

INVESTKONTAKT - REVIZIJA

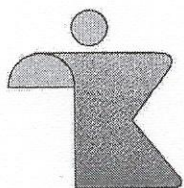
društvo s ograničenom odgovornošću za reviziju, ZAGREB, A. Kačića Miošića 2

**AUDITOR'S REPORT OF VIRO GROUP CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDING DECEMBER 31st 2011**

Zagreb, April 2012

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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 consolidated Financial Statements of VIRO GROUP, which consists of VIRO Tvornica šećera d.d., VIROVITICA (Parent) and SLADORANA Tvornica šećera d.d., Županja (affiliate): Balance Sheet, Income Statement, Changes to Owner's Equity, Cash Flow Statement for the year ending 31.12.2011 as well as Notes to the Financial Statements.

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 consolidated 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selected procedures, including the assessment of the risk of false testimony in the consolidated financial statements due to fraud or error, depend on the auditor's judgment. In making these risk assessments, the auditor considers internal controls relevant to the client's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our opinion.

Basis for a reserved opinion

As of 31.12.2011 Sladorana d.d. has a carrying value of fixed financial assets (110.044 shares) related to ownership share in Vinka d.d. Vinkovci in the amount of 4,401,760 HRK. The Company sold all of 110.044 shares on 30.01.2012 for the amount of 1,080,000 HRK. The company realized a loss on the sale amounting to 3,321,760 HRK. The Company did not secure its receivables for the sale of shares with any kind of payment collateral.

Opinion

In our opinion, except for the effects mentioned in the preceding paragraph, the consolidated financial statements present fairly in all material respects the financial position of the Group as of 31.12.2011; operating results and cash flow during 2011; which are in accordance with International Financial Reporting Standards applicable in the Republic of Croatia.

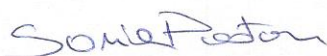
Highlighted Issue

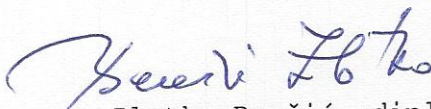
Without expressing a reserved opinion we refer to the following:

Viro Tvornica šećera d.d. has reported in its accounts (see note 4.1) value of equipment amounting to 12.446.362 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 16,559 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."

As of 31.12.2011 Sladorana d.d. reported 2,217,906.85 HRK of payables for two short-term loans it issued in 2011 to Vinkovačka televizija d.o.o. Vinkovci (see Note 4.5). The principal amount of the loans equals 2,200,000 HRK. The Company obtained three blank promissory notes, as collateral for receivables from debtor, in the total amount of 2,500,000 HRK. We draw attention to the fact that Vinkovačka televizija d.o.o. Vinkovci has losses in excess of its equity.

Zagreb, April 20, 2012.


Sonia Pađan, univ.spec. oec.
Certified Auditor


Zlatko Benčić, dipl. oec.
Certified Auditor & Director


INVESTKONTAKT - REVIZIJA
d.o.o.
ZAGREB, Andrije Kačića Miošića 2

VIRO GROUP
CONSOLIDATED INCOME STATEMENT
for the period from 01. January to 31. December
(in HRK)

	Notes	2011	2010
OPERATING REVENUE	c)	1.339.440.647	1.121.307.598
Revenue from sales	3.1.	1.311.928.316	1.106.566.671
Other operating revenue		27.512.331	14.740.927
OPERATING EXPENSES	d)	1.179.504.971	1.073.831.591
Value increase/decrease of inventory, raw materials and finished goods		-162.137.581	171.168.240
Cost of goods sold		1.137.550.777	736.612.622
Costs of raw materials	3.2.	906.345.966	477.788.481
Costs of goods sold	3.3.	127.256.864	162.254.639
Other external costs	3.4.	103.947.947	96.569.502
Labor Expenses	3.5.	74.426.245	77.589.827
Depreciation	g)	63.597.792	52.037.378
Other Expenses	3.6	24.629.299	27.038.659
Deferred Charges		2.166.516	543.983
Reserves		621.358	359.036
Other Trade Expenses		38.650.565	8.481.846
FINANCIAL INCOME	c), 3.7.	4.941.296	11.493.129
FINANCIAL EXPENSE	d), 3.8.	31.572.206	31.151.271
TOTAL INCOME		1.344.381.943	1.132.800.727
TOTAL EXPENSE		1.211.077.177	1.104.982.862
EARNINGS BEFORE TAXES		133.304.766	27.817.865
Income Tax	p)	3.137.229	2.569.650
NET INCOME		130.167.537	25.248.215
EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY		128.257.928	24.869.507
EARNINGS ATTRIBUTABLE TO MINORITY INTEREST		1.909.609	378.708

For and on behalf of the Group on 31.03.2012.

President of the Parent Company

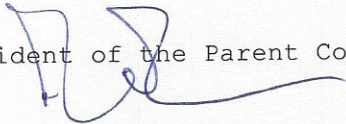

/ Željko Zadro, dipl. ek./



VIRO GROUP
CONSOLIDATED OTHER COMPREHENSIVE INCOME
for period from 01. January to 31. December
(in HRK)

Notes	2011	2010
I INCOME OR LOSS FOR THE PERIOD	130.167.537	25.248.215
II OTHER COMPREHENSIVE INCOME OR LOSS BEFORE TAXES	3.020.600	3.023.333
1. Foreign currency translation variances from non-domestic business activities	0	0
2. Change in valuation reserves for long term tangible and intangible assets	3.020.600	3.020.600
3. Gain or loss from mark to market adjustment for financial instruments available for sale	0	2.733
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	3.020.600	3.023.333
V COMPREHENSIVE INCOME OR LOSS	133.188.137	28.271.548
Appendix to Other Comprehensive Income report		
VI COMPREHENSIVE INCOME OR LOSS	133.188.137	28.271.548
1. Attributable to shareholders of Parent Company	131.278.528	27.892.840
2. Attributable to minority interest	1.909.609	378.708

For and on behalf of the Group on 31.03.2012.


President of the Parent Company

/ Željko Zadro, dipl. ek./



VIRO GROUP
CONSOLIDATED BALANCE SHEET
(in HRK)

	Notes	2011	2010
LONG TERM ASSETS		700.703.243	615.716.559
INTANGIBLE ASSETS	f), 4.1.	2.561.187	5.026.558
TANGIBLE ASSETS	f), 4.1.	610.109.883	597.016.129
LONG TERM FINANCIAL ASSETS	h), i), 4.2.	88.007.309	13.532.973
RECEIVABLES		24.864	140.899
SHORT TERM ASSETS		899.086.337	771.283.185
INVENTORY	j)	480.650.927	366.716.814
RECEIVABLES	k)	247.477.072	215.175.722
Receivables from related companies	4.3.	33.424.549	20.470.165
Trade receivables	4.3.	143.844.580	139.136.144
Receivables from government and other institutions	4.4.	69.998.437	55.414.908
Other Receivables		209.506	154.505
SHORT TERM FINANCIAL ASSETS	m), 4.5.	143.164.104	130.113.129
CASH AND EQUIVALENTS	1), 4.6.	27.794.234	59.277.520
PREPAYMENTS AND ACCRUED EXPENSE		2.516.731	5.706.555
TOTAL ASSETS		1.602.306.311	1.392.706.299
EQUITY AND RESERVES	4.7.	624.482.442	622.938.288
PAID-IN EQUITY		249.600.060	249.600.060
CAPITAL RESERVES		9.064.213	9.064.213
RESERVES FROM INCOME		19.389.313	14.845.835
REVALUATION RESERVES		874.338	7.494.439
RETAINED EARNINGS		130.952.109	163.421.726
INCOME FROM CURRENT YEAR		128.257.928	27.892.840
MINORITY INTEREST		86.344.481	150.619.175
RESERVES	n), 4.8.	55.955.921	61.164.647
LONG TERM LIABILITIES	e), 4.9.	253.375.825	293.753.859
Liabilities for loans and deposits		16.985.496	2.204.010
Liabilities to banks and other financial institutions		235.854.987	290.938.030
Other long term liabilities		535.342	611.819
SHORT TERM LIABILITIES	m)	655.216.468	383.355.727
Liabilities to related companies	4.10.	2.258.095	224.975
Liabilities for loans and deposits		6.198.874	0
Liabilities to banks and other financial institutions	4.11.	67.377.410	64.553.823
Liabilities for advances	4.12.	264.959.247	108.417.000
Trade Payables	4.10.	303.159.725	200.483.070
Other short term liabilities		11.263.117	9.676.859
ACCRUALS AND DEFERRED INCOME		13.275.655	31.493.778
TOTAL OWNER'S EQUITY AND LIABILITIES		1.602.306.311	1.392.706.299

For and on behalf of the Group on 31.03.2012.

President of the Parent Company

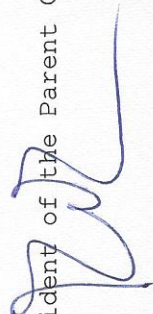
/ Željko Zadro, dipl. ek. /



VIRO GROUP
CONSOLIDATED CHANGES TO OWNER'S EQUITY
(in HRK)

	Paid-in Equity	Capital Reserves	Reserves from Income	Revaluation Reserves	Retained Earnings	Comprehensive Net Earnings/ Loss	Minority Interest	Total
Balance as of 01.01.2011	249.600.060	9.064.213	14.845.835	7.494.439	163.421.726	27.892.840	150.619.175	622.938.288
Equity Increase	0	0	4.543.478	0	17.270.608	133.188.137	0	155.002.223
Equity Decrease	0	0	0	-6.620.101	-49.740.225	-32.823.049	-64.274.694	-153.458.069
Balance as of 31.12.2011	249.600.060	9.064.213	19.389.313	874.338	130.952.109	128.257.928	86.344.481	624.482.442

For and on behalf of the Group on 31.03.2012.


President of the Parent Company



/ Željko Zadro, dipl. ek. /

Notes on page 8 to 19 represent a constituent part of financial statements

VIRO GROUP
CONSOLIDATED CASH FLOW STATEMENT
(in HRK)

No.	DESCRIPTION	2011	2010
1	Income before taxes	133.241.124	30.841.198
	Adjustments:		
2	Depreciation	63.597.792	52.037.378
3	Deferred receivables	2.106.304	543.983
4	Reservations for litigations	621.358	359.035
5	Expenses from shortages	1.180.897	616.117
6	Income from surpluses	-166.312	-6.281.588
7	Income from reserve elimination	-5.830.084	-102.640
8	Income from liability write-off	-11.548	33.700
9	Interest income	-1.879.530	-3.111.955
10	Income from positive foreign translation	-3.053.985	-8.364.176
11	Interest expense	15.392.528	17.899.814
12	Expense from negative foreign translation	15.510.078	13.250.714
	Operating results before changes in working capital	220.708.622	97.721.580
13	Inventory reduction	-100.682.147	115.156.122
14	(Increase) / reduction from trade receivables	28.264.936	16.619.647
15	(Increase) / reduction from expenses in future periods	4.174.851	-2.977.504
16	Increase / (reduction) from trade liabilities	16.905.736	82.981.456
17	Increase / (reduction) from deferred expenses	-4.863.302	17.126.743
18	Increase in short term financial assets	-3.413.572	-52.250.947
19	Reduction in long term liabilities	117.108	9.422
	Cash from Operating Activities	161.212.232	274.386.519
20	Outflow for income tax expenses	-2.107.235	-1.340.831
21	Outflow for interest expense	-15.392.528	-17.899.814
A)	Net increase in cash flow from operating activities	143.712.469	255.145.874
	Cash from Investing Activities		
1	Inflow from interest	1.879.530	3.111.955
2	Outflow for purchase of property, plant and equipment	-77.072.303	-77.500.946
3	Inflow for sale of property, plant and equipment	1.793.090	1.556
4	Outflow for given short term loans	-68.187.070	0
5	Inflow for paid-back short term loans	-83.402.760	-10.828.545
B)	Net increase in cash flow from investing activities	90.631.606	35.730.618
	Cash from Financing Activities	-134.357.907	-49.485.362
1	Inflow from loans		
2	Outflows for paid back bank loans	408.260.905	104.525.163
3	Inflows from share issuance	-442.214.644	-304.625.918
4	Other cash outflows from financial activities	0	0
C)	Net decrease in cash flow from financial activities	-6.884.111	-9.254.609
D)	Net increase of cash and cash equivalents	-40.837.850	-209.355.364
	Beginning period cash and cash equivalents	-31.483.288	-3.694.852
	Ending period cash and cash equivalents	59.277.520	62.972.372
		27.794.234	59.277.520

For and on behalf of the Group on 31.03.2012.

President of the Parent Company

/ Željko Zadro, dipl.



Notes on page 8 to 19 represent a constituent part of financial statements

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

1. GENERAL INFORMATION

Legal framework, business activities and employees:

VIRO Tvornica šećera d.d., 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. Paid-in equity amounting to 249.600.060 HRK is divided in 1.386.667 common shares, without nominal value. Viro d.d. has acquired and has ownership of 2.532.538 common shares of Sladorana d.d., Županja, which amounts to 76,60% of total net equity of the affiliate company. In 2010 Viro d.d. had 1.952.514 (59,06%) common shares of Sladorana Tvornice šećera d.d. Županja.

Sladorana Tvornica šećera d.d. located in Županja, Šećerana broj 63, was registered as a joint stock company in the Commercial Court Register in Osijek under registry number (MBS) 030010011. Paid-in equity amounting to 330.600.200 HRK is divided in 3.306.002 common shares with each share having a nominal value of 100,00 HRK.

Main business activity of both companies is sugar production. Sladorana Tvornica šećera d.d. also produces alcohol.

Employee qualification structure is as follows:

Viro d.d.

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 (seasonal workers not included)	230	225

Sladorana d.d.

Structure	31.12.2011	31.12.2010
Masters Degree	3	3
College Bachelor degree	45	38
College Associate degree	15	17
High School degree	108	105
Elementary School degree	99	91
Unqualified workers	23	20
TOTAL (seasonal workers not included)	293	274

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

2. BASIC ACCOUNTING POLICIES

a) Basis for making consolidated statements

The Group's consolidated financial statements for 2010. have been prepared in accordance with the Accounting Law (NN 109/07) and the International Financial Reporting Standards (NN 136/2009) and in accordance with the Regulations on the structure and content of annual financial statements (NN 12/09 and 130/10) Financial Statements are denominated in Croatian Kuna (HRK).

b) Principles of consolidation

The Group's consolidated financial statements include financial statements of the Parent and Subsidiary company after elimination of intercompany transactions.

Financial statements of the Subsidiary are prepared for the same reporting period as financial statements of the Parent by using consistent accounting policies.

The Subsidiary is fully consolidated from the date of acquisition of control, i.e. as of the date of the balance sheet, and for the year in which the Parent acquired control of the Subsidiary. Acquisition of Subsidiary was recorded using the cost method.

Consolidation process uses the purchase method to report Subsidiary acquisition, which means that identifiable assets, liabilities and contingent liabilities should be measured at fair value. This method is applicable in consolidation process in a physical sense (merger, acquisition). However, in the process of consolidation of financial statements, if the values reported in the accounting and financial statements are up to date relative to the current market values, then accounting data can be used.

When comparing amount paid by the Parent to acquire a majority stake in Subsidiary to the net value of the acquired company the difference is reported as goodwill in consolidated financial statements. Net equity of the Subsidiary includes all capital items other than current income, and they are proportionally counted in the net carrying amount of equity that belongs to the Parent at the time of acquisition. In consolidation process, goodwill is just an accounting category (not an actual physical asset) which is determined at the time of acquisition and remains unchanged in all subsequent consolidations. Goodwill is shown in consolidated balance sheet on the intangible asset line. All intercompany transactions, balances and unrealized gains on transactions are eliminated, as well as unrealized losses, unless there is evidence of impairment of the transferred asset.

Minority interests in equity and results of Subsidiary controlled by the Parent are shown separately in the consolidated financial statements.

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

c) Revenues

Revenues are recognized when it is probable that economic benefits associated with the transaction will flow into the Group 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. Income from dividends and profit sharing are recognized when the rights to receive dividends or participate in profit sharing are established.

d) Expenses

Incurred expenses are regularly matched with the income based on place and time of occurrence or when they are created from the same transactions and are grouped as business and financial expenses.

Expenses are recognized on the basis of their occurrence or estimated if they can be predicted and valued with certainty. Borrowing costs include interest expense, finance charges from finance leases and exchange differences arising from transactions in foreign currency. These costs are recognized as period expenses except for acquisition or production of qualifying assets when these costs are capitalized.

e) Foreign Currency Transactions

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.

f) 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 equal or greater than minimum value prescribed by law for this class of assets. 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 GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

g) 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:

Buildings	0,8% - 5 %
Plants, equipment, tools, inventories and vehicles	2% - 25 %
Computer and phone equipment	20% - 50 %
Intangible assets	10% - 25 %

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

h) Investing in affiliated companies

In separate financial statements of the Parent company investments in Subsidiaries are recorded at cost. Received or declared dividends are recognized in the income statement.

i) Investing in related and other unconsolidated companies

Related companies are entities in which the investor has significant influence. Investing in these companies is initially recorded at the level of investment costs and adjusted for subsequent changes in investors' interest in net assets of an entity in which the investment is made.

j) 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.

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

k) Receivables

Receivables are claims (other than loans and borrowings) that are stated at original invoice amount less allowance for doubtful accounts, which will be collected. Estimate of the allowance is performed when there is uncertainty about collecting the entire invoiced amount. To ensure collection of receivables from customers different instruments of payment security and payment instruments, or prepay advances are required from the customers.

l) Cash in Bank

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

m) Financial Instruments

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

Liabilities to suppliers are reported in their nominal values.

Interest bearing bank loans and overdrafts are booked in the amounts that were received net of direct approval costs.

n) 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.

o) 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.

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

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.

p) Income Taxes

Tax liability is based on taxable income for the current year, adjusted for amounts that are not subject to tax or cannot be counted towards tax relief. Company's current tax liability is calculated using relevant tax rates that are in effect on the Balance Sheet day.

Parent Company is a holder of incentive measures under the Investment Promotion Act (NN 73/2000.) and is therefore exempt from paying income tax. As evidence for the above claim, Parent company has a certificate from the Ministry of Economy dated 05.11.2003 (klasa 404-01/03-01/42; Ur Broj 526-01/03-04) and a letter from the Ministry of Economy, Labour and Entrepreneurship dated 28.02.2007 (klasa 404-01/06-01/63; Ur Broj 526-07-01/1-07-2).

r) Events after the Balance Sheet date

Subsequent events that provide additional information about the Company's position on the balance sheet date (events that affect adjustments) and the events that do not cause adjustments are disclosed in the notes to the financial statements if they are of material importance.

3. NOTES TO THE INCOME STATEMENT

3.1. REVENUE FROM SALES

	<u>2011</u>	<u>2010</u>
Sales in domestic markets	678.620.790	660.236.755
Sales in foreign markets	633.307.526	446.329.916
Total	<u>1.311.928.316</u>	<u>1.106.566.671</u>

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

3.2. COST OF RAW MATERIALS

	2011	2010
Raw materials	758.270.810	356.347.858
Energy	123.357.458	105.125.242
Spare parts	12.331.486	7.673.121
Small inventory write-off	12.352.842	8.639.646
Other material expenses	33.370	2.614
Total	906.345.966	477.788.481

3.3. COST OF GOODS SOLD

Cost of goods sold amounting to 127.256.864 HRK (162.254.639 HRK in 2010) are expenses related to purchase costs for sold trade goods that were delivered in the current year outside the Group by the Parent and Affiliate. Similar expenses for intercompany deliveries were eliminated.

3.4. OTHER EXTERNAL COSTS

	2011	2010
Transportation services	25.279.839	34.397.213
Production services	6.072.934	3.211.591
Maintenance	25.311.846	14.560.842
Market research	185.154	176.072
Leases	4.335.321	3.947.908
Promotions and advertisements	1.963.237	2.162.534
Utilities	9.718.365	8.500.831
Bank fees	7.647.425	3.978.887
Licensed services	3.188.358	2.731.667
Insurance premiums	4.599.752	3.578.462
Quality controls	0	7.240.392
Other services	15.645.716	12.083.103
Total	103.947.947	96.569.502

3.5. LABOR EXPENSES

	2011	2010
Salaries	44.866.468	46.636.998
Taxes and benefits from salaries	18.685.756	19.582.353
Contributions for salaries	10.874.021	11.370.476
Total	74.426.245	77.589.827

3.6. OTHER EXPENSES

Other expenses include workers' expenses (transportation to work, field work supplements, professional training, severance, etc.) and other expenses (entertainment, membership fees, professional literature, etc.) amount to 24.629.299 HRK (27.038.659 HRK in 2010).

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

3.7. FINANCIAL INCOME

	2011	2010
Interest income from affiliates	155.375	3.950
Dividend income	7.781	100
Interest income from non-affiliates	1.724.155	3.111.453
Positive currency translation	3.053.985	8.364.176
Income from realized gains from sale of financial assets	0	13.450
Total	4.941.296	11.493.129

3.8. FINANCIAL EXPENSES

	2011	2010
Interest expense from non-affiliates	15.331.483	17.899.814
Negative currency translation	15.510.078	13.250.714
Loss from unrealized sale of financial assets	81.380	414
Costs of discounting receivables	61.045	0
Costs of discounting bills of exchange	588.220	0
Other financial expenses	0	329
Total	31.572.206	31.151.271

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4.1. LONG TERM TANGIBLE AND INTANGIBLE ASSETS

NO	DESCRIPTION	TOTAL LAND	TOTAL BUILDINGS	TOTAL EQUIPMENT	TOTAL ART & PAINTINGS	TANGIBLE ASSETS IN PROCESS	APARTMENTS	TOTAL TANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS	TOTAL
	PURCHASE VALUE									
1	Balance 01.01.2011	33.729.172	316.444.590	835.910.965	9.300	17.200.354	1.440.638	1.204.735.019	13.030.391	1.217.765.410
2	Direct increases	0	18.496.550	57.620.308	0	84.160.359	573.114	160.850.331	-295.683	160.554.648
3	Sale, write-off, shortage	0	0	-24.875.617	0	0	-573.114	-25.448.731	0	-25.448.731
4	Transfer into use	0	0	0	0	-69.701.293	0	-69.701.293	-476.256	-70.177.549
5	Balance 31.12.2011	33.729.172	334.941.140	868.655.656	9.300	31.659.420	1.440.638	1.270.435.326	12.258.452	1.282.693.778
	VALUE ADJUSTMENTS									
6	Balance 01.01.2011	0	116.710.797	489.197.905	0	1.666.847	143.341	607.718.890	8.003.833	615.722.723
7	Depreciation for 2011	0	9.765.590	49.873.500	0	2.141.023	81.584	61.861.697	1.693.432	63.555.129
8	Sale, write-off, shortage	0	0	-9.245.591	0	0	-9.553	-9.255.144	0	-9.255.144
9	Balance 31.12.2011	0	126.476.387	529.825.814	0	3.807.870	215.372	660.325.443	9.697.265	670.022.708
	PRESENT VALUE									
10	01.01.2011 (1. minus 6.)	33.729.172	199.733.793	346.713.060	9.300	15.533.507	1.297.297	597.016.129	5.026.558	602.042.687
11	31.12.2011 (5. minus 9.)	33.729.172	208.464.753	338.829.842	9.300	27.851.550	1.225.266	610.109.883	2.561.187	612.671.070

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

4.2. LONG TERM FINANCIAL ASSETS

	2011	2010
Shares in affiliates	63.166.800	1.000.000
Deposits, loans, guarantees	11.209.440	12.074.768
Participating interests (shares)	7.378.475	458.205
Investments accounted with equity method	6.252.594	0
Total	88.007.309	13.532.973

4.3. RECEIVABLES

	2011	2010
Receivables from affiliates	33.424.549	20.470.165
Domestic receivables	130.316.684	5.082.839
Foreign receivables	23.813.983	13.095.648
Value adjustment for receivables	-10.286.087	-9.042.343
Total	177.269.129	159.606.309

4.4. RECEIVABLES FROM GOVERNMENT AND OTHER INSTITUTIONS

	2011	2010
Receivables for VAT	69.894.822	54.932.595
Other receivables from government	103.615	482.313
Total	69.998.437	55.414.908

4.5. SHORT TERM FINANCIAL ASSETS

	2011	2010
Investments in securities	39.779.361	4.350.000
Loans and deposits	55.232.687	102.460.737
Other financial assets	48.152.056	23.302.392
Total	143.164.104	130.113.129

Other financial assets also include received bills of exchange.

4.6. CASH IN BANK

	2011	2010
Current bank accounts	21.238.185	33.594.573
Foreign exchange accounts	6.553.293	25.679.925
Petty Cash	2.756	3.022
Total	27.794.234	59.277.520

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

4.7. EQUITY AND RESERVES

	2011	2010
Paid-in Equity	326.946.460	384.948.774
- Parent	249.600.060	249.600.060
- Minority Interest	77.346.400	135.348.714
Capital reserves	11.690.266	13.659.557
- Parent	9.064.213	9.064.213
- Minority Interest	2.626.053	4.595.344
Reserves from Income	23.851.732	24.917.005
- Parent	19.389.313	14.845.835
- Minority Interest	4.462.419	10.071.170
Revaluation Reserves	874.338	7.494.439
- Parent	874.338	7.494.439
Retained Earnings	130.952.109	163.646.966
- Parent	130.952.109	163.421.726
- Minority Interest	0	225.240
Income from Current Year	130.167.537	28.271.548
- Parent	128.257.928	27.892.840
- Minority Interest	1.909.609	378.708
Total	624.482.442	622.938.288

4.8. LONG TERM RESERVES

Provisions for risks and costs in the amount of 55.955.921 HRK (61.164.647 HRK in 2010) are related to long-term provision for the initiated legal proceedings in which the subsidiary appears as a defendant.

4.9. LONG TERM LIABILITIES

Group liabilities for long term loans amount to 253.375.825 HRK, and refer to:

	2011	2010
VIRO Tvornica šećera d.d.	142.272.174	252.504.135
Sladorana d.d.	111.103.651	41.249.724
Total	253.375.825	293.753.859

4.10. PAYABLES

	2011	2010
Payables to affiliates	2.258.095	224.975
Payables to domestic suppliers	179.843.105	182.539.313
Payables to foreign suppliers	123.316.620	17.943.757
Total	305.417.820	200.708.045

VIRO GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in HRK)

4.11. SHORT TERM LIABILITIES TO BANKS

Group short term liabilities amount to 67.377.410 HRK (64.553.823 HRK), and refer to:

	<u>2011</u>	<u>2010</u>
VIRO Tvornica šećera d.d.	65.505.340	54.546.928
Sladorana d.d.	1.872.070	10.006.895
Total	<u>67.377.410</u>	<u>64.553.823</u>

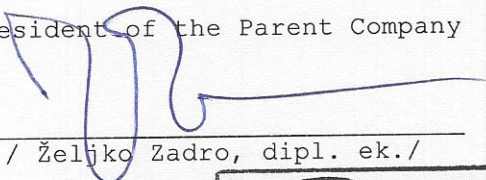
4.12. LIABILITIES FOR ADVANCES

Group liabilities for received advances amount to 264.959.247 HRK (108.417.000 HRK), and refer to:

	<u>2011</u>	<u>2010</u>
VIRO Tvornica šećera d.d.	154.321.367	528.903
Sladorana d.d.	110.637.880	107.888.097
Total	<u>264.959.247</u>	<u>108.417.000</u>

For and on behalf of the Group on 31.03.2012.

President of the Parent Company


/ Željko Zadro, dipl. ek./

