

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 2007**

Zagreb, March 2008

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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

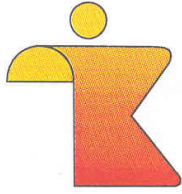
The Management is responsible for keeping accounting records that can at any given time, with reasonable accuracy, show the financial state of the Company. Also, the Management is responsible that Financial Reports are in accordance with the Accounting Law (Official Gazette 146/2005). Additionally, the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

In Virovitica, 26.3.2008.

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

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

Mr 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 2007 as well as Notes to the Financial Statements numbered from 1 to 26. These Financial Reports are responsibility of the Company's Management. Our responsibility is to form an opinion of Financial Reports based on our audit.
2. The audit was conducted in accordance with International Auditing Standards and encompassed planning and execution of auditing procedures to the level necessary to establish with reasonable certainty that Financial Statements do not contain significant mistakes. The audit included scrutiny of accounting records and their comparison with amounts recorded in the financial statements. The audit also included scrutiny of accounting policies, significant asset and liabilities estimates and overall presentation of Financial Statements. We believe that the audit which was conducted provides a solid basis for providing our professional opinion.
3. In our opinion, Financial Statements of Viro Tvornica šećera d.d., Virovitica, realistically and objectively reflect the financial situation and changes in cash flow in the Company as of December 31st 2007. Financial Statements are in accordance with International Financial Reporting Standards.

Zlatko Benčić, dipl. oec.
Certified Auditor and Director

In Virovitica, December 18th 2006 to March 28th 2008.

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

| | Note | 2007. | 2006. |
|---|------|------------------|------------------|
| OPERATING REVENUE | | 737.261 | 630.245 |
| Revenue from sales | 3 | 518.994 | 546.869 |
| Other operating revenue | 4 | 218.267 | 83.376 |
| OPERATING EXPENSES | | (644.510) | (525.033) |
| Costs of goods sold | 5 | (394.548) | (427.581) |
| General and Administrative Expenses | 6 | (249.962) | (97.452) |
| INCOME FROM OPERATIONS | | 92.751 | 105.212 |
| FINANCIAL REVENUE AND EXPENSES | | | |
| Financial revenue | 7 | 8.871 | 9.155 |
| Financial expenses | 8 | (10.101) | (12.552) |
| (LOSS) FROM FINANCIAL ACTIVITIES | | (1.230) | (3.397) |
| INCOME BEFORE TAXES | | 91.521 | 101.815 |
| Income tax | 9 | 0 | 0 |
| NET INCOME | | 91.521 | 101.815 |

Earnings per share in 2007 equals 66,00 HRK (2006. 73,42 HRK).

For and on behalf of the Company on March 26th 2008:

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 | 2007. | 2006. |
|---|-------------|----------------|----------------|
| LONG TERM ASSETS | | | |
| Intangible assets | 10 | 671 | 173 |
| Tangible assets (Property, plant & equipment) | 10 | 181.400 | 139.505 |
| Long term guarantees | 11 | 494 | 11.306 |
| Long term advances | 12 | 601 | 1.710 |
| TOTAL LONG TERM ASSETS | | 183.166 | 152.694 |
| SHORT TERM ASSETS | | | |
| Inventories | 13 | 318.575 | 181.405 |
| Receivables for advances | 14 | 10.841 | 3.900 |
| Receivables from sales | 15 | 179.963 | 120.599 |
| Financial and other receivables | 16 | 87.831 | 155.169 |
| Short term financial assets | 17a | 109.040 | 0 |
| Cash | 17 | 51.360 | 25.051 |
| TOTAL SHORT TERM ASSETS | | 757.610 | 486.124 |
| TOTAL ASSETS | | 940.776 | 638.818 |
| OWNER'S EQUITY | | | |
| Authorized equity | 18 | 249.600 | 249.600 |
| Capital gains | | 9.063 | 2.356 |
| Reserves | 19 | 39.763 | 36.504 |
| Retained earnings | | 100.216 | 14.981 |
| Net income for the current year | | 91.521 | 101.815 |
| TOTAL OWNER'S EQUITY | | 490.163 | 405.256 |
| LIABILITIES | | | |
| LONG TERM LOANS AND LEASES | | | |
| | 20 | 77.996 | 133.747 |
| SHORT TERM LIABILITIES | | | |
| Liabilities for loans and borrowings | 21 | 95.601 | 16.860 |
| Liabilities to suppliers | 22 | 264.662 | 73.997 |
| Other short term liabilities | 23 | 12.354 | 8.958 |
| TOTAL SHORT TERM LIABILITIES | | 372.617 | 99.815 |
| TOTAL OWNER'S EQUITY AND LIABILITIES | | 940.776 | 638.818 |

For and on behalf of the Company on March 26th 2008:

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 | Reserves and Capital Gains | Reserves for Treasury Stock | Retained Earnings | Net income for the current year | Total |
|--|--------------------|-------------------------------------|--------------------------------------|----------------------|---|----------------|
| Balance 31.12.2006. | 249.600 | 34.412 | 4.448 | 14.981 | 101.815 | 405.256 |
| Income transfer | 0 | 0 | 0 | 85.235 | (85.235) | 0 |
| Capital gains from sale of 10.000 treasury stocks | 0 | 6.707 | 0 | 0 | 0 | 6.707 |
| Reserves for treasury stock through sale of 10.000 treasury stocks | 0 | 0 | 6.279 | 0 | 0 | 6.279 |
| Income distribution | 0 | 0 | 0 | 0 | (16.580) | (16.580) |
| Brought forward to revenue | 0 | (3.020) | 0 | 0 | 0 | (3.020) |
| Income for the current year | 0 | 0 | 0 | 0 | 91.521 | 91.521 |
| Balance 31.12.2007. | 249.600 | 38.099 | 10.727 | 100.216 | 91.521 | 490.163 |

For and on behalf of the Company on March 26th 2008:

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)

| | 2007. | 2006. |
|--|-----------------|------------------|
| I CASH FLOW FROM OPERATING ACTIVITIES | | |
| Income before taxes | 91.521 | 101.816 |
| Income tax | 0 | 0 |
| Depreciation | 15.868 | 11.101 |
| Cash flow from achieved results | 107.389 | 112.917 |
| (Increase) in inventories | (138.430) | (33.106) |
| (Increase) in short term receivables | (63.263) | (18.194) |
| Increase (Decrease) in short term liabilities | 194.888 | (18.065) |
| Net cash flow from operating activities | 100.584 | 43.552 |
| II CASH FLOW FROM INVESTMENT ACTIVITIES | | |
| (Increase) in long term intangible assets | (633) | (23) |
| (Increase) in long term tangible assets | (57.629) | (52.236) |
| Decrease (increase) in long term financial assets | 10.812 | (64) |
| Decrease (increase) in long term receivables | 1.402 | 1.293 |
| (Increase) decrease in short term financial assets | (43.739) | (88.411) |
| Net cash flow from investment activities | (89.787) | (139.441) |
| III CASH FLOW FROM FINANCIAL ACTIVITIES | | |
| Increase (decrease) in own capital | (6.614) | 98.076 |
| Increase (decrease) in long term liabilities for loans | (17.010) | 28.634 |
| Increase (decrease) in short term liabilities from related parties | (864) | 1.067 |
| Increase (decrease) in short term loans | 40.000 | (49.888) |
| Net cash flow from financial activities | 15.512 | 77.889 |
| Net increase (decrease) in cash | 26.309 | (18.000) |
| Cash at the beginning of the year | 25.051 | 43.051 |
| Cash at the end of the year | 51.360 | 25.051 |

For and on behalf of the Company on March 26th 2008:

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 2007 the Company had 260 employees that were hired for an indefinite time period (270 employees in 2006).

Company Shareholder Assembly:

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

Board of Directors:

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

Board of Managers:

- 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:

| | 2007. | 2006. |
|---|--------------|--------------|
| 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

| | 2007. | 2006. |
|---------------------------------------|----------------|----------------|
| Sales in the domestic market | 259.736 | 199.567 |
| Sales to related parties ¹ | 39.515 | 22.746 |
| Sales in foreign markets | 219.743 | 324.556 |
| TOTAL | 518.994 | 546.869 |

4. OTHER OPERATING REVENUES

| | 2007. | 2006. |
|--|----------------|---------------|
| Sale of trade goods in domestic markets | 124.305 | 69.344 |
| Sale of trade goods in foreign markets | 80.236 | 0 |
| Sale to related parties - trade goods ¹ | 2.983 | 5.650 |
| Sale of long term assets | 1.119 | 791 |
| Revenue from removing reevaluation reserves for long term assets | 3.021 | 3.021 |
| Other operating revenues | 6.603 | 4.570 |
| TOTAL | 218.267 | 83.376 |

5. COST OF GOODS SOLD

| | 2007. | 2006. |
|---|----------------|----------------|
| Decrease (Increase) of work in process and finished goods inventories | (74.185) | 20.390 |
| Raw materials | 332.986 | 290.987 |
| Energy | 44.866 | 38.517 |
| Labor costs | 39.849 | 32.810 |
| Spare parts | 5.930 | 5.951 |
| Depreciation | 15.447 | 10.804 |
| Other costs | 29.655 | 28.122 |
| TOTAL | 394.548 | 427.581 |

¹ See note 24 (related parties)

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

| 6. GENERAL AND ADMINISTRATIVE EXPENSES | 2007. | 2006. |
|---|----------------|---------------|
| Purchase value of trade goods that is sold | 202.244 | 70.895 |
| Office supplies; restaurant, utilities, transport, rent, marketing, other services | 23.481 | 6.974 |
| Banking services | 2.095 | 2.272 |
| Depreciation | 422 | 298 |
| Salaries to general and administrative employees | 4.355 | 4.462 |
| Other expenses | 17.365 | 12.551 |
| TOTAL | 249.962 | 97.452 |

| 7. FINANCIAL REVENUES | 2007. | 2006. |
|------------------------------|--------------|--------------|
| Interest | 5.704 | 4.512 |
| Currency translation | 3.167 | 3.869 |
| Other | 0 | 774 |
| TOTAL | 8.871 | 9.155 |

| 8. FINANCIAL EXPENSES | 2007. | 2006. |
|------------------------------|---------------|---------------|
| Interest | 6.350 | 6.654 |
| Currency translation | 3.751 | 5.366 |
| Cost of bills of exchange | 0 | 532 |
| TOTAL | 10.101 | 12.552 |

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:

| | 2007. | 2006. |
|--|-----------------|-----------------|
| Accounting Net Income | 91.521 | 101.815 |
| Increase of income / reduction of loss | 5.522 | 3.068 |
| Decrease of income / increase of loss | (212) | (196) |
| <i>Taxable income</i> | 96.831 | 104.687 |
| Income tax rate | 20% | 20% |
| Income tax | 19.366 | 20.937 |
| Income tax relief | (19.366) | (20.937) |
| Tax liability | 0 | 0 |

The Company is using income tax relief, which was given to the Company in the form of a tax credit. The deadline for using this tax relief is year 2012. Article 26, Item 4 of the Income Tax Law (Official Gazette 177/04 and 90/05) stipulates a 0% income tax rate if a minimum investment of 60 million HRK is made and provided that over the course of 10 years a minimum of 75 people is employed. The 0% tax rate is in effect for 10 years from the beginning of the 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 | Artwork | Tangible assets impending | TOTAL | Intangible assets |
|---|-------|-----------|-----------|---------|---------------------------------|----------|----------------------|
| <u>Purchase value</u> | | | | | | | |
| Balance on December 31st 2006 | 1.020 | 55.427 | 108.538 | 3 | 298 | 165.286 | 362 |
| Increases | - | 2.036 | 24.079 | - | 61.993 | 88.108 | 633 |
| Carried over/brought forward | - | - | - | - | (29.502) | (29.502) | - |
| Written off and disposed of | - | - | (1.026) | - | - | (1.026) | - |
| Balance on December 31st 2007 | 1.020 | 57.463 | 131.591 | 3 | 32.789 | 222.866 | 995 |
| <u>Value adjustment</u> | | | | | | | |
| Balance on December 31st 2006 | - | 5.906 | 19.877 | - | - | 25.783 | 189 |
| Depreciation | - | 2.187 | 13.532 | - | - | 15.719 | 134 |
| Written off and disposed of | - | - | (36) | - | - | (36) | - |
| Balance on December 31st 2007 | - | 8.093 | 33.373 | - | - | 41.466 | 323 |
| <u>Present value</u> | | | | | | | |
| Balance on December 31st 2006 | 1.020 | 49.521 | 88.663 | 3 | 298 | 139.505 | 173 |
| Balance on December 31st 2007 | 1.020 | 49.370 | 98.218 | 3 | 32.789 | 181.400 | 671 |

For mortgaged real estate and equipment see Note 20.

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

11. LONG TERM GUARANTEES

| | 31.12.2007. | 31.12.2006. |
|-------------------------------|-------------|---------------|
| Advances to banks | 0 | 11.132 |
| Advances to leasing companies | 494 | 174 |
| TOTAL | 494 | 11.306 |

12. LONG TERM ADVANCES

| | 31.12.2007. | 31.12.2006. |
|---|-------------|--------------|
| Advances for sold equipment | 2.240 | 3.642 |
| Portion of the principal that matured in previous periods but that was not collected and principal that is maturing in 2008 the next year (Note 14) | (1.639) | (1.932) |
| TOTAL: | 601 | 1.710 |

The Company has sold equipment to its subcontractors (cooperators) by giving trade credits at 4% interest rate. Final interest payments are due in 2009.

13. INVENTORIES

| | 31.12.2007. | 31.12.2006. |
|-------------------|----------------|----------------|
| Finished products | 186.519 | 112.605 |
| Raw materials | 85.482 | 53.914 |
| Trade goods | 46.574 | 14.886 |
| TOTAL | 318.575 | 181.405 |

14. RECEIVABLES FOR SHORT TERM ADVANCES

| | 31.12.2007. | 31.12.2006. |
|---|---------------|--------------|
| Current portion of long term advances (Note 12) | 1.639 | 1.932 |
| Related parties ¹ | 149 | 15 |
| Grafocolor d.o.o. | 953 | 953 |
| Petrović | 0 | 664 |
| Tica d.o.o., Čađavica | 0 | 231 |
| Žeza d.o.o. | 4.720 | 0 |
| Luka d.d. Split | 3.014 | 0 |
| Other | 366 | 105 |
| TOTAL | 10.841 | 3.900 |

¹ See note 24 (related parties)

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

15. RECEIVABLES FROM SALES

| | 31.12.2007. | 31.12.2006. |
|---|----------------|----------------|
| Domestic buyers | 120.618 | 72.089 |
| Foreign buyers | 58.576 | 29.552 |
| Receivables from related parties ¹ | 2.758 | 19.293 |
| Value adjustment of receivables from sales | (1.989) | (335) |
| TOTAL | 179.963 | 120.599 |

16. OTHER RECEIVABLES

| | 31.12.2007. | 31.12.2006. |
|--|---------------|----------------|
| Hrvatska poštanska banka d.d. - deposits | 15.183 | 100.000 |
| Zagrebačka banka d.d.- deposits | 11.558 | 0 |
| Receivables for VAT | 31.899 | 28.160 |
| Received bills of exchange | 22.347 | 21.623 |
| Advances to suppliers | 6.362 | 5.101 |
| Receivables from the State Government | 386 | 185 |
| Receivables from employees | 30 | 34 |
| Receivables for prepaid income tax | 0 | 26 |
| Deferred charges | 62 | 25 |
| Other | 4 | 15 |
| TOTAL | 87.831 | 155.169 |

17. CASH

| | 31.12.2007. | 31.12.2006. |
|-------------------------------|---------------|---------------|
| Current bank accounts | 22.366 | 13.547 |
| Foreign currency bank account | 28.994 | 11.504 |
| TOTAL | 51.360 | 25.051 |

17a. SHORT TERM FINANCIAL ASSETS

| | 31.12.2007. | 31.12.2006. |
|--------------|----------------|-------------|
| Stocks | 109.040 | 0 |
| TOTAL | 109.040 | 0 |

VIRO Tvornica šećera d.d., VIROVITICA
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18. OWNER'S EQUITY

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

Ownership structure of equity as of 31.12.2007 is as follows:

| Balance 31. December 2007. | | |
|--|----------------------|--------------------|
| Shareholder | No. of shares | Ownership % |
| EOS-Z d.o.o., Zagreb | 465.483 | 33,5685 |
| Robić d.o.o., Velika Gorica | 449.600 | 32,4231 |
| Societe generale-Splitska banka d.d. /Allianz ZB d.o.o. for AZ obvezni mirovinski fond | 57.965 | 4,1802 |
| Hypo Alpe-Adria bank d.d./PBZ Croatia osiguranje d.d. Obvezni mirovinski fond | 41.181 | 2,9698 |
| Societe generale-Splitska banka d.d. /Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o. for Raiffeisen obvezni mirovinski fond | 39.005 | 2,8129 |
| Zadro Marinko | 34.417 | 2,4820 |
| Hrvatska poštanska banka d.d. | 15.387 | 1,1096 |
| HPB d.d./ Joint account for bank clients | 12.227 | 0,8818 |
| Zagrebačka banka d.d./ Joint custody account of Zagrebačka banka d.d. | 12.106 | 0,8730 |
| PBZ d.d. | 9.513 | 0,6860 |
| Raiffeisenbank Austria d.d. | 8.400 | 0,6058 |
| Others | 241.383 | 17,4100 |
| TOTAL | 1.386.667 | 100,0000 |

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19. RESERVES

| | 31.12.2007. | 31.12.2006. |
|--|---------------|---------------|
| Legal (5 % of year 2006 Authorized Owner's Equity) | 12.480 | 12.480 |
| Revalorization reserves | 16.556 | 19.576 |
| Reserves for share repurchase | 10.727 | 4.448 |
| TOTAL | 39.763 | 36.504 |

20. LIABILITIES FOR LONG TERM LOANS AND FINANCIAL LEASES

| | 31.12.2007. | 31.12.2006. |
|---|----------------|----------------|
| Raiffeisenbank Austrija d.d., Zagreb | 83.519 | 100.496 |
| Hrvatska poštanska banka | 50.000 | 50.000 |
| Total liabilities for long term loans | 133.519 | 150.496 |
| Porsche Leasing d.o.o. Zagreb | 78 | 111 |
| Total liabilities for financial leases | 78 | 111 |
| Total liabilities for long term loans and financial leases | 133.597 | 150.607 |
| Payable in next year (Note 21) | (55.601) | (16.860) |
| TOTAL | 77.996 | 133.747 |

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.

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

- ◆ Loan for the amount of **HRK 50.000.000,00** with a HBOR 4% interest rate and maturity in 2008. The Company has used the entire loan as of the date of the Balance Sheet. The Bank has collateralized the loan by placing a secured claim on the Company's sugar inventory at the 1:1,30 ratio, 10 personal bills of exchange, 1 bond note, 8 blank promissory notes and other instruments of insurance that the Bank requested.

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

21. LIABILITIES FOR SHORT TERM LOANS AND BORROWINGS

| | 31.12.2007. | 31.12.2006. |
|---|---------------|---------------|
| Zagrebačka banka d.d. | 10.000 | 0 |
| Raiffeisen bank d.d. | 30.000 | 0 |
| Total | 40.000 | |
| Current portion of long term liabilities for long term loans and financial leases (Note 20) | 55.601 | 16.860 |
| TOTAL | 95.601 | 16.860 |

22. LIABILITIES TO SUPPLIERS

| | 31.12.2007. | 31.12.2006. |
|------------------------------|----------------|---------------|
| Domestic suppliers | 81.511 | 54.733 |
| Related parties ¹ | 17 | 1.067 |
| Foreign suppliers | 121.945 | 15.848 |
| Received advances | 61.189 | 2.349 |
| TOTAL | 264.662 | 73.997 |

¹ See note 24 (related parties)

23. OTHER SHORT TERM LIABILITIES

| | 31.12.2007. | 31.12.2006. |
|---|---------------|--------------|
| Liabilities for gross salaries | 4.439 | 5.880 |
| Liabilities for taxes and contributions | 285 | 348 |
| Deferred charges | 6.518 | 1.082 |
| Other short term liabilities | 1.112 | 1.648 |
| TOTAL | 12.354 | 8.958 |

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

24. RELATED PARTIES

| Balance of receivables and liabilities on December 31st 2007 | EOS-Z d.o.o., Zagreb | Robić d.o.o., V. Gorica |
|--|---------------------------------|------------------------------------|
| Receivables from sales | 2.758 | 12.173 |
| Liabilities to suppliers | 0 | 17 |
| Receivables for given loans | 0 | 149 |
| Balance of receivables and liabilities on December 31st 2006 | EOS-Z d.o.o., Zagreb | Robić d.o.o., V. Gorica |
| Receivables from sales | 6.492 | 12.801 |
| Liabilities to suppliers | 0 | 1.067 |
| Receivables for given loans | 0 | 15 |

Transactions during 2007 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 | 11.449 | 31.049 |
| Cost of goods and services | (11.201) | (29.159) |

Transactions during 2006 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 | 7.210 | 21.186 |
| Cost of goods and services | (5.676) | (20.171) |

VIRO Tvornica šećera d.d., VIROVITICA
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Board of Managers, Members of the Board and Employees

Board of Managers of the Company has received salaries in the amount of HRK 1.488.thousand (HRK 1.275 thousand in 2006)

Board of Managers own 628 shares, and members of the Board of Directors own 34.427 shares of the Company.

Employees of the Company (excluding Board of Managers and one member of the Board) owned, as of 31.12.2007, 4.853 shares of the Company.

25. EMPLOYEE QALIFICATION STRUCTURE

| Structure | 31.12.2007. | 31.12.2006. |
|--|--------------------|--------------------|
| Masters Degree | 1 | 1 |
| College Bachelor degree | 25 | 27 |
| College Associate degree | 10 | 10 |
| High school degree | 195 | 199 |
| Elementary school degree | 29 | 33 |
| TOTAL (does not include seasonal workers) | 260 | 270 |

26. FINANCIAL REPORTS ENDORSMENT

These Financial Reports were endorsed and issued by the Board of Managers on March 26th 2008.

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

Ivan Duvnjak, dipl. oec.
Member of the Board of Managers

Mr Ivan Tot, dipl. inž.
Member of the Board of Managers

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