

To: EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

REPORT

OF THE BOARD OF DIRECTORS OF SC PRODLACTA SA

**ON THE COMPANY PATRIMONIAL SITUATION PREPARED IN ACCORDANCE
WITH**

ART. 153 24 OF LAW 31/1990 ON TRADING COMPANIES

I. CONTEX OF THE REPORT:

In accordance with art. 153²⁴ of Law 31/1990 republished with the necessary amendments and supplements:

*If the Board of Directors or the management, respectively, **finds that**, after some losses, established in the annual financial statements approved according to the law, **the net assets of the company**, determined as difference between the total assets and total debts of the company, **decreased to less than half of the value of the subscribed registered capital**, it shall convene forthwith the extraordinary general assembly to decide whether the company must be dissolved. (2) Paragraph 3 of the art. 153²⁴ states: the Board of Directors or the management, respectively, shall submit to the extraordinary general assembly reunited according to paragraph (1) a report on the patrimony of the company, accompanied by remarks of the censors or, as applicable, of the internal auditors. This report must be deposited with the head office of the company at least one week before the date of the general assembly, in order to be able to be consulted by any shareholder concerned. Within the extraordinary general assembly, the Board of Directors or the management, respectively, shall inform the shareholders with regard to any relevant facts occurred after the drawing up of the written report.*

Further the provisions of paragraphs 4 and 5 of article. 153²⁴ are quoted

(4) If the extraordinary general assembly does not decide the dissolution of the company, then the company shall be obliged that, at the latest by the closing of the financial year subsequent to the one when the losses were established and under the reserve of Article (10), to proceed to the decrease of the registered capital in the amount at least equal to the one of the losses that could not be covered from the reserves, if during such interval the net assets of the company was not recreated up to the level of a value at least equal to half the registered capital.

*(5) In case the extraordinary general assembly fails to meet in compliance with paragraph (1) or if the extraordinary general assembly could not validly deliberate in the second convening either, **any person concerned may address the court to ask for the dissolution of the company**. The dissolution may also be requested in case the obligation imposed to the company according to paragraph (4) is not observed. In any of such cases the court may grant the company a time limit that may not exceed 6 months to settle the situation. The company shall not be dissolved if*

the recreation of the net assets by the level of a value at least equal to half the registered capital takes place by the time when the dissolution judgment is irrevocable.

II. ANALYSIS

For December 31, 2015 the company has 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	Paid up subscribed share capital	Lei	-5.933.048
13	Report net assets / share capital	%	40,76

The financial result of 2015 is a loss of..... 6,205,000 lei

Retained earnings is a loss of.....37.855.050 lei

The total loss is 44.060.050 lei

As a result of losses, net asset of the Company was reduced to less than half of the share capital subscribed and paid (respectively 40,76%).

Half of the subscribed share capital represents 32,098,782 lei

The net asset..... 26,165,734 lei

The difference between half of the subscribed share capital and the net asset represents **5,933,048 lei.**

Therefore, in order to remedy the imbalance between net assets and share capital in accordance the provisions of law 31/1990 and in compliance with provisions of Law 297/2004 and applicable securities regulations, and in order to provide the needed financial resources to support business growth that is absolutely necessary for the next period, we present the following solutions:

III. THE SUGGESTIONS OF THE BOARD OF DIRECTORS

The Board of Directors subject to the approval of the Extraordinary General Meeting of Shareholders a suggestion to continue the company's activity, and implement one of the measures suggested below to restore net asset up to values established by law.

The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to vote the method by which the replenishment of net asset to values established by law will be achieved, including:

- a) Reduction of share capital by an amount at least equal to losses, which could not be covered by reserves by reducing the nominal value of a share

or

- b) Increase in share capital by the amount required to restore capital to the level set by law.

Presentation of amendments in the structure of the share capital structure in 2 versions proposed for analysis and approval by the AGEA:

VARIANT No. 1

Reduction of share capital by an amount at least equal to losses, which could not be covered by reserves by reducing the nominal value of a share, with the aim restoration of the minimum value of the net assets of the company, set by art. 153²⁴ Law 31/1990 on commercial companies and

The share capital shall be reduced by reducing the nominal value of the shares by **12.273.063,66 lei** from the former **64.197.563,76 lei** to **51.924.500,10 lei** by reducing the nominal value of a share from 1,36 lei to 1,10 lei. No shares shall be cancelled in the course of the share capital reduction; The reason for the reduction of share capital is the necessity to restore the company's minimum net assets established by art. 153²⁴ of Law 31/1990 on commercial companies. We consider that the proposed method on reducing the share capital by decreasing the nominal value of the share is appropriate given the economic and financial situation of the company and the interests of all shareholders, especially the minority stockholders.

If it would be meant capital reduction by reducing the number of shares, his leads to a reduction of the number of shares held by individual shareholders, and it is possible that by rounding, it might reach less than 1 share. In case if there will be further actions of capital increase, the minority shareholders, esp. individual persons would be affected.

The method of reducing the share capital by acquiring the company's own shares followed by their cancellation is not feasible, because the company lacks the necessary cash for the acquisition of its own shares at the moment.

This analysis led to the decision of the Board of Directors which decided to analyze and approve the method of reduction of share capital by decreasing the nominal value of the share, given that the current nominal value of the share allows to perform this operation, being far above the legal limit of 0.1 lei / share according to law 31/1990 modified and republished.

The share capital structure after performing the operation of reduction will be as follows:

Share capital of is fixed at **51924500,10 lei divided into 47,204,091 lei registered shares with a nominal value of 1.10 lei each, fully subscribed and paid by shareholders.**

The share capital is owned entirely by shareholders, as follows:

- **JLC Germany GmbH**, a legal entity with a registered office in Germany, 8 Richard – Lucas street, 41812 Erkelenz, registered at the Court of Monchengladbach No. HRB 12325, **in the ratio 35,63729 %, respectively 16.822.262 shares at 1,10 lei each, amounting to 18,504,488.20 lei;**
- **Novustrade GmbH**, a legal entity with a registered office in Germany, 8 Richard – Lucas street, 41812 Erkelenz, registered at the Court of Monchengladbach No. HRB 12239, **in the ratio 5,44006 %, respectively 2.567.932 shares at 1,10 lei each, amounting to 2.824.725,20 lei;**
- **JLC Investment GmbH**, a legal entity with a registered office in Germany, 8 Richard – Lucas street, 41812 Erkelenz, registered at the Court of Monchengladbach No. HRB 14292, **in the ratio 4,502241 %, respectively 2.125.242 shares at 1,10 lei each, amounting to 2.337.766, 20 lei;**
- **JLC SA**, a legal entity with a registered office in Moldova, 90 Sarmizegetusa street, MD-2032, Chisinau, registered at the State Register of Legal Entities no. 15426 / 17.07.2012, **in the ratio 28,10758 %, respectively 13.267.928 shares at 1,10 lei each, amounting to 14.594.720,80 lei;**
- **Asociatia salariatilor si membrilor conducerii SC Prodlacta SA** a legal Romanian entity with a registered office in Brasov, 5 Ecaterina Teodoroiu street, MD-2032, Chisinau, registered at the register of associations and foundations no. 29/1995 of 02.21.1995 on conclusion of Brasov Law Court, **in the ratio 10,98638%, respectively 5.186.025 shares at 1,10 lei each, amounting to 5.704.627,50 lei;**
- **Physical and legal entities - in the ratio 10,55248%, respectively 4.981.206 shares at 1,10 lei each, amounting to 5.479.326,60 lei;**
- **The Romanian state, represented by AVAS - in the ratio 4,77394%, respectively 2.253.496 shares at 1,10 lei each, amounting to 2.478.845,60 lei;**

VARIANT No. 1

The share capital of SC PRODLACTA SA shall be increased by cash payment in the amount of **11.866.096,56 lei** respectively from the former **64.197.563,76 lei** to **76.063.660,32 lei** by issuing a total of **8.725.071 new shares** with a nominal value of 1,36 lei/share. The reason for the increase of share capital is the necessity to restore the company's minimum net assets established by art. 153²⁴ of Law 31/1990 on commercial companies.

The increase in share capital by contribution of funds will be subject to the following criteria and steps :

- a) Issuing a total of 8,725,071 new shares with a nominal value of 1.36 lei each, with no share premium.
- b) The 8,725,071 new shares with a nominal value of 1.36 lei each and issue price of 1.36 lei / share, are offered for subscription to shareholders registered on the registration date. The underwriting report is as follows: 100 owned shares can subscribe 18,4837178 new shares, with rounding in the negative result.
- c) The increase of the share capital is achieved by granting the preference right, to be carried out by the shareholders registered in the S. C. CENTRAL DEPOSITORY S. A on registration date, proportionally to the shares held by each shareholder on this date.
- d) The period in which shares within the implementation of the preference right can be subscribed is not less than one month from the date (set in the notice and prospectus) subsequent to the date of publication of AGOM decision in Monitorul Oficial al Romaniei.
- e) The share capital increase shall be carried out in limited amounts that are effectively subscribed and paid on the company account, new issued and unsubscribed shares were being canceled. Payment for subscribed shares shall be made on the date of subscription, according to the prospectus approved by F.S.A.
- f) Subscription operation will be carried out on the basis of the Prospectus approved by F.S.A. and through an intermediary authorized by F.S.A.

The economic, financial and legal aspects presented in the Report are submitted to analysis and approval at the General Extraordinary Meeting of Shareholders.

Chairman Of The Board Of Directors

JARDAN VLADIMIR

