



Despite the negative circumstances in its surroundings, Varteks d.d. manages to reduce loss by 37.6 percent in 2011

*Higher sales and exports as well as the continuation of the restructuring process last year
have led to further positive developments*

Varazdin, April 5, 2012 - Varteks d.d. ended 2011 with a HRK 36.4 million lower loss in relation to 2010, whereby it further confirmed that despite the extremely negative circumstances in its surroundings it has a vision and direction it will continue to be guided by in the future.

The company operated with a loss of HRK 60.3 million in 2011, while the 2010 loss had amounted to HRK 96.7 million.

Total revenues amounted to HRK 329.8 million in 2011, which constitutes an increase of 4.8 percent in relation to the revenues generated in the same time period in 2010. Total expenditures amounted to HRK 390.1 million, which constitutes a reduction of 5.2 percent in relation to 2010. Business revenues amounted to HRK 327.1 million, which is 6 percent more than in 2010. Moreover, sales revenues constituted 90.8 percent of the business revenues. Exports are also on the rise. On the foreign market, exports of HRK 129.9 million were realized, which is 6.2 percent or HRK 7.6 million more in relation to exports in 2010, while the majority of exports were realized in the European Union.

Pursuant to the Integral Business and Financial Restructuring Plan, the company continued to carry out set objectives in 2011 aimed at increasing business and management efficiency and the implementation of defined savings measures. On this basis, the company's production segment started operating through three separate limited liability companies in May 2011, after the B2B segment, i.e. the segment dealing with corporate clothing and the production of special-purpose clothing, was already detached after the first quarter of 2010 through an affiliated company owned by Varteks d.d..

When viewed through regular business activities, business results show positive developments, although the overall business result continues to be negative. The general illiquidity is particularly pronounced in operations in relation to the domestic market, which continues to exhibit a significant decline in consumer spending. The negative result was also significantly influenced by high financing costs. The operating result (profit/loss before interest, amortization and taxes), although HRK 13.7 million in the red, improved by HRK 38.8 million in relation to the operating result of 2010 thanks to positive developments in regular business activities.

The negative effects of the crisis continue to have a significant impact on the Croatian economy, and they carry further risks arising from growing illiquidity. The timely procurement of merchandise and the financing of business activities continue to be the company's priority.





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Risks are also associated with a potential further decline in consumer spending, which directly affects revenues, and with a further increase in costs affecting the company's operations, especially energy costs, living expenses, etc.

With the positive developments Varteks's business operations in 2011 attested consistency in the implementation of the Integral Business and Financial Restructuring Plan, and the company will continue operating pursuant to the plan in the upcoming period. In accordance with this, objectives aimed at raising the efficiency of all sales aspects will be carried out, while new ones will be implemented. With regard to cost management, administrative cost cuts will be continued as well as the systematic and planned management of all parts of the system and the search for new areas which will open up further opportunities.

Liquidity stabilization and financial consolidation are the basis for the further stabilization and development of overall business activities, and they are the basic prerequisite for the implementation of all other activities in relation to restructuring the system and implementing Varteks's set sales and development strategies.

