

ANNUAL REPORT
According to CMVM Regulation No.1 / 2006 for the Financial Year 2015

Date of report: **21.03.2016**

Name of Issuer: **S.C. PRODLACTA S.A**

Headquarters: No. 5 Ecaterina Teodoroiu street, Brasov

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Email : office@prodlacta.ro

Number of Trade Registry: J/08/67/1991

Regulated market where the issued securities are traded: Aero - BVB

Subscribed and paid up capital: **64.197.563,76 lei**

The main characteristics of the securities issued by the company:

The securities issued by the company after the last capital increase are common shares in the amount of 47,204,091 with a nominal value of 1.36 lei.

The organized market on which the shares are traded is Aero - BSE, the market value of the shares for July, 1, 2016 was 0.95 lei / share.

1. Analysis of current economic and financial situation of the company

1.1. a) The basic activity of the company

The main activities of the company are:

- **milk collecting;**
- **milk processing;**
- **storage and sale of dairy products;**

b) Date of company foundation

S.C. PRODLACTA S.A. was founded by GR 1353/27.12.1990.

(c) Description of any merger or significant reorganization of the commercial company, its subsidiaries or the controlled companies during the financial year

It is not the case.

d) Description of acquisitions and / or divestitures of assets

In 2015 upgrades related to construction amounting to **70.786 lei** were put into operation, technological trails in the amount of **258 307 lei** and technological equipment amounting to **234 781 lei** were modernized, fourgons totaling **116 201 lei** and refrigerated showcases amounting to **91,000 lei**, related to sales structure as well as intangible assets amounting to **10 518 lei**.

31.12.2015 remained primarily representing investments being modernization construction and upgrading ventilation, amounting to **767.357 lei**. For December 31, 2015 there remained ongoing investments, this being above all modernization of buildings and ventilation amounting to **767.357 lei**.

In 2015 fixed assets (car) in the amount of 482.004 lei were scrapped. The scrapped vehicles had a high degree of degradation, were non-functional and did not meet the circulation rules, so it

was decided to remove them from the registration from company assets.

e) Main results of the company's activity

The situation of indicators that define the company's activity in 2015:

| No. | Business management indicators | The calculation formula | ME | Values in 2015 | Values in 2014 | 2015/2014 % |
|-----|--------------------------------|---------------------------|----|----------------|----------------|-------------|
| 1. | General liquidity ratio | Circulating assets x 100 | % | 42,13 | 33,60 | 125,39 |
| | | Short term liabilities | | | | |
| 2. | low liquidity | (Circ. assets – st.) x100 | % | 26,39 | 18,47 | 142,88 |
| | | Own Capital | | | | |
| 3. | solvency | Own Capitals | % | 44,84 | 34,18 | 131,19 |
| | | Total Pasives | | | | |
| 4. | Borrowing rate | Total debts | % | 113,37 | 176,12 | 64,37 |

1.1.1. Elements of general evaluation

- a) Gross Profit / Loss -6.205.000 lei
- b) Turnover: 43.062.990 lei
- c) Export: 3.682.178 lei
- d) Costs - comparing operating expenses to operating income, in 2015 there is a cost in the amount of 1.135,27 lei in comparison with 1170.42 lei for 1,000 lei income earned in the previous year.
- e) Liquidity (available on the account): 259 724 lei

1.1.2. Evaluation of the technical level of the company

Main manufactured products and / or delivered services:

The main manufactured products are:

- Drinking pasteurized milk
- Drinking milk UHT
- UHT milk for pupils
- Fresh dairy products
- Butter
- Cheese/ Cottage cheese
- Complementary products (mascarpone, cream cheese and butter)

The main services provided by the company are: distribution and sale of dairy products and production services for third parties.

(a) The main markets for each product or service and distribution methods

The main markets are: Brasov, Valea Prahova, Bucharest, Prahova, Harghita, Arges, Buzau, Constanta, Iasi.

Market structure consists of a huge number of clients, with the same profile of sale dairy products, of which 98% with a private capital, and the rest represent collective consumption.

Distribution methods are:

- Direct distribution with company vehicles;
- Delivery from own deposits;
- Distribution through other distribution companies;

(b) *The quota of each category of product or service in the revenue and in the total turnover of the company for the last three years:*

| Year | 2015 | | 2014 | | 2013 | |
|-----------------------------------|----------------------------------|------------------|----------------------------------|------------------|----------------------------------|------------------|
| | The share in total revenues % | Share in CA % | The share in total revenues % | Share in CA % | The share in total revenues % | Share in CA % |
| Drinking pasteurized milk and UHT | 22,25% | 22,75% | 9,29% | 9,96% | 14,9 | 14,9 |
| Fresh dairy products | 43,12% | 44,08% | 34,58% | 37,07% | 37,4 | 37,4 |
| Butter | 10,13% | 10,35% | 8,38% | 8,98% | 9,4 | 9,4 |
| Cheese/cottage cheese | 9,92% | 10,15% | 10,37% | 11,12% | 15,2 | 15,2 |
| Ice cream | | | | | 0,3 | 0,3 |
| Other products and services | 12,40% | 12,68% | 15,82% | 16,96% | 7 | 7 |

(c) *New products under consideration that will affect a substantial amount of assets in the next financial year and the stage of development of these products.*

The new products planned for the next financial year will be:

- Diversifying the range of fresh dairy products;
- Manufacturing of cream cheese and desserts.

1.1.2. Evaluation of technical and material supply (domestic sources, import sources)

Specifying information on the safety of supply sources, commodity prices and dimensions of raw materials stocks and materials.

The company has signed commercial contracts with farms, livestock associations and commercial companies with private capital within the country.

Suppliers of materials:

| COMPANY NAME | LOCALITY | SUPPLIED MATERIALS |
|----------------|-------------------------|------------------------------------|
| Thrace Greiner | Sibiu | packaging PP, PS |
| Greiner | Sibiu | packaging PP, PS |
| JLC | Rep. Of Moldova | bottles |
| Sunimprof | Cluj | metallized paper and aluminum caps |
| Gama Serv | București | lactic cultures |
| Tetra Pack | Romania | film for. UHT milk |
| Rompetrol | Zarnesti, Brasov county | fuel |
| Ecopak | Ghimbav, Brasov county | cardboard trays |

The Company has entered into commercial agreements with all major suppliers of materials.

1.1.3. Assessment of activities involving sale

Sequential sales evolution on the internal and/or external market and sales prospects for medium and long period.

The company delivers products for the domestic market. Of those, 1.649 customers of the company, here are the main customers: METRO, SELGROS, CARREFOUR, REAL, CORA, KAUF LAND and others.

The company aims to:

- A balanced assortment of fresh products, cheeses
- improving the efficiency of distribution dairy industry by increasing the number of firms with which they cooperate ;

(b) a Description of the competitive situation in the sphere of activity of the commercial society, the market share of products or services, trading companies and main competitors

The main competitors of our company, by product groups are:

1. Drinking milk: Friesland, Covalact, Napolact, Dorna, Albalact
2. Fresh dairy products: Friesland, Danone, Covalact, Dorna, Napolact, Albalact, Muller
3. Cheese: Friesland, Hochland, Delaco, Gordon,
4. Butter: Friesland, Covalact, Albalact

Describing any significant dependence of the company to a single client or group of clients whose loss would have a negative impact on income of the company.

The Company does not record significant reliance on a single customer, however it is possible to speak about the dependence on hyper-supermarkets, to which the company directs almost **57%** of dairy products.

1.1.4. Assessment on company employees /personnel

(a). Indicating the number and level of training of company employees and the degree of unionization of the workforce;

The average number of company employees in 2015 was 191.

There is no union.

(b) Description of the relationship between manager and employees and any conflicting elements that characterize these relations

Relations between management and employees are good. There did not exist and there does not exist any conflicting situations.

1.1.6. Evaluation of aspects connected with impact of company's main activity on the environment.

It is not the case.

Synthetic data on the impact of the Issuer's main activity on the environment, and any disputes, existing or expected in connection with the violation of legislation on environmental protection.

In terms of environmental protection, S.C. PRODLACTA S.A. for the three factories, is as follows:

- The dairy plant of Brasov has an environmental authorization valid until 27/02/2019, with monitoring program on ammonia emissions into the atmosphere and monthly monitoring of parameters of technological waters discharged into the sewage system of the city.
- Făgăraș cheese plant: in conservation ;
- Homorod cheese plant: in conservation;

There are disputes about violations of environmental laws.

1.1.7. Evaluation of research and development activities.

Indication of expenditure for the current financial year, as well as expenditures that are expected for the next financial year for research and development.

Expenses for research and development amounted to 34,244 lei in 2015, and for 2016 these are estimated at 40,000 lei.

1.1.8. Assessment of the activities of a commercial company on matters of risk management

Exposure data of a commercial company to commodity price risks, credit, liquidity and cash flow.

Description of the policies and objectives of the company on risk management issues.

To mitigate credit risk, liquidity and cash flow the company has concluded commercial contracts with most customers in which it is clearly defined payment deadline and penalties in case of default, and with other clients using the system of payment on delivery, cash or payment instruments and payment guarantee.

By nature of the activity, the company is undergoing a major change risk of cash flows expected from both the fluctuation of financial instruments and the interest rate change.

As for the liquidity risk, it is quite small given the values of the indicators of liquidity and reduced liquidity, recorded by the company at the end of 2015, and given that only 38% of current assets are represented by stocks, the rest being assets with immediate liquidity.

1.1.9. Elements of perspective on the company's activity

a) Presentation and analysis of tendencies, items, events or uncertainty factors that affect or could affect the company's liquidity compared with the same period the previous year.

In 2015, the current liquidity of the company rose to 26,04%, compared to 18,47%, as was recorded last year.

| Year | Current assets - stocks | Current debts | Current liquidity (%) (Current assets – stocks/current debts) |
|------|-------------------------|---------------|--|
| 2015 | 6.314.380 | 24.248.119 | 26,04% |
| 2014 | 5.456.348 | 29.533.712 | 18,47% |

b) Presentation and analysis of the effects of capital expenditures, current or anticipated on the financial situation the company compared to the same period last year.

| Year 2014 | | Year 2015 | |
|-------------------------------|-------------------|-------------------------------|-------------------|
| Investment sources | | Investment sources | |
| - balance at 31.12.2013 | -85.327 | balance at 31.12.2014 | -1.038.413 |
| - reinvested profit | 0 | - reinvested profit | 0 |
| - Amortization and provisions | 1.584.153 | - Amortization and provisions | 1.635.021 |
| - involved sources | 1.708.819 | - involved sources | 0 |
| Total sources | 3.207.645 | Total sources | 596.608 |
| Expenditure | | Expenditure | |
| - Investments | 3.748.545 | - Investments | 847.791 |
| - loan reimbursements | 0 | - loan reimbursements | 0 |
| - leasing ratio | 497.513 | - leasing ratio | 286.154 |
| Total expenditures | 4.246.058 | Total expenditures | 1.133.945 |
| Balance at 31.12.2014 | -1.038.413 | Balance at 31.12.2015 | -537.337 |

It is evident that 2015 was closed with a deficit of 537 337 lei for investments.

(d) Presentation of events, transactions, economic changes that significantly affect revenues from basic activities.

Revenues from sales of products in 2015, amounting to 37,605,247 lei, recorded an increase compared to 2014 by 115.16%.

Evolution of sales by main product groups:

- Drinking pasteurized milk and UHT – increase by 12.61%;

- Fresh dairy products - increase by 22.21%;
- Butter – increase by 18.41%
- Cheese – decrease by 6.21%;

2. The tangible assets of the company

2.1. Location and characteristics of the main production capacities owned company

The company carries out an activity covered by these regional production and storage capacities:

1. Dairy plant in Brasov, central headquarter of the company ;

The Company carries out activities by means of opened work points within the country in rented locations in Bucharest, Pitesti, Iasi, Ploiesti and Constanta.

2.2. The degree of wear of company's property

The buildings of plants in Brasov, Fagaras, Homorod and Bran have a degree of wear of 46.79% while their technological equipment and tools - 51.7%.

2.3. Potential issues related to ownership of tangible assets of the company.

It is not the case.

3. The market securities issued by the company

3.1. Markets in Romania and abroad where securities issued by the company are negotiated

Shares issued by the Company are traded on the electronic platform of stock exchange ATS.

3.2. Company policy regarding dividends. Dividends payable / paid / accrued in the last three years and the reasons for any reduction of the dividends over the past three years.

In the last 3 years the company made losses, payment of dividends is not the case.

3.3. The activities of the company for the purchase of own shares

It is not the case.

3.4. If the company has branches, the specification of the number and nominal value of shares issued by joint stock company "mother" - owned subsidiaries.

It is not the case.

3.5. If the company has issued bonds and / or other debt instruments, showing how the company pays its obligations to the holders of such securities.

It is not the case.

4. Management of the company

4.1. The list of company managers

During 01.01.2015-29.04.2015 there were the following managers of the company:

| No. | Name, Surname | Position |
|-----|------------------|-----------|
| 1 | Vladimir Jardan | President |
| 2 | Vitalie Cojuhari | Secretary |
| 3 | Eftimie Mariana | Member |
| 4 | Elena Belan | Member |
| 5 | Victor Cibotaru | Member |

During 29.04.2015 – 31.12.2015 there were the following managers of the company

| No. | Name, Surname | Position |
|-----|------------------|-----------|
| 1 | Vladimir Jardan | President |
| 2 | Vitalie Cojuhari | Secretary |
| 3 | Puscuta Serghei | Member |
| 4 | Elena Belan | Member |
| 5 | Victor Cibotaru | Member |

(a) The position held within the company on 31.12.2015

(b)

| No. | Name, Surname | Position |
|-----|------------------|--|
| 1 | Vladimir Jardan | - |
| 2 | Vitalie Cojuhari | - |
| 3 | Puscuta Serghei | 01.10.2015- 31.12.2015 general director |
| 4 | Elena Belan | - |
| 5 | Victor Cibotaru | 01.01.2015 - 01.10.2015 general director |

Vladimir Jardan

- Chairman of the Board of Directors

Age:

- 58 years old

Qualification

- economist

Professional experience:

2001 – 2004 SA „Lapte” - director

2004 – 2010 SA „JLC” - director

2005 – until now director of SA „Incomlac”

2010 – until now director of GmbH „JLC Germany”

2010 – until now director of Chairman of the Board of SA „JLC”

Work experience in the position:

Vitalie Cojuhari

- Secretary of the Board of Directors

Age:

- 36 y.o.

Qualification

- lawyer

Professional experience:

2000 – 2004 legal adviser at SA «Frigo», SA «Lapte»

2004 – 2005 legal adviser at SA «JLC»

2005 – until now head of the legal department of SA «JLC»

Work experience in the position:

Elena Belan

Age:

Qualification

Professional experience :

- MEMBER OF THE BOARD OF DIRECTORS

- 54 years old

- economist engineer

2000 – 2001 SA «Incomlac» sales department manager

2001 – 2002 SA «Incomlac» head of sales department

2002 – 2008 SA «Incomlac» Deputy Director

2008 – until now the Executive Director of SA «Incomlac»

Work experience in the position:

Victor Cibotaru

Age:

Qualification:

Professional experience :

- MEMBER OF THE BOARD OF DIRECTORS

- 48 years old

- Economist

1998-2006 BC „Moldincombank” SA, Head of department of resources and market operations, Director of Treasury, Chairman of the Board of the Bank

2006-2009 Banca Națională a Moldovei, First Deputy Governor of National Bank, Vice President of Administrative Council of the NBM

2010 – 2013 director of SA „JLC”

2013 – now Administrator SC PRODLACTA SA

Work experience in the position:

PUSCUTA SERGHEI

Age:

Qualification:

Professional experience :

- MEMBER OF THE BOARD OF DIRECTORS

- 44 years old

- Economist

- 1995 – 1998 economist-coordinator, economist, consultant to the main Department of tax policy of the MF;

1998 – 1999 head of Department, head of administration of local taxes and fees the Main state Tax Inspectorate

1999 – 2000 Advisor to the President of the Republic of Moldova on economic issues;

2000-2001 Head of Department, Deputy Head of the State Tax Inspectorate;

2001 – 2005 Deputy head of Main State Tax Inspectorate head of the Main Tax Inspectorate of Chisinau

2005 – 2008 head of Main State Tax Inspectorate

2008 director of the Center for Combating Economic Crimes and Corruption;

2008 – 2009 Advisor to the President of the Republic of Moldova on financial issues

2010 - expert within the World Bank Project for improvement of competitiveness;

From September 14, 2010 elected President of the Union of Insurers of Moldova.

2010 -2012 Deputy Minister of Economy

December 2012 deputy director JLC SA

From November 2013 general director of JLC SA

There were 12 sessions of the Board of Directors during 2015.

(b) Any agreement, arrangement or family relation between administrator, and respectively another person by which the person has been appointed administrator

It is not the case.

(c) Participation of manager in the company's capital

| No. | Name, Surname | Number of owned shares |
|-----|------------------|------------------------|
| 1 | Vladimir Jardan | - |
| 2 | Vitalie Cojuhari | - |
| 3 | Puscuta Serghei | - |
| 4 | Elena Belan | - |
| 5 | Victor Cibotaru | - |

(e) List of company's affiliated persons

It is not the case.

4.2. List of members of the Executive management of the company. For each provide the following information:

(a) the period for which the person is a member of the Executive management

| | | | |
|---|-----------------|-------------------------|--------------|
| 1 | Puscuta Serghei | General Director | undetermined |
| 2 | Elena Jardan | Finance Director | undetermined |
| 3 | Boris Mitracov | Deputy General Director | undetermined |
| 4 | LilianaAndriuc | Procurement Director | undetermined |
| 5 | ChițeaMihaela | Economic Director | undetermined |
| 6 | Pancu Natalia | Production Director | undetermined |
| 7 | Gaspar Gabriel | Commercial Director | undetermined |

(b) Any agreement, negotiation or family relation between that person and the other person, because of which the person was appointed as a member of the Executive management

It is not the case.

c) the Participation of this person in the authorized capital of the commercial company

It is not the case.

For all persons presented in 4.1. and 4.2. specify any litigation or administrative proceedings they were involved in during the last 5 years.

| Case nr. | The Court | Parties | Prodlacta participating as: | Article | Stage of case/ Solution |
|--------------|-----------------|-----------------------------|-----------------------------|---|---|
| 4777/62/2013 | Brasov Tribunal | Eftimie Mariana (plaintiff) | Defendant | Action for annulment Decision AGM of April 8,2013 | Resolved: Solution in short: Reject exception to the plaintiffs' (Eftimie Mariana and the Association of Employees and |

| | | | | | |
|--------------|------------------------|---|----------------------|---|--|
| | | | | | Members of Management of Prodlacta) lack of locus standi and lack of interest of the plaintiff the Association of Employees and Members of Management of Prodlacta. Admit the exception to lack of interest of plaintiff Mariana Eftimie to which the defendant SC PRODLACTA refers, respectively: Rejects the application for summons filed by the applicant Mariana Eftimie. Accede to the request for summons filed by the plaintiff Association of Employees and Management Members of Prodlacta |
| 4778/62/2013 | Brasov Tribunal | the Association of Employees and Members of Management of Prodlacta (plaintiff) | Defendant | Action for annulment Decision AGM of 08.04.2013 | Resolved: Solution in short: Admission of connectedness exception invoked by the defendant, case no. 4777/62/2013 Brasov Tribunal. Case to be sent to first vested court, resp. CD7 with hearing provided for October 27, 2013 at 10.30. Case connected to 4777/62/2013. Solution from the abovementioned case. |
| 4758/62/2013 | Brasov Tribunal | Vladimir Jardan (plaintiff) Oleg Solomischi (plaintiff) Fagaras municipality represented by Mayor (defendant) | Plaintiff | Disputes with professionals - claims | Resolved: Decision 52/2014 – Rejects the application |
| 4777/62/2013 | Brasov Court of Appeal | Eftimie Mariana (plaintiff) the Association of Employees and Members of Management of Prodlacta (plaintiff) | APPELLANT defenfdant | Action for annulment Decision AGM of 08.04.2013 | Resolved: Decision 97/2014 Solution in short: rejects the appeal of defendant of SC Prodlacta SA Brasov against the sentence no. 354/CC/18.11.2013 pronounced by the Court of Brasov – section II for civil, contentious administrative and tax matters. Satisfies the appeal of the incident said by the plaintiff Eftimie Mariana against the same sentence that changes in the sence that it rejects the exception to lack of |

| | | | | | |
|---------------|------------------------|--|---------------------|--|---|
| | | | | | interest of plaintiff Eftimie Mariana and accepts the application for summons filed by the plaintiff Mariana Eftimie in contradiction with the defendant SC Prodlacta SA Brasov with the consequence of finding nullity of the decision of AGAS of 08/04/2013. Keep remaining provisions. |
| 4758/62 /2013 | Brasov Court of Appeal | Vladimir Jardan (plaintiff) Oleg Solomisch (plaintiff) Fagaras municipality represented by Mayor (defendant) | APPELLANT plaintiff | Disputes with professionals - claims | Resolved: Decision 250/2014 Solution rejects plaintiff's appeal (S.C. PRODLACTA S.A. and JARDAN VLADIMIR) against civil sentence no.52/C/2014 of The court of Braşov - Section II for civil, contentious administrative and tax matters. Oblige the appellants to pay the appellee Făgăraş mun. the amount of 3000 lei as court costs. |
| 3326/62/2014 | Brasov Tribunal | Eftimie Mariana (plaintiff) | Defendant | Action for annulment Decision AGM of 3/25.04.2014 and 6/25.04.2014 | Resolved: Decision 1024/2014 Solution: Partially upheld applicant's application (Mariana Eftimie). Admits the exception to lack of locus standi of the plaintiff Mariana Eftimie invoked by the defendant in relation to the application for partial annulment of AGAS decision of defendant no. 6 of April 25, 2014. Rejects the application for partial annulment of AGAS decision of defendant no. 6 of April 25, 2014 made by the plaintiff Mariana Eftimie, as formulated by a person who lacks locus standi. Rejects the exception to lack of locus standi of the plaintiff Mariana Eftimie invoked by the defendant in relation to the application for partial annulment of AGAS decision of defendant no. 3 of April 25, 2014. Cancel AGAS decision of defendant no. 3 of April 25, 2014. Requires the Board of Directors of the defendant on the convening of the new AGAS through which to set the remuneration for the applicant administrator, taking into account the nature and |

| | | | | | |
|--------------|------------------------|-------------------------------------|---------------------|--|--|
| | | | | | complexity of the powers granted, as well as the liability provided for by Law no. 31/1990, Law no. 297/2004 and the Statute of the society of the members of the Board of Directors. Compel the defendant to pay the applicant the sum of 1540 lei trial costs. |
| 3326/62/2014 | Brasov Court of Appeal | Eftimie Mariana (apelant reclamant) | APPELLANT defendant | Action for annulment Decision AGM of 3/25.04.2014 and 6/25.04.2014 | Resolved 01.04.2015 Partially amended Solution in short: Partially admits the appeal of the defendant SC Prodlacta S.A. against the civil sentence no. 1024/C/16.12.2014 of the Court of Braşov - section II for civil, contentious administrative and tax matters, partially ammended, in that: admits the exception to lack of locus standi of the plaintiff Mariana Eftimie invoked by the defendant in relation to the application for partial annulment of AGAS decision of defendant no. 3 of April 25, 2014. Rejects the application for partial annulment of AGAS decision of defendant no. 3 of April 25, 2014 made by the plaintiff Mariana Eftimie, as formulated by a person who lacks locus standi. Keeps the remaining provisions of the sentence. Rejects the incident appeal against the same sentence. Compel defendant to pay the applicant the sum of 400 lei, partial trial costs. Document: Decision 469/2015 of 01.04.2015 |

5. The situation of the financial accounting

Analysis of current economic and financial situation compared to the past 3 years, with reference to at least:

- a) elements of balance sheet: assets which represent at least 10% of the total assets; cash and other free available funds; reinvested profits; total current assets; total current*

liabilities

Balance sheet Elements

| Assets | 2013 | 2014 | 2015 |
|-----------------|------------|------------|------------|
| Tangible assets | 37.498.200 | 42.814.919 | 42.083.417 |
| Stock | 3.552.681 | 4.468.153 | 3.901.096 |
| Cash | 100.512 | 133.075 | 259.724 |
| Receivables | 6.205.498 | 5.323.273 | 6.054.656 |

The value of intangible assets in 2015 decreased by 1.7% due to the depreciation undertaken during the year and cassation of degraded fixed assets. Stocks decreased in 2015 compared to 2014, by 12.69%. Debts in 2015 increased by 13.74%.

Reinvested profits in the last three years is as follows:

In the last 3 years the company had a loss.

| Year | Current assets | Current liabilities |
|------|----------------|---------------------|
| 2013 | 9.858.691 | 19.582.110 |
| 2014 | 9.924.501 | 29.533.712 |
| 2015 | 10.215.476 | 24.248.119 |

- b) the profit and loss account: net sales; gross revenues; elements of costs and expenses accounting for at least 20% of net sales or gross income; risk provisions for various expenses; reference to any sale or shutdown of part of work done in the last year or that is to be carried out in the next year; dividends declared and paid*

Profit and loss account is as follows:

| Explanation | 2015 | 2014 | 2013 |
|---|------------|------------|------------|
| | Lei | Lei | Lei |
| Sold production | 43.640.162 | 42.196.819 | 25.573.507 |
| Income from sale of goods | 107265 | | 255.449 |
| Turnover | 43.062.990 | 41.899.561 | 25.621.264 |
| Income from stocked production | -1.050.255 | 1.000.042 | -615.389 |
| Income from production of tangible assets | 77.870 | 170.792 | 34.456 |
| Other operating revenues | 857.094 | 1.580.794 | 1.278.114 |
| Total Operating Income | 42.947.699 | 44.651.189 | 26.318.445 |
| Raw materials and consumables expenses | 24.510.229 | 30.013.639 | 17.630.495 |
| Other material expenses | 179.614 | 139.208 | 163.331 |
| Energy and water expenses | 2.492.040 | 2.463.850 | 2.237.140 |
| Expenditures on goods | 107927 | - | 239.688 |
| Personnel expenses | 8.262.193 | 7.640.227 | 6.481.790 |
| Amortizations and provisions for depreciation of assets | 1.635.021 | 1.584.153 | 1.298.685 |
| Other operating expenses | | | |
| - Expenses on external supply | 10.501.650 | 9.397.588 | 9.870.483 |

| | | | |
|------------------------------------|-------------------|-------------------|--------------------|
| - Expenses on other taxes and fees | 674.601 | 672.410 | 475.166 |
| - Other expenses | 439.431 | 522.947 | 898.009 |
| - adjustments on current assets | -5540 | -382 | 76.399 |
| adjustments on provisions | -39.764 | -173.058 | -1.615.139 |
| Total operating expenses | 48.757.402 | 52.260.582 | 37.756.047 |
| PROFIT/LOSS from Operating | -5.809.703 | -7.609.393 | -11.437.602 |
| Financial income | 1.074.962 | 272.938 | 67.584 |
| Financial expenses | 1.470.259 | 938.618 | 390.527 |
| financial PROFIT/LOSS | -395.297 | -665.680 | -322.943 |
| Total income | 44.022.661 | 44.924.127 | 26.386.029 |
| Total expenses | 50.227.661 | 53.199.200 | 38.146.574 |
| Gross profit | -6.205.000 | -8.275.073 | -11.760.545 |
| Income tax | | | |
| Net income | -6.205.000 | -8.275.073 | -11.760.545 |

In the course of 2015 provisions worth 38.476 lei were disbanded. SC PRODLACTA SA completed 2015 with a net loss of 6.205 million lei. To optimize fiscal and tax management of the company, SC PRODLACTA SA proposed that the loss for the year 2015 to be compensated from profit recorded in the coming years.

For December 31, 2015 society represent the following patrimonial situation:

| | Indicators | U.M | Value |
|----|---|------------|-------------------|
| 1 | Paid up subscribed share capital | Lei | 64.197.564 |
| 2 | Revaluation reserves | Lei | 3.356.174 |
| 3 | legal reserves | Lei | 427.838 |
| 4 | total Assets | Lei | 53.345.621 |
| 6 | Debts for a period less than one year | Lei | 24.248.119 |
| 7 | Debts for a period over one year | Lei | 2.871.571 |
| 8 | Provisions | Lei | 22.570 |
| 9 | Income in advance | LEI | 37.627 |
| 10 | Total debt plus provisions | Lei | 27.179.887 |
| 11 | Net assets (total assets - total liabilities) | Lei | 26.165.734 |
| 12 | The difference of net asset reduction compared to share capital / 2 | Lei | -5.933.048 |

Therefore, in order to remedy the imbalance between net assets and share capital in accordance the provisions of art 24 of law 153 of 31/1990 amended and republished and in compliance with provisions of Law 297/2004 and applicable securities regulations, the Board of Directors decided to propose to the Extraordinary General Meeting of Shareholders continuation of the company's activity and as a means of balancing the net assets and share capital to decide how to restore it and to proceed: either to reduce the share capital by an amount at least equal to the losses that could not be covered by reserves or reconstruct it to a value at least equal to half of the share capital (by capital increase and / or revaluation of fixed assets).

- c) *cash flow: all changes of cash level in the core business, investment and financial activity, cash level at the beginning and end of the period*

In 2015 the following net cash flows (lei) were made:

| | |
|--|------------|
| From operating activity and other activities | 2.283.943 |
| From investing activities | -2.157.294 |
| Increase / decrease of cash | 126.649 |
| Balance of cash at the beginning of the year | 133.075 |
| Balance of cash at the end of the year | 259.724 |

The Board of Directors' report includes an accurate analysis of the development of company effectiveness, as well as a description of the main risks and uncertainties specific to the performed activities.

Chairman of the Board,
General Director
Jardan Vladimir

Economic Director
Mihaela Chitea