



**Report of Sojaprotein a.d.  
for the second quarter and first half of the year 2012**

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Bečej, August 2012

**Report of Sojaprotein a.d.  
for the second quarter and first half of the year 2012**

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Reporting period: from **01/04/2012** to **30/06/2012**

**Quarterly Financial Statements for Business Companies QFS-BC**

Company name: **SOJAPROTEIN AD**

Identification number (IN): **08114072**

Postal Code and Place: **21220** **BEČEJ**

Street and Number: **INDUSTRIJSKA 1**

E-mail Address: [office@sojaprotein.rs](mailto:office@sojaprotein.rs)

web: [www.sojaprotein.rs](http://www.sojaprotein.rs)

Consolidated/Individual: **Individual**

Adopted (yes/no): \_\_\_\_\_

Audited (yes/no): \_\_\_\_\_

Contact Person: **Dragana Anđelković**  
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Name and Surname: **Branislava Pavlović**  
(person authorized to represent)

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**BALANCE SHEET**

As of 30/06/2012

in thousands RSD

Position	AOP	Amount	
		Last day of quarter in current year	31/12 in previous year
1	2	3	4
<b>ASSETS</b>			
<b>A. NON-CURRENT ASSETS (002+003+004+005+009)</b>	001	8.361.454	7.987.256
I. SUBSCRIBED CAPITAL, UNPAID	002		
II. GOODWILL	003		
III. INTANGIBLE ASSETS	004	13.854	13.787
IV. PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS (006+007+008)	005	7.489.723	7.116.877
1. Property, plant and equipment	006	7.154.861	6.781.872
2. Investment property	007	331.953	331.953
3. Natural assets	008	2.909	3.052
V. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009	857.877	856.592
1. Equity investments	010	855.688	855.688
2. Other long-term financial investments	011	2.189	904
<b>B. CURRENT ASSETS (013+014+015)</b>	012	9.753.318	9.306.798
I. INVENTORIES	013	4.834.626	4.744.120
II. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS	014		
III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016+017+018+019+020)	015	4.918.692	4.562.678
1. Receivables	016	3.968.929	3.776.562
2. Receivables for prepaid income tax	017		
3. Short-term financial investments	018	659.128	128.804
4. Cash equivalents and cash	019	259.367	523.815
5. Value added tax and prepayments and accrued income	020	31.268	133.497
<b>V. DEFERRED TAX ASSETS</b>	021		
<b>G. OPERATING ASSETS (001+012+021)</b>	022	18.114.772	17.294.054
<b>D. LOSS OVER CAPITAL</b>	023		
<b>DJ. TOTAL ASSETS (022+023)</b>	024	18.114.772	17.294.054
<b>E. OFF-BALANCE SHEET ASSETS</b>	025	9.539.536	10.593.951
<b>LIABILITIES</b>			
<b>A. CAPITAL (102+103+104+105+106-107+108-109-110)</b>	101		
I. BASIC CAPITAL	102	6.906.480	6.906.480
II. SUBSCRIBED CAPITAL, UNPAID	103		
III. RESERVES	104	1.428.760	1.371.588

IV. EFFECT OF RESTATEMENT OF CAPITAL	105	1.837.936	1.837.936
V. UNREALIZED GAIN ON SECURITIES	106	571	571
VI. UNREALIZED LOSS ON SECURITIES	107		
VII. RETAINED PROFIT	108	1.340.540	1.143.440
VIII. LOSS	109		
IX. OWN SHARES PURCHASED	110		
<b>B. LONG-TERM PROVISIONS AND LIABILITIES (112+113+116)</b>	111	6.464.849	5.898.403
I. LONG-TERM PROVISIONS	112	49.890	49.890
II. LONG-TERM LIABILITIES (114+115)	113	4.385.971	2.895.566
1. Long-term loans	114	4.365.908	2.895.503
2. Other long-term liabilities	115	83	63
III. SHORT-TERM LIABILITIES (117+118+119+120+121+122)	116	2.048.988	2.952.947
1. Short-term financial liabilities	117	1.520.081	2.345.998
2. Liabilities from assets held for sale and assets from discontinued operations	118		
3. Operating liabilities	119	458.783	521.683
4. Other short-term liabilities	120	24.834	32.794
5. Liabilities from Value Added Tax and other public revenues and accruals and deferred income	121	43.035	29.618
6. Liabilities from income tax	122	2.255	22.854
C. DEFERRED TAX LIABILITIES	123	135.636	135.636
D. TOTAL LIABILITIES (101+111+123)	124	16.114.772	17.294.054
E. OFF-BALANCE SHEET LIABILITIES	125	9.539.536	10.593.951

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## INCOME STATEMENT

Period from 01/01/2012 to 30/06/2012

-in thousands RSD

Position 1	AOP 2	Amount			
		Current period		Previous period	
		quarter 3	cumulative 4	quarter 5	cumulative 6
<b>A. INCOME AND EXPENSES FROM CONTINUING OPERATIONS</b>					
<b>I. OPERATING INCOME (202+203+204-205+206)</b>	201	4.043.428	7.608.824	3.584.813	6.583.594
1. Income from the sale of merchandise	202	4.279.011	7.156.067	3.553.135	6.012.508
2. Income from the own use of products, services and merchandise	203	5.599	17.081	15.782	20.371
3. Increase in value of inventories of work in progress and finished products	204		405.365	15.896	466.485
4. Decrease in value of inventories of work in progress and finished products	205	256.140			
5. Other operating income	206	14.958	30.311		84.230
<b>II. OPERATING EXPENSES (2008 TO 212)</b>	207	3.479.758	6.926.351	3.252.236	5.837.071
1. Cost value of merchandise sold	208	1.103.554	1.643.038	927.891	1.158.445
2. Costs of material	209	1.974.195	4.607.345	1.985.855	4.094.704
3. Costs of salaries, fringe benefits and other personal expenses	210	123.136	227.681	105.232	196.566
4. Costs of depreciation and provisions	211	50.860	99.587	46.520	92.433
5. Other operating expenses	212	228.013	348.700	186.738	294.923
<b>III. OPERATING PROFIT (201-207)</b>	213	563.670	682.473	332.577	746.523
<b>IV. OPERATING LOSS (207-201)</b>	214				
<b>V. FINANCIAL INCOME</b>	215	208.497	284.248	289.811	383.305
<b>VI. FINANCIAL EXPENSES</b>	216	320.960	703.011	288.722	391.033
<b>VII. OTHER INCOME</b>	217	17.713	27.378	8.645	12.550
<b>VIII. OTHER EXPENSES</b>	218	4.952	8.564	4.773	7.967
<b>IX. INCOME FROM CONTINUING OPERATIONS BEFORE TAXES (213-214+215-216+217-218)</b>	219	463.968	282.524	337.538	743.378
<b>X. LOSS FORM CONTINUING OPERATIONS BEFORE TAXES (214-213-215+216-217+218)</b>	220				
<b>XI. NET INCOME FROM DISCONTINUED OPERATIONS</b>	221				
<b>XII. NET LOSS FROM DISCONTINUED OPERATIONS</b>	222				
<b>B. INCOME BEFORE TAXES (219+220+221-222)</b>	223	463.968	282.524	337.538	743.378
<b>C. LOSS BEFORE TAXES (220-219+222-221)</b>	224				
<b>D. INCOME TAX</b>					
1. Tax expense of the period	225	46.397	28.252	33.754	74.338
2. Deferred tax expenses of the period	226				
3. Deferred tax income of the period	227				
E. Personal earnings of the employer, paid	228				
<b>F. NET PROFIT (223-224-225-226+227-228)</b>	229	417.571	254.272	303.784	669.040
<b>G. NET LOSS (224-223+225+226-227+228)</b>	230				
<b>H. NET PROFIT BELONGING TO MINORITY INVESTORS</b>	231				
<b>I. NET PROFIT BELONGING TO OWNERS OF PARENT LEGAL ENTITY</b>	232				
<b>J. EARNINGS PER SHARE</b>					
1. Basic earnings per share	233				
2. Impairment (diluted) earnings per share	234				

Column 3 for 1<sup>st</sup> quarter 01/01-31/03; 2<sup>nd</sup> quarter 01/04-30/06; 3<sup>rd</sup> quarter 01/07-30/09  
 Column 4 for 1<sup>st</sup> quarter 01/01-31/03; 2<sup>nd</sup> quarter 01/01-30/06; 3<sup>rd</sup> quarter 01/01-30/09

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## CASH FLOW STATEMENT

period from 01/01/2011 to 31/12/2011

in thousands RSD

Position	AOP	Amount	
		Cumulative of corresponding quarter in current year	Cumulative of corresponding quarter in previous year
1	2		
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>I. Cash inflows from operating activities (1 to 3)</b>	301	7.942.550	6.494.972
1. Sales and advances received	302	7.566.597	6.250.942
2. Interests received from operating activities	303	77.219	6.935
3. Other inflows from operating activities	304	298.734	237.095
<b>II. Cash outflows from operating activities (1 to 5)</b>	305	7.361.312	4.534.665
1. Payments to suppliers and advance payments	306	6.987.526	4.173.139
2. Salaries, fringe benefits and other personal expenses	307	221.639	192.152
3. Interests paid	308	94.894	68.820
4. Income tax	309	48.851	33.339
5. Payments incurred with other public revenues	310	8.402	67.215
<b>III. Net cash inflow from operating activities (I-II)</b>	311	581.238	1.960.307
<b>IV. Net cash outflow from operating activities (II-I)</b>	312		
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>I. Cash inflows from investment activities (1 to 5)</b>	313	173	10.432
1. Sales of stocks and shares (net inflows)	314		
2. Sales of intangible assets, property, plant, equipment and natural assets	315	173	10.432
3. Other financial investments (net inflows)	316		
4. Interests received from investment activities	317		
5. Dividends received	318		
<b>II. Cash outflows from investment activities (1 to 3)</b>	319	380.501	1.959.383
1. Purchase of stocks and shares (net outflows)	320		
2. Purchase of intangible assets, property, plant, equipment and natural assets	321	380.501	692.476
3. Other financial investments (net outflows)	322		1.266.907
<b>III. Net cash inflow from investment activities (I – II)</b>	323		
<b>IV. Net cash outflows from investment activities (II –I)</b>	324	380.328	1.948.951
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>I. Cash inflows from financing activities (1 to 3)</b>	325		15.677
1. Increase in basic capital	326		
2. Long-term and short-term loans (net inflows)	327		15.677
3. Other long-term and short-term liabilities	328		
<b>II. Cash outflows from financing activities (1 to 4)</b>	329	463.013	2.007
1. Purchase of own shares and stakes	330		1.498

2. Long-term and short-term loans and other liabilities (net outflows)	331	462.663	
3. Financial leasing	332	350	509
4. Dividends paid	333		
III. Net cash inflow from financing activities (I-II)	334		13.670
<b>IV. Net cash outflows from financing activities (II-I)</b>	335	463.013	
<b>D. TOTAL CASH INFLOWS (301+313+325)</b>	336	7.942.723	6.521.081
<b>E. TOTAL CASH OUTFLOWS (305+319+329)</b>	337	8.204.826	6.496.055
<b>F. NET CASH INFLOWS (336-337)</b>	338		25.026
G. NET CASH OUTFLOWS (337-336)	339	262.103	
H. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	340	523.815	221.357
I. FOREIGN EXCHANGE GAINS ON CONVERSION OF CASH	341	1.923	9.993
J. FOREIGN EXCHANGE LOSSES ON CONVERSION OF CASH	342	4.268	6
K. CASH AT THE END OF ACCOUNTING PERIOD (338-339+340+341-342)	343	259.367	256.370

Column 3 for 1<sup>st</sup> quarter 01/01-31/03; 2<sup>nd</sup> quarter 01/01-30/06; 3<sup>rd</sup> quarter 01/01-30/09

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**STATEMENT OF CHANGES ON CAPITAL**

-in thousands RSD

01/01/2012 – 30/06/2012

	Position	AOP	Basic capital (group 30 without 309)	AOP	Other capital (acc. 309)	AOP	Subscribed capital unpaid (group 31)	AOP	share premium (acc. 320)	AOP	Reserves (acc. 321, 322)	AOP	Revaluation reserves (accounts 330 and 331)	AOP	Unrealized gains from securities (acc. 332)
1	Balance on Jan. 1 of previous year	401	4564674	414		427		440	871831	453	456549	466	1839541	479	2476
2	Correction of significant material errors and changes in accounting policies in previous year-increase	402		415		428		441		454		467		480	
3	Correction of significant material errors and changes in accounting policies in previous year-decrease	403		416		429		442		455		468		481	
4	<b>Corrected opening balance on Jan.1 of previous year _____ (No. 1+2+3)</b>	404	4564674	417		430		443	871831	456	456549	469	1839541	482	2476
5	Total increase in the previous year	405	2341806	418		431		444	4309	457	39601	470		483	
6	Total decrease in the previous year	406		419		432		445	702	458		471	1605	484	1905
7	<b>Balance on Dec. 31 of previous year _____ (No. 4+5+6)</b>	407	6906480	420		433		446	875438	459	496150	472	1837936	485	571
8	Correction of significant material errors and changes in accounting policies in the current year - increase	408		421		434		447		460		473		486	
9	Correction of significant material errors and changes in accounting policies in the current year - decrease	409		422		435		448		461		474		487	
10	<b>Corrected opening balance on Jan. 1 of the current year _____ (No. 7+8+9)</b>	410	6906480	423		436		449		462		475		488	
11	Total increase in the current year	411		424		437		450		463		476		489	
12	Total decrease in the current year	412		425		438		451		464		477		490	
13	<b>Balance on the last day of the quarter of the current year _____ (No. 10+11+12)</b>	413	6906480	426		439		452		465		478		491	

	Position	AOP	Unrealized losses from securities (acc. 333)	AOP	Retained profit (group 34)	AOP	Loss to the amount of capital (group 35)	AOP	Own shares purchased shares (acc.037,237)	AOP	Total (col.2+3+4+5+6 +7+8+9+10-11-12)	AOP	Loss over capital (group 29)
1	Balance on Jan. 1 of previous year _____	492		505	2381407	518		531	20412	544	10136890	557	
2	Correction of significant material errors and changes in accounting policies in previous year-increase	493		506		519		532		545		558	
3	Correction of significant material errors and changes in accounting policies in previous year-decrease	494		507		520		533		546		559	
4	<b>Corrected opening balance on Jan.1 of previous year _____ (No. 1+2+3)</b>	495		508	2381407	521		534	20412	547	10136890	560	
5	Total increase in the previous year	496		509	1143440	522		535	796	548	3529952	561	
6	Total decrease in the previous year	497		510	2381407	523		536	21208	549	2406827	562	
7	<b>Balance on Dec. 31 of previous year _____ (No. 4+5+6)</b>	498		511	1143440	524		537		550	11260015	563	
8	Correction of significant material errors and changes in accounting policies in the current year - increase	499		512		525		538		551		564	
9	Correction of significant material errors and changes in accounting policies in the current year - decrease	500		513		526		539		552		565	
10	<b>Corrected opening balance on Jan. 1 of the current year _____ (No. 7+8+9)</b>	501		514	1143440	527		540		553	11260015	566	
11	Total increase in the current year	502		515	254272	528		541		554	311444	567	
12	Total decrease in the current year	503		516	57172	529		542		555	57172	568	
13	<b>Balance on the last day of the quarter of the current year _____ (No. 10+11+12)</b>	504		517	1340540	530		543		556	11514287	569	

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**SOJAPROTEIN A.D. BEČEJ**  
**NOTES TO INCOME STATEMENT**  
**AND BALANCE SHEET**  
**June 30, 2012**

**GENERAL INFORMATION ABOUT THE COMPANY**

Sojaprotein A.D., Bečej, (hereinafter referred to as "Company") is the largest soybean processing plant in Serbia and one of the most significant soybean processing industries in Central and Eastern Europe. The Company was founded in 1977, as a labor organization for industrial processing of soybean in process of establishment, whose establishment was completed in 1985.

In 1991, the management of the Company reached a decision to issue internal shares to employees, thus performing the transformation of ownership structure into a joint stock company. During 2000 and 2001, the Company privatized the remaining socially-owned capital by emission of free shares, subscribed by the employees and other individuals, all in accordance with the Law on Ownership Transformation from the year 1997.

The core business activity of the Company is soybean processing, which results in a number of full-fat and fat-free products in the form of flour, semolina and textured forms, as well as the soybean oil, soybean meal and soy lecithin. Service provision in agricultural production, wholesale and retail distribution and purchase of agricultural products account for the additional segment of business activities of the Company.

The seat of Company is in Bečej, Street Industrijska 1. As of the date of preparation of the statements and reports the Company employed 394 people.

**FRAMEWORK FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND THE ACCOUNTING METHOD****Financial Statements**

Financial statements of the Company include Balance Sheet as of June 30, 2012, Income Statement, Statement on Changes in Capital and Cash Flow Statement for the period ending on June 30, 2012, as well as the Summary of Significant Accounting Policies and Assessments, and finally Notes to Financial Statements.

**Framework for the Preparation and Presentation of Financial Statements**

Pursuant to the Accounting and Auditing Law ("Official Gazette of RS" No. 46 dated June 2, 2006 and No. 111 dated December 29, 2009), legal entities and entrepreneurs in the Republic of Serbia are obliged to perform the bookkeeping, subscription and assessment of property and liabilities, income, expenses, preparation, presentation, submission and disclosure of financial statements in accordance with legal and professional regulations, which include the Frameworks for the Preparation and Presentation of Financial Statements ("Framework"), International Accounting Standards ("IAS"), i.e. International Financial Reporting Standards ("IFRS"), as well as the interpretations which form an integral part of the Standards applicable as of December 31, 2002.

Amendments to IAS, as well as the new IFRS and the appropriate interpretations have been issued by the International Accounting Standards Board ("Board") and the International Financial Reporting Interpretations Committee ("Committee"), in the period from December 31, 2002 to January 1, 2009, were officially adopted pursuant to the Decision of the Minister of Finance of the Republic of Serbia ("Ministry") and published in the Official Gazette of RS No. 77 as of October 25, 2010.

However, until the date of preparation of the attached financial statements, all the amendments to IAS/IFRS and IFRIC interpretations applicable to annual periods starting on January 1, 2009 have not been translated. In addition, the attached financial statements have been presented in a format prescribed under the Regulation on the Layout of Chart of Accounts for business companies, cooperatives and other legal entities and entrepreneurs ("Official Gazette of RS" No. 114 dated December 22, 2006, No. 119 dated December 26 2008, No. 9 dated February 6, 2009, and No. 4 dated January 29 2010), which assumes legally defined complete set of financial statements which deviates from the set defined under IAS 1 "Presentation of Financial Statements", but in addition to that in some of its parts it deviates from the method of presentation of some balance sheet items

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

predicted by the underlying standard. Published standards and interpretations in effect for the current period which have not yet been officially translated and adopted, as well as published standards and interpretations which are not in use yet, have been disclosed under notes 2.2 and 2.3.

Consequently, and bearing in mind the contingent material effects which the deviation of the accounting regulations of the Republic of Serbia from IFRS and IAS might have to the accuracy and objectivity of the Company financial statements, the attached financial statements may not be considered as financial statements prepared in accordance with IFRS and IAS.

Financial statements have been prepared in accordance with the historical cost principle, unless otherwise stated in the accounting policies given in the text below.

In preparation of these financial statements the Company applied the accounting policies explained in Note 3.

Financial statements of the Company have been presented in thousands of RSD. RSD is the official reporting currency in the Republic of Serbia.

**Published standards and interpretations in effect for the current period which have not yet been officially translated and adopted**

At the date of presentation of these financial statements, the standards and amendments thereof described below were issued by the International Accounting Standards Board, and the following interpretations were published by the International Financial Reporting Interpretations Committee, but have not been officially adopted in the Republic of Serbia for annual periods beginning on January 1, 2010:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments improving disclosures of fair value and liquidity risk (revised in March 2009, in effect for annual periods beginning on or after January 1, 2009),
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Additional exceptions for entities first-time adopting IFRS Amendments relating to assets in oil and gas industry and determination whether the contracts contain leasing (revised in July 2009, in effect for annual periods beginning on or after January 1, 2010),
- Amendments to various standards and interpretations are the result of the Project of Annual Qualitative Improvements to IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 17, IAS 36, IAS 39, IFRIC 16, primarily intending to eliminate discrepancies and to explain formulations in the text (amendments to standards come in effect for annual periods beginning on or after January 1, 2010, and the amendment to IFRIC on or after July 1, 2009),
- Amendments to IAS 38 "Intangible assets" (in effect for annual periods beginning on or after July 1, 2009)
- Amendments to IFRS 2 "Share-based payments": Amendments as a result of the Project of Annual Qualitative Improvements to IFRS (revised on April 2009, in effect for annual periods beginning on or after July 1, 2009) and the amendment relating to share-based payment transactions of the group based on cash (revised in June 2009, in effect for annual periods beginning on or after January 1, 2010);
- Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" comes in effect for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial Instruments : Recognition and Measurement" – Embedded derivatives (in effect for annual periods beginning on or after June 30, 2009),
- IFRIC 18 " Transfer of Assets from Customers" (in effect for annual periods beginning on or after July 1, 2009);

**Published standards and interpretations not yet enacted**

At the date of presentation of these financial statements, the following standards, amendments and interpretations thereof were published, but have not entered into force yet:

- “Comprehensive Framework for Financial Reporting in the year 2010” which represents the amendment to “Framework for the Preparation and Presentation of Financial Statements” (in effect from the date of publication, i.e. from September 2010),
- IFRS 9 “Financial Instruments” (in effect for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – Limited exception from comparative disclosures prescribed within IFRS 7 for entities first-time adopting IFRS (in effect for annual periods beginning on or after July 1, 2010),
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – Major hyper-inflation and removal of fixed dates for entities first-time adopting IFRS (in effect for annual periods beginning on or after July 1, 2011),
- Amendments to IFRS 7 “Financial instruments: Disclosure” – Transfer of financial assets (in effect for annual periods beginning on or after July 1, 2011),
- Amendments to IAS 12 “Income tax” – Deferred tax: Recovery (settlement) of carrying amount of assets (in effect for annual periods beginning on or after July 1, 2011),
- Amendments to IAS 24 “Related Party Disclosures” – Simplified requests for disclosure for entities under (significant) government control or influence and clarifying the definition of related party (in effect for annual periods beginning on or after January 1, 2011),
- Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting inclusion of pre-emption rights on new shares (in effect for annual periods beginning on or after February 1, 2010),

**FRAMEWORK FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND THE ACCOUNTING METHOD (continued)****Published standards and interpretations not yet enacted (continued)**

- Amendments to various standards and interpretations “Improvements to IFRS (2010)” are the result of the Project of Annual Qualitative Improvements to IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily intending to eliminate discrepancies and to clarify formulations in the text (majority of amendments shall be in effect for annual periods beginning on or after January 1, 2011),
- Amendments to IFRIC 14 “IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. Prepaid minimum funding requests (in effect for annual periods beginning on or after January 1, 2011),
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (in effect for annual periods beginning on or after July 1, 2010).

**Comparative Figures**

Comparative figures are presented by Company financial statements on June 30, 2010.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Income and Expenses**

Income from the sale of merchandise is recognized when the risk and benefit relating to the ownership rights have been transferred to the buyer, which is actually the date of delivery of goods to the buyer. Income from services is recognized when the service has been provided.

Incomes are presented as per fair value of assets that have been received or shall be received, in net amount after deductions for discounts and Value Added Tax.

Income and expenses from interests are credited or charged to the accounting period they relate to.

The date on which incomes are booked also contains the appropriate expenses booked (the principle of incomes and expenses causality).

The costs of non-current assets maintenance and repairs are covered from the income of the accounting period they are incurred in.

**Conversion of Assets and Liabilities in Foreign Currencies**

Business transactions denominated in foreign currencies have been converted into RSD at the average exchange rate determined at Interbank Market, valid at the date of business transaction.

Assets and liabilities denominated in foreign currencies at the balance sheet date have been converted into RSD at the average exchange rate determined at Interbank Market, valid on that day.

Foreign exchange gains and losses incurred with business transactions in foreign currencies and with calculations of balance sheet items denominated in foreign currencies are credited or debited to income statement as foreign exchange gains and losses.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Employee Benefits***a) Taxes and Contributions to Employees' Social Security Funds*

Pursuant to regulations applicable in the Republic of Serbia, the Company is obliged to pay taxes and contributions to tax authorities and state funds which ensure the employees' social security. These liabilities include taxes and contributions for employees charged to the employer in the amounts calculated as per the rates prescribed under legal regulations. The Company is also obliged to retain contributions out of employee gross earnings and to pay them to funds on behalf of the employed. Taxes and contributions charged to the employer and taxes and contributions charged to employees are debited to expenses of the period they relate to.

*b) Liabilities for Severance Payments and Jubilee Awards*

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

The Company is, pursuant to the provision of the Labor Law, obliged to effect severance payments to employees after termination of employment for the use of pension rights, in the amount of three average monthly salaries paid in the Republic, according to the latest published information of the state authority responsible for statistical operations. Moreover, the Company is obliged to pay jubilee awards to employees depending on duration of continuous work within the Company in the amount of one average monthly salary realized in the Company in the month preceding the month when jubilee awards are paid.

**Taxes and Contributions****Income Tax****a) Current Income Tax**

Current income tax represents the amount calculated and paid pursuant to the Law on Corporate Income Tax applicable in the Republic of Serbia.

Income tax in the amount of 10% (year 2011: 10%) is paid to the tax base determined according to tax balance. Tax base presented in the tax balance includes the profit presented in the official income statement and corrections defined under tax regulations of the Republic of Serbia.

Tax regulations of the Republic of Serbia do not contain the possibility of tax losses from the current period being used as a base for refund of tax paid in previous periods. However, current period losses may be offset against profit from future accounting periods, but not exceeding the period of ten years.

Deferred income tax is calculated using the method of liability determination as per the balance sheet, for temporary differences arising from the difference between the balance sheet tax base of assets and liabilities and the carrying amount thereof. Applicable tax rates at the balance sheet date are used to determine the amount of accrued income tax. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and the tax effects of losses and tax loans carried forward to the tax balance, which can be carried forward, to the extent that it is probable that taxable profit will be available out of which deferred tax assets may be utilized.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Taxes and Contributions (continued)****Income Tax (continued)****b) Deferred Income Tax**

Deferred tax is debited or credited to income statement, except when it relates to items directly debited or credited to capital, and in that case deferred tax is also distributed within capital.

**Taxes and Contributions not Dependent on Results**

Taxes and contributions not dependent on results include property tax and other taxes and contributions paid in accordance with various republic and municipal regulations. Other taxes and contributions are recognized as expenses for the period to which they relate.

**Property, Investment Property, Plant and Equipment**



**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

Initial measurement of property, plant and equipment, which meet the conditions for asset recognition, is performed as per the acquisition value or cost. Additional expenses for property, plant and equipment are recognized as assets only when the expenses shall improve the state of an asset over its initially assessed standard effect. All other subsequently incurred expenditures are recognized as expenses for the period to which they relate.

After initial recognition, property (land and construction facilities) is carried at revalued amount, which expresses fair value thereof at the date of revaluation, less the total amount of provisions for depreciation and total amount of provisions for loss due to impairment.

Fair value of property includes market value thereof determined by assessment. Revaluation is performed only when the fair value of the revalued asset significantly differs from the carrying amount thereof.

After initial recognition, plant and equipment are carried at acquisition value or cost less total amount of calculated depreciation and total amount of loss due to impairment.

Gains or losses arising from writing-offs or disposals are recognized as incomes or expenses in the Income statement.

**Depreciation**

Depreciation of property, plant and equipment is calculated using the proportional method, during the evaluated term of useful life. Useful life and depreciation rates for main groups of assets are as follows:

<b><u>Main groups of non-current assets</u></b>	<b><u>Rate (%)</u></b>
Construction facilities	1,5 – 5%
Production equipment	5 – 25%
Terrain or passenger vehicles	10 – 20%
Computers	20 – 33%
Other equipment	1,5 – 50%

**SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, Investment Property, Plant and Equipment (continued)****Depreciation (continued)**

Depreciation rates are revised annually for the purpose of determining the depreciation that best represents the actual expenditure of these assets in the course of business operations based on the remaining useful life thereof.

**Investment Property**

Investment property is the property held by the Company, as the owner thereof, for the purpose of making profit from property rental or for the purpose of increase in the amount of capital or for the purpose of both, but not for the purpose of utilization for provision of services or administrative business operations or sales within the frame of standard business operations. Initial measurement of investment property on occasion of acquisition thereof is performed according to acquisition value or cost. After initial recognition, investment property is carried at revalued amount, stating the fair value thereof at the revaluation date i.e. assessment date, less total amount of provisions for depreciation and total amount of provisions for impairment.

**Intangible Assets**

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

Intangible assets refer to purchased software and stamp and are carried at cost less depreciation. Intangible assets are written off using the proportional method within the period of two to ten years.

**Long-term Financial Investments**

Long-term financial investments include share in the capital of related legal entities, business banks and other legal entities carried using the cost method less impairment according to management assessment for the purpose of reduction to recoverable value thereof. These loans are carried at nominal value.

**Impairment**

At each Balance Sheet date, the Company reassesses carrying amounts of its tangible assets in order to determine the existence of indications of loss due to impairment value of the underlying assets. Should such indications exist, the recoverable amount of the assets is assessed in order to determine possible loss due to impairment. In the event the recoverable amount of an individual asset is not possible, the Company assesses the recoverable amount of the revenue generating unit, which the asset belongs to.

Recoverable value is the net sale price or the value in use, depending on which of the two is higher. For the purpose of value in use assessment, evaluated future cash flows are discounted to present value using the discount rate before taxation which reflects the present market assessment of the time value of money and risks specific for that asset.

**SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment (continued)**

If the evaluated recoverable amount of an asset (or a revenue generating unit) is less than the carrying amount thereof, then the carrying amount of an asset (or a revenue generating unit) is reduced to the recoverable amount. Impairment losses are immediately carried as expenses, unless the asset is land or a facility in use other than investment property carried at revalued amount, in which case the impairment loss is carried as impairment due to asset revaluation.

On occasion of subsequent reversal of impairment loss, the carrying amount of an asset (a revenue generating unit) is increased to the revised evaluated recoverable amount thereof, on condition that higher carrying amount does not exceed the carrying amount which would have been determined if there had not been recognized losses on the asset (revenue generating unit) in previous years due to impairment. Reversal of impairment loss is immediately recognized as an income, unless the underlying asset is carried at appraised value, in which case the reversal of impairment loss is carried as increase due to revaluation.

As of June 30, 2011, pursuant to Company management assessment, there are no indications that the value of property, plant and equipment has been impaired.

**Inventories**

Inventories are carried at the lower of the two, cost or net sale price. Net expected market value is the price at which the inventories might be sold in normal operating conditions after price reduction for selling costs.

The value of inventories of materials and spare parts is determined according to the method of the average purchase price. Purchase price includes the values invoiced by suppliers, transportation and incremental costs.

The value of production in progress and finished products includes all direct production costs as well as the aliquot part of utility operating expenses.

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

Inventories of goods in the storehouse are recorded at purchase prices, and inventories of goods in retail facilities at retail prices. At the end of an accounting period, the Company performs the reduction of the value of inventories to purchase value by allocating the difference in price, calculated at an average basis, between purchase value of goods sold and goods in stock at the end of year.

Provisions for the value of inventories are carried by debiting other expenditures in cases when the evaluation indicates that it is necessary to reduce the value thereof to net expected market value (including inventories with slow turnover, redundant and obsolete inventories). Damaged inventories and inventories not in accordance with standards are written off.

**Financial Instruments**

Financial assets and financial liabilities are recorded in the Company Balance Sheet, from the moment when the contractual provisions related the company to an asset. Financial assets purchase or sale is carried using the calculation at the date of offsetting, i.e. the date when the asset was delivered to the other party.

**SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial Instruments (continued)**

Financial assets cease to be recognized when the Company loses control over contractual rights over the underlying financial instruments, which occurs when the rights of use of instruments have been implemented, expired, abandoned or assigned.

*a) Share in Capital*

Shares in capital of banks and other legal entities quoted at the Stock Exchange are initially evaluated at cost. Subsequent evaluation is performed at each Balance Sheet date for the purpose of reconciliation of the value thereof with market value.

Long-term financial investments that include shares in capital of related legal entities, business banks and other legal entities not quoted at the Stock Exchange are carried as per the method of purchase value reduced for impairments based on the management assessment, for the purpose of reduction to recoverable value thereof.

*b) Trade Receivables, Short-term Investments and other Short-term Receivables*

Trade receivables, short-term investments and other short-term receivables are carried at nominal value, reduced for provisions made according to evaluation of their collectability by the management.

*c) Cash and Cash Equivalents*

Cash and cash equivalents in the Company financial statements mean stating cash on hand and current accounts balances and other monetary funds available for up to three months.

*d) Financial Liabilities*

Instruments of financial liabilities are classified in accordance with the essence of contractual provisions. Financial liabilities are carried at nominal value, increased for interests of concluded contracts, which corresponds to the effective interest rate.

*e) Liabilities from Business Operations*

Liabilities to suppliers and other liabilities from business operations are evaluated as per the value of funds received.

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012****SUMMARY OF THE SIGNIFICANT ACCOUNTING ESTIMATES**

Presentation of financial statements requires the management to use best possible assessments and reasonable assumptions, which influence the presented values of assets and liabilities as well as disclosure of contingent receivables and liabilities at the date of financial statements preparation, together with incomes and expenses during the reporting period. These assessments and assumptions are based on information available on the day of preparation of financial statements.

The text below contains key assumptions related to the future and other sources of uncertainty assessment at the date of Balance Sheet that are a significant risk for material corrections of Balance Sheet items' values in the following financial year.

**Depreciation and Depreciation Rates**

Calculation of depreciation and depreciation rates is based on the projected economic life of equipment and intangible assets. Once a year the Company evaluates the economic life based on current anticipation.

**Provisions for Receivables and Short-term Investments**

The Company impairs doubtful trade receivables and other debtors based on estimated losses incurred if the debtors are unable to effect payments. When estimating the appropriate amount of loss due to impairment for doubtful receivables, the Company relays to the age of a receivable, prior write-off experience, purchasers' solvency and changes in conditions of payment. This requires assessments relating to future behavior of purchasers and thus incurred future collections. However, the significant part of Company receivables relates to receivables from subsidiaries where, according to evaluations and previous experience, the total present value of receivables is collectible.

**SUMMARY OF THE SIGNIFICANT ACCOUNTING ESTIMATES (continued)****Fair Value**

Business policy of the Company includes disclosure of information relating to fair value of assets and liabilities subject to official market information and when the fair value significantly differs from the book value. The Republic of Serbia lacks market experience, as well as stability and liquidity when purchasing or selling receivables and other financial assets and liabilities, owing to the fact that official market information are not available at all times. Therefore, fair value may not be reliably determined in the absence of active market. The Company management performs the risk analysis, and in cases when the estimates indicate the possibility that the value of assets in business books shall not be realized, provisions are made. According to the opinion of Company management, the amounts stated in these financial statements reflect the value which is, in circumstances given, the most trustworthy and most useful for reporting purposes.

**NOTE – 1****INCOME FROM SALES**

	<b>30/06/2012</b>	<b>In thousands RSD 30/06/2011</b>
Income from the sales of merchandise:		
- related legal entities	1.591.583	425.370
- other domestic legal entities	109.771	731.808
- other foreign legal entities	0	0
	<u>1.701.354</u>	<u>1.157.178</u>
Income from sales of products and services rendered		
- related legal entities	540.947	670.711

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

- other domestic legal entities	2.311.712	1.969.663
- other foreign legal entities	2.602.054	2.214.956
	<u>5.454.712</u>	<u>4.855.330</u>
	<u>7.156.067</u>	<u>6.012.508</u>

The Company reported in the Income Statement the total income from sales in the amount of 7.156.067 thousand RSD. The amount stated includes income from sales of merchandise in the amount of 1.701.354 thousands RSD and the income from the sales of products and services rendered in the amount of 5.454.712 thousand RSD.

The most significant income from the sales of merchandise was achieved from sales to:

## -Related legal entities

Soybean grain	1.591.583 thousand RSD
Toasted oil meal	0 thousand RSD
TOTAL	1.591.583 thousand RSD

## -Other legal entities

Sunflower meal 33% and 42%	3.627 thousand RSD
Toasted oil meal	103.481 thousand RSD
Other	2.663 thousand RSD
TOTAL	109.771 thousand RSD

## Income from the sales of products and services rendered

## -Related legal entities

Soy meal	355.855 thousand RSD
Raw soybean oil	4.615 thousand RSD
Protein products	153.713 thousand RSD
Other	26.764 thousand RSD
TOTAL	540.947 thousand RSD

## -Other legal entities

Soy meal	1.651.487 thousand RSD
Raw soybean oil	410.515 thousand RSD
Other	249.710 thousand RSD
TOTAL	2.311.712 thousand RSD

## -Other foreign legal entities

Soy meal	42.116 thousand RSD
Raw soybean oil	1.485.168 thousand RSD
Protein products	1.030.050 thousand RSD
Other	44.720 thousand RSD
TOTAL	2.602.054 thousand RSD

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE – 2  
OTHER OPERATING INCOME

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Income from subsidies and incentives	2.171	54.578
Rental fees income	27.716	28.015
Other operating income	424	1.636
	<u>30.311</u>	<u>84.229</u>

NOTE – 3  
COST OF MERCHANDISE SOLD

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Cost of merchandise sold	1.643.038	1.158.445
	<u>1.643.038</u>	<u>1.158.445</u>

The Company reported in the Income Statement the amount of 1.643.038 thousand RSD which relates to costs of merchandise sold. The most significant amounts relate to:

Sunflower meal	3.627 thousand RSD
Soybeans	1.535.852 thousand RSD
Toasted oil meal - merchandise	103.481 thousand RSD
Other	78 thousand RSD
<b>Total</b>	<b>1.643.038 thousand RSD</b>

NOTE – 4  
COSTS OF MATERIAL AND ENERGY

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Costs of material for production	4.432.256	3.855.311
Costs of other material	23.356	79.427
Costs of fuel and energy	151.733	159.966
	<u>4.607.345</u>	<u>4.094.704</u>

NOTE - 5  
COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Costs of gross salaries	168.763	149.379
Costs of contributions charged to the employer	30.107	26.650
Reimbursement of costs to employees on business trips	5.992	5.811
Reimbursement of transportation costs to employees	8.992	6.987
Grants/scholarships	2.623	2.653
Costs of remuneration according to author's costs	837	1.033
Severance pays and jubilee awards	5.888	1.444
Costs of remuneration to members of Management Board and Supervisory Board	542	542
Other personal expenses and compensations	3.937	2.067
<b>TOTAL</b>	<b><u>227.681</u></b>	<b><u>196.566</u></b>

NOTE – 6  
COSTS OF DEPRECIATION AND PROVISIONS

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Costs of depreciation	99.587	92.433
	<u>99.587</u>	<u>92.433</u>

NOTE – 7  
OTHER OPERATING EXPENSES

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Costs of banking and payment operations services	11.483	23.315
Costs of maintenance services	49.827	28.500
Laboratory costs	26.575	28.689
Transportation costs	68.492	57.016
Rental fees costs	30.099	23.300
Utility services	9.109	10.487
Costs of insurance premiums	9.754	14.248
Indirect taxes and contributions	14.829	14.863
Brokers' services	378	303
Legal and consulting services	128	11.321
Costs of internet, phone and postal costs	3.943	3.000
Costs of representation	8.000	5.878
Costs of fairs and other events	6.769	5.726
Costs of commercials and advertising	836	1.707
Costs of other production services	3.307	2.567
Other intangible expenses	105.171	64.003
	<u>348.700</u>	<u>294.923</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**NOTE - 8  
FINANCIAL INCOME**

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Financial income – related legal entities	15.066	218
Foreign exchange gains	239.736	379.087
Income from foreign currency clause effects	6.115	242
Income from interests	22.683	3.758
Other financial income	648	-
	<u>284.248</u>	<u>383.305</u>

**NOTE - 9  
FINANCIAL EXPENSES**

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Foreign exchange losses	647.868	326.850
Interest expenses	54.303	64.041
Expenses from foreign currency clause effects	840	139
Other financial expenses		3
	<u>703.011</u>	<u>391.033</u>

**NOTE - 10  
OTHER INCOME**

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Gains from disposals of equipment and intangible assets	-	228
Income from receivables value adjustments	12.188	936
Surpluses	2.821	3.826
Remuneration for damages from insurance companies	5.291	6.649
Gains from disposals of materials	4.562	217
Other income	2.516	694
	<u>27.378</u>	<u>12.550</u>

**NOTE - 11  
OTHER EXPENSES**

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Impairment of receivables and short-term investments		293



**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

Shortages		
Losses from disposals of raw materials	3.755	209
Writing-offs of receivables for given housing loans	958	893
Losses for writing-offs of property and equipment		
Expenses for direct writing-offs of receivables		
Other expenses	3.851	6.572
	<u>8.564</u>	<u>7.967</u>

**NOTE - 12  
PROFIT****c) Reconciliation of the amount of income tax in the Income Statement and products of pre-tax profit and the applicable tax rates**

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Pre-tax profit	282.524	743.378
Income tax calculated at the rate of 10%	28.252	74.338
Loss		
Profit after taxation	<u>254.272</u>	<u>669.040</u>
Effective tax rate	<u>10%</u>	<u>10%</u>

**EARNINGS PER SHARE**

	In thousands RSD	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Net profit	254.272	
Weighted average number of shares	14.895.524	9.799.270
Basic earnings per share (in RSD)	<u>17,07</u>	<u>68,27</u>

**NOTE - 13****PROPERTY, PLANT AND EQUIPMENT, NATURAL ASSETS, INVESTMENT PROPERTY AND INTANGIBLE ASSETS**

	In thousands RSD						
	Land, construction facilities and natural assets	equipment	Advance payments for non-current assets and investments in progress	Total	Investment property	Intangible assets	Intangible assets undr construction
Purchase value/cost							

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Balance on January 1, 2011	1.859.097	2.247.315	498.108	4.604.520	332.034	19.396	0
Increase during the year	82.082	83.704	6.416.096	6.581.882	-	2.964	9.596
Transfers			(201.727)	(201.727)	-	-	(2.964)
Closure of suppliers			(3.295.728)	(3.295.728)			
Capitalized interest	11.671	24.270		35.941			
Transfer to investment property			-			-	-
Writing-off	-	(8.516)	-	(8.516)	(81)		
Disposals	-	(1.717)		(1.717)			
Other	-						
Balance on December 30, 2011	1.952.848	2.345.056	3.416.749	7.714.653	331.953	22.360	6.632
Balance on January 1, 2011	1.952.848	2.345.056	3.416.749	7.714.653	331.953	22.360	6.632
Increase during the year	422.220	19.811	1.063.540	1.505.571		377	1.500
Capitalized interest	3.670	31.882		35.552			
Transfers			(477.584)	(477.584)			(377)
Closure of suppliers			(592.540)	(592.540)			
Transfer to investment property							
Writing-off							
Disposals							
Other							
Balance on June 30, 2012	2.378.738	2.396.749	3.410.165	8.185.652	331.953	22.737	7.755
<b>Provisions</b>							
Balance on January 1, 2011	198.251	554.278	-	752.529	-	12.654	
Current year depreciation	39.880	144.224	-	184.104	-	2.551	
Transfer to investment property			-		-	-	
Disposals		(5.565)		(5.565)			
Writing-off	-		-		-	-	
Balance on December 31, 2011	238.131	691.599	-	929.730	-	15.205	
<b>Provisions</b>							
Balance on January 1, 2012	238.131	691.599	-	929.730	-	15.205	
Current year depreciation	23.807	74.346		98.153		1.433	
Transfer to investment property							
Disposals							
Writing-off							
Balance on March 31, 2012	261.938	765.945		1.027.883		16.638	
-Pres.value, June 30, 2012	2.116.800	1.630.804	3.410.165	7.157.769	331.953	6.099	7.755
-Pres. value, Dec. 31, 2011	1.714.717	1.653.457	3.416.749	6.784.923	331.953	7.155	6.632

The Company recorded intangible assets in the amount of 13.854 thousand RSD.

The Company recorded the value of property, plant and equipment on June 30, 2012 in the amount of 7.489.722 thousand RSD. Depreciation is calculated by using the proportional method over purchase value/cost.

Advance payments for non-current assets and investments in progress recorded on June 30, 2012 in total amount of 3.410.165 thousand RSD mostly relate to investments in facilities and equipment for the Factory for traditional soy concentrates.

Works relating to investment for construction of the Factory for production of soy protein concentrates have been completed, and relate to the first phase of this investment which includes the construction of the factory for traditional soy concentrates in the capacity of 70.000 t annually. Test production is in progress, and regular production is expected in September. Total appraised value of the first phase of investment – construction of the factory for traditional soy concentrates is EUR 22,5 million, but the budget value has been revised to the amount of EUR 26,5 million and it was completed at that level. Bearing in mind that soy concentrates account for one of products with the highest level of finalization, as well as the broad use thereof in the area of animal food production, production of milk replacers for feeding pigs and calves and production of food for humans, the Company expects significant increase in soy concentrates sales revenues. After completion of the first phase of the investment,

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

the Company shall commence the implementation of the second phase which includes the production of functional soy concentrates with the annual capacity of 15.000 t.

**NOTE - 14**  
**INVESTMENTS IN CAPITAL**

		30/06/2012	In thousands RSD 31/12/2011
	<b>investment %</b>		
<i>Investments in capital of parent companies and subsidiaries</i>			
ZAO Vobeks – Intersoja, Russia	85,00%	1,112	1,112
Veterinarski zavod Subotica a.d.	59,17%	783.618	783.618
		<u>784.730</u>	<u>784.730</u>
<i>Investments in capital of related parties</i>			
Hotel Bela Lađa a.d., Bečej	31,81%	64.626	64.626
		<u>64.626</u>	<u>64.626</u>
Investment in capital of banks		120	120
Novosadski sajam a.d., Novi Sad		4.381	4.381
Investments in capital of other legal entities		1.831	1.831
		<u>855.688</u>	<u>855.688</u>

**NOTE – 15**  
**OTHER LONG-TERM FINANCIAL INVESTMENTS**

	30/06/2012	In thousands RSD 31/12/2011
Housing loans to employees	2.189	904
	<u>2.189</u>	<u>904</u>

**NOTE – 16**  
**INVENTORIES**

	30/06/2012	In thousands RSD 31/12/2011
Raw material	2.319.252	2.140.423
Spare parts	139.334	140.999
Tools and inventories	48.700	43.201
Finished products	1.080.209	678.331
Work in progress	72.884	69.397
Advances paid	1.190.609	1.684.789
Merchandise:		
-Wholesale merchandise	2.085	2.274
- Merchandise in storehouses at other legal entities	3.490	3.638
	<u>4.856.563</u>	<u>4.763.052</u>

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

Minus: Provisions for inventories of material	(21.937)	(18.932)
	<u>4.834.626</u>	<u>4.744.120</u>

The Company reported inventories in the amount of 4.834.626 thousand RSD in the Balance Sheet.

The most significant items include inventories of raw material and material amounting to 2.319.252 thousand RSD, out of which amount inventories of basic raw material (soybeans) amount to the value of 2.267.362 thousand RSD calculated at the average cost, i.e. the quantity of 55.371.600 kg.JUS soybeans.

**NOTE - 17  
RECEIVABLES**

	<b>30/06/2012</b>	<b>In thousands RSD 31/12/2011</b>
Trade receivables:		
- parent legal entities and subsidiaries	410.960	
- related parties	1.239.652	2.235.680
- domestic	1.450.666	807.069
- foreign	956.148	757.477
Receivables from exporters	-	4.626
Receivables from specific business operations		
- related parties	-	-
- other	3.662	-
Receivables for interests	50.489	126.433
Receivables from state authorities and organizations	2.588	3.280
Prepaid other taxes and contributions	-	182
Other receivables:		
- related parties		
- other	14.359	13.598
	<u>(159.595)</u>	<u>(171.783)</u>
Minus: provisions for trade receivables	<u>3.968.929</u>	<u>3.776.562</u>

**NOTE - 18  
SHORT-TERM FINANCIAL INVESTMENTS**

	<b>30/06/2012</b>	<b>In thousands RSD 31/12/2011</b>
Short-term loans to related legal entities:		
-Victoria Group a.d.	504.100	-
Loans for winter food supply	2.804	10.952
Short-term loans- domestic	152.203	111.089
Other financial investments	21	186
	<u>659.128</u>	<u>128.804</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

## NOTE - 19

## CASH AND CASH EQUIVALENTS

	30/06/2012	In thousands RSD 31/12/2011
Current accounts		
-in RSD	6.972	212.733
-in foreign currency	249.079	307.808
Cash allocated for payments and open letters of credit	19	19
Cash on hand	42	
Foreign currency letters of credit	-	
Other cash and cash equivalents	3255	3.255
	<u>259.367</u>	<u>523.815</u>

## NOTE - 20

## VALUE ADDED TAX AND PREPAYMENTS AND ACCRUED INCOME

	30/06/2012	In thousands RSD 31/12/2011
Prepaid cost for up to one year	17.000	6.132
Value Added Tax paid in advance	-	124.100
Accrued Value Added Tax	-	2.706
Accrued income (uninvoiced income)	13.602	-
Other prepayments and accrued income	666	559
	<u>31.268</u>	<u>133.497</u>

## NOTE - 21

## OFF-BALANCE SHEET ASSETS

On June 30, 2011 the off-balance sheet assets amounted to 9.539.536 thousand RSD. The amount of 9.515.569 thousand RSD accounts for guarantees and sureties which Sojaprotein AD placed as a guarantor. The amount of 23.967 thousand RSD refers to goods stored in our storehouses belonging to others.

## OFF-BALANCE SHEET ASSETS/LIABILITIES

	30/06/2012	In thousands RSD 31/12/2011
Assets belonging to other entities	23.967	692.047
Guarantees and sureties given	9.515.569	9.901.904
	<u>9.539.536</u>	<u>10.593.951</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE - 22  
BASIC CAPITAL

On June 29, 2012 the Company Assembly issued the Decision on allocation of profit, where the profit earned is allocated in the following manner:

- 5% of profit is allocated to Company reserves
- the remaining part is held as retained profit for the purpose of strengthening the financial position of the Company.

The structure of the Company's share capital as of June 30, 2012:

Description	30/06/2012			% share	31/12/2011	
	% share	No. of shares	Value of capital		No. of shares	Value of capital
Victoria group AD	50,94%	7.587.503	3.518.032	62,94%	9.374.965	4.346.809
Mitrović Zoran	6,07%	904.675	419.463			
Babović Milija	6,03%	897.835	416.291			
Raiffeisenbank AD Belgrade – Custody account	2,77%	413.325	191.643			
Unicredit Bank AD Serbia – Custody account	2,17%	323.317	149.910	1,37%	203.521	94.365
Societe Generale Bank Serbia – Custody account	1,50%	223.861	103.796	1,32%	196.131	90.938
Erste Bank AD Novi Sad – Custody account	1,34%	200.066	92.763	1,53%	228.192	105.804
Raiffeisen Banka AD – Custody account	1,15%	171.250	79.402			
Raiffeisenbank AD Belgrade Custody account	1,14%	170.221	78.925			
Gustaviad. Fonder Aktie	1,13%	168.137	77.959	1,13%	168.137	77.959
Other legal entities and individuals	25,76%	3.835.334	1.778.296	31,71%	4.724.578	2.190.605
	100%	14895.524	6.906.480	100%	14895.524	6.906.480
Own shares purchased		23.466			23.466	
Share capital		14872.058	6.906.480		14872.058	6.906.480

There still remain 23.466 items of own shares acquired as free shares of X emission to be sold.

## LEGAL RESERVES

Legal reserves of the Company stated on June 30, 2012 in the amount of 305.054 thousand RSD account for allocations from retained profit from previous years pursuant to the Decision on allocation of profit earned in the business year 2011 issued by

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

the Company Assembly pursuant to which the Company has allocated the part of 5% of net profit for the business year into the account of legal reserves, until they have reached 10% of the Company basic capital.

**STATUTORY RESERVES**

Statutory reserves of the Company stated on June 30, 2012 amount to 248,267 thousand RSD. The Company performs allocations into these reserves in accordance with the Statute on occasion of net profit allocation for the business year. The Company freely disposes of statutory reserves, and the existing internal acts fail to give special definition to the use thereof. Funds allocated to reserves have not been used.

**NOTE – 23****LONG-TERM LOANS**

	<b>30/06/2012</b>	<b>In thousands RSD 31/12/2011</b>
Long-term loans - domestic	2.890.113	1.562.157
Long-term loans - foreign	1.808.351	1.775.815
	<u>4.698.464</u>	<u>3.337.972</u>
Current portions	<u>(332.556)</u>	<u>(442.469)</u>
	<u>4.365.908</u>	<u>2.895.503</u>

**LONG-TERM LOANS - FOREIGN**

			<b>In thousands RSD December 31,</b>		
	<b>Annual interest rate</b>	<b>Currency</b>	<b>Amount in currency</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Vojvođanska banka a.d. Novi Sad		EUR	10.756.277	1.245.795	1.125.546
European Bank	2,5%+6M	EUR	2.857.142	330.915	313.923
European Bank	2,3%+6M	EUR	2.000.000	231.641	336.346
BankA Inteza Coper	3M+ 1.3%			-	-
				<u>1.808.351</u>	<u>1.775.815</u>
Current portion				<u>(157.185)</u>	<u>(284.025)</u>
				<u>1.651.166</u>	<u>1.491.790</u>

In December 2001, negotiations held between the Government of the Republic of Serbia and Paris Creditors Club resulted in significant reduction in liabilities (principal, interests and default interest calculated until March 22, 2002) in the amount of 51% of new principal with the possibility of additional writ-off of liabilities in three years up to the maximum amount of 66.67%, as an additional item to liability program. The Law Governing the Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks within the Territory of the Federal Republic of Yugoslavia, who account for the original debtors of guarantors for Paris and London Club Creditors came into effect on July 4, 2002 ("Official Gazette of FRY" No. 36/2002). In accordance

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

with the underlying Law, the Company was obliged to repay the loans approved by Paris Creditors Club to domestic banks on conditions which shall not be less favorable than those defined under the agreement with foreign creditors.

Until the date of publication of these financial statements, the Company has not concluded the Agreement on defining the repayment of liabilities arising under loans to Paris Club Creditors with Vojvođanska Bank a.d., Novi Sad, thus reducing the principal for the written-off portion of the liability, nor has it calculated the interests or included and stated them in financial statements for the period from March 22, 2002 until the Balance Sheet date.

The Supreme Court of the Republic of Serbia has abolished the Appeal Judgment, thus returning the proceeding to the first instance court for decision, which rendered the judgment in favor of the Company in the retrial proceeding. The proceeding is conducted upon the plaintiff's appeal.

Liabilities arising under the loan approved by the European Bank for Reconstruction and Development stated on June 30, 2012 account for total amount of 562,556 thousand RSD (EUR 4.857.142,84). The loan was approved in accordance with the Agreement entered into on September 10, 2007. Namely, according to the Agreement, the underlying funds account for a part of the loan approved for the purposes of investments into operating capital as per the project of procurement of 235.000 tons of soybean and 60.000 tons of sunflower and 15.000 tons of rapeseed as well as investments into energy efficiency, and related to tranche 2 and tranche 3 of funds approved in total amount of EUR 45.000.000. The underlying funds have been approved for the period of five years with semi-annual installments of repayment.

Pursuant to the Loan Agreement and in accordance with the requirements referred to under paragraph 5.10. "Financial relationships (ratios)", the Company is obliged to, based on financial statements, stated in compliance with full implementation of International Accounting Standards, maintain:

1. The relationship between EBIT and interest expenses at the level not under 3, provided that the Company profit shall subsequently be corrected for:

- Any share in profit or loss of any associate company, except for dividends or other income which the Company received in cash from that associate company or joint venture, and each income from any other investment in non-current assets.
- All profits or losses directly related to disposal or discontinuation of business operations or disposal of fixed assets.
- All direct expenses of any fundamental reorganization, or restructuring having material effect on the nature and focus of business operations of the Company.
- All amounts written-off from the investment value
- Realized and unrealized foreign exchange gains and losses not related to continuing operations.

2. Interest expenses include all interests and expenses incurred with the Company financial debt as the interest, expenses or expenditures charge the Income statement of the entity.

The relationship between the debt and overall capitalization must be maintained at a level not exceeding 0.6 provided that the debt means only debt, but excluding any other debt provided under the Contract on pledge of inventories of goods. Overall capitalization means the sum of total share capital stated values, accumulated deferred income taxes, accumulated investment tax loans, minority shares, potential reserves and contributions as assistance in construction.



## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

## LONG-TERM LOANS - DOMESTIC

	Annual interest rate	Currency	Amount in currency	In thousands RSD December 31,	
				2011	2010
UniCredit Bank Belgrade	3,9%+3M EURIBOR	EUR	16.703.425	1.934.596	1.562.157
	3,8%+1M	EUR	1.750.000		
Banca Intesa	EURIBOR			202.685	-
Banca Intesa	3,8%+1M EURIBOR	EUR	2.000.000	231.641	-
	3,8%+1M	EUR			
Banca Intesa	EURIBOR		4.500.000	521.191	-
				<u>2.890.113</u>	<u>1.562.157</u>
<b>Minus:</b>				<u>(175.371)</u>	<u>(158.443)</u>
Current portion				<u>2.714.742</u>	<u>1.403.714</u>

NOTE – 24  
SHORT-TERM FINANCIAL LIABILITIES

	30/06/2012	In thousands RSD 31/12/2011
Current portions of:		
- long-term loans	332.556	442.469
Short-term loans	1.187.158	1.902.812
Other	367	717
	<u>1.520.081</u>	<u>2.345.998</u>

## Short-term loans:

	Annual interest rate	Maturity	Amount in currency	30/06/2012	In thousands RSD 31/12/2011
Societe Generale Bank	3m Euribor + 3,80%	August 31, 2012 September 6,	7.000.000	608.056	732.486
Credit Agricole	3m Euribor + 3,9%	June 21, 2012	5.000.000	579.102	523.205
Komercijalna banka a.d.	4.40	March 30, 2012	6.184.208	-	647.121
				<u>1.187.158</u>	<u>1.902.812</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE – 25  
LIABILITIES FROM BUSINESS OPERATIONS

	30/06/2012	In thousands RSD 31/12/2011
Liabilities from received advances	105.656	65.479
Liabilities for trade payables		
- parent companies and subsidiaries	-	-
- other related parties	69.135	40.740
- trade payables– domestic	170.689	157.256
- trade payables – foreign	52.258	156.505
- other liabilities from business operations	61.045	101.703
	<u>458.783</u>	<u>521.683</u>

NOTE – 26  
OTHER SHORT-TERM LIABILITIES

	30/06/2012	In thousands RSD 31/12/2011
Net salaries and fringe benefits	11.127	9.879
Taxes and contributions on salaries	6.875	6.222
Interests and finance costs	3.334	13.300
Liabilities for dividends	3.017	3.017
Liabilities to individuals for contracted fees	283	220
Liabilities for refundable net salaries and fringe benefits	90	65
Taxes and contributions on refundable salaries and fringe benefits	28	18
Liabilities to members of Management Board and Supervisory Board	60	60
Other liabilities	20	13
	<u>24.834</u>	<u>32.794</u>

## NOTE – 27

## LIABILITIES FOR VALUE ADDED TAX AND OTHER PUBLIC REVENUES AND ACCRUALS AND DEFERRED INCOME

	30/06/2012	In thousands RSD 31/12/2011
Liabilities for taxes, customs and other duties	20.392	168
Deferred income	292	327
Accrued liabilities for VAT	-	561
Other accruals and deferred income	-	-
Accrued expenses	22.351	28.562
	<u>43.035</u>	<u>29.618</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES

## Capital Risk Management

The objective of capital management is to enable the Company to continue its business operations for an indefinite period of time in the foreseeable future, in order to preserve the optimal capital structure with a view to reduce the costs of capital, and provide a return on capital to the owners. The structure of Company's capital consists of debts, including long-term loans, other long-term liabilities, long-term and short-term investments, cash and cash equivalents and capital attributable to owners, which includes stakes, other capital, reserves and accumulated profit.

Persons controlling the finances at the corporate level also review the structure of capital on an annual basis.

The indicators of the Company's indebtedness with the balance as of June 30, 2012 were as follows:

	30/06/2012	In thousands RSD 31/12/2011
Indebtedness a)	5.886.052	5.241.563
Cash and cash equivalents	259.367	523.815
Net indebtedness	5.626.685	4.717.748
Capital b)	11.260.015	11.260.015
Ratio of total debt to capital	0,50	0,42

a) Debt is related to long-term and short-term financial liabilities.

b) Capital includes share capital, reserves and accumulated profit.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)

## Categories of Financial Instruments

	30/06/2012	In thousands RSD 31/12/2011
<b>Financial assets</b>		
Share in the capital	6.332	6.332
Other long-term financial investments	2.190	904
Receivables	3.966.341	3.773.100
Short-term financial investments	656.324	117.852
Cash and cash equivalents	259.367	523.815
	4.890.554	4.422.003
<b>Financial Liabilities</b>		
Long-term and short-term loans	5.886.052	5.241.563
Trade payables	353.128	456.204
Other liabilities	6.634	16.537
	6.245.814	5.714.304

The Company's basic financial instruments comprise cash and cash equivalents, receivables, financial investments incurred directly from the Company business operations, as well as long-term loans, trade payables and other liabilities mainly intended

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

to finance the Company's current business operations. In standard course of business, the Company's business operations are exposed to the risks stated in the text below.

**Financial Risk Management Objectives**

Financial risks include market risk (foreign exchange and interest rate risk), credit risk and liquidity risk. Financial risks are reviewed on a time basis and are primarily mitigated by reducing the Company's exposure to these risks. The Company uses no financial instruments as a hedge against the effects of financial risks on business operations due to the fact that such instruments are neither widely used, nor is there an organized market for such instruments in the Republic of Serbia.

**Market Risk**

In its course of business the Company is exposed to financial risks inherent in changes in foreign currency exchange rates and changes in interest rates. The exposure to the market risk can be reviewed by means of the sensitivity analysis. No significant changes were recorded neither relating to the Company exposure to market risk, nor in the method used by the Company to manage or measure the risk thereof.

*Foreign Currency Risk*

The Company is exposed to foreign currency risk primarily through cash and cash equivalents, accounts payable, long-term loans and trade receivables denominated in foreign currency. The Company uses no special hedge instruments, considering the fact that such instruments are uncommon in the Republic of Serbia.

The stability of the economic environment where the Company operates, largely depends upon the Government measures relating to economy, including the establishment of an adequate legal and statutory framework.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)****Market Risk (continued)***Foreign Currency Risk (continued)*

The carrying amount of the Company's monetary assets and liabilities denominated in foreign currency as of the reporting date were as follows:

	Assets		Liabilities	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011
EUR	558.584	574.135	5.886.052	5.397.252
USD	617.659	469.455		
GBP	28.983	21.798		
CHF				816
	<u>1.205.226</u>	<u>1.065.388</u>	<u>5.886.052</u>	<u>5.398.068</u>

The Company is sensitive to changes in foreign currency exchange rates of Euro (EUR) and US Dollar (USD). The following table shows details on the Company's sensitivity analysis relating to 10% increase and decrease in the exchange rate of RSD compared to the underlying foreign currency. The sensitivity rate of 10% is used in internal presentation of foreign currency risk and represents the management's best assessment of reasonably expected fluctuations in foreign currency exchange rates. The sensitivity analysis includes only outstanding receivables and liabilities denominated in foreign currency, and it adjusts their conversion at the end of the period for the change of 10% in foreign currency exchange rates. The positive number from the table indicates the increase in results of the current period in cases when RSD devalues against the currency at issue. In case of

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

RSD devaluation of 10% as compared with the foreign currency at issue, the influence at the result of the current period would be the exact opposite to the amount stated in the previous instance.

	30/06/2012	In thousands RSD 31/12/2011
EUR currency	(537.965)	(482.311)
USD currency	61.766	46.945
GBP currency	2.898	2.180
	<hr/>	<hr/>
Result of the current period	(473.301)	(433.268)
	<hr/>	<hr/>

The Company's sensitivity to changes in foreign currency exchange rates has been increased during the current period, mostly as a result of increased credit liabilities.

**Interest Rate Risk**

The Company is exposed to interest rate risk inherent in assets and liabilities which have the floating interest rate. This risk depends upon the financial market, so the Company has at its disposal no instruments which would mitigate the influence thereof.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)****Market Risk (continued)***Foreign Currency Risk (continued)*

	30/06/2012	In thousands RSD 31/12/2011
<b>Financial assets</b>		
<i>Non-interest bearing</i>		
Long-term financial investments	6.332	6.332
Other long-term financial investments	2.190	904
Trade receivables	3.966.341	3.773.100
Short-term financial investments	630.224	91.752
Cash and cash equivalents	258.367	523.815
	<hr/>	<hr/>
	4.864.454	4.395.903
<i>Variable interest rate</i>		
Short-term financial investments	26.100	26.100
	<hr/>	<hr/>
	4.890.554	4.422.003
<b>Financial liabilities</b>		
<i>Non-interest bearing</i>		
Trade payables	353.128	456.204
Other liabilities	6.634	16.537
	<hr/>	<hr/>
	359.762	472.741
<i>Fixed interest rate</i>		
Long-term and short-term loans	-	647.121
	<hr/>	<hr/>
<i>Variable interest rate</i>		
Long-term and short-term loans	5.886.052	4.594.442
	<hr/>	<hr/>
	6.245.814	5.714.304
	<hr/>	<hr/>

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Sensitivity analysis presented in the following text has been established based on the exposure to changes in interest rates for non-derivative instruments at the date of Balance Sheet. For liabilities with variable interest rates, the analysis has been prepared assuming that the remaining amount of assets or liabilities at the date of Balance Sheet remained unchanged during the whole year. Increase or decrease of 1% represents, as far as the management is concerned, assessment of currently possible change in interest rates. If the interest rate was 1% higher/lower, and all other variables remained unchanged, the Company would make operative profit/(loss) for the year that ended on June 30, 2012 in the amount of approximately 58.599 thousand RSD. This situation is attributed to the Company's exposure which is based on variable interest rates that are calculated to long-term loans.

**Credit Risk***Trade Receivables Management*

The Company is exposed to credit risk which is the risk that debtors shall not be able to settle the debts towards the Company in full amount and on time, which would result in financial loss for the Company. The Company's exposure to this risk is limited to the amount of trade receivables at the date of the balance. Trade receivables mostly relate to the related parties.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)****Market Risk (continued)***Trade Receivables Management (continued)*

The most significant customers are presented in the following table:

<u>Client</u>	<u>30/06/2012</u>	<u>In thousands RSD 31/12/2011</u>
Victoria Logistic	44.217	1.860.965
Victoriaoil a.d. Šid	1.192.355	209.449
Metalopromet, Kula	194.483	94.990
Bonida-Vladimirci	91.743	-
Invej a.d., Zemun	468.640	57.295
Mlinovi Čurug d.o.o.	80.079	80.079
Vet.zavod Subotica ad, Subotica	410.218	164.194
Biovet Bulgaria	367.493	249.957
Vobex, Moscow	140.094	113.505
Eraković	19.443	7.667
Interkomerc, Belgrade	133.529	28.642
Merkator S, Novi Sad	94.097	51.475
Other receivables	729.950	704.882
	<u>3.966.341</u>	<u>3.773.100</u>

The structure of trade receivables as of June 30, 2012 is presented in the following table:

	<u>Gross exposure</u>	<u>Allowance for Impairment</u>	<u>In thousands RSD Net exposure</u>
Trade receivables, not matured	1.725.195	-	1.725.195

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

Trade receivables, matured and provided for	159.698	(159.698)	-
Trade receivables, matured but not provided for	2.241.146	-	2.241.146
	<u>4.126.039</u>	<u>(159.698)</u>	<u>3.966.341</u>

The structure of trade receivables on December 31, 2011 is presented in the following table:

	<b>Gross exposure</b>	<b>Allowance for Impairment</b>	<b>In thousands RSD Net exposure</b>
Trade receivables, not matured	1.219.300	-	1.219.300
Trade receivables, matured and provided for	171.886	(171.886)	-
Trade receivables, matured but not provided for	<u>2.553.800</u>	<u>-</u>	<u>2.553.800</u>
	<u>3.944.986</u>	<u>(171.886)</u>	<u>3.773.100</u>

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)****Credit Risk (continued)****Trade Receivables Management (continued)***Trade Receivables, not Matured*

Trade receivables, not matured stated on June 30, 2012 in the amount of 1.725.195 thousand RSD (December 31, 2011: 1.219.300 thousand RSD) mostly relate to trade receivables for disposals of soy meal, raw soybean oil, soy textures and soy flour. These receivables are mainly due within the period of 60 days after the date of invoice, depending on contracted payment deadline and a part of receivables with a payment due date November 25, 2012 in compensation for soybeans harvested in 2012.

*Trade Receivables, Matured and Provided for*

In the period reviewed, the Company impaired the trade receivables for matured receivables in the amount of 159.698 thousand RSD (in the year 2011: 171.886 thousand RSD), for which the Company determined that the client's creditworthiness was changed and that receivables shall not be collected in the amounts stated.

*Trade Receivables, Matured but not Provided for*

The Company has not impaired the matured receivables stated on June 30, 2012 in the amount of 2.241.146 thousand RSD (December 31, 2011: 2.553.800 thousand RSD) considering that no change in client's creditworthiness was determined, and considering that the receivables concerned mostly relate to receivables from the associated companies, and that the Company's management believes that the total present value of these receivables shall be collected.

*Trade Receivables, Matured but not Provided for (continued)*

Age structure of the trade receivables, matured but not provided for is presented in the following table:

	<b>30/06/2012</b>	<b>In thousands RSD 31/12/2011</b>
Under 30 days	984.658	622.784

**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

31 – 90 days	846.504	213.612
91 – 180 days	237.144	389.112
181 – 365 days	116.728	1.324.868
Over 365 days	56.112	3.424
	2.241.146	2.553.800

*Trade Payables Management*

On June 30, 2012, trade payables were stated in the amount of 353.128 thousand RSD (December 31, 2011: 456.204 thousand RSD). Suppliers do not charge penalty against matured liabilities, whereas the Company settles due trade payables, in accordance with the financial risk management policy, within the contractual deadline. Average time period allowed for settling trade payables counts 31 days.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT OBJECTIVES (continued)****Fair Value of Financial Instruments (continued)***Assumptions for the Assessment of the Current Fair Value of Financial Instruments*

Considering the fact that we lack the appropriate market experience, stability and liquidity in purchase and sale of financial assets and liabilities, and considering the fact that we lack available market information that might be used for the purpose of disclosing fair values of financial assets and liabilities, the method here applied is that of discounted cash flows. When using this method of valuation, the interest rates for financial instruments with similar characteristics have been used, with an objective of achieving relevant assessment of market value of financial instruments as of the balance sheet date. Additional assumptions used for assessment of the current fair value are that the carrying value of short-term trade receivables and trade payables approximates the fair value thereof due to the fact that they become due for payment/collection within a relatively short time periods.

**TAX RISKS**

Tax legislation of the Republic of Serbia is subject to varying interpretations and is subject to frequent amendments. The interpretation of tax legislation by tax authorities as applied to transactions and activities of the Company may differ from the interpretations of the Company's management. Consequently, transactions may be contested by the relevant tax authorities and the Company could be assessed additional amount of tax, penalties and interest. The fiscal periods remain open for review by the tax authorities for a period of five years. This means that the tax authorities are entitled to allocate the payment of outstanding liabilities within the period of five years after the liability was incurred.

**LITIGATION**

As of June 30, 2012 the Company is involved in a number of legal proceedings as a defendant, the most significant of which are as follows:

- Legal proceedings with Vojvođanska banka a.d. Novi Sad, based on liabilities for refinanced loans originally approved by the Paris Club of Creditors, the value of which amounts to EUR 10.756.276,60. The Supreme Court of the Republic of Serbia abolished the Appeal Judgment, thus returning the proceeding to the first instance court for decision, which rendered the judgment in favor of the Company in the retrial proceedings.
- Two legal proceedings with Agro d.o.o., Valjevo in total value of 21.940 thousand RSD, relating to concluded contracts for construction of facilities.



**NOTES TO FINANCIAL STATEMENTS****June 30, 2012**

The Company believes in the positive outcome of the underlying legal proceedings, so no provisions for that purpose have been formed in the attached financial statements.

**CURRENT ECONOMIC SITUATION AND ITS IMPACT ON THE COMPANY**

The Company's business operations were significantly affected by the current global financial crisis and deteriorated economic conditions. It is not expected that the year 2012 shall bring significantly different business conditions. Because of the economic crisis in the global market and its impact on the Serbian market, it is expected that the Company shall continue its business operations in aggravated and uncertain economic conditions. Furthermore, it is also impossible to predict the impact of the crises to future business operations of the Company, which results in the element of general uncertainty. Deterioration of economic situation in the country shall probably have an impact on the position of certain economic branches, which shall indirectly affect the Company's business operations.

Given all the aforesaid, the Company had no major problems in maintaining the liquidity.

**FOREIGN EXCHANGE RATES**

The average foreign exchange rates, determined at the Interbank Market, received for conversion of foreign currency balance sheet items into RSD, for some major currencies were as follows:

	<u>30/06/2012</u>	<u>31/12/2012</u>
USD	92,1476	80,8662
EUR	115,8203	104,6409
GBP	143,7155	124,6022
CHF	96,3724	85,9121

In Bečej, 30/06/2012.

Legal representative

Branislava Pavlović  
General Manager

/Sojaprotein company stamp/

Reporting period: from **01/01/2012** to **30/06/2012**

**Quarterly Financial Statements for Business Companies QFS-BC**

Company name: **SOJAPROTEIN AD**

Identification number (IN): **08114072**

Postal Code and Place: **21220** **BEČEJ**

Street and Number: **INDUSTRIJSKA 1**

E-mail Address: [office@sojaprotein.rs](mailto:office@sojaprotein.rs)

web: [www.sojaprotein.rs](http://www.sojaprotein.rs)

Consolidated/Individual: **CONSOLIDATED**

Adopted (yes/no): **YES**

Audited (yes/no): **NO**

Companies of the consolidation subject: \* Company seat Identification number

**ZAO VOBEX INTERSOJA MOSCOW** **MOSCOW** **1027739651741**

**VETERINARSKI ZAVOD SUBOTICA** **SUBOTICA** **08048908**

**ACTIVEX DOO** **SUBOTICA** **20287152**

Contact Person: **Dragana Anđelković**  
(to enter only the name and surname of the contact person)

Telephone: **0216811623** Fax: \_\_\_\_\_

E-mail Address: [dragana.andjelkovic@sojaprotein.rs](mailto:dragana.andjelkovic@sojaprotein.rs)

Name and Surname: **Branislava Pavlović**  
(person authorized to represent)

\* to be completed when preparing the consolidated semiannual financial statement

## BALANCE SHEET

As of 30/06/2012

in thousands RSD

Position 1	AOP 2	Amount	
		June 30 of current year 3	31/12 of previous year 4
<b>ASSETS</b>			
<b>A. NON-CURRENT ASSETS (002+003+004+005+009)</b>	001	9.368.929	9.034.600
I. SUBSCRIBED CAPITAL, UNPAID	002		
II. GOODWILL	003	201.033	201.033
III. INTANGIBLE ASSETS	004	55.364	48.475
IV. PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS (006+007+008)	005	8.972.922	8.646.428
1. Property, plant and equipment	006	8.656.083	8.329.129
2. Investment property	007	313.930	314.247
3. Natural assets	008	2.909	3.052
V. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009	139.610	138.664
1. Equity investments	010	72.585	72.585
2. Other long-term financial investments	011	67.025	66.079
<b>B. CURRENT ASSETS (013+014+015)</b>	012	11.369.956	10.770.591
I. INVENTORIES	013	5.339.413	5.220.530
II. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS	014		
III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016+017+018+019+020)	015	6.030.543	5.550.061
1. Receivables	016	4.974.035	4.668.630
2. Receivables for prepaid income tax	017	1.338	139
3. Short-term financial investments	018	683.052	154.624
4. Cash equivalents and cash	019	329.613	582.718
5. Value added tax and prepayments and accrued income	020	42.505	143.950
<b>C. DEFERRED TAX ASSETS</b>	021		
<b>D. OPERATING ASSETS (001+012+021)</b>	022	20.738.885	19.805.191
<b>E. LOSS OVER CAPITAL</b>	023		
<b>F. TOTAL ASSETS (022+023)</b>	024	20.738.885	19.805.191

<b>G. OFF-BALANCE SHEET ASSETS</b>	025	17.855.109	20.476.875
------------------------------------	-----	------------	------------

<b>LIABILITIES</b>			
<b>A. CAPITAL (102+103+104+105+106-107+108-109-110)</b>	101	13.284.722	13.002.855
I. BASIC CAPITAL	102	7.292.899	7.292.899
II. SUBSCRIBED CAPITAL, UNPAID	103		
III. RESERVES	104	1.646.449	1.589.277
IV. EFFECT OF RESTATEMENT OF CAPITAL	105	2.513.828	2.512.500
V. UNREALIZED GAIN ON SECURITIES	106	571	571
VI. UNREALIZED LOSS ON SECURITIES	107		
VII. RETAINED PROFIT	108	1.830.975	1.607.608
VIII. LOSS	109		
IX. OWN SHARES PURCHASED	110		
<b>B. LONG-TERM PROVISIONS AND LIABILITIES (112+113+116)</b>	111	7.273.678	6.621.851
I. LONG-TERM PROVISIONS	112	59.270	59.269
II. LONG-TERM LIABILITIES (114+115)	113	4.672.892	3.172.862
1. Long-term loans	114	4.672.829	3.172.799
2. Other long-term liabilities	115	63	63
III. SHORT-TERM LIABILITIES (117+118+119+120+121+122)	116	2.541.516	3.389.720
1. Short-term financial liabilities	117	1.596.167	2.509.902
2. Liabilities from assets held for sale and assets from discontinued operations	118		
3. Operating liabilities	119	847.076	765.376
4. Other short-term liabilities	120	49.766	56.875
5. Liabilities from Value Added Tax and other public revenues and accruals and deferred income	121	45.629	31.129
6. Liabilities from income tax	122	2.878	26.438
<b>C. DEFERRED TAX LIABILITIES</b>	123	180.485	180.485
<b>D. TOTAL LIABILITIES (101+111+123)</b>	124	20.738.885	19.805.191
<b>E. OFF-BALANCE SHEET LIABILITIES</b>	125	175.855.109	20.476.875

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/signature **A.Dragana/**

## INCOME STATEMENT

Period from 01/01/2012 to 30/06/2012

-in thousands RSD

Position 1	AOP 2	Amount	
		01/01 – 30/06 of current year 3	01/01 – 30/06 of previous year 4
<b>A. INCOME AND EXPENSES FROM CONTINUING OPERATIONS</b>			
<b>I. OPERATING INCOME (202+203+204-205+206)</b>	201	8.862.211	8.049.569
1. Income from the sale of merchandise	202	8.359.472	7.432.635
2. Income from the own use of products, services and merchandise	203	17.390	23.009
3. Increase in value of inventories of work in progress and finished products	204	456.384	510.188
4. Decrease in value of inventories of work in progress and finished products	205		
5. Other operating income	206	28.965	83.737
<b>II. OPERATING EXPENSES (2008 TO 212)</b>	207	8.118.780	7.224.517
1. Cost value of merchandise sold	208	1.837.297	1.616.947
2. Costs of material	209	5.291.612	4.749.985
3. Costs of salaries, fringe benefits and other personal expenses	210	382.794	336.923
4. Costs of depreciation and provisions	211	155.676	148.744
5. Other operating expenses	212	451.401	371.918
<b>III. OPERATING PROFIT (201-207)</b>	213	743.431	825.052
<b>IV. OPERATING LOSS (207-201)</b>	214		
<b>V. FINANCIAL INCOME</b>	215	304.529	403.386
<b>VI. FINANCIAL EXPENSES</b>	216	764.479	438.417
<b>VII. OTHER INCOME</b>	217	75.129	36.320
<b>VIII. OTHER EXPENSES</b>	218	58.170	36.797
<b>IX. INCOME FROM CONTINUING OPERATIONS BEFORE TAXES (213-214+215-216+217-218)</b>	219	300.436	789.544
<b>X. LOSS FORM CONTINUING OPERATIONS BEFORE TAXES (214-213-215+216-217+218)</b>	220		
<b>XI. NET INCOME FROM DISCONTINUED OPERATIONS</b>	221		
<b>XII. NET LOSS FROM DISCONTINUED OPERATIONS</b>	222		48
<b>B. INCOME BEFORE TAXES (219+220+221-222)</b>	223	300.436	789.496
<b>C. LOSS BEFORE TAXES (220-219+222-221)</b>	224		
<b>D. INCOME TAX</b>			
1. Tax expense of the period	225	31.867	80.118
2. Deferred tax expenses of the period	226		
3. Deferred tax income of the period	227		
E. Personal earnings of the employer, paid	228		
<b>F. NET PROFIT (223-224-225-226+227-228)</b>	229	268.569	709.378
<b>G. NET LOSS (224-223+225+226-227+228)</b>	230		
<b>H. NET PROFIT BELONGING TO MINORITY INVESTORS</b>	231	9.742	18.600
<b>I. NET PROFIT BELONGING TO OWNERS OF PARENT LEGAL ENTITY</b>	232	258.872	690.778
<b>J. EARNINGS PER SHARE</b>			
1. Basic earnings per share	233		
2. Impairment (diluted) earnings per share	234		

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## CASH FLOW STATEMENT

period from 01/01/2011 to 31/12/2011

in thousands RSD

Position 1	AOP 2	Amount	
		01/01 – 30/06 of current year 3	01/01 – 30/06 of previous year 4
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>I. Cash inflows from operating activities (1 to 3)</b>	301	9.187.866	8.058.159
1. Sales and advances received	302	8.775.013	7.745.746
2. Interests received from operating activities	303	94.539	37.075
3. Other inflows from operating activities	304	318.334	275.338
<b>II. Cash outflows from operating activities (1 to 5)</b>	305	8.487.253	6.053.355
1. Payments to suppliers and advance payments	306	7.886.403	5.458.298
2. Salaries, fringe benefits and other personal expenses	307	377.399	334.294
3. Interests paid	308	122.876	112.472
4. Income tax	309	56.230	37.141
5. Payments incurred with other public revenues	310	44.345	111.150
<b>III. Net cash inflow from operating activities (I-II)</b>	311	700.633	2.004.804
<b>IV. Net cash outflow from operating activities (II-I)</b>	312		
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>I. Cash inflows from investment activities (1 to 5)</b>	313	173	285.932
1. Sales of stocks and shares (net inflows)	314		
2. Sales of intangible assets, property, plant, equipment and natural assets	315	173	10.432
3. Other financial investments (net inflows)	316		275.500
4. Interests received from investment activities	317		
5. Dividends received	318		
<b>II. Cash outflows from investment activities (1 to 3)</b>	319	380.629	1.972.879
1. Purchase of stocks and shares (net outflows)	320		398
2. Purchase of intangible assets, property, plant, equipment and natural assets	321	380.629	702.574
3. Other financial investments (net outflows)	322		1.269.907
<b>III. Net cash inflow from investment activities (I – II)</b>	323		
<b>IV. Net cash outflows from investment activities (II –I)</b>	324	380.456	1.686.947
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			

<b>I. Cash inflows from financing activities (1 to 3)</b>	325	7.570	15.677
1. Increase in basic capital	326		
2. Long-term and short-term loans (net inflows)	327	7.570	15.677
3. Other long-term and short-term liabilities	328		
<b>II. Cash outflows from financing activities (1 to 4)</b>	329	584.625	312.557
1. Purchase of own shares and stakes	330		1.498
2. Long-term and short-term loans and other liabilities (net outflows)	331	584.275	310.329
3. Financial leasing	332	350	730
4. Dividends paid	333		
III. Net cash inflow from financing activities (I-II)	334		
<b>IV. Net cash outflows from financing activities (II-I)</b>	335	577.055	296.880
<b>D. TOTAL CASH INFLOWS (301+313+325)</b>	336	9.195.629	8.359.768
<b>E. TOTAL CASH OUTFLOWS (305+319+329)</b>	337	9.452.507	8.338.791
<b>F. NET CASH INFLOWS (336-337)</b>	338		20.977
G. NET CASH OUTFLOWS (337-336)	339	256.878	
H. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	340	582.719	234.972
I. FOREIGN EXCHANGE GAINS ON CONVERSION OF CASH	341	8.127	10.042
J. FOREIGN EXCHANGE LOSSES ON CONVERSION OF CASH	342	4.355	380
K. CASH AT THE END OF ACCOUNTING PERIOD (338-339+340+341-342)	343	329.613	265.611

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## STATEMENT OF CHANGES IN CAPITAL

Period from 01/01/2012 to 30/06/2012

-in thousands RSD

	Position	AOP	Basic capital (group 30 without 309)	AOP	Other capital (acc. 309)	AOP	Subscribed capital unpaid (group 31)	AOP	share premium (acc. 320)	AOP	Reserves (acc. 321, 322)	AOP	Revaluation reserves (accounts 330 and 331)	AOP	Unrealized gains from securities (acc. 332)
1	Balance on Jan. 1 of previous year _____	401	4938700	414	12393	427		440	1252010	453	294080	466	2515122	479	2476
2	Correction of significant material errors and changes in accounting policies in previous year-increase	402		415		428		441		454		467		480	
3	Correction of significant material errors and changes in accounting policies in previous year-decrease	403		416		429		442		455		468		481	
4	<b>Corrected opening balance on Jan.1 of previous year _____ (No. 1+2+3)</b>	404	4938700	417	12393	430		443	1252010	456	294080	469	2515122	482	2476
5	Total increase in the previous year	405	2341806	418		431		444	4309	457	39632	470		483	
6	Total decrease in the previous year	406		419		432		445	754	458		471	2622	484	1905
7	<b>Balance on Dec. 31 of previous year _____ (No. 4+5+6)</b>	407	7280506	420	12393	433		446	1255565	459	333712	472	2512500	485	571
8	Correction of significant material errors and changes in accounting policies in the current year - increase	408		421		434		447		460		473		486	
9	Correction of significant material errors and changes in accounting policies in the current year - decrease	409		422		435		448		461		474		487	
10	<b>Corrected opening balance on Jan. 1 of the current year _____ (No. 7+8+9)</b>	410	7280506	423	12393	436		449	1255565	462	333712	475	2512500	488	571
11	Total increase in the current year	411		424		437		450		463	57172	476	1328	489	
12	Total decrease in the current year	412		425		438		451		464		477		490	
13	<b>Balance on the last day of the quarter of the current year _____ (No. 10+11+12)</b>	413	7280506	426	12393	439		452	1255565	465	390884	478	2513828	491	571



	Position	AOP	Unrealized losses from securities (accr. 333)	AOP	Retained profit (group 34)	AOP	Loss to the amount of capital (group 35)	AOP	Own shares purchased shares (acc.037,237)	AOP	Total (col.2+3+4+5+6 +7+8+9+10-11-12)	AOP	Loss over capital (group 29)
1	Balance on Jan. 1 of previous year	492		505	2773837	518		531	20521	544	11768097	557	
2	Correction of significant material errors and changes in accounting policies in previous year-increase	493		506		519		532		545		558	
3	Correction of significant material errors and changes in accounting policies in previous year-decrease	494		507		520		533		546		559	
4	<b>Corrected opening balance on Jan.1 of previous year _____ (No. 1+2+3)</b>	495		508	2773837	521		534	20521	547	11768097	560	
5	Total increase in the previous year	496		509	1215178	522		535	796	548	3600129	561	
6	Total decrease in the previous year	497		510	2381407	523		536	21317	549	2365371	562	
7	<b>Balance on Dec. 31 of previous year _____ (No. 4+5+6)</b>	498		511	1607608	524		537	0	550	13002855	563	
8	Correction of significant material errors and changes in accounting policies in the current year - increase	499		512		525		538		551		564	
9	Correction of significant material errors and changes in accounting policies in the current year - decrease	500		513		526		539		552		565	
10	<b>Corrected opening balance on Jan. 1 of the current year _____ (No. 7+8+9)</b>	501		514	1607608	527		540		553	13002855	566	
11	Total increase in the current year	502		515	280539	528		541		554	339039	567	
12	Total decrease in the current year	503		516	57172	529		542		555	57172	568	
13	<b>Balance on the last day of the quarter of the current year _____ (No. 10+11+12)</b>	504		517	1830975	530		543	0	556	13284722	569	

/signature **A.Dragana/**

**SOJAPROTEIN A.D. BEČEJ**

**Notes to  
Semiannual Consolidated Financial Statements  
as of June 30, 2012**

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Period from January 1, to June 30, 2012  
(in thousands RSD)

	<u>Note</u>	<u>2012</u>
<b>OPERATING INCOME</b>		
Income from the sale of merchandise	5	8.359.472
Income from the own use of products, services and merchandise		17.390
Increase/(Decrease) in value of inventories		456.384
Other operating income	7	28.965
		<u>8.862.211</u>
<b>OPERATING EXPENSES</b>		
Cost value of merchandise sold		(1.837.297)
Costs of material	8	(5.291.612)
Costs of salaries, fringe benefits and other personal expenses	9	(382.794)
Costs of depreciation and provisions	10	(155.676)
Other operating expenses	11	(451.401)
		<u>(8.118.780)</u>
<b>OPERATING PROFIT</b>		<u>743.431</u>
Financial income	12	304.529
Financial expenses	13	(764.479)
Other income	14	75.125
Other expenses	15	(58.170)
<b>INCOME FROM CONTINUING OPERATIONS</b>		<u>300.436</u>
<b>INCOME TAX</b>	17	
- Tax expense of the period		(31.867)
- Deferred tax income of the period		
<b>NET PROFIT</b>		<u>268.569</u>
<b>NET PROFIT ATTRIBUTABLE TO MINORITY INVESTORS</b>		<u>9.742</u>
<b>NET PROFIT ATTRIBUTABLE TO OWNERS OF PARENT LEGAL ENTITY</b>		<u>258.827</u>
Basic earnings per share (in RSD)	16	<u>17,38</u>

The accompanying notes on the following pages constitute an integral part of these consolidated financial statements.

Signed on behalf of Sojaprotein a.d. Bečej:

Branislava Pavlović  
Director

Dragana Anđelković  
Head of Accounting

**CONSOLIDATED BALANCE SHEET**  
**As of June 30, 2012**  
**(in thousands RSD)**

As of 30/06/2012

in thousands RSD

	Note	June 30, 2012
	<hr/>	<hr/>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible investments	18	55.364
Goodwill	18	201.033
Property, plant, equipment and natural assets	18	8.658.992
investment property	18	313.930
Equity investments	19	72.585
Other long-term financial investments	20	67.025
		<hr/>
		9.368.929
<b>Current assets</b>		
Inventories	21	5.339.413
Receivables	22	4.974.035
Receivables for prepaid income tax		1.338
Short-term financial investments	23	683.052
Cash equivalents and cash	24	329.613
Value added tax and prepayments and accrued income		42.505
		<hr/>
		11.369.956
		<hr/>
<b>Total assets</b>		<b>20.738.885</b>
<b>LIABILITES</b>		
<b>Capital</b>		
Basic capital	25	7.292.899
Reserves	26	1.646.449
Effect of restatement of capital		2.513.828
Share premium		
Unrealized gain on securities		571
Retained profit		1.830.975
Own shares purchased		
		<hr/>
		13.284.722
<b>Long-term liabilities</b>		
Long-term provisions	27	59.270
Long-term loans	28	4.672.829
Other long-term liabilities		63
		<hr/>
		4.732.162
<b>Short-term liabilities</b>		
Short-term financial liabilities	29	1.596.167

**SOJAPROTEIN A.D., BEČEJ**

Operating liabilities	30	847.076
Other short-term liabilities and accruals and deferred income	31	49.766
Liabilities from Value Added Tax and other public revenues	32	45.629
Liabilities from income tax		<u>2.878</u>
		<u>2.541.516</u>
Deferred tax liabilities		<u>180.485</u>
<b>Total liabilities</b>		<u><b>20.738.885</b></u>
<b>Off-balance sheet assets/liabilities</b>	33	<u><b>17.855.109</b></u>

The accompanying notes on the following pages constitute an integral part of these consolidated financial statements.

**STATEMENT OF CHANGES ON CAPITAL**

Period from January 1, 2012 to June 30, 2012

(in thousands RSD)

	<b>Basic capital</b>	<b>Other capital</b>	<b>Unpaid unsubscr. capital</b>	<b>Premium emission</b>	<b>Reserves</b>	<b>Revaluation reserves</b>	<b>Unrealized gain on securities</b>	<b>Unrealized loss on securities</b>	<b>Retained gains</b>	<b>Own shares purchased</b>	<b>Total</b>
Balance on Jan. 1, 2011	4.938.700	12.393		1.252.010	294.080	2.515.122	2.476		2.773.837	20.521	<b>11.768.097</b>
Correction of significant material errors and changes in accounting policies in previous year-increase											
Correction of significant material errors and changes in accounting policies in previous year-decrease											
Corrected opening balance on Jan. 1, 2011	4.938.700	12.393		1.252.010	294.080	2.515.122	2.476		2.773.837	20.521	<b>11.768.097</b>
Total increase in the previous year	2.341.806			4.309	39.632				1.215.178	796.	<b>3.600.129</b>
Total decrease in the previous year				754		2.622	1.905		2.381.407	21.317	<b>2.365.371</b>
Balance on Dec. 31, 2011	7.280.506	12.393		1.255.565	333.712	2.515.500	571		1.607.608		<b>13.002.855</b>
Correction of significant material errors and changes in accounting policies in the current year - increase											
Correction of significant material errors and changes in accounting policies in the current year - decrease											
Corrected opening balance on Jan. 1, 2012	7.280.506	12.393		1.255.565	333.712	2.515.500	571		1.607.608		<b>13.002.855</b>
Total increase in the current year					57.172	1.328			280.539		<b>339.039</b>
Total decrease in the current year									57.172		<b>57.172</b>
Balance on June 30, 2012	7.280.506	12.393		1.255.565	390.884	2.513.828	571		1.830.975		<b>13.284.722</b>

The accompanying notes on the following pages constitute an integral part of these consolidated financial statements

**CONSOLIDATED CASH FLOW STATEMENT**  
**Period from January 1, to June 30, 2012**  
**(in thousands RSD)**

	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>Cash inflows from operating activities</b>	9.187.886
Sales and advances received	8.775.013
Interests received from operating activities	94.539
Other inflows from operating activities	318.334
<b>Cash outflows from operating activities (1 to 5)</b>	(8.487.253)
Payments to suppliers and advance payments	(7.886.403)
Salaries, fringe benefits and other personal expenses	(377.399)
Interests paid	(122.876)
Income tax	(56.230)
Payments incurred with other public revenues	(44.345)
<i>Net cash inflow from operating activities</i>	<u>700.633</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	
<b>Cash inflows from investment activities</b>	173
Sales of stocks and shares (net inflows)	
Sales of intangible assets, property, plant, equipment and natural assets	173
Other financial investments (net inflows)	
<b>Cash outflows from investment activities</b>	(380.629)
Purchase of stocks and shares (net outflows)	
Purchase of intangible assets, property, plant, equipment and natural assets	(380.629)
Other financial investments (net outflows)	
<i>Net cash outflows from investment activities</i>	<u>(380.456)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>Cash inflows from financing activities</b>	7.570
Increase in basic capital	
Long-term and short-term loans (net inflows)	7.570
Other long-term and short-term liabilities	
<b>Cash outflows from financing activities</b>	(584.625)
Purchase of own shares and stakes	
Long-term and short-term loans and other liabilities (net outflows)	(584.275)
Financial leasing	(350)
<i>Net cash outflows-inflows from financing activities</i>	<u>(577.055)</u>
<b>Net inflows/(outflows) of cash</b>	(256.878)
<b>Cash at beginning of accounting period</b>	582.719



<b>Foreign exchange gains/(losses) on conversion of cash, net</b>	<u>3.772</u>
<b>Cash and cash equivalents at the end of period</b>	<u><b>329.613</b></u>

The accompanying notes on the following pages  
constitute an integral part of these consolidated financial statements

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

**1. ACTIVITY**

Sojaprotein A.D., Bečej (hereinafter: the "Company") is the greatest soybean processing plant in Serbia and one of the most important soybean processing industries in the Central and Eastern Europe. The Company was founded in 1977 as a business organization dealing with industrial processing of soybeans, whose establishment was completed in 1985.

In 1991, the management of the Company reached a decision to issue internal shares to employees, thus performing the transformation of ownership structure into a joint stock company. During 2000 and 2001, the Company privatized the remaining socially-owned capital by emission of free shares, subscribed by the employees and other individuals, all in accordance with the Law on Ownership Transformation from the year 1997.

The core business activity of the Company is soybean processing, which results in a number of full-fat and fat-free products in the form of flour, semolina and textured forms, as well as the soybean oil, soybean meal and soy lecithin.

The seat of Company is in Bečej, Street Industrijska 1. As of the balance sheet date the Company employed 394 people.

**2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE ACCOUNTING METHOD****2.1. Basis for Consolidation**

The consolidated financial statements include the financial statements of the parent company – Sojaprotein a.d., Bečej and of the following subsidiaries domiciled in the country or abroad:

	<u>Equity Stake (%)</u>
	<u>June 30, 2012</u>
1. Veterinarski zavod Subotica a.d., Subotica	59,18%
2. ZAO Vobeks – Intersoja, Russia	85,00%
3. Activex D.O.O. Subotica	77,25%

All materially significant amounts of transactions with and among the aforelisted subsidiaries have been eliminated upon consolidation. Upon the preparation of the consolidated financial statements, the method of full consolidation was applied.

Assets and liabilities of entities domiciled abroad were translated to RSD at the exchange rate effective as of the balance sheet date. The income statement and cash flows were recalculated to RSD by applying the middle exchange rate officially published by the National Bank of Serbia.

For the recalculation of balance sheet line items of the subsidiary located abroad, the official middle exchange rate was used and for the recalculation of the amounts stated in the income statement and cash flow statement, average middle exchange rate was used.

**2.2. Basis of Preparation and Presentation of Consolidated Financial Statements**

Pursuant to the Law on Accounting and Auditing (*Official Gazette of the Republic of Serbia, No.*

46 dated June 2, 2006 and No. 111 dated December 29, 2009), legal entities and entrepreneurs incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose consolidated financial statements in conformity with the prevailing legislation and professional rules which include: the Framework for the Preparation and Presentation of Financial Statements (hereinafter referred to as: the "Framework"), International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as well as the related interpretations representing an integral part of these standards which were in effect as at December 31, 2002.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

**2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE ACCOUNTING METHOD (continued)****2.2. Basis of Preparation and Presentation of Consolidated Financial Statements (continued)**

The amendments to IAS, as well as the newly-issued IFRS and the related interpretations issued by the International Accounting Standards Board - IASB ("hereinafter referred to as the "Board") and the International Financial Reporting Interpretations Committee – IFRIC (hereinafter referred to as the "Committee"), in the period between December 31, 2002 and January 1, 2009, were officially adopted pursuant to a Decision enacted by the Ministry of Finance of the Republic of Serbia (hereinafter referred to as the "Ministry") and published in the Official Gazette of the Republic of Serbia number 77 dated October 25, 2010.

However, until the preparation date of the accompanying consolidated financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2009 had been translated. In addition, the accompanying consolidated financial statements are presented in the format prescribed under the "Rules on the Layout of the Chart of Accounts and Content of the Financial Statements in Layout of Chart of Accounts of Enterprises, Cooperatives and Entrepreneurial Ventures" (Official Gazette of the Republic of Serbia, No. 114 dated December 22, 2006, No. 119 dated December 26, 2008 and No. 9 dated February 6, 2009 and No. 4 dated January 29, 2010 which represent the complete set of financial statements which differ from those defined under the provisions of IAS 1, "Presentation of Financial Statements," and differ in some respects, from the presentation of certain balance sheet items as required under the aforementioned standard. Standards and interpretations issued and in force, but not yet adopted and translated and standards and interpretations in issue, but not yet in effect are disclosed in Notes 2.2 and 2.3.

In accordance with the aforesaid, and given the potentially material effects which the deviations of accounting regulations of the Republic of Serbia from IAS and IFRS may have on the fairness and objectivity of the Company's financial statements, the accompanying financial statements cannot be treated as a set of financial statements prepared in accordance with IAS and IFRS.

The consolidated financial statements were prepared at historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder.

In the preparation of the accompanying consolidated financial statements, the Company has adhered to the accounting policies described in Note 3 to the consolidated financial statements. These accounting policies have been consistently applied to all presented reporting periods.

The Company's consolidated financial statements are stated in thousands of RSD. RSD accounts for the official reporting currency in the Republic of Serbia.

**2.3 Published standards and interpretations in effect for the current period which have not yet been officially translated and adopted**

At the date of presentation of these consolidated financial statements, the standards and amendments thereof described below were issued by the International Accounting Standards Board, and the following interpretations were published by the International Financial Reporting Interpretations Committee, but have not been officially adopted in the Republic of Serbia for annual periods beginning on January 1, 2010:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments improving disclosures of fair value and liquidity risk (revised in March 2009, in effect for annual periods beginning on or after January 1, 2009),
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Additional exceptions for entities first-time adopting IFRS Amendments relating to assets in oil and gas industry and determination whether the contracts contain leasing (revised in July 2009, in effect for annual periods beginning on or after January 1, 2010),

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012**

- Amendments to various standards and interpretations are the result of the Project of Annual Qualitative Improvements to IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 17, IAS 36, IAS 39, IFRIC 16, primarily intending to eliminate discrepancies and to explain formulations in the text (amendments to standards come in effect for annual periods beginning on or after January 1, 2010, and the amendment to IFRIC on or after July 1, 2009),

## **2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE ACCOUNTING METHOD (continued)**

### **2.3 Published standards and interpretations in effect for the current period which have not yet been officially translated and adopted (continued)**

- Amendments to IAS 38 "Intangible assets" (in effect for annual periods beginning on or after July 1, 2009)
- Amendments to IFRS 2 "Share-based payments": Amendments as a result of the Project of Annual Qualitative Improvements to IFRS (revised on April 2009, in effect for annual periods beginning on or after July 1, 2009) and the amendment relating to share-based payment transactions of the group based on cash (revised in June 2009, in effect for annual periods beginning on or after January 1, 2010);
- Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" comes in effect for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial Instruments : Recognition and Measurement" – Embedded derivatives (in effect for annual periods beginning on or after June 30, 2009),
- IFRIC 18 " Transfer of Assets from Customers" (in effect for annual periods beginning on or after July 1, 2009);

### **2.4. Published standards and interpretations not yet enacted**

At the date of presentation of these financial statements, the following standards, amendments and interpretations thereof were published, but have not entered into force yet:

- "Comprehensive Framework for Financial Reporting in the year 2010" which represents the amendment to "Framework for the Preparation and Presentation of Financial Statements" (in effect from the date of publication, i.e. from September 2010),
- IFRS 9 "Financial Instruments" (in effect for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Limited exception from comparative disclosures prescribed within IFRS 7 for entities first-time adopting IFRS (in effect for annual periods beginning on or after July 1, 2010),
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Major hyper-inflation and removal of fixed dates for entities first-time adopting IFRS (in effect for annual periods beginning on or after July 1, 2011),
- Amendments to IFRS 7 "Financial instruments: Disclosure" – Transfer of financial assets (in effect for annual periods beginning on or after July 1, 2011),
- Amendments to IAS 12 "Income tax" – Deferred tax: Recovery (settlement) of carrying amount of assets (in effect for annual periods beginning on or after July 1, 2011),

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

- Amendments to IAS 24 "Related Party Disclosures" – Simplified requests for disclosure for entities under (significant) government control or influence and clarifying the definition of related party (in effect for annual periods beginning on or after January 1, 2011),
- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting inclusion of pre-emption rights on new shares (in effect for annual periods beginning on or after February 1, 2010),
- Amendments to various standards and interpretations "Improvements to IFRS (2010)" are the result of the Project of Annual Qualitative Improvements to IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily intending to eliminate discrepancies and to clarify formulations in the text (majority of amendments shall be in effect for annual periods beginning on or after January 1, 2011),

## **2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE ACCOUNTING METHOD (continued)**

### **2.4. Published standards and interpretations not yet enacted (continued)**

- Amendments to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". Prepaid minimum funding requests (in effect for annual periods beginning on or after January 1, 2011),
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (in effect for annual periods beginning on or after July 1, 2010).

## **3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES**

### **3.1. Income and Expenses**

Income from the sale of merchandise is recognized when the risk and benefit relating to the ownership rights have been transferred to the buyer, which is actually the date of delivery of goods to the buyer. Incomes are presented as per fair value of assets that have been received or shall be received, in net amount after deductions for discounts and Value Added Tax.

Income and expenses from interests are credited or charged to the accounting period they relate to.

Expenses are calculated as per the principle of causality of income and expenses.

The costs of non-current assets maintenance and repairs are covered from the income of the accounting period they are incurred in.

### **3.2. Conversion of Assets and Liabilities in Foreign Currencies**

Business transactions denominated in foreign currencies have been converted into RSD at the middle exchange rate determined at Interbank Market, valid at the date of business transaction.

Assets and liabilities denominated in foreign currencies at the balance sheet date have been converted into RSD at the average exchange rate determined at Interbank Market, valid on that day.

Foreign exchange gains and losses incurred with business transactions in foreign currencies and with calculations of balance sheet items denominated in foreign currencies are credited or debited to income statement as foreign exchange gains and losses.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

**3.3. Borrowings Costs**

Borrowing costs directly attributable to acquisition, construction or production of assets which are qualified and included into a purchase value of the asset in issue up to the moment when all the activities required to prepare the underlying asset for the planned use or sale have been completed. The assets qualified relate to the assets which mandatorily require a significant time period to be prepared for its intended use.

Income from investments realized on the basis of temporary investments of borrowed assets shall be deducted from the incurred borrowing costs intended for financing the assets qualified.

All other borrowings costs are recognized as an expense in the period in which they are incurred.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.4. Employee Benefits*****a) Taxes and Contributions to Employees' Social Security Funds***

Pursuant to regulations applicable in the Republic of Serbia, the Company is obliged to pay taxes and contributions to tax authorities and state funds which ensure the employees' social security. These liabilities include taxes and contributions for employees charged to the employer in the amounts calculated as per the rates prescribed under legal regulations. The Company is also obliged to retain contributions out of employee gross earnings and to pay them to funds on behalf of the employed. Taxes and contributions charged to the employer and taxes and contributions charged to employees are debited to expenses of the period they relate to.

***b) Liabilities for Severance Payments and Jubilee Awards***

The Company is, pursuant to the provision of the Labor Law, obliged to effect severance payments to employees after termination of employment for the use of pension rights, in the amount of three average monthly salaries paid in the Republic, according to the latest published information of the state authority responsible for statistical operations.

Moreover, the Company is obliged to pay jubilee awards to employees depending on duration of continuous work within the Company in the amount of one average monthly salary realized in the Company in the month preceding the month when jubilee awards are paid. The Company's management assesses that the aforementioned provisions have no materially significant impact to the consolidated financial statements.

**3.5. Fair Value**

International Accounting Standard 32, "Financial Instruments: Presentation" requires the fair value disclosure of financial assets and liabilities in the notes to consolidated financial statements. For these purposes, the fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Company is under obligation to disclose the fair value information on those financial assets and financial liabilities for which published market information is readily and reliably available, and whose fair value is materially different from their recorded amounts.

In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result, the fair value cannot readily or reliably be determined in the absence of an active market as required by IAS and IFRS. According to the Company's management, amounts expressed in the consolidated financial statements reflect the fair value which is most reliable and most useful for the needs of the financial reporting in the given circumstances. The Company's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

**3.6. Taxes and Contributions****3.6.1. Income Tax****Current Income Tax**

Current income tax represents the amount calculated and paid pursuant to the Law on Corporate Income Tax applicable in the Republic of Serbia by applying the prescribed tax rate of 10% to the tax base determined according to tax balance, which actually represents the amount of income before taxation upon deduction of effects of reconciliation of income and expenses, with applying the deduction in the amount of the prescribed tax credits. .

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.6. Taxes and Contributions (continued)****3.6.1. Income Tax (continued)****Current Income Tax (continued)**

Tax regulations of the Republic of Serbia do not contain the possibility of tax losses from the current period being used as a base for refund of tax paid in previous periods. However, the losses stated in tax balances until the year 2009 may be used to reduce the tax bases of future accounting periods in the following ten years starting from the date of right granting, and the losses realized and stated in the tax balance for the year 2010 and further may be used to reduce the tax base of the future accounting, but not exceeding the period of ten years.

**Deferred Income Tax**

Deferred income tax is calculated using the balance sheet liability method, for temporary differences arising from the difference between the balance sheet tax base of assets and liabilities and the carrying amount thereof. Applicable tax rates at the balance sheet date are used to determine the amount of accrued income tax. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and the tax effects of losses and tax loans carried forward to the tax balance, which can be carried forward, to the extent that it is probable that taxable profit will be available out of which deferred tax assets may be utilized.

Deferred tax is debited or credited to income statement, except when it relates to items directly debited or credited to capital, and in that case deferred tax is also recognized under capital.

**3.6.2. Taxes and Contributions not Dependent on Results**

Taxes and contributions not dependent on results include property tax and other taxes and contributions paid in accordance with various republic and municipal regulations. Other taxes and contributions are recognized as expenses for the period to which they relate.

**3.7. Property, Plant and Equipment**

Property, plant and equipment acquired prior to December 31, 2005, are stated at fair value as determined by an independent appraiser in the valuation performed as of December 31, 2005.

Initial measurement of property, plant and equipment, which meet the conditions for asset recognition, is performed as per the acquisition value or cost. Additional expenses for property, plant and equipment are recognized as assets only when the

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012**

expenses shall improve the state of an asset over its initially assessed standard effect. All other subsequently incurred expenditures are recognized as expenses for the period to which they relate.

After initial recognition, property (land and construction facilities) is carried at revalued amount, which expresses fair value thereof at the date of revaluation, less the total amount of provisions for depreciation and total amount of provisions for loss due to impairment.

Fair value of property includes market value thereof determined by assessment. Revaluation is performed only when the fair value of the revalued asset significantly differs from the carrying amount thereof.

After initial recognition, plant and equipment are carried at acquisition value or cost less total amount of calculated depreciation and total amount of loss due to impairment.

Gains or losses arising from writing-offs or disposals are recognized as incomes or expenses in the Income statement.

**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)****3.8. Depreciation**

Depreciation of property, plant and equipment is calculated using the proportional method, during the evaluated term of useful life. Useful life and depreciation rates for main groups of assets are as follows:

<b><u>Main groups of non-current assets</u></b>	<b><u>Rate (%)</u></b>
Construction facilities	1,5 – 5%
Production equipment	5 – 25%
Terrain or passenger vehicles	10 – 20%
Computers	20 – 33%
Other equipment	1,5 – 50%

Depreciation rates are revised annually for the purpose of determining the depreciation that best represents the actual expenditure of these assets in the course of business operations based on the remaining useful life thereof.

**3.9. Investment Property**

Investment property is the property held by the Company, as the owner thereof, for the purpose of making profit from property rental or for the purpose of increase in the amount of capital or for the purpose of both, but not for the purpose of utilization for provision of services or administrative business operations or sales within the frame of standard business operations. Initial measurement of investment property on occasion of acquisition thereof is performed according to acquisition value or cost. After initial recognition, investment property is carried at revalued amount, stating the fair value thereof at the revaluation date i.e. assessment date, less total amount of provisions for depreciation and total amount of provisions for impairment.

**3.10. Goodwill and Intangible Assets**

On December 31, 2009, in its books of account, the Company stated goodwill originating from the purchase of the entity "Symbiofarm" d.o.o., Beograd at the price which is higher than the net purchased assets of the aforementioned company. Following the initial recognition, at each balance sheet date, the Company estimates and records in its business books the impairment of goodwill.

Intangible assets are comprised of software rights and hallmarks and are stated at costs less depreciation and are written off by applying the straight line method in the period from two to eight years.

**3.11. Impairment**



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012**

At each Balance Sheet date, the Company reassesses carrying amounts of its tangible assets in order to determine the existence of indications of loss due to impairment value of the underlying assets. Should such indications exist, the recoverable amount of the assets is assessed in order to determine possible loss due to impairment. In the event the recoverable amount of an individual asset is not possible, the Company assesses the recoverable amount of the revenue generating unit, which the asset belongs to.

Recoverable value is the net sale price or the value in use, depending on which of the two is higher. For the purpose of value in use assessment, evaluated future cash flows are discounted to present value using the discount rate before taxation which reflects the present market assessment of the time value of money and risks specific for that asset.

If the assessed recoverable amount of an asset (or a revenue generating unit) is less than the carrying amount thereof, then the carrying amount of an asset (or a revenue generating unit) is reduced to the recoverable amount. Impairment losses are immediately carried as expenses, unless the asset is land or a facility in use other than investment property carried at revalued amount, in which case the impairment loss is carried as impairment due to asset revaluation.

**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)****3.11. Impairment (continued)**

On occasion of subsequent reversal of impairment loss, the carrying amount of an asset (a revenue generating unit) is increased to the revised evaluated recoverable amount thereof, on condition that higher carrying amount does not exceed the carrying amount which would have been determined if there had not been recognized losses on the asset (revenue generating unit) in previous years due to impairment. Reversal of impairment loss is immediately recognized as an income, unless the underlying asset is carried at appraised value, in which case the reversal of impairment loss is carried as increase due to revaluation.

As of June 30, 2012, pursuant to Company management assessment, there are no indications that the value of property, plant and equipment has been impaired.

**3.12. Leasing**

Leasing is classified as financial leasing in all cases when the leasing actually means transferring to the lessee, to the greatest extent, all the risks and benefits arising from the ownership over the assets. All other types of leasing are classified as operating leasing.

**Company as a Lessor**

Income arising from the operating leasing (income from rental fees) is recognized by applying the straight line method during the period of leasing. Indirect costs incurred during negotiations and contracting of operating leasing shall be added to the accounting amount of the rented asset and shall be recognized on a proportional basis during the period of leasing.

**Company as a Lessee**

Assets held in accordance with the agreements on financial leasing are originally recognized as the Company's assets as per the present value of minimum leasing installments determined at the beginning of the period of leasing. The corresponding liability towards the lessor is included in the balance sheet as a financial leasing liability.

Payment of leasing installments is distributed between financial expenses and reduction in liabilities under leasing liabilities with an objective of acquiring the constant rate of share in the outstanding amount of liability. Financial expenses are recognized

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012**

immediately in the Income Statement, unless the same may be directly attributed to assets being qualified for use, in which case the same shall be capitalized in accordance with the Company's general policy on borrowing costs. (note 3.3).

Installments on the basis of operating leasing are recognized as an expense on a straight line base for the period of leasing, unless there is another systematic basis which better depicts the time scheme of using the economic benefits of the leased asset.

Should the leasing incentives be approved, they make an integral part of operating leasing and are recognized as a liability. Total benefit of incentives is recognized as a reduction in rental costs on a straight line basis, unless there is another systematic basis which better depicts the time structure of using the economic benefits of the leased asset.

**3.13. Inventories**

Inventories are carried at the lower of the two, cost or net sale price. Net expected market value is the price at which the inventories might be sold in normal operating conditions after price reduction for selling costs.

The value of inventories of materials and spare parts is determined according to the method of the average purchase price. Purchase price includes the values invoiced by suppliers, transportation and incremental costs.

The value of production in progress and finished products includes all direct production costs as well as the aliquot part of utility operating expenses.

**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)****3.13. Inventories (continued)**

Inventories of goods in the storehouse are recorded at purchase prices, and inventories of goods in retail facilities at retail prices. At the end of an accounting period, the Company performs the reduction of the value of inventories to purchase value by allocating the difference in price, calculated at an average basis, between purchase value of goods sold and goods in stock at the end of year.

Provisions for the value of inventories are carried by debiting other expenditures in cases when the evaluation indicates that it is necessary to reduce the value thereof to net expected market value (including inventories with slow turnover, redundant and obsolete inventories). Damaged inventories and inventories not in accordance with standards are written off.

**3.14. Financial Instruments**

Any and all contractual rights from which a financial asset and a financial liability or an equity instrument arise, are recognized as financial instruments as of the settlement date.

Upon initial recognition, financial assets and financial liabilities are measured at cost which is the fair value of the consideration paid (in case of an asset) or received (in case of a liability).

*Long-Term Financial Investments*

After initial recognition, long-term financial investments are measured at:

- Fair value, if held for trading,
- Depreciated value, if the asset has a fixed maturity,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012**

- Cost, in case the asset has no fixed maturity.

*Long-Term Financial Investments*

Long-term financial investments held for trading, for which market value cannot be readily and reliably determined due to the absence of an active market, are carried at cost.

*Short-Term Receivables and Investments*

Short-term receivables and placements comprise trade and other receivables, as well as short-term investments to employees and agricultural producers.

Receivables arising from the sale of finished products, services and goods are measured pursuant to the amount originally invoiced. Invoiced interest arising from the sale of goods and services are recognized as other receivables and stated under income of the period in which they are incurred.

Other receivables and investments arising from the Company are measured by the depreciated value thereof.

Any and all differences between the stated amount and the subsequent measurement shall be recognized as a gain or loss in the period in which they are incurred.

*Impairment of Financial Assets*

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired, by analyzing the expected net future cash inflows.

If there is objective evidence that certain receivables will not be collected in their nominal amount, a respective provision is made. The Company writes off bad debts if so decided in court proceedings or pursuant to a decision enacted by a managing body.

*Cash and Cash Equivalents*

Cash and cash equivalents comprise cash held on the accounts with banks and cash on hand.

**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)****3.14. Financial Instruments (continued)***Financial Liabilities*

Financial liabilities comprise non-current liabilities (long-term loans and other non-current liabilities), short-term financial liabilities (short-term loans and other short-term financial liabilities), non-current accounts payable and other liabilities.

Financial liabilities are initially recognized in the amount of disbursements received. Following the initial recognition, financial liabilities are measured in the amount initially recognized less any amount of principal repaid, as well as the write-off approved by the Company's creditors and increased by the amount of capitalized interest. Interest accrued by financial liabilities is included within finance expenses of the period to which they relate and are presented either as short-term liabilities or deferred income and accruals.

**3.15. Related Party Disclosures**

For purposes of these financial statements, legal entities shall be treated as related if one legal entity has the option to control another legal entity or to exercise the significant influence on financial and operating decisions of another entity in accordance with the provisions of the IAS 24: "Related Party Disclosures".

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012**

The Company shall consider as related parties in terms of the aforementioned standard any and all legal entities where the Company has share in equity i.e. legal entities with share in the Company's equity.

Related parties are entitled to enter into transaction which the unrelated parties may not perform and transactions with related parties may be performed under conditions and in amounts which differ from the same transactions with unrelated parties.

The Company offers services to related parties and is at the same time the user of the services thereof. The relationships between the Company and related parties have been subject to contractual provisions and market conditions.

**4. SUMMARY OF THE SIGNIFICANT ACCOUNTING ESTIMATES**

Presentation of financial statements requires the management to use best possible assessments and reasonable assumptions, which influence the presented values of assets and liabilities as well as disclosure of contingent receivables and liabilities at the date of financial statements preparation, together with incomes and expenses during the reporting period. These assessments and assumptions are based on information available on the day of preparation of financial statements.

**4.1. Estimates and Assumptions**

The text below contains key assumptions related to the future and other sources of uncertainty assessment at the date of Balance Sheet that are a significant risk for material corrections of Balance Sheet items' values in the following financial year.

**4.2. Depreciation and Depreciation Rates**

Calculation of depreciation and depreciation rates is based on the projected economic life of property, plant and equipment. Once a year the Company evaluates the economic life based on current anticipation.

**4.3. Provisions for Litigation**

Generally speaking, provisions are, to a great extent, subject to assessment. The Company assesses the probability that the unwanted cases may occur as a result of past events and makes an estimate of the amount required to settle the liability. Although the Company acts in accordance with the principle of prudence when making an assessment, taking into consideration the existence of a large dose of uncertainty, in certain cases the actual results may differ from these estimates.

**4. SUMMARY OF THE SIGNIFICANT ACCOUNTING ESTIMATES (continued)****4.4. Provisions for Receivables and Short-term Investments**

The Company impairs doubtful trade receivables and other debtors based on estimated losses incurred if the debtors are unable to effect payments. When estimating the appropriate amount of loss due to impairment for doubtful receivables, the Company relies to the age of a receivable, prior write-off experience, purchasers' solvency and changes in conditions of payment. This requires assessments relating to future behavior of purchasers and thus incurred future collections. However, the significant part of Company receivables relates to receivables from subsidiaries where, according to evaluations and previous experience, the total present value of receivables is collectible.

**4.5. Fair value**

Business policy of the Company includes disclosure of information relating to fair value of assets and liabilities subject to official market information and when the fair value significantly differs from the book value. The Republic of Serbia lacks market experience, as well as stability and liquidity when purchasing or selling receivables and other financial assets and liabilities,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2012**

owing to the fact that official market information are not available at all times. Therefore, fair value may not be reliably determined in the absence of active market. The Company management performs the risk analysis, and in cases when the estimates indicate the possibility that the value of assets in business books shall not be realized, provisions are made. According to the opinion of Company management, the amounts stated in these financial statements reflect the value which is, in circumstances given, the most trustworthy and most useful for reporting purposes.

**5. INCOME FROM SALES**

	<u>June 30, 2012</u>
Income from the sales of merchandise:	
- related legal entities	1.502.599
- other domestic legal entities	271.121
- other foreign legal entities	
Income from sales of products and services rendered	
- related legal entities	227.690
- other domestic legal entities	3.436.188
- other foreign legal entities	2.921.874
	<u>8.359.472</u>

**6. OTHER OPERATING INCOME**

	<b>In thousands RSD</b>
	<b><u>June 30, 2012</u></b>
Income from subsidies and incentives	2.171
Rental fees income	26.372
Other operating income	422
	<u>28.965</u>

**7. COSTS OF MATERIAL**

	<b>In thousands RSD</b>
	<b><u>June 30, 2012</u></b>
Costs of material for production	5.116.523
Costs of other material	23.356
Costs of energy	151.733
	<u>5.291.612</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012**

**8. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES**

	In thousands RSD June 30, 2012
Costs of gross salaries	282.825
Costs of contributions charged to the employer	50.415
Costs of remuneration according to author's contracts	10.563
Costs of remunerations according to temporary and provisional contracts	1.982
Costs of remunerations to individuals according to other contracts	
Costs of remuneration to members of Management Board and Supervisory Board	1.656
Scholarships	2.623
Other personal expenses and compensations	32.730
	<b>382.794</b>

**9. COSTS OF DEPRECIATION AND PROVISIONS**

	In thousands RSD June 30, 2012
Costs of depreciation	155.676
Provisions for compensations and other employee benefits	
	<b>155.676</b>

**10. OTHER OPERATING EXPENSES**

	In thousands RSD June 30, 2012
Transportation costs	85.869
Postal services	2.128
Maintenance costs	53.918
Rental fees costs	38.892
Costs of fairs and other exhibitions	7.229
Costs of commercials and advertising	836
Costs of other services	7.471
Costs of laboratory services	26.575
Costs of water supply and other utility services	9.109
Costs of non-production services	65.002
Costs of corporate services of analysis	63.497
Costs of representation	11.420
Costs of insurance premiums	13.357
Costs of payment transactions	11.674
Banking services and guarantee granting expenses	580
Costs of membership fees	1.794
Indirect taxes and contributions	18.465
Other	33.585
	<b>451.401</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012**

**11. FINANCIAL INCOME**

	<b>In thousands RSD</b>
	<b>June 30, 2012</b>
Financial income – related legal entities	15.068
Foreign exchange gains	249.748
Income from interests	32.952
Income from foreign currency clause effects	6.115
Other	648
	<u>304.529</u>

**12. FINANCIAL EXPENSES**

	<b>In thousands RSD</b>
	<b>June 30, 2012</b>
Foreign exchange losses	678.210
Interest expenses	76.429
Expenses from foreign currency clause effects	840
Other	
	<u>746.479</u>

**13. OTHER INCOME**

	<b>In thousands RSD</b>
	<b>June 30, 2012</b>
Gains from disposals of securities	
Surpluses	3.220
Income from cancellation of long-term provisions	
Collection of written-off receivables	4.884
Income from disposals of equipment	
Income from remuneration of damages	313
Gains from disposals of materials	4.562
Income from reduced liabilities	
Income from value adjustments of receivables and short-term financial investments	12.188
Other	49.958
	<u>75.125</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012**

**14. OTHER EXPENSES**

	In thousands RSD June 30, 2012
- materials and merchandise	
- intangible investments – goodwill	
- natural assets	
Losses from disposals of raw materials	3.755
Net loss from discontinued operations	
Other	54.415
	58.170

**15. EARNINGS PER SHARE**

	In thousands RSD June 30, 2012
Net profit	258.827
Weighted average number of shares	14.895.524
Basic earnings per share (in RSD)	17,38

**16. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS**

	Land, construction facilities and natural assets	equipment	Advance payments for non- current assets and investments in progress	Investment in non- current assets of other entities	Total non- current assets	Investment property	Goodwill	Intangible assets	Intangible assets under construction
<b>Purchase value/cost</b>	<hr/>								
Balance on January 1, 2012	3.120.718	3.281.653	3.442.642	18.435	9.863.448	344.801		22.360	6.632
Purchases during the period	449.872	22.101	1.064.183		1.536.156			377	1.500
Capitalized interest	3.670	31.882			35.552				
Transfer from investments in progress			(477.584)		(477.584)				(377)
Closure of advances			(615.926)		(615.926)				
Sales and disposals									
Balance, June 30, 2012	3.574.260	3.335.636	3.413.315	18.435	10.341.646	344.801		22.737	7.755
<b>Value adjustment/Provisions</b>	<hr/>								
Balance on January 1, 2012	451.599	1.088.318		5.162	1.545.079	1.432		15.205	
Depreciation	44.420	104.283		1.101	149.804	317		1.433	
Sales and disposals									
Other decreases									
Balance on June 30, 2012	496.019	1.192.601		6.263	1.694.883	1.749		16.638	



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

-Pres. value as of June 30, 2012	3.078.241	2.143.035	3.413.315	12.172	8.646.763	343.052	6.099	7.755
-Pres. value as of December 31, 2011	2.669.119	2.193.335	3.442.642	13.273	8.318.369	343.369	7.155	6.632

The Company recorded intangible assets in the amount of 55.364 thousand RSD.

The Company recorded the value of property, plant and equipment on June 30, 2012 in the amount of 8.656.083 thousand RSD. Depreciation is calculated by applying the proportional method over purchase value/cost.

Advance payments for non-current assets and investments in progress recorded on June 30, 2012 in total amount of 3.413.315 thousand RSD mostly relate to investments in facilities and equipment for the Factory for traditional soy concentrates.

Works relating to investment for construction of the Factory for production of soy protein concentrates have been completed, and relate to the first phase of this investment which includes the construction of the factory for traditional soy concentrates in the capacity of 70.000 t annually. Test production is in progress, and regular production is expected in September. Total appraised value of the first phase of investment – construction of the factory for traditional soy concentrates is EUR 22,5 million, but the budget value has been revised to the amount of EUR 26,5 million and it was completed at that level. Bearing in mind that soy concentrates account for one of products with the highest level of finalization, as well as the broad use thereof in the area of animal food production, production of milk replacers for feeding pigs and calves and production of food for humans, the Company expects significant increase in soy concentrates sales revenues. After completion of the first phase of the investment, the Company shall commence the implementation of the second phase which includes the production of functional soy concentrates with the annual capacity of 15.000 t.

## 17. INVESTMENTS IN CAPITAL

	% share	In thousands RSD June 30, 2012
<i>Investments in capital of related legal entities</i>		
SP laboratorija a.d., Bečej		
Hotel Bela Lađa a.d., Bečej	31,83%	64.626
Investment in capital of other banks		120
Novosadski sajam a.d., Novi Sad		4.381
Investments in capital of other legal entities		3.458
		72.585
Value adjustment of investments in capital		
		72.585

## 18. OTHER LONG-TERM FINANCIAL INVESTMENTS

	In thousands RSD June 30, 2012
Long-term loans to agricultural producers	
Long-term loans granted to employees	9.282
Other	57.743

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

67.025
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Long-term loans granted to employees stated as of June 30, 2012 in the amount of 9.282 thousand RSD have been granted for meeting the housing needs of employees for the period from three years to 30 years, with fixed interest rate of up to 8% to the total amount of granted loan, on condition that the interest rate may not exceed the growth rate of an average net earning in the economy of the Republic of Serbia.

## 19. INVENTORIES

	In thousands RSD June 30, 2012
Raw material	2.539.869
Spare parts	144.757
Tools and inventories	84.238
Work in progress	127.485
Finished products	1.257.072
Merchandise in trade:	
- wholesale	7.433
- retail	5.908
- in storehouses at other legal entities	3.490
Advances paid for inventories and services	1.191.098
	<u>5.361.350</u>
Value adjustments/provisions:	
- inventories of material	(21.937)
	<u>5.339.413</u>

In order to ensure regular repayment of the loan, the Company has established the lien over the inventories of mercantile soybeans and soybean finished products.

## 20. RECEIVABLES

	In thousands RSD June 30, 2012
Trade receivables:	
- related parties	1.242.807
- other legal entities, domestic	2.738.743
- other legal entities, foreign	1.036.182
Receivables from exporters	
Receivables from specific business operations	3.662
Receivables for interests	50.489
Receivables from state authorities	2.588
Prepaid other taxes and contributions	
Other receivables	97.543
	<u>5.172.014</u>
Value adjustment/Provisions:	
- trade receivables	(197.979)
	<u>(197.979)</u>
	<u>4.974.035</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012**

**21. SHORT-TERM FINANCIAL INVESTMENTS**

	<b>In thousands RSD</b>
	<b>June 30, 2012</b>
Short-term loans:	
- related parties	504.100
- bills of exchange for collection	4.037
Short-term loans - domestic	152.203
Other short-term financial investments	8.121
Receivables for contracts on acceptance of debt	11.787
Loans for winter food supply	2.804
	<u>683.052</u>

**22. CASH AND CASH EQUIVALENTS**

	<b>In thousands RSD</b>
	<b>June 30, 2012</b>
Current accounts:	
- in RSD	3.700
- in foreign currency	320.987
Cash allocated for payments and letters of credit	19
Cash on hand	42
Gold Coins	1.229
Other cash and cash equivalents	3.636
	<u>329.613</u>

**23. BASIC CAPITAL**

On June 29, 2012 the Company Assembly issued the Decision on allocation of profit, where the profit earned is allocated in the following manner:

- 5% of profit is allocated to Company reserves
- the remaining part is held as retained profit for the purpose of strengthening the financial position of the Company.

The structure of the Company's share capital as of June 30, 2012:

Description	<b>30/06/2012</b>		
	<b>% share</b>	<b>No. of shares</b>	<b>Value of capital</b>
Victoria group AD	50,94%	7.587.503	3.518.032
Mitrović Zoran	6,07%	904.675	419.463
Babović Milija	6,03%	897.835	416.291
Raiffeisenbank AD			
Belgrade – Custody account	2,77%	413.325	191.643
Unicredit Bank AD			
Serbia	2,17%	323.317	149.910
Societe Generale Bank			

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

Serbia	1,50%	223.861	103.796
Erste Bank AD Novi Sad – Custody account	1,34%	200.066	92.763
Raiffeisen Banka AD – Custody account	1,15%	171.250	79.402
Raiffeisenbank AD Belgrade Custody account	1,14%	170.221	78.925
Gustaviad. Fonder Aktie	1,13%	168.137	77959
Other legal entities and individuals	25,76%	3.835.334	1.778.296
	100%	14.895.524	6.906.480
Own shares purchased		23.466	
Share capital	100%	14.872.058	6.906.480

## 24. LEGAL AND STATUTORY RESERVES

Legal and statutory reserves of the Company stated on June 30, 2012 in the amount of 1.646.449 thousand RSD account for allocations from retained profit from previous years pursuant to the Decision on allocation of profit earned in the business year 2011 issued by the Company Assembly pursuant to which the Company has allocated the part of 5% of net profit for the business year into the account of legal reserves, until they have reached 10% of the Company basic capital. Pursuant to the Decision issued by the Shareholders' Assembly dated June 29, 2012, the Company has performed the allocation into legal and statutory reserves debited from the retained profit in the amount of 57.172 thousand RSD.

The Company freely disposes of statutory reserves, and the existing internal acts fail to give special definition to the use thereof and funds allocated to reserves have not been used.

## 25. LONG-TERM LOANS - FOREIGN

	Annual interest rate	Amount in currency	30/06/2012
Vojvođanska banka a.d. Novi Sad		10.756.277	1.245.795
European Bank for Reconstruction and Development	2,5%+6M EURIBOR	2.857.142	330.915
European Bank for Reconstruction and Development	2,3%+6M EURIBOR	2.000.000	231.641
Hypo Alpe Adria Bank	3,03%	388.463	44.992
			1.853.343
Minus: Current portion			(175.182)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

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 1.678.161
 

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The liabilities arising from refinanced loans from the Paris Club of Creditors in the amount of 1.245.795 thousand RSD (EUR 10,756,277) account for a relevant principal of the debt in issue, which the Company stated in financial statements pursuant to calculation submitted by Vojvođanska banka as of March 22, 2002.

In December 2001, negotiations held between the Government of the Republic of Serbia and Paris Creditors Club resulted in significant reduction in liabilities (principal, interests and default interest calculated until March 22, 2002) in the amount of 51% of new principal with the possibility of additional writ-off of liabilities in three years up to the maximum amount of 66.67%, as an additional item to liability program. The Law Governing the Relations between the Federal Republic of Yugoslavia and Legal Entities and Banks within the Territory of the Federal Republic of Yugoslavia, who account for the original debtors of guarantors for Paris and London Club Creditors came into effect on July 4, 2002 ("Official Gazette of FRY" No. 36/2002). In accordance with the underlying Law, the Company was obliged to repay the loans approved by Paris Creditors Club to domestic banks on conditions which shall not be less favorable than those defined under the agreement with foreign creditors.

Until the date of publication of these financial statements, the Company has not concluded the Agreement on defining the repayment of liabilities arising under loans to Paris Club Creditors with Vojvođanska Bank a.d., Novi Sad, thus reducing the principal for the written-off portion of the liability, nor has it calculated the interests or included and stated them in financial statements for the period from March 22, 2002 until the Balance Sheet date.

The Supreme Court of the Republic of Serbia has abolished the Appeal Judgment, thus returning the proceeding to the first instance court for decision, which rendered the judgment in favor of the Company in the retrial proceeding. The proceeding is conducted upon the plaintiff's appeal.

Liabilities arising under the loan approved by the European Bank for Reconstruction and Development stated on June 30, 2012 account for total amount of 562,556 thousand RSD (EUR 4.857.142,84). The loan was approved in accordance with the Agreement entered into on September 10, 2007. Namely, according to the Agreement, the underlying funds account for a part of the loan approved for the purposes of investments into operating capital as per the project of procurement of 235.000 tons of soybean and 60.000 tons of sunflower and 15.000 tons of rapeseed as well as investments into energy efficiency, and related to tranche 2 and tranche 3 of funds approved in total amount of EUR 45.000.000. The underlying funds have been approved for the period of five years with semi-annual installments of repayment.

Pursuant to the Loan Agreement and in accordance with the requirements referred to under paragraph 5.10. "Financial relationships (ratios)", the Company is obliged to, based on financial statements, stated in compliance with full implementation of International Accounting Standards, maintain:

1. The relationship between EBIT and interest expenses at the level not under 3, provided that the Company profit shall subsequently be corrected for:

- Any share in profit or loss of any associate company, except for dividends or other income which the Company received in cash from that associate company or joint venture, and each income from any other investment in non-current assets.
- All profits or losses directly related to disposal or discontinuation of business operations or disposal of fixed assets.
- All direct expenses of any fundamental reorganization, or restructuring having material effect on the nature and focus of business operations of the Company.
- All amounts written-off from the investment value
- Realized and unrealized foreign exchange gains and losses not related to continuing operations.

2. Interest expenses include all interests and expenses incurred with the Company financial debt as the interest, expenses or expenditures charge the Income statement of the entity.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

3. The relationship between the debt and overall capitalization must be maintained at a level not exceeding 0.6 provided that the debt means only debt, but excluding any other debt provided under the Contract on pledge of inventories of goods. Overall capitalization means the sum of total share capital stated values, accumulated deferred income taxes, accumulated investment tax loans, minority shares, potential reserves and contributions as assistance in construction.

4. Minimum own capital must not be less than EUR 15.000.000.

Long-term loan granted by Hipo Alpe –Adria – Bank a.d. Belgrade in accordance with the Agreement No. L 1872/11 entered into on October 17, 2011 is intended for refinancing the loan granted by Hipo Group Netherlands Corporate Finance Amsterdam in accordance with the Agreement on Long-term Loan NL 09/07 dated November 6, 2007. Liabilities arising from principal are repaid in quarterly annuities by the Company.

## 25. LONG-TERM LOANS - DOMESTIC

	Annual interest rate	Amount in currency	June 30, 2012 Thousands RSD
UniCredit Bank Belgrade	3,9%+3M		
	EURIBOR	16.703.425	1.934.596
Banca Intesa	3,8%+1M	1.750.000	
	EURIBOR		202.685
Banca Intesa	3,8%+1M	2.000.000	
	EURIBOR		231.641
Banca Intesa	3,8%+1M		
	EURIBOR	4.500.000	521.191
Komercijalna Banka	8%	4.000.000	311.317
			<u>3.201.430</u>
<b>Minus:</b>			
Current portion			<u>(206.762)</u>
			<u>2.994.668</u>

Maturities of long-term loans have been presented in the following table:

	In thousands RSD June 30, 2012
- up to 1 year	381.944
- from 1 to 2 years	1.609.723
- from 2 to 3 years	516.923
- from 3 to 4 years	522.915
- from 4 to 5 years	466.233
- over 5 years	311.240
- loan with Vojvođanska banka	1.245.795
	<u>5.054.773</u>

## 26. SHORT-TERM FINANCIAL LIABILITIES

In thousands RSD  
June 30, 2012

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012**

Current portions of:	
- long-term loans	381.944
Short-term loans	1.187.158
Other short-term financial liabilities	27.065
	<u>1.596.167</u>

*Short-term loans:*

<b>Creditor:</b>	<b>Annual interest rate</b>	<b>Maturity</b>	<b>Amount in EUR</b>	<b>In thousands RSD 30/06/2012</b>
Societe Generale Bank	3m Euribor + 3,80%	August 31, 2012	7.000.000	608.056
Credit Agricole Bank a.d.	3m Euribor + 3,9%	June 21, 2012	5.000.000	579.102
				<u>1.187.158</u>

\*RKS – Reference Interest Rate of the National Bank of Serbia

**27. LIABILITIES FROM BUSINESS OPERATIONS**

	<b>In thousands RSD June 30, 2012</b>
Liabilities from received advances	116.105
Liabilities for trade payables	
- related parties	251.739
- trade payables– domestic	328.349
- trade payables – foreign	87.899
- other liabilities from business operations	62.984
	<u>847.076</u>

**28. OTHER SHORT-TERM LIABILITIES**

	<b>In thousands RSD June 30, 2012</b>
Liabilities for net salaries and fringe benefits	24.669
Liabilities for taxes and contributions on salaries	15.518
Liabilities for interests	3.418
Liabilities for dividends	4.389
Liabilities to employees	766
Liabilities to members of Management Board and Supervisory Board	180
Other liabilities	826
	<u>49.766</u>

**29. OFF-BALANCE SHEET ASSETS/LIABILITIES**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

As of June 30, 2012, off-balance sheet assets amount to 9.539.536 thousand RSD. The amount of 9.515.569 thousand RSD relates to guarantees and sureties that the company "Sojaprotein" AD gave as a guarantor. The amount of 23.967 thousand RSD relates to merchandise in our storages belonging to other legal entities.

	In thousands RSD June 30, 2012
Assets belonging to other entities	23.967
Guarantees and sureties given	17.454.925
Registered mortgages on the property	376.217
	<u>17.855.109</u>

The position of guarantees and sureties given stated in the amount of 17.454.925 as of June 30, 2012 comprises the guarantees given for timely repayment of the Company's loan as well as the guarantees given for loan indebtedness of other legal entities within Victoria Group.

## 31. RELATED PARTY TRANSACTIONS

a) Income and expenses realized in transactions with related parties have been presented in the following summary:

Victoria Oil a.d. Šid	1.502.910
Victoria Group d.o.o., Novi Sad	593
Fertil d.o.o., Bačka Palanka	2.976
Victoria Logistic d.o.o., Novi Sad	217.194
SP Laboratorija a.d., Novi Sad	6.151
Luka Bačka Palanka a.d., Bačka Palanka	7
Riboteks Ljubovija	458
	<u>1.730.289</u>
<i>Financial Income</i>	
Victoria Group d.o.o., Novi Sad	13.791
Victoria Oil a.d., Šid	28
Victoria Logistic d.o.o., Novi Sad	25.601
Luka Bačka Palanka	1.404
	<u>40.824</u>
<i>Other Income</i>	
Victoria Logistic d.o.o., Novi Sad	101
	<u>101</u>
<b>Total income</b>	<u><b>1.771.214</b></u>

a) Income and expenses realized in transactions with related parties have been presented in the following summary (continued):

	In thousands RSD June 30, 2012
<b>Expenses</b>	
<i>Cost of merchandise sold</i>	
Victoria Oil a.d. Šid	107.108
Victoria Logistic d.o.o., Novi Sad	1.535.852



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2012**

	<u>1.642.960</u>
<i>Cost of materials</i>	
Victoria Oil a.d. Šid	66.056
Victoria Logistic d.o.o., Novi Sad	2.272.750
Fertil d.o.o., Bačka Palanka	
	<u>2.338.806</u>
<i>Other operating expenses</i>	
SP Laboratorija a.d., Bečej	31.287
Fertil d.o.o., Bačka Palanka	
Victoria Group d.o.o., Novi Sad	92.749
Victoria Oil a.d., Šid	
Victoria Logistic d.o.o., Novi Sad	30.828
Bela Lađa a.d., Bečej	32
SIG Sinteza Invest Group Belgrade	378
	<u>155.274</u>
<i>Other Expenses</i>	
Victoria group d.o.o., Novi Sad	<u>31</u>
<b>Total income</b>	<u>4.137.071</u>
<b>Income, net</b>	<u><b>2.365.857</b></u>

/Sojaprotein company stamp/



**“SOJAPROTEIN” AD BEČEJ**

**REPORT ON BUSINESS OPERATIONS**

**January – June 2012**

**August 2012**

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## **Report on business operations for the period January – June 2012 and the most significant operating risks in the forthcoming period**

The Company "Sojaprotein" AD Becej occupies a leading position in the processing of soybeans, both in Serbia, regional market and in Southeast Europe and accounts for a stable business partner and a reliable supplier of high quality soybean products for food and pharmaceutical industries.

"Sojaprotein" operates as a public joint stock company and has been listed on the Prime Market Belgrade Stock Exchange since 2007. Domestic production of seeds and soybeans is a major source of raw materials for processing in our factory and all products are manufactured from genetically unmodified soybeans originating from Serbia and are accompanied by the IP Certificate (Identity preservation programs) that ensures preservation of genetic purity from the soybean seed to delivery of the final product. In this way, our own source of raw materials represents a major market advantage, reliability, competitiveness and independence from imports.

Limiting the domestic market in terms of size, structure and placement opportunities in relation to solvency of demand as well as the orientation to placement of protein products submitted in food industry have directed the implementation of the final soy products to foreign markets. The tendency to increase the exports, which was started in the previous period, is intensified each year and gives better results. Despite the presence of the now continuous both financial and economic crisis, the Company has recorded continuous growth in sales in foreign markets. The sale of soybean products in domestic market is performed in terms of reduced demand due to lower processing facilities and reduced marketing opportunities as well as serious threats in terms of liquidity of purchasers, but the biggest impact is reflected in the livestock industry, which is traditionally the largest consumer of soybean meal as an animal feed component.

Increased demand for the products obtained from different types of white flakes had the primary influence on production in oil-production area in the first half of the year with reduced demand related to production of soybean meal.

Intending to fully review the results of the global impacts on the sale of soybean products in the first half of the year it is necessary to point out the consequences of climate conditions to soybean production in the world market which are determined by the market aspects and the pricing policy of soybean products.

In the first half of the year there has been a dramatic increase in prices of soybean complex that has disturbed the world market in the short term, but there are assumptions that it would be prolonged to the medium term. After relatively stable prices in the last quarter of the year 2011 (Rotterdam Stock Exchange December 12, 2011: soybean 350-362 EUR/t, soybean Oil 900 EUR / t, soybean meal 251-259 EUR / t) under the influence of the notice and then definitely major drought in South America (reduced yield in Argentinean and Brazilian soybeans by 8-9% of annual world production) the soybean complex has recorded the increase in prices in March 2012. Such a trend has not been stopped in the second quarter of 2012 but under the influence of bad crops in the USA, there was a rapid explosion in prices and drastic growth in soybean complex in all world markets. Last CBOT and Rotterdam quotations best witness the kind of historical growth rate.

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The historical growth rate in prices of soybean complex is not only influenced by the South American production decline but also by growth in Chinese imports (due to insufficient production and increased domestic demand), which is in the period from January-June 2012 realized by 5.3 million tons more (23%) than last year.

Majority of the growth has occurred in shipments from South America (mainly Brazil), resulting in a subsequent serious decline in soybean inventories.

Consequently, the global demand for imports has rapidly been switched to USA soybeans, and just at moment when a serious drought threatens the USA soybean crop as well as corn. This may cause further plight of the world supply of grains and oilseeds from August 2012 and early 2013, especially if you take into account that the world's offer of all other oilseeds has not been increased.

It is certain that due to the newly created circumstances, the possible record South American soybean yield in early 2013 might create a more generous offer next year, but the question is whether the infrastructure and ports would be able to manipulate such large amounts of soy and its products which the global market shall demand each month from March 2013. By some estimates, the South American soybean production will increase substantially by 31 million tons in the early 2013. It is estimated that only the Brazilian soybean crop shall increase to or above 79 million tons (as compared to 66.4 million tons this year), and taking into account the increase in planting of at least 1.5 million hectares, soybean will be demanded more than corn and wheat in Brazil and Argentina.

The sale of Sojaprotein products is increasingly export-oriented and in that context the income is largely influenced by the exchange rate of RSD against the contracted currency in which the products are invoiced to foreign buyers. The fluctuating movement of the RSD exchange rate against EUR and USD in the previous period directly influenced the amount of income realized from exports and subsequently, on occasion of collection of receivables, this impact is reflected in foreign exchange gains/losses. In the year 2011, RSD recorded a slight appreciation as compared to the exchange rate on December 31, 2010. During 2011 in the first half of the year this appreciation was more significant, while in the second half of the year it was again less significant, so as of December 31, 2011 the middle exchange rate of RSD amounted to 104,6409 RSD for EUR as compared to December 31, 2010 when the exchange rate amounted to 105,4982 RSD for EUR. In the first six months of 2012 the exchange rate of RSD as compared to EUR as of December 31, 2011 recorded depreciation and on June 30, 2012 amounted to 115,8203 RSD for EUR. What the exchange rate of the dinar against EUR and USD will be in the forthcoming period is very uncertain, but it is certain to depend on the state of the Serbian economy, its productivity and competitiveness in the global market, primarily European, as well as the offer and demand for foreign currency.

In order to preserve the substance and mitigate the negative impact of the exchange rate of RSD against EUR to income generated in domestic market, the prices of soybean meal starting from July 31, 2012 have been expressed in EUR/kg. The structure of sales in domestic market is dominated by soybean meal and as new crop yield of soybeans shall have a far greater cost than the existing, it was necessary to take steps as means of protection against erosion of revenue in the domestic market and provide financial assets for the purchase of more expensive basic raw material needed for the new production. However, these measures may lead to a risk of falling domestic demand for soybean meal which is already minimum. For the purpose of overcoming this situation, it is planned to realize the production of soy concentrate, the overall sales of which is intended for export.

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On the expenditure side, besides the already mentioned increase in the price of soybeans expressed in foreign currency, and the additional cost of raw material due to exchange rate changes, the impact of exchange rate movements is reflected in foreign exchange gains and losses mostly arising from liabilities for loan debts which are partly expressed in the currency, but mostly in a foreign currency clause. In the year 2011, the value of foreign exchange losses has exceeded the value of foreign exchange gains by 14.230 thousand RSD, and in the first six months of the year 2012, total foreign exchange losses have exceeded the foreign exchange gains (by 408.132 thousand RSD), where the largest portion of foreign exchange losses relate to foreign exchange losses from loans. In addition to fluctuations of exchange rates of RSD against EUR, the amount of foreign exchange gains/losses is decisively influenced by the amount of loan indebtedness. In the second half of the year, in accordance with the agreement, the repayment of the investment loan granted by UniCredit Bank shall begin (the purpose of the respective loan is financing the construction of facilities for the production of traditional soy protein concentrate) and the repayment amounts to EUR 1.680.574,42, but the inflow of funds from EBRD in the amount of EUR 5.000.000 allocated for investments is also expected. Should no new unplanned loan borrowings occur in the future in relation to the balance on June 30, 2012, the new loan will not cause an increase in loan indebtedness as, in accordance with the existing annuity plan, the principal amounts of loans shall be repaid in the second half of the year, thus causing the indebtedness arising from new loans not exceed the sum of repayments of the existing loans.

The funds obtained from loans shall be subject to calculation of interest, which is, pursuant to the agreement, determined by the amount of six-month, three-month or one-month EURIBOR rate. The amount of EURIBOR has recorded decrease in the previous year, so on that basis no major expenses may be expected should the amount of interest rates maintain the existing movement trend.

Because of the need to maintain the high product quality and an official certificate of meeting the required standards, the Center for Systems Management has implemented the recertification of the safety management system OHSAS 18001: 2007 in February 2012, the validity of KOSHER certificate has been extended, as well as the project "valid IT", thus meeting the requirements for placement of products to the UK market. The audit of a food safety system and the quality for the retail chain METRO was performed in May. In July, the certification body SGS performed the audit in accordance with the GMP + standard that applies to the processing of soybeans products intended for animal nutrition, specifically the production of crude degummed soybean oil and soybean protein concentrates. Obtaining the certificate of GMP + has confirmed a good manufacturing practice and ensured the preconditions for placing the respective products. CSM has been engaged in providing evidence about the functioning of the system and performance of audits by the following companies:

- KRAFT, from the Czech Republic
- Allied Milling and Baking Group, from Great Britain
- BARENTZ, the Netherlands
- BARENTZ, Germany

Moreover, the audits have been performed by means of surveys and documentation checks by regular and potential major foreign buyers.

As of June 30, 2012, the number of employees of Sojaprotein amounted to 412, out of which number 364 employed for an indefinite time and 48 for a definite time.

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Degree of education	As of June 30, 2011	As of December 31, 2012	As of June 30, 2012
I	50	48	51
II	5	5	5
III	114	120	128
IV	132	136	144
V	16	15	14
VI	24	27	27
VII	38	43	43
<b>Total:</b>	<b>380</b>	<b>394</b>	<b>412</b>

Organizational unit (sector, department)	Degree of education of employees as of June 30, 2012							Total in sector
	I	II	III	IV	V	VI	VII	
Director and staff	0	0	0	1	0	0	1	<b>2</b>
Management Systems Sector	1	0	2	6	0	1	5	<b>15</b>
Production and Technical Sector	33	3	109	89	13	15	18	<b>280</b>
Procurement Sector	0	0	1	5	1	2	2	<b>11</b>
Sales Sector	10	0	11	22	0	5	12	<b>60</b>
Finance Sector	0	0	2	13	0	3	3	<b>21</b>
Legal and General Affairs Sector	7	2	3	8	0	1	2	<b>23</b>
<b>Total:</b>	<b>51</b>	<b>5</b>	<b>128</b>	<b>144</b>	<b>14</b>	<b>27</b>	<b>43</b>	<b>412</b>

The number of new employees hired in the first half amounts to 23, out of which the greatest number, to be more precise 14, refers to the employment of staff at the production facility for the future factory of SPC, including the boiler powered by soybean molasses and 6 new employees have been employed for work in the new high-bay warehouse. A total of 35 new employees have been taken on for work in a complete new factory of SPC. .

**SUMMARY OF SOJAPROTEIN PRODUCT REALIZATION – quantitative**

Product group name	Production in kg realized Jan.-June '12	Production in kg realized Jan.-June '11	% increase/decrease 2012/2011
<b>Soybean – crude oil</b>	<b>100.290.451</b>	<b>100.145.169</b>	<b>0,14%</b>
Soybean – crude oil	20.086.550	19.426.300	3,40%
Soybean - meal	55.886.497	62.149.268	-10,08%
BiG	11.594.260	9.092.095	27,52%
TSP	9.469.055	7.899.833	19,87%
Mix	28.470	73.890	-61,47%
Soja Vita	27.189	26.883	1,14%
Lecithin	570.100	511.900	11,37%
Other (shell+Sopro PTG/SH)	2.628.330	965.000	172,36%
<b>Higher production phases</b>	<b>21.118.974</b>	<b>17.092.701</b>	<b>23,55%</b>

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<b>Used soybean grain JUS</b>	106.879.129	107.407.350	-0,49%
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During the first six months of the year 2012, the processing of soybean grain reached the amount of 106.879 tons, which is slightly less if compared to the same period of the previous year when the total of 107.407 tons had been processed. The reasons include decrease in demand for soybean meal in the domestic market, which led to the existence of a large stock of this product during the first quarter of 2012. The afore listed factors have caused the reduced number of working days in the area of oil production in the first six-month period of the year 2012. The total downtime in oil production reached 688 work hours, out of which number the planned delays account for 360 hours. Despite the realization of physically reduced volume of processing, the production of white flakes for the purposes of production in the protein area recorded a significant increase. A total of 20.263 tons of white flakes was produced, which is a significant increase in comparison to 17.905 tons in the first six-month period, i.e. 13%. This result is mostly the result of realization of higher phases in the international market.

The first six-month period of 2012 if compared to the same period of the year 2011 years recorded a decrease in production of soybean meal due to disturbed domestic demand and increased placement of higher phases. Lower demand for soybean meal resulted in greater inventories of this product, which led to a 10,08% decrease in production. The production of soybean oil was increased in comparison to the previous year by 3,4% due to higher oil content in the raw material and better utilization due to greater share of program for humans. At the same time, the production of soybean lecithin has been increased by 11,33% because of providing better raw material and improved technological process during the previous year. Increased sales of BiG and TSP resulted in increased production of these products.

The processing included domestic soybean harvested in 2011 the quality of which was good, although a reduced content of moisture due to dry period prior to harvest caused minor problems in processing due to large amounts of dust during processing. In the first half of 2012 the company has processed 507.157 kg of soybean grain as a service offered to other entities.

As mentioned above, the protein area of production has recorded record results in the first six months of the year 2012 as per almost all product types except for mixes. The production volume of TSP has increased to 9.469,05 tons, while the production volume of flour and semolina has increased to 11.594,26 t excluding Mixes. The quality of products remained on standard high level, so no serious customer complaints on the quality of the goods have been recorded. Moreover, during the first semiannual period, the trials were conducted, and modifications to the production facility so as to enable them for production of textured soy protein concentrates (TSPC). The production of this new class of products is expected in the second half of 2012 after starting the factory of traditional SPC.

The construction of a new plant for the production of traditional soy protein concentrates with production capacity of 70,000 tons per year was completed in the first half of the year 2012. The production was started in July 2012.

Energy part of the sector has been focused on providing as large quantities of technology steam from a new biomass boiler as possible in order to reduce the processing costs. During 2012 a total of 49.820 tons of biomass steam was produced as well as 2.475 tons of gas steam, that is only 4,96% was produced by using natural gas, which shows that a large proportion of total production technology steam originated from biomass,



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which resulted in significant savings. Within the scope of investment in the plant for production of SPC, the Company has installed and started the test operation of a new boiler that shall be fuelled by soybean molasses obtained as a by-product of SPC production.

The most important investments that were realized during the first quarter of 2012 include the completion of a plant for the production of traditional SPC and design of a factory of functional soybean protein concentrates FSPC as well as the construction of a high-bay storage of finished products with 14.000 pallet positions in accordance with the international standards which was put into operation and contributes to the maximum quality preservation and efficiency of delivery of finished products.

The factory for production of SPC is completely finished and all the required license have been obtained, in addition to the plant for water treatment reaching the final phase of construction.

The project of FSPC construction has been continued by selection of the designer in developing the conceptual stage, provided that the integral part of FSPC project includes the contractual construction of a high-pressure biomass fuelled boiler, the delivery of which is expected in October 2012.

**SOJAPROTEIN PRODUCTS REALIZATION EXPRESSED QUANTITATIVELY in kg**

	<b>REALIZATION Jan.- June 2012</b>	<b>REALIZATION Jan.- June 2011</b>	<b>Difference Jan.-June '12 Jan.-June '11</b>	<b>Difference express. in %</b>	<b>% share in overall sales 2012</b>	<b>% share in overall sales 2011</b>
<b>Sales – domestic market</b>	<b>57.939.948</b>	<b>56.422.825</b>	<b>1.517.123</b>	<b>2,69%</b>	<b>63,02%</b>	
Soybean – crude oil	3.829.660	5.385.040	-1.555.380	-28,88%	4,16%	6,19%
Soybean – meal	49.478.570	48.887.880	590.690	1,21%	53,82%	56,19%
BiG	1.215.865	1.056.270	159.595	15,11%	1,32%	1,21%
TSP	977.573	830.060	147.513	17,77%	1,06%	0,95%
Mix	24.600	32.670	-8.070	-24,70%	0,03%	0,04%
Soja Vita	20.700	24.065	-3.365	-13,98%	0,02%	0,03%
Lecithin	147.960	161.880	-13.920	-8,60%	0,16%	0,19%
Shells	2.222.680	44.960	2.177.720	4843,68%	2,42%	0,05%
Wet TSP	22.340	0	22.340	0,00%	0,02%	0,00%
Program for humans	2.386.698	2.104.945	281.753	13,38%	2,60%	2,42%
<b>Sales – foreign market</b>	<b>33.992.330</b>	<b>30.584.650</b>	<b>3.407.679,7</b>	<b>11,14%</b>	<b>36,98%</b>	<b>35,15%</b>
Soybean – crude oil	14.373.620	14.195.120	178.500	1,26%	15,64%	16,31%
Soybean – meal	1.074.180	1.441.060	-366.880	-25,46%	1,17%	1,66%
BiG	9.709.610	7.673.400	2.036.210	26,54%	10,56%	8,82%
TSP	8.507.087	6.920.661	1.586.426	22,92%	9,25%	7,95%
Mix	22.785	26.130	-3.345	-12,80%	0,02%	0,03%
Soja Vita	2.348	2.439	-91	-3,74%	0,00%	0,00%
Lecithin	302.700	325.840	-23.140	-7,10%	0,33%	0,37%
Program for humans	18.544.530	14.948.470	3.596.060	24,06%	20,17%	17,18%

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Sales – TOTAL	91.932.278	87.007.475	4.924.802,84	5,66%	100,00%	100,00%
Soybean – crude oil	18.203.280	19.580.160	-1.376.880	-7,03%	19,80%	22,50%
Soybean – meal	50.552.750	50.328.940	223.810	0,44%	54,99%	57,84%
BiG	10.925.475	8.729.670	2.195.805	25,15%	11,88%	10,03%
TSP	9.484.660	7.750.721	1.733.939	22,37%	10,32%	8,91%
Mix	47.385	58.800	-11.415	-19,41%	0,05%	0,07%
Soja Vita	23.048	26.504	-3.456	-13,04%	0,03%	0,03%
Lecithin	450.660	487.720	-37.060	-7,60%	0,49%	0,56%
Shells	2.222.680	44.960	2.177.720	4843,68%	2,42%	0,05%
Wet TSP	22.340	0	22.340	0,00%	0,02%	0,00%
Program for humans	20.931.228	17.053.415	3.877.813	22,74%	22,77%	19,60%

**SOJAPROTEIN PRODUCTS REALIZATION EXPRESSED IN TERMS OF VALUE**

	Achieved in REALIZATION in RSD in the period Jan.- June 2012	Achieved in REALIZATION in RSD in the period Jan.- June 2011	Difference in RSD Achieved Jan.- June '12/ Jan. – June '11	Difference % Jan.-June 2012/ Jan.- June '11	% share in overall sales 2012	% share in overall sales 2011
<b>Sales – domestic market</b>	<b>2.662.503</b>	<b>2.516.555.204</b>	<b>-145.543.299</b>	<b>-5,78%</b>	<b>49,18%</b>	<b>52,08%</b>
Soybean – crude oil	415.129.301	554.428.373	-139.299.072	-25,12%	7,67%	11,47%
Soybean – meal	2.007.341.114	1.767.098.638	240.242.476	13,60%	37,08%	36,57%
BiG	78.001.306	72.110.564	5.890.742	8,17%	1,44%	1,49%
TSP	97.260.904	79.426.702	17.834.202	22,45%	1,80%	1,64%
Mix	4.898.850	6.564.174	-1.665.324	-25,37%	0,09%	0,14%
Soja Vita	8.683.411	9.759.594	-1.076.183	-11,03%	0,16%	0,20%
Lecithin	25.099.837	26.267.958	-1.168.121	-4,45%	0,46%	0,54%
Shells	25.572.080	899.200	24.672.880	2743,87%	0,47%	0,02%
Wet TSP	111.700	0	111.700	0,00%	0,00%	0,00%
Program for humans	213.944.308	194.128.992	19.815.316	10,21%	3,95%	4,01%

	2.751.095.430	2.315.889.325	435.206.104	18,79%	50,82%	47,92%
<b>Sales – foreign market</b>						
Soybean – crude oil	1.485.168.455	1.347.482.127	137.686.328	10,22%	27,44%	27,88%
Soybean – meal	42.116.209	49.925.576	-7.809.367	-15,64%	0,78%	1,03%
BiG	539.631.588	409.398.124	130.233.464	31,81%	9,97%	8,47%
TSP	633.688.827	459.826.827	173.862.000	37,81%	11,71%	9,52%
Mix	4.801.343	5.373.178	-571.835	-10,64%	0,09%	0,11%
Soja Vita	970.471	695.578	274.893	39,52%	0,02%	0,01%
Lecithin	44.718.537	43.187.915	1.530.622	3,54%	0,83%	0,89%
Program for humans	1.223.810.766	918.481.622	305.329.144	33,24%	22,61%	19,01%

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Sales – TOTAL	5,413.193.933	4.832.444.528	580.749.405	12,02%	100,00%	100,00%
Soybean – crude oil	1,900.297.756	1.901.910.500	-1.612.744	-0,08%	35,10%	39,36%
Soybean – meal	2.049.457.323	1.817.024.214	232.433.109	12,79%	37,86%	37,60%
BiG	617.632.894	481.508.688	136.124.206	28,27%	11,41%	9,96%
TSP	730.949.731	539.253.529	191.696.202	35,55%	13,50%	11,16%
Mix	9.700.193	11.937.352	-2.237.159	-18,74%	0,18%	0,25%
Soja Vita	9.653.882	10.455.172	-801.290	-7,66%	0,18%	0,22%
Lecithin	69.818.374	69.455.873	362.501	0,52%	1,29%	1,44%
Shells	25.572.080	899.200	24.672.880	2743,87%	0,47%	0,02%
Wet TSP	111.700	0	111.700	0,00%	0,00%	0,00%
Program for humans	1.437.755.074	1.112.610.614	325.144.460	29,22%	26,56%	23,02%

During the period from January to June 2012, the total sales remained at the level of 91.932 tons of soybean products as compared to 87.007 tons in the same period in the year 2011 (index 105,7%). The structure of sales recorded obvious increase in the share of products belonging to Higher production phases in the overall sales from 19,60% in 2011 to 22,77% in 2012 but to the detriment of soybean meal and soybean oil. Export has recorded increase in the overall sales, so that from the standpoint of quantity, the export now accounts for 36,98% of total sales, as compared to 35,15% in the year 2011. The increase is not major but is significant because it entirely arises from the increased export of higher production phases. Financial effects of exports in 2012 account for the share in sales with over 50%, while in the same period last year they accounted for 47,92% of total financial sales results.

Total realization of soybean oil has decreased by 1.377 tones or 7,03% primarily due to decreased realization in domestic market. In the domestic market (which includes sales to third parties and related parties) crude soybean oil has recorded a decline in sales of 1.555 t. while the foreign market recorded a slight increase in the volume of sales (178 t) as compared to the same period last year. Despite the decision issued by Sojaprotein to change its orientation to exports, it has not managed to fully compensate for lower sales in the domestic oil market in particular due to partly delayed exports in anticipation of future higher prices. Total income from the sales of soybean oil is by 1.613 thousand RSD or 0,08% lower as compared to the same period last year. The value of sales in domestic market (which includes sales to third parties and related parties) has decreased by 139.299 thousand RSD or 25,12% while the sales realized in foreign market is by 137.686 thousand RSD or 10,22% higher. Speaking in terms of percentages, decrease in quantitative realization of soybean oil exceeds the percentage decrease in income due to higher prices achieved in the market.

The amount of sales of soybean products for animal feed (soybean meal) is by 224 tons higher, and the total amount of sales has been realized in the amount of 50.553 tons as compared to 50.329 tons in the year 2011. The sales in domestic market (including sales to third parties and related parties) recorded the increase of 591 tons, and the financial effect of the increase amounts to 240.242 thousand RSD, i.e. the income has increased by 13,60%. As with the sales of oil the percentage increase in the value of sales of soybean meal in the period from January to June 2012 as compared to the same period in 2011 is higher in relation to the natural increase in sales due to higher prices achieved in the market as compared to 2011.

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In addition to the financial and economic crisis, followed by an increase in illiquidity and increasingly obvious difficulties in the collection, there was a slight recovery of sales in domestic market but one may not speak of expansion in demand. The aforementioned has resulted from the lack of imports of soybean meal due to dramatic growth of soybean complex in the world markets. However, the only real alternative is the increase in sales in the higher processing phases of the existing and future products, and specifically traditional soybean protein concentrates the sales of which will commence in the second half of 2012 but also the sales of functional soybean protein concentrates that are included in the development plan of the company. At the same time, the changes in the existing structure of production by replacing soybean meal with production phases (SPC, TSPC and FSPC) which have a higher profit margin will contribute to the substantial increase in profitability of the total business operations.

In accordance with the aforementioned orientation towards a greater share of sales of program for humans, the Company has recorded an increase in sales of higher processing phases (TSP, BiG, Mixes, Lecithin) in average of even 22,74%. In the period from January to June 2012, domestic and international markets recorded the sales of a total of 20.931 tons as compared to 17.053 tons in the same period in 2011 with a tendency of further growth in the second half of the year. With a total sale of 18.545 tons, the Company has recorded growth of 24,06% by volume as compared to 2011 (14.948 tons). The growth of foreign sales of BiG and TSP was created as a result of growing global demand for NON GMO quality of soybean products in all major markets, but also as a result of a wider range after some serious investments in human food production facility in the previous period (a full-fat products mill, two modern extruders, a new packing line etc..) and accompanying supplies to market demands for additional supplies.

From the point of view of regional sales, the export to the markets of the EU member states had the dominant position. For all commodity groups, except for Sopromixes and the soybean meal, the EU market has prevailed, while it practically accounts for the only export market of soybean oil. So, 26.469 tons of soybean products has been placed to the markets of the EU member states (out of which amount 12.095 tons of higher processing level products), or 78% of total exports. In terms of value, with EUR 21,2 million the share in EU is even more reaching 84,7%. Exports of soybean products in Russia (11% by volume) but only textures and flours, traditionally has a great significance in the foreign trade operations of Sojaprotein. The other markets (BSISA, CEFTA) are also prevailed by the sales of higher processing phase products, so, although with a relatively modest share in total exports of only 6% per region, these markets represent a hint of new export prospects of Sojaprotein in future periods. This particularly applies to Turkey and even Israel, while the CEFTA region recorded a decline in sales due to the economic consequences of the financial crisis.

In terms of value, the total export in the first half of the year 2011 has recorded a significant increase, so that it almost amounts to EUR 25 million or about RSD 2,75 billion as compared to the year 2011 when it amounted to EUR 22,8 million or RSD 2,32 billion, so that the total increase in export amounts to 18,5%.

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**RELATED PARTY BUSINESS OPERATIONS**

The period from January to June 2012, as compared to the same period in the previous year, recorded a decreased volume of trade with related parties in terms of sales of Sojaprotein products to related parties.

	<b>Operating period (amount of sales expressed in kilograms)</b>		
	<b>01/01 – 30/06/2011</b>	<b>01/01 – 31/12/2011</b>	<b>01/01/2012-30/06/2012</b>
<b>Toasted meal</b>	14.850.623	25.397.111	8.621.970
<b>Crude soybean oil</b>	7.220	25.800	41.420
<b>Higher processing phases</b>	1.876.296	5.199.712	3.045.735
<b>Commercial goods</b>	11.980.957	17.492.393	37.615.781
	<b>Operating period (amount of sales expressed 000 RSD)</b>		
	<b>01/01 – 30/06/2011</b>	<b>01/01 – 31/12/2011</b>	<b>01/01/2012-30/06/2012</b>
<b>Toasted meal</b>	555.246	954.165	355.855
<b>Crude soybean oil</b>	773	2.816	4.614
<b>Higher processing phases</b>	100.925	225.184	153.713
<b>Commercial goods</b>	425.370	640.453	1.591.583

**The scope, structure and value of sales to related parties in the period from January to June 2012**

<b>Name of Related Party</b>	<b>Soybean meal</b>		<b>Crude soybean oil</b>		<b>Higher processing phases (BiG, mix, TSP, soja vita)</b>		<b>Commercial goods (soybean grain)</b>	
	<b>Amount in tons</b>	<b>Value in 000 RSD</b>	<b>Amount in tons</b>	<b>Value in 000 RSD</b>	<b>Amount in tons</b>	<b>Value in 000 RSD</b>	<b>Amount in tons</b>	<b>Value in 000 RSD</b>
Veterinarski Zavod AD Subotica	4.008	162.839	41	4.614	96	4.671	2.225	88.984
Victoria Logistic DOO Novi Sad	4.334	182.392					540	21.864
Victoria Oil AD Šid	203	7.701					34.850	1.480.735
Fertil DOO B. Palanka	77	2.923						
Vobex Intersoya Moscow					2.950	148.969		
<b>Total:</b>	<b>8.622</b>	<b>355.855</b>	<b>41</b>	<b>4.614</b>	<b>3.046</b>	<b>153.640</b>	<b>37.615</b>	<b>1.591.583</b>

The total sales of finished product in the first six months of 2012 include the trade with the related parties measured by natural indicators in the amount of 12,74%, while the share in terms of value in the income from the sales of products account for 9,50%. The period from January to June 2012 recorded a decreased turnover with related parties as compared to the same period last year. In terms of quantitative realization of products belonging to the production program of Sojaprotein, the achieved turnover is by 32,00% lower or by 21,75%

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lower in terms of value if compared to the same period in the previous year. The trade in commercial goods has increased by 274,16%. Soybean grain accounts for the subject matter of trade with related parties which has been sold in large amount to Victoria Oil AD Šid in the period from January to June 2012. The soybean grain in issue fail to meet the high quality criteria required for the production of higher processing phases.

Related party operations are performed at market conditions when it comes to prices, delivery conditions and therefore, when it comes to the segment of sales and income in terms of transactions listed in the latest financial statement for the first six months of 2012, no significant changes have been recorded which might affect the financial position or operating results in the reporting period.

Victoria Logistic DOO Novi Sad is a Sojaprotein's leading supplier in raw material. In the period from January to June 2012 VLogistic has invoiced the soybean harvested in 2011 in the quantity of 138.156 tons, worth 5.411.607 thousand RSD, value added tax excluded. Unlike earlier years when the entire quantity of purchased soybean was invoiced in the year when the purchase was executed, in the year 2011 the invoiced quantities were used in the production process, while the difference in purchased grain was invoiced in January 2012 for the most part. In this way the liability created towards Victoria Logistic for the delivered soybean grain was settled from receivables arising from the sales of products and advances paid, which were stated in the balance sheet as of December 31, 2011.

**Balance of receivables and transactions with related parties for the sale of products and advance payments:**

In thousands RSD

Name of buyer related party	Opening balance	Transaction-Owes in 2011	Transactions-Claims in 2011	Balance as of 31/12/2011
Veterinarski Zavod Subotica	83.051	347.311	266.168	164.193
Vobex Intersoya Moscow	59.428	229.500	175.423	113.505
Victoria Group Novi Sad	319.227	8.086	327.313	-
Fertil Bačka Palanka	11	1.117	58	1.070
SP Laboratorija	7.676	9.413	17.089	-
Luka Bačka Palanka DOO	66	150	216	-
Victoria Oil AD Šid	751.092	678.109	1.219.752	209.449
Victoria Logistic DOO Novi Sad	2.024.162	895.799	1.058.994	1.860.967
Victoria Logistic DOO N. Sad – advances paid	-	3.977.761	2.220.756	1.757.005

In thousands RSD

Name of buyer related party	Opening balance	Transaction-Owes I-VI 2012	Transactions-Claims I-VI 2012	Balance as of 30/06/2012
Veterinarski Zavod Subotica	164.194	302.488	56.463	410.218
Vobex Intersoya Moscow	113.505	158.832	132.243	140.094
Victoria Group Novi Sad	-	1.778	1.036	741
Fertil Bačka Palanka	1.070	3.459	1.449	3.080
SP Laboratorija	-	7.215	7.215	-
Luka Bačka Palanka DOO	-	75	75	-

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Victoria Oil AD Šid	209.449	1.625.393	642.487	1.192.355
Victoria Logistic DOO Novi Sad	1.860.967	277.428	2.094.178	44.217
Victoria Logistic DOO N. Sad – advances paid	1.757.005	1.162.352	1.757.005	1.162.352

Receivables from Victoria Logistic with balance as of December 31, 2011 worth 1.860.967 thousand RSD and receivables for advance payment in the amount of 1.757.005 thousand RSD have been used to settle the debt arising from the invoiced soybean grain in January 2012. For the purpose of funding the purchase of soybean grain, Sojaprotein has made advance payments during the year to the supplier Victoria Logistic, while a part of funds has been provided in exchange for products, mainly the soybean meal.

Receivables from Victoria Oil which have been stated as of June 30, 2012 arise from the sale of soybean and shall be settled by payments and exchange for the sunflower shell which is used as fuel in the biomass boiler.

**Balance of liabilities and related party transactions:**

**In thousands RSD**

<b>Name of supplier related party</b>	<b>Opening balance</b>	<b>Transaction-Owes</b>	<b>Transactions-Claims</b>	<b>Balance as of 31/12/2011</b>
Veterinarski Zavod Subotica	313	6.153	5.840	-
Victoria Group	562	140.428	139.866	-
SP Laboratorija	6.964	61.046	94.802	40.719
Hotel Bela Lađa	-	317	317	-
SIG Sinteza Invest Group	246	1.088	842	-
Fertil DOO B. Palanka	-	22	22	-
Victoria Oil AD Šid	6.543	1.305.153	1.298.609	-
Victoria Logistic DOO N. Sad	979.066	5.424.273	4.445.227	20

**In thousands RSD**

<b>Name of supplier related party</b>	<b>Opening balance</b>	<b>Transaction-Owes I-VI 2012</b>	<b>Transactions-Claims I-VI 2012</b>	<b>Balance as of 30/06/2012</b>
Veterinarski Zavod Subotica	-	2.262	2.262	-
Victoria Group	-	82.847	82.847	-
SP Laboratorija	40.719	8.190	36.316	68.845
Hotel Bela Lađa	-	32	32	-
SIG Sinteza Invest Group	-	188	402	214
Fertil DOO B. Palanka	-	-	-	-
Victoria Oil AD Šid	-	-	-	-
Victoria Logistic DOO N. Sad	20	6.962.786	6.962.811	44

Liabilities to SP Laboratorija relate to services of soybean grain and finished products control which, for the purposes of Sojaprotein, this related party performs on a continuous basis.

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During the year, Veterinarski Zavod Subotica (Veterinary Institute) offers services of Pest and Rodent Control in business facilities of Sojaprotein. The turnover realized with Victoria Group as a supplier relates to the invoiced corporate services.

During the period from January to June 2012, the parent legal entity Victoria Group has settled all the liabilities to Sojaprotein arising from the interest for the assets borrowed in the year 2011 in the amount of 77.219 thousand RSD. Pursuant to the Loan Agreement, during the first half of 2012 the funds have been credited to Victoria Group, so that the balance of receivables arising from the granted loan amount to 504.100 thousand RSD on June 30, 2012. During the same period, the interest in the amount of 13.602 thousand RSD has been calculated to the borrowed assets.

Related party operations are performed at market conditions, while the differences in transactions as compared to transactions stated in the latest annual statement had no significant impact on the Company's financial position and operating results in the first six months of the current business year.



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**1. FINANCIAL INDICATORS**

(realization as compared to the same reporting period of the previous year)

**1.1 Income Statement**

Reporting period 01/01-30/06/2012	Y.T.D REALIZED Jan-June2012	Y.T.D REALIZED Jan-June2011	Y.T.D DIFFERENCES REALIZED Jan-June 2012/2011	Y.T.D. % DIFFERENCES Jan-June 2012/2011
<b>Operating income</b>	<b>7.608.823</b>	<b>6.583.594</b>	<b>1.025.229</b>	<b>15,57%</b>
Income from the sale of merchandise, products and services rendered	7.156.066	6.012.507	1.143.559	19,02%
<b>Income from the sale to domestic customers – 3<sup>rd</sup> parties</b>	<b>2.421.483</b>	<b>2.701.472</b>	<b>-279.989</b>	<b>-10,36%</b>
Soybean – crude oil	410.515	553.656	-143.141	-25,85%
Soybean – oil meal	1.651.486	1.211.853	439.633	36,28%
SPC	0	0	0	
BiG	73.330	72.111	1.219	1,69%
TSP	97.261	79.427	17.834	22,45%
Mix	4.899	6.564	-1.665	-25,37%
Soja Vita	8.683	9.760	-1.077	-11,03%
Lecithin	25.100	26.268	-1.168	-4,45%
Other products	25.684	899	24.785	2756,95%
Income from the sales of commercial goods	109.771	731.808	-622.037	-85,00%
Income from services rendered	6.876	0	6.876	
Other income	7.878	9.126	-1.248	-13,68%
<b>Income from the sale to foreign customers</b>	<b>2.751.095</b>	<b>2.315.889</b>	<b>435.206</b>	<b>18,79%</b>
Soybean – crude oil	1.485.168	1.347.482	137.686	10,22%
Soybean – oil meal	42.116	49.926	-7.810	-15,64%
SPC	0	0	0	
BiG	539.632	409.398	130.234	31,81%
TSP	633.689	459.827	173.862	37,81%
Mix	4.801	5.373	-572	-10,65%
Soy Vita	970	695	275	39,57%
Lecithin	44.719	43.188	1.531	3,54%
<b>Income from the sale to related parties DOM</b>	<b>1.983.488</b>	<b>995.146</b>	<b>988.342</b>	<b>99,32%</b>
Soybean – crude oil	4.614	772	3.842	497,67%
Soybean – oil meal	355.855	555.246	-199.391	-35,91%
BiG	4.671	0	4.671	
Income from services rendered	26.765	13.758	13.007	94,54%
Income from the sales of merchandise	1.591.583	425.370	1.166.213	274,16%
<b>Income from the own use of products, services and merchandise</b>	<b>17.081</b>	<b>20.372</b>	<b>-3.291</b>	<b>-16,15%</b>
<b>Increase in value of inventories of work in progress and finished products</b>	<b>405.365</b>	<b>466.485</b>	<b>-61.120</b>	<b>-13,10%</b>
<b>Decrease in value of inventories of work in progress and finished products</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Other operating income</b>	<b>30.311</b>	<b>84.230</b>	<b>-53.919</b>	<b>-64,01%</b>
640 - Subventions, subsidies, donations	2.171	56.155	-53.984	-96,13%
650 – Rental fees income	27.716	28.015	-299	-1,07%
65x – Other operating income	424	60	364	606,67%
659 – Pass-through income			0	

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<b>Operating expenses</b>	<b>6.826.764</b>	<b>5.744.638</b>	<b>1.082.126</b>	<b>18,84%</b>
<b>Cost of merchandise sold</b>	<b>1.643.038</b>	<b>1.158.445</b>	<b>484.593</b>	<b>41,83%</b>
<b>Cost of material</b>	<b>4.607.345</b>	<b>4.094.704</b>	<b>512.641</b>	<b>12,52%</b>
511 – Raw material	4.327.769	3.832.774	494.995	12,91%
511 – Additional material	20.821	16.517	4.304	26,06%
511 – Packaging	78.254	58.645	19.609	33,44%
511 – Other	5.028	5.518	-490	-8,88%
512 – Costs of other material (overhead)	23.740	21.284	2.456	11,54%
513 – Costs of fuel and energy	151.733	159.966	-8.233	-5,15%
<b>Costs of salaries, fringe benefits and other personal expenses</b>	<b>227.681</b>	<b>196.566</b>	<b>31.115</b>	<b>15,83%</b>
520 – Costs of salaries and fringe benefits	168.763	149.379	19.384	12,98%
521 – Costs of contributions charged to employer	30.107	26.650	3.457	12,97%
52x – Costs of remunerations according to contracts	3.361	2.313	1.048	45,31%
529 – Other personal expenses	25.450	18.224	7.226	39,65%
<b>Other operating expenses</b>	<b>348.700</b>	<b>294.923</b>	<b>53.777</b>	<b>18,23%</b>
530 – Costs of services used in production process of own costs capitalized	0	0	0	
531 – Costs of transport services	72.435	60.016	12.419	20,69%
532 – Maintenance costs	49.827	28.500	21.327	74,83%
533 – Rental costs	30.099	23.300	6.799	29,18%
534 – Fairs exhibit costs	6.769	5.726	1.043	18,22%
535 – Advertising costs	836	1.707	-871	-51,03%
539 – Costs of other services rendered	38.991	41.743	-2.752	-6,59%
550 – Costs of non-production services	99.369	67.634	31.735	46,92%
551 – Representation costs	8.000	5.878	2.122	36,10%
552 – Costs of insurance premiums	9.754	14.248	-4.494	-31,54%
553 – Costs of payment operations	11.483	23.316	-11.833	-50,75%
554 – Costs of membership fees	934	946	-12	-1,27%
555 – Tax costs	13.313	13.724	-411	-2,99%
556 – Contribution costs	1.516	1.138	378	33,22%
559 – Other non-production costs	5.374	7.047	-1.673	-23,74%
<b>E.B.I.T.D.A</b>	<b>782.059</b>	<b>838.956</b>	<b>-56.897,00</b>	<b>-6,78%</b>
<b>Other income</b>	<b>27.378</b>	<b>12.550</b>	<b>14.828</b>	<b>118,15%</b>
67 – Gains on disposals	15.190	11.614	3.576	30,79%
68 – Income from assets valuation adjustments	12.188	936	11.252	1202,14%
69 – Income from discontinued operations	0	0	0	0,00%
<b>Other expenses</b>	<b>8.564</b>	<b>7.967</b>	<b>597</b>	<b>7,49%</b>
57 – Losses / Expenses on writing-offs	3.755	209	3.546	1696,65%
579 – Other unlisted expenses	4.809	7.465	-2.656	-35,58%
58 – Impairment expenses	0	293	-293	-100,00%
59 – Losses from discontinued operations	0	0	0	0,00%
<b>Depreciation</b>	<b>99.587</b>	<b>92.433</b>	<b>7.154</b>	<b>7,74%</b>
<b>E.B.I.T</b>	<b>701.286</b>	<b>751.106</b>	<b>-49.820</b>	<b>-6,63%</b>
<b>Financial income</b>	<b>284.249</b>	<b>383.305</b>	<b>-99.056</b>	<b>-25,84%</b>
Foreign exchange gains	239.736	379.087	-139.351	-36,76%
Foreign exchange gains – IK	0	0	0	
Interest income	22.683	3.758	18925	503,59%
Interest income – IK	14.878	-	14878	
Other net financial income	6.763	242	6521	2694,63%
Other net financial expenses – IK	189	218	-29	-13,30%
<b>Financial expenses</b>	<b>703.011</b>	<b>391.033</b>	<b>311.978</b>	<b>79,78%</b>
Foreign exchange expenses – loans	619.152	234.748	384404	163,75%
Foreign exchange expenses – other	28.716	92.102	-63386	-68,82%
Foreign exchange expenses – IK	0	0	0	0,00%
Interest expenses – loans	54.065	63.437	-9372	-14,77%
Interest expenses – other	238	605	-367	-60,66%
Interest expenses – IK	0	0	0	0,00%
Other net financial expenses	840	141	699	495,74%
Other net financial expenses - IK	0	0	0	0,00%
<b>Pretax income</b>	<b>282.524</b>	<b>743.378</b>	<b>-460.854</b>	<b>-61,99%</b>
<b>Tax on profit (0,1)</b>	<b>28.252</b>	<b>74.338</b>	<b>-46.085</b>	<b>-61,99%</b>
<b>After-tax income</b>	<b>254.272</b>	<b>669.040</b>	<b>-414.769</b>	<b>-61,99%</b>

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EBITDA achieved in the period from January to June 2012 is by RSD 56.896 thousand or 6,78% lower than EBITDA achieved during the same period in the previous year.

Total income from the sales of Sojaprotein's finished goods has increased by RSD 580.749 thousand (12,02%) in the first six months of the year 2012 as compared to the same period in 2011. The income from sales in domestic market has increased by 17,16% (RSD 336.421 thousand), in foreign market the increase accounts for 18,79% (RSD 435.206 thousand), while the income from sales to related parties has decreased by 34,33% (RSD 190.878 thousand). Share from the sales of product in certain markets during the observed period of the year 2012 has changed as compared to the observed period of 2011. In 2012, the share of quantitative realization of finished products to third parties in domestic market accounts for 53,50% of total realization, 42,43% in terms of value; the share of quantitative realization in foreign market accounts for 36,98% of total realization in the period from January to June 2012, 50,82% in terms of value, while the quantitative realization to related parties accounts for 9,55%, 6,75% in terms of value. In 2011, the share of quantitative share of sales to related parties in domestic market accounted for 47,77%, 40,50% in terms of value; quantitative share in foreign market accounted for 35,15 of total sales, i.e. 47,92% in terms of value, while the quantitative share of sales to related parties accounted for 17,08% of total sales, or 11,51% in terms of value. The biggest share in the structure of sales to third parties and related parties in domestic market belongs to income from the sale of soybean meal, while in the foreign market the largest share belongs to the income from the sale of soybean oil, then textures, flour and semolina. It is significant to note that the share of sales of higher processing phases in total income increased in the year 2012, and for the first six months that share amounts to 26,56% of total income from the sales of finished products, while in the same period last year that percentage of share amounted to 23,02%. The amount of income realized in foreign markets is largely influenced by fluctuations in RSD exchange rates. The average middle exchange rate of RSD against EUR in the first six months of the year 2011 amounted to 101,926, while in the same period of 2012 it amounted to 110,8180.

Income from the sales of commercial goods in 2011 failed to significantly contribute to the increase in income due to the fact that the income realized exceeded the costs of acquisition value of the respective merchandise by RSD 58.316 thousand.

Income from the increased value of work in progress and finished products for the first six months of 2011 exceeded the income in the same period of 2012 by RSD 61.120 thousand because it was necessary to create the inventories of finished products due to planned delays which were necessary due to the adjustment of the existing equipment to the new production plant. When performing the valuation of inventories of finished products in 2012, a new cost model has been applied, where the cost of soybean oil is significantly higher if compared to calculation from the previous year, while the cost of soybean meal is lower if compared to the previous year. New cost prices have the significant impact to the value of inventories so that the inventory of crude soybean oil in the quantity of 4.511 tons has been valued by the price which is higher if compared to the same period last year. The inventory of soybean meal, which in the first six months of the year 2012 amounted to 14.970 tons, is lower if compared to the same period in the previous year when it amounted to 16.268 tons, which caused a decrease in the value of inventories of finished products.

Income from subsidies, grants and donations in the year 2011 exceeded the period I-VI 2012 by RSD 53.984 thousand. Due to lack of funds for this purpose in the budget of the Republic of Serbia, the relevant authorities have stopped the payment of funds on behalf of a subsidy.

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Costs of materials in the first six months of 2011 were by RSD 512.651 thousand lower as compared to the same period this year. The amount of used soybean grain was by only 528 tons lower during the observed period of 2011 which indicates the increased price of the soybean grain in 2012.

Increased costs of transport services resulted from the increased sales of products in foreign market.

Costs of salaries have recorded a slight increase in the period from January to June 2012 as compared to the same period last year primarily due to an increase in staff.

Within the group of other operating expenses, the costs of maintenance services and costs of non-production services have recorded a significant increase. The costs of maintenance services have increased by RSD 21.327 thousand, where the costs of maintenance services of construction facilities have recorded the greatest increase arising to RSD 10.864 thousand due to the need of adjusting the existing facilities to the new plant for concentrate production. Group 532 has recorded expenses which are invoiced to related parties so that the increase arising on the basis of these expenses holds the balance in income from related party services. As for the category of costs of non-production services, the costs of corporate services and the costs of foreign representatives account for a significant amount. The costs of corporate services, which the parent company Victoria Group invoices to its member companies, have increased in the first six months of the year 2012 by RSD 16.753 thousand as compared to the same period last year.

EBIT realized has decreased by RSD 49.819 thousand or 6,63% in the first six months of 2012 due to the abovementioned causes as well as due to the increased depreciation of 7,74% in 2012 as compared to the same period in 2011. A part of capital investments related to adjusting the existing equipment to the plant for production of concentrates was activated in the second half of the year 2011 as well as the purchase and activation of other equipment which resulted in higher percentage of increase in depreciation costs.

Financial income realized in the period from January to June 2012 have decreased by RSD 99.056 thousand as compared to the same period in the previous year.

Within the group of financial income, the greatest decrease relates to decreased income from foreign exchange gains and it amounts to RSD 139.351 thousand or 36,76%. The reason for such decreased income from foreign exchange gains lies in movements in the exchange rates of RSD which recorded appreciation in the first six months of 2011, while in the first six months of 2012 depreciation was recorded.

The increase in income was also realized in terms of income from interests to third parties and related parties. The income from interests has increased by RSD 18.928 thousand due to collection of receivables from previous years. In accordance with the agreements concluded, the interest for loans granted to related parties was calculated in the first six months which was not the case in the year 2011 when the respective interest was calculated at the end of the business year, so that the income realized on that basis amounts to RSD 14.878 thousand.

Other financial income in the amount of RSD 6.763 thousand relate to the income from accrued currency clauses on the basis of the agreements concluded with clients.

Financial expenses have increased in the first six months of 2012 as compared to the same period last year by RSD 311.979 thousand. The reason for such balance lies in movements in the exchange rates of RSD and the balance of loan debts expressed in EUR. The balance of liabilities from loans as of June 30, 2012 amounted to

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EUR 50.816.844,54, while on the same date last year it amounted to EUR 41.285.179,63. The average middle exchange rate of RSD against EUR according to the data of the National Bank of Serbia for foreign currency on June 30, 2012 amounts to 115,8203 RSD for 1 EUR, while on June 30, 2011 it amounted to 102,4631 RSD for 1 EUR.

Pretax income realized in the first six months of 2012 has decreased by RSD 460.854 thousand as compared to the same period in 2011. Financial expenses and reduced financial income have the greatest impact to realization of such difference because these expenses after EBIT (which is by RSD 49.820 thousand lower if compared to the previous year) have the greatest impact on income generation.

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**1.2. Balance Sheet**

Reporting period 01/01 – 30/06/2012

	REALIZED in 000 RSD 30/06/2012	REALIZED In 000 RSD 31/12/2011	Difference realized 2012-2011	Difference 2012-2011 in %
<b>FIXED ASSETS</b>	<b>8.361.454</b>	<b>7.987.256</b>	<b>374.198</b>	<b>4,68%</b>
I. SUBSCRIBED CAPITAL, UNPAID	0	0	0	0,00%
II. GOODWILL	0	0	0	0,00%
III. INTANGIBLE INVESTMENTS	13.854	13.787	67	0,49%
<b>IV. PROPERTY, PLANT, EQUIPMENT AND NATURAL ASSETS</b>	<b>7.489.723</b>	<b>7.116.877</b>	<b>372.846</b>	<b>5,24%</b>
1. Property, plant and equipment	7.154.861	6.781.872	372.989	5,50%
2. Investment property	331.953	331.953	0	0,00%
3. Natural assets	2.909	3.052	-143	-4,69%
<b>IV. LONG-TERM FINANCIAL INVESTMENTS</b>	<b>857.877</b>	<b>856.592</b>	<b>1.285</b>	<b>0,15%</b>
1. Investments in capital	855.688	855.688	0	0,00%
2. Other long-term financial investments	2.189	904	1.285	142,15%
<b>CURRENT ASSETS</b>	<b>9.753.318</b>	<b>9.306.798</b>	<b>446.520</b>	<b>4,80%</b>
<b>I. INVENTORIES</b>	<b>4.834.626</b>	<b>4.744.120</b>	<b>90.506</b>	<b>1,91%</b>
- Merchandise	5.575	5.914	-339	-5,73%
- Raw materials	2.275.424	2.084.640	190.784	9,15%
- Additional material	16.881	9.063	7.818	86,26%
- Packaging	24.628	23.015	1.613	7,01%
- Other material	168.416	188.971	-20.555	-10,88%
- Work in progress	72.884	69.397	3.487	5,02%
- Finished products	1.080.209	678.331	401.878	59,25%
- Advances	1.190.609	1.684.789	-494.180	-29,33%
- Other	0	0	0	-100,00%
II. FIXED ASSETS HELD FOR SALE	0	0	0	-100,00%
<b>III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH</b>	<b>4.918.692</b>	<b>4.562.678</b>	<b>356.014</b>	<b>7,80%</b>
<b>1. Receivables</b>	<b>3.968.929</b>	<b>3.776.562</b>	<b>192.367</b>	<b>5,09%</b>
Receivables in domestic market – 3 <sup>rd</sup> parties	1.319.268	664.559	654.709	98,52%
Receivables from related parties	1.693.513	2.354.526	-661.013	-28,07%
Receivables in foreign markets	956.148	757.477	198.671	26,23%
2. Receivables for prepaid income tax	0	0	0	-100,00%
3. Short-term financial investments	659.128	128.804	530.324	411,73%
4. Cash and cash equivalents	259.367	523.815	-264.448	-50,48%
5. VAT and AVR	31.268	133.497	-102.229	-76,58%
C. DEFERRED TAX ASSETS	0	0	0	-100,00%
<b>TOTAL ASSETS</b>	<b>18.114.772</b>	<b>17.294.054</b>	<b>820.718</b>	<b>4,75%</b>
<b>OFF-BALANCE SHEET ASSETS</b>	<b>9.539.536</b>	<b>10.593.951</b>	<b>-1.054.415</b>	<b>-9,95%</b>
<b>LIABILITIES</b>				
<b>CAPITAL</b>	<b>11.514.287</b>	<b>11.260.015</b>	<b>254.272</b>	<b>2,26%</b>
I. BASIC CAPITAL	6.906.480	6.906.480	0	0,00%
II. SUBSCRIBED CAPITAL UNPAID	0	0	0	0,00%
III. RESERVES	1.428.760	1.371.588	57.172	4,17%
IV. EFFECT OF RESTATEMENT OF CAPITAL	1.837.936	1.837.936	0	0,00%
V. UNREALIZED GAINS FROM SECURITIES	571	571	0	0,00%
VI. UNREALIZED LOSSES FROM SECURITIES	0	0	0	0,00%
VII. RETAINED PROFIT	1.340.540	1.143.440	197.100	17,24%
VIII. LOSS	0	0	0	0,00%
IX. OWN SHARES PURCHASED	0	0	0	0,00%
<b>LONG-TERM PROVISIONS AND LIABILITIES</b>	<b>6.600.485</b>	<b>6.034.039</b>	<b>566.446</b>	<b>8,58%</b>
<b>I. LONG-TERM PROVISIONS</b>	<b>49.890</b>	<b>49.890</b>	<b>0</b>	<b>0,00%</b>
<b>II. LONG-TERM LIABILITIES</b>	<b>4.365.971</b>	<b>2.895.566</b>	<b>1.470.405</b>	<b>50,78%</b>
1. Long-term loans	4.365.908	2.895.503	1.470.405	50,78%
2. Other long-term liabilities	63	63	0	0,00%
<b>III. SHORT-TERM LIABILITIES</b>	<b>2.048.988</b>	<b>2.952.947</b>	<b>-903.959</b>	<b>-30,61%</b>
1. Short-term financial liabilities	1.520.081	2.345.998	-825.917	-35,21%
2. Liabilities from assets held for sale	0	0	0	0,00%
<b>3. Liabilities from business operations</b>	<b>458.783</b>	<b>521.683</b>	<b>-62.900</b>	<b>-12,06%</b>
Liabilities in domestic market – 3 <sup>rd</sup> parties	329.644	319.487	10.157	3,18%
Liabilities to related parties	76.881	45.691	31.190	68,26%
Liabilities in foreign market	52.258	156.505	-104.247	-66,61%
4. Other short-term liabilities	24.834	32.794	-7.960	-24,27%
5. Liabilities for VAT and other public revenues and accruals and deferred income	43.035	29.618	13.417	45,30%
6. Liabilities for taxes on profit	2.255	22.854	-20.599	-90,13%
C. DEFERRED TAX LIABILITIES	135.636	135.636	0	0,00%
<b>TOTAL LIABILITIES</b>	<b>18.114.772</b>	<b>17.294.054</b>	<b>820.718</b>	<b>4,75%</b>
<b>OFF-BALANCE SHEET ASSETS</b>	<b>9.539.536</b>	<b>10.593.951</b>	<b>-1.054.415</b>	<b>-9,95%</b>

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In the period from January to June 2012 the position of property, plant and equipment has increased by the amount of RSD 371.989 thousand as compared to December 31, 2011, but the most significant increase in this position relates to the investments in the factory for production of the soybean protein concentrates which is reaching the final construction phase.

The position of current assets recorded the increase in the amount of RSD 446.520 thousand on June 30, 2012 as compared to the balance on December 31, 2011. Within the scope of working capital, the most significant differences have been stated in positions of inventories of raw material – the increase stated in the amount of RSD 190.784 thousand, decrease in other material in the amount of RSD 20.5555 thousand, increase in inventories of finished products in the amount of RSD 401.878 thousand, and decrease in receivables for advances paid in the amount of RSD 494.180 thousand. The position of short-term receivables, investments and cash recorded an increase on June 30, 2012 as compared to December 31, 2011 in the amount of RSD 356.014 thousand.

In the period from January to June 2012, the related party Victoria Logistic has invoiced the quantity of 138.156 tons of soybean grain worth RSD 5.411.607 thousand, as compared to earlier years when the overall quantity of purchased grain used to be invoiced in the year of purchase. For this reason, the value of inventories of raw material recorded the increase, which in terms of percentage amounts to 10,88%. Within the position of inventories of other material, the largest decrease has been stated in inventories of fuel and lubricants. Increased inventories of finished products in the amount of RSD 401.878 thousand mostly relate to increased inventories of soybean meal and crude soybean oil. In the first half of the year, a new cost model was applied for valuation of inventories of finished products where the cost price of oil was higher in comparison to the cost model applied at the end of 2011, which partly led to an increase in inventories. In addition to the price increase, the balance also recorded the increased quantity of products in stock as compared to the balance on December 31, 2011 both in soybean oil and soybean meal. Reasons for such situation partly include a decrease in demand and slowdown in sales due to major fluctuations in prices of soybean complex in foreign markets, but also a need to create larger inventories of soybean meal due to launch of a new plant for production of soybean concentrates.

Receivables for advances paid recorded a decrease on June 30, 2012 in the amount of RSD 494.180 thousand as compared to December 31, 2011. After soybean grain was invoiced by Victoria Logistic, thus incurred liability was settled from advance payments on balance as of December 31, 2011 and receivables from Vlogistic as a buyer. In the first half of 2012, advance payments for the purpose of financing the purchase of soybean grain harvested in 2012 have been continued.

Short-term receivables and investments have increased by RSD 356.015 thousand as compared to December 31, 2011. The amount of the increase in receivables includes the receivables from the company InVej DOO Zemun (debit transactions in the first half of the year 2012 amounts to RSD 411.345 thousand) subject to agreement on exchange of oil for the soybean grain, and the respective receivable shall be settled in the second half of the year by means of delivery of soybean grain harvested in 2012.

Receivables from related parties have decreased by RSD 661.013 thousand. To the greatest extent, the receivables stated on June 30, 2012 relate to receivables from Victoria Oil for the sold soybean grain that shall be paid by means of exchange for sunflower shell and by bank remittance.

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Receivables from foreign buyers have increased by 26,23% in accordance with business orientation to higher export of products but also due to increased exchange rate of EUR and USD as compared to December 31, 2012.

Short-term financial investments with balance as of June 30, 2012 have increased by RSD 530.324 thousand or 411,73% as compared to the balance on December 31, 2011, and relate to investments on the basis of the Loan Agreement entered into with the parent legal entity Victoria Group.

Decrease in the balance of cash equivalents and cash amounts to RSD 264.448 thousand. The most significant decrease in the balance of cash has been recorded in RSD current accounts (from RSD 212.732 thousand on December 31, 2012 as compared to RSD 6.972 thousand on June 30, 2012), while the foreign currency accounts recorded a slight decrease in balance as compared to December 31, 2011 (RSD 307.808 thousand on December 31, 2012 or RSD 249.079 thousand on June 30, 2012).

Receivables from value added tax and prepayments and accrued income have decreased by RSD 102.229 thousand or 76,58%. On December 31, 2011, due to higher prior value added tax the invoices from suppliers as compared to liabilities for VAT in outgoing invoices have recorded receivables in the amount of RSD 124.100 thousand, which was collected in January in the amount of RSD 76.087 thousand, while the amount of RSD 48.013 thousand was used for settling the current liabilities for VAT.

Basic capital of the Company recorded an increase of RSD 254.272 thousand on June 30, 2012 as compared to December 31, 2011, which accounts for the realized net profit in the first six months.

In comparison to the balance at the end of the year 2011, long-term loans have increased by the amount of RSD 1.470.405 thousand, and they mostly relate to withdrawal of new portions of the investment loan granted by Uni Credit Bank, as well as to withdrawal of the long-term loan granted by Banka Inteza bank.

Short-term financial liabilities of the Company have decreased by the amount of RSD 825.917 thousand due to timely repayment of the loan and decrease in the short-term loan indebtedness.

Operating liabilities have decreased by the amount of RSD 62.900 thousand during the observed period mainly due to reduced liabilities to suppliers which have been settled in the reporting period, as well as due to settled liability from income tax which was stated in the closing balance for the year 2011.



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**1.3. Cash Flow**

Reporting period 01/01-30/06/2012

		Y.T.D. REALIZED in 000 RSD 30/06/2012	Y.T.D. REALIZED In 000 RSD 31/12/2011	Y.T.D. Difference realized 2012-2011	Y.T.D. Difference 2012-2011 in %
<b>Opening balance</b>		<b>523.815</b>	<b>221.357</b>	<b>302.458</b>	<b>136,64%</b>
<b>INFLOWS</b>	<b>AOP</b>	<b>6.320.690</b>	<b>5.528.653</b>	<b>792.037</b>	<b>14,33%</b>
<b>1. Cash inflows from business activities</b>		<b>5.197.143</b>	<b>3.580.711</b>	<b>1.616.432</b>	<b>45,14%</b>
Sale of crude soybean oil	302	1.485.054	1.531.210	-46.156	-3,01%
Sale of higher processing phases	302	1.388.892	1.169.074	219.818	18,80%
Sale of soybean meal	302	1.866.541	726.411	1.140.130	156,95%
Income from subsidies from sale of oil	304	0	53.994	-53.994	-100,00%
Subsidies from the sale of program for humans	304	0	54.444	-54.444	-100,00%
Other inflows (premiums, donations, rentals, employee receivables)	304	113.253	45.578	67.675	148,48%
VAT refund		343.403	0	343.403	0,00%
Other sales and advances received		0	0	0	0,00%
Other inflows		0	0	0	0,00%
<b>2. Cash inflows from investment activities</b>		<b>28.095</b>	<b>84.305</b>	<b>-56.210</b>	<b>-66,67%</b>
Sale of shares and stocks	314	0	0	0	0,00%
Sale of property, plant and equipment	315	0	0	0	0,00%
Other financial investments	316	28.095	84.305	-56.210	-66,67%
<b>3. Cash inflows from financing activities</b>		<b>1.095.452</b>	<b>1.863.637</b>	<b>-768.185</b>	<b>-41,21%</b>
Increase of basic capital	326	0	0	0	0,00%
Long-term and short-term loans	327	1.095.452	1.863.637	-768.185	-41,22%
Other long-term and short-term liabilities	328	0	0	0	0,00%
<b>OUTFLOWS</b>		<b>2.862.363</b>	<b>3.805.644</b>	<b>-943.281</b>	<b>-24,79%</b>
<b>1. Cash outflows from business activities</b>		<b>1.170.973</b>	<b>844.075</b>	<b>326.898</b>	<b>38,73%</b>
Purchase of soybean	306	112.365	89.558	22.807	25,47%
Purchase of raw materials, packaging and fuel	306	66.093	63.533	2.560	4,03%
Current liabilities	306	339.370	309.322	30.048	9,71%
Salaries, fringe benefits and other personal expenses	307	227.335	195.675	31.660	16,18%
Interest paid	308	111.358	70.241	41.117	58,54%
Tax on profit	309	48.851	33.338	15.513	46,53%
Duty clearance and other taxes (except for VAT)	310	60.260	32.412	27.848	85,92%
VAT paid	310	205.341	49.996	155.345	310,71%
<b>2. Cash outflows from investment activities</b>		<b>658.751</b>	<b>1.086.605</b>	<b>-427.854</b>	<b>-39,38%</b>
Purchase of shares and stocks	320	0	0	0	0,00%
Purchase of property, plant and equipment - INVESTMENTS	321	594.630	1.076.531	-481.901	-44,76%
Other financial investments	322	64.121	10.074	54.047	536,50%
<b>3. Cash outflows from financing activities</b>		<b>1.032.639</b>	<b>1.874.964</b>	<b>-842.325</b>	<b>-44,92%</b>
Purchase of own shares and stocks	330	0	1.517	-1.517	-100,00%
Long-term and short-term loans	331	1.032.240	1.872.890	-840.650	-44,89%
Financial leasing	332	399	557	-158	-28,37%
Dividends paid	333	0	0	0	0,00%
<b>Cash flows from business activities</b>		<b>4.026.170</b>	<b>2.736.636</b>	<b>1.289.534</b>	<b>47,12%</b>
<b>Cash flows from investment activities</b>		<b>-630.656</b>	<b>-1.002.300</b>	<b>371.644</b>	<b>-37,08%</b>
<b>Cash flows from financing activities</b>		<b>62.813</b>	<b>-11.327</b>	<b>74.140</b>	<b>-654,54%</b>
<b>Cash flows – 3<sup>rd</sup> parties</b>		<b>3.458.327</b>	<b>1.723.009</b>	<b>1.735.318</b>	<b>100,71%</b>
<b>Intercompany movements INFLOWS</b>		<b>468.789</b>	<b>1.285.034</b>	<b>-816.245</b>	<b>-63,52%</b>
<b>Intercompany movements OUTFLOWS</b>		<b>4.247.387</b>	<b>2.972.440</b>	<b>1.274.947</b>	<b>42,89%</b>
<b>Foreign exchange gains</b>		<b>60.992</b>	<b>1.319</b>	<b>59.673</b>	<b>4524,11%</b>
<b>Foreign exchange losses</b>		<b>5.169</b>	<b>1.910</b>	<b>3.259</b>	<b>170,63%</b>
<b>Cash at the end of the accounting period</b>		<b>259.367</b>	<b>256.369</b>	<b>2.998</b>	<b>1,17%</b>

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Sales of soybean meal have increased in the first half of 2012 by 0,44% in terms of quantity, and 12,79% in terms of value as compared to the same period in 2011. The increase in cash flows by 156,95% has resulted from the increased price of soybean meal and higher advance payments.

Subsidies represent incomes related to export incentives, regulated under the Regulation of Subsidizing the Producers of Agricultural and Food Products. The inflows from subsidies for the sale of oil realized in the first half of 2011 amounted to RSD 53.994 thousand, while the inflows from subsidies for the sale of program for humans amounted to RSD 54.444 thousand. Inflows from subsidies were abolished in the second half of 2011 as the budget of the RS provided no more funds for these purposes. During the first half of 2012 this trend of lack of funds in the budget continued to exist and therefore no inflows have been realized on this basis.

The increase in other income of 148% realized in the first six months of 2012 as compared to the same period of the previous year resulted from a part of collection of bad and doubtful debts, a part of excise refund from CVPO for the purchase of hexane, as well as from the inflows from rendering the service of soybean processing.

“Sojaprotein” AD has achieved the return of inflows from VAT in total amount of RSD 343.403 thousand until June 30, 2012 due to invoicing 137.921 tons of soybean grain harvested in 2011 in January 2012 and increased investments in the first half of 2012. During the same period no inflows from VAT return have been realized.

Other financial investments recorded a decline of 67% in the current year 2012 as compared to 2011 as a result of repayment of loans from earlier years in 2011.

Outflows arising from the purchase of soybean grain harvested in 2011 recorded an increase of 25% in 2012, when the purchase and invoicing of the soybean was performed in January 2012, which led to a significant outflow of funds for the underlying purposes as compared to the same period in the previous year.

There was a fall in lending activity and less indebtedness on behalf of "Sojaprotein" AD after directing the credit load for the procurement of raw materials to Victoria Logistic, so in the future Sojaprotein shall take loans exclusively for purposes of its own COr business. This resulted in a reduced outflow of funds in the first six months of 2012 of 45% for purposes of long-term and short-term loans, as well as reduced outflow of funds for the purchase of plant and equipment of 45%. At the same time, the outflow for paid accrued interests arising from investment loan granted by Unicredit Bank for investments in construction of a factory of traditional soybean concentrates have increased by 59% in the same period.

Intensive investments in 2011 and prepaid advance payments for the purchase of equipment, which were invoiced and underwent customs clearance in 2012 have caused the increased outflow for customs clearance by 86% as compared to the same period last year.

In some months “Sojaprotein” sold larger amounts of soybean grain – on an intercompany basis, due to genetic modification which failed to meet the requirements set for our products and the increased content of gluten in the grain, thus increasing the outflow for VAT paid in 2012 by 311% as compared to the same period in 2011.

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At the same time the final phase of the SPC resulted in a 536% increase in outflows of other financial investments intended for completion of all commenced investments within the shortest possible time and start up of the factory.

## **CONCLUSION**

In the first half of the year 2012 SOJAPROTEIN has continued the expansion of exports in highly-finalized products commenced several years before. Although the impact of a new wave of the global financial crisis, followed by even higher recession, resulted in decrease and stagnation in sales in some regions or countries, the results achieved have exceeded our expectations, especially in terms of the sale of products from higher processing phases in the market of EU. It is obvious that a long-term strategy of SOJAPROTEIN oriented towards the production of solely NON GMO soybean products in conditions of the increased global demand for the same gave the best results.

This is irrevocably indicated by the development of situation in terms of demand for a genetic purity of soybean products in all strategic markets of SOJAPROTEIN (EU, Russia with Belarus and Ukraine, CEFTA, BSISA and especially Turkey and Israel within this group). Although the EU regulations for NON GMO prescribe <0,9%, more and more countries often demand NON GMO <0,1% even from producers of animal feed and fish feed. As opposed to the world competition (SOLAE, CARGIL, ADM, SOLBAR) and owing to NON GMO soybean of a guaranteed Serbian origin, SOJAPROTEIN may fully satisfy the strict demands of end users for traceability and NON GMO. Even in markets that lack or have inadequately elaborated legislation on NON GMO, end users from various areas of food industry account for the subjects that dictate the purchase conditions of exclusively NON GMO soybean products, which has become a significant comparative advantage of SOJAPROTEIN.

Moreover, a number of concluded Free Trade Contracts (with EU, Russia and Belarus, CEFTA countries, EFTA, Turkey) in addition to SOJAPROTEIN'S readiness and ability to effect prompt deliveries in all European markets guarantee further expansion in export of the existing (BiG, TSP, Mixes, Soja Vita, Lecithin) and future products (SPC). Our numerous clients, some of which account for very serious global figures (KERRY, BARENTZ, NESTLE, AZELIS) have witnessed the above in more than one occasion. This fact has risen in importance especially in newly created conditions when a part of global completion has been partly or entirely leaving the EU markets, primarily in the area of our range of products. After installation of the most advanced equipment for production of highly-finalized products intended for food industry and a significant increase in the quality of the same, it is of utmost importance that SOJAPROTEIN, with logistic support of Victoria Group, perseveres in the Policy of guaranteeing the soybean products without the presence of other allergens, by providing a Gluten Free Quality.

Finally, a new factory for production of traditional and textured SPC and the commencement of trade in the respective products in the second half of this 2012 shall create additional assumptions for a long-term growth in export of SOJAPROTEIN's products, both from the existing and future production program.

GENERAL MANAGER

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## **STATEMENT OF PERSONS RESPONSIBLE FOR THE PREPARATION OF QUARTERLY FINANCIAL REPORT**

To the best of our knowledge, the quarterly financial report for the second quarter and the semiannual consolidated report has been prepared in accordance with the appropriate international standards of financial reporting and provides accurate and objective data on the assets, liabilities, financial position and business operations, income and losses, cash flows and changes in equity of the public company.

Persons responsible for the preparation of annual report:  
on behalf of "Sojaprotein" A.D. Bečej, Industrijska No.1, 21220 Bečej

General Manager BSc. Lawyer Branislava Pavlović /signature illegible/  
Executive Manager of Finance Department: BSc.Ecc. Ankica Nikolić /signature illegible/  
Head of Accounting: Econ. Dragana Anđelković /signature A.Dragana/

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