

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 YEAR
ENDING DECEMBER 31st 2010**

Zagreb, February 2011

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MANAGEMENT'S REPORT

Croatian Company Law (Official Gazette 111/93. to 107/07.) 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:

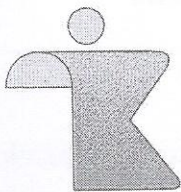
- Choosing and persistently implementing appropriate accounting policies
- Issuing valid and reasonable assumptions and estimates
- Acting in accordance with relevant Accounting Standards, reporting and explaining any materially significant discrepancies in Financial Statements
- Creating Financial Reports 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, 10.02.2011.

Željko Zadro, dipl. ek.
President of the Board of Managers





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**


1. We audited the following basic Financial Statements of VIRO Tvornica šećera d.d., VIROVITICA (Company): Balance Sheet, Income Statement, Changes to Owner's Equity, Cash Flow Statement for the year ending December 31st 2010 as well as Notes to the Financial Statements numbered from 1 to 26. These Financial Reports are responsibility of the Company's Management. Our responsibility is to form an opinion of Financial Reports based on our audit.
2. The audit was conducted in accordance with International Auditing Standards and encompassed planning and execution of auditing procedures to the level necessary to establish with reasonable certainty that Financial Statements do not contain significant mistakes. The audit included scrutiny of accounting records and their comparison with amounts recorded in the financial statements. The audit also included scrutiny of accounting policies, significant asset and liabilities estimates and overall presentation of Financial Statements. We believe that the audit which was conducted provides a solid basis for providing our professional opinion.
3. In our opinion, Financial Statements of Viro Tvornica šećera d.d., Virovitica, realistically and objectively reflect the financial situation and changes in cash flow in the Company as of December 31st 2010. Financial Statements are in accordance with International Financial Reporting Standards.


Damir Novački, dipl. oec.
Certified Auditor

INVESTKONTAKT - REVIZIJA

d.o.o.

ZAGREB, Andrije Kačića Miošića 2


Zlatko Benčić, dipl. oec.
Certified Auditor and Director

Zagreb, 14.2.2010.

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

	Note	2010.	2009.
OPERATING REVENUE		717.048	546.951
Revenue from sales	3	542.193	414.134
Other operating revenue	4	174.855	132.817
OPERATING EXPENSES		(668.103)	(502.327)
Costs of goods sold	5	(477.808)	(351.011)
General and Administrative Expenses	6	(190.295)	(151.316)
INCOME FROM OPERATIONS		48.945	44.624
FINANCIAL REVENUE AND EXPENSES			
Financial revenue	7	11.798	29.357
Financial expenses	8	(21.603)	(73.532)
(LOSS) FROM FINANCIAL ACTIVITIES		(9.805)	(44.175)
INCOME BEFORE TAXES		39.140	449
Income tax	9	0	0
NET INCOME		39.140	449

Notes on page 7 to 23 represent a constituent part of the financial statements

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

	2010.	2009.
Report of Other Comprehensive Income		
I Income (loss) for the period	39.140	449
II Other Comprehensive Income or Loss before Taxes	3.023	3.053
1.Foreign currency translation variances from non-domestic business activities	0	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	32
4.Gain or loss from efficient risk management of cash flow	0	0
5. Gain or loss from efficient risk management of foreign investments	0	0
6. Share in other comprehensive income/loss of related companies	0	0
7. Actuary gain/loss from defined income plans	0	0
III OTHER COMPREHENSIVE INCOME TAX	0	0
IV NET OTHER COMPREHENSIVE INCOME/LOSS	3.023	3.053
V COMPREHENSIVE INCOME OR LOSS	42.163	3.502

Appendix to Other Comprehensive Income report		
VI. COMPREHENSIVE INCOME OR LOSS	42.163	3.502
1. Attributable to shareholders of the holding company	546	325
2. Attributable to minority interest	0	0

Earnings per share in 2010. equals 30,41 HRK (2009. 2,53 HRK).

For and on behalf of the Company on February 10th 2011:

Željko Zadro. dipl. ek.
President of the Board of
Managers



Notes on page 7 to 23 represent a constituent part of the financial statements

VIRO Tvornica šećera d.d., VIROVITICA
Balance Sheet on December 31st
(in 000 HRK)

ASSETS	Note	2010.	2009.
LONG TERM ASSETS			
Intangible assets	10	826	1.154
Tangible assets (Property, plant & equipment)	10	276.594	270.166
Financial assets	11	232.125	232.155
Receivables	12	24	0
TOTAL LONG TERM ASSETS		509.569	503.475
SHORT TERM ASSETS			
Inventories	13	179.545	191.823
Trade Receivables	14	120.253	125.688
Other receivables	15	46.171	51.555
Financial assets	16	63.572	88.457
Cash	17	49.917	39.131
TOTAL SHORT TERM ASSETS		459.458	496.654
PREPAYMENTS AND ACCURED INCOME	18	1.138	6.201
TOTAL ASSETS		970.165	1.006.330
PAID-IN CAPITAL AND RESERVES			
Paid-in capital	19	249.600	249.600
Stock premium	19	9.064	9.064
Reserves from Earnings	19	14.846	21.469
Re-evaluation reserves	19	7.494	10.515
Retained earnings	19	163.422	166.463
Net income for the current year	19	42.163	3.502
TOTAL EQUITY AND RESERVES		486.589	460.613
LONG TERM LIABILITIES			
Long term loans and leases	20	252.504	303.688
SHORT TERM LIABILITIES			
Liabilities for loans and leases	21	54.547	163.940
Liabilities to suppliers and for advances	22	158.168	62.451
Other short term liabilities	23	3.147	4.104
TOTAL SHORT TERM LIABILITIES		215.862	230.495
ACCRUALS AND DEFERRED INCOME	24	15.210	11.534
TOTAL OWNER'S EQUITY AND LIABILITIES		970.165	1.006.330

For and on behalf of the Company on February 10th 2011:

Željko Zadro, dipl. ek.
President of the Board of
Managers



Notes on page 7 to 23 represent a constituent part of the financial statements

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

	Description	Balance 31.12.2009.	Change during the year		Balance 31.12.2010.
			Increase	Decrease	
1.	Paid-in capital	249.600	0	0	249.600
2.	Stock premium	9.064	0	0	9.064
3.	Reserves from Earnings	21.469	(625)	(5.998)	14.846
3.1.	Compulsory reserves	12.480	0	0	12.480
3.2.	Reserves for Treasury Stock	9.489		(6.473)	3.016
3.3.	Reserves for collected Stock	4.377	6.473		10.850
3.4.	Treasury Stock	(2.274)	(6.473)		(8.747)
3.5.	Re-appraisal of financial assets for sale	(2.603)	(625)	475	(2.753)
4.	Retained Earnings or (loss for the current year)	166.463	3.502	(6.453)	163.422
5.	Net income or (loss) for the current year	3.502	42.163	(3.502)	42.163
6.	Re-appraisal of long-term tangible assets	10.515	0	(3.021)	7.494
	Total	460.613	45.040	(19.064)	486.589

For and on behalf of the Company on February 10th 2011:

Željko Zadro, dipl. ek.
president of the Board of
Managers



Notes on pages 7 to 22 represent a constituent part of the financial statements.

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

DESCRIPTION	2010	2009
Profit before tax	42.163	3.502
Adjustment:		
Depreciation	29.731	26.738
Impairment	0	0
Provisions for legal actions	0	0
Deficits in stocks	161	88
Revenues from cancelation of provisions	0	0
Revenues from write-off of liabilities	34	270
Interest revenue	-3.433	-7.957
Currency translation revenues	-8.364	-13.682
Interest expenses	11.626	24.077
Currency translation expenses	9.976	11.127
Operating profit before working kapital changes	81.894	44.163
Decrease in the value of work in progress and finished goods	12.277	128.075
Increase / (decrease) of receivables from buyers	5.436	152.882
Increase / (decrease) of liabilities	95.705	-53.745
Cash flow from operating activities	113.418	227.212
Cash outflows for income tax	0	0
Cash outflows for interest	-11.626	-24.076
Net cash flow from operating activities	-11.626	-24.076
Cash flow from investing activities		
Interest receipts	3.433	7.957
Cash outflows for purchase of buildings, plants and equipment	-36.041	-111.642
Cash inflows from sale of buildings, plants and equipment	855	557
Cash outflows for short-term loans and credits	-10.828	-556.515
Cash inflows from short-term loans and credits	35.731	594.603
Net cash flow from investing activities	-10.283	-72.997
Cash flow from financing activities		
Cash inflows from loans and credits	54.950	105.999
Cash outflows for repayment of loans and credits	-217.567	-245.088
Net cash flow from financing activities	-162.617	-139.089
Net increase in cash and cash equivalents	10.786	35.213
Cash and cash equivalents at begining of period	39.131	3.918
Cash and cash equivalents at end of period	49.917	39.131

For and on behalf of the Company on February 10th 2011:

Željko Zadro, dipl. ek.
President of the Board of
Managers



Notes on pages 7 to 23 represent a constituent part of the financial statements.

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 31 December 2010 the Company had 225 employees that were hired for an indefinite time period (231 employees in 2009).

Company Shareholder Assembly:

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

Board of Directors:

- Marinko Zadro - chairman of the Board of Directors
- Boris Šimunović - vice chairman of the Board of Directors
- Dražen Robić - member of the Board of Directors
- Marinko Papuga - member of the Board of Directors
- Krešimir Mostovac - member of the Board of Directors

Board of Managers:

- Željko Zadro, dipl. ek. - president 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 2.000.

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:

	2009.	2008.
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 (Income Statement depending on the source from which such an asset was procured).

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

	2010.	2009.
Sales in the domestic market, non-related parties	300.306	218.093
Sales in the domestic market to related parties ¹	43.535	45.918
Sales in foreign markets	198.352	150.123
TOTAL	542.193	414.134

4. OTHER OPERATING REVENUES

	2010.	2009.
Sale of trade goods in domestic markets to non-related parties	56.478	92.417
Sale of trade goods in domestic markets to related parties ¹	48.628	23.362
Sale of trade goods in foreign markets	62.257	0
Sale of long term assets to non-related parties	132	1.137
Sale of long term assets to related parties ¹	1.103	2.501
Other operating revenues to non-related parties	5.395	13.400
Other operating revenues to related parties ¹	862	0
TOTAL	174.855	132.817

5. COST OF GOODS SOLD

	2010.	2009.
Decrease (Increase) of work in process and finished goods inventories	74.627	19.858
Raw materials	270.989	221.893
Energy	60.167	35.828
Labor costs	23.595	24.879
Spare parts	4.345	4.772
Depreciation	29.260	26.294
Other costs	14.825	17.487
TOTAL	477.808	351.011

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

	2010.	2009.
Purchase value of trade goods that is sold	154.614	106.249
Office supplies; restaurant, utilities, transport, rent, marketing, other services	14.281	18.654
Banking services	3.979	7.957
Depreciation	471	443
Salaries to general and administrative employees	4.287	3.913
Other expenses	12.663	14.100
TOTAL	190.295	151.316

7. FINANCIAL REVENUES

	2010.	2009.
Interest from non-related parties	2.806	3.639
Interest from related parties ¹	628	4.319
Dividend Income	0	7.717
Currency translation	8.364	13.682
TOTAL	11.798	29.357

8. FINANCIAL EXPENSES

	2010.	2009.
Interest	11.626	24.077
Currency translation	9.977	11.126
Loss from sale of financial assets	0	37.450
Cost of bills of exchange	0	136
Cost of redemption receivables from buyers	0	326
Cost of managing financial assets	0	417
TOTAL	21.603	73.532

¹ See note 25 (related parties)

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

9. INCOME TAX

December 31st tax Balance Sheet is as follows:

	2010.	2009.
Accounting Net Income	42.163	3.502
Increase of income / reduction of loss	2.103	2.207
Decrease of income / increase of loss	(113)	(190)
<i>Taxable income</i>	44.153	5.519
Income tax rate	20%	20 %
Income tax	8.831	1.104
Income tax relief	(8.831)	(1.104)
Tax liability	0	0

The Company is using income tax relief, which was given to the Company in the form of a tax credit. The deadline for using this tax relief is year 2012. Article 26, Item 4 of the Income Tax Law (Official Gazette 177/04 and 90/05) stipulates a 0% income tax rate if a minimum investment of 60 million HRK is made and provided that over the course of 10 years a minimum of 75 people is employed.

The Company has remaining unused tax benefit from the above mentioned tax relief program in the amount of 94.148 thousand HRK (102.979 thousand HRK in 2009).

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	TOTAL TANGIBLE ASSETS	Intangible assets	TOTAL ASSETS
<u>Purchase value</u>										
Balance on December 31 st 2009	3.686	1.441	85.808	217.369	26.532	9	20.782	355.627	2.510	358.137
Increases	0	0	17.748	40.605	0	0	32.419	90.772	336	91.108
Carried over/brought forward	0	0	0	(566)	(219)	0	0	(785)	0	(785)
Written off and disposed of	0	0	0	0	(13.850)	0	(40.999)	(54.849)	0	(54.849)
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
<u>Value adjustment</u>										
Balance on December 31 st 2009	0	71	15.321	69.208	0	0	861	85.461	1.356	86.817
Depreciation	0	72	4.404	23.720	0	0	806	29.002	664	29.666
Written off and disposed of	0	0	0	(292)	0	0	0	(292)	0	(292)
Balance on December 31 st 2010	0	143	19.725	92.636	0	0	1.667	114.171	2.020	116.191
<u>Present value</u>										
Balance on December 31 st 2009	3.686	1.370	70.487	148.161	26.532	9	19.921	270.166	1.154	271.320
Balance on December 31 st 2010	3.686	1.298	83.831	164.772	12.463	9	10.535	276.594	826	277.420

For mortgaged real estate and equipment see Note 20.

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

11. LONG TERM GUARANTEES

	31.12.2010.	31.12.2009.
Shares of related companies	220.050	220.050
Loans for stock purchase	11.580	11.580
Deposits to leasing companies	495	525
TOTAL	232.125	232.155

12. LONG TERM ADVANCES

	31.12.2010.	31.12.2009.
Advances for sold equipment with long term payment advances	103	255
Portion of the principal that matured in previous periods but that was not collected and principal that is maturing in 2010 the next year (Note 16)	(43)	
	(36)	(255)
TOTAL:	24	0

The Company has sold equipment to its subcontractors (cooperators) by giving trade credits at 4% interest rate. Final interest payments are due in 2012.

13. INVENTORIES

	31.12.2010.	31.12.2009.
Finished products	80.127	154.892
Raw materials	23.354	23.403
Trade goods	60.161	10.414
Advance Payments	15.903	3.114
TOTAL	179.545	191.823

14. RECEIVABLES

	31.12.2010.	31.12.2009.
Domestic buyers, non-related parties	81.918	64.938
Domestic buyers, related parties ¹	31.702	44.864
Foreign buyers	8.294	17.552
Value adjustment of receivables from sales	(1.661)	(1.666)
TOTAL	120.253	125.688

¹ See note 25 (related parties)

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

15. OTHER RECEIVABLES

	31.12.2010.	31.12.2009.
Received bills of exchange	12.287	39.091
Receivables from the State Government	480	486
Receivables from employees	0	16
Receivables for damages from OZ and Others	0	560
Other Receivables	5	4
Receivables for VAT	33.399	11.398
TOTAL	46.171	51.555

16. SHORT TERM FINANCIAL ASSETS

	31.12.2010.	31.12.2009.
Securities (stock investments in funds)	4.350	4.500
Cash for treasury share purchase	83	0
Loans to related parties ¹	0	29.494
Loan - Hospitalija d.d.	5.687	3.115
Loan - Autoprijevoz Romić Robert	4.031	4.038
Loan - Žeza d.o.o.	4.679	4.439
Loan - Volones d.o.o.	7.420	6.667
Loan - Dubrovački podrumi d.o.o.	2.244	1.117
Loan - Dona trgovina d.o.o.	1.419	2.544
Loan - Visus d.o.o.	1.121	1.141
Loan - Nevio Buzov	871	780
Loan - Branimir Kos	947	848
Loan - Hospitalija Maloprodaja d.o.o.	1.402	725
Loan - Medion Savjetovanje d.o.o.	544	501
Financial loans to others	1.074	932
Zagrebačka Banka d.d. - deposits	6.979	6.904
Raiffeisen Bank d.d. - deposits	20.678	20.457
Current maturity of long term trade goods advances (Note 12.)	43	255
TOTAL	63.572	88.457

17. CASH

	31.12.2010.	31.12.2009.
Current bank accounts	24.527	32.746
Foreign currency bank account	25.390	6.385
TOTAL	49.917	39.131

¹ See note 25 (related parties)

VIRO Tvornica šećera d.d., VIROVITICA
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18. ACCRUALS AND PREPAYMENTS

	31.12.2010.	31.12.2009.
Advance payments for VAT, taxes, local tax, contribution tax for loans to persons for purchase of shares of related companies	852	530
Advance payments for interest expenses	278	442
Accrual receivables - unrelated parties	0	979
Accrual receivables - related parties ¹	0	4.238
Other	8	12
TOTAL	1.138	6.201

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	31.12.2010.		31.12.2009.	
	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	449.600	32,4231	449.600	32,4231
3. Societe generale-Splitska banka d.d./Allianz ZB d.o.o. za AZ obvezni mirovinski fond/	68.941	4,9717	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/	29.503	2,1276	40.969	2,9545
7. Hrvatska poštanska banka d.d.	23.257	1,6772	23.257	1,6772
8. Bakić Nenad	10.281	0,7414	9.709	0,7002
9. Societe generale-Splitska banka d.d./Erste plavi obvezni mirovinski fond/	10.033	0,7235	10.033	0,7235
10. Other shareholders	226.021	16,2996	235.495	16,9827
11. Viro Tvornica Šećera d.d.	26.950	1,9435	6.582	0,4747
Total	1.386.667	100,0000	1.386.667	100,0000

VIRO Tvornica šećera d.d., VIROVITICA
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	31.12.2010.	31.12.2009.
Paid-in capital	249.600	249.600
Stock premium	9.064	9.064
Reserves from Earnings	14.846	21.469
Compulsory Reserves (Other Reserves)	12.480	12.480
Reserves for Treasury Stock	13.866	13.867
Treasury Stock	(8.747)	(2.274)
Re-evaluation of Financial Assets available for Sale	(2.753)	(2.604)
Re-evaluation Reserves	7.494	10.515
Re-evaluation Reserves for long term assets	7.494	10.515
Retained Earnings	163.422	166.463
Net Income for the Current Year	42.163	3.502
TOTAL OWNER'S EQUITY	486.589	460.613

20. LIABILITIES FOR LONG TERM LOANS AND FINANCIAL LEASES

	31.12.2010.	31.12.2009.
Raiffeisenbank Austrija d.d., R. Croatia	50.522	61.089
Hrvatska poštanska banka d.d. R. Croatia	0	40.000
EBRD London, England	253.206	292.248
Total liabilities for long term loans	303.728	393.337
Porsche Leasing d.o.o. Zagreb	0	12
Hypo leasing Kroatien d.o.o.	403	492
Raiffeisen leasing d.o.o.	1.482	1.974
UniCredit leasing Croatia d.o.o.	498	653
Erste&Steierm.S-Leasing d.o.o.	940	1.160
Total liabilities for financial leases	3.323	4.291
Total liabilities for long term loans and financial leases	307.051	397.628
Payable in next year	(54.547)	(93.940)
TOTAL	252.504	303.688

Raiffeisenbank Austrija d.d., ZAGREB approved the following loan:

Loan for the amount of HRK 100.000.000,00 with foreign currency clause (valued at EUR 13.682.110,39 on the day the loan was used), maturity in 2015.

Hrvatska poštanska banka d.d., ZAGREB approved the following loan:

Loan for the amount of HRK 40.000.000,00, maturity in 15.3.2010..

EBRD, London, England approved the following loan:

Loan for the amount of EUR 40.000.000,00. Contract was signed on 20.8.2008 and the loan matures in 7 years (semi-annual annuities). Loan payments begin on 14.2.2010.

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
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21. LIABILITIES FOR SHORT TERM LOANS AND BORROWINGS

	31.12.2010.	31.12.2009.
Privredna banka d.d.	0	70.000
Total Liabilities for Short Term Loans	0	70.000
Raiffeisenbank Austrija d.d., R. Hrvatska	11.227	
EBRD London, Engleska	42.201	
Porsche Leasing d.o.o. Zagreb	0	
Hypo leasing Kroatien d.o.o.	190	
Raiffeisen Leasing d.o.o.	523	
UniCredit Leasing Croatia d.o.o.	166	
Erste&Steierm.S-Leasing d.o.o.	240	
Long term liabilities for loans and financial leases that mature in the current period	54.547	93.940
TOTAL LIABILITIES FOR SHORT TERM FINANCIAL LIABILITIES AND LEASES	54.547	163.940

22. LIABILITIES TO SUPPLIERS

	31.12.2010.	31.12.2009.
Domestic suppliers, no-related parties	88.685	58.872
Domestic suppliers - related parties ¹	56.344	176
Foreign suppliers	12.610	3.403
Received advances	529	0
TOTAL	158.168	62.451

23. OTHER SHORT TERM LIABILITIES

	31.12.2010.	31.12.2009.
Liabilities for net salaries	1.600	1.362
Liabilities for taxes and contributions	961	995
Other short term liabilities	586	1.747
TOTAL	3.147	4.104

24. ACCRUALS AND DEFERRED INCOME

	31.12.2010.	31.12.2009.
Non-invoiced expenses from suppliers	15.210	7.207
Non-invoiced expenses for energy expenses	0	4.327
TOTAL	15.210	11.534

¹ See note 25 (related parties)

VIRO Tvornica šećera d.d., VIROVITICA
NOTES TO THE FINANCIAL STATEMENTS
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25. RELATED PARTIES

Income and Expenses

Transactions during 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 is 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

Transactions during 2009 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	22.937	7.071	39.272	69.280
Cost of goods and services	(21.105)	(5.408)	(39.977)	(66.490)
Revenues from services	201	1	0	202
Expenses from services	(201)	0	0	(201)
Revenues from sale of long term assets	0	0	2.619	2.619
of sold long term assets	0	0	(118)	(118)
Financial revenues	0	1	4.318	4.319

Receivables and Liabilities on December 31st 2010

Balance of receivables and liabilities on December 31 st 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

VIRO Tvornica šećera d.d., VIROVITICA
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Receivables and Liabilities on December 31st 2009

Balance of receivables and liabilities on December 31 st 2009 between related parties	EOS-Z d.o.o. Zagreb	Robić d.o.o. V. Gorica	Sladorana d.d. Županja	TOTAL
Receivables from sales *	5.233	26.496	17.373*	49.102*
Liabilities to suppliers	0	176	0	176
Receivables for given loans	0	0	29.494	29.494

* Amount includes accrual and non-invoiced receivables for services and interests to related parties.

26. BOARD OF MANAGERS, BOARD OF DIRECTORS AND EMPLOYEES

Board of Managers of the Company has received salaries in the amount of HRK 444 thousand (HRK 441 thousand in 2009)

As of 31.12.2010 Board of Managers owned zero shares, and members of the Board of Directors owned 34.427 shares of the Company.

Employees of the Company (excluding Board of Directors) owned, as of 31.12.2010. 4.755 shares of the Company.

Employee qualification structure - long term employment contracts

Structure	31.12.2010.	31.12.2009.
Masters Degree	2	2
College Bachelor degree	30	28
College Associate degree	9	8
High school degree	156	166
Elementary school degree	28	27
TOTAL	225	231

As if 31.12.2010 the Company had 24 employees with limited-term employment contracts.

FINANCIAL REPORTS ENDORSMENT

These Financial Reports were endorsed and issued by the Board of Managers on February 10th 2011.

Željko Zadro, dipl. ek.
President of the Board of Managers

