

INVESTKONTAKT- REVIZIJA

društvo s ograničenom odgovornošću za reviziju, ZAGREB, Zelengaj 45

VIRO Tvornica šećera d.d., VIROVITICA

**AUDITOR'S REPORT OF FINANCIAL STATEMENTS FOR THE YEAR
ENDING DECEMBER 31st 2005**

Zagreb, March 2006

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MANAGEMENT'S REPORT

According to Croatian Accounting Law (Official Gazette 146/2005), every financial year the Management is required to prepare Financial Statements in accordance with International Financial Reporting Standards (IFRS), which are published by International Accounting Standards Board. Financial Statements provide a realistic and objective insight into the state of the Company and its operating results for the relevant time 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

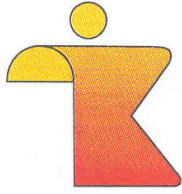
The Management is responsible for keeping accounting records that can at any given time, with reasonable accuracy, show the financial state of the Company. Also, the Management is responsible that Financial Reports are in accordance with the Accounting Law (Official Gazette 146/2005). Additionally, the Management is responsible for safekeeping of Company assets, uncovering and preventing fraud and other irregularities.

In Virovitica, 20.3.2006.

Damir Barić, dipl. inž.
president of the Board of Managers

Ivan Duvnjak, dipl. oecc.
member of the Board of Managers

Ivan Tot, dipl. inž.
member of the Board of Managers



INVESTKONTAKT - REVIZIJA

društvo s ograničenom odgovornošću za reviziju, ZAGREB, Zelengaj 45

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 2005 as well as Notes to the Financial Statements numbered from 1 to 27. 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, the company's operating results and changes in cash flow in the Company as of December 31st 2005. Financial Statements are in accordance with International Financial Reporting Standards.

Zlatko Benčić, dipl. oec.
Certified Auditor and Director

In Virovitica, December 15th 2005 to March 20th 2006

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

	Note	2005	2004
OPERATING REVENUE		496.628	250.530
Revenue from sales	3	431.447	202.822
Other operating revenue	4	65.181	47.708
OPERATING EXPENSES		(417.245)	(210.108)
Costs of goods sold	5	(402.146)	(197.431)
Non-producing general expenses	6	(15.099)	(12.677)
INCOME FROM OPERATIONS		79.383	40.422
FINANCIAL REVENUE AND EXPENSES			
Financial revenue	7	7.084	5.513
Financial expenses	8	(12.899)	(10.709)
(LOSS) FROM FINANCIAL ACTIVITIES		(5.815)	(5.196)
INCOME BEFORE TAXES		73.568	35.226
Income tax	9	0	0
NET INCOME		73.568	35.226

Earnings per share in 2005 equals 70,74 HRK.

For and on behalf of the Company on March 20th 2006:

Damir Barić, dipl. inž.
president of the Board of
Managers

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

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

ASSETS	Note	2005	2004
LONG TERM ASSETS			
Intangible assets	10	236	201
Tangible assets (Property, plant & equipment)	10	98.284	102.994
Financial assets available for sale	11	0	122.277
Long term guarantees	12	11.242	66.269
Long term advances	13	2.711	4.935
TOTAL LONG TERM ASSETS		112.473	296.676
SHORT TERM ASSETS			
Inventories	14	151.103	137.072
Receivables for advances	15	3.097	4.633
Receivables from sales	16	107.566	96.946
Other receivables	17	59.895	30.434
Cash	18	43.051	4.527
TOTAL SHORT TERM ASSETS		364.712	273.612
TOTAL ASSETS		477.185	570.288
OWNER'S EQUITY			
Authorized equity	19	104.000	104.000
Reserves	20	27.797	26.009
Retained earnings		0	32.677
Net income for the current year		73.568	35.226
TOTAL OWNER'S EQUITY		205.365	197.912
LIABILITIES			
LONG TERM LOANS AND LEASES			
	21	110.369	21.975
SHORT TERM LIABILITIES			
Liabilities for loans and borrowings	22	61.492	75.095
Liabilities to suppliers	23	83.963	152.396
Other short term liabilities	24	15.996	122.910
TOTAL SHORT TERM LIABILITIES		161.451	350.401
TOTAL OWNER'S EQUITY AND LIABILITIES		477.185	570.288

For and on behalf of the Company on March 20th 2006:

Damir Barić, dipl. inž.
president of the Board of
Managers

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

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

	Authoris. equity	Legal reserves	Revaluat. reserves	Retain. earnings	Net income for the current year	Total
Balance						
31.12.2003.	104.000	391	27.106	0	57.677	189.174
Distribution of income	0	0	0	0	(25.000)	(25.000)
Carried over / brought forward	0	0	0	32.677	(32.677)	0
Brought forward to revenue	0	0	(1.488)	0	0	(1.488)
Income for the current year	0	0	0	0	35.226	35.226
Balance						
31.12.2004.	104.000	391	25.618	32.677	35.226	197.912
Carried over / brought forward	0	4.809	0	30.417	(35.226)	0
Distribution of income	0	0	0	(63.094)	0	(63.094)
Brought forward to revenue	0	0	(3.021)	0	0	(3.021)
Income for the current year	0	0	0	0	73.568	73.568
Balance						
31.12.2005.	104.000	5.200	22.597	0	73.568	205.365

For and on behalf of the Company on March 20th 2006:

Damir Barić, dipl. inž.
president of the Board of
Managers

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

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

	2005	2004
I CASH FLOW FROM OPERATING ACTIVITIES		
Income before taxes	73.568	35.226
Income tax	0	-
Depreciation	9.413	5.426
Cash flow from achieved results	82.981	40.652
(Increase) in inventories	(15.575)	(77.789)
(Increase) in short term receivables	(11.838)	(42.188)
Increase (Decrease) in short term liabilities	(115.107)	156.136
Net cash flow from operating activities	(59.539)	76.811
II CASH FLOW FROM INVESTMENT ACTIVITIES		
(Increase) in long term intangible assets	(100)	(136)
(Increase) in long term tangible assets	(4.636)	(1.559)
Decrease (increase) in long term financial assets	177.304	(188.367)
Decrease (increase) in long term receivables	2.018	(6.400)
(Increase) decrease in short term financial assets	(24.959)	10.781
Net cash flow from investment activities	149.627	(185.681)
III CASH FLOW FROM FINANCIAL ACTIVITIES		
Increase (decrease) in own capital	(66.115)	(26.488)
Increase (decrease) in long term liabilities for loans	94.002	27.970
Increase (decrease) in short term liabilities from related parties	(32.550)	31.231
Increase (decrease) in short term borrowings	(17.174)	17.174
Increase (decrease) in short term loans	(2.038)	33.980
Increase (decrease) in income (shares/stakes)	(27.689)	24.119
Net cash flow from financial activities	(51.564)	107.986
Net increase (decrease) in cash	38.524	(884)
Cash at the beginning of the year	4.527	5.411
Cash at the end of the year	43.051	4.527

For and on behalf of the Company on March 20th 2006:

Damir Barić, dipl. inž.
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
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 2005 the Company had 262 employees that were hired for an indefinite time period (262 employees in 2004).

Company's organizational structure:

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
- Danaja Debicki - member of the Board of Directors
- Krešimir Mostovac - member of the Board of Directors

Board of Managers:

- Damir Barić, dipl. inž. - president of the Board of Managers
- Ivan Duvnjak, dipl. oecc.- member of the Board of Managers
- Ivan Tot, dipl. inž. - member of the Board of Managers

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

2. BASIC ACCOUNTING POLICIES

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

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

In creating Financial Statements the following accounting policies were used:

2.1. Revenues

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

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

2.2. Property, plant, equipment and intangible assets

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

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

Equipment and other items are recorded as long term assets if their useful life is greater than one year, and if their individual purchase price is greater than HRK 2.000 (until 2004 - HRK 1.000).

Current value of equipment that was written off, sold or in any other way disposed of is reported as other expenses, and the realized amount from sale is reported as other revenues.

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:

	2005	2004
Buildings	5%	5%
Plants, equipment, tools, inventories, and vehicles	10%-25%	10%-25%
Computer equipment and GSM telephones	50%	50%
Intangible assets	20%	20%

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 reservations, i.e. 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.

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

2. BASIC ACCOUNTING POLICIES - continued

2.9. Taxation (continued)

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.

3. REVENUE FROM SALES

	2005	2004
Sales in the domestic market	187.227	52.210
Sales to related parties ¹	32.652	37.349
Sales in foreign markets	211.568	113.263
TOTAL	431.447	202.822

4. OTHER OPERATING REVENUES

	2005	2004
Sale of trade goods	50.224	34.982
Sale of long term assets	5.637	4.633
Reevaluation of long term assets	3.021	1.488
Other operating revenues	6.299	6.605
TOTAL	65.181	47.708

5. COST OF GOODS SOLD

	2005	2004
(Increase) of work in process and finished goods inventories	(14.457)	(79.090)
Raw materials	254.431	162.567
Energy	37.961	25.111
Labor costs	28.988	24.914
Spare parts	4.458	3.141
Depreciation	9.142	5.165
Other costs	81.623	55.623
TOTAL	402.146	197.431

¹ See note 25 (related parties)

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

6. NON-PRODUCING GENERAL EXPENSES

	2005	2004
Remunerations, grants and subsidies to workers	4.545	4.600
Salary expenses of support and administration employees	3.399	3.413
Banking services	2.195	1.189
Depreciation	270	261
Expenses from related parties ²	54	41
Other expenses	4.636	3.173
TOTAL	15.099	12.677

7. FINANCIAL REVENUES

	2005	2004
Interest	854	885
Currency translation gains	5.748	4.628
Other	482	0
TOTAL	7.084	5.513

8. FINANCIAL EXPENSES

	2005	2004
Interest	7.551	3.661
Interest for related parties ³	171	70
Currency translation losses	5.177	6.978
TOTAL	12.899	10.709

² See note 25 (related parties)

³ 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:

	2005	2004
Accounting Net Income	73.568	35.226
Increase of income / reduction of loss	2.860	1.529
Decrease of income / increase of loss	(53)	(434)
<i>Taxable income</i>	76.375	36.231
Income tax rate	20%	20%
Income tax	15.275	7.264
Income tax relief	(15.275)	(7.264)
Tax liability	0	0

The Company is using income tax relief⁴, which was given to the Company in the form of a tax credit for the amount of HRK 61.980.000. This tax credit was available to the company since 2002. The Company is exempt from paying income tax in the amount of the tax credit. In 2003 and 2004 the Company has used HRK 18.941.000 of the tax relief and HRK 15.275.000 in 2005. The remaining tax credit available to the Company equals HRK 27.764.000.

The deadline for using this tax relief is year 2012.

⁴ Article 26. item. 4. of the Income Tax Law (Official Gazette 177/04 and 90/05), states that if an investment of a minimum of HRK 60 million is made, then income tax equals 0% for the next 10 years starting from the beginning of the investment, provided that in that period at least 75 people are permanently employed from the first year of investment.

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

10. LONG TERM TANGIBLE AND INTANGIBLE ASSETS

	Land	Buildings	Equipment	Paintings	Tangible assets impending	TOTAL	Intangible assets
<u>Purchase value</u>							
Balance on December 31st 2004	2.399	45.962	60.864	3	-	109.228	239
Increases	-	-	350	-	10.592	10.942	100
Carried over/brought forward	-	-	2.830	-	-2.830	-6.765	-
Surplus	-	-	-	-	-	-	-
Shortage	-	-	-	-	-	-	-
Written off and disposed of	1.379	-4.040	-1.346	-	-	-	-
Balance on December 31st 2005	1.020	41.922	62.698	3	7.762	113.405	339
<u>Value adjustment</u>							
Balance on December 31st 2004	-	1.624	4.610	-	-	6.234	38
Depreciation	-	2.096	7.252	-	-	9.348	65
Carried over/brought forward	-	-	-	-	-	-	-
Surplus	-	-	-	-	-	-	-
Shortage	-	-	-	-	-	-	-
Written off and disposed of	-	-92	-369	-	-	-461	-
Balance on December 31st 2005	-	3.628	11.493	-	-	15.121	103
<u>Present value</u>							
Balance on December 31st 2004	2.399	44.338	56.254	3	-	102.994	201
Balance on December 31st 2005	1.020	38.294	51.205	3	7.762	98.284	236

For mortgaged real estate and equipment see Note 21.

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

11. FINANCIAL ASSETS AVAILABLE FOR SALE

	31.12.2005.	31.12.2004.
Shareholding stake in Hospitalija Centar d.o.o., Zagreb	0	23.328
Shares of Hotel Opera d.d., Zagreb	0	98.949
TOTAL	0	122.277

During 2005 the Company has sold shares of Hotel Opera d.d., Zagreb (now Hotel Westin d.d., Zagreb) at acquisition price net of currency translation losses, which amounted to HRK 282.000. Hospitalija Centar d.o.o. Zagreb was merged with the Company on June 1st 2005.

12. LONG TERM GUARANTEES

	31.12.2005.	31.12.2004.
Advances	11.063	66.090
Other	179	179
TOTAL	11.242	66.269

In previous years the Company has given Hypoleasing Kroatien d.o.o. a non interest bearing advance amounting to HRK 179.000 for the purpose of securing an operative lease on 3 vehicles.

In 2005 the Company has deposited EUR 1.500.000 in Reiffeisenbank Austria d.d. Zagreb (Bank) at an annual interest rate of 2,75%. This deposit is used as collateral to insure all liabilities of the borrower and co borrower (the Company) on the loan contract its first appendix that was concluded between the Bank and beneficiary of the loan - Uniline d.o.o. Grude, Republic of Bosnia and Herzegovina.

13. LONG TERM ADVANCES

	31.12.2005.	31.12.2004.
Advances for sale of equipment	4.935	6.954
Portion of the principal that is due in 2005 but that was not collected and principal that is due in the next year (Note 15)	-2.224	-2.019
TOTAL	2.711	4.935

Interest rate equals 4%. Final interest payments are due in 2009.

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

14. INVENTORIES

	31.12.2005.	31.12.2004.
Finished products	133.016	118.406
Raw materials	18.069	18.647
Trade goods	18	19
TOTAL	151.103	137.072

15. RECEIVABLES FOR ADVANCES

	31.12.2005.	31.12.2004.
Current portion of long term advances (Note 13)	2.224	2.019
Related parties ⁵	381	0
Tica d.o.o., Čađavica	401	681
Klas d.o.o., Beničanci	0	545
PZ Agrogradina Gradina	0	436
Artos d.o.o.	0	327
Petrović	0	266
Poljoprivredno dobro Gradina	0	150
Agromes Pitomača	0	21
Others	91	188
TOTAL	3.097	4.633

16. RECEIVABLES FROM SALES

	31.12.2005.	31.12.2004.
Domestic buyers	46.388	31.847
Foreign buyers	46.845	51.057
Receivables from related parties ⁶	14.436	14.042
Value adjustment of receivables from sales	(103)	0
TOTAL	107.566	96.946

⁵ See Note 25 (Related parties)

⁶ See Note 25 (Related parties)

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

17. OTHER RECEIVABLES

	31.12.2005.	31.12.2004.
Receivables for VAT	23.120	15.519
Receivables for stockholding share in Uniline d.o.o. Grude	8.998	0
Raiffeisen Cash	7.786	0
Receivables for prepaid income tax	26	3.777
Receivables from employees	37	15
Receivables from the State Government	58	278
Received advances	0	754
Received bills of exchange	17.522	7.608
Deferred charges	32	8
Other	2.316	2.475
TOTAL	59.895	30.434

18. CASH

	31.12.2005.	31.12.2004.
Current bank accounts	4.901	1.554
Foreign currency bank account	38.150	2.973
TOTAL	43.051	4.527

19. OWNER'S EQUITY

Authorized equity represents permanent source of financing. Nominal value of one share equals HRK 100. The ownership structure is as follows:

Balance December 31st 2005			
Shareholder	No. of shares⁷	%	000 HRK
EOS-Z d.o.o., Zagreb	530.400	51 %	53.040
Robić d.o.o., Velika Gorica	509.600	49 %	50.960
TOTAL	1.040.000	100 %	104.000

Balance December 31st 2004			
Members	No. of shares	%	000 HRK
EOS-Z d.o.o., Zagreb	3	51%	53.040
Robić d.o.o., Velika Gorica	3	49%	50.960
TOTAL	6	100%	104.000

⁷ Decision to transform from limited liability company to joint stock company was made on July 21st 2005.

VIRO Tvornica šećera d.d., VIROVITICA
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19. OWNER'S EQUITY - continued

On 12.12.2005 the Board of Managers has made, in accordance with Company Stockholders Assembly, a decision to increase Owner's Equity by issuing 346.667 new shares, each having a nominal value of 100 HRK and sale value of HRK 365.

On 23.12.2005 Croatian Securities and Exchange Commission has given approval to the Company to publish a prospectus for issuing shares through initial public offering (Klasa: UP/I-450-08/05-02/198; Ur. br. 567-01/05-4).

Initial public offering was made on 2.2.2006 when the whole subscription of 346.667 shares was filled at the sale price of HRK 365 per share.

20. RESERVES

	31.12.2005.	31.12.2004.
Legal (5 % of year 2005 Authorized Owner's Equity)	5.200	391
Revalorization reserves	22.597	25.618
		0
TOTAL	27.797	26.009

21. LIABILITIES FOR LONG TERM LOANS AND FINANCIAL LEASES

	31.12.2005.	31.12.2004.
Raiffeisenbank Austrija d.d., Zagreb	100.915	0
Zagrebačka banka d.d., Zagreb	20.916	27.970
<i>Total liabilities for long term loans</i>	<i>121.831</i>	<i>27.970</i>
Porsche Leasing d.o.o. Zagreb	142	0
<i>Total liabilities for financial leases</i>	<i>142</i>	<i>0</i>
Total liabilities for long term loans and financial leases	121.973	27.970
Payable in next year (Note 22)	(11.604)	(5.995)
TOTAL	110.369	21.975

Raiffeisenbank Austrija d.d., ZAGREB authorized 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), with a 4% variable interest rate and maturity in 2015. The Bank has collateralized the loan by placing a claim on the Company's plant and equipment, receiving 3 bills of exchange, 1 personal bill of exchange in the name of Marinko Zadro, 1 personal bill of exchange in the name of Dražen Robić and other insurance instruments.

Zagrebačka banka d.d., ZAGREB authorized the following loan:

- ◆ Loan for the amount of EUR 4.051.242,93. The loan was issued at LIBOR plus 3,5% interest rate with maturity in 2009. The Company has used the whole amount of the loan by the Balance Sheet date. The Bank has collateralized the loan by placing a claim on the Company's plant and equipment, receiving 20 bills of exchange, 1 note and other insurance instruments.

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NOTES TO THE FINANCIAL STATEMENTS
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22. LIABILITIES FOR SHORT TERM LOANS AND BORROWINGS

	31.12.2005.	31.12.2004.
Zagrebačka banka d.d., Zagreb	0	18.748
Poštanska banka d.d., Zagreb	49.888	33.178
Hospitalija nekretnine d.o.o.	0	16.674
Hospitalija d.d.	0	500
	49.888	69.100
Current portion of long term liabilities for long term loans and financial leases (Note 21)	11.604	5.995
TOTAL	61.492	75.095

23. LIABILITIES TO SUPPLIERS

	31.12.2005.	31.12.2004.
Domestic suppliers	58.858	52.947
Related parties ⁸	89	8.643
Foreign suppliers	22.708	28.350
Received advances	2.308	38.456
Hospitalija Centar d.o.o., Zagreb	0	24.000
TOTAL	83.963	152.396

24. OTHER SHORT TERM LIABILITIES

	31.12.2005.	31.12.2004.
Liabilities for gross salaries	4.041	2.413
Liabilities for taxes and contributions	201	249
Deferred charges	7.396	258
Liabilities for issued bills of exchange	0	91.713
Related parties ⁹	0	27.689
Other short term liabilities	4.358	588
TOTAL	15.996	122.910

⁸ See Note 25 (Related parties)

⁹ See Note 25 (Related parties)

VIRO Tvornica šećera d.d., VIROVITICA
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25. RELATED PARTIES

Balance of receivables and liabilities on December 31 st 2005	EOS-Z d.o.o., Zagreb	Robić d.o.o., V. Gorica
Receivables from sales	0	14.436
Receivables for given loans	0	381
Liabilities to suppliers	75	14
UKUPNO	75	14.831

Balance of receivables and liabilities on December 31 st 2004	EOS-Z d.o.o., Zagreb	Robić d.o.o., V. Gorica
Receivables from sales	0	14.042
Liabilities to suppliers	8.635	8
Liabilities for shareholding interests	15.439	12.250
TOTAL	24.074	26.300

Transactions during 2005 are reported in the Income Statement and are as follows:

	EOS-Z d.o.o., Zagreb	Robić d.o.o., V. Gorica
Revenues from sale of goods and services	0	32.652
Expenses	0	54
Interest expenses	171	0
TOTAL	171	32.706

Transactions during 2004 are reported in the Income Statement and are as follows:

	EOS-Z d.o.o., Zagreb	Robić d.o.o., V. Gorica
Revenues from sale of goods and services	0	37.349
Expenses	0	41
Interest expenses	70	0
TOTAL	70	37.390

VIRO Tvornica šećera d.d., VIROVITICA
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26. EMPLOYEE QUALIFICATION STRUCTURE

Structure	31.12.2005.	31.12.2004.
Masters Degree	1	1
College Bachelor degree	24	24
College Associate degree	10	10
High school degree	196	196
Elementary school degree	31	31
TOTAL (does not include seasonal workers)	262	262

27. FINANCIAL REPORTS ENDORSMENT

These Financial Reports were endorsed and issued by the Board of Managers on March 20th 2006.

Damir Barić, dipl. inž.
president of the Board of
Managers

Ivan Duvnjak, dipl. oecc.
member of the Board of
Managers

Ivan Tot, dipl. inž.
member of the Board of
Managers

VIRO d.d., VIROVITICA
BILJEŠKE UZ FINANCIJSKE IZVJEŠTAJE
(Svi iznosi u tisućama kuna)
