

Varaždin, October 30th, 2020

In accordance with the provisions of the Capital Market Act, the Management Board of Varteks d.d. based in Varaždin submits:

MANAGEMENT INTERIM REPORT

For the third quarter of the year 2020 (cumulative period 01.01. – 30.09.2020/unaudited)

Indications of significant events that occurred during the reporting period and the impact of these events on the condensed set of financial statements

In the third quarter of 2020 Varteks Group had revenue of HRK 28.7 million which is 25% less than third quarter of 2019. Varteks d.d. had revenue of HRK 26.9 million which is 22% less than third quarter of 2019.

Decline in revenues of the Group and the Company is a direct consequence of the impact of the crisis due to the coronavirus pandemic in the third quarter of 2020. During August and September, the Company began negotiations with commercial banks and HBOR on a new credit arrangement to finance growing working capital needs due to the decline in revenue which has additionally weakened financial position of Varteks Group. Namely, the purchases of commercial goods for the Autumn/Winter 2020 season and the purchases of raw materials for production needs for the Spring/Summer 2021 season are ongoing.

Control of cash inflows and outflows is a key factor in ensuring business continuity, so control of the justification of costs has been increased in order to reduce cash outflows. Purchase of raw materials has been made dynamic in order to optimize the amount of stock on hand before the start of the new season. The fashion and creative elements of the collection are significantly represented in a new collection. However, in order to preserve short-term liquidity, selected items will be less represented in stores, that is, collection will be supplemented by smaller, more agile and more frequent production, which increases the flexibility of the supply structure. The expected effect is more adequate regulation of the level of stocks of materials and finished products, longer product life cycle and less representation of the new-attractive assortment in outlet stores.

Strengthening the presence in online distribution channels, primarily through own web shop with an emphasis on digital marketing and entering foreign markets where *Varteks* brand is recognizable, remains key strategic determinants of the Management Board in times of crisis.

A plan against which actual performance is compared was made in the second quarter of 2020 and reflects the expectations of the Management Board in the light of the crisis caused by the coronavirus.

In the third quarter, the Company received Government grant in the amount of HRK 1.2 million, which was spent on salaries to employees, while other companies within the Group did not receive Government grant. In the observed period, the Company achieved a negative normalized EBITDA with grants of HRK 5.9 million, which is HRK 1.3 million less than planned out of which HRK 1.2 million refers to lower grants.

In the third quarter, at the Group level, negative normalized EBITDA with grants was realized in the amount of HRK 6.4 million, which is HRK 1.9 million less than planned, while HRK 1.4 million refers to lower grants. Lower grants are partly the result of slower dynamics of exercising the right to grants. A difference between the realized and planned grants in the last quarter is expected to decrease.

Revenues in the most significant Retail and Wholesale segment compared to the same quarter last year were decreased by 29%. Compared to the plan, revenues were decreased by HRK 2.6 million or 16% relatively. In stores, we recorded a smaller number of customer entries as well as a decrease in the number of bills issued, which is in line with expectations. At the same time, web shop sales reached 10% of retail revenue, which is at the level of established global brands. The realized normalized gross margin in the Retail and Wholesale segment in the first 9 months is 29%, primarily due to significant discounts aimed at accelerating stock turnover in order to preserve the Company's liquidity. Compared to the plan for the first 9 months, there was a decrease in gross margin by 1 percentage point.

Revenues in the segment of Contract manufacturing compared to the same quarter last year were decreased by 22%. Compared to the plan, revenues were increased by HRK 2.9 million or 30% relatively. It is important to emphasize that the plan predicts a reduction in orders from foreign customers and the overall decline in revenues in 2020 is still expected compared to 2019 in the amount of HRK 20.8 million or 39% relatively.

Revenues in the segment of Special-purpose clothing compared to the same quarter last year were decreased by 59%. Compared to the plan, revenues were decreased by HRK 2.2 million or 51% relatively. The significant decline in revenues is a result of the delay in signing and implementing contracts in public purchase. Conclusion of the contract with a significant value whose monetization is planned to additionally improve cash inflows is expected at the end of the year.

VARTEKS

The impact of the coronavirus pandemic is visible through the normalized EBITDA result of the Group. The drop in gross profit in the first 9 months of 2020 of HRK 19.9 million compared to last year was partly mitigated by good control over operating non-production costs in the amount of HRK 4.6 million. The inclusion of grants in the calculation of EBITDA partially offsets the operational loss caused by the crisis due to the coronavirus pandemic.

EBITDA calculation

Varteks Group	YTD 09 2019	YTD 09 2020
	HRK '000	HRK '000
EBT	(8.542)	(14.120)
PROFIT TAX	-	114
NET PROFIT/(LOSS)	(8.542)	(14.005)
EBT	(8.542)	(14.094)
DEPRECIATION AND AMORTIZATION	5.738	3.169
DEPRECIATION OF RIGHT OF USE ASSET (IFRS 16)*	-	4.041
(PROFIT)/LOSS FROM EXCHANGE RATE DIFFERENCES	(158)	1.606
INTEREST (REVENUE)/EXPENSE	2.504	4.536
NORMALIZATION OF ONE-OFF ITEMS	115	(16.657)
GRANTS	(1.478)	(16.734)
IMPACT OF IFRS 16 - INVOICED RENT *	-	(3.425)
WRITTEN OFF LIABILITIES	-	(514)
SEVERANCES	-	139
SETTLEMENT COST - CERP	1.593	-
COMPENSATION OF DAMAGES OF PREVIOUS PERIODS	-	65
(PROFIT)/LOSS FROM SALE OF WRITTEN OFF EQUIPMENT	-	3.707
OTHER	-	105
EBITDA	(343)	(17.400)
EBITDA with grants	1.134	(666)

* IFRS 16 effects were not reported in the financial statements for Q2 2019

Key performance indicators

Varteks Grupa	YTD 09 2019	YTD 09 2020	VAR
	HRK '000	HRK '000	HRK '000
NET REVENUES	119.169	84.916	(34.253)
COST OF GOODS SOLD	(86.229)	(71.783)	14.446
GROSS PROFIT	32.940	13.133	(19.807)
EBITDA	(343)	(17.400)	(17.056)

With regards to financial activities of the Varteks Group, in the third quarter of 2020 a net expense was HRK 1.6 million which is HRK 0.9 million more than the same period last year. The application of the correct accounting treatment of the club loan resulted in an increase in the accounting cost of interest in the amount of HRK 0.6 million due to the amortization of profit arising from the recognition of more favorable terms of the reprogram. The application of IFRS 16 resulted in an additional interest expense of HRK 0.2 million. Due to the strengthening of the HRK exchange rate against the EUR, there were positive unrealized exchange rate differences in the amount of HRK 0.1 million that arose on long-term bank loans.

The most significant risks and expectations for the future

Illiquidity remains the most significant business risk of the Group in the short term. Given the reduced stock turnover due to declining revenues in the second and third quarters, increased purchases of materials for the new collection, short-term excess production capacity due to reduced orders from key foreign customers and maturing liabilities from previous periods, pressure on the Group's cash position is significant. The impact of the crisis has been partially amortized by Government cash grant, and new measures to reduce working hours will temporarily reduce production capacity and fixed operating costs.

The Company continues to monetize non-operating real estate which is expected to improve the liquidity and capital position of the Company and the Group, and to stabilize operations and reduce debt in the medium and long term.

The following is a chronology of important events caused by a coronavirus pandemic and other important events in the third quarter of 2020:

- *July 3rd – receipt of down payment according to the preliminary Sale agreement for the sale of the property, which marks the start of the monetization of inactive assets. Despite the fact that we are in a difficult liquidity situation, it was necessary to forward a significant part of this down payment to settle the short-term club loan, which made the financial stabilization of the company difficult.*
- *July 15th – a request for Government grants in the form of shortening the working week was submitted*
- *July 29th – a request was submitted for installment payment and partial tax liabilities write-off. An administrative contract was signed in August, postponing tax liabilities in the amount of HRK 0.9 million for a period of 24 months*
- *October 1st – orders from one of the two significant customers in the segment of Contract manufacturing are secured by the end of September 2021. After that, according to current information, this cooperation will not be continued*
- *October 9th – receipt of the so-called Covid loan in the amount of HRK 12 million financed by the commercial bank and HBOR.*

R&D activities

R&D activities mainly relate to the development of new collections.

Information on redemption of own shares

In the reporting period, the parent company did not repurchase its own shares.

Information on existing subsidiaries of the parent company

As at September 30, 2020, the Parent Company has the following active subsidiaries:

- Varteks Pro d.o.o.
- V-projekt d.o.o.

Varteks Pro d.o.o.

Company Varteks Pro d.o.o. is 100% owned by the Company.

Company Varteks Pro d.o.o. specializes in sewing special purpose clothing for special customers (most notably the police and military).

In the first 9 months of 2020 the Company generated revenue of HRK 15.5 million (the first 9 months of 2019: HRK 24.5 million). The Company generated loss of HRK 0.3 million (the first 9 months of 2019: profit of HRK 1.7 million). The Company's assets as of September 30, 2020 were HRK 7.9 million (December 31st 2019: HRK 7.3 million). Net capital as of September 30, 2020 was HRK 1.9 million (December 31st 2019: HRK 2.1 million). The number of employees was 33 as of September 30, 2020 (December 31st 2019: 32). The director of the company is Ms. Natalija Vnućec.

V-projekt d.o.o.

Company V-projekt d.o.o. is 100% owned by the Company.

Company V-projekt d.o.o. has no operational activities.

In the first 9 months of 2020 the Company generated revenue of HRK 612 thousand (the first 9 months of 2019: HRK 65 thousand). The Company generated net profit of HRK 524 thousand (the first 9 months of 2019: net profit of HRK 47 thousand). The Company's assets as of September 30, 2020 were HRK 5.2 million (December 31st 2019: HRK 4.5 million). Net capital as of September 30, 2020 was HRK 5.1 million (December 31st 2019: HRK 4.5 million). The Company has no employees (2019: 0). The director of the company is Mr. Damir Rizman. Activities have been undertaken in order to merge this company with the Parent Company Varteks d.d..

Description of the financial risk management policies and exposure of the Group and the Company to those risks

The Group's 2019 annual financial statements contain the required disclosures regarding the Group's management and exposure to financial risks. The management of liquidity risk and cash flow risk is described in the consolidated financial statements for 2019 in Note 38 b).

Tomislav Babić
President of the Management Board

Damir Radmilović
Member of the Management Board

Annex 1

ISSUER'S GENERAL DATA

Reporting period:

01.01.2020

to

30.09.2020

Year:

2020

Quarter:

3.

Quarterly financial statements

Registration number (MB):

03747034

Issuer's home Member

State code:

HR

Entity's registration
number (MBS):

070004039

Personal identification
number (OIB):

00872098033

LEI:

74780000Q0LH0TDGEO80

Institution
code:

1420

Name of the issuer: VARTEKS d.d.

Postcode and town: 42000

Varaždin

Street and house number: Zagrebačka 94

E-mail address: info@varteks.com

Web address: www.varteks.com

Number of employees
(end of the reporting

1009

Consolidated report:

KD

(KN-not consolidated/KD-consolidated)

Audited:

RN

(RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS):

Registered office:

MB:

VARTEKS PRO d.o.o.

Varaždin, Hrvatska

1280511

V-PROJEKT d.o.o.

Varaždin, Hrvatska

070093329

Bookkeeping firm:

No

(Yes/No)

(name of the bookkeeping firm)

Contact person: Damir Radmilović

(only name and surname of the contact person)

Telephone: 042 377105

E-mail address: dradmilovic@varteks.com

Audit firm:

(name of the audit firm)

Certified auditor:

(name and surname)

BALANCE SHEET
balance as at 30.09.2020.

in HRK

Submitter: Varteks Group			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	225.021.005	212.453.381
I INTANGIBLE ASSETS (ADP 004 to 009)	003	2.297.114	1.982.985
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	1.657.814	1.437.685
3 Goodwill	006	529.300	529.300
4 Advances for the purchase of intangible assets	007	110.000	0
5 Intangible assets in preparation	008	0	16.000
6 Other intangible assets	009	0	0
II TANGIBLE ASSETS (ADP 011 to 019)	010	213.555.831	203.854.985
1 Land	011	52.075.281	52.075.281
2 Buildings	012	60.907.780	56.711.025
3 Plant and equipment	013	22.891.340	17.605.874
4 Tools, working inventory and transportation assets	014	1.771.331	1.447.023
5 Biological assets	015	0	0
6 Advances for the purchase of tangible assets	016	0	0
7 Tangible assets in preparation	017	0	37.771
8 Other tangible assets	018	232.048	232.048
9 Investment property	019	75.678.051	75.745.963
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	9.546.364	6.223.500
1 Investments in holdings (shares) of undertakings within the group	021	0	0
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	0	0
4. Investments in holdings (shares) of companies linked by virtue of participating interests	024	0	0
5 investment in other securities of companies linked by virtue of participating interests	025	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	026	0	0
7 Investments in securities	027	0	0
8 Loans, deposits, etc. given	028	7.685.430	6.217.600
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	1.860.934	5.900
IV RECEIVABLES (ADP 032 to 035)	031	221.696	391.911
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	221.696	391.911
V DEFERRED TAX ASSETS	036	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	037	58.688.864	64.546.601
I INVENTORIES (ADP 039 to 045)	038	43.522.554	56.799.546
1 Raw materials and consumables	039	14.497.286	15.845.450
2 Work in progress	040	2.752.484	566.973
3 Finished goods	041	18.489.437	33.561.988
4 Merchandise	042	7.369.584	6.457.579
5 Advances for inventories	043	413.763	367.556
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
II RECEIVABLES (ADP 047 to 052)	046	13.600.519	5.982.343
1 Receivables from undertakings within the group	047	0	0
2 Receivables from companies linked by virtue of participating interests	048	0	0
3 Customer receivables	049	12.937.593	4.679.041
4 Receivables from employees and members of the undertaking	050	46.096	31.571
5 Receivables from government and other institutions	051	384.290	651.769
6 Other receivables	052	232.540	619.962
III CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	260.008	247.365
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057	0	0
5 Investment in other securities of companies linked by virtue of participating interests	058	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	260.008	247.365
9 Other financial assets	062	0	0
IV CASH AT BANK AND IN HAND	063	1.305.783	1.517.347
D) PREPAID EXPENSES AND ACCRUED INCOME	064	421.145	454.257
E) TOTAL ASSETS (ADP 001+002+037+064)	065	284.731.014	277.454.239
OFF-BALANCE SHEET ITEMS	066	6.952.409	6.464.693

LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to	067	46.369.937	32.236.827
I INITIAL (SUBSCRIBED) CAPITAL	068	41.066.860	41.066.860
II CAPITAL RESERVES	069	655.664	655.664
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	-2.453.565	-2.370.011
1 Legal reserves	071	0	0
2 Reserves for treasury shares	072	754.460	754.460
3 Treasury shares and holdings (deductible item)	073	-3.371.478	-3.371.478
4 Statutory reserves	074	0	0
5 Other reserves	075	163.453	247.007
IV REVALUATION RESERVES	076	78.638.521	78.117.934
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	-61.805.670	-71.016.955
1 Retained profit	082	0	0
2 Loss brought forward	083	61.805.670	71.016.955
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	-9.731.873	-14.216.665
1 Profit for the business year	085	0	0
2 Loss for the business year	086	9.731.873	14.216.665
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
B) PROVISIONS (ADP 089 to 094)	088	5.458.556	5.506.714
1 Provisions for pensions, termination benefits and similar obligations	089	3.851.731	3.851.731
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	0	9.634
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	1.606.825	1.645.349
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	109.524.129	104.771.770
1 Liabilities to undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	097	0	0
3 Liabilities to companies linked by virtue of participating interests	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099	0	0
5 Liabilities for loans, deposits etc.	100	0	166.570
6 Liabilities to banks and other financial institutions	101	76.314.657	75.007.715
7 Liabilities for advance payments	102	0	0
8 Liabilities to suppliers	103	416.301	16.824
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	15.531.057	12.432.822
11 Deferred tax liability	106	17.262.114	17.147.839
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	121.011.098	132.986.516
1 Liabilities to undertakings within the group	108	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	109	0	0
3 Liabilities to companies linked by virtue of participating interests	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	111	0	0
5 Liabilities for loans, deposits etc.	112	48.987.900	59.336.682
6 Liabilities to banks and other financial institutions	113	14.623.083	12.448.178
7 Liabilities for advance payments	114	250.561	1.582.772
8 Liabilities to suppliers	115	32.401.720	28.100.774
9 Liabilities for securities	116	0	0
10 Liabilities to employees	117	4.662.560	8.440.825
11 Taxes, contributions and similar liabilities	118	10.669.578	13.849.368
12 Liabilities arising from the share in the result	119	0	0
13 Liabilities arising from fixed assets held for sale	120	0	0
14 Other short-term liabilities	121	9.415.696	9.227.917
E) ACCRUALS AND DEFERRED INCOME	122	2.367.294	1.952.412
F) TOTAL - LIABILITIES (ADP 067+088+095+107+122)	123	284.731.014	277.454.239
G) OFF-BALANCE SHEET ITEMS	124	6.952.409	6.464.693

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2020. to 30.09.2020.

in HRK

Submitter: Varteks Group

Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I OPERATING INCOME (ADP 126 to 130)	125	121.700.890	38.011.630	88.676.283	28.691.453
1 Income from sales with undertakings within the group	126	0	0	0	0
2 Income from sales (outside group)	127	119.032.077	37.693.661	84.878.225	26.242.043
3 Income from the use of own products, goods and services	128	137.028	58.961	317	-24.939
4 Other operating income with undertakings within the group	129	0	0	0	0
5 Other operating income (outside the group)	130	2.531.785	259.008	3.797.741	2.474.349
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	127.968.609	44.257.922	96.817.277	35.822.655
1 Changes in inventories of work in progress and finished goods	132	-7.006.527	-1.403.797	-15.060.392	-3.218.534
2 Material costs (ADP 134 to 136)	133	64.504.483	20.729.001	52.345.067	15.664.669
a) Costs of raw materials and consumables	134	35.257.963	10.942.560	35.388.380	11.103.342
b) Costs of goods sold	135	12.674.692	4.736.216	7.353.768	2.305.966
c) Other external costs	136	16.571.828	5.050.225	9.602.919	2.255.361
3 Staff costs (ADP 138 to 140)	137	47.455.816	16.065.847	34.137.083	15.122.872
a) Net salaries and wages	138	32.523.098	10.962.253	23.137.132	10.586.390
b) Tax and contributions from salary costs	139	9.473.891	3.249.156	6.803.153	2.778.419
c) Contributions on salaries	140	5.458.827	1.854.438	4.196.798	1.758.063
4 Depreciation	141	5.751.331	1.904.254	7.210.290	2.332.695
5 Other costs	142	15.124.102	5.263.809	12.485.817	4.135.903
6 Value adjustments (ADP 144+145)	143	0	0	0	0
a) fixed assets other than financial assets	144	0	0	0	0
b) current assets other than financial assets	145	0	0	0	0
7 Provisions (ADP 147 to 152)	146	0	0	14.900	14.900
a) Provisions for pensions, termination benefits and similar obligations	147	0	0	0	0
b) Provisions for tax liabilities	148	0	0	0	0
c) Provisions for ongoing legal cases	149	0	0	9.634	9.634
d) Provisions for renewal of natural resources	150	0	0	0	0
e) Provisions for warranty obligations	151	0	0	0	0
f) Other provisions	152	0	0	5.266	5.266
8 Other operating expenses	153	2.139.404	1.698.808	5.684.512	1.770.150
III FINANCIAL INCOME (ADP 155 to 164)	154	1.359.096	527.267	4.405.650	1.868.207
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	156	0	0	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	0	0	0	0
4 Other interest income from operations with undertakings within the group	158	0	0	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	0	0	0	0
6 Income from other long-term financial investments and loans	160	0	0	547.800	547.800
7 Other interest income	161	119.293	1.747	13.082	1
8 Exchange rate differences and other financial income	162	1.232.536	525.520	3.719.897	1.195.535
9 Unrealised gains (income) from financial assets	163	0	0	0	0
10 Other financial income	164	7.267	0	124.871	124.871
IV FINANCIAL EXPENSES (ADP 166 to 172)	165	3.678.596	1.369.740	10.524.089	2.763.297
1 Interest expenses and similar expenses with undertakings within the group	166	0	0	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	0	0	0	0
3 Interest expenses and similar expenses	168	2.529.954	723.808	5.090.571	1.616.130
4 Exchange rate differences and other expenses	169	1.090.884	645.932	5.341.113	1.054.865
5 Unrealised losses (expenses) from financial assets	170	0	0	0	0
6 Value adjustments of financial assets (net)	171	0	0	92.323	92.323
7 Other financial expenses	172	57.758	0	82	-21
V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS	173	0	0	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	176	0	0	0	0
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	123.059.986	38.538.897	93.081.933	30.559.660
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	131.647.205	45.627.662	107.341.366	38.585.952
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	-8.587.219	-7.088.765	-14.259.433	-8.026.292
1 Pre-tax profit (ADP 177-178)	180	0	0	0	0
2 Pre-tax loss (ADP 178-177)	181	-8.587.219	-7.088.765	-14.259.433	-8.026.292
XII INCOME TAX	182	0	0	-42.768	-42.768
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	-8.587.219	-7.088.765	-14.216.665	-7.983.524
1 Profit for the period (ADP 179-182)	184	0	0	0	0
2 Loss for the period (ADP 182-179)	185	-8.587.219	-7.088.765	-14.216.665	-7.983.524

DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)					
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186	0	0	0	0
1 Pre-tax profit from discontinued operations	187	0	0	0	0
2 Pre-tax loss on discontinued operations	188	0	0	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	189	0	0	0	0
1 Discontinued operations profit for the period (ADP 186-189)	190	0	0	0	0
2 Discontinued operations loss for the period (ADP 189-186)	191	0	0	0	0
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)					
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192	0	0	0	0
1 Pre-tax profit (ADP 192)	193	0	0	0	0
2 Pre-tax loss (ADP 192)	194	0	0	0	0
XVII INCOME TAX (ADP 182+189)	195	0	0	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196	0	0	0	0
1 Profit for the period (ADP 192-195)	197	0	0	0	0
2 Loss for the period (ADP 195-192)	198	0	0	0	0
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)					
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	0	0	0	0
1 Attributable to owners of the parent	200	0	0	0	0
2 Attributable to minority (non-controlling) interest	201	0	0	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)					
I PROFIT OR LOSS FOR THE PERIOD	202	-8.587.219	-7.088.765	-14.216.665	-7.983.524
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 204 to 211)	203	2.180.853	776.978	604.141	118.087
1 Exchange rate differences from translation of foreign operations	204	0	0	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	205	2.105.813	701.938	520.587	97.345
3 Profit or loss arising from subsequent measurement of financial assets available for sale	206	0	0	0	0
4 Profit or loss arising from effective cash flow hedging	207	0	0	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208	0	0	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interests	209	0	0	0	0
7 Actuarial gains/losses on the defined benefit obligation	210	0	0	0	0
8 Other changes in equity unrelated to owners	211	75.040	75.040	83.554	20.742
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212	0	0	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213	2.180.853	776.978	604.141	118.087
V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	-6.406.366	-6.311.787	-13.612.524	-7.865.437
APPENDIX to the Statement on comprehensive Income (to be filled in by undertakings that draw up consolidated statements)					
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215	-6.406.366	-6.311.787	-13.612.524	-7.865.437
1 Attributable to owners of the parent	216	-6.406.366	-6.311.787	-13.612.524	-7.865.437
2 Attributable to minority (non-controlling) interest	217	0	0	0	0

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2020. to 30.09.2020.

in HRK

Submitter: Varteks Group			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	001	-8.587.219	-14.259.433
2 Adjustments (ADP 003 to 010):	002	10.462.238	16.932.898
a) Depreciation	003	5.751.331	7.223.008
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-107.065	3.794.777
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	0	-477.850
d) Interest and dividend income	006	2.104	0
e) Interest expenses	007	2.594.758	4.876.670
f) Provisions	008	0	48.897
g) Exchange rate differences (unrealised)	009	2.221.110	1.264.278
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	0	203.118
I Cash flow increase or decrease before changes in working capital (ADP 001+002)	011	1.875.019	2.673.465
3 Changes in the working capital (ADP 013 to 016)	012	-19.996.113	-3.234.343
a) Increase or decrease in short-term liabilities	013	444.902	-4.241.017
b) Increase or decrease in short-term receivables	014	498.736	8.279.221
c) Increase or decrease in inventories	015	-18.699.243	-13.294.584
d) Other increase or decrease in working capital	016	-2.240.508	6.022.037
II Cash from operations (ADP 011+012)	017	-18.121.094	-560.878
4 Interest paid	018	1.194.949	-1.539.235
5 Income tax paid	019	423.741	186.270
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	-16.502.404	-1.913.843
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	14.762	10.146
2 Cash receipts from sales of financial instruments	022	0	2.402.834
3 Interest received	023	1.709	0
4 Dividends received	024	0	0
5 Cash receipts from repayment of loans and deposits	025	0	5.213.530
6 Other cash receipts from investment activities	026	119.238	0
III Total cash receipts from investment activities (ADP 021 to 026)	027	135.709	7.626.510
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-4.747.987	-1.157.240
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	0	-3.725.110
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	0	0
IV Total cash payments from investment activities (ADP 028 to 032)	033	-4.747.987	-4.882.350
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	-4.612.278	2.744.160
Cash flow from financing activities			
1 Cash receipts from the increase in initial (subscribed) capital	035	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036	0	0
3 Cash receipts from credit principals, loans and other borrowings	037	49.568.845	37.383.460
4 Other cash receipts from financing activities	038	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	039	49.568.845	37.383.460
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-28.477.612	-35.226.595
2 Cash payments for dividends	041	0	0
3 Cash payments for finance lease	042	0	0
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	0	0
5 Other cash payments from financing activities	044	0	-2.775.618
VI Total cash payments from financing activities (ADP 040 to 044)	045	-28.477.612	-38.002.213
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	21.091.233	-618.753
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047	0	0
D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)	048	-23.449	211.564
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	049	3.277.573	1.305.783
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(ADP 048+049)	050	3.254.124	1.517.347

STATEMENT OF CASH FLOWS - direct method
for the period 01.01.2020. to 30.09.2020.

in HRK

Submitter:			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Cash receipts from customers	001	0	0
2 Cash receipts from royalties, fees, commissions and other revenue	002	0	0
3 Cash receipts from insurance premiums	003	0	0
4 Cash receipts from tax refund	004	0	0
5 Cash payments to suppliers	005	0	0
6 Cash payments to employees	006	0	0
7 Cash payments for insurance premiums	007	0	0
8 Other cash receipts and payments	008	0	0
I Cash from operations (ADP 001 to 008)	009	0	0
9 Interest paid	010	0	0
10 Income tax paid	011	0	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 009 to 011)	012	0	0
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	013	0	0
2 Cash receipts from sales of financial instruments	014	0	0
3 Interest received	015	0	0
4 Dividends received	016	0	0
5 Cash receipts from the repayment of loans and deposits	017	0	0
6 Other cash receipts from investment activities	018	0	0
II Total cash receipts from investment activities (ADP 013 to 018)	019	0	0
1 Cash payments for the purchase of fixed tangible and intangible assets	020	0	0
2 Cash payments for the acquisition of financial instruments	021	0	0
3 Cash payments for loans and deposits	022	0	0
4 Acquisition of a subsidiary, net of cash acquired	023	0	0
5 Other cash payments from investment activities	024	0	0
III Total cash payments from investment activities (ADP 020 to 024)	025	0	0
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 019 + 025)	026	0	0
Cash flow from financing activities			
1 Cash receipts from the increase in initial (subscribed) capital	027	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	028	0	0
3 Cash receipts from credit principals, loans and other borrowings	029	0	0
4 Other cash receipts from financing activities	030	0	0
IV Total cash receipts from financing activities (ADP 027 to 030)	031	0	0
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	032	0	0
2 Cash payments for dividends	033	0	0
3 Cash payments for finance lease	034	0	0
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	035	0	0
5 Other cash payments from financing activities	036	0	0
V Total cash payments from financing activities (ADP 032 to 036)	037	0	0
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 031 +037)	038	0	0
1 Unrealised exchange rate differences in respect of cash and cash equivalents	039	0	0
D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 012+026+038+039)	040	0	0
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	041	0	0
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(ADP 040+041)	042	0	0

NOTES TO FINANCIAL STATEMENTS - TFI
(drawn up for quarterly reporting periods)

Name of the issuer: Varteks d.d. - Varaždin

Personal identification number (OIB): 00872098033

Reporting period: 01.01.2020. - 30.09.2020. Varteks Group

Notes to financial statements for quarterly periods include:

- a) an explanation of business events relevant to understanding changes in the statement of financial position and financial performance for the quarterly reporting period of the issuer with respect to the last business year: information is provided regarding these events and relevant information published in the last annual financial statement is updated
- b) information on the access to the latest annual financial statements, for the purpose of understanding information published in the notes to financial statements drawn up for the quarterly reporting period
- c) a statement explaining that the same accounting policies are applied while drawing up financial statements for the quarterly reporting period as in the latest annual financial statements or, in the case where the accounting policies have changed, a description of the nature and effect of the changes
- d) a description of the financial performance in the case of the issuer whose business is seasonal.

Varaždin, October 30th, 2020

STATEMENT OF LIABILITY FOR PREPARING FINANCIAL STATEMENTS OF ISSUER

January 1st to September 30th 2020 (unaudited, consolidated)

With this statement, in accordance with the Capital Market Act, we declare that to the best of our knowledge:

- set of financial statements of the Varteks Group (hereinafter: the Group) for the period January 1st to September 30th 2020 (unaudited, consolidated), have been prepared in accordance with International Financial Reporting Standards, and in accordance with the Croatian Accounting Law, provide a complete and fair view of the Group's assets and liabilities, profit and loss, financial position and operations.
- The management interim report contains a fair presentation of development and results of the operations and position of the Group, with a description of most significant risks and uncertainties to which the Group is exposed.

Tomislav Babić
/President of the Management Board/

Damir Radmilović
/Member of the
Management Board/

Contact person:

Duje Jurenić

IBAN račun: / Tel. 042 / 377-230

HR19 2360 0001 1013 3948 3
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Privredna banka d.d.
Zagreb

HR47 2484 0081 1004 1765 2
Raiffeisenbank Austria d.d.
Zagreb

/ VARTEKS d.d. / Zagrebačka 94 / HR-42000 VARAŽDIN / tel. + 385 42 377 105 / fax. + 385 42 377 395 / P.P. 32 / info@varteks.com
/ Temeljni kapital 41.066.860,00 kn, uplaćen u cijelosti i podijeljen na 4.106.686 redovnih dionica, svaka nominalne vrijednosti 10 kn.
/ Društvo je upisano u registar Trgovačkog suda u Varaždinu, poslovni broj iz upisnika Tt: 95/463-2 (MBS) 070004039 / M.B.3747034
/ OIB.00872098033 / VAT:HR00872098033 / predsjednik Nadzornog odbora Nenad Bakić / predsjednik Uprave Tomislav Babić
/ član Uprave Damir Radmilović