



**Varteks Group realizes close to 15 percent higher sales revenues
and 16.4 percent more exports in the first six months of 2011**

Varaždin, August 18, 2011 – In the first six months of 2011, Varteks Group realized HRK 20.4 million or close to 15 percent higher sales revenues in relation to the same time period last year.

On the foreign market, exports of HRK 75.1 million were realized, which constitutes an increase of 16.4 percent in relation to the result realized in the same time period last year. The majority of exports continue to be realized in the European Union, while results from export activities show a slight recovery in the negative trends in Europe's economy.

Total revenues amounted to HRK 165.9 million, which is 2.8 percent less in relation to the total revenues realized in the same time period last year. The difference is evident in the item "other business revenues" and is not related to the Group's regular business activities, but largely to revenues from real estate sales, which had amounted to HRK 15 million in the same time period last year.

In the observed time period, total expenditures amounted to HRK 196 million, which is 4.8 percent more than the total expenditures realized in the same time period in 2010.

In the first six months of this year, the Group operated with a loss of HRK 30.1 million, while a loss of HRK 16.4 million had been realized in the same time period last year. This negative difference in relation to the same time period last year is the result of impacts from aforementioned real estate sales last year. If we exclude the impact of revenues from asset sales, Varteks Group's total result from regular business activities was HRK 1.4 million higher in relation to the same time period in 2010.

In line with the guidelines of the Integral Business and Financial Restructuring Plan, the manufacturing segment of Varteks d.d. was divided into three separate limited liability companies as new Group members through a business reorganization in May 2011: Varteks odjeća d.o.o., Varteks Bednja d.o.o. and Varteks Ludbreg d.o.o.

In regards to the implementation of the Integral Plan and the reorganization as well as revenue realization it is important to point out that the B2B segment (sales aspect related to corporate clothing and the manufacturing of special-purpose clothing), which marks significant revenue growth and positive business effects, was detached after the first quarter of 2010 to the affiliated company Varteks trgovina, which is owned by Varteks d.d. Within Varteks Group, this sales aspect partakes in sales revenues with 16.4 percent, while the revenues realized in the observed time period were HRK 23 million higher compared to the same time period last year.



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When examining the business results of Varteks Group in terms of regular business activities, they exhibit positive indications despite the fact that the total business result is negative. A significant negative effect from the drop in personal spending and general economic illiquidity, which is particularly prominent in business operations related to the domestic market, continues to be present.

The negative trend on the real estate market has led to more difficulties in the implementation of activities in relation to stabilizing the Group's liquidity, which directly led to the inability to procure raw materials and production materials on time, to procure and deliver products and merchandise to the retail network and to Group members abroad, which significantly affected the total business result of Varteks Group.

Given the economic problems and the continued impact of the crisis, certain risks arise on the basis of a potential further increase in illiquidity, which could additionally obstruct the timely procurement of merchandise and the financing of business activities within the entire Group. There is also a risk of a further drop in personal spending, which directly affects revenues, as well as a risk of higher costs on the basis of higher energy prices.

In accordance with current market conditions, Varteks Group continues to aim for targeted development and higher sales in certain sales aspects and market segments. In the segment pertaining to the manufacturing and sale of special-purpose and corporate clothing, significant growth is present in business revenues and results, while continuous growth is also present in export revenues.

In line with the Integral Business and Financial Restructuring Plan, cost-cutting measures have been carried out through the closure of unprofitable segments and by further cutting administrative costs. The implementation of the plan also focuses on the Group's financial consolidation through the utilization of its own assets as additional financial sources and on activities for the utilization of Government measures for economic recovery and development.

The stabilization and development of Varteks Group's operations is primarily based on financial business consolidation and liquidity stabilization as key prerequisites for the implementation of all activities in relation to restructuring, the further reorganization of the Group and the development of strategic sales aspects in line with the characteristics and needs of the market.