

**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 31<sup>st</sup> 2006**

**Zagreb, March 2007**

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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, 28.3.2007.

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

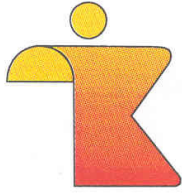
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Ivan Duvnjak, dipl. oecc.  
member of the Board of  
Managers

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

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**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 31<sup>st</sup> 2006 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 31<sup>st</sup> 2006. Financial Statements are in accordance with International Financial Reporting Standards.

Zlatko Benčić, dipl. oec.  
Certified Auditor and Director

In Virovitica, December 14<sup>th</sup> 2006 to March 28<sup>th</sup> 2007

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

	Note	2006.	2005.
<b>OPERATING REVENUE</b>		<b>630.245</b>	<b>496.628</b>
Revenue from sales	3	546.869	431.447
Other operating revenue	4	83.376	65.181
<b>OPERATING EXPENSES</b>		<b>(525.033)</b>	<b>(417.245)</b>
Costs of goods sold	5	(427.581)	(354.252)
General and Administrative Expenses	6	(97.452)	(62.993)
<b>INCOME FROM OPERATIONS</b>		<b>105.212</b>	<b>79.383</b>
<b>FINANCIAL REVENUE AND EXPENSES</b>			
Financial revenue	7	9.155	7.084
Financial expenses	8	(12.552)	(12.899)
<b>(LOSS) FROM FINANCIAL ACTIVITIES</b>		<b>(3.397)</b>	<b>(5.815)</b>
<b>INCOME BEFORE TAXES</b>		<b>101.815</b>	<b>73.568</b>
Income tax	9	0	0
<b>NET INCOME</b>		<b>101.815</b>	<b>73.568</b>

Earnings per share in 2006 equals iznosi 73,42 HRK (2005. 70,74 HRK).

For and on behalf of the Company on March 28<sup>th</sup> 2007:

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 31<sup>st</sup>**  
(in 000 HRK)

<b>ASSETS</b>	<b>Note</b>	<b>2006.</b>	<b>2005.</b>
<b>LONG TERM ASSETS</b>			
Intangible assets	10	173	236
Tangible assets (Property, plant & equipment)	10	139.505	98.284
Long term guarantees	11	11.306	11.242
Long term advances	12	1.710	2.711
<b>TOTAL LONG TERM ASSETS</b>		<b>152.694</b>	<b>112.473</b>
<b>SHORT TERM ASSETS</b>			
Inventories	13	181.405	151.103
Receivables for advances	14	3.900	3.097
Receivables from sales	15	120.599	107.566
Financial and other receivables	16	155.169	59.895
Cash	17	25.051	43.051
<b>TOTAL SHORT TERM ASSETS</b>		<b>486.124</b>	<b>364.712</b>
<b>TOTAL ASSETS</b>		<b>638.818</b>	<b>477.185</b>
<b>OWNER'S EQUITY</b>			
Authorized equity	18	249.600	104.000
Capital gains		2.356	0
Reserves	19	36.504	27.797
Retained earnings		14.981	0
Net income for the current year		101.815	73.568
<b>TOTAL OWNER'S EQUITY</b>		<b>405.256</b>	<b>205.365</b>
<b>LIABILITIES</b>			
<b>LONG TERM LOANS AND LEASES</b>	20	<b>133.747</b>	<b>110.369</b>
<b>SHORT TERM LIABILITIES</b>			
Liabilities for loans and borrowings	21	16.860	61.492
Liabilities to suppliers	22	73.997	83.963
Other short term liabilities	23	8.958	15.996
<b>TOTAL SHORT TERM LIABILITIES</b>		<b>99.815</b>	<b>161.451</b>
<b>TOTAL OWNER'S EQUITY AND LIABILITIES</b>		<b>638.818</b>	<b>477.185</b>

For and on behalf of the Company on March 28<sup>th</sup> 2007:

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
<b>Balance 31.12.2004.</b>	<b>104.000</b>	<b>26.009</b>	<b>0</b>	<b>32.677</b>	<b>35.226</b>	<b>197.912</b>
Distribution of income	0	4.809	0	30.417	(35.226)	0
Carried over / brought forward	0	0	0	(63.094)	0	(63.094)
Brought forward to revenue	0	(3.021)	0	0	0	(3.021)
Income for the current year	0	0	0	0	73.568	73.568
<b>Balance 31.12.2005.</b>	<b>104.000</b>	<b>27.797</b>	<b>0</b>	<b>0</b>	<b>73.568</b>	<b>205.365</b>
Income transfer	0	0	0	73.568	(73.568)	0
Carried over / brought forward	0	9.635	13.867	(23.502)	0	0
Increase owner's equity	145.600	0	0	(30.637)	0	114.963
Purchase own shares	0	0	(9.419)	9.419	0	0
Distribution of income	0	0	0	(13.867)	0	(13.867)
Brought forward to revenue	0	(3.020)	0	0	0	(3.020)
Income for the current year	0	0	0	0	101.815	101.815
<b>Balance 31.12.2006.</b>	<b>249.600</b>	<b>34.412</b>	<b>4.448</b>	<b>14.981</b>	<b>101.815</b>	<b>405.256</b>

For and on behalf of the Company on March 28<sup>th</sup> 2007:

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)

	2006.	2005.
<b>I CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before taxes	101.816	73.568
Income tax	0	0
Depreciation	11.101	9.413
<b>Cash flow from achieved results</b>	<b>112.917</b>	<b>82.981</b>
(Increase) in inventories	(33.106)	(15.575)
(Increase) in short term receivables	(18.194)	(11.838)
Increase (Decrease) in short term liabilities	(18.065)	(115.107)
<b>Net cash flow from operating activities</b>	<b>43.552</b>	<b>(59.539)</b>
<b>II CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
(Increase) in long term intangible assets	(23)	(100)
(Increase) in long term tangible assets	(52.236)	(4.636)
Decrease (increase) in long term financial assets	(64)	177.304
Decrease (increase) in long term receivables	1.293	2.018
(Increase) decrease in short term financial assets	(88.411)	(24.959)
<b>Net cash flow from investment activities</b>	<b>(139.441)</b>	<b>149.627</b>
<b>III CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Increase (decrease) in own capital	98.076	(66.115)
Increase (decrease) in long term liabilities for loans	28.634	94.002
Increase (decrease) in short term liabilities from related parties	1.067	(32.550)
Increase (decrease) in short term borrowings	0	(17.174)
Increase (decrease) in short term loans	(49.888)	(2.038)
Increase (decrease) in income (shares/stakes)	0	(27.689)
<b>Net cash flow from financial activities</b>	<b>77.889</b>	<b>(51.564)</b>
<b>Net increase (decrease) in cash</b>	<b>(18.000)</b>	<b>38.524</b>
<b>Cash at the beginning of the year</b>	<b>43.051</b>	<b>4.527</b>
<b>Cash at the end of the year</b>	<b>25.051</b>	<b>43.051</b>

For and on behalf of the Company on March 28<sup>th</sup> 2007:

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)

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## **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 23<sup>rd</sup> 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 2006 the Company had 270 employees that were hired for an indefinite time period (262 employees in 2005).

### **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)

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## **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)

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**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:

	<b>2006.</b>	<b>2005.</b>
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)

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**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)

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**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. PRIHODI OD PRODAJE PROIZVODA**

	<b>2006.</b>	<b>2005.</b>
Sales in the domestic market	199.567	187.227
Sales to related parties <sup>1</sup>	22.746	32.652
Sales in foreign markets	324.556	211.568
<b>TOTAL</b>	<b>546.869</b>	<b>431.447</b>

**4. OTHER OPERATING REVENUES**

	<b>2006.</b>	<b>2005.</b>
Sale of trade goods	69.344	50.224
Sale to related parties - trade goods <sup>1</sup>	5.650	0
Sale of long term assets	791	5.637
Reevaluation of long term assets	3.021	3.021
Other operating revenues	4.570	6.299
<b>TOTAL</b>	<b>83.376</b>	<b>65.181</b>

**5. COST OF GOODS SOLD**

	<b>2006.</b>	<b>2005.</b>
(Increase) of work in process and finished goods inventories	20.390	(14.457)
Raw materials	290.987	254.431
Energy	38.517	37.961
Labor costs	32.810	28.988
Spare parts	5.951	4.458
Depreciation	10.804	9.142
Other costs	28.122	33.729
<b>TOTAL</b>	<b>427.581</b>	<b>354.252</b>

<sup>1</sup> See note 24 (related parties)

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

<b>6. GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>2006.</b>	<b>2005.</b>
Purchase value of trade goods sold	70.895	47.894
Office supplies; restaurant, utilities, transport, rent, marketing, other services	6.974	4.545
Banking services	2.272	2.195
Depreciation	298	270
Salaries to general and administrative employees	4.462	3.399
Other expenses	12.551	4.690
<b>TOTAL</b>	<b>97.452</b>	<b>62.993</b>

<b>7. FINANCIAL REVENUES</b>	<b>2006.</b>	<b>2005.</b>
Interest	4.512	854
Currency translation	3.869	5.748
Other	774	482
<b>TOTAL</b>	<b>9.155</b>	<b>7.084</b>

<b>8. FINANCIAL EXPENSES</b>	<b>2006.</b>	<b>2005.</b>
Interest to unrelated parties	6.654	7.551
Currency translation	5.366	5.177
Cost of bills of exchange	532	0
Interest to related parties <sup>1</sup>	0	171
<b>TOTAL</b>	<b>12.552</b>	<b>12.899</b>

<sup>1</sup> See note 24 (related parties)

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

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**9. INCOME TAX**

December 31<sup>st</sup> tax Balance Sheet is as follows:

	<b>2006.</b>	<b>2005.</b>
Accounting Net Income	101.815	73.568
Increase of income / reduction of loss	3.068	2.860
Decrease of income / increase of loss	(196)	(53)
<i>Taxable income</i>	104.687	76.375
Income tax rate	20%	20%
<b>Income tax</b>	<b>20.937</b>	<b>15.275</b>
<b>Income tax relief</b>	<b>(20.937)</b>	<b>(15.275)</b>
<b>Tax liability</b>	<b>0</b>	<b>0</b>

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	Paintings	Tangible assets impending	TOTAL	Intangible assets
<b><u>Purchase value</u></b>							
<b>Balance on December 31<sup>st</sup> 2005</b>	1.020	41.922	62.698	3	7.762	113.405	339
Increases	-	-	-	-	52.840	52.840	22
Carried over/brought forward	-	13.506	46.799	-	(60.304)	0	-
Surplus	-	-	-	-	-	-	-
Shortage	-	-	-	-	-	-	-
Written off and disposed of	-	-	(958)	-	-	(958)	-
<b>Balance on December 31<sup>st</sup> 2006</b>	1.020	55.428	108.539	3	298	165.288	361
<b><u>Value adjustment</u></b>							
<b>Balance on December 31<sup>st</sup> 2005</b>	-	3.628	11.493	-	-	15.121	103
Depreciation	-	2.279	8.722	-	-	11.001	85
Carried over/brought forward	-	-	-	-	-	-	-
Surplus	-	-	-	-	-	-	-
Shortage	-	-	-	-	-	-	-
Written off and disposed of	-	-	(339)	-	-	(339)	-
<b>Balance on December 31<sup>st</sup> 2006</b>	-	5.907	19.876	-	-	25.783	188
<b><u>Present value</u></b>							
<b>Balance on December 31<sup>st</sup> 2005</b>	1.020	38.294	51.205	3	7.762	98.284	236
<b>Balance on December 31<sup>st</sup> 2006</b>	1.020	49.521	88.663	3	298	139.505	173

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**

	<b>31.12.2006.</b>	<b>31.12.2005.</b>
Advances	11.132	11.063
Other	174	179
<b>TOTAL</b>	<b>11.306</b>	<b>11.242</b>

The Company made a deposit in 2005 to Reiffeisenbank Austria d.d. Zagreb (Bank) in the amount of 1.500.000 EUR at an 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

Company has given Hypoleasing Kroatien d.o.o. a non interest bearing advance amounting to HRK 174.000 (179.000 HRK in 2005) for the purpose of securing an operative lease on 3 vehicles.

**12. LONG TERM ADVANCES**

	<b>31.12.2006.</b>	<b>31.12.2005.</b>
Credit for sold equipment	3.642	4.935
Portion of the principal that is due in 2006 but that was not collected and principal that is due in the next year (Note 15)	-1.932	-2.224
<b>TOTAL:</b>	<b>1.710</b>	<b>2.711</b>

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

**VIRO Tvornica šećera d.d., VIROVITICA**  
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**13. INVENTORIES**

	<b>31.12.2006.</b>	<b>31.12.2005.</b>
Finished products	112.605	133.016
Raw materials	53.914	18.069
Trade goods	14.886	18
<b>TOTAL</b>	<b>181.405</b>	<b>151.103</b>

**14. RECEIVABLES FOR ADVANCES**

	<b>31.12.2006.</b>	<b>31.12.2005.</b>
Current portion of long term advances (Note 12)	1.932	2.224
Relater parites <sup>1</sup>	15	381
Grafocolor d.o.o.	953	0
Petrović	664	0
Tica d.o.o., Čađavica	231	401
Other	105	91
<b>TOTAL</b>	<b>3.900</b>	<b>3.097</b>

<sup>1</sup> See note 24 (related parties)

**15. RECEIVABLES FROM SALES**

	<b>31.12.2006.</b>	<b>31.12.2005.</b>
Domestic buyers	72.089	46.388
Foreign buyers	29.552	46.845
Receivables from related parties <sup>1</sup>	19.293	14.436
Value adjustment of receivables from sales	(335)	(103)
<b>TOTAL</b>	<b>120.599</b>	<b>107.566</b>

**VIRO Tvornica šećera d.d., VIROVITICA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. OTHER RECEIVABLES**

	<b>31.12.2006.</b>	<b>31.12.2005.</b>
HPB d.d. deposit	100.000	7.786
Receivables for VAT	28.160	23.120
Received bills of exchange	21.623	17.522
Advances to suppliers	5.101	2.297
Receivables from the State Government	185	58
Receivables from employees	34	37
Receivables for prepaid income tax	26	26
Deferred charges	25	32
Receivables for given advances - related parties <sup>1</sup>	15	0
Receivables for stockholding share in Uniline d.o.o. Grude	0	8.998
Other	0	19
<b>TOTAL</b>	<b>155.169</b>	<b>59.895</b>

<sup>1</sup> See note 24 (related parties)

**17. CASH**

	<b>31.12.2006.</b>	<b>31.12.2005.</b>
Current bank accounts	13.547	4.901
Foreign currency bank account	11.504	38.150
<b>TOTAL</b>	<b>25.051</b>	<b>43.051</b>

**18. OWNER'S EQUITY**

Authorized equity is divided into 1.386.667 shares and does not bear a nominal value.

Ownership structure of equity for 2005 and 2006 is as follows:

<b>Balance 31. prosinca 2006.</b>		
<b>Shareholder</b>	<b>No. of shares</b>	<b>Ownership %</b>
EOS-Z d.o.o., Zagreb	465.483	33,5685
Robić d.o.o., Velika Gorica	449.600	32,4231
Zadro Marinko	64.917	4,6815
Robić Dražen	45.000	3,2452
HPB d.d./ Zbirni račun-domaće fizičke osobe	33.406	2,4091
Hypo Alpe-Adria bank d.d./PBZ Croatia osiguranje d.d. Obvezni mirovinski fond	26.076	1,8805
PBZ d.d.	18.167	1,3101
HPB d.d./KD Investments-Victoria fond	16.733	1,2067
Viro tvornica šećera d.d.	15.000	1,0817
Hrvatska poštanska banka d.d.	14.240	1,0269
HPB d.d./HPB-Invest-HPB Global OIF	14.023	1,0113
Others	224.022	16,1554
<b>Ukupno</b>	<b>1.386.667</b>	<b>100,0000</b>

**VIRO Tvornica šećera d.d., VIROVITICA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Balance 31. prosinca 2005.**

Member	No. of shares	%
EOS-Z d.o.o., Zagreb	3	51%
Robić d.o.o., Velika Gorica	3	49%
<b>TOTAL</b>	<b>6</b>	<b>100%</b>

**19. RESERVES**

	31.12.2006.	31.12.2005.
Legal (5 % of year 2006 Authorized Owner's Equity)	12.480	5.200
Revalorization reserves	19.576	22.597
Reserves for share repurchase	4.448	0
<b>TOTAL</b>	<b>36.504</b>	<b>27.797</b>

**20. LIABILITIES FOR LONG TERM LOANS AND FINANCIAL LEASES**

	31.12.2006.	31.12.2005.
Raiffeisenbank Austrija d.d., Zagreb	100.496	100.915
Hrvatska poštanska banka	50.000	0
Zagrebačka banka d.d., Zagreb	0	20.916
<b>Total liabilities for long term loans</b>	<b>150.496</b>	<b>121.831</b>
Porsche Leasing d.o.o. Zagreb	111	142
<b>Total liabilities for financial leases</b>	<b>111</b>	<b>142</b>
Total liabilities for long term loans and financial leases	150.607	121.973
Payable in next year (Note 22)	(16.860)	(11.604)
<b>TOTAL</b>	<b>133.747</b>	<b>110.369</b>

*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 HAVOR 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 claim on the Company's plant and equipment, copayment of Company's Owner, 20 personal bills of exchange, 1 bond note and other instruments of insurance that the Bank requested.

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

**21. LIABILITIES FOR SHORT TERM LOANS AND BORROWINGS**

	31.12.2006.	31.12.2005.
Poštanska banka d.d., Zagreb	0	49.888
	0	49.888
Current portion of long term liabilities for long term loans and financial leases (Note 20)	16.860	11.604
<b>TOTAL</b>	<b>16.860</b>	<b>61.492</b>

**22. LIABILITIES TO SUPPLIERS**

	31.12.2006.	31.12.2005.
Domestic suppliers	54.733	58.858
Related parties <sup>1</sup>	1.067	89
Foreign suppliers	15.848	22.708
Received advances	2.349	2.308
<b>TOTAL</b>	<b>73.997</b>	<b>83.963</b>

<sup>1</sup> See note 24 (related parties)

**23. OTHER SHORT TERM LIABILITIES**

	31.12.2006.	31.12.2005.
Liabilities for gross salaries	5.880	4.041
Liabilities for taxes and contributions	348	201
Deferred charges	1.082	7.396
Other short term liabilities	1.648	4.358
<b>TOTAL</b>	<b>8.958</b>	<b>15.996</b>

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

**24. RELATED PARTIES**

Balance of receivables and liabilities on December 31 <sup>st</sup> 2006	EOS-Z d.o.o., Zagreb	Robić d.o.o., V. Gorica
Receivables from sales	6.492	12.801
Receivables for given loans	0	15
Liabilities to suppliers	0	1.067
<b>TOTAL</b>	<b>6.492</b>	<b>13.883</b>

Balance of receivables and liabilities on December 31 <sup>st</sup> 2005	EOS-Z d.o.o., Zagreb	Robić d.o.o., V. Gorica
Receivables from sales	0	14.436
Liabilities to suppliers	0	381
Liabilities for shareholding interests	75	14
<b>TOTAL</b>	<b>75</b>	<b>14.831</b>

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
Expenses	5.676	20.171
Interest expenses	0	0
<b>TOTAL</b>	<b>12.886</b>	<b>41.279</b>

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
<b>TOTAL</b>	<b>171</b>	<b>32.706</b>

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

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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 1.275.000 (HRK 1.106.000 in 2005)

Board of Managers own 628 shares, and members of the Board of Directors own 109.947 shares of the Company.

Employees of the Company own 7.337 shares of the Company.

**25. EMPLOYEE QUALIFICATION STRUCTURE**

<b>Structure</b>	<b>31.12.2006.</b>	<b>31.12.2005.</b>
Masters Degree	1	1
College Bachelor degree	27	24
College Associate degree	10	10
High school degree	199	196
Elementary school degree	33	31
<b>TOTAL (does not include seasonal workers)</b>	<b>270</b>	<b>262</b>

**26. FINANCIAL REPORTS ENDORSMENT**

These Financial Reports were endorsed and issued by the Board of Managers on March 28<sup>th</sup> 2007.

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

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

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

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

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