



Varteks Group's business operations in the first half year of 2012 took place amidst the continuation of the economic crisis

Despite unfavorable economic conditions, Varteks Group managed to maintain a positive trend in its business results

Varaždin, 17.08.2012. - The business operations of Varteks Group continued to take place amidst negative trends in the surroundings in the second quarter of 2012. The continuation of the economic crisis, a further decline in personal consumption as well as growing illiquidity continue to characterize the Croatian economy, economies in the region and most of Europe.

Market conditions which are extremely difficult for the textile, clothing and leather industry sector and business operations under conditions of illiquidity significantly influenced the decline in sales and overall business results in the first half of 2012.

In the first six months of 2012, Varteks Group continued to implement defined restructuring activities to mitigate the negative effects of the crisis, which nevertheless did not suffice to lead to positive business results under the current, difficult economic conditions.

In the examined time period, the Group managed to maintain a positive trend in some of its business activities, so that the result from business activities was up HRK 0.6 million in relation to last year. The overall business result is a loss of HRK 30.8 million, which is HRK 0.7 million worse than the business result realized in the same time period in 2011. It should be noted that the negative difference emerged on the basis of financial expenditures, which were one million HRK higher in relation to the same time period in 2011.

Total revenues amounted to HRK 130.2 million and were 20.8 percent lower than last year. In some sales aspects, some of the activities planned for the first half year were prolonged to the second half year, which will affect revenues by the end of the year.

Total expenditures were 17.3 percent lower.

Liquidity problems as well as above-mentioned prolongation of part of the planned activities made it difficult to fill the capacities of the producing limited liability companies, which directly impacted the Group's overall result.

Amidst the negative trends on the real estate market, progress was marked in the realization of property sales planned as an additional source of financing for business activities. Given that the Group's liquidity was not stabilized, the procurement of raw materials, production materials and merchandise was extremely difficult in the first half year, while the delivery of products and merchandise to the retail network and wholesale distribution channels was not realized on time. The inability to finance the season on time and the decline in personal consumption primarily affected the realized revenues, and thus also the Group's overall business result.

Further adverse impacts are arising from tax burdens, growing unemployment, higher energy prices and growing other basic living costs.

In the second half year, risks related to the crisis will continue to be present; illiquidity, reduced personal consumption and additional burdens on the economy due to further cost increases, especially energy costs.





Under such circumstances, it is essential that the state urgently initiates, parallel with the application of a strict fiscal policy, the announced intervention measures in the textile industry, as well as other indispensable measures related to maintaining competitiveness in the overall manufacturing industry to stop the negative trends.

In the remainder of the year, Varteks Group will continue with the set objectives of the Integral Business and Financial Restructuring Plan. The aim is to stabilize liquidity, increase revenues and to continue to further reduce operating costs and to thus improve the efficiency of overall operations. In terms of financial consolidation, activities initiated for the utilization of the company's own assets as an additional source of financing will be continued as well as activities to include the parent company in the Government's anti-recession measures aimed at economic recovery and development.

