

BIANNUAL REPORT
ACCORDING TO THE CMVM REGULATION NO.1/2006 FOR THE FIRST
SEMESTER OF 2016

Date: August 29, 2016

SC PRODLACTA SA
(name of company)

Headquarters: No. 5 Ecaterina Teodoroiu street, Brasov

Phone number: 0268/441050 Fax number: 0268/441952

Number of Trade Registry: J08/67/1991

Fiscal code: 1112568

Subscribed and paid up capital: 51.924.500,10 lei

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

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

Presenting an analysis of current economic and financial situation compared to the same period last year, with reference to:

a) balance sheet items: assets which represent at least 10% of the total assets; cash and other net worth liquid; reinvested earnings; total current assets; situation of the debts of the company ; total current liabilities.

Taking into account the reference date 06.30.2014 and 06.30.2015 balance sheet items are as follows:

Elements	Period		Index
	30.06.2015	30.06.2016	% 2016/2015
0	2	2	3
<u>Intangible assets</u>	263.590	159.393	60%
Tangible assets	42.155.337	41.668.991	99%
Of which:			
Lands	3.255.137	3.255.137	100%
Constructions	16.426.322	16.022.476	98%

Equipment and means of transport	21.302.894	21.022.620	99%
Other fixed assets	89.038	83.720	94%
Tangible assets	1.081.946	1.285.039	119%
<u>Financial assets</u>	1.600	1.600	100%
<u>Total current assets</u>	42.420.527	41.829.984	99%
Total stocks	4.476.958	3.501.865	78%
of which :			
Raw materials and packaging	803.760	1.119.563	139%
Semi-finished and finished products	3.558.162	1.836.953	52%
Packaging, goods at third parties and provisions	115.559	163.460	7%
<u>Receivables</u>	5.485.768	5.298.401	97%
Available funds	109.286	171.020	156%
Total current assets	10.072.012	8.971.286	89%
Expenses in advance	1.242.267	1.256.537	101%
Debts to be paid within a period of up to one year	20.764.909	26.050.508	125%
Debts to be paid within a period exceeding one year	3.156.458	2.230.204	71%
Income in advance	2.564.363	1.961.680	76%
Capital	64.197.564	64.197.564	100%
Revaluation reserves	3.356.174	3.356.174	100%
Reserves	427.838	427.838	100%
Profit or loss brought forward(a)	-37.855.050	-44.060.050	116%
Profit or loss for financial year	-2.922.284	-2.125.923	

Distribution of profit			
Equity	27.204.242	21.795.603	80%

For 30.06.2016 in comparison with 30.06.2015 the following is registered:

- Tangible assets registers a decline by **590.543 lei** at the expense of amortization and at the expense of investment in equipment and investments made in existing buildings;
- Stocks have decreased by **975.093 lei**, due to a better organization in terms of supply planning depending on the production and also on sales;
- receivables decreased by **187.367 lei**;
- cash registers an increase by **61.734 lei**..
- debts to be paid within a period of up to one year increased by **5.285.599 lei**;
- debts to be paid within a period exceeding one year decreased by **926.254 lei** due to rescheduling the payment of obligations to the state.

The situation of current assets and current liabilities is as follows:

Elements	30.06.2015	Debt ratio	30.06.2016	Debt ratio
	Lei		Lei	%
Current assets with a high degree of liquidity	6.763.586	60%	6.725.958	66%
Fund	4.476.958	40%	3.501.865	34%
Current assets	11.240.544	100%	10.227.823	100%
Current liabilities	20.764.909		26.050.508	
Net current assets	-10.171.597		-15.860.312	
Current liquidity	0.541		0.392	
Low liquidity	0.215		0.134	

Current assets with a high degree of liquidity decreased a little, compared with last year, mainly due to the reduction of accounts receivable, but also due to cash.

Current liquidity showing the coverage of short-term debt decreased from 54.1% to 39.2%.

Low liquidity declined this year to 13.4% from 21.5% registered the previous year.

- profit and loss account: net sales; Gross income; elements of costs and expenses with a debt ratio of at least 20% in net sales or gross income; risk provisions and provisions for various expenses; reference to any sale or shutdown of part from the activity performed in the last 6 months and to be implemented in the next 6 months; dividends declared and paid;*

Profit-and-Loss Account

Elements	Period		Index
	30.06.2015	30.06.2016	2016/2015
	0	2	3
Turnover	20.781.641	21.030.540	101%
Income from the stored production	700.660	-238.316	-34%
Capitalised production	65.336	73.189	112%
Other operating income	406.608	577.763	142%
TOTAL OPERATING INCOME	21.954.245	21.443.176	98%
Expenses for raw materials and supplies	13.076.946	11.796.691	90%
Energy and water expenses	1.248.114	1.245.903	100%
Costs of works and services performed by third-parties	5.021.457	3.973.128	79%
Expenditure related to staff	4.054.483	4.429.129	109%
Amortization and provision expenditures	837.255	862.092	103%
Commodities costs	0	432.061	#DIV/0!
Other operating expenses	508.660	723.232	142%
TOTAL OPERATING EXPENSES	24.729.415	23.459.478	95%
OPERATING RESULT	-2.775.170	-2.016.302	73%
TOTAL FINANCIAL INCOME	507.396	175.406	35%
TOTAL FINANCIAL EXPENSES	654.510	285.027	44%
FINANCIAL RESULT	-147.114	-109.621	75%
TOTAL INCOME	22.461.641	21.618.582	96%
TOTAL EXPENSES	25.383.925	23.744.505	94%
The gross result of financial year	-2.922.284	-2.125.923	73%
INCOME TAX			

NET RESULT FOR THE YEAR	-2.922.284	-2.125.923	73%
-------------------------	------------	------------	-----

a) *cash-flow* : all the changes in the level of cash in the normal course of business, investment and financial activities , the level of cash at the beginning and end of the period

Receivables decreased by 2%, current liabilities increased by 25.45% from 30/06/2016.

The situation of funds to the account of the Cash office and the BANK are as follows :

	30.06.2015	31.12.2015	30.06.2016
Cash in the Cash Department	21.799	12.670	30.599
Cash in the Bank	80.233	247.054	128.083

2. Analysis of the company's activity

2.1: *Presentation and analysis of trends, items, events, or uncertainties that affect or may affect the liquidity of commercial society, compared with the same period last year*

Uncertainties that may affect the company's liquidity are :

- Market trends of raw materials, the rising cost of quality milk;
- The decline in the purchasing power of the population;
- The growth of purchase prices of direct materials;

2.2. *Presentation and analysis of the effects on the financial situation of the Company's capital expenditures, current or anticipated (specifying the purpose and the sources of financing such expenditure) compared to the same period last year.*

It is not the case.

2.3: *Presentation and analysis of the events, transactions, economic changes that significantly affect incomes from core activities. Specification of the extent to which incomes were affected by every identified element. Compared to the corresponding period last year.*

Incomes were affected in the following structure:

	30.06.2015	30.06.2016	% (decrease)increase	% 2015	% 2016
Account 701 finished products sales income	18.485.142	16.777.994	91%	88,95%	79,78%
Account 702 income sales of semi-finished products	2.274.624	3.434.866	151%	10,95%	16,33%
Account 703 income from residual products	6.718	21.443	319%	0,03%	0,10%
Account 704 works and services income	251.519	515.628	205%	1,21%	2,45%
Account 706 rental income	443,7	6260	1411%	0,00%	0,03%
Account 707 income from sale of goods	0	475163			
Account 708 income from different activities	114.345	128.646	113%	0,55%	0,61%
Account 709 Granted trade discounts	-351.151	-329.460	94%	-1,69%	-1,57%
Total Turnover	20.781.641	21.030.540	101,20%	100,00%	100,00%

Increased turnover is one of the objectives of the current administration board, increase determined by signing contracts with all the chain stores across the country by increasing production capacity and hence the volume of raw material.

3. Changes that affect the capital and management of commercial company.

3.1. Description of cases in which the company was unable to meet its financial obligations during that period.

It is not the case.

3.2. Description of any changes in the rights of holders of securities issued by the company.

At the Extraordinary General Meeting of the Shareholders, held on 28/29.04.2016, the reduction of the share capital of PRODLACTA S. A., has been approved (by 12.273.063,66 lei from 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, without affecting the number of shares and the share of participation of each shareholder to the share capital. The purpose of the share capital reduction was to restore the minimum value of the net assets of the company according to art. 15324 of law no. 31/1990 of commercial companies.

At the date of this Report the operation of the reduction was registered at CRO Brasov. Also, the operation of reduction is, at the moment, in the phase of issuance of the Certificate of Registration of Securities by the Financial Supervisory Authority, following the procedure of registration of the operation of reduction to the Central Depository as well.

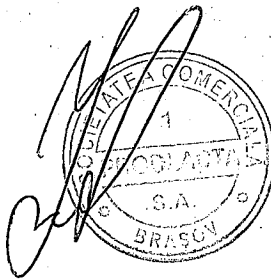
4. Significant Transactions

For issuers of shares, information about major transactions concluded by the issuer with the persons acting in concert or in which these people were involved in the relevant period of time.

Not the case.

Administrator

Jardan Vladimir



Economic Manager

Chitea Mihaela