

**S.C. CONTED S.A.**

**Confecții textile**

Str. 1 Decembrie 1918 nr. 8, Dorohoi, jud. Botoșani, Cod poștal: 715200, România  
C.I.F.: RO 622445, Nr. ORC: J07/107/1991, TEL/FAX: 0231610064/0231610026  
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**THE BOARD OF DIRECTORS' REPORT FOR THE FIRST SEMESTER OF 2020**  
(drafted in accordance with the provisions of A.S.F. Regulation No. 5 of 10 May 2018, Annex 14)

Report date: 28.08.2020

Name of the company: S.C. CONTED S.A.

Headquarters: locality DOROHOI, Botoșani County

Street: 1 Decembrie nr.8

Post code: 715200

Phone/Fax: 0231610067/0231610026

Legal form: Joint - stock company

VAT number: RO 622445

Trade registry number: J07/107/1991

NACE code: 1413 - Other garments manufacturing (except underwear)

Subscribed and paid registered capital: 2,284,360.06

The regulated market on which the issued securities are being traded: Bucharest Stock Exchange – Standard Category

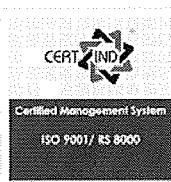
The Board of Directors' Report of S.C. CONTED S.A. Dorohoi for the first semester of 2020 presents the main events and trades in order to understand the changes related to the position and performance of the company that took place during January - June 2020.

**1. ECONOMIC AND FINANCIAL SITUATION**

**1.1 Analysis of the current economic and financial situation compared with the same period last year.**

**a) Financial position items**

|  | <b>Lei</b>        |                   |
|--|-------------------|-------------------|
|  | <b>30.06.2020</b> | <b>30.06.2019</b> |
| <b>Total assets from which:</b>              | <b>11,946,833</b> | <b>9,463,027</b>  |
| <b>Fixed assets</b>                          | <b>5,665,580</b>  | <b>4,930,361</b>  |
| - Intangible assets                          | 8,000             | 11,440            |
| - Tangible assets                            | 5,657,580         | 4,918,921         |
| <b>Current assets</b>                        | <b>6,190,115</b>  | <b>4,453,520</b>  |
| - Inventories                                | 2,372,965         | 1,945,114         |
| - Trade receivables and other receivables    | 3,427,023         | 2,367,216         |
| - Cash and cash equivalents                  | 390,127           | 141,190           |
| <b>Other assets items (accrued expenses)</b> | <b>91,138</b>     | <b>79,146</b>     |
| <b>Total debts and equity, from which:</b>   | <b>11,946,833</b> | <b>9,463,027</b>  |
| <b>Current debts</b>                         | <b>2,145,996</b>  | <b>1,580,404</b>  |
| <b>Long term debts</b>                       | <b>322,836</b>    | <b>230,257</b>    |
| <b>Provisions for employee benefits</b>      | <b>148,813</b>    | <b>81,875</b>     |
| <b>Equity, from which:</b>                   | <b>9,329,188</b>  | <b>7,570,491</b>  |
| - Registered capital                         | 2,284,360         | 2,284,360         |
| - Other items of equity                      | (322,836)         | (230,257)         |
| - Revaluation reserve                        | 2,689,156         | 2,110,535         |
| - Legal reserve                              | 456,661           | 456,661           |
| - Other reserves                             | 4,080,948         | 4,080,948         |
| - Reported result                            | (385,174)         | (887,110)         |
| - The financial year result                  | 526,073           | (244,646)         |



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Compared to 30.06.2019 the trade receivables to the amount of 3,059,414 lei (2019: 2,343,126 lei) have increased by 30.57%, the current assets to the amount of 6,190,115 lei (2019: 4,453,520 lei) have increased by 38.99% as, and the current debts to the amount of 2,294,809 lei (2019: 1,662,279 lei) have increased by 38.05%.

The current debts are short term debts and are made of:

|   | <u>Lei</u> |
|---|------------|
| Customer creditors  | 1,285      |
| Trade debts – suppliers   | 605,190    |
| Staff liabilities and assimilated accounts                      | 307,593    |
| Debts to social security and state budget, other taxes and fees | 1,226,505  |
| Amounts due to shareholders                                     | 5,423      |
| Provisions for employee benefits                                | 148,813    |

**Financial position items:** assets representing at least 10% from the total assets: cash and other liquid assets; reinvested profits; total current assets; situation of the company's debts; total current debts;

**Assets exceeding 10% from the total assets**

- Lei

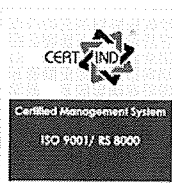
| Current no. | Analytical indicators from the balance sheet, exceeding 10% from the total assets | 30.06.2019       | 30.06.2020        | % from the total assets 30.06.2020 |
|-------------|---|------------------|-------------------|------------------------------------|
|             | <b>TOTAL ASSETS</b>   | <b>9,463,027</b> | <b>11,946,833</b> | <b>100.00</b>                      |
|             | <b>10% from the total assets</b>  | <b>946,303</b>   | <b>1,194,683</b>  | <b>10.00</b>                       |
| 1.          | Buildings   | 3,106,817        | 3,574,273         | 29.92                              |
| 2.          | Inventories   | 1,945,114        | 2,372,965         | 19.86                              |
| 3.          | Trade liabilities - clients   | 2,343,126        | 3,059,414         | 25.61                              |

**Debts exceeding 10% from the total debts**

Lei

| Current no. | Analytical indicators from the balance sheet, exceeding 10% from the total debts | 30.06.2019       | 30.06.2020        | % from the total debts 30.06.2020 |
|-------------|--|------------------|-------------------|-----------------------------------|
|             | <b>TOTAL DEBTS</b>   | <b>9,463,027</b> | <b>11,946,833</b> | <b>100.00</b>                     |
|             | <b>10% from the total debts</b>  | <b>946,303</b>   | <b>1,194,683</b>  | <b>10.00</b>                      |
| 1.          | Other reserves   | 4,080,948        | 4,080,948         | 34.16                             |
| 2.          | Reevaluation reserve   | 2,110,535        | 2,689,156         | 22.51                             |
| 3.          | Subscribed and paid registered capital   | 2,284,360        | 2,284,360         | 19.12                             |

During the first semester of 2020, the registered capital of the company was not changed in the sense of its increasing or decreasing. The registered capital on June 30<sup>th</sup>, 2020 is of 2,284,360.06 lei and is held by a number of 445 shareholders.



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b) Items of the global result

|   | Lei        |            |
|---|------------|------------|
|   | 30.06.2020 | 30.06.2019 |
| • <b>Total income</b>   | 6,660,816  | 6,442,196  |
| • <b>Exploitation expenses, from which:</b>                             | 6,614,051  | 6,393,581  |
| - Turnover from which:  | 4,729,268  | 6,202,524  |
| <i>Sold output</i>  | 4,702,454  | 6,123,995  |
| <i>Sales income</i>   | 26,814     | 78,529     |
| - Income related to the products inventories costs                      | 599,260    | 132,354    |
| - Income from operating subsidies                                       | 1,269,951  | -          |
| - Other income  | 15,572     | 58,703     |
| • <b>Financial income</b>   | 46,765     | 48,615     |
| • <b>Total expenses</b>   | 6,134,743  | 6,686,842  |
| • <b>Exploitation expenses, from which:</b>                             | 6,120,768  | 6,668,477  |
| - Expenses related to raw materials and merchandise                     | 526,236    | 655,452    |
| - Expenses for the goods  | 22,161     | 59,505     |
| - Expenses for energy and water   | 399,426    | 462,424    |
| - Expenses related to salaries, social contributions and other benefits | 4,860,010  | 5,080,414  |
| - Expenses for the amortization   | 238,026    | 161,770    |
| - Other exploitation expenses, from which:                              | 239,112    | 340,599    |
| <i>Expenses related to the external services</i>                        | 130,048    | 158,124    |
| <i>Expense for other interests, fees and assimilated payments</i>       | 100,915    | 116,110    |
| <i>Expense for the environment protection</i>                           | 156        | 210        |
| <i>Other expenses</i>   | 7,993      | 66,155     |
| - Adjustments for provisions  | (164,203)  | (91,687)   |
| Expenses  | -          | -          |
| Incomes   | 164,203    | 91,687     |
| • <b>Financial expenses</b>   | 13,975     | 18,365     |
| • <b>Exploitation result</b>  | 493,283    | (274,896)  |
| • <b>Financial result</b>   | 32,790     | 30,250     |
| • <b>Result before taxation</b>   | 526,073    | (244,646)  |
| • <b>Continuous activities result</b>                                   | 526,073    | (244,646)  |

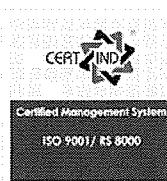
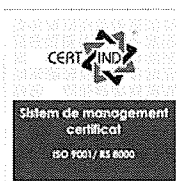
Compared to the same period of the previous year, the following can be noticed:

**The volume of the total Income** was to the amount of 6,660,816 lei, meaning a increase by 3.39% compared to the total income gained during the same period of 2019, the amount of 6,442,196 lei.

**The volume of total expenses** is of 6,134,743 lei, and that they have decreased by 8.26% compared to the first semester of 2019, when I registered the amount of 6,686,842 lei.

Within the volume of **total expenses**, the most important part is the one of the expenses related to staff (salaries, social contributions and other benefits) the amount of 4,860,010 lei, meaning percentage of 79.22%.

**Exploitation income** to the amount of 6,614,051 lei have increased during the first semester of 2020 by 3.45% compare to the same period of the previous year, when the amount of 6,393,581 lei, and **the exploitation expenses** to the amount of 6,120,768 lei have decreased by 8.21% compared to 30.06.2019, when I registered the amount of 6,668,477 lei.



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The exploitation activity ended with a profit to the amount of 493,283 lei, compared to the first semester of 2019, ended with a loss to the amount of (274,896) lei. From the total of the exploitation income, the most important part is the sold output in the amount of 4,702,454, and in the exploitation expenses the most important part is one of the staff expenses (salaries, social contributions and other benefits) that is to the amount of 4,860,010 lei, meaning 79.40% from the total exploitation expenses the amount of 6,120,768 lei.

**Financial income** to the amount of 46,765 lei is coming from interests and foreign exchange differences favorable.

**Financial expenses** to the amount of 13,975 lei are coming from other financial expenses (unfavourable foreign exchange differences). Therefore, the financial result is a profit to the amount of 32,790 lei as compared to the same period of 2019, when we recorded profit to the amount of 30,250 lei.

According to the analysis of the income and expenditure groups, it can be noticed that the company is recording a profit from the exploitation and of financial activity.

During the first semester of 2020, the company has recorded a **profit** to the amount of 526,073 lei, as compared to the same period of the previous year when we recorded a loss to the amount of (244,646) lei.

**Situation of profit or loss:** net sales; gross income; costs and expenditure items with a share of at least 20% in net sales or gross income; risk provisions and for different expenses; reference to any sale or closure of a segment of activity performed in the last 6 months or to be performed in the next 6 months; declared and paid dividends;

Lei

| Current no. | Analytical indicators from the profit or loss situation, exceeding 20% from the turnover | 30.06.2019       | 30.06.2020       | % of the total turnover 30.06.2020 |
|-------------|--|------------------|------------------|------------------------------------|
|             | <b>Turnover</b>  | <b>6,202,524</b> | <b>4,729,268</b> | <b>100.00</b>                      |
|             | <b>20% from the turnover</b>   | <b>1,240,505</b> | <b>945,854</b>   | <b>20.00</b>                       |
| 1.          | Sold output  | 6,123,995        | 4,702,454        | 99.43                              |
| 2.          | Expenses with salaries, social contributions and other benefits                          | 5,080,414        | 4,860,010        | 102.76                             |

**The company's turnover** related to the first semester of 2020 is of 4,729,268 lei from which 4,263,871 lei achieved exportation and 465,397 lei achieved internal, as compared to the first semester of 2019 when we recorded 6,202,524 lei, from which exportation 3,915,738 lei and internal 2,286,786 lei.

In its structure, the turnover was achieved mainly by the sale of own production in a proportion of 96%. The value of the exportation sales in the first semester of 2020 represents 90.16%, and the internal sales represent 9.84% from the turnover. **The turnover** registered in the first semester of 2020 to the amount of 4,729,268 lei has decreased by 23.75% compared to the same period of the previous year, when the amount of 6,202,524 lei was registered.

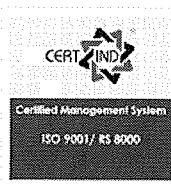
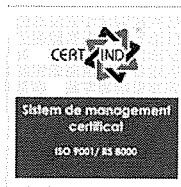
**The expenses related to staff** to the amount of 4,860,010 lei, have decreased by 4.33%, compared to the same period of the previous year, representing 102.76% from the turnover and include:

|   | <u>30.06.2020</u> | <u>30.06.2019</u> |
|---|-------------------|-------------------|
| Expenses related to salaries  | 3,506,502         | 4,545,527         |
| Expenses related to the contributions at the obligatory social insurances | 129,728           | 150,777           |
| Expenses with table and gift vouchers                                     | 256,510           | 384,110           |
| Expenditures on staff salaries in the unemployment insurance budget       | 967,270           | -                 |
| <b>Total</b>  | <b>4,860,010</b>  | <b>5,080,414</b>  |
| <b>Average number of employees</b>  | <b>326</b>        | <b>326</b>        |

At the end of the first semester of 2020, the average number of employees was 326 employees and is the same as in the previous period of 2019. The company's employees are not grouped in a trade union.

In the first 6 months, no segment of activity was **sold or closed**.

In the next 6 months it is not **foreseen the sale or closure of any segment of activity**.



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In the first half of 2020, the company distributed dividends in the amount of 150 lei, representing dividends for the years 2013 - 2016. For the year 2017, 2018 and 2019, the company did not distribute dividends, because it recorded a loss.

**c) Cash – flow items**

| Items ( lei)   | 30.06.2020      | 30.06.2019       |
|--|-----------------|------------------|
| <b>A. The exploitation activity</b>  |                 |                  |
| • Receipts, from which:  | 4,435,303       | 6,899,921        |
| - Cashed interests   | 34              | 485              |
| • Payments from which:   | (5,217,524)     | (6,183,474)      |
| - payments for suppliers and employees   | (3,817,357)     | (4,067,803)      |
| - payments for taxes and fees to the state budget and social insurances budget | (1,400,167)     | (2,115,671)      |
| • Other exploitation operations:   | 1,078,351       | (1,022,424)      |
| receipts   | 1,634,697       | 655,038          |
| payments   | (556,346)       | (1,677,462)      |
| <b>Net cash related to the exploitation activity</b>                           | <b>296,130</b>  | <b>(305,977)</b> |
| <b>B. Investment activity</b>  |                 |                  |
| • Payments for fixed assets acquisition  | (73,097)        | (230,247)        |
| <b>Net cash form the investment activities</b>                                 | <b>(73,097)</b> | <b>(230,247)</b> |
| <b>C. Financing activity</b>   |                 |                  |
| • Payments for dividends   | (150)           | (1,549)          |
| <b>Net cash from financing activities</b>                                      | <b>(150)</b>    | <b>(1,549)</b>   |
| <b>Net cash Increase/decrease (A+B+C)</b>                                      | <b>222,883</b>  | <b>(537,773)</b> |
| <b>Cash at the beginning of the period January 1<sup>st</sup></b>              | <b>167,244</b>  | <b>678,963</b>   |
| <b>Cash at the end of the period June 30<sup>th</sup></b>                      | <b>390,127</b>  | <b>141,190</b>   |

The net cash on June 30<sup>th</sup>, 2020 is recording a increase to the amount of 248,937 lei compared to the same period of the previous year.

**2. ANALYSIS OF THE COMPANY'S ACTIVITY**

**2.1. Presentation and analysis of the trends, items, events or uncertainty factors affecting or possibly affecting the trading company liquidity, as compared to the previous year.**

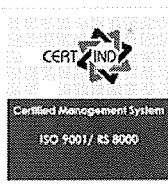
S.C. CONTED S.A. is a high quality garments producer, with an experience of over 50 years in the field of textiles as well as the export production. The company had an upward trend, by expanding its selling market, by contracts with foreign companies. The company is mainly operating through the lohn system.

In the second quarter of the first semester of 2020, due to the establishment of the state of emergency in Romania, to prevent the spread of COVID-19, the company stopped its activity in April and partially in May, employees benefiting from technical unemployment from the unemployment insurance budget.

The main clients for which the company worked during the first semester of 2020 were: HMD S.A.R.L. France, S.C. Incom Vranco Focșani, S.C. Euroconf Industrial S.A. Focșani and S.C. Confecția S.A. Miercuria Ciuc.

The manufactured products had as destination, clients like: Ba&sh, Cyrillus, Balibaris, Hackett, Gerard Darel, Le Printemps, Benvavita, Lacoste and Devred.

The company does not neglect proposals for new collaborations, for which samples or prototypes are being made, accepting orders of smaller quantities for prospecting the market.



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**The trading company liquidity:**

| INDICATOR                              | Calculation method  | January – June 2020                      | Amount |
|--|---|--|--------|
| Current liquidity indicator            | $\frac{\text{Current assets}}{\text{Current debts}}$                | $\frac{6,190,115}{2,145,996}$            | 2.88   |
| Indicator of the indebtness degree (%) | $\frac{\text{Borrowed capital}}{\text{Equity}}$                     | $\frac{0}{9,329,188}$                    | 0%     |
| Debts turnover - clients               | $\frac{\text{Clients average balance}}{\text{Turnover}} \times 180$ | $\frac{3,223,401}{4,729,268} \times 180$ | 123    |
| Fixed assets turnover                  | $\frac{\text{Turnover}}{\text{Fixed assets}}$                       | $\frac{4,729,268}{5,665,580}$            | 0.83   |

During the period January – June 2020, the current liquidity ratio was 2.88. The indicator's level shows the payment capacity, so a low risk and certifies the fact that the company is able to cover the short term debts on the account of receivables and available funds.

The indebtness degree shows the efficiency of the credit risk management.

The 0% indicator value shows the fact that the company is not facing any potential financing, liquidity issues, affecting the undertaken commitments.

The clients' rotation speed expresses the efficiency of the company concerning the collection of its receivables. For the first semester of 2020, the number of days until the date to which the clients have paid their debts was of 123 days and shows the efficiency of the company in collecting the receivables, the average term for the collection of receivables under the market economy being of 30 - 45 days.

The rotation speed of fixed assets expresses the efficacy of the fixed assets activity by examining the turnover amount generated by a quantity of fixed assets. The amount obtained is of 0.83 – indicating the efficacy of the fixed assets management by obtaining a turnover of 4,729,268 lei generated by a quantity of fixed assets of 5,665,580 lei.

The main factors that could affect the company liquidity are:

- The lack of contracts;
- Generalized financial blockage;
- Competition in the field;
- The labor shortages and qualified staff.

**2.2. Presentation and analysis of the current or accrued capital expenses effects on the financial situation of the trading company as compared to the previous year.**

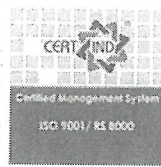
The company did not have capital expenses and such expenses are not foreseen in the future.

The company did intend to make investments for the development of the production activity in good terms.

**2.3. Presentation and analysis of the events, trades, economic changes significantly affecting the income from the basic activity.**

The main activity of the company is the manufacturing of other type of garments excepting the underwear. The income from the main activity at the end of the first semester of 2020 are of 4,551,052 lei, decreasing by 25.90% as compared to the same period of the previous year when we recorded the amount of 6,142,184 lei.

The turnover achieved in the first semester of 2020 is to amount of 4,729,268 lei and decreased by the amount of 1,473,256 lei as compared to the first semester of 2019, when we recorded the amount of 6,202,524 lei. This level of the turnover was obtained by the sale of own production manufactured in the first semester of 2020 and by the sale from the finished products and merchandise stocks.



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Thus, the own products and to amount of 4,551,052 lei merchandise have contributed by 96% to the achievement of the turnover, and the supplied services and other sales to amount of 178,216 lei represented 4% from the turnover.

The internal market sales of the first semester of 2020 were of 465,397 lei, in the European community were of 4,221,007 lei, and outside the European Union they were of 42,864 lei.

On a medium and long term, we believe it is mandatory for us to focus on the following issues:

- Analysis of the international fashion trends;
- Diversification of models according to age groups: children, adolescents, adults;
- Analysis of the fabrics and combinations of fabrics, matching;
- Analysis of internal and international market for fabrics and trims providers;
- Identifying the market niches;
- Promoting the products through advertising methods (leaflets, catalogues, internet);
- Distribution of products through our own shop and collaborators.

The company, no matter the circumstances, does not collaborate with only one customer, but with several customers, in order to avoid stagnation due to unfavourable conditions. However, we recognize that we depend on each customer, because they can always turn to geographic areas where the workforce is cheaper.

### 3. CHANGES AFFECTING THE COMPANY'S CAPITAL AND ADMINISTRATION

3.1. There were not cases in which the company find itself in the impossibility to pay its debts towards the state budget, the suppliers or the staff.

3.2. During the first semester of 2020, there were not changes regarding the rights of the securities owners issued by the trading company. All the securities holders had equal rights.

There were no changes affecting the capital and the administration of the company.

### 4. SIGNIFICANT TRANSACTIONS

There were not major transactions concluded by the issuer with persons with which they act in a concerted manner or in which these persons had been involved.

The financial statements on 30.06.2020 have been prepared in accordance with:

- Order 881 of June 25, 2012 on the application by the companies whose securities are admitted for trading on a regulated market, of International Financial Reporting Standards
- International Financial Reporting Standards (IFRS) as adopted by the European Union
- Accounting Law 82 of December 24, 1991;
- Order 2844 of December 12, 2016 for the approval of Accounting Regulations complying with International Financial Reporting Standards;
- Order of the Public Finance Ministry no. 2206 of July 24, 2020 approving the accounting reporting system of the economic operators on June 30<sup>th</sup> 2020.

The financial statements were approved by the Board of Directors in its meeting dated on August 03<sup>th</sup>, 2020.

The reporting currency of the financial statements is leu.

The financial statements drawn-up on June 30<sup>th</sup>, 2020 were not audited.



Chairman of the Board of Directors,  
Eng. HAMIDI HATSSAM