



## Varteks d.d. holds General Shareholders' Meeting

**Varaždin, September 9, 2011** – The General Shareholders' Meeting of the leading Croatian fashion company Varteks d.d. was held at the Tourist Hotel in Varaždin today. The General Shareholders' Meeting was attended by 55.30 percent of the votes excluding treasury shares or 50.01 percent of the share capital: the Association of Small Varteks Shareholders, Karlovacka banka d.d., Nenad Bakic, Varteks Esop d.o.o., Validus d.d., Societe-Generale-Splitska banka d.d.

The quorum requires at least 30 percent equity.

The present shareholders adopted all submitted reports and proposed decision by majority vote.

The company's business results for 2010 are linked to general economic trends both on domestic and global markets. The continuation of the crisis and a drop in personal spending have caused additional problems in the company's liquidity and the overall economy, as well as a further slow-down in investments. Amidst such negative conditions in its surroundings, the company operated with a loss of HRK 96.7 million in 2010, while a loss of HRK 98.9 million had been realized in 2009.

In this connection it has to be pointed out that if the effects of the sale of long-term assets are excluded, the company's operations on the basis of regular activities mark a HRK 37 million lower loss in 2010 in relation to 2009.

In the business revenue structure an increase can be noticed in sales revenues, which constitute 93.6 percent of business revenues in 2010, while their share had amounted to 88.5 percent in 2009. In comparison to 2009 it is important to point out in view of sales revenues that in accordance with the restructuring and reorganization plan and the activities related to these processes, the B2B segment was detached via an affiliated company that is the property of Varteks d.d. (sales aspect related to corporate clothing and the manufacturing of special purpose clothing). When looking at the overall effects of this sales aspect, total sales revenues amounted to HRK 346.2 million and thus total sales revenues were 9.4 percent higher than in 2009.

On the foreign market, revenues of HRK 122.3 million were realized, which constitutes 40 percent of the company's business revenues. The majority of exports was realized in countries in the European Union.

In the company's cost structure, almost all costs from business activities marked drops in relation to 2009. This trend is mainly the result of carried-out restructuring measures.

The basic direction of the company's business policy in 2010 was the implementation of the Integral Business and Financial Restructuring Plan which relies on the company's own resources, and in line with this, it also includes the sale of real estate. Considering the extremely negative trends on the real estate market, such sales have largely not been realized, which significantly affected not only the implementation of activities from the Integral Plan, but also the company's liquidity and business effectiveness.

During the business year, activities also aimed to cut operating costs, shut down unprofitable parts of the system, increase certain sales aspects (particularly the B2B segment) and to reorganize retail as one of the key sales aspects. In doing so, unavoidable one-time restructuring costs were cumulated, which put an additional liquidity and cost strain on the



system, but bearing in mind the future period, they create the preconditions for the realization of development goals.

*"The preconditions for the stabilization and development of the company's business operations are primarily based on stabilizing liquidity as a key precondition for the implementation of all activities related to restructuring, the further reorganization of the system and strengthening strategic sales aspects."* - said Management Board President Zoran Koscec.

### **General Meeting decisions**

Pursuant to article 277 of the Companies Act, the General Shareholders' Meeting of Varteks d.d. passed the following decisions at the presentation held on September 9, 2011:

1. The company's annual statements for 2010 has been adopted.
2. The acts of the Management Board and the Supervisory Board in 2010 have been approved.
3. A decision has been passed on the election of Marijan Mitrović from Varaždin, Široke Ledine 29, OIB 37892976567, as member of the Supervisory Board. The mandate of the Supervisory Board member is four years and shall begin the day the decision is passed, regardless of registration in the court registry.
4. A decision has been made regarding the simplified reduction of the company's share capital to cover the company's losses generated in the previous period, i.e. the year 2010, to rehabilitate the company after the utilization of existing reserves to cover losses.

The company's share capital amounts to HRK 384,161,400.00 kn and is divided into a total of 1,920,807 regular shares with a nominal value of HRK 200.00 respectively. The company's share capital has been paid in full.

It has been established that the loss in 2010 amounted to HRK 96,670,097.05 and that the company's carried forward losses from previous periods amount to HRK 184,131,093.27, i.e. that the company's total losses as of December 31, 2010 amounted to HRK 280,801,190.32.

It has been established that the company's auditor HLB Revidicon d.o.o. established in its report the total loss as of December 31, 2010, whereby the prerequisites from article 349, item 2 of the Companies Act in regards to the passing of a decision on a simplified share capital reduction have been met. The share capital has been reduced exclusively in order to cover the company's losses generated in previous periods ending with the year 2010 with the aim to recapitalize the company after covering the losses with existing reserves.

On this basis it has been established that the 2010 loss of HRK 96,670,097.05 shall be partially covered through the company's existing reserves amounting to HRK 10,428,371.48, while the remaining HRK 86,241,725.57 shall be covered at the expense of the registered capital.



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It has been established that the carried forward losses amounting to HRK 184,131,093.27 shall be covered at the expense of the registered capital.

It has been established that the total simplified capital reduction on the basis of part of the current loss for 2010 and carried-forward losses amounts to HRK 270,372,818.84.

The nominal share value of HRK 200.00 shall be reduced by HRK 150.00 to a nominal amount of HRK 50 per share.

After the share capital reduction, the company's share capital should amount HRK 113,788,581.16, but due to the obligation to round share values to the nearest 10, the company's new share capital amounts to HRK 96,040,350.00 and will be divided into 1,920,807 regular shares with a nominal value of HRK 50.00, respectively.

The difference of HRK 17,748,231.16 derives from the need to round the price of shares which constitute the company's capital reserves.

5. A decision has been made on the amendment of the Articles of Association as follows:

1. Article 7 of the Articles of Association has been amended and now reads as follows:
  - (1) The company's share capital amounts to HRK 96,040,350.00 (ninety-six million forty thousand three hundred and fifty kuna).
  - (2) The company's share value has been paid in full.
  - (3) The company's share capital is divided into 1,920,807 (one million nine hundred twenty thousand eight hundred and seven) regular shares with a nominal value of HRK 50.00 (fifty kuna), respectively.
2. The Supervisory Board is obligated to draw up and establish the revised Articles of Association.
3. This decision shall come into effect as of the day of its passing.

6. HLB Revidicon d.o.o. from Varaždin has been elected as the company's auditor in the business year 2011.

7. These decisions shall come into effect as of the day of their passing.