

## **NOTES TO THE BALANCE SHEET as of March 30, 2011**

### **BASIC PARTICULARS ON THE COMPANY**

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

From 2001 the Company has been operating as a joint stock company.

Privatization procedure was initiated by issue of internal shares to employees in 1991 and closed by disposal of shares included in the Share Fund Portfolio in 2002. From October 26, 2007 the Company's shares have been marketed on the exchange market – A Listing of Beogradska Berza a.d. Beograd (Belgrade Exchange).

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

"Sojaprotein" A.D., Becej (the "Company") is leading soybean processor in Serbia and one of the major processor in the region of Central and Eastern Europe.

In the first quarter of 2009 pooling of operating functions performed for several Members at the level of Victoria Group was completed, i.e. contracting the production and procurement of raw materials, transport and storage of goods as well as reorganization of the production structure and programs within the companies-members of the Group. From January 1, 2009, "Victoria Logistic" DOO Novi Sad has been performing the contracting of production and procurement of raw materials formerly conducted by the Company.

On the basis of the Decision on increase of the capital stock and the Decision on the 9<sup>th</sup> issue of ordinary shares without public offering for increase of the capital stock from retained profit passed by the Company Meeting on its session held on June 30, 2010 the Securities and Exchange Commission approved by its Decision no. 4/0-24-3242/4-10 dated July 22, 2010 the 9<sup>th</sup> issue of ordinary voting shares with no par value and total book value of RSD 1,030,969,678.26, i.e. 2,223,540 ordinary shares. Registration of the shares of 9<sup>th</sup> issue in the records maintained by the Central Securities, Depository and Clearing House was made on August 13, 2010 resulting in the increase of the Company stock capital by RSD 1,030,969,678.26, i.e. 2,223,540 ordinary voting shares. After increase the Company stock capital amount to RSD 4,564,674,191.21 and it is divided in 9,844,844 shares with no par value and book value of RSD 463.661404 per share.

Ten major shareholders in the capital structure made 75.40% of total share capital as of March 31, 2011.

There were 377 employees on the financial statements preparation date.

### **2. BASES FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND THE ACCOUNTING POLICIES**

Pursuant to the Law on Accounting and Audit ("Official Gazette of the Republic of Serbia", No. 46 dated June 2, 2006) legal entities and entrepreneurs incorporated in the Republic of Serbia are obliged to maintain business books, recognize and evaluate their assets and liabilities, revenues and expenses and to prepare, present, submit and disclose their financial statements in accordance with the legal and professional regulations, that is the Framework for Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards ("IAS"), i.e. International Financial Reporting Standards ("IFRS") as well as interpretations which make an integral part thereto.

Framework and IAS to be applied as of December 31, 2002 were determined and published under the Decision issued by the Minister of Finance of the Republic of Serbia (No. 011-00-738-2003-01 dated December 30, 2003) whereon both, the former and current Law on Accounting and Audit 2006 and Amendments and Supplements to the Law on Accounting of December 30, 2009 are based.

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

### **NOTE 1 – INTANGIBLE ASSETS**

<p>The Company presented intangible assets in the amount of RSD 6,181 thousand. Intangible assets were initially valued at their cost at the time of their acquisition or production cost when produced within the Company.</p> <p>After initial recognition, intangible assets are carried at their cost or production cost reduced for total amortization and total losses resulting from their impairment.</p>	
<b>NOTE 2 – PROPERTY, PLANTS AND EQUIPMENT</b>	
<p>The Company presented property, plants and equipment in the amount of RSD 4,077,392 thousand as of March 31, 2011. All assets in this group were presented at their fair value (valuation performed in 2005 by the independent appraiser). Depreciation was calculated at the STRAIGHT-LINE method on the cost.</p>	
<p>As of March 31, 2011 balance on the account Investments in Progress amounted to RSD 89,796 thousand. Total investments in 2011 were made as follows: investments in property under construction amounted to RSD 87,114 thousand and in equipment and plants under construction amounted to RSD 2,682 thousand. Major investments in progress are:</p>	
1. SPI/SPC PLANT – project documentation/6751/	RSD 55,941 thousand
2. Reconstruction of the UTILITY PLANT/1445/	RSD 2,740 thousand
3. Alcohol Extraction Plant/7646/	RSD 3,713 thousand
4. Wells II,III,IV /7013-7015/	RSD 19,069 thousand
5. Gas boiler III /7689/	RSD 1,745 thousand
<p>Works related to the construction of the Soybean Protein Concentrates Production Plant have continued. Implementation of the 1<sup>st</sup> phase is going on and includes construction of the traditional soybean concentrates production plant with annual capacity of 70,000 tons. Current activities consist of the facility construction works and preparations for the supply of the agreed equipment. Completion of construction and installation of the equipment is expected until the end of November of the current year. Trial production will commence immediately thereafter. Total value of the 1<sup>st</sup> investment phase – construction of the traditional soybean concentrates production plant – is EUR 22.5 million, of which the Company has already invested approximately EUR 6 million. Considering that the soybean concentrates represent a product at the highest level of finalization as well as their wide use in the animal food industry, production of milk replacements for piglets and calves feeding and food for human consumption, the Company expects significant increase of revenues from sale of soybean concentrates. After completion of the 1<sup>st</sup> investment phase, the Company will commence the implementation of the 2<sup>nd</sup> phase related to the production of functional soybean concentrates with annual capacity of 15,000 tons which are used in the food industry, primarily meat processing due to its functional performances and emulsification capacities. Estimated value of the investment is EUR 19.5 million. Construction of the modern high-rack finished products warehouse with 14,000 palette places commenced in the first quarter of 2010, in accordance with the FIFA world standards. The investment value is approx. EUR 3 million and its completion is expected until the end of September of the current year. Furthermore, additional equipment for increase of the production capacities of textured products has been contracted in total value of EUR 1 million. Prepayments made for investments in progress amounted to RSD 662,757 thousand.</p>	
<b>NOTE 3 – INVESTMENT ASSETS</b>	
<p>As of March 31, 2011 the investment assets amounted to RSD 332,034 thousand and included :</p>	
1. MIXING PLANT in Backa Palanka	RSD 26,280 thousand
2. STORAGE in B. Palanka	RSD 2,842 thousand
3. MASTER CENTER	RSD 81,302 thousand
4. SILO in B. PALANKA	RSD 221,610 thousand
<p>which has been leased to “Victoria Logistic” for storing agricultural products from June 1, 2009.</p>	
<b>NOTE 4 – STAKES IN EQUITY</b>	
<p>Company has the following stakes:</p>	

1. Stakes in subsidiaries :	RSD 784,730 thousand
- "VOBEX INTERSOJA" Moscow – 85.00%	RSD 1,112 thousand
- "VETERINARSKI ZAVOD"AD Subotica – 59.17%	RSD 783,618 thousand
2. Stakes in equity of other related legal entities :	RSD 64,626 thousand
In this group are included stakes in the equity of following companies:	
- "BELA LADJA" Hotel AD Becej – 31.81%	
3. Stakes in equity of other legal entities:	RSD 8,237 thousand
In this group are included stakes in equity of other legal entities which individually do not present a substantially significant item.	
<b>NOTE 5 – OTHER LONG-TERM FINANCIAL INVESTMENTS</b>	
Company presented long-term financial investments in the amount of RSD 3,666 thousand.	
Reduction of long-term financial investment against the previous period resulted from transfer of receivables accrued from conditioned borrowings granted for construction of the storage capacities to the company "Victoria Logistic" D.O.O. Novi Sad. These transfers make a part of reorganization and pooling of activities to procurement of raw materials, transport and storing of goods which have been performed by the company "Victoria Logistic" within the Victoria Group from 2009.	
<b>NOTE 6 – INVENTORIES</b>	
Inventories were presented in the Company balance sheet in the amount of:	RSD 4,504,231 thousand
Major portion inventories related to raw materials and other material amounting to RSD 3,626,889 thousand, of which basic raw material (soybean grain) amounted to RSD 3,417,610 thousand calculated at average purchase price, i.e. in volume - 98,759,229 kg soybean grain of JUS quality.	
Commodities on stock amounted in total to RSD 16,615 thousand.	
Value of commodities on stock was carried at average purchase price.	
In the first quarter of 2011 54,809,942 kg of the soybean grain of JUS quality was processed.	
Value of finished products on stock as of March 31, 2011 amounted to RSD 843,664 thousand, and the major stocks of finished products were:	
- Soybean oil – 2,553,060 kg, i.e. in value of RSD 53,477 thousand;	
- Soybean meal – 16,762,522 kg, i.e. in value of RSD 602,601 thousand;	
- Soybean meal – intermediary – 2,136,586 kg, i.e. in value of RSD 27,382 thousand.	
Produced volume of crude soybean oil in 2011 amounted to 10,994,300 kg and the soybean meal to 32,205,720 kg.	
Price of finished products is determined on the basis of actually consumed raw materials which are established on the basis of production orders and dependent costs.	
The amount of RSD 17,062 thousand relates to the prepayments made for raw materials.	
<b>NOTE 7 – RECEIVABLES</b>	
Company presented in its balance sheet total receivables in the amount of RSD 4,490,012 thousand as follows:	
- Receivables from parents amounted to:	RSD 129,578 thousand
Major portion of receivables amounting to RSD 66,073 thousand relayed to Victoria Group and the remaining balance of RSD 63,505 thousand related to Veterinarski Zavod Subotica, all based on the goods sold that will be collected in the next period.	
- Receivables from related legal entities amounted to:	RSD 2,713,895 thousand
Major portion of receivables from related legal entities relate to the Victoria Logistic and amounted to RSD 2,108,808 thousand on the basis of supplied soybean meal in the amount of RSD 714,956 thousand and assumed receivable of RSD 1,302,106 thousand as a prepayment for buy-up of the soybean grain – crop 2011, as well as RSD 91,746 thousand for lease of silo and storage services.	

Receivables from Victoria-Oil, Sid in the amount of RSD 604,999 thousand relate to the goods supplied that will be compensated or paid in the 2 <sup>nd</sup> quarter of 2011.	
- Trade receivables – domestic amounted to:	RSD 763,994 thousand
The receivable of RSD 340,667 thousand mainly relates to financing of the soybean grain – crop 2011 and it will be compensated by exchange for the soybean grain in the buy-up period. Portion of the receivable of RSD 423,327 thousand related to regular sale of products from the current production range and mainly relates to the soybean meal sold and the balance relates to the sale of soybean products and goods.	
- Trade receivables – foreign amounted to:	RSD 690,511 thousand
Receivables amounting to RSD 690,511 thousand originate from regular sales of oil, meal and product of higher processing phases on foreign markets.	
Receivables from specific transactions and with state authorities amounted to:	RSD 11,506 thousand
Major portion of receivables from specific transactions relates to receivables from importers and amounted to RSD 4,557 thousand.	
- Other receivables amounted to:	RSD 180,528 thousand
Other receivables related to interest received from "Victoria Group" in the amount of RSD 104,385 thousand and a portion of receivables from export incentives in the amount of RSD 55,311 thousand.	
<b>NOTE 8 – SHORT-TERM FINANCIAL INVESTMENTS</b>	
As of March 31, 2011 short-term financial investments amounted to RSD 1,587,180 thousand. Their structure was as follows:	
- Short-term borrowings to the parent in the amount of RSD 1,470,865 thousand;	
- Other short-term financial investments in the amount of RSD 116,315 thousand.	

**NOTE 9 - OFF-BALANCE ASSETS**

Off-balance assets amounted to RSD 8,778,658 thousand as of March 31, 2011. The amount of RSD 8,757,889 thousand related to guarantees and collaterals issued. "Sojaprotein" is issuing collaterals mainly to related legal entities, except for individual cases when the collaterals were granted to business partners on the basis of long standing business cooperation. The amount of RSD 20,769 thousand related to goods of others stored in our storage premises, primarily soybean.

**NOTE 10 – CAPITAL STOCK**

Value of the Company capital stock amounted to RSD 4,564,674 thousand as of March 31, 2011.

As of March 31, 2011 the list of top 10 shareholders by the number of shares held was as follows :

VICTORIA GROUP N. Sad – 62.94%, Privredna Banka Zagreb – 3.08%, East Capital Asset Manag.- 1.99%, Gustaviada Vegardh Fonder Aktie - 1.58%, Erste&Steiermarkische Bank d.d.-1.32%, Unicredit Bank Austria AG – 1.11%, Hypo Kastodi 4 – 1.04%, NLB Clients – 0.84%, Proinvestments a.d. – 0.82%, Erste Bank Custody 00001 – 0.69%.

On its regular session held on June 30, 2010 the Meeting passed the Decision on increase of the capital stock of "Sojaprotein" A.D. Becej from retained profit in the amount of RSD 1,030,969,678.25 by issue of 2,223,540 new shares of 9<sup>th</sup> issue with no par value and book value of RSD 463.661404 per share. Company shareholders under the records maintained by the Central Securities, Depository and Clearing House on the Decision date were entitled to free shares from this increase of the capital stock pro rata to their stake in the existing capital stock and. The Securities and Exchange Commission approved by its Decision no. 4/0-24-3242/4-10 dated July 22, 2010 the 9<sup>th</sup> issue of ordinary voting shares with no par value and total book value of RSD 1,030,969,678.26, i.e. 2,223,540 ordinary shares. Registration of the shares of 9<sup>th</sup> issue in the records maintained by the Central Securities, Depository and Clearing House was made on August 13, 2010 resulting in the increase of the Company stock capital by RSD 1,030,969,678.26, i.e. 2,223,540 ordinary voting shares. After increase the Company stock capital amounts to RSD 4,564,674,191.21 and it is divided in 9,844,844 shares with no par value and book value of RSD 463.661404 per share.

**NOTE 11 – LONG-TERM PROVISIONS**

Long-term provisions for severance pays at the time of retirement and jubilee awards (applying IAS 19) amounted to RSD 45,136 thousand.

**NOTE 12 – LONG-TERM LIABILITIES**

Long-term liabilities amounted to ..... RSD 1,758,602 thousand.  
Item of long-term liabilities includes long-term foreign credits granted and financial lease.

Long-term foreign credits amounted to RSD 1,758,067 thousand.

	Currency	Initial amount	Amount in the currency	03/31/2011
European Bank	EUR	5,000,000	3,214,285.70	332,984
European Bank	EUR	10,000,000	3,000,000.00	310,785
Vojvodjanska Banka a.d., Novi Sad (Paris Club) (the liability is disputed and the proceedings are pending)	EUR	10,756,276.60	10,756,276.60	1,114,298
<b>Total liabilities</b>	EUR		16,970,562.30	1,758,067

The Company is exposed to interest and EUR exchange risks with respect to all its credit liabilities, since the agreed interest rate on all long-term credits is equal to one-month, three-month or six-month EURIBOR increased by a fixed margin.

Long-term liabilities based on financial lease amounted to RSD 535 thousand.

**NOTE 13 – SHORT-TERM FINANCIAL LIABILITIES**

Short-term liabilities amounted to RSD 2,429,462 thousand and included liabilities based on domestic short-term credits, portion of foreign long-term credits maturing within a year and a portion of liabilities for the financial lease maturing within a year.

Domestic short-term credits amounted to RSD 2,004,319 thousand. Following banks are creditors:

Komercijalna Banka EUR 502,748.31 short-term credit for export financing with the currency clause  
 Komercijalna Banka EUR 7,730,260.30 short-term credit for export financing  
 Societe Gener. Bank EUR 4,000,000.00 short-term credit for financing the long-standing current assets  
 Eurobanka EFG Banka EUR 666,666.67 short-term credit for financing the long-standing current assets  
 Credit Agricole Banka EUR 5,000,000.00 short-term credit for financing the long-standing current assets  
 Komercijalna Banka RSD 200,000,000.00 short-term credit for export financing  
 Short-term credits that will become due and payable within a year

	Currency	Amount in the currency	Amount in '000 of dinars
Banka Koper	EUR	2,727,272.72	282,532
European Bank	EUR	357,142.86	36,998
European Bank	EUR	1,000,000.00	103,595
<b>Total liabilities:</b>	EUR	<b>4,084,415.58</b>	<b>423,125</b>

Interest and exchange risks exist with respect to short-term liabilities as well. The liability of RSD 423,125 thousand represents dinar equivalent of EUR 4,084,415.58 calculated at the mean exchange rate of the National Bank of Serbia prevailing on March 31, 2011. The interest rate is variable and depends on movements of (one-month, three-month or six-month) EURIBOR.

**NOTE 14 – OPERATING LIABILITIES**

Operating liabilities presented in the balance sheet amounted to RSD 1,075,008 thousand.

The liabilities include :

- Liabilities for prepayments received in the amount of RSD 344,150 thousand;

These liabilities will be settled through successive supply of soybean meal in equal volumes within the agreed time period.

-Liabilities for prepayments made in foreign currency equal to RSD 4,163 thousand;

- Liabilities to the parent :
In the amount of RSD : 947 thousand.
- Liabilities to related legal entities:
In the amount of RSD 141,010 thousand.
Liabilities to the parent and related legal entities will be set-off by existing receivables from them in the next quarter.
- Trade payables – domestic:
In the amount of RSD 564,693 thousand include:
Liabilities amounting to RSD 477,183 thousand relate to supplied soybean grain exchanged for soybean meal and refined sunflower oil in accordance with the agreed time periods and delivery terms. All liabilities related to the procurement of raw materials will be compensated in the next quarter. Liabilities from investments in fixed assets amounted to RSD 9,422 thousand, and the remaining balance of RSD 78,088 thousand relates to other liabilities.
- Liabilities for goods not invoiced yet amounted to RSD 11,278 thousand.
- Trade payables – foreign:
In the amount of RSD 8,767 thousand.

Becej, April 30, 2011

**LEGAL REPRESENTATIVE**

\_\_\_\_\_  
**Pavlovic Branislava**