

## **NOTES TO BALANCE SHEET as of December 31, 2008**

Company "Sojaproteing" A.D. with registered office at Industrijska Zona bb, Becej was incorporated in 1985 as a socially-owned enterprise.

It operates as a joint stock company from 2001.

Core activity of the Company is production of crude oils and fats.

"Sojaprotein" A.D. Becej (the "Company") is the major processor of soybean in Serbia and one of the most significant processors in Central and Eastern Europe. The Company was incorporated in 1977 as the Work Organization for Industrial Processing of Soybean in Incorporation Procedure, and the procedure was completed in 1985.

In 1991 the Company Management passed the decision on issue of internal shares to the employees and performed transformation of the Company in this manner. In the course of 2000 and 2001 the Company had privatized the remaining socially-owned capital through issue of free shares, subscribed by employees and other natural persons and in accordance with the Ownership Transformation Act 1997. Privatization procedure was completed in 2002 through sale of shares from the Share Fund Portfolio; thereafter the entire original capital of the Company was held in private ownership. When complying to the Company Law the Company "Sojaprotein" A.D. Becej was registered as an open joint stock company, and on and as of October 26, 2007 its shares were listed and traded on the exchange market – A Listing of Belgrade Exchange a.d. Belgrade.

Core activity of the Company is soybean grain processing whereby a series of full-fat and defatted products, such as flour, groats and textures, as well as soybean oil, soybean meal and soybean lecithin are produced. Ancillary segment of the Company's business operations is trade of agricultural products and intermediaries intended for agricultural production, as well as buy-up of agricultural products.

Events occurring after the Balance Sheet Date: Pooling of business functions required by several members was performed at the level of Victoria Group as follows: contracting of production and procurement of raw materials, transportation and storing of goods, as well as restructuring of production and production programs within the Group members. Within the performed restructuring the deals of production contracting and procurement of raw materials was transferred from the Company to "Victoria Logistic" DOO Novi Sad on and as of January 1, 2009. With respect to the restructuring of production and production programs within the Group members the Fish Fodder Production Plant – Soprofish will be transferred from "Sojaprotein" A.D. to its Subsidiary "Veterinary Institute "Subotica" A.D. Subotica, whereas "Sojaprotein" A.D. production capacities for food industry and human consumption products manufactured at higher level of soybean processing will be increased through new investments, whereby the Company's Development Plans will be implemented.

Decision on Public Offering of Ordinary Shares of the 8<sup>th</sup> Issue for the purpose of increasing the Company's original capital by new stakes in total volume of RSD 2,499,134,967.56, i.e. 5,390,000 ordinary shares was passed on the Company Meeting held on February 19, 2009.

Ten major shareholders in the capital structure of the Company constituted 55.46% of total share capital as of December 31, 2008.

Average number of employees was 401 in the course of 2008.

## **2. BASES OF FINANCIAL STATEMENTS PREPARATION AND PRESENTATION AND ACCOUNTING METHOD**

Pursuant to the Law on Accounting and Audit ("Official Gazette of the Republic of Serbia", No. 46 dated June 2, 2006) legal persons and entrepreneurs in the Republic of Serbia are obliged to: maintain their business books; recognize and assess their property and liabilities and revenues and expenses; prepare, present, deliver and disclose their financial statements in accordance with the legal and professional regulations which implies the Financial Statements Preparation and Presentation Framework (the "Framework"), International Accounting Standards ("IAS"), i.e. International Financial Reporting Standards ("IFRS"), as well as respective interpretations which constitute an integral part of standards.

Under the Decision (No. 011-00-738-2003-01 dated December 30, 2003) issued by the Ministry of Finance of the Republic of Serbia the Framework and IAS were set up and announced which became effective as of December 31, 2002 on which the former and current Law on Accounting and Audit were based.

Amendments to IAS, as well as the new IFRS and corresponding interpretations issued by the International Accounting Standards Committee and International Financial Reports Interpretation Committee were officially adopted after the date mentioned above by the Decision on Announcement of International Financial Reporting Standards (No. 401-00-11/2008-16) issued by the Minister of Finance of the Republic of Serbia and published in the "Official Gazette of the Republic of Serbia", No. 16 of February 12, 2008.

<b>NOTE 1 – INTANGIBLE INVESTMENTS</b>	
Company presented its intangible investments in amount of RSD 11,053 thousand. Intangible investments were initially evaluated at their cost at the time of their respective procurement or at their prime cost if made at own engagement. After initial recognition, intangible investments were carried at cost or prime cost reduced for generated amortization and total impairment losses.	
<b>NOTE 2 – PROPERTY, PLANTS AND EQUIPMENT</b>	
Company presented the value of property, plants and equipment in amount of RSD 3,469,390 thousand. All goods classified in this group were carried at their fair value (evaluation was made in 2005 by an independent appraiser). Depreciation was calculated by applying the STRAIGHT LINE method to the purchase price.	

From January 1 until December 31, 2008 the Company invested in:	
New FACILITIES	RSD 93,612 thousand
New EQUIPMENT	RSD 68,384 thousand
As of December 31, 2008 the balance of investments made during the year amounted to RSD 407,078 thousand. Major investments were as follows:	
1. SPI/SPC FACTORY – Project documentation	RSD 46,726 thousand
2. "Kirka" BOILER	RSD 61,299 thousand
3. BOILER-ROOM FUELED BY BIOMASS	RSD 99,342 thousand
4. STORAGE ROOM NEXT TO THE BOILER-ROOM FUELED BY BIOMASS	RSD 69,236 thousand
Construction of boiler-room fueled by biomass (soybean straw and silo waste) and storage room and chemical water treatment unit has been completed and the trial run is in progress. Total investments in this project with corresponding infrastructure included were RSD 327,443 thousand. Economic effects of the investment are lower prices of power sources achieved by replacement of current gas with biomass for power generation as well significant environmental effects achieved by reduced emission of CO <sub>2</sub> and global pollution. Implementation of the Soybean Protein Isolates and Concentrates Production Plant Project has commenced by development of the conceptual design of future plant and consulting services have been contracted with the company specialized in providing consulting services in the soybean proteins industry and recognized through the world. Down payments for the investment in progress amounted to RSD 148,309 thousand. Major investments relate to investing in textures manufacturing equipment – extruder, full-fat products line and packaging line of products at higher levels of processing.	
<b>NOTE 3 – INVESTMENT PROPERTY</b>	
As of December 31, 2008 investment property amounted to RSD 110,424 thousand and related to:	
1. MIXING PLANT in B. Palanka	RSD 26,280 thousand
2. WAREHOUSE in B. Palanka	RSD 2,842 thousand
3. MASTER CENTER	RSD 81,302 thousand
<b>NOTE 4 – STAKES IN CAPITAL</b>	
The Company has following stakes:	
1. Stakes in subsidiaries :	RSD 369,984 thousand
- "VOBEX_INTERSOJA" Moscow 85.00%	RSD 1,112 thousand
- "VETERINARY INSTITUTE" A.D. Subotica 32.05%	RSD 368,872 thousand

2. Stakes in other related parties :	RSD 76,486 thousand
This group covers stakes in capital of the following companies:	
- "BELA LADJA" Hotel AD Becej - 31.81% - RSD 64,626 thousand	
- "SP LABORATORIES"A.D. Becej – 15.28% - RSD 11,859 thousand	
3. Stakes in capital of other legal persons:	RSD 16,656 thousand
This Group includes stakes in capital of several banks; however, each individual stake does not present substantially significant item.	
<b>NOTE 5 – OTHER LONG-TERM FINANCIAL INVESTMENTS</b>	
The Company presented the value of long-term financial placements in amount of RSD 227,231 thousand. Major items relate to the granted conditional loans. The granted loan include the switch clause. Part of Sojaprotein's business policy is active participation in support of primary agricultural production and long-term provision of raw materials. Granting of conditional loans to major oil plant manufacturers for construction of storage capacities is one mode of support. Company has provided both storage capacities for the bought-up raw materials for longer time and raw materials required for processing through buy-up from the manufacturers by these investments. In 2008 the major investments in form of conditional loans were granted to the following companies:	
- "AGROPOTEZ" Adasevac	
- DOO"ALBATROS" SID	
- "ULJARICE" ZZ NEGOTIN	
- OOO "NIZINE" PLAVNA	
- "VELIKI BRACA" VLAJKOVAC	
- "ULJARICE BACKA" NOVI SAD	
- DOO "PRODUKT" ZRENJANIN	
- "AGRO OPTIMUM" BELOTIC	
These investments in the form of granted loans will be taken over by "Victoria Logistic" DOO Novi Sad in the next period as a part of restructuring being implemented and logistic function pooling with respect to provision and procurement of raw materials required for processing of the members of Victoria Group.	
<b>NOTE 6 – INVENTORIES</b>	
Company presented in its Balance Sheet inventories in amount of:	RSD 6,858,305 thousand
Major share of stocks relates to the basic raw material (soybean grain) and amounts to RSD 4,641,078 thousand calculated at cost increased for variable costs. As of December 31, 2008 stocks of basic raw material were: 165,323,441 kg of soybean grain of JUS quality standard. Major stocks of merchandise were as follows:	
- Wheat - 33,352,921 kg	RSD 407,799 thousand

- Corn - 62,971,168 kg	RSD 309,498 thousand
- Various types of fertilizers – 23,681,960 kg	RSD 814,141 thousand
Value of merchandise on stock has been carried at their average purchase price.	
In 2008 5,799,630.40 kg of JUS quality soybean grain – crop 2006 and 142,330,262.30 kg of JUS quality soybean grain – crop 2007 and 213,090,610.70 kg of JUS quality soybean grain – crop 2008, respectively, was processed.	
Major stocks of finished products as of December 31, 2008 were: - Soybean oil – 1,966,611 kg, i.e. RSD 43,305 thousand - Soybean meal – 672,306 kg, i.e. RSD 20,075 thousand Total value of stocks of finished products amounted to RSD 163,002 thousand as of December 31, 2008.	
Produced volume of crude soybean oil and soybean meal in 2008 was 38,554,500 kg and 133,438,248 kg, respectively.	
Cost of finished products has been determined on the basis of actual raw materials consumed as established through production orders issued within the manufacturing department and variable costs.	
Down payments amounted to RSD 181,241 thousand and relate to the goods paid in advance as well as raw materials financing.	
<b>NOTE 7 – RECEIVABLES</b>	
Company presented total receivables of RSD 7,496,094 thousand in its Balance Sheet as follows:	
- Receivables from parent legal persons amounted to	RSD 215,085 thousand
Major share of RSD 191,900 thousand relates to the Victoria Group based on the goods sold to be collected in the next period.	
- Receivables from related legal entities amounted to	RSD 3,747,362 thousand
Major share of RSD 3,555,456 thousand relates to Victoria Oil based on exchange of crude soybean oil against sunflower oil in accordance with the annual Contract and sale of 142.025 kg sunflower grain – crop 2008 – required for “Victoria Oil”’s annual processing needs that are settled in kind, i.e. financially, under the provisions of contract whereby 40,000 tons of soybean grain – crop 2009 is contracted.	
- Domestic trade receivables amounted to	RSD 3,051,468 thousand
Receivables of RSD 1,209,876 thousand relate to the intermediaries supplied for oil plants production. Major share was settled in kind, i.e. through the compensation in first two months of the year 2009; remaining balance will be transferred under contracts on debt transfer against supply of oil and other agricultural plants – crop 2009 – and paid in kind by applying the switch clause. Receivables of RSD 1,275,396 thousand relate to mineral fertilizers and pesticides supplied and distributed to farmers partially for the crop 2008 and partially for the crop 2009, provided that due and outstanding receivables were partially collected or will be collected in the first quarter of 2009. All these	

<p>receivables are based on the contracts with switch clause included to prevent risk of exposure against impairment of dinar receivables. In the next period, Victoria Logistics will take over all due and outstanding receivables resulting from investments granted to farmers as a result of performed logistic function pooling procedure within the Victoria Group System.</p> <p>Receivable of RSD 566,196 originates from regular commercial sale of products manufactured within the current assortment. Major share relates to the fish fodder program and soybean meal whose sale was contracted with the switch clause to be applied at the date of respective payment.</p>	
- Foreign trade receivables amounted to	RSD 424,767 thousand
The amount of RSD 133,620 thousand was collected in January 2009.	
- Receivables from specific deals and from government authorities amounted to	RSD 57,412 thousand
<b>NOTE 8 – RECEIVABLES FROM OVERPAID PROFIT TAX</b>	
<p>Company presented overpaid profit tax of RSD 131,838 thousand in its Balance Sheet. Profit tax was calculated pursuant the applicable Law on Profit Tax (“Official Gazette of the Republic of Serbia”, No. 25/2001, 80/2002, 43/2003 and 84/2004). Company will file application for refunding of the overpaid profit tax in accordance with the current regulations.</p>	
<b>NOTE 9 – SHORT-TERM FINANCIAL PLACEMENTS</b>	
<p>Short-term financial placements amounted to RSD 247,483 thousand as of December 31, 2008. Structure of placements is as follows:</p> <ul style="list-style-type: none"> <li>- Loan granted in kind (wheat) to the company “Zitoprodukt” in amount of 75,951 thousand with contracted pre-emption right;</li> <li>- Loan granted in kind (soybean) to the company “Milenijum Ban”, Novo Selo in amount of RSD 66,884 thousand subject to return of the soybean grain from crop 2009;</li> <li>- On the basis of provisions under the Individual Collective Labor Agreement employees were paid the loan granted for winter food supplies in the course of 2008. Remaining balance of the receivables amounted to RSD 12,315 thousand. Payment risk is minimum since the outstanding receivable is collected by respective employee’s salary stoppage;</li> <li>- Current share of long-term loans granted to employees due within the period amounted to RSD 225 thousand;</li> <li>- Short-term share of conditional loans granted to farmers due within one year amounted to RSD 92,107 thousand. In order to prevent the risk of impairment of these receivables the switch clause was contracted.</li> </ul>	
<b>NOTE 10 – OFF-BALANCE ASSETS</b>	

The amount of RSD 8,662,079 thousand includes guarantees and security issued by "Sojaprotein" as grantor in amount of RSD 2,489,402 thousand. The amount of RSD 5,815,885 thousand charged in debited to the Off-balance Account presents the bank guarantees issued by bank guarantors of credits granted to "Sojaprotein" A.D.

"Sojaprotein" issues security and guarantees primarily to its related parties, except for some individual cases when the security was granted to business partners due to long standing business cooperation.

The amount of RSD 356,791 thousand relates to goods owned by other entities and stored in our warehouses; major stocks are stocks of sunflower – crop 2008 – of 18,121,662 kg.

#### **NOTE 11 – ORIGINAL CAPITAL**

By the decision of Securities and Exchange Commission dated December 27, 2007 approval for 7<sup>th</sup> issue of shares for replacement of existing shares for their distribution was granted. Pursuant to the Decision of the Sojaprotein AD Meeting dated December 20, 2007 replacement of 1,078,000 shares of individual book value of RSD 2,318.30702 was made resulting in original capital of RSD 2,499,134,967.56 divided in 5,390,000 ordinary shares of individual book value of RSD 463.661404. Issue of new 5,390,000 shares resulted in increase of shares in accordance with the replacement ratio 1:5; however, percentage share of each shareholder in the original capital remained unchanged.

Structure of capital as of December 31, 2008 was as follows:

VICTORIA GROUP Novi Sad-25.59%, Privredna Banka Zagreb DD-5.71%, VICTORIA OIL AD Sid-5.51%, FERTIL DOO Backa Palanka-4.64%, ZB INVEST DOO ZA UPR.INVEST.FO-3.81%, SOCIETE GENERALE –Splitska banka-2.86%, Elixir Group DOO Sabac-2.84% , Fashion Company DOO Belgrade-2.80%, Hypo Kastodi -2.57%, Unicredit bank AD Kastodi – 2.10% making 58.39% of total capital.

Company Meeting passed the Decision on Public Offering of Ordinary Shares of 8<sup>th</sup> Issue dated February 19, 2009 with the objective to increase the original capital in full amount of RSD 2,499,134,967.65, i.e. 5,390,000 ordinary shares with no par value and book value of RSD 463.661404. Shares of 8<sup>th</sup> issue will be sold to shareholders of Sojaprotein A.D. with preferential subscription rights at the price of RSD 851.00 per share. Shares of 8<sup>th</sup> issues will be sold to shareholders who exercised their preferential subscription rights and other interested parties at the price of RSD 946.00 per share. It will be considered that the public offering is successful if at least 10% of offered shares will be subscribed and paid. Shareholders may exercise their preferential subscription rights of ordinary shares of 8<sup>th</sup> issue within 22 days from the commencement date of term defined for subscription and payment of shares as clearly stated in the Public Invitation for Subscription and Payment of Securities. After expiry of the term for subscription and payment of shares on the basis of preferential rights, the remaining shares may be subscribed and paid by other interested parties. Term for subscription and payment of shares of 8<sup>th</sup> issue for persons without preferential rights is 11 days. Proceeds collected through this issue of shares are allocated for refinancing of the current credit indebtedness of the Company for buy-up of oil plants – crop 2008 / as well as for investments in increase of capacities for manufacturing products for human consumption and increase of export.

Filing the Application for approval of the Shares Issue Prospect with the Securities and Exchange Commission is currently in progress.

**NOTE 12 – BOUGH-UP TREASURY SHARES**

On the basis of Decision of the Board of Directors dated March 18, 2008 on acquisition of treasury shares on the organized market in order to prevent further higher and direct damage to the Company (whereby acquisition of 9.99% of treasury shares was approved) "Sojaprotein" A.D. Becej acquired 54,491 treasury shares bought at the Belgrade Exchange, i.e. 1.010965% of total shares in total amount of RSD 25,265 thousand – book value of RSD 463.661404 per share. Value of RSD 45,975 relates to the issue premium.

Disposal of treasury shares to be offered to all shareholders on pro rate basis was approved by the Decision of Company Meeting passed on February 19, 2009. Remaining unsold shares will be offered for sale on the organized market. Company Board of Directors is authorized to define the Disposal Procedure Elements (Sale) of Treasury Shares (number of shares to be disposed, price or manner of its establishing, procedure and date of payment, terms and manner of disposal) by the Decision of Company Meeting.

**NOTE 13 - LONG-TERM PROVISIONS**

Long-term provisions for redundancy pay at the time of retirement and jubilee awards (pursuant to IAS 19) amounted to RSD 46,777 thousand.

**NOTE 14 – LONG-TERM LIABILITIES**

Long-term liabilities consist of foreign long-term credits and financial lease.

**Foreign long-term credits**

	Currency	Initial Amount	Current Amount	2008	2007
Vojvodjanska Banka a.d., Novi Sad	EUR	10,756,277	10,756,277	953,017	852,286
Hypo Group Netherlands Corporate Finance B.V (Contract No.SR/1390)	EUR	30,000,000	30,000,000	-	2,377,086
Hypo Group Netherlands Corporate Finance B.V (Contract No.77/08)	EUR	15,000,000	7,492,000.02	663,799	
Hypo Group Netherlands Corporate Finance B.V (Contract No.87/08)	EUR	25,000,000	12,500,000.02	1,107,512	
European Bank	EUR	5,000,000	4,642,857	411,362	-
European Bank	EUR	10,000,000	7,000,000	620,207	-
Banka Koper	EUR	10,000,000	7,272,727.27	644,371	-
Yapi Kredi Bank Nederland N.V.	EUR	10,000,000	7,500,000.00	664,507	-
Societe Generale	EUR	5,000,000	384,620	34,078	-
<b>Total Liabilities:</b>	EUR		57,548,481.31	5,098,853	3,229,372

Liability to Vojvodjanska Banka is disputed and the procedure is pending.

Company is exposed to the risk of change in interest rates and exchange rate of EUR, since all long-term credits the contracted interest is equal to EURIBOR, either monthly or quarterly, increased for the fixed margin. Company's exposure to interest rates has been increased in the current period due to increase of credit indebtedness. In addition to the interest rate risks the Company is also exposed to



the risk of changes in exchange rates. Currently is very difficult to foreseen trends of the EUR exchange rate and interest rates on the unstable financial market for a longer time period. Therefore, the Company Meeting passed the Decision on New Issue for collecting proceeds for refinancing the current credit indebtedness; furthermore credit lines from Hypo Group and EFG Bank were restructured and significantly extension of grace period was obtained.

Long-term liabilities with respect to the financial lease amounted to RSD 7,036 thousand.

**NOTE 15 – SHORT-TERM FINANCIAL LIABILITIES**

	Currency	Current Amount	Amount in RSD thousand
Hypo Alpe Adri Bank International AG, Austria	EUR	6,128,472.35	542,989
Hypo Group Netherlands Corporate Finance B.V (Contract No.77/08)	EUR	7,507,999.98	665,216
Hypo Group Netherlands Corporate Finance B.V (Contract No.87/08)	EUR	12,499,999.98	1,107,512
European Bank	EUR	357,143	31,643
European Bank	EUR	2,000,000	177,202
Banka Koper	EUR	2,727,272.73	241,639
Yapi Kredi Bank Nederland N.V.	EUR	5,000,000	443,005
Yapi Kredi Bank Nederland N.V.	EUR	2,500,000	221,503
Societe Generale	EUR	4,615,380	408,927
EFG New Europe Funding B.V.	EUR	18,600,000	1,647,979
<b>Total Liabilities</b>	EUR	61,936,268.04	5,487,615

Short-term liabilities represent the current share of long-term liabilities which will be due within a year. Interest and exchange rate risks are present with respect to the short-term liabilities as well. Liability amounting to RSD 5,487,615 thousand is the dinar equivalent of EUR 61,936,268.04 at the mean rate of the National Bank of Serbia prevailing on December 31, 2008. EUR rate changes will be presented in 2009 as of the credit payment date as currency gains or currency losses as compared to December 31, 2008. Interest rate is variable since it depends on EURIBOR trends (either monthly or quarterly).

Events that occurred after the Balance Sheet Date:

Annex to the Credit Contract No. 87/08 was entered with Hypo Group, whereby grace period has been extended for another 12 months and, accordingly, there is no short-term liability for the credit, except for regular payment of accrued interest in 2009.

Annex on restructuring of Credit Indebtedness was entered with EFG Bank for the 6-month period, resulting in short-term liability of EUR 12,000,000 of which EUR 4,000,000 was paid in 2009.

Short-term liability of financial lease amounts to RSD 6,559 thousand.

**NOTE 15 – OPERATING LIABILITIES**

Company presented in its Balance Sheet the amount of RSD 1,766,792 thousand.

Specified liabilities relate to:

- Liabilities for received advances in amount of: RSD 23,648 thousand.

These liabilities relate to successive supply of soybean meal which is evenly withdrawn within the contracted term.
- Liabilities for down payments from parent companies and related parties in amount of: RSD 94,915 thousand;
- Liabilities for down payments in foreign currency: RSD 90 thousand;
- Liabilities to parent companies: RSD 101,283 thousand
- Liabilities to related parties: RSD 183,075 thousand
Liabilities to parent companies and related parties will be settled against the respective receivables in the next quarter.
- Other trade payables:
In amount of: RSD 1,244,740 thousand.
Liabilities of RSD 532,612 thousand relate to the liability for delivered soybean grain in visible trade (oil, soybean and sunflower meal). Liability based on accepted soybean grain from crop 2008 with corresponding costs amounted to RSD 224,484 thousand. Liability based on accepted sunflower from crop 2008 with corresponding costs amounted to RSD 230,933 thousand. Liabilities for intermediaries and seed amounted to RSD 41,479 thousand. Liability for purchased corn amounted to RSD 56,558 thousand. All these liabilities for raw materials were compensated or paid in the first two months of 2009. Liabilities related to investments in fixed assets amounted to RSD 22,786 thousand and the remaining balance of RSD 134,088 thousand relates to other liabilities.
- Foreign trade payables:
In amount of: RSD 16,068 thousand
- Liabilities related to uninvoiced goods:
In amount of: RSD 102,974 thousand

Becej, February 28, 2009

*LEGAL REPRESENTATIVE*

Pavlovic Branislava