



Varteks Group reduced its loss and realized higher sales revenues in the first nine months of 2011.

Varaždin, November 22, 2011. – Varteks Group realized sales revenues of HRK 231.7 million in the first nine months of 2011, which constitutes an increase of HRK 5.7 million or 2.5 percent in relation to the same time period last year.

On foreign markets HRK 112.4 million exports has been realized, which constitutes 48.5 percent of sales revenues. The majority of exports were realized in the European Union.

Total revenues amounted to HRK 255.5 million, i.e. 1.8 percent less in relation to the 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 stems mostly from revenues generated through asset sales.

Total expenditures amounted to HRK 293 million in the first nine months of 2011 and were 4.2 percent lower than the total expenditures realized in the same time period in 2010.

The group operated with a loss of HRK 37.5 million in the first nine months of this year, while a loss of HRK 45.6 million had been realized in the same time period last year. The positive difference for the time period from I-IX 2011 of HRK 8.1 million results from higher sales revenues and reduced overall operating costs, which indicates an increase in the efficiency of regular business activities. If we exclude the effects of asset sales not in the sphere of regular business activities, the positive difference in the time period from I-IX 2011 rose to HRK 12.5 million in relation to the same time period in 2010.

In line with the elements of the Integral Business and Financial Restructuring Plan, the production part of Varteks d.d. has been operating through three separate limited liability companies, i.e. new group members, since May 2011.

After the first quarter of 2010, the B2B segment (sales segment connected to corporate clothing and the manufacturing of special-purpose clothing), which marked significant revenue growth and positive results, was detached through an affiliated company owned by Varteks d.d. The revenues realized in the examined time period amounted to HRK 12 million more in relation to the same time period last year.

The results of Varteks Group’s operations as seen through regular business activities show positive signs despite the fact that the overall business result is negative. Significant negative effects from a drop in personal spending and general illiquidity in the economy continue to be present, and they are particularly prominent in business operations in relation to the domestic market and markets in the wider region.

The negative trend on the real estate market led to additional difficulties in the implementation of activities related to stabilizing the group’s liquidity, which directly led to the impossibility of the timely procurement of raw materials and production materials and the procurement and delivery of products and merchandise to the retail network and amongst group members, which significantly affected Varteks Group’s overall business result.

Given the economic problems and the further impact of the crisis, certain risks arise from a potential further illiquidity increase which could further complicate the timely procurement of goods and the funding of business activities within the overall group. There is also a risk of a





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further drop in personal spending, which directly affects revenues, as well as a risk of higher costs due to new energy price increases.

In line with the given market circumstances Varteks Groups continues to implement activities in certain sales aspects and market segments aimed at targeted sales development and growth. Significant growth in business revenues and results is continuously present in the segment pertaining to the manufacturing and sale of special-purpose clothing and corporate clothing, while growth is also continuously present in revenues realized through exports. In the retail business, development focuses on higher sales efficiency through the reorganization of the retail network's operations. The aim is to alleviate risks from the drop in personal spending through a redefined brand assortment, with a focus on the development of the company's own brands while reducing accompanying costs in retail units, stabilizing revenues and ultimately a better result through greater price difference.

In accordance with the Integral Business and Financial Restructuring Plan, the company continues to carry out cost-cutting activities through the closure of unprofitable parts of the system and by further cutting administrative costs with an unfortunately slowed down dynamic due to the illiquidity problem. The implementation of the Restructuring Plan is also aimed at the group's financial consolidation through the use of its own assets as an additional source of funding and at activities directed at the use of Government measures for economic recovery and development. Given the current situation and the problems on the real estate market as well as the management of measures for economic recovery and development, the realization of the planned dynamic has unfortunately been slowed down and become more difficult.

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

