

ENCLOSURE 1

Reporting period:

1 January 2010

to

31 December 2010

Annual Financial Report-GFI-POD

Tax Number (MB): 01650971

Registration Number (MBS): 010049135

Personal Identification Number (OIB): 04525204420

Issuer: VIRO TVORNICA ŠEĆERA d.d.

Postal Code and Location: 33000

VIROVITICA

Street and number: MATIJE GUPCA 254

e-mail address: viro@secerana.hr

Internet address: www.secerana.hr

and name for municipality/city 491 VIROVITICA

Code and name for county 10 VIROVITIČKO-PODRAVSKA

Number of employees (at the year's end) 247

Consolidated Report NO

Business activity code: 1081

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping firm:

Contact person: ZDENKA SMOJVER

(unosi se samo prezime i ime osobe za kontakt)

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Telefaks: 033840103

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Surname and name: ŽELJKO ZADRO

(osoba ovlaštene za zastupanje)

Documents for publication

1. Revised Annual Financial Statements
2. Statements for persons responsible for composing financial statements
3. Management report



A handwritten signature in blue ink, appearing to be 'Zdenka Smojver', written over a horizontal line.

(signature of authorized person)

BALANCE SHEET

as per 31.12.2010

Item	EDP	Previous year	Current year
1	2	3	4
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001		
B) FIXED ASSETS (003+010+020+028+032)	002	503.729.959	509.611.901
I. INTANGIBLE ASSETS (004 THROUGH 009)	003	1.153.606	825.820
1. Development expenses	004	241.803	368.866
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	911.803	456.954
3. Goodwill	006		
4. Advances for procurement of intangible assets	007		
5. Intangible assets in preparation	008		
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 through 019)	010	270.165.924	276.594.386
1. Land	011	3.685.749	3.685.749
2. Building objects	012	70.486.895	83.831.465
3. Facilities and equipment	013	174.693.532	177.235.263
4. Tools, production inventory and transport assets	014		
5. Biological assets	015		
6. Advances for tangible assets	016	169.945	2.874.452
7. Tangible assets in preparation	017	19.751.173	7.660.859
8. Other tangible assets	018	9.300	9.300
9. Real estate investments	019	1.369.330	1.297.298
III. FIXED FINANCIAL ASSETS (021 through 027)	020	232.155.246	232.124.907
1. Shares (stock) in affiliated entrepreneurs	021	220.050.139	220.050.139
2. Loans granted to affiliated entrepreneurs	022		
3. Participating interests (shares)	023		
4. Securities investments	024		
5. Granted loans, deposits and such	025	12.105.107	12.074.768
6. Own stocks and shares	026		
7. Other fixed financial assets	027		
IV. RECEIVABLES (029 through 031)	028	255.183	66.788
1. Receivables from affiliated entrepreneurs	029		
2. Receivables pertaining to sale on credit	030	255.183	66.788
3. Other receivables	031		
V. DEFERRED TAX ASSETS	032		
C) CURRENT ASSETS (034+042+049+057)	033	496.398.402	459.415.019
I. STOCK (035 through 041)	034	191.822.776	179.545.466
1. Raw material and supplies	035	23.402.592	23.353.642
2. Ongoing production	036		
3. Unfinished products and semi-products	037		
4. Finished products	038	154.891.852	80.127.199
5. Trading goods	039	10.414.414	60.161.254
6. Stock advances	040	3.113.918	15.903.371
7. Other assets intended for sale	041		
II. RECEIVABLES (043 through 048)	042	138.152.186	154.135.955
1. Receivables from affiliated entrepreneurs	043	44.864.063	31.702.076
2. Receivables from buyers	044	80.824.432	88.550.478
3. Receivables from participating entrepreneurs	045		
4. Receivables from employees and members of the entrepreneur	046	15.876	266
5. Receivables from the state and other institution	047	11.884.069	33.878.734
6. Other receivables	048	563.746	4.401
III. CURRENT FINANCIAL ASSETS (050 THROUGH 056)	049	127.292.829	75.816.709
1. Shares (stock) in affiliated entrepreneurs	050		
2. Loans granted to affiliated entrepreneurs	051	29.494.023	
3. Participating interests (shares)	052		
4. Securities investments	053	43.590.465	16.720.661
5. Granted loans, deposits and such	054	54.208.341	59.096.048
6. Own stocks and shares	055		
7. Other financial assets	056		
IV. CASH IN BANK AND REGISTER	057	39.130.611	49.916.889
D) PREPAYMENTS AND ACCRUED INCOME	058	6.201.276	1.137.763
E) LOSS ABOVE CAPITAL	059		
F) TOTAL ASSETS	060	1.006.329.637	970.164.683
G) OFF-BALANCE RECORDS	061	13.101.412	10.745.168

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	062	460.613.286	486.589.292
I. BASE (registered) capital	063	249.600.060	249.600.060
II. CAPITA RESERVES	064	9.064.212	9.064.213
III. PROFIT RESERVES (066+067-068+069+070)	065	21.969.365	15.495.835
1. Legal reserves	066	12.480.003	12.480.003
2. Own stock reserves	067	9.489.362	3.015.832
3. Own stocks and shares (deductable item)	068		
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALORIZATION RESERVES	071	10.014.539	6.844.438
V. PROFIT WITHHELD	072	166.462.784	163.421.726
VI. TRANSFERRED LOSS	073		
VII. PROFIT IN THE BUSINESS YEAR	074	3.502.326	42.163.020
VIII. LOSS OF BUSINESS YEAR	075		
IX. MINORITY INTEREST	076		
B) RESERVATIONS (078 through 080)	077	0	0
1. Reservations for pensions, severance payments and similar obligations	078		
2. Reservations for tax liabilities	079		
3. Other reservations	080		
C) FIXED LIABILITIES (082 through 089)	081	397.628.223	252.504.135
1. Liabilities towards affiliated entrepreneurs	082		
2. Liabilities for loans	083	4.291.016	2.204.010
3. Liabilities towards banks and other financial institutions	084	393.337.207	250.300.125
4. Liabilities for advances	085		
5. Liabilities towards suppliers	086		
6. Liabilities as per securities	087		
7. Other fixed liabilities	088		
8. Deferred tax liabilities	089		
D) CURRENT LIABILITIES (091 through 101)	090	136.554.113	215.861.365
1. Liabilities towards affiliated entrepreneurs	091	176.058	56.343.792
2. Liabilities for loans, deposits and similar	092		1.118.745
3. Liabilities towards banks and other financial institutions	093	70.000.000	53.428.183
4. Liabilities for advances	094		528.903
5. Liabilities towards suppliers	095	62.275.076	101.294.701
6. Liabilities as per securities	096		
7. Liabilities towards employees	097	1.362.297	1.599.716
8. Liabilities for taxes, contributions and similar levies	098	1.092.087	900.965
9. Liabilities as per share in results	099	11.874	11.874
10. Liabilities as per longterm assets intended for sale	100		
11. Other current liabilities	101	1.636.721	634.486
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	102	11.534.015	15.209.891
F) TOTAL – LIABILITIES (062+077+081+090+102)	103	1.006.329.637	970.164.683
G) OFF – BALANCE RECORDS	104	13.101.412	10.745.168
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
CAPITAL AND RESERVES			
1. Assigned to the holders of parent company's capital	105		
2. Assigned to minority interest	106		

PROFIT AND LOSS ACCOUNT

for the period from **01.01.2010.** to **31.12.2010.**

Item	31.12.2010.		
	EDP	Previous year	Current year
1	2	3	4
I. OPERATING INCOME (108 through 110)	107	549.972.224	720.068.354
1. Sales income	108	531.354.336	710.592.306
2. Income from usage of own products and services	109	523.291	
3. Other operating income	110	18.094.597	9.476.048
II. OPERATING COSTS (112-113+114+118+122+123+124+127+128)	111	502.327.318	668.102.516
1. Unfinished production and finished products stock value reduction	112	19.858.435	74.627.318
2. Unfinished production and finished products stock value increase	113		
3. Material costs (115 through 117)	114	410.966.753	521.634.580
a) Costs of raw material and supplies	115	264.419.321	339.450.381
b) Costs of goods sold	116	106.249.269	154.613.571
c) Other external costs	117	40.298.163	27.570.628
4. Staff expenses (119 through 121)	118	28.791.955	27.882.314
a) Net salaries and wages	119	17.621.499	17.044.826
b) Expenses of taxes and contributions from salaries	120	6.939.595	6.743.846
c) Contributions to salaries	121	4.230.861	4.093.642
5. Amortization	122	26.736.508	29.730.993
6. Other costs	123	13.324.030	9.352.933
7. Value adjustment (125+126)	124	0	0
a) fixed assets (apart from financial assets)	125		
b) current assets (apart from financial assets)	126		
8. Reserves	127		
9. Other operating costs	128	2.649.637	4.874.378
III. FINANCIAL INCOME (130 through 134)	129	29.388.989	11.800.519
1. Interest income, foreign exchange gains, dividends and other financial income related to affiliated undertakings	130	4.318.857	627.955
2. Interest income, foreign exchange gains, dividends and other financial income related to unaffiliated undertakings and other persons	131	25.070.132	11.169.731
3. Income from affiliated undertakings and participating interests	132		
4. Unrealized income of the financial assets	133		2.733
5. Other financial income	134		100
IV. FINANCIAL EXPENSES (136 through 139)	135	73.531.569	21.603.337
1. Interest, foreign exchange differences and other expenses related to affiliated undertakings	136		
2. Interest, foreign exchange differences and other expenses related to unaffiliated undertaking and other persons	137	35.202.909	21.603.008
3. Unrealized losses (expenses) of the financial assets	138	37.449.505	
4. Other financial expenses	139	879.155	329
V. EXTRAORDINARY - OTHER INCOME	140		
VI. EXTRAORDINARY - OTHER COSTS	141		
VII. TOTAL INCOME (107+129+140)	142	579.361.213	731.868.873
VIII. TOTAL COSTS (111+135+141)	143	575.858.887	689.705.853
IX. PROFIT BEFORE TAXATION (142-143)	144	3.502.326	42.163.020
X. LOSS BEFORE TAXATION (143-142)	145	0	0
XI. PROFIT TAX	146		
XII. PROFIT FOR PERIOD (144-146)	147	3.502.326	42.163.020
XIII. LOSS FOR PERIOD (145+146) or (146-144)	148	0	0
ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entrepreneur submitting consolidated financial report)			
XIV.* PROFIT ASSIGNED TO HOLDERS OF PARENT COMPANY'S CAPITAL	149		
XV.* PROFIT ASSIGNED TO MINORITY INTEREST	150		
XVI.* LOSS ASSIGNED TO HOLDERS OF PARENT COMPANY'S CAPITAL	151		
XVII.* LOSS ASSIGNED TO MINORITY INTEREST	152		

CASH FLOW STATEMENT - Indirect method

in the period from 1.1.2010 to 31.12.2010

Item	EDP	Previous year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxation	001	3.502.326	42.163.020
2. Depreciation	002	26.736.508	29.730.993
3. Increase of short-term liabilities	003		94.760.323
4. Decrease of short-term receivables	004	157.354.152	
5. Decrease of stocks	005	128.074.826	12.277.310
6. Other increase of cash flow	006	47.612.873	60.215.509
I. Total increase of cash flow from operating activities (001 through 006)	007	363.280.685	239.147.155
1. Decrease of short-term liabilities	008	113.611.191	
2. Increase of short-term receivables	009		15.983.769
3. Increase of stocks	010		
4. Other decrease of cash flow	011	20.888.352	3.433.610
II. Total decrease of cash flow from operating activities (008 through 011)	012	134.499.543	19.417.379
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	228.781.142	219.729.776
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash receipt from sale of tangible and intangible assets	015	458.870	209.252
2. Cash receipt from sale of ownership and debt instruments	016		
3. Cash receipt from interest rates	017	7.957.416	3.433.510
4. Cash receipt from dividends	018	7.717.292	100
5. Other cash receipts from investment activities	019	855.565	237.107
III. Total cash receipts from investment activities (015 through 019)	020	16.989.143	3.879.969
1. Cash expenditure for buying tangible and intangible fixed assets	021	25.401.276	36.040.921
2. Cash expenditure for acquiring ownership and debt financial instruments	022	87.724.485	
3. Other expenditures from investment activities	023		18.373
IV. Total cash expenditures from investment activities (021 through 023)	024	113.125.761	36.059.294
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	026	96.136.618	32.179.325
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash receipt from issuing of ownership and debt financial instruments	027		
2. Cash receipt from loan principal, debentures, loans and other borrowing	028	105.269.958	54.950.000
3. Other receipt from financial activities	029	42.386.145	
V. Total cash receipt from financial activities (027 through 029)	030	147.656.103	54.950.000
1. Cash expenditure for the payment of loan principal and bonds	031	243.858.914	214.558.898
2. Cash expenditure for the payment of dividend	032		
3. Cash expenditure for financial lease	033	1.229.879	968.261
4. Cash expenditure for own shares buy-off	034		6.473.530
5. Other expenditures from financial activities	035		9.713.484
VI. Total cash expenditure from financial activities (031 through 035)	036	245.088.793	231.714.173
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	97.432.690	176.764.173
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	35.211.834	10.786.278
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of the period	041	3.918.777	39.130.611
Increase of cash and cash equivalents	042	35.211.834	10.786.278
Decrease of cash and cash equivalents	043		
Cash and cash equivalents at the end of the period	044	39.130.611	49.916.889

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2010 to 31.12.2010

Item	EDP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	249.600.060	249.600.060
2. Capital reserves	002	9.064.212	9.064.213
3. Profit reserves	003	21.969.365	15.495.835
4. Retained profit or loss carried forward	004	166.462.784	163.421.726
5. Profit or loss of the current year	005	3.502.326	42.163.020
6. Revaluation of fixed tangible assets	006	10.515.039	7.494.438
7. Revaluation of intangible assets	007		
8. Revaluation of financial property available for sale	008	-500.500	-650.000
9. 9. Other revaluation	009		
10. Total capital and reserves (EDP 001 through 009)	010	460.613.286	486.589.292
11. Foreign exchange differences from net investments in foreign operations	011		
12. Current and deferred taxes (part)	012		
13. Cash flow protection	013		
14. Changes in accounting policies	014		
15. Correction of significant mistakes from the previous period	015		
16. Other equity changes	016		
17. Total increase or decrease of capital (EDP 011 through 016)	017	0	0
17 a. Assigned to holders of parent company's capital	018		
17 b. Assigned to minority interest	019		

Items decreasing capital are entered as negative values. Data under EDP 001 through 009 are entered as status on the date of balance.



ANNUAL BUSINESS REPORT
for the period 01/01-31/12/2010

Virovitica, February 2011

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I. INTRODUCTION/ ABOUT THE COMPANY

1.1. Introduction

In accordance with Croatian law, VIRO Sugar Factory is obliged to prepare and submit an Annual Business Report, intended for the Company management and other interested parties.

Annual Business Report presents a complex and documented insight into Company's operations, with all necessary material and financial data, as well as business indicators, calculated on bases of modern analytical and statistical methods, and valid international financial reporting standards.

This Report, together with basic financial reports (Balance Sheet, Income Statement, Cash flows Statement) and Notes to the Financial Statements, make an integral report.

Data relevant for the preparation of this report, were collected from the Company's departments of production, raw material supply, sales, finance, accounting and department of planning and analysis, where the report is actually prepared.

1.2. About the Company

On June 27, 2002, based on the Article 7 of the Purchase contract, companies EOS-Z d.o.o., Zagreb and Robić d.o.o. Velika Gorica, purchased the company Tvornica šećera Virovitica in bankruptcy, its immovable, stocks of raw materials, spare parts and production in course, and engaged themselves to found a new company, invest all the purchased assets and continue the main activity of the factory in bankruptcy.

So, a new company was founded, VIRO limited liability company, for production and trade (further on VIRO Ltd), registered at the Register of Business Entities at the Commercial Court Bjelovar, with subscribed core capital of HRK 20.000,00 and founders EOS-Z Ltd with 51% stake and Robić Ltd with 49% stake.

After settlement of the total purchase price with the sellers of the bankrupted company assets, on 5 September 2002, companies EOS-Z Ltd and Robić Ltd transferred the stocks of raw material, spare parts and semi-final products, what was actually the real start of business activity for the new company. On 10 September 2002, new employment contracts were signed with 264 full time employees.

During 2003 transfer of long-term fixed assets from EOS-Z Ltd and Robić Ltd to VIRO Ltd took place. During the same period the new company was additionally capitalised, and the core capital was increased to HRK 104.000.000,00.

By decision of the Assembly on July 21, 2005, and after registration at the Register of Business Entities at the Commercial Court Bjelovar on 1 September 2005, company was transformed from limited liability to joint stock company, and the name was changed to VIRO SUGAR FACTORY, joint stock company for production and trade, (abbr.: VIRO SUGAR FACTORY), and subscribed capital of HRK 104.000.000,00, was substituted with 1.040.000 A-shares, made out in the name, at HRK 100,00 par value each.

During first quarter of 2006, the increase of the company core capital was completed, by money investments and distribution of A-shares to the public, through Zagreb stock market system. 346.667 new A-shares were issued, made out in the name, at HRK 100,00 par value each, in the total par value of HRK 34.666.700,00. Shares were sold at HRK 365,00 each, and fully subscribed and paid for. In such a way company collected HRK 126.533.455,00 in total. On 17 March 2006 the increase of core capital was registered at the Commercial Court Bjelovar in the amount of HRK 34.666.700,00, so the total core capital reached HRK 138.666.700,00.

Once the process of capitalisation was successfully completed, on 20 April 2006 company stocks were officially listed on the Zagreb stock market.

By decision of the General Assembly of 30 August 2006, all 1.386.667 shares at par value of HRK 100,00 each, were substituted by shares without par value, in such a way company core capital was divided to 1.386.667 A-shares made out in the name, without par value.

By decision of the General Assembly of December 14, 2006, further increase of core capital was made, by transformation of a part of capital gain, and a part of retention profit, in the amount of HRK 110.933.360,00, so the total core capital reached HRK 249.600.060,00. The core capital increase was carried out without issuance of new shares, the core capital is divided to 1.386.667 shares made out in the name, without par value.

1.3. Management Bodies

Effective July 19, 2002 when the Company was founded, Marinko Zadro and Dražen Robić were appointed to the Management Board.

By decision of Company members of May 23, 2003,

a) Appointed to Supervisory Board

1. Marinko Zadro, Chairman
2. Željko Zadro, Deputy Chairman
3. Dražen Robić, Member of the Board

b) Appointed to Management Board

1. Damir Barić, President of the Board
2. Ivan Duvnjak, Member of the Board
3. Ivan Tot, Member of the Board

By decision of Company members of June 17, 2005, appointed to Supervisory Board

1. Marinko Zadro, Chairman
2. Boris Šimunović, Deputy Chairman
3. Dražen Robić, Member of the Board
4. Danaja Debicki, Member of the Board
5. Krešimir Mostovac, Member of the Board

By decision of the General Assembly of August 30, 2007, instead of Danaja Debicki, Marinko Papuga was appointed to the Supervisory Board.

By decision of Supervisory Board of March 19, 2009, instead of three Members of the Management Board, Željko Zadro, former authorised representative, was appointed as the sole Member of the Management Board, as from March 27, 2009.

II. RAW MATERIAL PROCUREMENT

By the plan of sugar beet production for 2010, forseen sow area was 24.700 acres. Contracting started in September 2009. Necessary fertilisers, seeds and plan protection chemicals were provided on time and in sufficient quantities. Due to farmers good production results in 2009, sowing plan was realised, in spite of a slightly lower sugar beet price in 2010, even more ackerage were contracted than planned. Contracted area was 25.620 acres, and 25.580 acres were sown.

Sowing started on March 18, on the East part of the sowing area (Belje, Hana, Anabela).

Till the end of March 71% of the area was sown, and till April 10, 87% of the total area. Remaining 13% were sown till end of April. Sugar beet cropped up quickly, and had good initial growth and plant density per acre.

Sowing was repeated on 88 acres, namely 0,34% of the total 25.580 acres sown. Repeated sowing was necessary due to strong attack of pests and dry soil. More than 60% of the area was treated for pests, some parts where the attack was very strong, even three to four times.

There were between 38-44.000 sugar beet plants per acre over more than 90% of the sown area.

Weed control was in time, and after three to four herbicide treatments, very successful.

Weather conditions till May 15 were very favourable for sugar beet, enough precipitation during March and April and good initial growth. Yield estimations at the time were 24 t/ acre. However, heavy rain in second half of May and in June caused the delay in growth and development of sugar beet. Rainfall between March 15 and end of June amounted from 350 to 400 mm/ m², and that is 3-4 times more than usual for that period of the year. More than 2.500 acres were flooded. After 2-3 days water receded from 2.000 acres, and on 875 acres sugar beet remained under water 5-15 days, and the crop failed. An additional contract with Fermopromet, Baranja for 2.500 acres compensated the loss, and even increase the harvesting ackerage to approximately 27.500 acres.

Precipitation in July and August were at the average values, and 3-4 pesticide treatments were successfully applied.

Sugar beet harvest campaign started on September 1, and reception into the Factory on September 3. Sugar beet processing started on September 4. Sugar beet harvesting campaign 2010 was characterised by an exceptionally rainy Autumn, with abundant rainfall and large number of rainy days. Between September 4 and December 3, there were 453,5 mm/ m² on the site area. Similar situation was on the whole sugar beet area. Harvesting was very difficult, with many interruptions for several days. There were only 15 days suitable for optimal work of harvesting equipment. In spite of such wet and muddy Autumn, with maximum effort of all participant services and 24 hours working days when the weather allowed, all sugar beet was harvested and transported to the Factory. There were no interruptions in sugar production during the whole 101 days of campaign, and the Factory processed an average of 5.880 ton/ day of sugar beet.

2010 campaign was a record-breaking one, with a total of 593.837 tons of sugar beet processed.

Average yield per acre was 21,32 t, average polarisation 14,95% and impurity 14,56%.

III. RAW MATERIAL PROCESSING AND PRODUCTION RESULTS

3.1. Raw sugar processing technology and production results

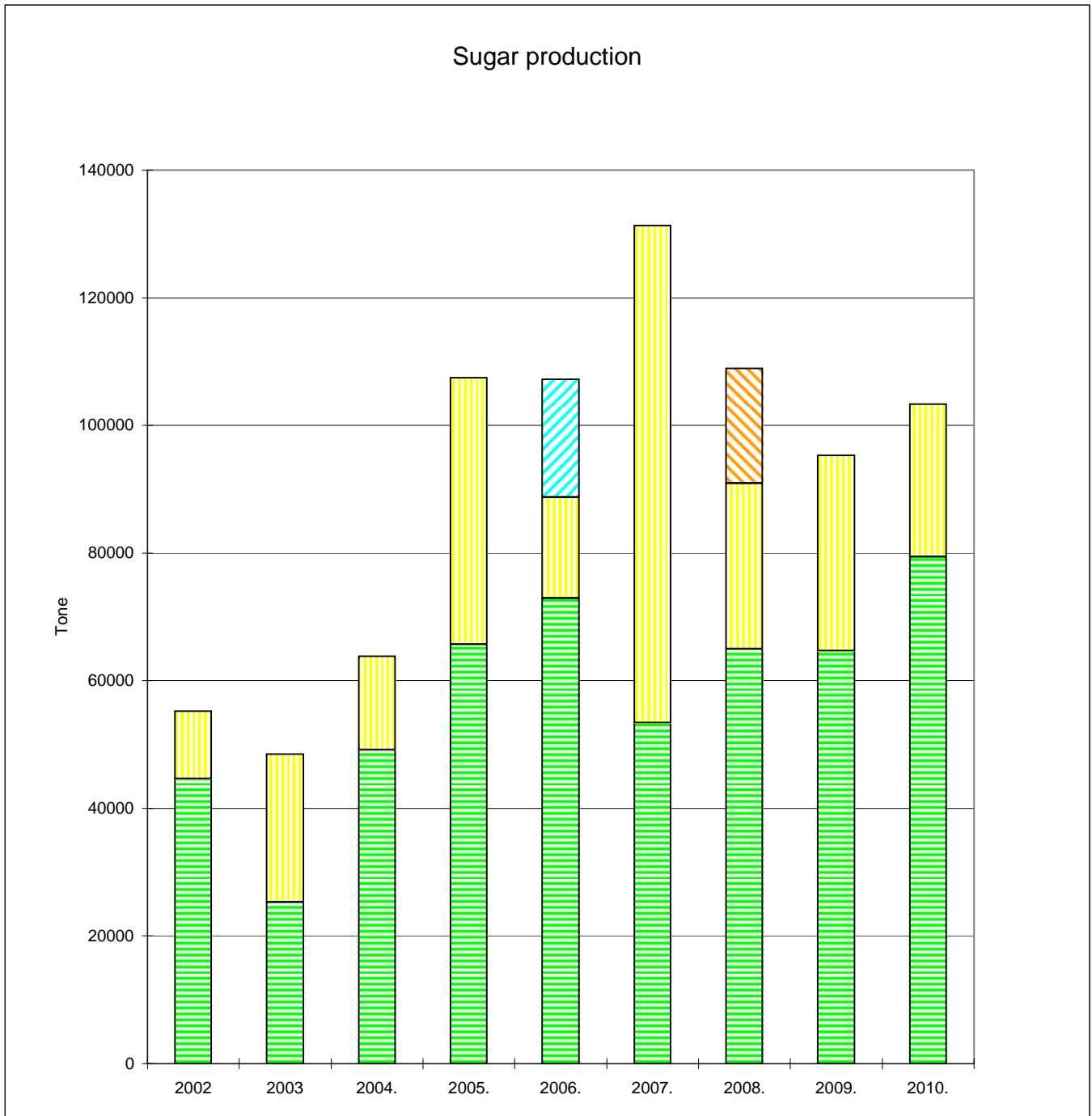
The total of 26.572,43 tons of raw sugar were processed in the period July 12 to August 10. In that 29 days period, 23.991,21 tons of sugar were produced, at an average daily rate of 916,29 ton and at 90,29% usability of raw sugar.

Item	PRODUCT	Unit	Quantity produced
1	Sugar	t	23.991,21
2	Molasses	t	1.283,80

3.2. Sugar beet processing campaign results

The 2010 sugar beet campaign started on September 4, and ended on December 5, 2010.

Item	PRODUCT	Unit	Produced in 2009	Produced in 2010
1	Sugar	t	64.680,37	79.368,50
2	Molasses	t	20.124,00	20.273,00
3	Dry pulp	t	21.392,00	28.942,00



from sugar beet
 from thick syrup
 from raw sugar
 finishing service

IV. SALES IN 2010

Total sales of sugar with regard to packing units is the following:

sugar 50/1	71.521.565 kg
sugar25/1	3.090.650 kg
sugar 1/1	29.735.124 kg
not packed (liquid sugar)	10.130.118 kg
big bags per 1200 kg each	28.569.600 kg
sugar 1000/1	2.300.000 kg
sugar not packed	620.400 kg
other industrial sugar	307.813 kg
<hr/>	
TOTAL:	146.275.270 kg

Total sales results in 2010 are by 33% higher compared to the previous year, primarily due to considerable increase of exports to the EU market. Total exports in 2010 were by 85% higher than the previous year. Besides, total quantity of sugar produced from raw sugar was sold on domestic market.

V. EXPOSURE TO CREDIT RISK, LIQUIDITY AND CASH FLOW RISKS

5.1. Financing and liquidity issues

During 2010, factory VIRO used following sources for financing of its current production and other operating activities:

- Sales of initial stocks of sugar 42.959 tons, molasses 6.364 tons and dry pulp 10.868 tons
- Sales of 23.991 tons of sugar produced from raw sugar
- Sales of 60.054 tons of sugar, 14.730 tons of molasses and 16.172 tons of dry pulp from new production
- Resales of sugar (not own production) 19.256 tons
- Delay till new campaign of financial obligations towards suppliers of plant protection products, overhaul, and others

Settlement of current obligation towards suppliers, in the total amount of HRK 660.609.557,43 has been carried out as follows:

- wire transfer	247.639.102,85	37,49%
- advance payment	69.735.018,82	10,56%
- compensation	220.886.690,14	33,44%
- cession and assignment	13.041.531,80	1,97%
- foreign remittance	93.308.942,63	14,12%
- advance foreign remittance	15.998.271,19	2,42%

Buyers settled their obligations in the total amount of HRK 841.092.116,87 as follows:

- wire transfer	186.752.132,33	22,20%
- advance payment	16.984.059,85	2,02%
- compensation	204.892.116,32	24,36%
- cession and assignment	37.331.842,80	4,44%
- bill of exchange	125.147.805,11	14,88%
- foreign remittance	138.855.951,11	16,51%
- advance foreign remittance	131.128.209,35	15,59%

5.2. Cash flows in 2010

HRK

ITEM	AMOUNT
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	42.163.020
Amortisation	29.730.993
Increase of current liabilities	94.760.323
Decrease of current receivables	
Decrease of stocks	12.277.310
Other increase of cash flow	60.215.509
I. Total increase of cash flow from operating activities	239.147.155
Decrease of current liabilities	
Increase of current receivables	15.983.769
Stocks increase	
Other decrease of cash flow	3.433.610
II. Total decrease of cash flow from operating activities	19.417.379
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	219.729.776
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	
CASH FLOW FROM INVESTMENT ACTIVITIES	
Proceeds from sale of long-term fixed and intangible assets	209.252
Proceeds from sales of equity and debt financial instruments	
Proceeds from interests	3.433.510
Proceeds from dividends	100
Other proceeds from investment activities	237.107
III. Total proceeds from investment activities	3.879.969
Acquisition of long-term fixed and intangible assets	36.040.921
Acquisition of equity and debt financial instruments	
Other expenses for investment activities	18.373
IV. Total expenses for investment activities	36.059.294
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	32.179.325
CASH FLOW FROM FINANCIAL ACTIVITIES	
Proceeds from sales of equity and debt financial instruments	
Proceeds from credit principals, due bills, borrowings and others	54.950.000
Other proceeds from financial activities	
V. Total proceeds from financial activities	54.950.000
Expenses for credit principals and bonds instalments	214.558.898
Expenses for dividends	
Expenses for financial leasing	968.261
Redemption of own shares	6.473.530
Other expenses for financial activities	9.713.484
VI. Total expenses for financial activities	231.714.173
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	176.764.173
Total increase of cash flow	10.786.278
Total decrease of cash flow	
Cash and cash equivalents at the beginning of the year	39.130.611
Increase of cash and cash equivalents	10.786.278
Cash and cash equivalents at the end of the year	
Decrease of cash and cash equivalents	49.916.889

5.3. Analysis of balance sheet structure and changes

For consideration of Company's financial position, and its assets, capital, receivables and liabilities, structural statement is presented below:

BALANCE SHEET as per 31/12/2010

HRK

Item	DESCRIPTION	31.12.2009		31.12.2010		Index (5/3)
		Amount	%	Amount	%	
1	2	3	4	5	6	7
ASSETS						
A)	LONG-TERM ASSETS (I+II+III+IV)	503.729.959	50,06	509.611.901	52,53	101
I	Intangible assets (1 to 2)	1.153.606	0,11	825.820	0,09	72
1.	Research and development expenses	241.803	0,02	368.866	0,04	-
2.	Patents, licences, concessions and similar rights	911.803	0,09	456.954	0,05	50
II	Tangible assets (3 to 9)	270.165.924	26,85	276.594.386	28,51	102
3.	Land and forests	3.685.749	0,37	3.685.749	0,38	100
4.	Buildings	70.486.895	7,00	83.831.465	8,64	119
5.	Plants and equipments	174.693.532	17,36	177.235.263	18,27	101
6.	Prepayments for tangible assets	169.945	0,02	2.874.452	0,30	1.691
7.	Tangible assets in progress	19.751.173	1,96	7.660.859	0,79	39
8.	Residential buildings and dwellings	1.369.330	0,14	1.297.298	0,13	-
9.	Other tangible assets	9.300	0,00	9.300	0,00	100
III	Financial assets (10 to 12)	232.155.246	23,07	232.124.907	23,93	100
10.	Shares in affiliated companies	220.050.139	21,87	220.050.139	22,68	-
11.	Loans, deposits and guarantees	12.105.107	1,20	12.074.768	1,24	100
IV	Receivables	255.183	0,03	66.788	0,01	26
12.	Receivables from sales on credit	255.183	0,03	66.788	0,01	26
B)	CURRENT ASSETS (V+VI+VII+VIII)	496.398.402	49,33	459.415.018	47,35	93
V	Stocks (13 to 16)	191.822.776	19,06	179.545.466	18,51	94
13.	Raw material and consumables	23.402.592	2,33	23.353.642	2,41	100
14.	Trading goods	10.414.414	1,03	60.161.254	6,20	578
15.	Final products	154.891.852	15,39	80.127.199	8,26	52
16.	Prepayments	3.113.918	0,31	15.903.371	1,64	511
VI	Receivables (17 to 21)	138.152.186	13,73	154.135.955	15,89	112
17.	Receivables from affiliated companies	44.864.063	4,46	31.702.076	3,27	71
18.	Trade receivables	80.824.432	8,03	88.550.478	9,13	110
19.	Receivables from employees	15.876	0,00	266	0,00	2
20.	Receivables from state and other institutions	11.884.069	1,18	33.878.734	3,49	285
21.	Other receivables	563.746	0,06	4.401	0,00	1
VII	Financial assets (22 to 24)	127.292.829	12,65	75.816.708	7,81	60
22.	Loans to affiliated companies	29.494.023	2,93	-	-	-
23.	Securities	43.590.465	4,33	16.720.660	1,72	38
24.	Loans, deposits and guarantees	54.208.341	5,39	59.096.048	6,09	109
VIII	Cash at bank and in hand	39.130.611	3,89	49.916.889	5,15	128
C)	PREPAID EXPENSES AND ACCRUED INCOME	6.201.276	0,62	1.137.763	0,12	18
D)	LOSS ABOVE CAPITAL LEVEL	-	-	-	-	-
E)	TOTAL ASSETS (A+B+C+D)	1.006.329.637	100,00	970.164.683	100,00	96
F)	OFF STATEMENT ITEMS	13.101.412	1,30	10.745.168	1,11	82

Item	DESCRIPTION	31.12.2009		31.12.2010		Index
		Amount	%	Amount	%	(5/3)
1	2	3	4	5	6	7
LIABILITIES						
A)	CAPITAL AND RESERVES (1+2+3+4+5+6)	460.613.286	45,77	486.589.292	50,16	106
1	Subscribed capital	249.600.060	24,80	249.600.060	25,73	100
2	Capital gains	9.064.213	0,90	9.064.213	0,93	-
3	Revaluation reserve	10.014.539	1,00	6.844.438	0,71	-
4	Reserve	21.969.365	2,18	15.495.835	1,60	71
5	Retained earning	166.462.783	16,54	163.421.726	16,84	-
6	Profit for the year	3.502.326	0,35	42.163.020	4,35	1.204
B)	LONG-TERM LIABILITIES (7 to 8)	397.628.223	39,51	252.504.135	26,03	64
7	Liabilities for loans	4.291.016	0,43	2.204.010	0,23	-
8	Liabilities to credit institutions	393.337.207	39,09	250.300.125	25,80	64
C)	CURRENT LIABILITIES (9 to 17)	136.554.114	13,57	215.861.365	22,25	158
9.	Liabilities to affiliated companies	176.058	0,02	56.343.792	5,81	-
10.	Liabilities based on loans			1.118.745	0,12	
11.	Liabilities to credit institutions	70.000.000	6,96	53.428.183	5,51	76
12.	Liabilities to advancements, deposits and guaranties			528.903	0,05	-
13.	Liabilities to suppliers	62.275.077	6,19	101.294.701	10,44	163
14.	Liabilities to employees	1.362.297	0,14	1.599.716	0,16	117
15.	Taxes, contributions and fees liabilities	1.092.087	0,11	900.965	0,09	82
16.	Liabilities based on shares of result	11874	0,00	11874	0,00	100
17.	Other current liabilities	1.636.721	0,16	634.486	0,07	39
D)	DEFERRED EXPENSES AND DEFERRED INCOME	11.534.014	1,15	15.209.891	1,57	132
E)	TOTAL LIABILITIES (A+B+C)	1.006.329.637	100,00	970.164.683	100,00	96
F)	OFF STATEMENT ITEMS	13.101.412	1,30	10.745.168	1,11	82

5.4. Investments during 2010

During 2009, Company have made following investments, stated by allotments:

Item	ALLOTMENT	Amount in HRK	Amount in EURO (1 EURO=7,40 HRK)	%
1.	Investment into technology and equipment maintenance	39.647.587,20	5.357.782,05	67,94
2.	Investment in buildings	17.748.246,74	2.398.411,72	30,42
3.	Transport means and passenger cars	301.547,96	40.749,72	0,52
4.	Telecommunication means and office equipment	192.970,70	26.077,12	0,33
5.	Other	463.079,94	62.578,37	0,79
TOTAL (1 to 5)		58.353.432,54	7.885.598,99	100,00

From the above review, it is evident that 67,94% of EURO 7.885.599 total investment, was allocated to investment into technology and equipment maintenance.

VI. EMPLOYEES

Next review shows the structure of calculated working hours for 2010:

Item	TYPES OF FEES	Sati	%
	CALCULATED WORKING HOURS (A+B)	507.991	100,00
A)	Normal hours of work	505.883	99,59
B)	Overtime	2.108	0,41
	STRUCTURE OF NORMAL HOURS (1 to 6)	505.883	99,59
1	Working hours	409.559	80,62
2	Annual vacation	39.718	7,82
3	State holiday	17.946	3,53
4	Sick leave up to 42 days	8.238	1,62
5	Sick leave over 42 days	9.032	1,78
6	Paid absences and days off	21.390	4,21

Calculated on the bases of working hours, during 2010 there were 247,62 employees in average, seasonal workers included.

During 2010, the average worker spent his days by following structure:

- 207,81 days of work
- 20,05 days of annual vacancy
- 9,06 days of paid state holidays
- 4,16 days of sick leave up to 42 days
- 4,56 days of sick leave over 42 days
- 10,80 days of paid absences and days off

Next table shows the fluctuations in the number of employees during the year (without seasonal workers) by qualification structure:

Qualification structure	Situation as per 31/12/2009	Went during 2010	Gone during 2010	Situation as per 31/12/2010
university degree	30	2		32
associate degree	8		1	7
secondary qualification	95	1		96
lower qualification	5		5	
operative	4		2	2
skilled worker	67		5	62
semi-skilled worker	4			4
low-skilled worker	18	4		22
TOTAL	231	7	13	225

VII. PROFIT AND LOSS ACCOUNT FOR 2010

Item	Description	2009	2010	Index 2010/2009
1.	Operating incomes	534.898.227	713.612.906	133
1.1.	Domestic sale revenue	379.790.224	448.947.621	118
1.2.	Exports sale revenue	150.122.863	260.609.028	174
1.3.	Income from own consumption of products and services	523.291	-	-
1.4.	Other operating income	4.461.849	4.056.257	91
2.	Financial incomes	29.388.989	11.800.519	40
2.1.	Incomes related to dependant corporate	4.318.857	627.955	-
2.2.	Incomes related to independent corporate	25.070.132	11.172.564	45
3.	Extras	15.073.997	6.455.448	43
I	TOTAL INCOME (1+2+3)	579.361.213	731.868.873	126
4.	Material costs	410.966.752	521.634.580	127
4.1.	Cost of raw material and consumables	264.419.321	339.450.381	128
4.2.	Cost of goods sold	106.249.268	154.613.571	146
4.3.	Other service costs	40.298.163	27.570.628	68
5.	Staff costs	28.791.955	27.882.314	97
6.	Amortisation and value adjustment of long term assets	26.736.508	29.730.993	111
7.	Other operating costs	13.324.030	9.352.933	70
8.	Finished products value increase			-
9.	Finished products stock value decrease	19.858.435	74.627.318	-
10.	OPERATING EXPENSES (4+5+6+7-8+9)	499.677.681	663.228.139	133
11.	Financial expenses	73.531.569	21.603.337	29
11.1.	Interest and exchange rates expenses	36.082.064	21.603.337	60
11.2.	Sale of stocks and share interest	37.449.505	-	-
12.	Extras	2.649.637	4.874.378	184
II	TOTAL EXPENSES (10+11+12)	575.858.887	689.705.853	120
III	PROFIT OF THE YEAR (I-II)	3.502.326	42.163.020	1.204
IV	PROFIT TAX EXPENSE			
V	NET PROFIT (III-IV)	3.502.326	42.163.020	1.204
VI	EBIT	35.220.546	50.384.768	143
VII	EBITDA	61.957.055	80.115.761	129

EBITDA - Profit before tax, interest, depreciation and amortisation in 2010 amounts to HRK 80,12 million, which is an increase of 29%, compared to HRK 61,96 of the previous year.

Achieved net profit in the observed period of HRK 42,16 million, is much higher compared to the previous year, as a result of increased sales of sugar and considerable decrease of financial expenses.

Such business results are primarily due to perennial investments into modernization of production equipment, and increase of installed process capacity, which led to lower cost per unit, especially with regard to the main energy source, natural gas.

Achieved total income of HRK 731,87 million is by 26% higher compared to the previous year. Share of income from exports is 27,10%, which is higher compared to the 25,91% in 2009. Domestic sales share is 69,84%, which is higher compared to the 65,56% in the previous year.

Recorded total expenses HRK 689,71 million are by 19,79% higher compared to the previous year.

Material costs and sold goods costs amount to HRK 521,64 million, and are by 26,96% higher compared to those in 2009.

Labour costs are decreased by 3,16% due to reduction of working hours.

Amortisation costs HRK 29,73 million are by 11,20% higher compared to the previous year, because of the amortisation of new equipment.

Financial expences of HRK 21,60 million are by 70,62% lower compared to previous year.

VIII. KEY INDICATORS OF BUSINESS EFFICIENCY

8.1. Indicators of liquidity and financial stability

For the analysis of liquidity and financial stability as per 31/12/2009, following indicators are presented:

a) Liquidity

Item	INDICATOR	Standard value	2009	2010	Index	
					5/4	5/3
1	2	3	4	5	6	7
<u>a) Liquidity</u>						
1	Current ratio	-	0,29	0,23	81	
2	Quick ratio	>1	1,30	0,95	73	95
3	General ratio	>2	3,64	2,13	59	107
<u>b) Financial stability</u>						
	- Net working capital in 000 HRK	-	359.844.288,00	243.553.653,00	68	-
4	- Net working capital/ financing of current assets, %	>50	72,49	53,01	73	106
5	Financial security	>1	1,23	1,07	87	107
6	Degree of self-financing, %	>100	66,22	70,61	107	71
7	Long-term assets/ long-term sources, %	>100	170,38	145,03	85	145

Above liquidity and financial stability indicators lead to the following conclusions:

- Liquidity and financial stability indicators for 2010 are slightly worse compared to previous year
- Indicators of financial stability show to the degree of indebtedness, and the following financing of assets:

Item	DESCRIPTION	Unit	2009	2010	Index 2010/2009
1.	Current assets	000 Kn	496.398,40	459.415,02	93
1.1.	Own funds	000 Kn	170.732,19	195.889,77	115
1.2.	Borrowed assets (current liabilities)	000 Kn %	325.666,21 100,00	263.525,25 100,00	81
2.	Long-term assets	000 Kn	503.729,96	509.611,90	101
2.1.	Own funds	000 Kn %	283.679,82 56,32	289.561,76 56,82	102
2.2.	Borrowed assets	000 Kn %	220.050,14 43,68	220.050,14 43,18	
3.	Prepaid expenses	000 Kn	6.201,28	1.137,76	18
3.1.	Own funds	000 Kn %	6.201,28 100,00	1.137,76 100,00	100
4.	Loss above capital level	000 Kn			
5.	Total assets	000 Kn	1.006.329,64	970.164,68	96
5.1.	Total own capital (1.1+2.1+3.1)	000 Kn %	460.613,29 45,77	486.589,29 50,16	106
5.2.	Borrowed assets-current and long-term liabilities-loss above capital (1.2+2.2+4)	000 Kn %	545.716,35 54,23	483.575,39 49,84	89

The above table shows the total assets degree of indebtedness of 49,84%.

8.2. Indicators of assets activity and profitability

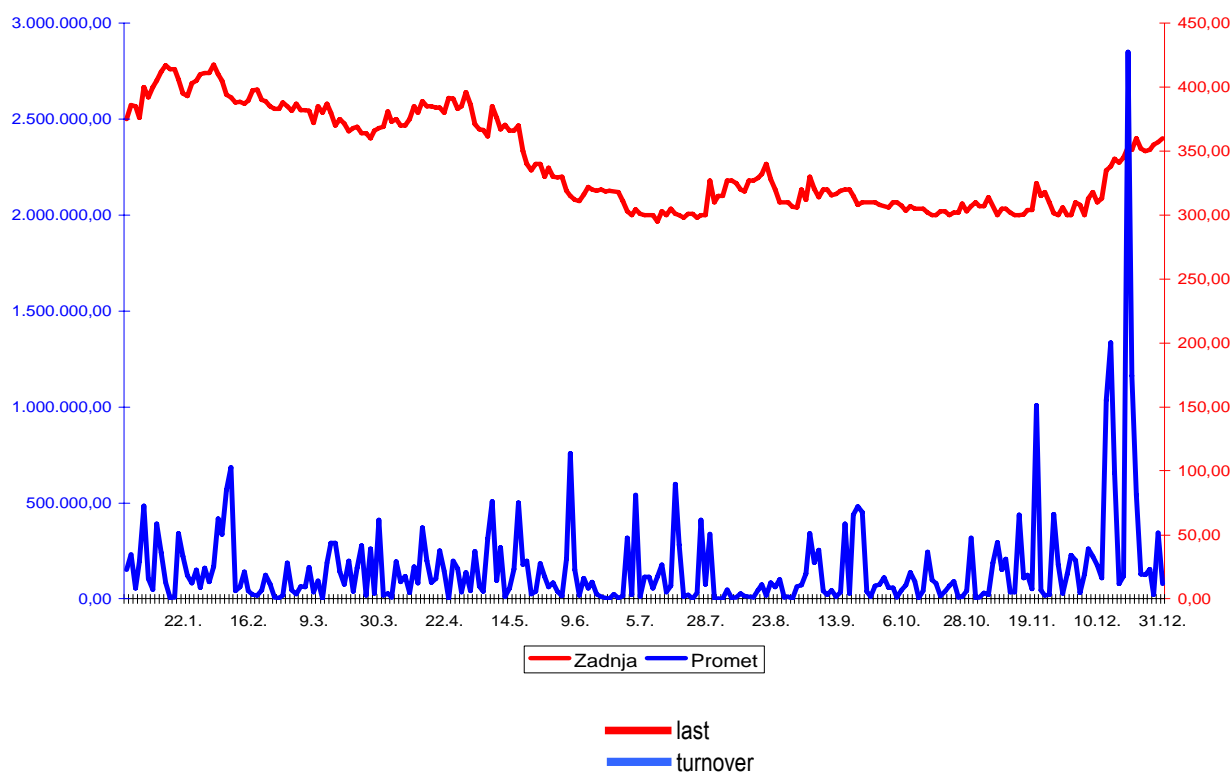
Item	INDICATOR	2009	2010	Index 2010/2009
a) Activity analysis				
1.	Total assets turnover ratio	0,52	0,74	142
2.	Current assets turnover ratio	0,83	1,49	179
3.	Current assets binding period (days)	432	241	56
4.	Trade receivables			
	Turnover ratio	2,62	5,77	220
	Collection period (days)	137	62	45
b) Profitability ratios				
5.	Net profit margin	0,60	5,76	953
6.	Gross profit margin (operating)	6,58	7,06	107
7.	EBITDA margin	11,58	11,23	97
8.	ROA	0,35	4,35	1.249
9.	ROE	0,76	8,67	1.140
10.	Net profit per employee	12.732,27	170.275,57	1.337

IX. SHAREHOLDERS STRUCTURE AND COMPANY STOCK TRADING

Item	SHAREHOLDER	Number of shares	Structure in %
1.	EOS-Z D.O.O.	465.483	33,57
2.	ROBIĆ D.O.O.	449.600	32,42
3.	SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND	68.941	4,97
4.	HYPO ALPE-ADRIA-BANK D.D./ PBZ CROATIA OSIG. OBV. MIROVINSKI FOND	42.181	3,04
5.	ZADRO MARINKO	34.417	2,48
6.	HYPO ALPE-ADRIA-BANK D.D./ RAIFFEISEN OBVEZNI MIROVINSKI FOND	29.503	2,13
7.	VIRO TVORNICA ŠEĆERA D.D.	26.950	1,94
8.	HRVATSKA POŠTANSKA BANKA DD	23.257	1,68
9.	BAKIĆ NENAD	10.281	0,74
10.	SOCIETE GENERALE-SPLITSKA BANKA D.D./ ERSTE PLAVI OBV. MIROV. FOND	10.033	0,72
11.	ČORIĆ DANKO	9.000	0,65
12.	RAIFFEISENBANK AUSTRIA D.D./R5	6.894	0,50
13.	PBZ D.D.	6.880	0,50
14.	OTHERS AND SMALL SHAREHOLDERS	203.247	14,66
TOTAL (1 to 14)		1.386.667	100,00

During 2010, Company purchased 20.368 own shares, so by 31/12/2010 the total number of own shares was 26.950, which is 1,94% of equity.

At the end of 2010, the stock market price was HRK 360,00 each, and the financial transactions turnover reached HRK 38.478.250,37. Market capitalization in the amount of HRK 499,2 million was achieved in the reported period, and profit amounted to HRK 30,41 per stock.



X. ENVIRONMENT PROTECTION

Viro Sugar Factory is a big natural gas consumer, the main energy source for the sugar production. During beet campaign, a period of 101 day, 18.707.924 Nm³ of natural gas was spent, and during raw sugar campaign, in a period of 29 days, 3.291.390 Nm³ of natural gas was spent.

During 2009 and 2010 the plant was reconstructed and modernised, so natural gas consumption is reduced, as well as emissions to atmosphere by 20%.

Emission to atmosphere is a result of natural gas combustion in the power plant. The quantity is annually controlled: by the authorised laboratory, and is within the prescribed limit, as well by the Agency of the Ministry of environmental protection.

Solid particles are the second emission, produced during beet pulp drying together with gases as a product of natural gas combustion in the beet pulp drier during drying process. The authorised company is engaged for the control of this process. Measured data are in the allowed range, and reports are submitted to the Agency and Ministry.

The sugar factory has its own water treatment plant (aerobic and anaerobic section) for treatment of its own waste water (from the process and rainfall water), as well as municipal waste water from Virovitica city.

In order to reduce fresh water consumption in various stages of sugar production, water for beet unloading and washing is recycled, and also cooling systems with water are closed systems. In this way, considerable amount of fresh water is saved.

The sugar factory has its own steam production in the boiler house, as a source for el. energy production (co-generation) for own consumption. Periodical surpluses of el. energy are distributed to the net, at quantity and price agreed with the local el. energy distribution company.

During operations of the sugar factory, dangerous and non-dangerous waste is produced. It is registered on the prescribed forms of the Agency for the environmental protection.

All kinds of waste material are collected by the authorised companies specialised for waste material disposal according to law prescriptions. The records about production, storage and disposal are kept in the factory, in accordance with the Law about waste and other Regulations of this subject.

Vegetal waste material from sugar beet processing is distributed to the farmers promptly. Investments are in course to use vegetal waste material as raw material for energy production.

At the end, we would like to mention that Analyses about harmonisation with IPPC directive was submitted to the Ministry of environmental protection for verification.

XI. PRESUMABLE FUTURE DEVELOPMENT OF THE COMPANY

Future development and operation plan is based on the following areas:

- Sugar production and sales plan
- Investment plan.

Investment plan for 2011 is based on the increase of the daily production to 1.400 tons (during raw sugar campaign 2010 daily capacity of 1.400 tons of sugar was already reached). The whole production process is completely automatised, as planned.

Planned sugar production for 2011 is by 10% higher than last year. Production of 30.000 tons of sugar based on cane raw sugar is planned for local market exclusively. Additional quantity of over 80.000 tons will be produced from sugar beet, mostly for export to the EU market.

The investment fund for this year, except for annual equipment reparation works, is planned for the following items:

- Installation of new centrifugals for raw sugar affination,
- Improving of steam boilers energy efficiency ,
- Construction of new boiler house for after campaign operation,
- Improving of refinery energy efficiency,
- Equipment for syrups filtration.

Beet production

Production/ financial plan for 2011 anticipates contracting of beet production on 27.500 acres. Plan is to process over 600.000 tons of beet, to produce over 80.000 tons of sugar, 20.000 tons of molasses and 23.000 tons of dry beet pulp in pellets form.

We would like to mention that beet production is already fully contracted, and with optimal weather conditions, we can expect very good production/ financial results for 2011.

Member of the Board:

