

INVESTKONTAKT - REVIZIJA

društvo s ograničenom odgovornošću za reviziju, ZAGREB, A. Kačića Miošića 2

VIRO Tvornica šećera d.d., VIROVITICA

**AUDITOR'S REPORT OF FINANCIAL STATEMENTS FOR THE PERIOD
ENDING DECEMBER 31, 2011**

Zagreb, March 2012

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MANAGEMENT'S REPORT

Croatian Company Law (Official Gazette 152/11) stipulates that the Management must prepare Financial Statements. According to the Accounting Law (Official Gazette 109/07.) Financial Statements have to be prepared in accordance with International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board. According to requirements of accounting regulations, Financial Statements should always provide a realistic and objective insight into the state of the Company and its operating results for the particular reporting period.

The Management expects that the Company will continue to have adequate resources allowing it to operate for an indefinite period of time. Therefore, these Financial Statements were prepared assuming that the Company is a going concern.

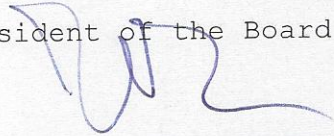
In creating Financial Reports the Management is responsible for the following:

- Choosing and persistently implementing appropriate accounting policies
- Issuing valid and reasonable assumptions and estimates
- Acting in accordance with relevant Accounting Standards, reporting and explaining any materially significant discrepancies in Financial Statements
- Creating Financial Reports assuming that the Company is a going concern, unless the assumption that the Company will continue to operate is not reasonable

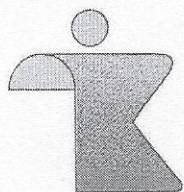
The Management is responsible for keeping proper accounting records and other prescribed regulated files, and for implementing contracts, decisions as to the accuracy of the information stated in the financial statements. Additionally, the Management is responsible for safekeeping of Company assets, uncovering and preventing fraud and other irregularities.

In Virovitica, 9.2.2012.

President of the Board of Managers



Željko Zadro, dipl. ek.



INVESTKONTAKT - REVIZIJA

društvo s ograničenom odgovornošću za reviziju, ZAGREB, A. Kačića Miošića 2

AUDITOR'S REPORT to shareholders of VIRO Tvornica šećera d.d., VIROVITICA

We audited the following basic Financial Statements of VIRO Tvornica Šećera d.d., VIROVITICA (Company): Balance Sheet as of 31.12.2011, related Income Statement for the period from 01.01.2011 to 31.12.2011, Changes to Owner's Equity and Cash Flow Statement for the period from 01.01.2011 to 31.12.2011 as well as accompanying Notes to the Financial Statements numbered from 1 to 26.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory financial reporting framework applicable in the Republic of Croatia. Responsibilities of the Board of Managers include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements erroneously reported material items. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accompanying financial statements. An audit also includes assessing the accounting principles used and significant estimates of assets and liabilities that the Company has made, and to evaluate the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements of Viro Tvornica šećera d.d., Virovitica, fairly present in all material aspects the financial position as of 31.12.2011, the results of operating activity for the period from 01.01.2011 to 31.12.2011, and cash flow from 01.01.2011 to 31.12.2011, in accordance with International Financial Reporting Standards that are applicable in Republic of Croatia.

Highlighted Issue

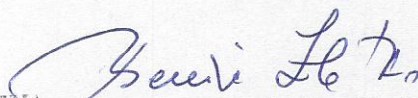
Without expressing a reserved opinion we refer to the following:

The Company has reported in its accounts (see note 10) value of equipment amounting to 12.446 thousand HRK that was purchased in the period between 2007 and 2009 from supplier Tovarna sladkorja d.d - in liquidation, Ormož, Republic of Slovenia. This equipment was partly used for the reconstruction of production facilities at the Company's headquarters. In 2011 the Company sold the said equipment for 16.500 thousand HRK. During 2011 the Company did not utilize said equipment for its own use. In a written statement dated 8.12.2011 in respect of fixed assets (equipment) purchased from the Ormož the Company declared that the same equipment will generally be used for future planned investments while parts of equipment that will not be built-in is going to be sold as a "secondary raw materials."

Zagreb, 30.03.2012.

INVESTKONTAKT - REVIZIJA
d.o.o.

ZAGREB, Andrije Kačića Miošića 2



Zlatko Benčić, dipl.oec.

Certified Auditor and Director

VIRO Tvornica šećera d.d., VIROVITICA
INCOME STATEMENT
for the period from January 1st to December 31st
(in 000 HRK)

	Note	2011	2010
OPERATING REVENUE		872.654	717.048
Revenue from sales	3	697.801	542.193
Other operating revenue	4	174.853	174.855
OPERATING EXPENSES		-736.396	-668.103
Costs of goods sold	5	-527.177	-477.808
General and Administrative Expenses	6	-209.219	-190.295
INCOME FROM OPERATIONS		136.258	48.945
FINANCIAL REVENUE AND EXPENSES			
Financial revenue	7	4.648	11.798
Financial expenses	8	-18.346	-21.603
(LOSS) FROM FINANCIAL ACTIVITIES		-13.698	-9.805
INCOME BEFORE TAXES		122.560	39.140
Income tax	9	0	0
NET INCOME		122.560	39.140

VIRO Tvornica šećera d.d., VIROVITICA
INCOME STATEMENT
for the period from January 1st to December 31st
(in 000 HRK)

OTHER COMPREHENSIVE INCOME

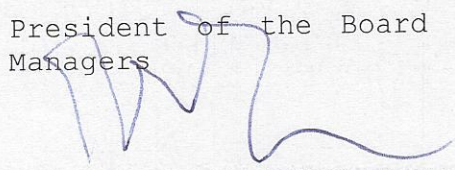
	2011	2010
I INCOME (LOSS) FOR THE PERIOD	122.560	39.140
II OTHER COMPREHENSIVE INCOME OR LOSS BEFORE TAXES	3.021	3.023
1. Foreign currency translation variances from non-domestic business activities		0
2. Change in valuation reserves for long term tangible and intangible assets	3.021	3.021
3. Gain or loss from mark to market adjustment for financial instruments available for sale		2
4. Gain or loss from efficient risk management of cash flow		0
5. Gain or loss from efficient risk management of foreign investments		0
6. Share in other comprehensive income/loss of related companies		0
7. Actuary gain/loss from defined income plans		0
III OTHER COMPREHENSIVE INCOME TAX		0
IV NET OTHER COMPREHENSIVE INCOME/LOSS		3.023
V COMPREHENSIVE INCOME OR LOSS	125.581	42.163
Appendix to Other Comprehensive Income report		
VI COMPREHENSIVE INCOME OR LOSS	125.581	42.163

1. Attributable to shareholders of the holding company
2. Attributable to minority interest

Earnings per share in 2011 equals 90,56 HRK (in 2010 equals 30,41 HRK).

For and on behalf of the Company on 9.2.2012:

President of the Board of
Managers



Željko Zadro. dipl. ek.

VIRO Tvornica šećera d.d., VIROVITICA
Balance Sheet
(in 000 HRK)

ASSETS	Note	2011	2010
LONG TERM ASSETS			
Intangible assets	10	531	826
Tangible assets (Property, plant & equipment)	10	272.801	276.594
Financial assets, deposits and loans	11	296.542	232.125
Long term trade loans	12	0	24
TOTAL LONG TERM ASSETS		569.874	509.569
SHORT TERM ASSETS			
Inventories	13	211.955	179.545
Trade receivables	14	102.213	120.253
Other receivables	15	29.205	33.884
Financial assets	16	85.522	75.859
Cash in bank and petty cash	17	26.674	49.917
TOTAL SHORT TERM ASSETS		455.569	459.458
PREPAYMENTS AND ACCURED INCOME	18	2.123	1.138
TOTAL ASSETS		1.027.566	970.165
Paid-in capital	19	249.600	249.600
Stock premium	19	9.064	9.064
Reserves from earnings	19	15.790	14.846
Re-evaluation reserves	19	4.474	7.494
Retained earnings	19	130.952	163.422
Net income for the current year	19	122.560	42.163
TOTAL EQUITY AND RESERVES		532.440	486.589
LONG TERM LIABILITIES			
Long term loans and financial leases	20	142.272	252.504
SHORT TERM LIABILITIES			
Liabilities for loans and financial leases	21	70.704	54.547
Liabilities to suppliers and for advances	22	120.505	158.168
Other short term liabilities	23	159.790	3.147
TOTAL SHORT TERM LIABILITIES		350.999	215.862
ACCRUALS AND DEFERRED INCOME	24	1.855	15.210
TOTAL OWNER'S EQUITY AND LIABILITIES		1.027.566	970.165

For and on behalf of the Company on 9.2.2012:

President of the Board of
Managers

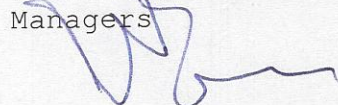
Željko Zadro, dipl. ek.

VIRO Tvornica šećera d.d., VIROVITICA
CHANGES TO OWNER'S EQUITY
(in 000 HRK)

No.	Description	Balance 31.12.2010.	Change during the year		Balance 31.12.2011.
			Increase	Decrease	
1.	Paid-in capital	249.600	0	0	249.600
2.	Capital Reserves	9.064	0	0	9.064
3.	Reserves from Earnings	14.846	27.051	26.107	15.790
3.1.	Compulsory reserves	12.480	0	0	12.480
3.2.	Reserves for purchase of Treasury Stock	3.016	30.000	26.107	6.909
3.3.	Reserves for purchased Treasury Stock	10.850	26.107	0	36.957
3.4.	Purchased Treasury Stock	-8.747	-28.210	0	-36.957
3.5.	Revaluation of financial assets available for sale	-2.753	-846	0	-3.599
4.	Retained net income or loss carry forward	163.422	17.270	49.740	130.952
5.	Income or loss for the current year	42.163	122.560	42.163	122.560
6.	Revalorization of long term tangible assets	7.494	0	3.020	4.474
	Total	486.589	166.881	121.030	532.440

For and on behalf of the Company on 9.2.2012:

President of the Board of
Managers



Željko Zadro, dipl. ek.

VIRO Tvornica šećera d.d., VIROVITICA
CASH FLOW STATEMENT
(in 000 HRK)

DESCRIPTION	2011	2010
Profit before tax	122.560	42.163
Adjustments:		
Depreciation	34.312	29.731
Impairment	1.395	0
Provisions for legal actions	0	0
Deficits in stocks	39	161
Revenues from cancelation of provisions	0	0
Revenues from write-off of liabilities	0	34
Interest revenue	-1.594	-3.433
Currency translation revenues	-3.054	-8.364
Interest expenses	8.942	11.626
Currency translation expenses	8.815	9.976
Operating profit before working capital changes	171.415	81.894
Decrease in the value of work in progress and finished goods	-32.409	12.277
Increase / (decrease) of receivables from buyers	16.645	5.436
Increase / (decrease) of liabilities	-52.995	92.272
Cash flow from operating activities	102.656	191.879
Cash outflow for paid income taxes	0	0
Cash outflow for paid interest expense	-8.942	-11.626
Net cash flow from operating activities	93.714	180.253
Interest receipts	1.594	3.433
Cash outflows for purchase of buildings, plants and equipment	-31.755	-36.041
Cash inflows from sale of buildings, plants and equipment	1.530	855
Cash outflows for short-term loans and credits	-18.984	-10.828
Cash inflows from short-term loans and credits	25.790	35.731
Net cash flow from investing activities	-21.825	-6.850
Cash inflows from loans and credits	225.797	54.950
Cash outflows for repayment of loans and credits	-320.929	-217.567
Net cash flow from financing activities	-95.132	-162.617
Net increase in cash and cash equivalents	-23.243	10.786
Cash and cash equivalents at beginning of period	49.917	39.131
Cash and cash equivalents at end of period	26.674	49.917

For and on behalf of the Company on 9.2.2012:

President of the Board of
Managers

Željko Zadro, dipl. ek.

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
(in 000 HRK)

1. GENERAL INFORMATION

Legal framework, business activities and employees:

VIRO Tvornica šećera, dioničko društvo, located in Virovitica, Matije Gupca 254, was established and registered in the Commercial Court Register in Bjelovar on July 23rd 2002. Company founders were EOS-Z d.o.o. Zagreb and Robić d.o.o. Velika Gorica.

In 2005 the Company was reorganized from a limited liability company into a joint stock company.

Main business activity of the Company is sugar production. The Company is registered to perform the following activities:

- Cultivation of garden and ornamental crops
- Production of other food products
- Production and distribution of electricity
- Purchase and sale of goods
- Drainage of wastewater through dilution, filtration, sedimentation, chemical or active treatment of silt and other processes

On December 31, 2011 the Company had 230 employees that were hired for an indefinite time period (255 employees in 2010).

Company Shareholder Assembly:

- EOS-Z d.o.o., Robić d.o.o. and other shareholders

Board of Directors:

- Marinko Zadro, dipl. inž. - chairman of the Board of Directors
- Boris Šimunović, dipl.oec. - vice chairman of the Board of Directors
- Dražen Robić, dipl. inž. - member of the Board of Directors
- Ivan Mišetić, dipl.iur. - member of the Board of Directors
- Krešimir Mostovac, dipl. inž. - member of the Board of Directors

Board of Managers:

- Željko Zadro, dipl. oec. - president of the Board of Managers
- Ivan Škorić, dipl. oec. - member of the Board of Managers

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
(in 000 HRK)

2. BASIC ACCOUNTING POLICIES

Financial Statements are denominated in Croatian Kuna (HRK) given that majority of the Company's business transactions were conducted in this currency.

Financial Statements were created in accordance with International Financial Reporting Standards (IFRS) using historical cost basis, unless indicated otherwise.

In creating Financial Statements the following accounting policies were used:

2.1. Revenues

Revenues are recognized when it is probable that economic benefits associated with the transaction will flow into the Company and that the amount of revenue can be measured reliably. Sales revenues are recognized in the amount net of taxes and discounts at the time of delivery of goods or services and when risks and benefits are transferred to the buyer.

Revenues from interest are recognized on a time proportion basis that takes into account effective yield and outstanding portion of the principal amount.

2.2. Property, plant, equipment and intangible assets

Purchases throughout the year are booked according to their purchase value. Purchase value consists of invoice value and all directly related costs for bringing such assets into operation.

Depreciation is carried out starting on the first day of the next month in which long term asset has been put into operation.

Equipment and other items are recorded as long term assets if their useful life is greater than one year, and if their individual purchase price is greater than HRK 3.500.

Revenues from sold or in any other way disposed equipment as well as expenses associated with these transactions are recorded at net principle, so that only a gain or loss is determined.

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
(in 000 HRK)

2. BASIC ACCOUNTING POLICIES - continued

2.3. Depreciation

Depreciation of tangible and intangible assets is carried out using depreciation schedules that are not greater than what is mandated by Croatian Law. These schedules are set so that purchase or reevaluated price of a long term asset is depreciated in equal annual installments throughout the expected operational life of the asset. Depreciation schedules that are being used are as follows:

	2011.	2010.
Buildings	5%	5%
Plants, equipment, tools, inventories, and vehicles	10%-25%	10%-25%
Computer equipment and GSM telephones	50%	50%
Intangible assets	25%	25%

Depreciation is carried out for each asset item until it is written off.

2.4. Inventories

Inventories are recorded on a cost basis or net sales value, whichever is lower. Net sales value is an estimated sales value net of all estimated completion, advertising, sales and distribution costs. Office supplies, materials and spare parts are reported on actual cost basis which consists of invoiced value and any related costs. The accounting of used materials and spare parts is carried out following the method of weighted average prices. Office supplies are written off in their entirety at the time of putting them into use. Inventories of work in process and finished goods are reported on a cost basis or net sales value. The cost basis consists of direct materials, direct costs and all indirect costs associated with bringing inventories to their present condition and location.

2.5. Financial instruments

Financial assets and financial liabilities are recognized in the Company's Balance Sheet when the Company becomes party to contractual stipulations of a financial instrument.

Financial assets available for sale

Financial assets available for sale are recognized on the day of sale. The value of asset is initially recorded on a cost basis, which includes transaction costs. Assets available for sale consist of certain shareholding stocks and stakes in other companies.

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
(in 000 HRK)

2. BASIC ACCOUNTING POLICIES - continued

2.5. Financial instruments (continued)

Financial assets available for sale (continued)

Financial assets available for sale are measured after the purchase and booked at market value. Gains and losses that occur after initial evaluation are included into reserves as either financial revenues or expenses. All financial assets are tested for impairment on the Balance Sheet date. If any indication exists, a recoverable amount of such asset is estimated. Reconciled values are booked in reserves in owner's equity.

Receivables for loans and advances

Advances are reported on a net basis and are impaired for value adjustments that stem from doubtful collections. If advance cannot be collected, and if all legal procedures are exhausted, and if the final value of the loss is known, then this advance is written off directly. If the value of the loss has decreased in the next financial period, and if this decrease can be directly attributed to the event that had occurred after the write off, then this decrease is booked as revenue.

Receivables from sales

Receivables from sales are reported in nominal amounts adjusted for estimated doubtful collections.

Cash and cash equivalents

For the purpose of Cash Flow Statement, cash and cash equivalents are grouped and reported as petty cash and cash in bank accounts.

Bank Loans

Interest bearing bank loans and overdrafts are booked in the amounts that were received net of direct approval costs. Financial expenses, including premiums that are paid during settlement or redemption, are booked on accrual basis and assigned to book value of the instrument in the amount in which they were settled for the period in which they occurred.

Liabilities to suppliers

Liabilities to suppliers are reported in their nominal values.

Reservations

Reservations are recognized if the Company currently has legal or irreversible liability that stems from prior events, if outflow of resources that constitute economic benefits for the purpose of settling the liability is expected, and if the amount of liability can be reliably estimated.

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
(in 000 HRK)

2. BASIC ACCOUNTING POLICIES - continued

2.6. Leases

Leases are classified as financial leases when the majority of risks and rewards associated with owning the asset are transferred to the lessee throughout the term of the lease. All other leases are classified as operating leases.

Company as the lessor

Revenues from operating leases are evenly recognized throughout the term of the lease.

Company as the lessee

Assets that are part of the financial lease are booked as Company's assets at fair value on the date of acquisition or, if lower, at present value of minimum lease payments. Liability to lessor is booked in the Balance Sheet as liability for financial lease. Lease rent is allocated between financial expenses and reduction of liability for financial lease in order to determine the constant interest rate on the outstanding liability amount. Financial expenses are a direct charge to revenues.

Amounts that the Company pays for operating leases are evenly distributed over the term of the lease as a direct charge to the Income Statement.

2.7. Foreign exchange

Business transactions that are not denominated in HRK are initially booked using the relevant exchange rate on the day of transaction. Monetary assets and liabilities that are reported in foreign currencies are again recalculated on the Balance Sheet day using the relevant exchange rate on that day. Gains and losses stemming from these transactions are included in net gains or losses for the period.

2.8. Costs of lending

Costs of lending are included in the Income Statement in the period when they occurred.

2.9. Taxation

Income tax expense is an aggregate amount of current tax liabilities and tax credits. Current tax liability is based on taxable income for the current year. Taxable income differs from net income reported in the Income Statement for the current year because it does not include revenue and expense items that are taxable or non-taxable in other years as well as items that are never taxed or deductible. Company's current tax liability is calculated using relevant tax rates that are in effect on the Balance Sheet day. Deferred tax liabilities are generally recognized for all temporary tax differences. Deferred tax assets are recognized in the amount of taxable income against which the tax relief can be applied.

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
(in 000 HRK)

3. REVENUE FROM SALES

	2011	2010
Sales in the domestic market, unrelated parties	280.660	300.306
Sales in the domestic market to related parties ¹	132.887	43.535
Sales in foreign markets	284.254	198.352
TOTAL	697.801	542.193

4. OTHER OPERATING REVENUES

	2011	2010
Sale of trade goods in domestic markets to unrelated parties	39.497	56.478
Sale of trade goods in domestic markets to related parties ¹	71.061	48.628
Sale of trade goods in foreign markets	41.462	62.257
Sale of long term assets to unrelated parties	14.775	132
Sale of long term assets to related parties ¹	560	1.103
Other operating revenues to unrelated parties	7.037	5.395
Other operating revenues to related parties ¹	461	862
TOTAL	174.853	174.855

5. COST OF GOODS SOLD

	2011	2010
Decrease (Increase) of work in process and finished goods inventories	-94.723	74.627
Raw materials	472.835	270.989
Energy	60.384	60.167
Labor costs	23.772	23.595
Spare parts	7.042	4.345
Depreciation	33.879	29.260
Other costs	23.988	14.825
TOTAL	527.177	477.808

¹ See note 25 (related parties)

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
(in 000 HRK)

6. GENERAL AND ADMINISTRATIVE EXPENSES

	2011	2010
Purchase value of trade goods that is sold	137.575	154.614
Office supplies; restaurant, utilities, transport, rent, marketing, other services	14.607	14.281
Banking services	7.647	3.979
Depreciation	433	471
Salaries to general and administrative employees	5.193	4.287
Other expenses	43.764	12.663
TOTAL	209.219	190.295

7. FINANCIAL REVENUES

	2011	2010
Interest from unrelated parties	1.582	2.806
Interest from related parties ¹	12	628
Dividend Income	0	0
Currency translation	3.054	8.364
TOTAL	4.648	11.798

8. FINANCIAL EXPENSES

	2011	2010
Interest from unrelated parties	8.654	11.626
Interest from related parties ¹	289	0
Currency translation	8.815	9.977
Cost of bills of exchange	588	0
TOTAL	18.346	21.603

¹ See note 25 (related parties)

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
(in 000 HRK)

9. INCOME TAX

Tax Balance Sheet as of December 31 is as follows:

	2011	2010
Accounting Net Income	122.560	42.163
Increase of income / reduction of loss	15.248	2.103
Decrease of income / increase of loss	-134	-113
<i>Taxable income</i>	137.674	44.153
Income tax rate	20%	20%
Income tax	27.535	8.831
Income tax relief	-27.535	-8.831
Tax liability	0	0

Pursuant to the Investment Promotion Act the Company uses income tax exemption benefit. The deadline for the utilization of this tax benefit expires in 2012. Article 26 paragraph 4 of the Income Tax Law (Official Gazette 177/04 and 90/05) states that if the investment amount equals at least 60 million HRK and if the investment ensures employment of at least 75 workers starting in the first year of the project then income is taxed at 0%. As of 31.12.2011. the Company has available unused tax credits amounting to 66.613 thousand HRK (on 31.12.2010. had 94.148 thousand HRK).

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
(in 000 HRK)

10. LONG TERM TANGIBLE AND INTANGIBLE ASSETS

	Land	Apart- ments	Buildings	Equipment	Equipment- Ormož	Artwork	Tangible assets pending and advances	TOTAL TANGIBLE ASSETS	Intangible assets	TOTAL ASSETS
Purchase value										
Balance on December 31 st 2010	3.686	1.441	103.556	257.408	12.463	9	12.202	390.765	2.846	393.611
Increases	0	573	2.947	24.017		0	39.167	66.704	356	67.060
Written off, sold or disposed of	0	-573		-16.260	-17	0		-16.850		-16.850
Transfer into use	0					0	-21.562	-21.562		-21.562
Balance on December 31st 2011	3.686	1.441	106.503	265.165	12.446	9	29.807	419.057	3.202	422.259
Value adjustment										
Balance on December 31 st 2010	0	143	19.725	92.636	0	0	1.667	114.171	2.020	116.191
Depreciation in 2011	0	82	5.189	26.223	0	0	2.141	33.635	651	34.286
Written off, sold or disposed of in 2011	0	-10		-1.540		0		-1.550		-1.550
Balance on December 31st 2011	0	215	24.914	117.319	0	0	3.808	146.256	2.671	148.927
Present value										
Balance on December 31 st 2010	3.686	1.298	83.831	164.772	12.463	9	10.535	276.594	826	277.420
Balance on December 31 st 2011	3.686	1.226	81.589	147.846	12.446	9	25.999	272.801	531	273.332

For mortgaged real estate and equipment see Note 20.

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11. LONG TERM FINANCIAL ASSETS	31.12.2011.	31.12.2010.
Shares of related companies	285.333	220.050
Loans for stock purchase	10.620	11.580
Deposits to leasing companies	589	495
TOTAL	296.542	232.125

12. LONG TERM ADVANCES	31.12.2011.	31.12.2010.
Advances for sold equipment with long term payment advances	61	103
Portion of the loan principal for sold equipment that matures in the next year (Note 16)	-25	-43
Impairment of receivables from the sale of the long-term loan	-36	-36
TOTAL:	0	24

13. INVENTORIES	31.12.2011.	31.12.2010.
Raw materials	20.392	23.354
Finished products	175.331	80.127
Trade goods	2.870	60.161
Advance Payments	13.362	15.903
TOTAL	211.955	179.545

14. RECEIVABLES	31.12.2011.	31.12.2010.
Domestic buyers, unrelated parities	64.705	81.918
Domestic buyers, related parties ¹	23.315	31.702
Foreign buyers	17.232	8.294
Value adjustment of receivables from sales	-3.039	-1.661
TOTAL	102.213	120.253

¹ See note 25 (related parties)

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15. OTHER RECEIVABLES

	31.12.2011.	31.12.2010.
Receivables from the Government	73	480
Claim damages from OZ and others	22	0
Other Receivables	162	5
Receivables for VAT	28.948	33.399
TOTAL	29.205	33.884

16. SHORT TERM FINANCIAL ASSETS

	31.12.2011.	31.12.2010.
Received promissory notes	38.379	12.287
Securities (investments in funds)	1.400	4.350
Cash for treasury share purchase	0	83
Securities (stocks)	1.507	0
Financial loans to others	23.126	31.439
Zagrebačka Banka d.d. - deposits	0	6.979
Raiffeisen Bank d.d. - deposits	21.085	20.678
Current maturity of long-term trade goods advances (Note 12.)	25	43
TOTAL	85.522	75.859

17. CASH

	31.12.2011.	31.12.2010.
Current bank accounts	20.331	24.527
Foreign currency bank account	6.343	25.390
TOTAL	26.674	49.917

18. ACCRUALS AND PREPAYMENTS

	31.12.2011.	31.12.2010.
Advance payments for VAT, taxes, local tax, contribution tax for loans to persons for purchase of shares of related companies	48	852
Accrual for paid interest	2.003	278
Other	72	8
TOTAL	2.123	1.138

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19. OWNER'S EQUITY

Authorized equity, registered at Commercial Court Register in Bjelovar, equals HRK 249.600.060 and is divided into 1.386.667 common shares and does not bear a nominal value. Ownership structure of equity is as follows:

Shareholder	31.12.2011.		31.12.2010.	
	No. of shares	Ownership %	No. of shares	Ownership %
1. EOS-Z d.o.o., Zagreb	465.483	33,5685	465.483	33,5685
2. Robić d.o.o., Velika Gorica	416.100	30,0072	449.600	32,4231
3. Societe generale-Splitska banka d.d./Allianz ZB d.o.o. za AZ obvezni mirovinski fond/	88.811	6,4046	68.941	4,9717
4. Hypo Alpe-Adria bank d.d./PBZ Croatia osiguranje d.d. Obvezni mirovinski fond/	42.181	3,0419	42.181	3,0419
5. Zadro Marinko	34.417	2,4820	34.417	2,4820
6. Hypo Alpe-Adria bank d.d./Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o. za Raiffeisen obvezni mirovinski fond/	26.103	1,8824	29.503	2,1276
7. Hrvatska poštanska banka d.d.	23.257	1,6772	23.257	1,6772
8. Societe generale-Splitska banka d.d./AZ Profit dobrovoljni mirovinski fond/	10.256	0,7396	2.624	0,1892
9. Societe generale-Splitska banka d.d./Erste plavi obvezni mirovinski fond/	10.033	0,7235	10.033	0,7235
10. Other shareholders	185.190	13,3551	233.678	16,8518
11. Treasury Shares	84.836	6,1180	26.950	1,9435
Total	1.386.667	100,0000	1.386.667	100,0000

	31.12.2011.	31.12.2010.
Paid-in capital	249.600	249.600
Capital Reserves	9.064	9.064
Reserves from Earnings	15.790	14.846
Required Reserves (other Reserves)	12.480	12.480
Reserves for purchasing Treasury Stock	6.909	3.016
Reserves for bought Treasury Stock	36.957	10.850
Treasury Stock	-36.957	-8.747
Re-evaluation of Financial Assets available for Sale	-3.599	-2.753
Re-evaluation Reserves	4.474	7.494
Re-evaluation Reserves for long term assets	4.474	7.494
Retained Earnings	130.952	163.422
Net Income for the Current Year	122.560	42.163
TOTAL OWNER'S EQUITY AND RESERVES	532.440	486.589

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20. LIABILITIES FOR LONG TERM LOANS AND FINANCIAL LEASES

	31.12.2011.	31.12.2010.
Raiffeisenbank Austrija d.d., R. Croatia	45.792	50.522
Hrvatska poštanska banka d.d. R. Croatia	70.000	0
Privredna banka d.d. R. Hrvatska	75.000	0
EBRD London, England	0	253.206
Total liabilities for long term loans	190.792	303.728
Financial Leases	22.184	3.323
Total liabilities for financial leases	22.184	3.323
Total liabilities for long term loans and financial leases	212.976	307.051
Due for payment next year	-70.704	-54.547
TOTAL	142.272	252.504

- EBRD, London, England - loan paid in full in 2011.

21. LIABILITIES FOR SHORT TERM LOANS AND BORROWINGS

	31.12.2011.	31.12.2010.
Liabilities for short term loans	0	0
Long term liabilities for loans and financial leases that mature in the next year	70.704	54.547
TOTAL LIABILITIES FOR SHORT TERM FINANCIAL LIABILITIES AND LEASES	70.704	54.547

22. LIABILITIES TO SUPPLIERS

	31.12.2011.	31.12.2010.
Domestic suppliers, unrelated parties	77.111	88.685
Domestic suppliers - related parties ¹	9.041	56.344
Foreign suppliers	34.353	12.610
TOTAL	120.505	157.639

23. OTHER SHORT TERM LIABILITIES

	31.12.2011.	31.12.2010.
Received Advances	154.322	529
Liabilities for salaries and benefits	1.898	1.600
Liabilities for taxes and contributions	1.906	961
Other short term liabilities	1.664	586
TOTAL	159.790	3.676

¹ See note 25 (related parties)

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24. ACCRUALS AND DEFERRED INCOME

	31.12.2011.	31.12.2010.
Accrued expenses and various incentives not invoiced by suppliers	1.855	15.210
TOTAL	1.855	15.210

25. RELATED PARTIES

Income and Expenses

Transactions in the 2011 are reported in the Income Statement and are as follows:

Description/Related Party	EOS-Z d.o.o. Zagreb	Robić d.o.o. V. Gorica	Sladorana d.d. Županja	Slavonija Nova d.d., Županja	Total
Revenues from sale of goods and services	22.082	25.786	153.384	2.696	203.948
Cost of goods and services	22.045	23.806	137.382	2.817	186.050
Revenues from sale of long term assets	493	8	59		560
Value of sold long term assets that are not written off	450	55	17		522
Other revenues			461		461
Expenses related to other revenues			446		446
Financial income	0	5	0	7	12
Financial expenses	0	0	289	0	289

Transactions in the 2010 are reported in the Income Statement and are as follows:

Description/Related Party	EOS-Z d.o.o. Zagreb	Robić d.o.o. V. Gorica	Sladorana d.d. Županja	TOTAL
Revenues from sale of goods and services	26.186	3.988	61.989	92.163
Cost of goods and services	-26.366	-3.196	-60.920	-90.482
Revenues from sale of long term assets	89	0	1.014	1.103
Value of sold long term assets that are not written off	-30	0	-425	-455
Other revenues	0	0	862	862
Expenses related to other revenues	0	0	-535	-535
Financial revenues	0	1	627	628

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Receivables and Payables on 31.12.2011

Balance of receivables and payables on 31.12 2011 between related parties	EOS-Z d.o.o. Zagreb	Robić d.o.o. V. Gorica	Sladoran a d.d. Županja	Slavonija Nova d.d., Županja	Total
Receivables from sales	8.072	12.534	0	2.709	23.315
Liabilities to suppliers	0	266	8.775	0	9.041
Receivables for given loans	0	0	0	1.507	1.507

Receivables and Payables on 31.12.2010

Balance of receivables and payables on 31.12.2010 between related parties	EOS-Z d.o.o. Zagreb	Robić d.o.o. V. Gorica	Sladorana d.d. Županja	TOTAL
Receivables from sales	58	20.412	11.232	31.702
Liabilities to suppliers	0	225	56.119	56.344
Receivables for given loans	0	0	0	0

26. BOARD OF MANAGERS, BOARD OF DIRECTORS AND EMPLOYEES

Board of Managers of the Company (two persons) in 2011 has received salaries in the amount of 910 thousand HRK (444 thousand HRK for one in 2010)

As of 31.12.2011 one member of the Board of Managers owned 100 shares, and two members of the Board of Directors owned 34.427 shares of the Company.

Employees of the Company (excluding two members Board of Directors and one member of the Board of Managers) owned, as of 31.12.2011. 4.430 shares of the Company.

Employee qualification structure - long term employment contracts

Structure	31.12.2011.	31.12.2010.
Masters Degree	1	2
College Bachelor degree	36	30
College Associate degree	5	9
High school degree	164	156
Elementary school degree	24	28
TOTAL	230	225

As of 31.12.2011 the Company had 27 employees with limited-term employment contracts.

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ENDORSEMENT OF THE FINANCIAL REPORTS

These Financial Reports were endorsed and issued by the Board of Managers on 9.2.2012.

President of the Board of Managers



Željko Zadro, dipl. ek.