



## **Varteks d.d. publishes business results for the first nine months of 2010**

**Varaždin, October 29, 2010-** In the first nine months of 2010, Varteks d.d. realized a loss of HRK 45.6 million, while it had realized a loss of HRK 38.2 million in the same time period last year.

In this time period, total revenues amounted to HRK 246.2 million, which is 4% less than the revenues realized in the same time period last year. Total expenditures amounted to HRK 291.8 million. On the foreign market, exports worth HRK 90.6 million were realized, which constitutes 36.8 percent of the company's total revenues. The majority of the exports continue to be realized in countries in the European Union.

The company's business result is directly linked to the worsening of the economic crisis which led to a further drop in general spending and increased insolvency, and to the company's restructuring that was continued in 2010 and one-time expenses that arose from the implementation of restructuring activities. In the first nine months of 2010 negative trends were particularly visible in the results related to the domestic market, which has not shown any signs of recovery so far.

However, in Q3 2010, a slowdown is noticeable in revenue drops as well as a partial compensation of revenues from the previous period, considering that the total revenues realized in Q3 mark an increase of 1.9 percent in relation to the revenues realized in the same time period last year.

In the company's cost structure, almost all costs are marking drops in relation to last year, which is largely the result of the implementation of crisis measures of the restructuring. On the basis of this, total labor costs were reduced by HRK 18.6 million or 15.3 percent.

All stock kinds have dropped significantly (excluding assets intended for sale) and they amount to 16.8 percent less than at the beginning of the year. This is the result of activities aimed towards the rational use of the company's existing own resources and stock optimization.

Higher financing costs in 2010 have contributed significantly to the negative result, and expenditures on the basis of this increased 30 percent in relation to last year.

### **Most significant risks and expectations for the remainder of the business year**

In line with economic developments and potential expectations within the framework of market developments, certain risks continue to exist. Until the end of the year, risks will continue to exist on the basis of reduced personal spending, which directly affects revenues. In terms of costs, potential cost increases on the bases of higher energy prices still pose a risk. Risks on the basis of business activity financing and liquidity generally have the tendency to increase by the end of the year.



## PRESS RELEASE

---

# VARTEKS

Varteks continues to focus its activities on the implementation of the set objectives through restructuring plans with the aim of stabilizing the system and the liquidity position. The company's reorganization and the implementation of crisis measures through the implementation of the Integral Business and Financial Restructuring Plan will continue in 2010. Over the coming months, we will continue to close unprofitable parts of the system, reduce operating costs, and to encourage activities that will lead to higher revenues and more efficiency. Basic preconditions for revenue increases in upcoming periods will be created through the reorganization of the retail segment and the assortment offer on the domestic market and through development activities on markets in countries in the region.

The brand development strategy has already generated first positive results in Q3 2010 through the strengthening of the company's own brands, but also through the selection and standardization of other brands in the sales portfolio.

Varteks's remaining development projects are aimed towards strengthening activities in significant B2B segments through the signing of deals for corporate clothing, through the sale and development of the specialized clothing assortment, and through export deals that have been partially extended until the end of the business year. Development activities also aim towards the planned signing of new deals, the realization of agreed-on deals and the expansion of existing deals primarily in connection to foreign markets.

Problems in revenue realization in certain sales aspects are expected until the end of the year, particularly on the basis of a further drop in personal spending, but also stabilization and increases in revenues on the basis of the B2B program and sales on foreign markets. Significantly higher business revenues in relation to the same time period last year are expected in the last quarter of the current year through already agreed-on deals. In the cost segment, the objective is to continue reducing operating costs in line with planned crisis measures activities, and to realize better business results through all these activities in the last quarter in 2010 in relation to the previous year.

**Corporate Communications Department**