interest expense of HRK 0.6 million due to the amortization of profit arising from the recognition of significant difference in financing terms (refinancing of borrowings). The application of IFRS 16 resulted in an additional interest expense of HRK 0.2 million. At the same time, due to the strengthening of the HRK exchange rate against the EUR, there were positive unrealized exchange rate differences in the amount of HRK 0.8 million that arose on long-term bank loans.

The most significant risks and expectations for the future

In 2019, the full effects of the implemented restructuring activities were achieved, and the extraordinary growth of retail revenues was an important step in the further development and stabilization of operations. While in the first half of 2020, the operations of the Company and the Group were severely affected by the coronavirus pandemic, a recovery is expected in the second half of the year. The key business segment of the Group (Retail and Wholesale) achieves extremely high growth rates month on month and the results in June and July are comparable with the results of the same period in 2019, which indicates a rapid recovery and is the basis for ambitious plans to further expand in 2021.

Illiquidity remains the most significant business risk of the Group in the short term. Pressure on the Group's cash position is evident given the reduced inventory turnover due to the drop in revenues in the period from March to May, the short-term excess of production capacity due to reduced orders from key foreign customers and the maturity of liabilities from previous periods. The impact of the crisis in the period from March to May was partially amortized by state financial grant, and new measures to reduce working hours will temporarily reduce production capacity and fixed operating costs, thus mitigating the negative effect of short-term reductions in foreign orders.

The Company continues to monetize non-operating real estate at prices higher than estimates, which improves the liquidity and capital position of the Company and the Group in the short term, and stabilizes operations and reduces debt in the medium and long term.

The following is a chronology of important events caused by a coronavirus pandemic and other important events in 2020:

- *March 9th – 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 19th – 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 23rd – 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. Grant of 15.6 million was approved*
- *Mid-March and beginning of April – the largest customer in the Contract manufacturing segment is reducing orders by 50%*
- *March 24th – Contract manufacturing has been halted for safety reasons and from this day until April 1st only washable face masks are being produced with significantly reduced number of production workers. First 70.000 produced masks (valued at HRK 700 thousands)*

VARTEKS

were donated to the Civil protection of the Republic of Croatia and Ministry of the Interior of the Republic of Croatia

- April 1st – Contract manufacturing production was restarted with limited capacity for safety reasons; however with significantly reduced orders
- April 27th – stores that are not located in shopping malls were opened (participate in the total retail revenues with a lesser extent)
- May 11th – stores in shopping malls with strict protection measures against COVID-19 were opened
- May 11th – a pre-agreement was signed for the sale of part of the property in Varaždin. The area that is the subject of the pre-agreement is approximately 33,900 m². Fulfillment of the defined preconditions for concluding the main contract is expected in the first quarter of 2021.
- July 3rd – receipt of down payment according to the preliminary Sale agreement for the sale of the property, which marks the start of the monetization of inactive assets. Despite the fact that we are in a difficult liquidity situation, it was necessary to forward a significant part of this down payment to settle the short-term club loan, which made the financial stabilization of the company difficult.
- July 15th – a request for state grants in the form of shortening the working week was submitted. In the next 7 months, we expect to exercise the right to grants in the total amount of HRK 5.8 million
- July 29th – a request was submitted for installment payment and partial tax liabilities write-off. In the period from March 20th to June 23rd 2020, the revenue decreased by more than 50% compared to the same period in 2019.

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 June 30, 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 H1 2020 the Company generated revenue of HRK 13.2 million (H1 2019: HRK 17 million). The Company generated net profit of HRK 0.3 million (H1 2019: profit of HRK 1.8 million). The Company's assets as of June 30, 2020 were HRK 13.9 million (December 31st 2019: HRK 7.3 million). Net capital as of June 30, 2020 was HRK 2.4 million (December 31st 2019: HRK 2.1 million). The number of employees was 33 as of June 30, 2020 (December 31st 2019: 32). The director of the company is Ms. Natalija Vnučec.

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 H1 2020 the Company generated revenue of HRK 37 thousand (H1 2019: HRK 43 thousand). The Company generated net profit of HRK 28 thousand (H1 2019: net profit of HRK 29 thousand). The Company's assets as of June 30, 2020 were HRK 4.6 million (December 31st 2019: HRK 4.5 million). Net capital as of June 30, 2020 was HRK 4.6 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).

Tomislav Babić
President of the Management Board

Damir Radmilović
Member of the Management Board

Annex 1

ISSUER'S GENERAL DATA

Reporting period:

01.01.2020

to

30.06.2020

Year:

2020

Quarter:

2.

Quarterly financial statements

Registration number (MB):

03747034

Issuer's home Member

State code:

HR

Entity's registration
number (MBS):

070004039

Personal identification
number (OIB):

00872098033

LEI:

74780000Q0LH0TDGEO80

Institution
code:

1420

Name of the issuer: VARTEKS d.d.

Postcode and town:

42000

Varaždin

Street and house number:

Zagrebačka 94

E-mail address:

info@varteks.com

Web address:

www.varteks.com

Number of employees
(end of the reporting

996

Consolidated report:

KN

(KN-not consolidated/KD-consolidated)

Audited:

RN

(RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS):

Registered office:

MB:

Bookkeeping firm:

No

(Yes/No)

(name of the bookkeeping firm)

Contact person:

Damir Radmilović

(only name and surname of the contact person)

Telephone:

042 377105

E-mail address:

dradmilovic@varteks.com

Audit firm:

(name of the audit firm)

Certified auditor:

(name and surname)

BALANCE SHEET
balance as at 30.06.2020.

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
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	227.622.796	219.847.037
I INTANGIBLE ASSETS (ADP 004 to 009)	003	1.767.667	1.616.769
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	1.657.667	1.506.769
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
II TANGIBLE ASSETS (ADP 011 to 019)	010	213.411.503	205.891.048
1 Land	011	52.075.281	52.075.281
2 Buildings	012	60.907.780	58.311.558
3 Plant and equipment	013	22.768.943	17.982.611
4 Tools, working inventory and transportation assets	014	1.749.400	1.543.588
5 Biological assets	015	0	0
6 Advances for the purchase of tangible assets	016	0	0
7 Tangible assets in preparation	017	0	0
8 Other tangible assets	018	232.048	232.048
9 Investment property	019	75.678.051	75.745.962
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	12.221.930	12.112.248
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	7.575.748
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	5.900	5.900
IV RECEIVABLES (ADP 032 to 035)	031	221.696	226.972
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	226.972
V DEFERRED TAX ASSETS	036	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	037	54.384.355	59.151.726
I INVENTORIES (ADP 039 to 045)	038	40.121.637	52.066.648
1 Raw materials and consumables	039	11.675.401	13.308.666
2 Work in progress	040	2.617.102	454.387
3 Finished goods	041	18.157.381	30.160.452
4 Merchandise	042	7.293.126	7.597.452
5 Advances for inventories	043	378.627	545.691
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
II RECEIVABLES (ADP 047 to 052)	046	12.814.588	6.465.151
1 Receivables from undertakings within the group	047	2.600.528	841.441
2 Receivables from companies linked by virtue of participating interests	048	0	0
3 Customer receivables	049	9.557.317	5.061.548
4 Receivables from employees and members of the undertaking	050	46.096	33.390
5 Receivables from government and other institutions	051	382.359	309.166
6 Other receivables	052	226.288	219.606
III CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	168.731	141.355
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	103.985
9 Other financial assets	062	0	0
IV CASH AT BANK AND IN HAND	063	1.279.399	478.572
D) PREPAID EXPENSES AND ACCRUED INCOME	064	407.607	437.577
E) TOTAL ASSETS (ADP 001+002+037+064)	065	282.414.758	279.436.340
OFF-BALANCE SHEET ITEMS	066	6.952.409	7.080.596

LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to	067	43.713.599	37.324.556
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	-2.390.753
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	226.265
IV REVALUATION RESERVES	076	78.638.521	78.291.463
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	-73.770.639
1 Retained profit	082	0	0
2 Loss brought forward	083	63.134.681	73.770.639
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	-11.059.200	-6.528.040
1 Profit for the business year	085	0	0
2 Loss for the business year	086	11.059.200	6.528.040
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
B) PROVISIONS (ADP 089 to 094)	088	5.458.556	5.497.080
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	3.280.219
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	109.524.129	110.429.212
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	79.685.368
7 Liabilities for advance payments	102	0	0
8 Liabilities to suppliers	103	416.301	149.984
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	15.531.057	13.407.929
11 Deferred tax liability	106	17.262.114	17.185.931
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	121.432.926	123.998.129
1 Liabilities to undertakings within the group	108	0	205.687
2 Liabilities for loans, deposits, etc. of undertakings within the group	109	2.896.815	8.198.767
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	48.802.840
6 Liabilities to banks and other financial institutions	113	14.601.078	10.432.103
7 Liabilities for advance payments	114	248.218	341.627
8 Liabilities to suppliers	115	30.536.461	32.180.818
9 Liabilities for securities	116	0	0
10 Liabilities to employees	117	4.507.486	4.464.628
11 Taxes, contributions and similar liabilities	118	10.239.272	10.217.775
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	9.153.886
E) ACCRUALS AND DEFERRED INCOME	122	2.285.548	2.187.364
F) TOTAL - LIABILITIES (ADP 067+088+095+107+122)	123	282.414.758	279.436.340
G) OFF-BALANCE SHEET ITEMS	124	6.952.409	7.080.596

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2020. to 30.06.2020.

in HRK

Submitter: Varteks d.d.

Item	ADP code	Same period of the previous year		Current period	
		cumulative	Quarter	cumulative	Quarter
1	2	3	4	5	6
I OPERATING INCOME (ADP. 126 to 130)	126	73.302.852	43.737.843	49.435.611	20.549.164
1 Income from sales with undertakings within the group	126	6.262.383	5.585.259	2.091.486	625.199
2 Income from sales (outside group)	127	64.634.404	36.353.720	45.622.170	18.429.907
3 Income from the use of own products, goods and services	128	78.067	39.440	25.256	46
4 Other operating income with undertakings within the group	129	72.422	38.311	382.867	350.639
5 Other operating income (outside the group)	130	2.255.576	1.721.113	1.313.832	1.143.373
II OPERATING EXPENSES (ADP. 132+133+137+141+142+143+146+153)	131	75.277.017	42.322.124	50.856.569	19.026.883
1 Changes in inventories of work in progress and finished goods	132	-5.553.233	10.613	-11.750.581	-6.992.840
2 Material costs (ADP. 134 to 136)	133	36.905.337	20.019.538	27.640.437	10.892.782
a) Costs of raw materials and consumables	134	19.060.576	8.873.918	18.630.430	7.481.918
b) Costs of goods sold	135	7.948.421	5.317.520	4.688.023	1.252.170
c) Other external costs	136	9.896.340	5.828.100	4.321.984	2.158.694
3 Staff costs (ADP. 138 to 140)	137	30.161.172	14.909.228	18.143.915	5.329.458
a) Net salaries and wages	138	20.757.550	10.368.548	12.001.052	4.194.075
b) Tax and contributions from salary costs	139	5.954.067	2.845.216	3.819.325	799.595
c) Contributions on salaries	140	3.449.555	1.695.462	2.323.538	335.788
4 Depreciation	141	3.817.784	1.910.339	4.865.308	2.377.605
5 Other costs	142	9.519.620	5.113.715	8.039.234	3.570.094
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	426.337	358.693	3.918.256	3.849.784
III FINANCIAL INCOME (ADP. 155 to 164)	154	1.753.038	1.679.242	3.201.752	1.693.984
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	0
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	922.867	922.867	628.723	146.020
6 Income from other long-term financial investments and loans	160	0	0	0	0
7 Other interest income	161	117.476	117.476	13.023	599
8 Exchange rate differences and other financial income	162	705.428	638.899	2.522.636	1.547.365
9 Unrealised gains (income) from financial assets	163	0	0	0	0
10 Other financial income	164	7.267	0	0	0
IV FINANCIAL EXPENSES (ADP. 166 to 172)	165	3.145.972	2.471.347	8.308.834	2.581.649
1 Interest expenses and similar expenses with undertakings within the group	166	43.055	18.455	38.053	18.627
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	922.867	922.867	628.723	146.020
3 Interest expenses and similar expenses	168	1.684.312	1.207.659	3.361.643	1.599.592
4 Exchange rate differences and other expenses	169	437.980	274.848	4.280.415	817.410
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	57.758	47.518	0	0
V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS	173	0	0	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	176	0	0	0	0
IX TOTAL INCOME (ADP. 125+154+173 + 174)	177	75.055.890	45.417.085	52.637.363	22.243.148
X TOTAL EXPENDITURE (ADP. 131+165+175 + 176)	178	78.422.989	44.793.471	59.165.403	21.608.532
XI PRE-TAX PROFIT OR LOSS (ADP. 177-178)	179	-3.367.099	623.614	-6.528.040	634.616
1 Pre-tax profit (ADP. 177-178)	180	0	623.614	0	634.616
2 Pre-tax loss (ADP. 178-177)	181	-3.367.099	0	-6.528.040	0
XII INCOME TAX	182	0	0	0	0
XIII PROFIT OR LOSS FOR THE PERIOD (ADP. 179-182)	183	-3.367.099	623.614	-6.528.040	634.616
1 Profit for the period (ADP. 179-182)	184	0	623.614	0	634.616
2 Loss for the period (ADP. 182-179)	185	-3.367.099	0	-6.528.040	0

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)	186	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	-3.367.099	623.614	-6.528.040	634.616
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 204 to 211)	203	1.403.875	701.937	486.054	234.385
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	1.403.875	701.937	423.242	211.621
3 Profit or loss arising from subsequent measurement of financial assets available for sale	206	0	0	0	0
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	62.812	22.764
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	1.403.875	701.937	486.054	234.385
V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	-1.963.224	1.325.551	-6.041.986	869.001
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	-1.963.224	1.325.551	-6.041.986	869.001
1 Attributable to owners of the parent	216	-1.963.224	1.325.551	-6.041.986	869.001
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 30.06.2020.

in HRK

Submitter: Varteks d.d.				
Item	ADP Code	Same period of the previous year	Current period	
1	2	3	4	
Cash flow from operating activities				
1 Pre-tax profit	001	-3.367.099	-6.528.040	
2 Adjustments (ADP 003 to 010):	002	7.018.356	14.097.506	
a) Depreciation	003	3.817.784	4.865.308	
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-118.310	-7.447	
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	0	783.117	
d) Interest and dividend income	006	287	-37.371	
e) Interest expenses	007	1.727.368	3.224.066	
f) Provisions	008	0	48.897	
g) Exchange rate differences (unrealised)	009	1.591.227	1.434.779	
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	0	3.806.157	
I Cash flow increase or decrease before changes in working capital (ADP 001+002)	011	3.651.257	7.569.466	
3 Changes in the working capital (ADP 013 to 016)	012	-12.018.952	-5.710.960	
a) Increase or decrease in short-term liabilities	013	-5.552.803	727.154	
b) Increase or decrease in short-term receivables	014	925.284	5.491.739	
c) Increase or decrease in inventories	015	-11.473.584	-11.948.790	
d) Other increase or decrease in working capital	016	4.082.151	18.937	
II Cash from operations (ADP 011+012)	017	-8.367.695	1.858.506	
4 Interest paid	018	720.387	-852.636	
5 Income tax paid	019	0	0	
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	-7.647.308	1.005.870	
Cash flow from investment activities				
1 Cash receipts from sales of fixed tangible and intangible assets	021	0	7.447	
2 Cash receipts from sales of financial instruments	022	0	0	
3 Interest received	023	492	0	
4 Dividends received	024	0	0	
5 Cash receipts from repayment of loans and deposits	025	0	3.221.349	
6 Other cash receipts from investment activities	026	126.549	0	
III Total cash receipts from investment activities (ADP 021 to 026)	027	127.041	3.228.796	
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-2.403.630	-933.165	
2 Cash payments for the acquisition of financial instruments	029	0	0	
3 Cash payments for loans and deposits for the period	030	0	-2.925.413	
4 Acquisition of a subsidiary, net of cash acquired	031	0	0	
5 Other cash payments from investment activities	032	-35.895	0	
IV Total cash payments from investment activities (ADP 028 to 032)	033	-2.439.525	-3.858.578	
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	-2.312.484	-629.782	
Cash flow from financing activities				
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	29.804.089	17.337.461	
4 Other cash receipts from financing activities	038	0	0	
V Total cash receipts from financing activities (ADP 035 to 038)	039	29.804.089	17.337.461	
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-20.579.089	-16.958.341	
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	-1.558.035	
VI Total cash payments from financing activities (ADP 040 to 044)	045	-20.579.089	-18.514.376	
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	9.225.000	-1.176.915	
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047	0	0	
D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)	048	-734.792	-800.827	
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	049	1.959.023	1.279.399	
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(ADP 048+049)	050	1.224.231	478.572	

Current period	41,988,800	655,664	754,460	3,271,478	0	165,423	78,639,321	0	0	0	-83,134,681	-11,059,200	-43,713,999	0	43,713,999	
1 Balance on the first day of the current business year	41,988,800	655,664	754,460	3,271,478	0	165,423	78,639,321	0	0	0	-83,134,681	-11,059,200	-43,713,999	0	43,713,999	
2 Changes in accounting policies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
3 Correction of errors	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	41,988,800	655,664	754,460	3,271,478	0	165,423	78,639,321	0	0	0	-83,134,681	-11,059,200	-43,713,999	0	43,713,999	
5 Profit or loss arising from translation of foreign operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
6 Exchange rate differences from translation of foreign operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
7 Changes in revaluation reserves of fixed intangible and intangible assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8 Profit or loss arising from subsequent measurement of financial assets available for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
9 Profit or loss arising from effective cash flow hedge	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
11 Share in other comprehensive incomes of companies linked by value of participating interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
12 Available-for-sale securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
13 Other changes in equity attributable to owners	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
14 Tax on transactions in equity instruments in equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
15 Other changes in equity attributable to owners	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
16 Increase in retained (subscribed) capital arising from the reinvestment of profit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
18 Reversal of treasury shareholdings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
19 Payment of taxes in participation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
20 Other distribution to owners	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
21 Increase in reserves arising from the pre-bankruptcy settlement procedure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
23 Balance on the first day of the current business year reporting period (ADP 30 to 46)	41,988,800	655,664	754,460	3,271,478	0	236,385	78,391,463	0	0	0	-73,770,829	-6,528,040	37,324,555	0	37,324,555	
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																
1 OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX	0	0	0	0	0	62,812	-347,056	0	0	0	423,242	0	138,396	0	138,396	
2 OTHER COMPREHENSIVE INCOME ON LOSS FOR THE CURRENT PERIOD (ADP 31 to 46)	0	0	0	0	0	62,812	-347,056	0	0	0	423,242	-8,528,040	-6,389,644	0	-6,389,644	
3 OTHER COMPREHENSIVE INCOME IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 46)	0	0	0	0	0	0	0	0	0	0	-11,059,200	11,059,200	0	0	0	

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. - 30.06.2020.

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, July 31st 2020

STATEMENT OF LIABILITY FOR PREPARING FINANCIAL STATEMENTS OF ISSUER

January 1st to June 30th 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 period January 1st to June 30th 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.

Tomislav Babić
/President of the Management Board/

Damir Radmilović
/Member of the
Management Board/

Contact person:

Duje Jurenić

IBAN račun:

Tel. 042 / 377-230

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